

GENERAL AGREEMENT ON

RESTRICTED

BOP/W/128/Corr.1

16 October 1989

TARIFFS AND TRADE

Limited Distribution

Committee on Balance-of-Payments Restrictions

1989 CONSULTATION WITH INDIA
UNDER ARTICLE XVIII:12(b)

Background paper by the Secretariat

Corrigendum

The following corrections are to be made to document BOP/W/128:

Paragraph 5, line 7: replace "remains at twelve months" by "has been increased to eighteen months"

Paragraph 18, line 7: replace "Rs 1.25 crores/year" by "Rs 2 crores/year"

Paragraph 27, line 7: replace "9.3 per cent" by "9½ per cent"
lines 16-20: replace the last two sentences by "The trade and current account deficits are both estimated to have widened markedly in 1988/89, and reserves are estimated to have fallen to under 3 months' imports."

Paragraph 54, lines 13-15: replace sentence by "Gross reserves (including gold valued at US\$35 per fine ounce) are estimated by the Fund to have increased from US\$7.0 billion to US\$7.2 billion between 1985/86 and 1986/87, remaining at some 4.9 months' import cover."

Paragraph 55 should be replaced by the following:

"As a result of favourable developments in India's terms of trade and competitiveness in 1987/88 (Graph 8), the trade deficit (on a customs basis) was reduced by 15 per cent in 1987/88. Balance-of-payments data supplied by the IMF show a 6½ per cent reduction in the merchandise trade deficit from US\$ 7.3 billion to US\$6.8 billion (or, if imports and exports of crude oil are netted out, a fall of 27½ per cent from US\$ 5.1 billion to US\$ 3.7 billion). The surplus on invisibles account, however, is estimated

to have declined by some 36 per cent to US\$ 1 billion, mainly because of increased deficits on transportation and miscellaneous items as well as higher interest payments abroad. As a result, the current account deficit increased by 1.7 per cent to an estimated US\$ 5.8 billion in 1987/88. However, the share of the current account deficit in GDP improved slightly, from -2.5 to -2.3 per cent.

Fund estimates for 1988/89 show that a marked deterioration in the merchandise trade account and further increase in investment income outflows were the main causes of a further sharp deterioration in the current account deficit: the trade deficit stood at US\$ 7.8 billion (an increase of 14 per cent over 1987/88) and the current account deficit at some US\$7 billion (-2.6 per cent of GDP). The overall balance turned into a deficit of nearly US\$400 million. Reserves, which fell to just over 4 months at end 1987/88, are estimated to have declined to below 3 months at the end of 1988/89."

Paragraph 63 should be replaced by the following:

"In 1987/88, net receipts from non-factor services fell by 45 per cent. A rise of 9 per cent in net tourism receipts was more than offset by the increase in the deficit for transportation services. The growth of external debt and the rise in interest rates (Graph 13) pushed up the net debit of investment income by 26 per cent. Private transfers - half of which is estimated to be composed of Indian workers' transfers - increased by 15 per cent. Overall, the net invisibles surplus fell by an estimated 36 per cent to US \$1 billion. In 1988/89 the surplus on invisibles account is estimated to have fallen further by a quarter to US\$ 735 million."

Table 4 is to be deleted.

Graph 6 is to be replaced by the attached graph.

Graph 6
CURRENT ACCOUNT BALANCE
(Percentage of GDP)

