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CHAPTER 2

NATIONAL TREATMENT AND MARKET ACCESS FOR GOODS

ARTICLE 2.1

Objective

The Parties shall progressively and mutually liberalise trade in goods in accordance with the provisions of this Agreement.

ARTICLE 2.2

Scope

Except as otherwise specifically provided in this Agreement, this Chapter applies to trade in goods of a Party.

ARTICLE 2.3

Definitions

For the purposes of this Chapter, the following definitions shall apply:

- (a) "consular transactions" means the procedure of obtaining from a consul of the importing Party in the territory of the exporting Party, or in the territory of a third party, a consular invoice or

a consular visa for a commercial invoice, certificate of origin, manifest, shipper's export declaration or any other customs documentation in connection with the importation of the good;

- (b) "Import Licensing Procedure" means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs purposes) to the relevant administrative body or bodies as a prior condition for importation into the territory of the importing Party.
- (c) "Export Licensing Procedures" means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs purposes) to the relevant administrative body or bodies as a prior condition for exportation from the territory of the exporting Party.
- (d) "Repair or Alteration" means any processing operation undertaken on a good to remedy operating defects or material damage and entailing the re-establishment of the good to its original function or to ensure compliance with technical requirements for its use, without which the good could no longer be used in the normal way for the purposes for which they were intended. "Repair or Alteration" of goods includes restoration and maintenance but does not include an operation or process that:
 - (i) destroys the essential characteristics of a good, or creates a new or commercially different good;
 - (ii) transforms an unfinished good into a finished good; or
 - (iii) is used to improve or upgrade the technical performance or change the function of goods.
- (e) "Staging category" means the timeframe for the reduction or elimination of customs duties ranging from 0 to [X] years, after which a good is free of customs duty (unless otherwise specified in the Schedules).

ARTICLE 2.4

National treatment on internal taxation and regulation

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, including its Notes and Supplementary Provisions. To this end, Article III of the GATT 1994 and its Notes and Supplementary Provisions are incorporated into and made part of this Agreement, *mutatis mutandis*.
2. The treatment to be accorded by a Party under paragraph 1 means, with respect to a sub-central level of government, treatment no less favourable than the most favourable treatment that sub-central level of government accords to any like goods of that Party.

ARTICLE 2.5

Elimination or reduction of customs duties

1. Except as otherwise provided for in this Agreement, each Party shall reduce or eliminate customs duties on goods originating in the other Party in accordance with its Schedule in Annex [X-x] (Tariff Schedules).
2. For the purpose of paragraph 1, the base rate of customs duties shall be the one specified for each good in the Schedules in Annex [X-x] (Tariff Schedules) .
3. If a Party reduces its applied most-favoured-nation customs duty rate below the rate of customs duty applied in accordance with its respective schedule included in Schedule in Annex [X-x] (Tariff Schedules), the good originating in the other Party shall be eligible for that lower duty rate.
4. At the request of a Party, the Parties shall consult to consider accelerating the reduction or elimination of customs duties set out in the Schedules in Annex [X-x] (Tariff Schedules) or

broadening the scope of tariff reduction or elimination under this Agreement. The Joint Committee may take a decision to amend Annex [X-x] (Tariff Schedules) to accelerate or broaden the scope of the tariff reduction or elimination.

Article 2.6

Classification of Goods and Transposition of Schedules

1. For the purposes of this Agreement, the classification of goods in trade between the Parties shall be governed by each Party's respective tariff nomenclature in conformity with the Harmonized System and its legal notes and amendments.
2. Each Party shall ensure that the transposition of its Schedule of Tariff Commitments, undertaken in order to implement Annex 2A (Schedules of Tariff Commitments for Goods) in the nomenclature of the revised HS Code following periodic amendments to the HS Code, is carried out without impairing or diminishing the tariff commitments set out in its Schedule of Tariff Commitments in Annex 2A (Schedules of Tariff Commitments for Goods).

