RESTRICTED

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GENERAL AGREEMENT ON TARIFFS AND TRADE

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IMPORT RESTRICTIONS OF INDIA

Statement by the Indian Representative at the Intersessional Committee meeting on 6 August 1957

1. The import policy of India for January-June 1957 and July-September 1957 has been framed against the background of a rapid decline in the foreign exchange reserves of the country. Since the beginning of 1957 India's sterling balances, which constitute the country's foreign exchange reserve, have been declining at the rate of about Rs.10 million per day, if drawals of Rs.950 million from the International Monetary Fund are left out of account. The overall level of these reserves was Rs.4,317 million on 19 July 1957, as compared to Rs.7,353 million on 6 January 1956 and Rs.5,284 million on 4 January 1957.

2. This reduction in the reserves has been largely the result of increased trade deficits. The adverse trade balance during January-April 1957 was Rs.1,135 million, as against Rs.293 million in January-June 1955, Rs.358 million in July-December 1955, Rs.991 million in January-June 1956 and Rs.1,116 million in July-December 1956. Imports during January-April 1957 were at the half-yearly rate of Rs.4,893 million, which may be compared to Rs.3,249 million in January-June 1955, and Rs.3,953 million in January-June 1956. It would appear that in the months beyond April, imports have continued at a high level, the rate of decline in the sterling balances having in fact increased somewhat as compared to the earlier part of the year.

3. In view of the increasing payments deficit and the declining foreign exchange reserves, intensification of import restrictions has been unavoidable. The restrictions have been imposed on balance-of-payments consideration.

4. The details regarding the policy for the half-year January-June 1957 have been brought to the notice of the contracting parties (vide L/615). The policy statement for July-September 1957 has also been forwarded to the GATT secretariat. The policy for the three months July-September is transitional in character. It is proposed during these three months to take stock of the position, and to announce the policy for the full six-monthly period October 1957 - March 1958 in September. The change-over to the October-March and April-September licensing periods will make possible better co-relation between foreign exchange control and allied fiscal procedures, apart from providing an interval to review the overall position.

5. The July-September policy makes very adequate provision for the grant of licences for raw materials and semi-finished goods needed to meet industrial requirements. As regards finished goods, it needs to be kept in mind that the flow of imports against January-June 1957 licensing will continue during these months. Import licences are valid for at least six months from the date of issue, and a considerable part of the January-June 1957 licences would, therefore, be current for shipment even beyond September 1957. Provision has also been made for conversion of licences from one item to another, so that the best possible use may be made of outstanding licences.

6. As regards capital goods, the Government of India have no alternative but to restrict licensing to schemes which are covered by suitable deferred payment arrangements or by inflow of fresh foreign capital or by foreign assistance programmes. The essential needs of the economy for current purposes have to take precedence over the requirements for expansion.

7. The Government of India have reduced considerably the discrimination between dollar and non-dollar sources of supply in their licensing policy.

8. Steps have been taken in the field of budgetary and monetary policy to reduce the pressure on the balance of payments. Excise duties on a number of commodities like sugar, tea, coffee, unmanufactured tobacco, matches, paper, petroleum products, cement and steel have been increased. The Reserve Bank of India has raised the Bank Rate, and commercial banks have been asked to follow a cautious lending policy.

9. The Government of India continue to explore the possibilities of securing additional foreign exchange resources. Further loans have been obtained from the International Bank for Reconstruction and Development, and as mentioned above, a considerable amount has been borrowed from the International Monetary Fund.

10. The Government of India hope to discuss their import policy in detail with other contracting parties next October. The policy for the half-year October 1957 - March 1958 will have been formulated by then, and the CONTRACTING PARTIES could consider that policy. The Government of India would suggest that until that time, any detailed consideration of the import policy would be premature.