

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/15

24 September 1962

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original: English

## 1962 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH

I N D I A<sup>1</sup>

### Basic Document for the Consultation<sup>2</sup>

#### 1. Legal and administrative basis of the restrictions

There has been no material change in the legal and administrative basis of import and export regulations of India since the last consultation. The statutory authority on which current import controls are based is the Import and Exports (Control) Act, 1947, which empowers the Central Government to prohibit, restrict or otherwise control, subject to any exceptions made by Order, the import of goods of any specified description. The procedures governing the exercise of these powers are set out in the Import Control Order, 1955, notified under the Act of 1947. Schedule I to this Order lists the goods for whose importation a licence or a customs clearance permit given by the competent authority is required. The Order, however, exempts from this requirement imports for defence purposes, imports of government stores by the appropriate Ministries and purchase organizations, passengers' baggage and personal effects, etc. The Order provides for the collection of licence fees and specifies the conditions governing the grant of licences, their transfer, amendment, suspension and cancellation.

Import control is administered by the Import and Export Trade Control Organization of the Ministry of Commerce and Industry. Besides its headquarters office in New Delhi, the Organization has ten regional licensing offices in the different parts of the country. The Organization is responsible for licensing imports of various goods e.g., capital goods, heavy electrical plant and equipment, raw materials for different industries, etc. Licences for the importation of certain goods are, however, given by special authorities. Iron and steel are licensed by the Iron and Steel Controller, Calcutta, while imports of certain machine tools are licensed by the Development Officer (Tools) of the Ministry of Commerce and Industry.

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<sup>1</sup>With respect to the scope of this consultation, see also GATT/AIR/301.

<sup>2</sup>Prepared on the basis of material supplied by the Indian authorities (see also BOP/19).

## 2. Methods used in restricting imports

Except for purchases by the Government (see under 1 above) and imports under Open General Licence all imports are subject to individual licence. Open General Licences are in force for the import of free gifts of books, samples, advertizing material and the free replacement of imported goods which had been found defective or unsuitable. For purposes of licensing, importers are grouped into three categories: (i) established importers; (ii) actual users, and (iii) other. Licences to these three categories of importers are issued as follows:

(i) Established importers are persons or firms who have actually imported any of the goods included in Schedule I to the Import Control Order, 1955, during at least one financial year (1 April to 31 March) falling within the basic period as specified for the particular item concerned. The importers may choose the best year from the basic period for the purpose of obtaining quota certificates on the value of their best year's imports.

(ii) Actual users have been defined as those who require raw materials or accessories for use in an industrial manufacturing process. The items licensable to actual users are published in the import policy booklet issued by the Ministry of Commerce and Industry. Licences to actual users are granted on the basic requirements assessed with reference to the level of production, past imports and stocks. The licences are not valid for import of raw material, etc. required for the manufacture of new items unless a licence for undertaking the new line of production has been obtained wherever necessary, under the Industries (Development and Regulation) Act, 1951.

Applications from small-scale industries for import of capital goods, raw materials, etc. are considered on the basis of "essentiality" certified by the Directors of Industries of State Governments and/or the Organization of the Development Commissioner (Small-Scale Industries).

(iii) Other importers. To this category belong: Consumers' Cooperative Societies, educational and research institutions, etc. The import policy for this category of importers is laid down every six months. Licences are issued on an ad hoc basis.

There are some items in which the interrelationship between imports and exports is direct and intimate. The ability to export some of these manufactured goods depends largely on the facility with which the exporter or the manufacturer can procure the basic raw materials required in the manufacture. With a view to promoting the export of such goods, a scheme has been devised for the grant of special import licence to replace the imported raw material content of the exported product, or to provide an inducement for larger exports. Specified kinds of raw material, machinery and equipment are licensed for importation under the scheme. Except where otherwise provided, the

basis for calculating import entitlement under the scheme is as follows: 75 per cent of the value of the goods exported in excess of exports made by the manufacturer in the year 1956 or twice the imported raw material used in the manufacture of the goods exported, whichever is less. Import licences are, in general, given only after the export has taken place. The scheme provides for consideration on merits of applications for import entitlements from prospective exporters.

