

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments Restrictions

REPORT ON THE CONSULTATION UNDER ARTICLE XVIII:12(b) WITH INDIA

1. In accordance with its terms of reference, the Committee met on 31 October 1973 to conduct a consultation with India under the provisions of Article XVIII:12(b). The Committee noted that a consultation under the simplified procedures (L/3772/Rev.1) had taken place with India on 27 September 1973 when it had been decided that a full consultation would be held under the applicable procedure. The previous full consultation with India under the provisions of Article XVIII:12(b) had been held on 20 November 1969 (BOP/R/42). In conducting the consultation the Committee had before it a statement submitted by India (BOP/137 and Addendum 1), a background paper provided by the International Monetary Fund dated 28 June 1973, and the text of a decision of the Executive Board of the International Monetary Fund taken on 23 July 1973.
2. The Committee generally followed the plan for such consultation recommended by the CONTRACTING PARTIES (see BISD, 18th Supplement, pages 52-53). The consultation was held on 31 October 1973. This report summarizes the main points of the discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the IMF to consult with them in connexion with the consultation with India. Upon the invitation of the Committee, the representative of the Fund made a statement as follows:

"The Fund calls attention to the background material supplied and to the Executive Board decision of 23 July 1973, and in particular to the following paragraphs:

'There was a major improvement in the trade account during the past year, but external reserves declined somewhat, reflecting sharply reduced net foreign aid inflows. Given India's debt servicing requirements and import needs, it is important that greater efforts be made to expand and diversify exports.

The Fund welcomes the recent termination of the bilateral payments arrangements with Yugoslavia and hopes that serious consideration will be given to developing alternative methods of trade expansion with member countries with which India still maintains such arrangements. The Fund also hopes that the authorities will consider an early relaxation and simplification of the existing restrictions on trade and payments.'

Opening statement by the representative of India

4. In his opening statement, the text of which is contained in the Annex, the representative of India outlined the current position of foreign exchange reserves and the state of the Indian economy. He referred to the difficult situation faced by India over the past twelve months and noted that only very recently had prospects improved. A severe drought had affected agricultural production which in turn had slowed down the rate of economic growth and caused sharp increases in prices. In addition, an already difficult balance-of-payments situation was made worse. Exports increased during 1972-73, a result not only of India's own export policies but also of certain world trends; accompanying this, however, was an increase in imports, especially of food, and estimates were that imports of food-grains to supplement domestic production might cost well over \$400 million in 1973-74.

5. Indian reserves had reached a level of \$1.2 billion in March 1972, about double that maintained during the previous five-year period; this was partly due to India's share in the allocation of SDRs and partly to an increase in non-traditional exports. Over the last eighteen months, however, reserves had declined by \$100 million. To reflect accurately the current situation account should also be taken of the decline in foodgrain stocks of about six million tons, valued at about \$1 billion at current world prices.

India did not, therefore, regard present foreign exchange reserves as being at a comfortable level, especially in light of its debt servicing obligations and its heavy reliance on foreign aid (45 per cent of total imports). The maintenance of import restrictions should therefore be viewed with these factors in mind.

6. The Indian representative emphasized that the reliance on aid tied to procurement in donor countries restricted the freedom of India to move towards an entirely non-discriminatory system of imports and that special trading arrangements and tied aid were the only exceptions to this principle.

7. Despite the difficult foreign exchange situation, India has been able to maintain a high and growing volume of imports in its efforts to sustain development. The import policy was designed to make best use of foreign exchange by curtailing non-essential imports and by controlling imports of products that could be produced domestically, and to meet fully the import requirements of export and other priority industries. For this reason, three categories of industries have been established: of first priority, "actual users", whose import requirements were met fully; secondly,

"established importers" those which constituted a traditional channel of imports of such items as books, spare parts, drugs and medicines; and thirdly, "other importers", such as hospitals and universities where imports were allowed as liberally as possible. The Indian representative emphasized the flexibility of the overall policy and recent liberalizing trends in it, and drew attention to those cases where no import licence whatever was required.

8. Finally, the representative of India re-emphasized the non-discriminatory nature of Indian import policy. Decisions on importing were based purely on economic considerations and the sources of procurement were not specified in the policy on imports. Other than in the case of tied aid, import licences were universally valid.

