

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/615

25 January 1957

Limited Distribution

Original: English

INDIAN IMPORT RESTRICTIONS

Changes in the Restrictions

The Indian permanent representative in Geneva has transmitted a copy of an analysis, prepared by the Indian Ministry of Commerce and Consumer Industries, of the import licensing policy for the first half of 1957.¹ In his communication the Indian representative stated as follows:

"The cuts in licensing have become necessary on account of the need to arrest the rapid decline, in past months, in India's sterling reserves. These reserves which stood at approximately Rs. 7,480 million at the end of March 1956 came down to approximately Rs. 6,150 million by the end of September 1956. The decline has continued in subsequent months. For this period of March to September 1956, India's trade deficit was Rs. 1,885 million as against a deficit of Rs. 523 million for the corresponding period of 1955. The net deficit on current account came to Rs. 1,259 million as against a deficit of Rs. 0.8 million for the same period in 1955. The trade deficit is accounted for largely by an increase in imports which totalled Rs. 4,768 million for the six months ending September 1956 as against Rs. 3,550 million for the corresponding period ending September 1955. There was, however, also some decline in exports which affected almost all major commodities.

"Full details of these changes and of their background in the balance of payments position as affected, in particular, by the high level of demand for capital goods, have been published in both the Indian and the foreign press, and are known to the Embassies of the contracting parties in New Delhi.... The Government of India have stressed three points. Firstly, though on paper the cuts in licensing may appear substantial as available quotas have been utilized only partially in the past and to the extent that they are now more fully utilized, the actual reduction in imports is expected to be correspondingly small. Thus, the net saving of foreign exchange, over a six months period, after the full impact of the changes has made itself felt, is estimated at approximately Rs. 300 million only.² Secondly, even though licensing has been curtailed, the Government of India have substantially reduced the discrimination against dollar goods by giving holders of soft currency licences the option

¹The Government of India has supplied copies of a handbook entitled "Import Trade Control Policy for the Licensing Period January-June 1957", which are on file at the secretariat.

²This figure represents about 7.6 per cent of the total imports in the first half of 1956 which amounted to Rs. 3,938 million.

to use at least 50 per cent of the face value of the licence for dollar imports. Thirdly, measures of a fiscal nature such as increased excise duties, tighter control over developmental expenditure etc. are being taken to improve the payments position."

The analysis supplied by the Indian representative shows that the following changes have been made in the import restrictions:

Liberalization

(1) Quotas have been increased for 9 items. The increases range from about 10 per cent (over the quota for the last licensing period) for machine-work cutters, 25 per cent for lenses, over 33 per cent for ball bearings to 100 per cent for sulphate of alumina, bobbins and nickel salts. A quota of 10 per cent of base-year imports was provided for diesel engines of a certain size for which no quota had been provided in the preceding period.

(2) 30 items have been added to the list of goods for which licences may be issued to "actual users". These are principally industrial materials and chemicals, but include also golf balls.

(3) Under the import control system, the use of a quota may be subject to specified "face value" provisions, limiting the proportion of the quota that may be used for the import of certain types or sizes of the product in question. Liberalization of such "face value" conditions has been introduced with respect to 21 items, including industrial tools, fruits, wool manufactures, typewriters, motor-vehicle parts, glass and other industrial and consumer goods.

New restrictions

(4) 87 items of industrial materials, chemicals, consumer goods, office equipment, etc. have been removed from the purview of the liberal licensing scheme and brought under quota. The quotas thus provided range from 25 to 100 per cent of base-year imports.

(5) 15 other items, mostly consumer goods, have been removed from the liberal licensing scheme and quotas are provided.

(6) Quotas have been reduced in various proportions for 509 items. These cover a wide range of products such as certain iron and steel manufactures, engineering products, electrical goods and household machines. For certain items, for example iron fencing, ferro-silicon, wood screws of certain types, table fans, cotton ropes, knitting machines, quotas have been totally eliminated.

(7) For 30 items the "face value" conditions have been tightened.

Reduction of discrimination

(8) For 4 items, namely machine work cutters, camphor, lenses and larger diesel engines, dollar quotas have been increased.

(9) As a general provision all soft-currency area licences issued for the period in question will be valid for imports from the dollar area to the extent of 50 per cent of their face value; licences with a face value not exceeding Rs. 5,000 can be utilized to the full extent for dollar imports; and permission to use a higher proportion of such licences for dollar imports can be granted on an ad hoc basis.

Procedural changes

(10) 80 more items have been added to the list of items which can be imported under the Export Promotion Scheme.

(11) Under the import control system, importers have the freedom to choose a base year for the computation of quotas. The range of years within which a base year can be chosen varies according to the goods. In the new licensing period this range has been extended to include 1955-56 for 88 items, thus allowing an importer a wider choice.