#### Imports of capital goods

For purposes of import licensing "capital goods" mean such plant and machinery as are required for new installations, or for expansion or for setting up subsidiary production, whose aggregate value per unit is not less than Rs. 100,000 (f.o.b.).

The import of capital goods has always been accorded high priority in the import programme. Imports of capital goods have to be regulated however, because uncontrolled and sporadic imports of heavy plant might lead to unbalanced industrial development and generate heavy import demand for industrial raw materials. Also, imports of machinery which are available from indigenous sources have to be discouraged because of the need to save foreign exchange so as to permit the importation of essential items not available in sufficient quantities from domestic production. It has, therefore, become necessary, in the interests of the balanced development of the country, to devise a special scheme for regulating the inflow of capital goods not manufactured in the country, in accordance with a scale of priorities which has been decided upon in the light of the industrial needs of the country, the supply potential of the internal market, and the availability of raw material and other relevant considerations.

As a general rule, applications for import licences for substantial values of plant and machinery which are required for the setting up of new projects or for substantial expansion of existing industries are considered when (a) the importer himself is able to put forward satisfactory proposals for financing the foreign exchange required for the import, or (b) the import can be paid for under any loans or payment arrangements available to the Government. The possibility of the applicant himself arranging for the foreign exchange required to finance the import depends upon his securing either (i) foreign investment in the capital project to the extent necessary to cover the requirements of plant and machinery or (ii) long-term loans in foreign exchange from such bodies as the Industrial Credit and Investment Corporation in Bombay, the International Finance Corporation in Washington, the Commonwealth Development Finance Corporation in London or any other source. Applications for the import of plant and equipment required for the setting up of an industrial unit mainly devoted for developing the country's exports are dealt with on the basis of special priority. Likewise, import of plant and equipment required for expansion of capacity of existing units in order to build up export markets are also given special consideration.

The period of validity of import licences varies according to the nature of the imports, and is specified in the licensing policy statements. In certain cases, the period may be extended, such as actual user licences covering essential goods. Capital goods and heavy electrical plant licences are given with an initial validity of two years, extendable for a further period of one year on evidence of an accepted firm order, if shipments could not be effected within the initial validity period of the licence.

Fees are charged on application for licences according to the value of the import to be made. Applications for import of goods of a value of less than Rs. 250 for personal use are exempt from the fee.

Value of Imports Licensed in Different Past  
Licensing Periods

<u>Licensing period</u>	<u>Value of licences</u>
1. April-September 1958	Rs. 2,600 million (\$546 million)
2. October 1958-March 1959	Rs. 2,790 million (\$586 million)
3. April-September 1959	Rs. 3,460 million (\$727 million)
4. October 1959-March 1960	Rs. 4,290 million (\$901 million)
5. April-September 1960	Rs. 4,590 million (\$964 million)
6. October 1960-March 1961	Rs. 3,340 million (\$701 million)
7. April-September 1961	Rs. 4,220 million (\$887 million)
8. October 1961-March 1962 (Up to 23 December 1961)	Rs. 1,340 million (\$282 million)
3. <u>Treatment of imports from different sources</u>	

In general licences are issued as valid for imports from any country.

Since imports of capital goods are regulated with due regard to the availability of foreign exchange through loan and other arrangements, the validity of licences for such goods has to be restricted to imports from particular sources.

Bilateral trade agreements between India and twenty-seven countries are now in force. Most of these agreements do not involve specific commitments on import of any goods; they merely indicate the commodities, the import or export of which the partner countries intend to facilitate. Some of the agreements, including those with the United Arab Republic (Egypt), Pakistan and Yugoslavia, contain bilateral payments provisions. In general, transactions are settled in convertible or transferable currencies.

4. Commodities or groups of commodities affected by the various forms of restrictions

All imports, other than those covered by specific exemption, such as passenger's baggage, defence and government stores, are subject to licensing requirements. For a list of licensable items see Annex I.

5. Use of State trading or government monopoly in restricting imports

Foodgrains are imported on Government account by the Ministry of Food and Agriculture. The centralization of these imports is for ensuring adequate supplies at reasonable prices, to build up internal stocks and to regulate internal distribution.