ARTICLE 2.7

Modification of concessions

1. In exceptional circumstances, where a Party faces unforeseen difficulties in implementing its tariff commitments, that Party may request the Other Party to enter into discussions for the purpose of modifying or withdrawing of concession contained in Annex [XX] (Tariff Schedules). The Party proposing to modify or withdraw a concession shall maintain a level of reciprocal and mutually advantageous concession to the Other Party.
2. If the Parties agree on such modification or withdrawal of a concession, the Trade Committee shall adopt a decision to amend Annex [XX] (Tariff Schedules), in accordance with Annex X (Functions of the Trade Committee).

ARTICLE 2.8

Export duties, taxes or other charges

1. If a Party intends to introduce a new or increase the level of existing duty, tax or other charges on, or in connection with, the exportation of a good, it shall notify the other Party as soon as practicable and, in any event, immediately after the adoption of any new measure.
2. Upon request of the Party affected by such a measure, the other Party shall provide information necessary to facilitate an examination of the impact of such a measure on the trade between the Parties, to the extent practicable.
3. Thereafter, the affected Party, may request consultations with the other Party at the Committee on Trade in Goods. The Parties shall enter into consultation as soon as practicable. The Parties shall conduct such consultations with the objective of addressing any adverse effects on trade.
4. The Parties shall protect any information designated as confidential.
5. This Article shall not apply to goods classified under HS Chapters 1 through 24.
6. Nothing in this Article shall affect the rights and obligations of the Parties under the GATT 1994 in respect of duties, taxes or other charges on, or in connection with, the exportation of goods.

ARTICLE 2.9

Fees and charges

1. Each Party shall prohibit administrative fees having an equivalent effect to import or export duties and charges.

2. Each Party shall ensure that fees, charges, formalities and requirements, other than import and export customs duties and measures listed in subparagraphs (i) through (iii) of Article 1.3(e) of Initial Provisions and General Definitions Chapter (Definition of custom duty), are consistent with the Parties' obligations under Article VIII of GATT 1994, including its Notes and Supplementary Provisions.

3. The Parties' Customs authorities shall not impose charges for the performance of customs controls or any other application of the customs legislation during the official opening hours of their competent customs offices.

4. Notwithstanding paragraph 3, the Parties' Customs authorities may impose charges or recover costs where specific services are rendered, in particular the following:

(a) attendance, where requested, by customs staff outside official office hours or at premises other than customs premises;

(b) analyses or expert reports on goods and postal fees for the return of goods to an applicant;

(c) the examination or sampling of goods for verification purposes, or the destruction of goods, where costs other than the cost of using customs staff are involved;

(d) exceptional control measures, where these are necessary due to the nature of the goods or to a potential risk.

5.

(a) Charges shall not exceed the approximate cost of the service provided, and shall not represent direct or indirect protection for domestic goods or a taxation of imports for fiscal purposes. The charges shall not be calculated on an ad valorem basis except where the charges payable in a specific instances as a result of that calculation are demonstrably lower than the approximate cost of the service provided.

(b) Without prejudice to the Parties' right to impose fees or charges under the conditions set in this article, the fees or charges shall not reduce or nullify the tariff concessions provided under this Agreement.

6. The information on fees and charges shall be published via an officially designated medium and, if feasible and possible, on an official website. That information shall include the reason or description for the fee or charge for the service provided, the responsible authority, the fees and charges that will be applied, and when and how payment is to be made. New or amended fees and charges shall not be imposed until information in accordance with the first sentence of this paragraph is published and made readily available.

7. No Party shall require consular transactions, including related fees and charges, in connection with the importation of any good of the other Party.

ARTICLE 2.10

Repaired goods

1. No Party shall apply a customs duty to a good, regardless of the origin, that re-enters the Party's customs territory after that good has been temporarily exported from its customs territory to the customs territory of the other Party for repair or alteration, except that a customs duty of the good under repair or alteration may be applied to the value added resulting from the repair or alteration (including cost of material used in repairs, insurance and freight charges both ways) that was performed in the territory of the other Party as per the Schedules in Annex [X-x] (Tariff Schedules).

2. Paragraph 1 does not apply to a good that has not entered into free circulation in a Party prior to being exported for the repair or alteration.

3. No Party shall apply a customs duty to a good, regardless of its origin, imported temporarily¹ from the customs territory of the other Party for repair or alteration.

