Discussion Paper
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IMPORT LIBERALIZATION AND OGL IMPORTS: AN EXAMINATION OF SOME ISSUES

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In the context of the liberalization of imports over the last several years, the question of the utilization of this "liberal" framework by the private sector acquires great importance. It has often been claimed by many that the most significant dose of liberalization before the present policies were initiated came in the import policy for the years 1985-88 when 201 items of capital goods were put on OGL. These authors (for example, Goldar 1990) have considered the expansion of the OGL list as the most important aspect of liberalization of imports. In the most recent policy changes that have been introduced in the realm of trade policy, there has been enhanced emphasis on changes in OGL. Several items whose import previously required REP licenses have been shifted to GOL and the crucial Actual User condition, due to which it was possible only for those actually using the imports to import most of the items listed under OGL has been scrapped. These changes have meant that it is now possible to import a large number of commodities with virtually no condition being attached to their import. These changes have ostensibly been introduced in order to move away from a controlled to a free trade regime in order to improve efficiency of industry and promote technological upgradation. As assessment of the role of the OGL would be necessary in the context of the changes that have been introduced at various points of time, including the most recent ones.

The ISID undertook an exercise on the Daily Trade Register data for 1990-91 to determine the relative importance of OGL imports in total imports[1]. Specifically, the exercise looked at the following aspects: (a) the share of OGL in total imports in all the four major ports taken together and separately and (b) section-wise breakup as well as two-digit breakup of total imports and within this, the share of OGL. The results that were obtained were as follows: the share of ogl imports was found to be 60 per cent of total imports with this share being roughly the same for all the ports. Of the OGL imports, the dominant share was found to be that of items contained in Appendix-6 of the import policy, which includes raw materials as well as capital goods. When coverage of OGL was examined, it was found that OGL accounted for nearly 90-99% of imports under three HS sections, namely mineral products, raw hides and skins, leather, etc., and wood and articles of wood. Out of the imports under a very important category of goods, namely, machinery and mechanical appliances, 50 % were on OGL.

This study could, however, be considered only as looking at the most elementary aspects that would need to be examined in detail if the results of the liberalization via an expansion of OGL are to be looked into. Any meaningful study of the consequences of a particular type of OGL policy would need to look at the following general aspects: what are the aims and objectives of enlarging OGL lists over time? In what way does the enlarging of the scope of OGL lead to a liberalized framework in theory? In practice, how has OGL expansion taken place? What has been the basis for the addition/deletion of

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1. Goyal, S.K., Exchange Rates, Trade Policy and Tariff Structure, ISID, July 1991.

particular items to/from OGL? Does the actual working of the system conform to the objectives laid out? What are the measures necessary to ensure efficient functioning of the system?

These questions acquire special significance in the context of the recent far-reaching reforms, especially those pertaining to OGL that have been introduced in the trade policy regime.

This paper is being written with a specific purpose: that of looking at who have been the major importers under OGL in the major two-digit categories for the year 1990-91, with an idea of ascertaining the extent of concentration in importing. Although the empirical content of the paper will essentially consist only of this aspect, a major part of the paper will try and examine the questions posed in the previous paragraph. The paper will therefore be divided into three parts: (1) The theoretical aspects of OGL expansion, (2) Aspects of OGL expansion as it was worked out in practice and (3) A study of major importers under OGL.

SECTION 1: The theoretical aspects of OGL expansion

While the OGL list existed in the Import Policy prior to 1977-78 also, it was in the year 1977-78 that important changes began to be incorporated within the category of OGL, when several items of textile machinery were included. Since then, the opinions of various committees that were appointed to examine various aspects of the working of the industrial and trade system have constituted the theoretical opinion on liberalization in general and OGL in particular. These were the Alexander Committee (1978), the Husain Committee (1984), the Narasimham Committee (1985) and the Alagh Committee (1986). The World Bank, in its various reports on India (World Bank 1989, 1990), has also commented extensively on the concept of OGL in the context of the need for review of the Indian trade policy regime.