The import of certain commodities (e.g. soda ash, raw silk, Chilean nitrate) is canalized through the State Trading Corporation. The arrangement is intended to ensure essential requirements and to effect equitable distribution at fair prices. The Corporation is registered as a private limited company under the Indian Companies Act, 1956, and its business transactions are governed by normal commercial considerations like price, quality and profitability. In deciding its sources of supply and in other matters, the Corporation follows an entirely non-discriminatory policy.

6. Measures taken since the last consultation in relaxing or otherwise modifying restrictions

Under the import policy for the period 1 October 1960 to 31 March 1961 imports of twenty-five listed commodities by Established Importers were prohibited and import quotas for some other items were reduced. Items affected by these import curbs were consumer goods and products available from domestic production including certain types of tools and machinery. On the other hand restrictions were relaxed somewhat for imports of certain industrial equipment and spare parts.

Under the licensing period 1 April to 30 September 1961 import quotas were reduced for 128 commodities and imports of nineteen other items were banned. There was however an increase in overall import outlays over the previous licensing period. Among the items affected by the quota cuts were various chemicals and dyes; pharmaceuticals; certain iron and steel products; electric installation materials; small electric motors; air compressors; industrial

fans; certain automobile parts; certain wood-working machines and machine tools; various agricultural implements; certain cotton and silk fabrics; watches and parts thereof; certain scientific and certain surgical instruments; paper; powdered milk and certain baby foods. At the same time the formal distinction for licensing purposes between the dollar area and the so-called soft currency area was eliminated.

Under the licensing period 1 October 1961 to 31 March 1962 quotas were reduced for a further 117 items. Among the items affected were various steel products; certain chemicals; electric appliances; electric motors; radio parts; agricultural implements; sheet and plate glass; aluminium alloy items; asbestos manufactures; synthetic resins; certain drugs and pharmaceuticals, and patent foods. At the same time import quotas for cycle parts and accessories; butyl acetate and butyl alcohol were cancelled.

For details of the 1962-63 licensing period see document BOP/19.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons  
(Statement by the Indian authorities)

The basic objective of import control is to safeguard the balance of payments and to give priority to the import of those products which are more essential. In shaping import policies account is taken of export prospects, the level of external reserves, the economic development plans and the pattern of requirements and priorities resulting from the development of the economy and seasonal factors.

In general, foodstuffs, capital goods, industrial raw materials and other essential commodities are given the highest priority, while other imports are severely limited or prohibited.

The import control policy is formulated by the Minister of Commerce and Industry. Before the licensing policy is announced, a detailed examination is made of each item in consultation with the various Ministries and technical advisers concerned. Suggestions made by the commercial and the industrial interests of the country are also taken into account. Import and Export Advisory Councils, which include besides officials representatives of commercial and trade interests are associated in an advisory capacity with the formulation of trade control policies. The Council meets twice a year, about six weeks before each policy announcement, under the chairmanship of the Minister of Commerce and Industry.

ANNEX

Import Policy for April 1962 - March 1963

ANNEX

IMPORT POLICY FOR APRIL 1962 - MARCH 1963

List of Licensable Items\*

1. Calcium molybdate and other molybdenum products
2. Ferro compounds, such as ferro-chrome, ferro-silicon
3. Iron and steel valves, strainers and hydrants
4. Boiler tubes in full length
5. Oil line pipes and tubes
6. Wrought iron pressure pipes and tubes
7. Mechanical tubing
8. Stainless steel tubes and pipes
9. Iron pipe fittings
10. Iron and steel wire ropes and wire netting and stapling wire
11. Wire mesh
12. Steel stud link chains
13. Iron or steel castings
14. Copper wrought in the form of strip, tape, foil or polished sheet
15. Copper sheets, tubes, etc.
16. Brass, bronze and similar alloys in the form of wire, rod, section, sheet, pipe and tube
17. Lead ingot, pig and scrap
18. Zinc or spelter unwrought
19. Tin block and scrap
20. Copper unwrought, ingots, blooms, etc.
21. Nickel including scrap
22. Aluminium in any crude forms
23. Tungsten metal powder and other tungsten products
24. Molybdenum metal powder and molybdenum wire
25. Raw manila hemp
26. Other raw hemp, sisal and aloe fibre and sisal yarn
27. Engine and boiler packing, all sorts
28. Machined steel balls
29. Aluminium crucibles, sheets, and other manufactures
30. Aluminium electrodes
31. Electrodes made of brass, bronze and other similar alloys
32. Manufactures of bronze, brass, etc. - others
33. Cadmium, cobalt, manganese
34. Electrodes, rods, foil, etc.
35. Non-ferrous semi-manufactures and alloys

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\*Reproducing a list supplied by the Indian authorities.