I. Balance-of-payments position and prospects and alternative measures to restore equilibrium

9. Members of the Committee thanked the representative of India for his statement. One member pointed out that in a statistical exercise on the adequacy of international reserves, the Fund in its Annual Report had recently referred to reserve levels above 50 per cent of annual imports as "excess reserves". The representative of the Fund explained that the results of such a global statistical exercise could not be directly applied for a specific judgment in individual cases. In looking at the Indian situation, for instance, the Fund had taken into account a variety of factors. In particular, the Fund regarded the sharp reduction in foodgrains stocks as an important factor bearing on the adequacy of India's reserves. Among other factors considered, was also the recent deterioration in the Indian trade account and India's foreign reserves. The Indian representative pointed out that features of the Indian balance of payments made the 50 per cent

figure inappropriate as a criterion in the case of his country. First, there were heavy debt service obligations. Secondly, the figure of 50 per cent of annual imports did not allow for the possibility that even if harvests this year were satisfactory, food might still have to be imported due to the need to rebuild depleted stocks. Finally, the uncertainty surrounding the receipts of foreign aid, both from bilateral and multilateral sources, upon which India relied heavily, made even its present level of reserves inadequate.

10. One member of the Committee noted that different figures were being used in the discussion for India's reserve level. His source was the Reserve Bank of India which showed July 1973 reserves as over US\$1.3 billion; this did not constitute a decline. The representative of the IMF said that the difference was due to the Fund expressing reserves in terms of SDRs. The same member stated that India's reserves as a percentage of free foreign exchange imports were over 100 per cent. The representative of India said that this standard was irrelevant and reiterated that the adequacy of the reserves must be judged in relation to the total import requirements, debt service obligations and uncertainties of aid flows.

11. Some members of the Committee requested details on foreign aid, and especially on the proportion of it that was tied. The Indian representative replied that 85 per cent of the total aid received so far by India was tied to sources of procurement. He drew attention to the fact that annual aid accounted for

\$900 million of imports by India, or some 45 per cent. Forecasts and projections of long-term imports were made more difficult by the uncertainty of future aid receipts.

12. Questions were raised regarding the bilateral arrangements which India had with certain countries, especially with non-members of GATT. The representative of India stated that too great a distinction ought not to be drawn between such arrangements and multilateral trade and payments, and that one form of trade was not seen as superior to the other. Such arrangements, however, had often enabled India to introduce non-traditional exports to the world market and in this way the arrangements had had a qualitative impact on the balance of payments. They were a means of "learning by doing" for Indian exporters, and in the countries with which India had bilateral arrangements there was often a strong demand for non-traditional Indian exports. Clarification was sought as to whether these arrangements constituted bilateral payments agreements as well as trade agreements, and whether trade in specific types of products was provided for. The representative of India stated that the commitment was not to trade in individual products but rather to ensure a general balance of trade between the two parties to each agreement; there was only an implicit commitment to balance payments between the partners. In answer to another question, the Indian representative pointed out that State-trading agencies were not directed to favour bilateral partners, but could purchase from the cheapest source available.

13. Some members of the Committee requested information on Indian export policy, and asked what export promotion measures had been adopted. The Indian representative stated that much market promotion had been undertaken and that it had already begun to yield benefits in the form of increased exports of chemicals, electronic and engineering goods, and other non-traditional exports. He also noted that most Indian exports were competitive internationally and that most assistance provided to exporters was designed to enable them to gain expertise. Most Indian exports sell at world prices. Another member requested clarification of the purposes of export duties on certain minerals. The Indian representative pointed out that duties of this type were rare; where they did occur their purpose was to encourage domestic processing of the ores. Also, temporary export duties would occasionally be imposed to secure for the Government what would otherwise be windfall profits for an exporter.

14. Some members of the Committee also raised general questions with respect to the state of the balance of payments and the medium- to long-term prospects; specific mention was made of the competitiveness of Indian exports on world markets especially in the light of recent inflation and such policy steps are taking over the wholesale trade in wheat. The representative of India replied that the planned target for export growth over the next five years was 7 per cent per annum, but that export prospects would be even brighter if significant reductions occurred in tariff and non-tariff barriers facing Indian exports, especially in textiles and jute and jute manufactures, and if the current high prices for traditional commodity exports continued. Even if the boom were not maintained, reductions

in the barriers to exports could result in price advantages to India that could be translated into increases in the volume of exports; Indian exporters had shown in the past that they respond to price incentives. It was stated that exports of textiles could easily be doubled with little expansion of capacity required.

