

**IMPORT LICENSING SYSTEM OF INDIA**

Follow-up questions to India on the import licensing and quota system for marble and similar stones from Turkey<sup>1</sup>

The following communication, dated 10 May 2012, is being circulated at the request of the delegation of Turkey.

As a country endowed with 40 per cent of the world's natural stone reserves and 3,8 billion cubic meters of extractible marble, Turkey has substantial interest in the exports of natural stones.

With its share of 2.8 per cent in Turkey's exports of natural stones and 5 per cent of rough marble blocks in 2010, India is a major trading partner of Turkey.

Thus, regulations and regulatory practices by India in this sector are carefully monitored by our exporters and by the Turkish Government.

Turkish private sector is very much concerned by the import licensing and quota system and the Ministry of Economy receives complaints on India's regime frequently.

As a result, Turkey attempted to discuss this issue thoroughly not only on bilateral terms, through contacts with Indian Ministry and India's Mission in Geneva; but also in the World Trade Organization, by bringing the issue to the agenda of the Import Licensing Committee Meeting on 14<sup>th</sup> of October, last year. Turkey tabled questions regarding the scope, rationale and procedural aspects of the said system with the WTO Document G/LIC/Q/IND/17, to which India responded with the WTO document G/LIC/Q/IND/18.

Through the document G/LIC/Q/IND/17, Turkey specifically questioned:

1. Which products are subject to the import licensing regime? (as DGFT Notification No.64 dated 4 August 2011 refers only to products covered under HS Code No. 25151100 and 25151200).

In its reply, India stated that other products under the two other HS Codes (25151220 and 25151290) were also restricted for imports; but did not specify the exact regulation.

We are still in need of the exact reference to the legislation regulating the import of products covered under HS Code No. 25151220 and 25151290.

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<sup>1</sup> See also documents G/LIC/Q/IND/17 and G/LIC/Q/IND/18 containing respectively the first set of questions and responses.

2. How the restriction on imports of marble and similar stones would alleviate concerns regarding "safety, security and the environment"?

In its reply, India referred to the environmental effects of processing of marble blocks. India also stated that marble mining on the one hand and cutting and further processing of marble blocks on the other have an equal effect on environment.

We wonder if there is any scientific study that can be cited by India indicating that the marble processing and marble mining have hazardous effect on the environment and that they are similar.

Moreover, in 2010, India exported around 1 million tons of processed granites, ranking the second among processed granite exporting countries. We believe that the "potential" effects, if any, of marble and granite processing to the health and environment are the same.

Thus, we wonder how India regulates granite processing regarding safety, security and the environment concerns.

3. Why is the eligibility criterion restricted in the manner set out in the relevant Notification, i.e. five years long operation?

India answered by stating that the eligibility criterion changed with DGFT Notification No. 64. After an examination of the said Notification however, we still observe that the 5 years long operation requirement is still there with some additional eligibility requirements.

India also stated that the reason for the above-mentioned requirement is the aim to ensure adequate manufacturing capacity. This, however, stands in contradiction to the Article 3(5)j of the Import Licensing Procedures Agreement which states "Consideration shall be given to ensuring a reasonable distribution of licenses to new importers...".

4. Why India imposes a ceiling level of 300.000 metric tons?

India replied by stating that the ceiling for imports is now 500.000 metric tons. This, however, does not change the fact that India's import licensing system is still a quantitative restriction as it has restrictive effect on importation.

Moreover, in its reply to Turkey's question regarding the eligibility of units that may make applications for import licenses, India replied by stating that the said criteria was intended to ensure adequate and sustainable manufacturing capacity. Thus, we wonder if India has data regarding its domestic marble cutting and processing capacity. If the answer is yes, we would like to know if the ceiling for imports of 500.000 metric tons enough for total capacity of India for marble cutting and processing.

It is to our belief that the quota determined is still very restrictive, far away from meeting market demands in India.

5. If the floor price is a license fee.

India replied by stating that it is the minimum import price to ensure quality of goods under import. As is well known, the price of marble may depend on the variables on the supply and demand side. Moreover, as the price of marble fluctuates within the year depending on market conditions, the price determined by India for the whole year makes the link between price and quality, as stated by India, rather arbitrary.

We thus request India to explain the rationale behind its import pricing policy. On what basis can India argue that the floor price set for the importation of marble ensures quality?

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