1. Legal and Administrative Basis of the Restrictions

The statutory authority on which current import controls are based is the Imports and Exports (Control) Act 1947 which empowers the Central Government to issue Orders prohibiting, restricting or otherwise controlling, subject to any exceptions made by Order, the import of goods of any specified description. Several auxiliary Notifications or Orders made in accordance with the provisions of the Act are consolidated in the Import Trade Control Order No. 17/55 of 7 December 1955 as amended. All articles specified in Schedule I of this Order are prohibited, unless covered by an Open General Licence, a specific import licence, or by specified exemptions. Such exemptions apply to imports by the Central Government for defence purposes or for the Ministry of Works, Housing and Supply, to purchases made by the Directorate-General of Supply and Disposals for public bodies, to personal effects, etc. This Order also makes provision for the collection of licence fees, and specifies certain conditions concerning the issue, transfer, refusal, amendment, suspension and cancellation of licences.

Import control is administered by the Import and Export Trade Control Organization which is a part of the Ministry of Commerce and Industry. In addition to its Headquarters Office at New Delhi, the Organization has nine Regional Licensing Offices. The Import and Export Trade Control Organization itself is responsible for licensing certain types of goods, e.g. capital goods, heavy electrical plant, raw materials for industries, etc. Certain goods are, however, licensed by special authorities: iron and steel items are licensed...
by the Iron and Steel Controller, Calcutta; the import of certain machine tools is licensed by the Development Officer (Tools), the Ministry of Commerce and Industry.

For purposes of import control, importers are divided into three categories: (i) Established Importers; (ii) Actual Users; and (iii) Others.

(i) Established importers are persons or firms who actually imported goods comprised in any one serial number or sub-serial number, as the case may be, included in Schedule 1 to the Imports Control Order, 1955 (the Import Trade Control Schedule) during at least one financial year in a specified basic period. Quotas granted to established importers are expressed as percentages of the total value of imports during any one financial year (at the importer's choice) in the specified basic period. Provision is made, in certain cases, for the adjustment of quotas.

(ii) Actual users are persons or firms who require raw materials or accessories for use in an industrial manufacturing process. The items licensable to actual users are published half-yearly in the import policy. Licences to actual users are granted on the basic requirements assessed on the basis of the level of production, past imports and stocks. Such licences are not entertained for raw materials, etc., required for the manufacture of new items, unless a licence for such manufacture has been obtained, wherever necessary, under the Industries (Development and Regulation) Act 1951. Applications from small-scale industries for import of raw material, capital goods etc. can be considered on the basis of essentiality certified by the directors of industries of States concerned and/or the organization of the Development Commissioner (Small-Scale Industries).

(iii) Other importers.

Import control procedures are set out in Public Notices published in the Official Gazette and in the half-year handbook entitled Import Trade Control Policy - for the Licensing Period ... published by the Ministry of Commerce and Industry. The trading and business community is informed from time to time by
statements of policy, of the procedures to be followed and of the licensing policy in regard to particular commodities. A weekly bulletin of import and export trade control contains particulars of import and export licences issued by the various licensing authorities. Public notices on import and export trade control matters and copies of clarification circulars are reproduced in the bulletin.

2. Methods used in Restricting Imports

Except for purchases by the Government and a few imports under Open General Licence all imports are subject to individual licences. Open General Licences are in force for the import of free gifts of books, samples, advertising material and the free replacement of goods which have already been imported and have been found to be defective or unsuitable.

Individual licences are issued (i) to established importers on the basis of quotas expressed as percentages of imports in a chosen base year, (ii) to actual users according to their current requirements and (iii) on an ad hoc basis.

Under an "export promotion" scheme import licences are granted for the import of some sixty-nine specified raw materials on the basis of 75 per cent of the foreign exchange received in payment of the f.o.b. value of the goods exported, or twice the value of the imported raw material content of the finished goods, whichever is less, in order to facilitate and encourage exports. Import licences are, in general, granted only after the export has taken place and for a certain percentage of the rupee equivalent of the f.o.b. export proceeds (exports to Nepal, Tibet, Sikkim, Bhutan and Portuguese possessions in India are excluded from this scheme). Applications from prospective exporters who have no past performance can be considered on merits. Formerly such licences were normally issued only for imports from soft currency countries. This policy has been relaxed and licences are also granted for imports from the dollar area.