Before we enumerate the points made by these various committees and the World Bank, we will first briefly go over what constitutes OGL in the import policy[2]. Imports under OGL are of two types: OGL subject to certain conditions and OGL stock and sale. Items under both these categories can be imported without a license but the former category is subject to certain conditions relating to the production processes where these imports serve as inputs. Under this category, imports are subject to (a) the Actual User condition, whereby the importing firm must be the user of the import which, in the case of capital goods, cannot be resold for five years without permission from the licensing authorities and (b) the condition that the resulting change in productive capacity must be compatible with the capacity approved by the licensing authorities. Under the second category, items can be imported by any importer whether for his own use or for resale. The OGL lists that have been drawn up from the time when expansion of this list became significant have included the following types of items:

[2] These aspects will be enumerated in greater detail in Section 2.

(i) items not produced within the country

(ii) protected items that are subsequently exposed to international competition

(iii) items that are in short supply, i.e., where imports under OGL are a residual, representing the gap between domestic demand and supply

(iv) items that are under special categories like imports for exporters, which can be imported notwithstanding indigenous availability.

Accordingly, objectives of OGL expansion have been multi-fold and opinions expressed by various committees have tackled only certain aspects of OGL expansion respectively.

The opinions of the various committees mentioned earlier differ with each other and some with the World Bank on the role to be played by OGL.

The Alexander Committee, which submitted its report in 1978, was one of the earliest advocates of liberalization of trade policies, particularly with regard to OGL. In looking at which items should be put on OGL, it argued that protection through the licensing system should be a conscious effort directed at selected industries and in general, production activities take place in an "unhindered environment of open competition from foreigners". Hence, it proposed that banned, restricted and licensed lists be drawn up in detail and for items where a policy is not indicated, imports should be permitted on OGL. It also went into whether those items falling outside banned, restricted and licensed lists should be placed on OGL with or without the requirement that they be imported by Actual Users. It argued that goods importable on OGL should be imported without an Actual User condition. The reasons provided were: (i) Unconditional OGL will result in flexibility in importation and distribution of the goods concerned. This would be of special use to small scale industries because they would find it difficult to import through agencies and will hence benefit from stock-and-sale facilities provided by merchant importers. (ii) Unconditional OGL would imply open competition and therefore would involve lesser costs of OGL items to Actual Users. (iii) Provision of stock-and-sale facilities by merchant importers would reduce inventory levels of industrial units and release part of their working capital funds (iv) Since most items on OGL would be industrial raw materials, components and spares to be ultimately consumed by industry, over a relatively short period of time, these imports would find an optimal level although in the short term they might result in a large spurt in ogl imports. The report states, "The committee discussed the pros and cons of the two alternatives and was of the view that ideally OGL without AU condition is in keeping with the broad spirit of the OGL system and is also to be preferred to the other alternative from the point of view of economic rationale. However, it was felt that the process of reaching such a system should be gradual. An OGL with AU condition should be the first step in the transition towards an OGL without AU condition"[3].

The Husain Committee report states that the objective of trade policy should be to

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[3.] Ministry of Commerce, Report of the Committee on Import-Export Policies and Procedures, January 1978.

strike a balance between protection on the one hand and competition or access on the other. In the process of rationalization of the import policy tariffs should be lowered for goods on OGL because this list essentially consists of items not produced within the country, in the committee's opinion. For sectors that are selected for modernization, it is suggested that the required capital goods be put on OGL. This is to encourage modernization at low cost, technological upgradation and efficient import-substitution. In the opinion of this committee, therefore, the idea of an OGL list is to permit the easy import of items not produced within the country and so as to permit modernization. The aim of trade policy reform should be one of neutralizing incentives to import-substitution and export promotion and not as to facilitate a transition from a protective to a free trade regime.

The Narasimham Committee report, concentrated on the substitution of physical controls by price controls and stated that trade reform should contain measures where products of all new industries, competitive industries and those not produced within the country would be protected only by tariffs, meaning that all such products would be on OGL. Non-tariff protection of any kind was to be provided only to defence-related industries to encourage domestic production and to inefficient firms where quantitative restrictions would continue for some time before being completely replaced by tariffs. These prescriptions follow from the understanding that the Indian economy in the course of its post-independence development followed a strategy of protecting domestic industry which led to distortions of various kinds and hence a misallocation of resources. The need of trade policy reform to correct these distortions and to frame policymaking in a way that would rely only on market forces in order to allocate resources is therefore considered of utmost importance.