ARTICLE 2.11

Import and export restrictions

No Party shall adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined for the territory of the other Party, except in accordance with Article XI of GATT 1994, including its Notes and Supplementary Provisions, Article 11.1(b) and (c) of the WTO Agreement on Safeguards. To this end, Article XI of the GATT 1994 and its Notes and Supplementary Provisions, Article 11.1(b) and (c) of the WTO Agreement on Safeguards, respectively, are incorporated into and made part of this Agreement, *mutatis mutandis*.

Article 2.12

Pre shipment inspections

1. A Party shall not require the mandatory use of preshipment inspection activities within the meaning of Article 1(3) of the Agreement on Preshipment Inspection, contained in Annex 1A to the WTO Agreement except for safety and security purposes.² To this end Articles 1 and 2 of this WTO Agreement on Pre-shipment Inspection and Article 10.5 of WTO Agreement on Trade Facilitation are incorporated in this Agreement, *mutatis mutandis*.

¹ For greater certainty, the word "temporarily" would imply to be governed by a Party's respective laws and regulations.

² For greater certainty, "safety and security purposes" relate to goods that contain hazardous, toxic waste, radioactive contaminated waste / scrap containing radioactive material, any type of arms, ammunition, mines, shells, live or used cartridges or any other explosive material in any other form either used or otherwise.

2. The Parties shall cooperate with a view to reaching a solution on issues related to pre-shipment inspection activities.

ARTICLE 2.13

State trading enterprises

1. With respect to State Trading Enterprises, including import and export monopolies, Article XVII of GATT 1994, including its notes and supplementary provisions, and the Understanding on the Interpretation of Article XVII of the GATT 1994 is incorporated in this Agreement and applies *mutatis mutandis*.
2. For the purpose of this Article, import and export monopoly means the exclusive right or grant of authority by a Party to an entity to import from or export to the other Party.

ARTICLE 2.14

Origin marking

1. Where India requires a mark of origin on the importation of goods of the EU Party, India shall accept the origin mark "Made in the EU" or the equivalent in a language according to the Indian origin marking requirements under conditions that are no less favourable than those applied to marks of origin of Member States of the Union.
2. For the purposes of the origin mark "Made in the EU", India shall treat the Union as a single territory.

ARTICLE 2.15

Import licensing procedures

1. The Parties shall ensure that all import licensing procedures are neutral in application, and administered in a fair, equitable, predictable and transparent manner.
2. A Party shall adopt, maintain or administer import licensing procedures which are consistent with the Import Licensing Agreement (including its interpretative notes) and to that end Articles 1 to 3 of the Import Licensing Agreement and its interpretive notes pertaining to those Articles are incorporated into and made part of this Agreement, *mutatis mutandis*.
3. A Party that institutes licensing procedures or makes changes to existing licensing procedures, shall notify the other Party of such procedures within 60 days of publication. The notification shall include the information specified in Article 5(2) of the Agreement on Import Licensing Procedures. A Party shall be deemed to be in compliance with this provision if it has notified the relevant import licensing procedure, or any modifications thereof, to the Committee on Import Licensing provided for in Article 4 of the Import Licensing Agreement, including the information specified in Article 5(2) of that Agreement.
4. Upon request of a Party, the other Party shall promptly provide any relevant information, including the information specified in Article 5(2) of the Agreement on Import Licensing Procedures, regarding any import licensing procedure that it has adopted or maintains, and wherever feasible the procedures that it intends to adopt, or changes to existing licensing procedures.
5. Where a Party has denied partially or completely an import licence application with respect to a good of the other Party, it shall, upon request of the applicant and promptly, no longer than 30 days, after receiving the request, provide the applicant with a written explanation including the reasons thereof and, if applicable, the procedures for resubmission of an application; an applicant shall not be prevented from submitting another application solely on the basis of a previously rejected application.

6. The applicant shall have the right of appeal or review to judicial, arbitral or administrative tribunals or procedures that shall be independent of the agencies entrusted with administrative enforcement in accordance with the domestic legislation or procedures of the importing Party.

