

# How a WTO provision became a tool for nations to curb imports

ILLUSTRATION: AJAY MOHANTY

ASIT RANJAN MISHRA  
New Delhi, 8 August

On June 12, 2020, India imposed restrictions on imports of pneumatic tyres used for cars, buses, lorries, scooters, and motorcycles, in accordance with the Agreement on Import Licensing Procedures under the World Trade Organization (WTO).

Three years later, India is once again utilising the same multilateral trade rules to limit imports, this time targeting personal computers, laptops, and tablets. The new regulations mandate companies to obtain licences from the Directorate General of Foreign Trade to import these items.

While India has frequently used this provision to curb imports to encourage domestic manufacturing, it is not alone.

## 'Trade-restrictive measures'

According to the 2023 WTO Annual Report, the Committee on Import Licensing Procedures in 2022 received 56 notifications from



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However, WTO trade-monitoring reports have identified import licensing as one of the main trade-restricting measures introduced by governments with 13 WTO members not submitting any notification on this as of end-2022.

In 2022, the members raised several new and recurring specific trade concerns regarding import curbs. The European Union (EU) and the United States questioned Angola's import-licensing requirements, Egypt's import licensing for certain agricultural and processed products and import of ceramics, and Indonesia's commodity-balancing mechanism.

The EU also questioned Thailand's import procedures on feed wheat. Japan and the EU had issues on Indonesia's

compulsory registration by importers of steel products, its import licensing regime for certain textiles products, and its import restriction on air conditioners. The United States differed with China's changes to import licensing for certain recoverable materials. In India's case, Canada, the EU, and the United States questioned India's import requirements for certain varieties of pulses. The EU, Indonesia, Japan, Chinese Taipei, Thailand, and the United States questioned India's import-licensing

regime for pneumatic tyres.

A trade expert said import licensing for agricultural products with strong seasonality was earlier used as a delaying tactic but was increasingly used as a protectionist measure for industrial products. "It is not a very efficient tool for protecting domestic industry because it increases administrative burden, encourages corruption through discretionary power and perpetuates inefficiencies," he added.

## Bad in practice

During India's latest Trade Policy Review in 2020, South Korea complained the import licensing requirement for pneumatic tyres was causing "serious damage" to some firms doing business in India.

Responding to queries on its positions on the WTO consistency of import licensing measures, India said the import of most of the items was free. "Interventions are required based on various factors ...," it added.

The WTO reported in 2019-20, 440 tariff lines of India (3.7 per cent of all) were subject to

import licensing.

Responding to criticism on import curbs on pneumatic tyres, Trade Minister Piyush Goyal in August 2020 had defended the move.

"How can it be that one country does not allow tyres to be exported to them but wants free imports of tyres from that country into India? If other countries are desirous of the 1.3 billion Indian market opportunity, they will also have to give our country's businesses equal opportunity to engage in their countries," he added. However, three years since the import curbs, India remains under the scanner of trade partners on various WTO committees.

More recently, during the meeting of the Committee of Import Licensing in December 2022, the EU expressed frustration that no progress had been made. Indonesia alleged "discriminatory treatment" in the application of the policy by targeting certain member countries whose producers could potentially compete with India's domestic producers.

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