The Alagh Committee's prescriptions regarding the inclusion of goods on OGL were according to where they belonged in a classification of industries that it suggested. According to this classification, industries are divided into those which are reasonably competitive internationally, those which are less well developed but could be exposed to a limited degree of competition and those that still need to be protected as before. It is suggested that the first group should be placed on a tariff-cum-concession regime under OGL and that the other categories should be under licensing or tariff-cum-licensing.

By far, the most far-reaching prescriptions regarding OGL have been made by the World Bank. In its latest report on trade policy reform (World Bank 1990), it states that OGL should be used as the instrument by which a transition to a fully liberalized trade system will be achieved. The aims of trade policy, the Bank argues, should be to stimulate competition between domestic and foreign goods and to provide the necessary imports required for domestic production, especially for export production. These aims can be achieved by evolving a policy such that all intermediate goods, raw materials, capital goods and consumer goods are moved ultimately to the ogl stock-and-sale list. The route to be followed that would achieve this would be by moving imports on the restricted list to the REP list, those on REP to OGL and those on OGL to OGL stock-and-sale, continuing this process until all goods ultimately end up under OGL stock-and-sale by a phased out transition. These prescriptions follow from the understanding that the trade policy regime should be rid of all obstacles to free trade and the free import of all goods should be allowed by ultimately putting them under the OGL stock-and-sale category. Following from this understanding, the Bank argues that the Actual User condition actually goes against the spirit of OGL by making it impossible for non-Actual Users to import goods in bulk and resell them in the domestic market, consequently making it difficult for importers importing small quantities to obtain imports on OGL. This is because the only way in which small importers would have access to OGL imports would be when larger importers resell their stocks, since importing directly under OGL might be too costly. Transferring all goods ultimately to OGL stock-and-sale would ensure that there are no barriers to importing any volume of goods and introduce competition in the economy.

The World Bank, as we can see, sees OGL as a major instrument by which the transition from a protective to a free trade regime in international trade can be achieved.

The Alexander Committee report which was the first Indian report to talk about radical restructuring of trade policy was also the one to suggest major changes in the scope and objectives of OGL. The measures suggested more or less coincide with the World Bank's view on the same. The view of the Narasimham Committee, as we can see it also closer to the World Bank's view of the need to transform the economy from an illiberal to a liberal one, with any retaining of protective structures being only to in the interim spread out the painful effects of the transition.

What emerges from the above discussion is that recommendations regarding the objectives of policy for imports under the OGL category have depended on the objectives of trade policy reform as perceived by different committees, this, in turn, ranging from "efficient" import substitution to a radical transition to a free trade system. Accordingly, the OGL list is conceived of as containing items ranging from all goods, to only goods not produced within the country, with various combinations in between. The OGL list as it exists now contains, as we have already mentioned, items ranging from those not produced within the country to those that are competitive with Indian products. Scanning through the Committee reports and the World Bank recommendations throw up a very important question: that of the relevance of having an Actual User condition for OGL imports.

The criteria for importing under OGL have varied in actual policy, with the Actual User condition being relaxed in many instances. The details of these policies will be dealt with in the next section.

SECTION 2: Empirical aspects of OGL expansion

This section will deal with (i) the broad categories of importers and kinds of goods included under OGL, (ii) Trends in expansion of the various lists under OGL and (iii) the criteria for addition or deletion of items to or from the lists.

(i) The OGL list, as it appears in the Import Policy, consists of separate lists of capital goods (Appendix 2B in the policy until 1983 and Appendix 1B in the policy from then)[4], of raw materials, consumables, and spares and a separate list of equipment, raw materials, tools and spares for the gems and jewellery industry. Imports listed under the above headings are eligible for import by the following categories of importers: (a) Actual Users (Industrial and Non-Industrial) (b) Government Departments, Public sector Undertakings, Scientific Laboratories, Hospitals, etc (c) Individuals/Professionals like doctors who import items for their own use but with strict ceilings on imports permissible per person under this category and (d) some items in the stock-and-sale list for import by everyone, of items like dry fruits, spices, photographic films, ammunition, weedicides, some items of raw materials and consumables, etc. Of these, there is no ceiling on the quantity and value of imports importable by Actual Users. As long as an importer can furnish the required certificates to show that the imports are being used in his production process, there is no barrier to importing any quantity. Of this, only the lists containing the goods that go into the production process are relevant to our study and hence we will confine ourselves to looking at these goods.

