

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/W/40

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Limited Distribution

Committee on Balance-of-Payments
Restrictions

1980 CONSULTATION WITH INDIA
(SIMPLIFIED PROCEDURES)

Background Paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (L/4904) to assist the Committee in taking the decision referred to in paragraph 8 of this Declaration.

I. India's last full consultation in the Committee on Balance-of-Payments
Restrictions

2. The last full consultations with India took place on 21 November 1978. The Committee noted at this consultation a significant improvement in the balance-of-payments situation and a comfortable foreign exchange reserve position and commended the Indian authorities for the liberalization and simplification of the import régime.

3. The Committee concluded that "the overall balance-of-payments situation provided scope for continued liberalization which, together with policies to increase investment, should promote the economic development of India and the interests of its trading partners." The Committee added that it was aware that certain restrictive policies in other countries posed problems to the expansion of India's exports. It recommended that "India pursue its policy of liberalization and simplification of import restrictions." (BOP/R/104)

4. The last full consultation was preceded by two simplified consultations in 1975 and 1977 and eight full consultations held between 1950 and 1973.

II. The main changes in trade policy since the last consultations

5. The import policy for the period April 1979-March 1980 followed broadly the same lines as the policy during the previous twelve-month period. Among the main changes introduced under the 1979/80 policy are the following:

- The list of imports under Open General Licence was expanded with regard to capital goods and the number of items under the import banned list was reduced.

- Additional imports were canalized through State-trading agencies, among them aluminium, natural rubber, cement, some chemicals and drugs.
- The regulations for issuing licences to actual users of raw materials and components were changed to encourage the growth of small-scale units and to give special incentives to industrial units to export part of their output. The regulations now provide that the additional 10 per cent of imports over actual consumption are available only to small-scale industry and to units having an annual export turnover of at least 5 per cent of their total production.
- Provisions have been introduced for restricting imports of scientific measuring instruments.
- Jigs, fixtures, moulds and press tools have been allowed to be imported under Open General Licence.
- Essential spare parts required by manufacturers for meeting after-sales service to customers for their final products would be allowed to be imported up to a maximum limit of Rs 0.5 million.
- The import of samples has been liberalized. Registered exporters can import samples valued up to Rs 50,000 (earlier limit Rs 10,000). Manufacturer-exporters can also import samples by post or air freight up to a limit of Rs 5,000.

6. On 10 October 1979 the Indian Government announced a number of changes in the import policy for 1979/80. These included the removal from the restricted list of certain steel products and the placing on the banned list of pig-iron, excluding low phosphorous and low sulphur grades, certain acrylic plastic sheets, certain conveyor beltings, centrifugally cast furnace boilers, radiant tubes and burner tubes.

7. According to the statement submitted by India for the 1980 consultation (BOP/207), India's import policy for 1980/81 introduced no basic changes in the trade régime. Preference continues to be given to imports of capital goods, industrial raw materials and articles of mass consumption. Among the more important modifications introduced were the liberalization of the facility provided to actual users for the import of raw materials and components under Open General Licence and of the procedures for issuing licences for spare parts for machinery and equipment. Details of sixteen changes introduced under the 1980/81 policy are listed on pages 5 to 8 of document BOP/207.

III. The main trends in India's foreign trade since the last full consultation

8. Measured in SDR's, India's exports rose in 1979 by 6 per cent compared to 1978 and imports by 13 per cent. As a result, the trade deficit rose by 49 per cent from SDR 971 million to SDR 1,449 million.

9. Detailed trade data are available only through fiscal year 1978/79^{1/}. Exports of engineering goods, accounting for 12 per cent of total exports in 1978/79, rose by 9 per cent and clothing and textile products, accounting for 11 per cent, by 28 per cent. Exports of leather and leather manufactures (excluding footwear) expanded by 10 per cent. Taken together, exports of the principal primary products, accounting for 27 per cent of total exports, in 1978/79, declined by 19 per cent. In terms of SDR's imports of crude petroleum and petroleum products rose by 3 per cent, representing 24 per cent of total imports in 1978/79. Import growth in 1978/79 was particularly strong for capital goods (+25 per cent), fertilizer and fertilizer material (+96 per cent), and iron and steel (+89 per cent).

^{1/} The following calculations are based on data provided in the supplementary background material submitted by the IMF for the 1980 consultation. The figures for 1978/79 are estimates and those for 1977/78 are provisional.