15. Import projections envisaged an increase over the next five years together with increasing liberalization of imports. The current situation was one where an increase in imports could lead to a further increase in export production. It was not possible to be as specific about projections for growth in imports as about export projections and several alternative projections for the next Five-Year Plan were being examined. Various factors would determine imports, including the volume of aid and the extent to which exports could expand. What had been noted over twenty years of planned development was that in some cases industries initially established in order to substitute for imports had become capable of exporting successfully.

16. One member said that an additional major factor should be taken into account when considering India's prospects for export growth in manufactured products. This was the extent to which import competition would be allowed to force a greater efficiency in domestic production. He also cited two recent World Bank reports (IBRD Economic Situation and Prospects of India, 8 May 1973 and IBRD India's Export Prospects, Volume I, 27 May 1971), which presented the view that India's excessive import restrictions were promoting inefficiency and thereby damaging export prospects.

II. System and methods of restrictions and effects of the restrictions

17. Several members of the Committee asked the Indian delegation to summarize the structure of the import control system so as to have a clearer idea of the nature and mechanics of a system which to outsiders appeared to be extremely complex. The representative of India said that the total range of commodities involved in the import trade of India could be divided into three categories: (1) permissible goods which were the object of a licensing policy. A list of such goods for a given year (April-March) was to be found in Volumes I and II of the Import Trade Control Policy, published yearly by the Ministry of Commerce of India; (2) Non-permissible goods which were not the object of a licensing policy for the given fiscal year, but which could be imported under certain circumstances (i.e. either on an ad hoc basis or under the import replenishment scheme, or permitted in minor amounts and only if comparable domestic products were not available or were inadequate). These goods were listed together with permissible goods in Section II "Policy for individual items and the detailed policy for actual users" found in Volume-I of Import Trade Control Policy for any current year published by the Ministry of Commerce for India; (3) Others: other goods comprised all the remaining commodities for which the Government had not yet elaborated any import policy. The import of these other goods was not necessarily banned or restricted, but subject to an ad hoc Government decision. The list of other goods was not published because of the impracticability of listing the thousands of commodities which entered world trade but which were not yet commonly imported into India and for which the Government therefore had no policy.

18. Expanding on the import trade control system, the representative of India explained that with regard to the permissible list, the policy flowed from the legal requirements of Article 3 of the Import Control Order of 1955 and amendments thereto; this clause specified that "Save as otherwise provided in this Order, no person shall import any goods of the description specified in Schedule I except under and in accordance with a licence or a customs clearance permit granted by the Central Government or by any officer specified in Schedule II." Schedule I contained six parts with a total of more than 600 serial numbers. The description of goods was expressed in ITC (Import Trade Control) nomenclature which differed from the ICT (Indian Customs Tariff) nomenclature. However, Schedule I indicated the corresponding customs tariff position for each item. Each year the Government published its policy for particular items outlining who could import, under what conditions and what could not be currently imported. This was recapitulated in Section II of Volume 1 of the ITC Policy Book mentioned above. The serial numbers and nomenclature of the ITC were well known to Indian importers. Referring to Section II of Volume 1, the representative of India pointed out that several serial numbers were missing in the annual statement. For instance, the 1973/74 Policy Book started with serial number 16 A. The omitted serial numbers 1 to 16 were goods for which the Government had no current import policy and which therefore could be imported only under special application and conditions. Within the permissible list, the policy was divided in two: (1) that applicable to actual users and (2) that applicable to established importers.