(ii) Table 1 shows how the number of items under various categories of goods expanded over time. As we have mentioned earlier, we have looked at trends since 1977-78 because that was the year in which the addition of goods to OGL in order to facilitate increased industrial production and as part of the process to gradually decrease the importance of licensed categories began. In 1975-76, there were only six items of capital goods on OGL. In 1976-77, some items of leather machinery were added. As the table shows, in 1976-77 there were 79 items of capital goods and 5 items of raw materials, consumables and spares on OGL for Actual Users and 6 items on OGL stock-and-sale. By 1978-79 there were 252 items of capital goods and an increase in the number of raw materials, consumables and spares as well as items for stock-and-sale on OGL. Subsequently, as the table shows there have been massive jumps in the number of items under the various categories. Capital goods have recorded the largest increase with the increase being more than six times between 1978-79 and the 1990-93 policies.

Table 1

Breakup of Items Listed Under OGL (1976-1993)[1]

Year/s	Capital Goods	Items of the Gems and	Raw Materials, Consumables and	Items on Stock and Sale

4. There were major changes in the organization of the import policy document in the years 1983-84, with changes in the number of appendices and licensing categories.

		Jewellery Industry	Spares	
1976-77	79	--	5	6
1978-79	252	--	22 Headings	16 Headings
1979-80	385	84	41 Headings	24 Headings
1980-81	405	84	56	
1981-82	439	88	60	31 Headings
1982-83[1]	554	104	97	38 Headings
1985-88	947	74	685	46
1990-93	1341	132	819	75

Source: Export and Import Policy, Vol. 1, various issues.

1) The Import policy documents published for the various years considered do not contain consistent and detailed lists of items divided in the manner above. In years where the exact number of items has not been given, we have given the figures for the number of headings under which items are listed.

2) A separate list containing raw materials, consumables and spares was published from this year.

The consistent rise in the number of items on the OGL list has therefore taken place, in the case of capital goods, since 1977-78 onwards and for raw materials, consumables and spares from 1982-83 onwards. One important change that came with the 1988-91 policy is that separate lists of raw materials, etc. to be imported by Actual Users only and by Actual Users and Registered Exporters who can import by the use of REP licenses that can in turn be transferred to Actual Users were drawn up. This presumably came from the increased emphasis on providing imports to exporters.

(iii) We have seen that since the last two years of the seventies, there has been a consistent expansion in the OGL lists under all categories, in line with one of the most prominent aims of liberalization, that of making available to industry the internationally competitive inputs that it requires. The original objective of creating on OGL list, that of importing under this facility the essential items that are not available in the country, however, has not been adhered to. Looking at detailed policy changes with respect to OGL over the years does not indicate a sustained move towards liberalization although the general trend is in that direction. For example, while the lists have expanded multi-fold, at various points of time, the logic for inclusion or deletion of particular items has been contradictory. For example, in 1979-80, 165 items of capital goods, raw materials and components like sugar machinery, hand-knitting machines, etc. were removed from OGL. The reason provided was that these items are available indigenously and that Actual Users should give enough notice of their requirements to indigenous producers in which case they would be eligible to avail of several facilities to import other items without preconditions. In the same year, 63 items of raw materials, components and machinery were moved to OGL since domestic supply was inadequate. In many other years additions to OGL were of goods not produced within the country. For example, in 1982-83, 1984-85, 1985-88 and 1990-93, 85, 94, 201, and 99 items respectively of machinery not available within the country were added to OGL.

Therefore, although in terms of objectives the balance seems to lie in favour of liberalisation rather than protected self-reliance, the way policies have unfolded does not show any strict guidelines being followed. Detailed policy changes have moved on a case-to-case basis, policies changing according to foreign exchange availability and also differing vastly between industries and years as to the relative emphasis between self-reliance and liberalization. In many cases of items being added to or deleted from the OGL list decisions of particular years have been reversed by decisions in subsequent years. As a result, in some years, while the logic of liberalization has been used to add particular items to the OGL list, at other points of time the logic of keeping only domestically non-available items on OGL has been quoted. At still other points of time, goods have been added to OGL because domestic supply has not been sufficient to satisfy domestic demand. These measures essentially reflect ad hocism and responses to stimuli that are not in keeping with the long-term objectives of trade policy on the one hand and the conflicts between the objectives which manifests itself at specific points of time on the other. Movement of items to and from OGL lists also reflect factors other than policy objectives like foreign exchange availability. In spite of these contradictions, the long-term trend in OGL expansion has been consistent with liberalisation.