Applications for import licences for capital goods can be considered in three broad categories. These are:

A. Import licences against long-term overseas investment;
B. Import licences against medium-term credits; and
C. Import licences authorizing cash payment.
As a general rule, applications for import licenses for substantial values of plant and machinery which are needed for setting up new projects or for making major additions to the existing ones, can be considered only against long-term overseas investment. This means that the value of the plant and machinery should be covered by:

(a) equity investment or other forms of investment from overseas which will not be liable to be remitted back for a period of ten years or so;

(b) long-term loans in foreign currencies obtained from agencies like the International Finance Corporation in Washington, the Commonwealth Development Finance Corporation in London, and the Industrial Credit and Investment Corporation in Bombay.

In addition to the above, certain credit facilities have been granted by a number of countries and institutions on a long-term basis, for the purchase of equipment, etc., for India's economic development programme.

The period of validity of import licenses varies according to the nature of the imports, and is announced in the licensing policy statement. In certain cases, the period may be extended, such as in the case of actual user's licenses covering essential goods. Capital goods and heavy electrical plant licenses are issued with an initial validity of one year, extendable for a further period of two years on production of evidence of an accepted firm order.

The issue of import licenses is subject to the payment of a fee which varies according to the value of the import. Licenses for certain imports of a value less than Rs. 250 required for the personal use of the applicant are exempt from the fee.

### Value of Import Licences Issued

<table>
<thead>
<tr>
<th>Licensing Period</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 1956 - 30 June 1956</td>
<td>Rs. 6,900 million ($1,450 million)</td>
</tr>
<tr>
<td>1 July 1956 - 31 December 1956</td>
<td>Rs. 6,430 million ($1,350 million)</td>
</tr>
<tr>
<td>1 January 1957 - 30 September 1957</td>
<td>Rs. 5,560 million ($1,168 million)</td>
</tr>
<tr>
<td>1 October 1957 - 31 March 1958</td>
<td>Rs. 3,160 million ($664 million)</td>
</tr>
</tbody>
</table>
3. **Treatment of Imports from Different Sources**

With the exception of imports of capital goods, no distinction is made between countries of supply in the issuance of import licences except for imports from Pakistan which are admitted more liberally than from other countries and for goods of Union of South Africa origin which are not admitted. Imports of capital goods of more than small value are regulated with due regard to the availability of foreign exchange. The validity of import licences for such goods is, therefore, restricted to the country or countries specified thereon.

Trade agreements are in force with some thirty countries. Most of these agreements include no quota commitments; they merely indicate the commodities the import or export of which the partner countries intend to facilitate, particularly in the granting of licences. Some of the agreements, including those with Egypt and Yugoslavia, contain bilateral payments provisions. In general, payments are settled in convertible or transferable currencies.

4. **Commodities or Groups of Commodities affected by the Various Forms of Restrictions**

Except for personal effects and for goods exempted from licensing requirements for defense or other Government purposes, all imports are subject to licensing requirements.

5. **Use of State Trading or Government Monopoly in Restricting Imports**

Food grains are imported by the Ministry of Food and Agriculture. The purpose is to ensure adequate supplies at reasonable prices, to build up internal stocks as required and to regulate internal distribution.

The import of certain commodities (caustic soda, soda ash, raw silk and cement) is effected by a State-Trading Corporation, also with a view to satisfying essential requirements and ensuring fair distribution at reasonable prices. The Corporation is registered as a private limited company under the Indian Companies Act, 1956, and is therefore not a statutory body. Purchases are made on the basis of commercial considerations (price, time of delivery and quality); no discrimination is applied to different sources of supply.
6. Measures taken in the Last Year in Relaxing or otherwise Modifying the Restrictions

The import trade control policy announced for the period 1 April to 30 September 1959 left unaltered the restrictions on imports of non-essential goods. A significant feature however was the decision to issue licences for certain industrial raw materials and components which would be valid for nine months or a year. The purpose of this type of licence is to enable large-scale industries to plan purchases in advance of favourable prices. Quotas for established importers were increased on some fifty-three items, including zinc, copper and asbestos manufactures. The quota for calcium carbide had been reduced.