19. Members of the Committee asked how specific items were placed or removed from the permissible list and what criteria were applied in the process. The representative of India replied that the main criteria were based on priorities of development programmes. Some items enjoyed high priority and others a lower priority. This was determined through a lengthy and continuous process of consultation between the Government bodies concerned and the different sectors of production and trade. Industrial associations, chambers of commerce and a large number of bodies had periodic meetings with the Government. The number of these meetings ran literally into hundreds each year. In addition, the Government held quarterly meetings with representatives of the five regional import zones into which India was divided. At each level recommendations were made on sectors of the economy and on particular goods. In addition, a Central Advisory Council of Trade and Commerce met twice a year and a sub-committee of this body met four times a year; also the Board of Trade chaired by the Minister of Commerce met twice yearly with representatives from other ministries. This exhaustive process of consultation was carried out throughout the year. In December a high-level group comprising technical experts and representatives from all the ministries involved examined carefully the recommendations and established the priorities to be accorded. This was the mechanism whereby particular items were placed on and taken off the permissible list. While the basic list of permissible goods was established and published in Volumes I and II of the Import Trade Control Policy, in the course of the year items could be added to or taken off according to circumstances.

20. Members of the Committee thanked the Indian representatives for their explanations. The system appeared to them very complex and the mechanics for establishing policy for the current year involved great efforts and exercise. The fact that the system of restrictions embodied in the import trade control used a different nomenclature to that of the customs tariff further added to the difficulties encountered by foreign exporters in understanding the system. It was noted that the Government of India had announced its intention to adopt the Brussels Tariff Nomenclature with regard to its customs tariff. This particular nomenclature was generally considered to be structured in such a way as to include all products which entered world trade. Members of the Committee were of the opinion that, should the Indian authorities when adopting the new nomenclature for its customs tariff also apply the same nomenclature to its import trade control, clarification and simplification of the system would be achieved. The inconvenience of two different nomenclatures would be avoided and furthermore, the category of imports referred to as "others", which hitherto was not publishable in terms of either of the two nomenclatures currently in use in India, could easily be identified. The representative of India agreed that this would be a way of simplifying the present system. His authorities had already given some thought to bringing the ITC into line with the ICT. However, as a great deal of work would be involved it was not expected that both the customs tariff and the trade control system could be converted to BTN simultaneously.

21. The representative of India drew the Committee's attention to the fact that the Indian import restrictions had progressively been liberalized and that further efforts had been made to simplify and reduce restrictions. Liberalization had been achieved in many respects. Recently introduced facilities for granting licences automatically up to a certain amount to priority industries regardless of whether the goods to be imported were permissible or non-permissible goods, as well as the greater flexibility introduced in the allocation of priorities, were to be seen as measures of liberalization. Such measures deserved to be commended when taken in the context of balance-of-payments difficulties, severe decline in food grain stocks, uncertainty as to the availability of foreign aid, and inadequate level of reserves.

22. One member observed that since 1968, India's ratio of reserves to imports had shown sustained growth from 29.9 per cent to over 50 per cent in 1973, yet India had removed over 100 items per year, each year, from the permissible list during this period. He maintained that if the restrictions were applied within the limits established by Article XVIII:B, the number of restrictions should have tended to have diminished as reserves grew.

23. In reply to a question as to why the Indian authorities had found it necessary to remove some 220 items from the permissible list for the 1973/74 exercise, the representative of India said that there was no simple correlation between the number of items added to or taken off the permissible list and the level of reserves. He felt that the number of items added or deleted from the permissible list should not be used as a yardstick to measure the degree of restriction; and

that for this purpose the overall picture of imports should be looked at. In fact the 220 items in question, when examined closely could easily be reduced by half because similar items were listed in their detailed specifications.

24. One member of the Committee pointed out that while the relevant provisions of Article XVIII:B, which were invoked by India, contained criteria which were met, the import restrictions applied were directed to a considerable degree toward import substitution. A contracting party's programme of economic development was one of the factors to be taken into consideration when assessing the adequacy of the level of reserves; however, the restrictions allowed under Article XVIII:B were related only to the level of the reserves and not to unlimited import substitution for development purposes. While India's right to invoke Article XVIII:B under the circumstances was not questioned, his authorities did challenge the extent to which the restrictions were being applied for import substitution purposes beyond that permitted to maintain reserves. Furthermore, Article XVIII:B provided for progressive relaxation (and eventual elimination) of such measures together with the improvement in the level of reserves. This did not appear to be the case. The representative of India replied that all the relevant provisions of Article XVIII:B were, in fact, met by India. The GATT did not envisage that a developing contracting party should increase or decrease its restrictions with the ups-and-downs of its reserves, but rather that it should progressively relax restrictions. The scarcity of foreign exchange made necessary the setting of import priorities according to India's development needs. India did not apply restrictions for import substitution purposes per se. Import substitution was not an end in itself but a limited tool of economic development.