SECTION 3 An exercise on OGL

We did an exercise on OGL data for 1990-91, consisting of imports by sea and air from Bombay port from April 1990 to March 1991. Since we were interested in looking at the largest importers, we looked at the set of imports where each consignment consisted of imports worth more than Rs. 10 lakhs. There were 10101 entries of this description.

At a preliminary stage, we divided the entries at the two-digit level of HS classification in order to get a broad picture. Table 2 shows that broad breakup of OGL imports for 1990-91. We can see that the largest imports consist of Mineral Fuels followed by Iron and Steel, both of which are imported by the Government. After leaving out these two categories, we scrutinized in detail the imports by the private sector in the other categories, namely, codes 07 (Edible vegetables and certain roots and tubers), 15 (Animal or vegetable fats and their cleavage products, etc), 29 (Organic chemicals), 32 (Tanning or dyeing extracts, dyes, pigments and other colouring matter, paints and varnishes, etc.), 39 (Plastics and articles thereof), 40 (Rubber and articles thereof), 47 (Pulp of wood, etc.), 48 (Paper and paperboard and articles thereof), 51 (Wool, fine or coarse animal hair, etc.), 84 (Nuclear reactors, boilers, machinery and mechanical

Table 2

Breakup of OGL Imports, 1990-91

HS Code	Category	Imports (Rs. cr.)

7	Edible Vegetables, etc.	261.36
15	Animal/Veg Fats	113.71
27	Mineral Fuels	733.88
29	Organic Chemicals	312.91
32	Tanning/Dyeing Extracts	23.98
39	Plastics, Articles Thereof	206.64
40	Rubber, Articles Thereof	22.16
44	Wood, Articles Thereof	27.58
47	Wood Pulp	123.25
48	Paper, Paperboard	93.25
51	Wool, Animal Hair	53.82
72	Iron & Steel	479.46
84	Non Electrical Mach	366.58
85	Electrical mach	102.76
87	Other Vehicles	17.80
88	Aircraft, Spacecraft	2.81
90	Optical Equip, etc.	59.23
98	Project Goods	122.07
99	Misc Goods	83.60

Source: Calculated from Daily Trade Register, April 1990 - March 1991.

appliances), 85 (Electrical machinery and equipment and parts thereof; sound recorders and reproducers, etc.), 87 (Road vehicles). For each of these categories, we looked only at private sector imports. Table 3 shows the breakup of private sector OGL imports at the two-digit level, which has been obtained by removing public sector imports from the entries listed in Table 2.

We looked at the following aspects: (i) Within each two-digit category, the proportion of importers accounting for 50 per cent of the total imports, (ii) Among the largest importers, the percentage of total imports accounted for by the largest importer, (iii) The kind of firm represented by each importer, i.e., whether it is registered under MRTP, or FERA, whether it has any foreign collaborations, whether it has any joint ventures abroad, etc, and (iv) What goods are being imported by each of these firms, in order to ascertain whether they broadly import the same goods. The results that we obtained are summarized in Tables 4 and 5.

Table 3

Breakup of Private OGL Imports, 1990-91

HS Code	Category	Imports (Rs. cr.)

7	Edible Vegetables, etc.	261.3
15	Animal/Veg Fats	58.4
27	Mineral Fuels	58.3
29	Organic Chemicals	312.9
32	Tanning/Dyeing Extracts	24.0
39	Plastics, Articles Thereof	165.8
40	Rubber, Articles Thereof	218.1
44	Wood, Articles Thereof	27.6
47	Wood Pulp	121.5
48	Paper, Paperboard	39.2
51	Wool, Animal Hair	51.9
72	Iron & Steel	433.8
84	Non Electrical Mach	254.6
85	Electrical mach	75.6
87	Other Vehicles	13.9
88	Aircraft, Spacecraft	2.7
90	Optical Equip, etc.	59.2
98	Project Goods	23.6
99	Misc Goods	25.9

Source: Calculated from Daily Trade Register, April 1990 - March 1991.