Quota licences for certain items including copper and zinc were subject to the condition that these commodities would be resold under the direction of the Ministry of Commerce and Industries at prices not exceeding, in the case of copper and zinc, 3\(\frac{2}{3}\) per cent over the landed.

Among the new items for which applications from actual users were considered were stainless steel wire netting for sugar industries, copper sheets and tubes, and brass rods and tubes. Imports of newsprint were liberalized to the extent that the 15 per cent reduction previously enforced was modified to 10 per cent for the licensing period.

The main changes in the imports licensing policy for the six months commencing 1 October show further restrictions on imports of goods regarded as less-essential or goods of which production in India has increased. Relaxations were notable in the field of non-ferrous metals, component parts of machinery and a number of types of scientific or laboratory instruments. Transfer of several types of electrical equipment from quota licensing to actual user licensing brings goods of this type into line with arrangements for capital goods generally. Some of the main changes are contained in Annex I.
On 18 December 1959 importers were permitted to utilize for import from the dollar area the full value of the licences held by them for importing items other than capital goods from the soft currency area as a whole. As a result, imports from the dollar area were placed on par with imports from the soft currency area. Import licences for capital goods continued to be restricted to the country or countries specified thereon.

7. Effects of Restrictions on Trade, and General Policy in the Use of Restrictions for Balance-of-Payments Reasons

The basic objective of import control is to safeguard the balance of payments and to give priority to the import of those products which are more essential. In shaping import policies account is taken of export prospects, the level of external reserves, the economic development plans and the pattern of requirements and priorities resulting from the development of the economy and seasonal factors.

In general foodstuffs, capital goods, industrial raw materials and other essential commodities are given the highest priority, while other imports are severely limited or prohibited.

The import control policy is formulated by the Minister for Commerce and Industry. Before the semi-annual licensing policy is announced, a detailed examination is made of each item in consultation with the various Ministries and technical advisers concerned. Suggestions made by the commercial and the industrial interests of the country are taken into account. Import and Export Advisory Councils, which include both officials and non-officials, are associated in an advisory capacity with the formulation of trade control policies. The Councils meet twice a year, about six weeks before each policy announcement, under the chairmanship of the Minister for Commerce and Industry.

Further statement on this subject to be supplied by the Government of India.

LIST OF ANNEXES

ANNEX I

Changes in the Import Licensing Policy for the Period 1 October 1959 - 31 March 1960

(The figure in brackets represents the quota for the previous licensing period.)

**Increased quotas:** copper, unwrought 75% (40%); copper scrap 66\(\frac{2}{3}\)% (33\(\frac{1}{3}\)%); parts of motors 60% (50%); cinematographic films, not exposed 66\(\frac{2}{3}\)% (60%); photographic negative and printing paper, excluding X-ray films 33\(\frac{1}{3}\)% (25%); artificial teeth 10% (Nil); surveying and mathematical instruments 75% (50%); laboratory balances and weights 60% (20%); essential component parts for certain types of machinery for jute, hemp and tea industries, electric supply undertakings, and mines and quarries 100% (50%); the newsprint quota remains unchanged but provision has been made for additional licences against evidence of increased circulation.

**Reduced quotas:** metal working saws, etc. 20% (33\(\frac{1}{3}\)%); leather belting 15% (20%); electric carbons 50% (100%); cutlery Nil (2\(\frac{1}{3}\)%); water meters Nil (30%); printing and lithographic material (including machinery) 5% (12%); certain surgical instruments 40% (66\(\frac{2}{3}\)%); artificial silk yarn and thread 2\(\frac{1}{2}\)% (5%); quotas have been abolished for electric generators, generating sets, industrial exhaust fans, power-driven pumps, centrifugal pumps, non-centrifugal pumps, transformers, high voltage fuses, switches, switch fuse units, circuit breakers, electric control gear and paper insulated cables, but small quotas for spare parts in some cases and actual user licensing in others has been substituted.

New items for which applications from actual users will be considered include files and rasps; flameproof fittings for coal industries, ball clay, PVC resin powder and sheets, machine tacks and light cut hand tacks may be imported under boot and shoe grindery. The following items are banned from imports: V-link belting; spare parts for jute bobbins, tool bits and firefighting vehicles. Velveteens have been deleted from the list of permissible items allowed against licences for cotton fabrics.