25. Some members of the Committee stated that obstacles encountered by exporters to India included the very long delays incurred both in obtaining import licences and in obtaining the release of payments from the Exchange Control. One member stated that Article X of the GATT required contracting parties to administer their regulations in a "uniform" and "reasonable" manner and to provide "full information" on any restrictions. In his view, the complex Indian system, as described and as maintained under Article XVIII B, did not meet these criteria. The representative of India acknowledged that delays had occurred and assured the Committee that his authorities were examining further steps to remedy this problem. Some measures had already been taken to simplify procedures: for instance, there were provisions for exporters to obtain within seven days an across-the-board import licence under the import replenishment scheme. For industries which were both priority industries and exporters the Government granted licences for their total import requirements from both the permissible list and non-permissible list. Allocation of foreign exchange took from 2-3 months. Importers could obtain import licences without difficulty for the same volume of imports consumed the previous year. Any additional licences required would be granted within 2-3 months. Furthermore, efforts had been made to determine the import requirements of small-scale industries; teams of experts had been sent to every single small-scale factory in the country to determine their import requirements. This task had taken some seven months to complete, but now that the level of import requirements was known the granting of licences for these small-scale industries would become automatic. He added that further measures of simplification would be adopted within the coming months.

26. Another member of the Committee remarked that under the import control scheme as described, there appeared to be no room for new importers. The representative of India said that his authorities had never received any complaints on this subject. Any person wishing to start a new industry (and therefore being a potential importer) would apply to the local department of industry for counsel and would also have recourse to any of the thirty-two export promotion councils in order to be fully informed of all the formalities to be observed.

27. Another member of the Committee referred to the recent increases in tariff and auxiliary duties and asked whether these were applied for revenue purposes. The representative of India referred to the discussions in Council on this subject and recalled that the purpose of the auxiliary duties of customs was to obtain additional resources to meet urgent development needs. Asked how much revenue was expected from this measure, the representative of India replied that it was estimated to be approximately US\$115 million. He added that he was not in a position to give any indication about the continuation or otherwise of the auxiliary duties beyond 31 March 1971, as this was a matter for the Indian Parliament to decide.

Conclusions

28. The Committee expressed sympathy with the current difficulties facing the Indian Government in its balance-of-payments position, and appreciated the element of uncertainty attached to important factors which would determine the immediate future. While the Committee did not make a judgment on whether there had been a net liberalization it noted that India had liberalized its import policy in certain fields. It hoped that India would move towards

further liberalization of its restrictions and that it would limit their application to the extent necessary to safeguard its external financial position and level of reserves.

29. With respect to the simplification of the import restriction system, the Committee recommended that the Indian authorities consider, when changing the customs tariff nomenclature as announced, the adoption of the same nomenclature for import control, in such a way as to better facilitate understanding of the system by exporters to India.

30. The Committee urged the Indian authorities to make further efforts to expand and diversify exports and hoped that this process would be facilitated inter alia by the general liberalization of tariff and non-tariff barriers. The Committee also hoped that serious consideration would be given to developing alternative methods of trade expansion with countries with which India still maintained bilateral trade and payments arrangements.

ANNEX

Statement by the Representative of India

We are happy to have this opportunity of exchanging views with our trading partners on the current economic situation in India and, in particular, the foreign exchange situation, and also our trade relations with the countries who are contracting parties to the GATT. For me personally, this opportunity is even more welcome as this is the first time that I have participated in these consultations and hope to benefit from them.

I must, at the very outset, say that the past twelve months have been far from easy for the Indian economy, and that it is only now that there are prospects of improvement which, we hope, will be sustained over a longer period. The momentum of economic growth which had been achieved in response to the increase in agricultural productivity over a number of years was halted by a severe drought which affected agricultural production for the first time in several years. Foodgrains production might have declined by as much as 10 million metric tons or so in 1972-73. Inevitably, as it happens in the Indian economy, the decline in agricultural production affected the rest of the economy also adversely. In the wake of these trends in production, there has been a sharp increase in the price level and the balance-of-payments situation, already difficult, has become worse still.