Table 4

HS Code	Total No. of OGL Importers	Concentration[1]	Largest Importer	% Accounted by Largest Importer
7	159	14	Anjani Commercial Corporation	9.28
15	8	1	Thermax Pvt Ltd.	45.72
29	233	19	Reliance Inds Ltd.	9.54
32	28	2	Asian Paints Ltd.	
39	226	14	Finolex Pipes Pvt. Ltd.	7.75
40	15	2	Modi Rubber Ltd.	36.10
47	62	3	Ballarpur Inds Ltd	33.30
48	82	9	Bennett & Coleman	20.00
51	69	3	Pasupati Haryana Woollens	26.80
84	303	16	Eastern Peripherals Pvt. Ltd.	8.95
85	84	4	Wartsila Diesel India ltd.	18.81
87	18	3	Kinetic Honda Motors Ltd.	22.90

Source: Calculated from Daily Trade Register, April 1990 - March 1991.
(1) Concentration shows the number of importers accounting for 50% of total imports.

Table 5
List of Major OGL Importers and their Status[1]

HS Code	Product Category	Main Importers		House/Foreign Firm Association[3]
07	Edible vegetables certain roots and tubers	1. Anjani Commercial Corporation	Not identified[2]	
		2. Pyarelal Imports & Exports	- do -	
		3. Nav Maharashtra Chakan Oil Mills	- do -	
		4. Ramjilal Rajinder Prashad	- do -	
		5. Jindal Super Dal Mills	- do -	
		6. Esskay International Pvt. Ltd.	- do -	
		7. Hasmukhlal Damji & Co. Pvt. Ltd.	- do -	
		8. Commodities International	- do -	
		9. Parakh Foods	- do -	
		10. Sampat Industrial and Construction Co.	- do -	
		11. Jawahir Trading Co.	- do -	
		12. Poona Dal and Besan Mills	- do -	
		13. Mahalchand Motilal Kothari and Co.	- do -	
		14. Bafna Commerce & Industries	- do -	
15	Animal or vegetable fats and their cleavage products; prepared edible fats; animal or vegetable waxes	1. Thermax Pvt. Ltd.	FC	Sanyo, Geco, etc.
		2. Dai Ichi Karkaria Pvt. Ltd.	FE	Dai Ichi
29		1. Reliance Industries Ltd.	MRTP, FC	Reliance/Dupont, Union Carbide
		2. Lupin Labs Ltd.	FC	Neison, etc.
		3. Cipla Ltd.	FC	Reiker, etc.
		4. Ranbaxy Labs Ltd.	JTV, FC	Fabrica Halina, etc.
		5. Orgo Pharm Chem	-	-

(Contd...)

HS Code	Product Category	Main Importers		House/Foreign Firm Association[3]
		6. Sandoz India Ltd.	FC, FE	Sandoz
		7. Armour Chem Co. Ltd.	-	-
		8. Mc Donell & Co. Ltd.	MRTP, FC	
		9. Hindustan Lever ltd.	MRTP, FC, FE	Hindustan Lever/Unilever
		10. Hoechst India Ltd.	MRTP, FC, JTV, FE	United Breweries/Hoechst
		11. BASF India Ltd.	FE, FC	BASF
		12. Excel Industries Ltd.	MRTP	Tata
		13. Syntho Rifa Pvt. Ltd.	-	-
		14. Kopran Chem Co. Ltd.	-	-
		15. Vista Organics Ltd.	-	-
		16. Bayer India Ltd.	FC, MRTP, FE	Goenka/Bayer
		17. Montari Inds Ltd.	FC	Bansch & Lamp, etc.
		18. Rallis India Ltd.	MRTP, FE, FC	Rallis/Fisous International
		19. German Remedies ltd.	FE, FC	Bolringer Ingelheim
32	Tanning or dyeing extracts; tannins & their derivatives; dyes, pigments, paints etc.	1. Asian Paints Ltd.	JTV, FC	Chemiche Werke, etc.
		2. Goodlass Nerolac Ltd.	MRTP, FE, FC	Tata/Kansai Paints
39	Plastics and articles thereof	1. Finolex Pipes Pvt. Ltd.	--	
		2. Supreme Industries Ltd.	FC	Gestle, etc.
		3. VIP Industries Ltd.	FC	Samsonite Corporation
		4. Garware Wallropes Ltd.	MRTP, FE, FC	Garware/Wall Industries Ltd, USA
		5. Prakash Pipes & Industries Ltd.	FC	Electromagnetic, etc.
		6. Uniplas India Ltd.	FE	British Gas
		7. Paharpur Plastics	FC	
		8. Bajaj Plastics Ltd.	--	
		9. Bharat Vijay Mills Ltd.	--	
		10. Prestige Polycontainers Ltd.	FC	

