2. The Committee examined the case submitted by the Indian Government and bore in mind the following circumstances: the Indian Government introduced a five-year plan of economic development which threw exceptional strain on the revenue both of the public and private sectors. India relied to a large extent on the proceeds of export duties for the financing of this plan. As a result of the fall in the prices of India's export commodities, the yield of export taxes has been very substantially reduced and in order to meet this deficiency, the Indian Government had to find other resources. The Federal Government is restricted in its sources of revenue. A large proportion of its income is derived from customs and excise; sale tax is reserved to the governments of the States. The fiscal policy of the Indian Government is that excise taxes are not levied on imported goods and are only introduced when there is a substantial production of the goods in India. The Indian representative stated, in this connection, that the introduction of excise duties on the items under consideration will not be consistent with those principles.

The Indian Government came therefore to the conclusion that the necessary funds could only be obtained from an increase in revenue duties and before seeking release on bound duties, it has increased duties on unbound items over a wide front. The additional revenue obtained from this source will however be insufficient to meet the need of the Federal Exchequer. For these reasons, the Indian Government is obliged to readjust some of its bound rates of import duties. Except for one item where the proposed increase in duty results from a recommendation of the Tariff Commission and would give protection to a directly competitive product which is domestically produced in India, the request was primarily based on the need to meet exceptional difficulties in the financing of the five-year plan.

2.a. The Committee also noted that the Indian Government had given clear notice at the Eighth Session that it would shortly ask for readjustments in respect of a list of items on which, for revenue purposes, the bound rates of duties would have to be increased. But, for its desire to reduce its application to a minimum, the Indian Government would have submitted its request at the
Session and could have expected then to obtain the same consideration as other contracting parties who submitted similar requests. It was also recognized that these facts were taken into consideration by the CONTRACTING PARTIES when they approved the paragraphs of the Report on the continued application of the Schedules which refer to the intersessional procedure.

2.b. The Indian case also included references to the need for increased protection of the case of revenue tariff items, to the need to readjust specific duties by reference to current prices, and to the need to conserve foreign exchange. It was generally recognized by the Committee that these factors were of such widespread occurrence that they did not constitute exceptional circumstances.