Fortunately, there was an uptrend in exports in 1972-73. This was a reflection partly of our own policies of export production, but partly also of world trends.

Imports have continued to increase. In particular, we have had to decide to import foodgrains to supplement domestic production and these imports may well cost over \$400 million during the current fiscal year. Additionally, there has been a sharp increase in the world prices of steel, non-ferrous metals, newsprint, raw wool and, above all, of petroleum and petroleum products as well as fertilizers and chemicals. In the face of these price increases the meagre foreign exchange resources of India have been subjected to an unprecedented strain.

India's foreign exchange reserves had reached a figure of \$1.2 billion by the end of March 1972; this was almost twice as high as the level prevailing about five years preceding that date. Of course, a part of the increase represented the accrual to India of India's share of the creation of SDRs; a part was also a reflection of the gradual build-up in exports, especially of non-traditional commodities which occurred during the period. Throughout this period, India's imports of commodities other than foodgrains were maintained at high levels and there has been a sharp increase (of 24 per cent) since 1969 when the last GATT Consultations were held.

Since March 1972, however, the foreign exchange reserves have once again showed a decline. Over the past eighteen months or so, the decline has been of the order of \$100 million. Indeed, the decline must be regarded as even sharper, considering that during this period, India's foodgrains stocks (which had been built up during the years of good harvests) had to be depleted to the tune of more than 6 million metric tons, which at current international prices amount to more than a billion dollars. Considering the low level of publically held foodgrains stocks in India, the current level of foreign exchange reserves (including gold, SDRs and foreign currency holdings) at about \$1.1 billion is far from comfortable. This is especially so, in view of the large burden of debt servicing which India faces and the uncertainties in regard to foreign aid. At the current level the reserves represent the equivalent of less than six months' imports.

It is in the above context of the current balance-of-payments situation that I would urge you to view the maintenance by us of regulations on imports which have been necessary throughout the past decade and more for reasons of dealing into primary balance-of-payments problems and to meet our developmental needs.

The gravity of the balance-of-payments problem will be appreciated if it is remembered that even now nearly 45 per cent of India's imports are financed by bilateral and multilateral aid. The fact that some of this aid is tied to procurement within aid-giving countries necessarily restricts our own freedom of moving fully to non-discriminatory system. Indeed, barring imports financed by such foreign aid and those which are covered by special trading arrangements, we do not have any restriction on the use of import licences by sources of procurement.

The manoeuvrability which authorities in India have in regard to allocation and use of foreign exchange is greatly narrowed by the pressure of import demand and the procedures governing the use of foreign aid. To illustrate: In the last three years, India's exports have averaged a little over \$2 billion a year. During the same period, debt service - i.e., principal and interest payments - on external debt amounted to a little more than \$600 million a year. Thus, the resources available for imports were \$1400 million a year and had to be supplemented to the extent of gross aid disbursements of \$900 million a year in order to reach an import level on average of \$2.3 billion. The free foreign exchange resources are particularly scarce and this imposes considerable limitation on the freedom with which we can operate our import policy.

I would urge you to recognize, as has been done by other international institutions, that India has been facing - and is likely to continue to face a difficult balance-of-payments situation in the wake of progress in economic development. This is nothing new. Several developing countries face a similar prospect. In the case of India, the framework of policies which has had to be adopted to secure growth in national income and employment, consistent with price stability and stability in the balance of payments, was based on the recognition

that for a continental economy like India's, economic development had to proceed in a balanced manner, with emphasis to a considerable extent on the growth of the internal market. The proportion of foreign trade to GNP is quite low in the case of India - hardly 10 per cent.

I should like to stress that despite our difficult foreign exchange situation, we have been able to maintain a high and, in recent years, a growing volume of imports in an effort to sustain our own development. Our import policy is designed to serve the objectives of conserving foreign exchange by curtailing non-essential imports, controlling expenditure on import of products which can be made adequately through indigenous effort and meeting fully the import requirements of export-oriented and other priority industries. Being a policy meant to regulate an optimum utilization of the available foreign exchange resources it is naturally based on a system of priorities for imports. In this process, some commodities receive a lower priority compared with others. Obviously, goods for which production in the country has developed to an adequate extent would receive a comparatively lower preference in the matter of imports. Also, lower preference is given for the import of goods the country can currently do without.