36. Aluminium alloys
37. Specified types of ball bearings
38. Taper roller bearings
39. Tools and cutters tipped with tungsten carbide and other oxide tips
40. Milling cutters, gear cutters, and mills, splitting saws, taps, dies and other thread forming tools
41. Metal working saws and other tools
42. Circular saws of certain types, wood-working board saws, machine-worked cutters
43. Files and rasps
44. Glass cutting or writing diamond tools
45. Adjustable hand or expanding reamers
46. Twist drills and reamers of certain types
47. Carbide tipped drills and reamers
48. Precision and measuring tools
49. Emery grain and powder, abrasives
50. Graphite and other crucibles
51. Certain types of machine belts, hair, and rubber covered conveyor belting
52. Marine type diesel engines and outboard motors
53. Squirrel cage electric motors of certain types and slip-ring motors of 10-50 h.p.
54. Parts of motors
55. Electric generators and generating sets
56. Air or gas compressors
57. Certain types of centrifugal pumps and parts
58. Certain specified jute textile machinery, and machinery for the following industries: hemp, tea, mines, quarries, electric supply undertakings, iron and steel
59. Component parts of machinery required by the railways
60. Telegraph instruments and parts
61. Railway track material and rolling stock
62. Studio electric and projector bulbs
63. Industrial and street light fittings, etc.
64. Carbon electrodes
65. Lightning arresters and high voltage fuses
66. Electric motor starters
67. Transformers of specified types
68. Paper insulated cables
69. High tension insulators
70. Electrolytic copper wires
71. Electric instruments, apparatus and appliances, specified types
72. Safety lamps and spare parts
73. Hydrosulphite of soda and soda nitrate
74. Finishing agents, synthetic resin
75. Coaltar dyes and dyestuff intermediates
76. Raw cotton

77. Certain textile machinery and specified component parts
78. Shuttles and other textile machinery accessories
79. Knitting machines and component parts
80. Plants living, n.o.s.
81. Cashew nuts
82. Seeds all sorts, n.o.s.
83. Copra or coconut kernel
84. Rubber seeds
85. Hops
86. Wattle bark and wattle extract
87. Rosin
88. Tallow
89. Wax all sorts
90. Palm oil
91. Chicory
92. Powdered milk and milk food in bulk
93. Drugs and medicines including those containing spirit, all sorts,  
n.o.s.
94. Iron lungs
95. China clay
96. Toilet requisites, n.o.s., others
97. Plumbago and graphite
98. Natural essential oils excluding pine oil
99. Synthetic essential oils
100. Camphor
101. Resinoids
102. Glue, n.o.s. excluding balt dressing
103. Chrome splits
104. Pickled hides and butts
105. Hides and skins, raw or salted
106. Rubber, raw and synthetic rubber
107. Fire wood
108. Cork manufactures, n.o.s.
109. Printing paper, packing wrapping paper, poster and other coated paper
110. Filter paper
111. Bleaching earth and filter aids
112. Books
113. Raw flax and jute
114. Artificial silk yarn and thread
115. Cotton yarns of eighty counts and above
116. Manufactures of wool, n.o.s. including felt
117. Linen thread
118. Umbrella ribs
119. Fire bricks
120. Building and engineering materials, all sorts, not of iron etc.
121. China and porcelain, all sorts, n.o.s.
122. Sheet and plate glass

