

GATT/AIR/457

22 APRIL 1965

SUBJECT: INDIAN IMPORT LEVY

THE FOLLOWING COMMUNICATION HAS BEEN RECEIVED FROM THE INDIAN GOVERNMENT:

"I AM DIRECTED TO STATE THAT, IN VIEW OF A SHARP DECLINE IN FOREIGN EXCHANGE RESERVES RESULTING IN THESE RESERVES DECLINING ALMOST TO THE MINIMUM LEVEL PRESCRIBED IN INDIAN LEGISLATION, THE GOVERNMENT OF INDIA HAVE ADOPTED A NUMBER OF REMEDIAL MEASURES, INCLUDING THE LEVY WITH EFFECT FROM THE FORENOON OF 18 FEBRUARY 1965, OF A REGULATORY DUTY OF 10 PER CENT AD VALOREM ON ALL IMPORTS INTO INDIA WITH THE EXCEPTION OF FOODGRAINS, FERTILIZERS, PESTICIDES, BOOKS, CRUDE PETROLEUM, PETROLEUM PRODUCTS AND ACCESSORIES FOR FAMILY PLANNING. ADDITIONAL DUTIES OF EXCISE, TOGETHER WITH COUNTERVAILING IMPORT DUTY, HAVE BEEN IMPOSED ON PETROLEUM PRODUCTS. A COPY OF THE STATEMENT BY THE UNION FINANCE MINISTER IN PARLIAMENT ON 17 FEBRUARY 1965, ANNOUNCING INTER ALIA THE IMPOSITION OF REGULATORY DUTY OF CUSTOMS IS ATTACHED. COPIES OF THE RELEVANT FORMAL NOTIFICATIONS ISSUED BY GOVERNMENT ARE ALSO ATTACHED.¹

"AS IMPORTS ARE ALREADY SUBJECT TO RESTRICTIONS, THE REGULATORY CUSTOMS DUTY IS NOT EXPECTED TO HAVE ANY MARKED IMPACT ON THE QUANTUM AND VALUE OF IMPORTS INTO INDIA. TO THE EXTENT THAT THE DUTY DOES NOT REDUCE THE QUANTUM OF IMPORTS, IT WILL STRENGTHEN THE REVENUE POSITION OF THE GOVERNMENT - A CONSIDERATION WHICH IS PARTICULARLY IMPORTANT IN THE PRESENT CONTEXT WHEN WE ARE ENDEAVOURING TO SECURE A BETTER BALANCE IN GOVERNMENT ACCOUNTS, AS ONE OF THE MEASURES NECESSARY TO BRING ABOUT AN IMPROVEMENT IN THE BALANCE-OF-PAYMENTS SITUATIONS. OTHER MEASURES TAKEN INCLUDE A GENERAL RAISING OF INTEREST RATES IN THE ECONOMY.

"THE GOVERNMENT OF INDIA WILL BE READY TO CONSULT WITH THE CONTRACTING PARTIES, AT A MUTUALLY CONVENIENT TIME, WITH REGARD TO THE LEVY OF REGULATORY DUTY OF CUSTOMS AND ITS ANTICIPATED IMPACT ON THE INDIAN ECONOMY."

THIS MATTER WILL BE PLACED ON THE AGENDA OF THE NEXT MEETING OF THE COUNCIL.

¹The material referred to will be included in a background paper to be circulated to contracting parties before the consultation

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THE COMMUNICATION QUOTED ABOVE EXPLAINS THAT THE NEW DUTY IS NOT EXPECTED TO HAVE ANY MARKED IMPACT ON THE QUANTUM AND VALUE OF IMPORTS INTO INDIA. NEVERTHELESS IT IS CLEAR FROM THE COMMUNICATION AND FROM THE STATEMENT BY THE UNION FINANCE MINISTER, A COPY OF WHICH IS BEING CIRCULATED SEPARATELY, THAT THE BALANCE-OF-PAYMENTS POSITION IS ONE OF THE FACTORS WHICH HAS LED THE INDIAN GOVERNMENT TO IMPOSE THE DUTY. THE COUNCIL MAY THEREFORE WISH TO HAVE THE ADVICE OF THE BALANCE-OF-PAYMENTS COMMITTEE ON THIS ASPECT OF THE MATTER. IT IS ACCORDINGLY PROPOSED THAT THE BALANCE-OF-PAYMENTS COMMITTEE, SHOULD DURING ITS MEETING SCHEDULED FOR 5-14 MAY, BE ASKED TO DRAW UP A REPORT ON THE BALANCE-OF-PAYMENTS ASPECT OF THE NEW CHARGE.

E. WYNDHAM WHITE