Broadly, we have three categories of importers. These are actual users, established importers and others. Amongst the actual users, industries which are vital to the regeneration of economy receives a preferred treatment. We have a list of priority industries drawn up for this purpose. To this list, more industries have been added during the current year. Import requirements of these industries are met to the full extent. A still better treatment is accorded to actual users engaged in export production. Almost everything that is required for export production is allowed to be imported, notwithstanding any restrictions in the policy. Established importers constitute a traditional channel of imports. There are a number of commodities for which import licences are issued to this category. These imports are meant for stock and sale purposes. In spite of foreign exchange constraints, we have maintained this traditional channel of imports to the extent possible. Bulk of the imports in this category are in respect of commodities like books, spare parts of machinery, drugs and medicines and scientific and surgical instruments. The third category, 'Other importers', includes hospitals, educational institutions, universities and research and analytical laboratories. Import requirements of this category are also permitted as liberally as possible. For most of the commodities required by them, the import restrictions have been completely relaxed within certain value limits to which a reference has been made later in this statement.

While determining priorities for imports, certain commodities are not shown as permissible. In the import policy announced in April 1973, a list of 220 such items was indicated. I should clarify a misunderstanding that might have been created by this list. In the first instance, I should mention that while preparing the list of these commodities, different specifications of a single commodity are shown separately for the guidance of import licensing authorities. In net effect, therefore, the number of commodities covered by the list would not be more than 100. Even in respect of these 100 commodities, there is no absolute ban on imports.

The intention is that these commodities would receive a lower preference and would not normally be allowed for use in areas which are not essential to the economy. For essential end-uses, their import can still be permitted. The situation is not, therefore, static. The policy has in-built flexibility and changes take place as and when needed. For instance, the import policy for the current year has already undergone several changes to date. A number of items which did not find place in the permissible list when the policy was announced in April 1973 have since been permitted for import. Also, a general relaxation has been given permitting the industry to import its requirements up to a certain extent even if the import of such items was not permitted earlier. For this the industry do not require any separate licence. This is a significant liberalization of the policy under which the actual quantum of imports of such items could come to a substantial amount depending upon the need of the industry. Besides, whenever the country requires the import of an otherwise non-permissible commodity, the import policy does provide for allowing all such imports on economic considerations. For example, besides foodgrains, certain chemicals, drugs, paints, pesticides, aluminium, rubber tyres and tubes etc. for which there was no provision for import earlier, have been allowed to be imported later, in varying quantities. I would like also in the same context to mention that there are many other liberalizations indicated in our announcement of policy in April, 1973, and these were publicized widely and noted.

May I add that in many cases imports can be made even without import licences. These include:-

- (i) Imports covered by an Open General Licence notified by the Central Government.
- (ii) Articles received by post parcel for personal use or for use by an institution or hospitals, up to certain value limits.
- (iii) Goods indicated below imported within certain value limits:
 - Drugs and medicines for personal use or for use by a hospital.
 - Life saving equipments.
 - Medical apparatus and appliances (including surgical, optical and dental instruments, X-Ray films) by medical practitioners/hospitals/medical institutions.
 - Spare parts of agricultural tractors for own use.
 - Technical and scientific books for own use or for institutions/universities.
 - Artists' materials for own use.
 - High purity chemicals, scientific instruments and research equipment by technical and research insitutions and laboratories.

In the end, I would like to emphasize again that our import trade control policy is entirely non-discriminatory. Decisions to permit imports or not to permit imports are based purely on economic considerations. The sources of procurement of commodities are not indicated in the policy. Import licences, except when they are issued against tied sources of financing, are valid for imports from any country.

I am not dealing here with the problems faced by our exporters - our exporters are dealing both in the traditional and non-traditional commodities. The tariff and non-tariff barriers erected against most of them have been identified more than a decade ago but solutions have to be found still for these deep-rooted problems.

I would suggest that the GATT might have a look at this list again.