

Impact of removal of QRs on imports

6.27 The Government has been unilaterally liberalizing imports since 1991 by removing Quantitative Restrictions (QRs) on imports (Box 6.3). The EXIM Policy 2001 has completed this process by dismantling QRs on BOP grounds on the remaining 715 items from April 1, 2001. Apprehensions have, therefore, been expressed that such removal of QRs may result in a surge and dumping of imports in the country, thus affecting adversely the domestic industry. However, these apprehensions are not borne out by actual import growth over this period. Import data for the full financial year 2000-01 on 714 items, restrictions on which were removed with effect from 31.3.2000, do not reveal any surge in their imports following removal of such restrictions. Out of 714 items, no imports were made for 151 items either before or after removal of QRs. Only 92 items recorded imports worth more than Rs 5 crore. Diamonds and semi-precious stones constituted 35 per cent of these imports and another 14 per cent was contributed by imports of telephonic/telegraphic equipment, industrial vacuum cleaners and cathode ray picture tubes, items necessary for domestic industrial activity. Although some growth was seen in the import of prepared foodstuff, beverages and tobacco, plastic and rubber, leather products, glassware, ceramic products and products like footwear and umbrellas, instruments and apparatus, the absolute quantum

of imports was not significant in relation to the aggregate domestic production of these items. Further, the monitoring reports on imports of 300 sensitive items, for the current financial year so far also do not indicate any unusual surge in imports of these items. The total imports of these sensitive items (in Dollar terms) during the first nine months of the current financial year have increased by only 2.1 per cent (Table 6.6), due mainly to higher imports of edible oils, cotton & silk, spices, rubber and marble & granite.

TABLE 6.6
Import of "Sensitive" items,
April-December 2001 – Provisional estimates

Items	No. of items	Apr-Dec 2000 Value in	Apr-Dec 2001 US \$ Million
1. Milk & milk products	22	8.9	1.9
2. Fruits & vegetables	48	287.6	154.6
3. Poultry	13	Negligible	0.1
4. Tea & coffee	32	6.1	5.9
5. Spices	35	28.3	45.3
6. Food grains	12	6.3	0.7
7. Edible oils	27	1021.5	1051.1
8. Alcoholic beverages	8	4.8	4.2
9. Rubber	11	6.0	21.1
10. Cotton & silk	6	319.3	446.1
11. Marble & Granite	14	1.6	4.1
12. Automobiles	32	12.3	10.5
13. Products of concern to SSI*	20	19.0	16.8
14. Others **	20	6.0	2.3
Total	300	1727.8	1764.8

* Umbrella, locks, toys, writing instruments, tiles, glassware etc.

** Wheat floor, sugar, cigarette & salt

BOX 6.3 Removal of Quantitative Restrictions

Article XI of GATT provides for the general elimination of Quantitative Restrictions (QRs) on imports stipulating that imports may be controlled only through tariffs. There are, however, a number of exceptions to this stipulation, an important one being a situation where a country has to safeguard its external finance position. Provisions also contemplate that such restrictions be progressively relaxed as BOP conditions improve and must be eliminated when conditions no longer justify their existence.

India has been maintaining QRs for BOP reasons under this specific enabling provisions of the GATT. We have been following a consistent policy for gradual removal of restrictions on imports since 1991 when the economic reforms were initiated. Tariff line wise import policy was first announced on 31 March, 1996, on which day import of 6161 tariff lines (at 10 digit level of HS-ITC) out of total number of 10202 was free. Consequent to improvement in our BOP, import restrictions on 488 tariff lines were removed in 1996-97, 391 (at 8 digit level) in 1997-98, 894 in 1998-99 and 714 in 1999-2000. The process of removal of import restrictions on BOP grounds has been completed with the removal of restrictions on remaining 715 items in the EXIM policy announced on 31.3.2001. Year-wise details on type of non tariff barriers and progress towards their removal is given below.

**Different Types of NTBs imposed on India's imports, 1996-97 – 2000-01
(Number of tariff lines, 10 digit level*)**

Type of NTB	1.4.1996	1.4.1997	1.4.1998	1.4.1999	1.4.2000	1.4.2001
Prohibited	59	59	59	59	59	59
Restricted	2,984	2,322	2,314	1,183	968	479
Canalised	127	129	129	37	34	-
SIL	765	1,043	919	886	226	-
Free	6,161	6,649	6,781	8,055	8,854	9,611**
Total	10,096	10,202	10,202	10,220	10,141	10,149

* As per Harmonised System of India Trade Classification , HS-ITC classification of export & import

** Including 29 tariff lines shifted to State Trading

Source: DGFT, Ministry of Commerce

Non tariff barriers or QRs on India's imports have been progressively liberalised. From a level of 61 per cent tariff lines being free to import as on 1.4.1996, the share of tariff lines without restrictions has increased to around 95 per cent on 1.4.2001. Action has been completed on removal of restrictions on tariff lines (2714 items) notified to WTO under the BOP cover. QRs are, however, still being maintained on about 5 per cent of tariff lines (538 items) as permissible under Article XX and XXI of GATT on grounds of health, safety and moral conduct.