ARTICLE 2.16

Export licensing procedures

1. Each Party shall publish any new export licensing procedure, or any modification to an existing export licensing procedure, in such a manner as to enable governments, traders and other interested parties to become acquainted with them. Such publication shall take place, wherever possible, before the procedure or modification takes effect but not later than the date such procedure or modification takes effect.
2. The publication of export licensing procedures shall include the following information:
 - (a) the texts of its export licensing procedures, or of any modifications it makes to those procedures, including a description of the goods subject to each licensing procedure, the process for applying for a license and any criteria an applicant must meet to be eligible to apply for a license and the administrative body or bodies to which an application or other relevant documentation should be submitted; and
 - (b) a contact point or points from which interested persons can obtain further information on the conditions for obtaining an export license.
3. Each Party shall notify the other Party of its existing export licensing procedures, unless available publicly. A Party that institutes new export licensing procedures, or changes existing licensing procedures, shall notify the other Party, unless available publicly.

ARTICLE 2.17

Specific measures concerning the management of preferential treatment

1. The Parties shall co-operate in preventing, detecting and combating breaches or circumventions of customs legislation related to the preferential tariff treatment granted under this agreement in accordance with their obligations under the Chapter on Rules of Origin and the CCMAA Agreement ³.

2. A Party may, in accordance with the procedure laid down in paragraph 3, temporarily suspend the relevant preferential tariff treatment of the product(s) concerned when:
 - (a) a Party has made a finding, based on objective information, that large-scale and systematic breaches or circumventions of customs legislation related to the preferential tariff treatment granted under this agreement, have been committed, and
 - (b) the other Party repeatedly refuses or otherwise fails to comply with its obligations referred to in paragraph 1.

3. The Party which has made a finding referred to in paragraph 2 shall, without undue delay, notify the [Trade/Association Committee] thereof and enter into consultations with the other Party through the [Trade/Association Committee] with a view to reaching a solution that is acceptable to both Parties.

4. If the Parties fail to agree on a mutually acceptable solution within two months from the date of notification, the Party which has made the finding may decide to suspend temporarily the relevant preferential tariff treatment of the product(s) concerned. In this case, the Party which made the finding shall notify the temporary suspension including the period during which it intends the temporary suspension to apply to the [Trade/Association Committee].

³ For greater certainty, the mechanisms set out in this agreement shall take precedence over those under the CCMAA agreement where both are applicable to address breaches or circumventions of customs legislation related to preferential tariff treatment granted under this agreement. However, cooperation under the CCMAA agreement may be sought, where appropriate, in a supplementary manner, or, where mechanisms set out in this agreement do not apply.

5. The temporary suspensions shall apply only for a period necessary to counteract the breaches or circumventions referred to in paragraph 2, and to protect the financial interests of the Party concerned, and in any case not for longer than six months.

6. The Parties shall keep the situation under review. Where the conditions set out in paragraph 2(a) or 2(b) that gave rise to the temporary suspension no longer persist, the Party concerned shall cease the temporary suspension without undue delay before the end of the period notified to the [Trade / Association Committee].

7. Where the conditions that gave rise to the initial temporary suspension persist at the expiry of the six-month period, the Party concerned may decide to renew the temporary suspension. Any temporary suspension shall be subject to periodic consultations within the [Trade/Association Committee].

8. Each Party shall publish, in accordance with its internal procedures, notices to importers about any decision concerning temporary suspensions referred to in paragraph 3.

ARTICLE 2.18

Committee on trade in goods

The Committee on Trade in Goods established pursuant to Article 2.3 (1) [specialized committees] shall:

- (a) promote trade in goods between the Parties, including through consultation on accelerating customs duty elimination under this Agreement and discuss other tariff and non-tariff issues as appropriate;
- (b) address issues relating to the administration and operation of tariff rate quotas;

- (c) reviewing the future amendments to and updating of the HS to ensure that the obligations of the Parties are not altered;

ARTICLE 2.19

Preference utilisation

1. For the purpose of monitoring the functioning of the Agreement and calculating preference utilisation rates, the Parties shall annually exchange import statistics for a period starting one year after the entry into force of this Agreement according to the Schedules in Annex [X-x] (Tariff Elimination Schedules).

2. The exchange of import statistics shall cover data pertaining to the most recent year available, including value and, where applicable, volume, at the tariff line level for imports of goods of the other Party benefitting from preferential tariff treatment under this Agreement and those that received non-preferential treatment.