(Contd...)

HS Code	Product Category	Main Importers		House/Foreign Firm Association[3]
		11. National Plastics Ltd.	--	
		12. Cosmop Film Ltd.	--	
		13. Bharat Pipes & Fittings Ltd.	FE	
		14. Jain PVC Products Pvt. Ltd.	--	
		15. Polylefins Industries Ltd.	MRTP, FE	Mafatlal/Hoechst
40.	Rubber & articles thereof	1. Modi Rubber Ltd.	MRTP, FC	Modi
		2. Ceat Ltd.	MRTP, FE	Goenka/Ceat
47.	Pulp of wood or of other cellulosic material	1. Ballarpur Industries Ltd.	MRTP, FC	Thapar
		2. Pudumjee Pulp & Paper Mills	Central PU/FC	
		3. Nepa Ltd.	--	
		4. Shree Vindhya Paper Mills Ltd.	MRTP	Bangur
48.	Paper & Paperboard; articles of paper pulp, of paper or of paperboard	1. Bennett Coleman & Co.	MRTP	Sahu Jain
		2. Hindustan Times Ltd.	MRTP	Birla
		3. Indian Express Newspapers	MRTP	Goenka
		4. Bakelite Hylamed Ltd.	FE, FC	Union Carbide
		5. Jagran Prakashan Ltd.	--	
		6. Mitra Prakashan Pvt. Ltd.	--	
		7. Living Media India	--	
		8. Punjab Kesari	--	
		9. Asian Cables Ltd.	MRTP, FC	Goenka
51.	Wool, fine or coarse animal hair, horsehair yarn & woven fabric	1. Pasupati Haryana Woollens Ltd.	MRTP	Jain
		2. Raymonds Woollen Mills Ltd.	MRTP	Singhania
		3. VXL India Ltd.	--	
84.	Nuclear Reactors, Boilers machinery & mechanical appliances; parts thereof	1. Eastern Peripherals Pvt. Ltd.	--	
		2. Indo Count Industries Ltd.	--	
		3. Arvind Exports Pvt. Ltd.	--	

(Contd...)

HS Code	Product Category	Main Importers		House/Foreign Firm Association[3]
		4. SKF Bearings India Ltd.	MRTP	Tata
		5. Videocon International Pvt. Ltd.	Large Group	Dhoot Brothers
		6. Century Textiles & Industries Ltd.	MRTP	Birla
		7. Proplylatic Devices Ltd.	--	
		8. Tancom Electronics Ltd.	--	
		9. Advance Technology Devices	--	
		10. Premier Automobiles Ltd.	MRTP, FC	Walchand
		11. Padmatex Engg. Ltd.	FE, FC	Reiner Verwaltungs Gesellshaft
		12. Tata Engg. & Locomotive Co. Ltd.	--	
		13. Borasara Machines	--	
		14. Larsen & Toubro Ltd.	MRTP, FC, JTV	Larsen & Toubro
		15. Escorts Tractors Ltd.	MRTP, FE	Escorts/Ford
		16. Shankarrao Mohita Sahakari		
85.	Electrical Machinery & eqpt. & parts thereof, sound recorders & reproducers, television image& sound recorders & reproducers, & parts and accessories of such articles	1. Wartsila Diesel India Ltd.	FE, FC	Wartsila
		2. Saha Electrocomponents Ltd.		
		3. Videocon International Pvt. Ltd.	Business Group, FC	Dhoot Brothers, Mitsubishi
		4. Samtel Colors Ltd.	FE	Mitsubishi
87.	Road vehicles	1. Kinetic Honda Motors Ltd.	FE, FC	Honda
		2. Hindustan Motors Ltd.		
		3. LML Ltd.		