123. Glass bottles and phials - others and heat resisting glassware
124. Glass and glassware, n.o.s. and lacquered ware, others
125. Stoves and parts, of aluminium and others
126. Bicycle tubes, valves
127. Typewriters and parts including typewriter ribbons - complete
128. Parts of sewing machines
129. Electric valves and other component parts of wireless reception instruments
130. Motor vehicle parts
131. Fuel injection equipment and component parts
132. Motorcycles and scooters in C.K.D. packs
133. Film strips and slides
134. Parts of clocks
135. Golf balls, toys, games, playing cards and requisites for games and sports, other
136. Engraving pictures
137. Works of art, n.o.s.
138. Specimen, models, wall diagrams illustrative of natural science, medals, antique coins, etc. imported for instructional purposes
139. Starch and farina
140. Dyeing and tanning substances
141. Sperm oil
142. Essences containing spirit used in manufacture of beverages
143. Metallic ores, all sorts
144. Specified chemicals for industrial uses
145. Aromatic chemicals
146. Selenium and selenium dioxide
147. Raw materials for paints, n.o.s.
148. Titanium dioxide and lithophone
149. Ultramarine blue
150. Nitrogenous fertilizers, other
151. Giant tyres
152. Rubber battery containers and separators
153. Rubber thread
154. Wood and timber, all sorts, n.o.s.
155. Laminated wood, veneers, plywood, sandalwood, agerwood and tagarwood
156. Wood pulp
157. Newsprint
158. Pasteboard, millboard, cardboard and straw-board, all sorts
159. Wood raw and wool tops including wool waste, shoddy wool and woollen rags
160. Hair and woollen yarn for manufacture of hair belting
161. Delivery hose for trailer pumps
162. Petroleum and gaswell drilling equipment
163. Refrigeration and air conditioning machinery, other sorts
164. Industrial machinery for oil companies, watch makers, tobacco manufacture, etc., all parts

165. Printing machinery and lithographic machinery and parts
166. Hosiery needles
167. Power driven agricultural machinery excluding tractors and certain types of machinery
168. Hand-made duplicators
169. Cream separators, milking machines and other dairy equipment
170. Industrial sewing machines and parts
171. Hearing aids and parts
172. Tape and wire recorders, all sorts
173. Electrical instruments, apparatus, etc., including heating elements, rectifiers and battery rechargers
174. Electromedical apparatus
175. Tramcars and component parts
176. Trailers, all types including tapping wagons
177. Aeroplanes, and parts
178. Leader films
179. Weighing machines and parts
180. Yarn cloth testing machines
181. Surveying and mathematical instruments
182. Instruments, apparatus and appliances, n.o.s.
183. Plastic and metallic spectacle frames, etc., and rough blank lenses other than bifocal blanks
184. Surgical instruments, apparatus, appliances not made mainly of rubber or glass
185. Asbestos raw
186. Cellulose acetate sheets and plastic moulding powders of specified types
187. Fibreboards
188. Tyrotechnic aluminium
189. Snap fasteners
190. Casein
191. Enamelled fruits
192. Flint stones for cigarette lighters
193. Dom nuts
194. Feathers
195. Power driven road rollers and parts
196. Power driven petrol dispensing pumps
197. Petrol and oil pumps and parts
198. Hearing aid batteries
199. Textile machinery and textile chemicals
200. Animal living, all sorts
201. Fish maws
202. Ivory unmanufactured
203. Tobacco unmanufactured
204. Cinematograph films exposed
205. Printed advertising material and articles made of paper or paper mâché

- 206. Silk raw
- 207. Pearls, unset
- 208. Mercury
- 209. X-ray films
- 210. Photographic negatives and printing paper and photo chemicals and accessories
- 211. Greases all sorts
- 212. Mineral oils including kerosene oils petroleum, etc.
- 213. Caustic soda
- 214. Insecticides, fungicides and disinfectants
- 215. Soda ash
- 216. Rock phosphates
- 217. Rubber contraceptives
- 218. Cinema machinery
- 219. Spare parts of agricultural tractors
- 220. Ships and other vessels
- 221. Machine tools
- 222. Dates
- 223. Card clothing and accessories
- 224. Electric cargons
- 225. Gum copal, raw gum base and gum benzoin
- 226. Leather splits
- 227. Mutton tallow
- 228. Special types of paper