Source: Daily Trade Register, April 1990 - March 1991 and Company Information Systems, ISID.

1. This column contains details of whether the company is registered under MRTPA, or has foreign equity, or has foreign collaborations, or has joint ventures abroad, denoted by MRTP, FE,FC and JTV respectively.
2. Under this HS category, none of the companies had any status as defined in 1 and hence also did not have any house or foreign firm association.
3. In the case of companies having no foreign equity participation but only foreign collaboration we have not provided the name/s in all cases.

Summary of Results

The total imports of items under OGL, of item-wise consignments exceeding Rs. 10 lakhs, amounted to a value of Rs. 4175.5 crores. As we have already mentioned in the beginning of the paper, we looked only at these imports because our aim was to study who the large importers under OGL are and what the level of concentration is. Of the above total value of imports, more than 50 per cent was accounted by public sector imports.

Our analysis revealed that there is a large degree of concentration in importing under OGL in all these categories. Defined as where one importer imported a disproportionately large share of imports, the maximum concentration was seen in category 15 with 45.72 per cent of imports accounted for by Thermax Private Ltd. Ranked in terms of the descending order of the number of companies accounting for 50 per cent of total imports under each category, we found concentration to be maximum under category 85. We found that most of the importers importing under OGl were either registered under MRTP, or were FERA companies, or were both. Almost all the companies had foreign collaborations and some of them had joint ventures, mostly with other Asian countries. There also seems to be a very significant similarity in the kind of good imported under each 2-digit category for all the categories except in machinery and transport equipment, where all importers seem to be importing different commodities.

We can see, therefore, that whether it is in terms of one importer cornering a disproportionate share of imports or in terms of a small number of importers accounting for a large share of imports, while their individual shares might not be very great, there is a large degree of concentration of importers under OGL. We have also mentioned earlier that an unfinished study conducted in ISID has revealed that this concentration is true of all imports, taken at an aggregative level, without being divided into imports on OGL and imports under licensing.

Given the recent policy changes in the realm of foreign trade, which include the removal of the Actual User condition on imports under OGL and the addition of several items to OGL whose import previously required Eximscrips, we can ask the following questions based on our results: Why are imports concentrated in a few hands while one of the objectives of putting imports on OGL is to reduce concentration? Does this show that the policy framework allows particular companies, particularly those belonging to the large business houses, or being subsidiaries of foreign firms, or those thst import items as a result of foreign collaborations, to use the liberal policy framework, or is it because the Actual user condition been a major deterrent to liberal importing? Is getting rid of the Actual User condition going to change significantly the level of concentration? Is the ability to exploit loopholes the main qualification to successful importing?

Although it is difficult to give precise answers to the above questions, what we will do is to make some observations on the basis of available information. As we have already mentioned in the second part of the paper, technically there is no upper limit to the quantity importable by an Actual User, as long as he can provide certificates showing the use of the import in his production process. it has been argued by many, notably the World Bank and the Alexander Committee, that it is the Actual User condition that prevents small importers from obtaining cheap imports, due to the costs involved of importing on a small scale and the prevention of resale by large importers through the Actual User condition. On the other hand, it could be argued that it is the lack of any rationing of foreign exchange, giving importers the freedom to import as much as they like as long as they furnish satisfactory information regarding their use that results in large concentration of imports both in terms of a few firms cornering large chunks of imports as well as single firms cornering large shares for themselves. The inability of small firms to import items on OGL cheaply would remain even if the Actual User condition is removed because there would be large increases in the quantities imported by single importers with no need to furnish any information regarding their productive use. Purchase of imports by small importers in the domestic market after large importers resell their stocks would involve buying at higher prices and hence an escalation of costs, the same reason that supposedly prevents them from importing on OGl in the first place. The removal of the Actual User condition on OGL imports would, therefore increase concentration.

This paper has tried to look in some detail at the facility of importing through an Open General License route that has been available to importers with increased ease since the late seventies and particularly since the mid-eighties. it presents the theoretical arguments behind the creation and expansion of OGL lists in the light of some empirical evidence obtained from the Daily Trade Register Data. It must be emphasized that this only represents a beginning of detailed studies on many more aspects of trade policy.