CHAPTER III

EXPORT DUTIES

Introductory

Export duties constitute a well-known feature of the Indian fiscal system, having been levied on different commodities from time to time. During the early part of the British rule, export duties were levied at small *ad valorem* rates on many articles of export. On occasions, the duties affected exports seriously, as, *e.g.*, duties on indigo and salt-petre. This phase ended in 1867, after which most of the export duties were abolished. In 1914, only rice was charged to duty. In 1916, an export duty was imposed on jute and this item has formed part of the tariff ever since. A duty on raw hides and skins at 5 per cent. *ad valorem* was imposed in 1919 but was abolished in 1935. During the second World War, an export duty at 3 per cent. *ad valorem* was imposed on cotton cloth and yarn, but this was converted into an export cess in 1945. The yield from export duties was between Rs. 4 crores and Rs. 6 crores a year between 1919-20 and 1945-46. Between 1920-21 and 1938-39, the yield from export duties showed a small decline from Rs. 4·9 crores to Rs. 4·1 crores while total customs revenue increased from Rs. 29·1 crores to Rs. 40·5 crores. The yield from export duties did not vary perceptibly in relation to trade conditions; the revenue in 1931-32 was practically the same as in 1920-21 or 1938-39.

2. Since 1946, export duties have acquired new importance; duties have been imposed on a number of new articles and old duties have been raised. The level of yield has been greater in relation to both the net customs revenue and the value of exports. In no year since 1948-49 has the collection of export duties as a percentage of customs revenue or of the value of exports been less than double the corresponding percentage for 1938-39. Moreover, the levels of duties have been varied considerably in the post-war period to take account of changes in trade conditions, abolition of some duties and appreciable reduction in others having been effected in the last two years or so. The export duty revenue as a percentage of value of exports has fluctuated between 5·3 and 12·9 in the years after 1947-48. The following table gives the relevant statistics:—

TABLE 1.—*Export duty revenue in relation to total customs revenue and value of exports*

Year	Export duty revenue	Gross customs revenue	Value of exports	Export duty revenue as percentage of gross customs revenue	Export duty revenue as percentage of value of exports
1	2	3	4	5	6
		(*In crores of Rupees*)			
1938-39	4·10	44·51	163	9·2	2·4
1946-47	7·14	99·59	298	7·2	2·4
1948-49	26·44	130·42	421	20·3	6·3
1949-50	25·19	129·75	472	19·4	5·3
1950-51	47·32	161·43	579	29·3	8·2
1951-52	90·74	237·09	702	38·3	12·9
1952-53	55·38	178·63	551	31·0	10·1
1953-54	38·51	161·33	516	23·9	7·4

The yield from export duties reached the peak figure of nearly Rs. 91 crores in 1951-52, when it formed about 40 per cent. of the total customs revenue. By 1953-54, the export duty revenue had been reduced to Rs. 38·5 crores, but it still formed more than a quarter of the customs revenue which was also significantly lower as compared to 1951-52. Export duties have not only been an important source of revenue in the recent past but have also been used for certain economic purposes. We, therefore, propose to study in this chapter their place in the Indian fiscal system in the light of recent developments.

Levy of export duties for revenue purposes

3. Export duties are levied for various purposes. The pre-war export duties were primarily imposed for producing moderate revenue receipts from commodities which had a comparatively strong position in export markets. The Fiscal Commission, 1921-22, did not disapprove of export duties as a source of revenue, but it urged caution in using them for this purpose. The test laid down by it was that export duties for revenue purposes would be justified if they would fall mainly on foreigners and in the circumstances in which there was little danger of the production of the commodity in India being affected. In other words, an export duty should be imposed primarily on articles in which India had a monopoly or semi-monopoly and the level of the duty should be moderate.* The general statement, that in normal circumstances, only moderate duties should be levied, and that these should be restricted to monopoly and semi-monopoly exports seems unexceptionable as such. The further argument of the Fiscal Commission, however, that a duty should not be imposed when the burden might fall on the Indian producer cannot be accepted without some qualification. It may well be that the Indian producers who pay the tax are relatively lightly burdened by other forms of taxation. The export duty would then ensure a suitable distribution of the total tax burden. Thus, it may be that producers of commercial crops pay less land revenue in relation to income than producers of food crops. If the crops or manufactures from them are sold abroad in a competitive market, an export duty could not ordinarily be shifted to foreigners. The question is primarily one to be decided on the facts of each individual case, including the type of product, the nature and extent of competition in the export markets, the relative importance of domestic and foreign demand for the product and other factors. We recognise that the levy of an export duty may create specially difficult problems in uncertain conditions of international trade and the psychological reactions of the importers in other countries to such duties needs to be taken into account. This does not, however, rule out the judicious use of export duties for revenue purposes.

4. In the post-war period in India, export duties have also been levied for purposes other than revenue. Many duties fulfil different secondary economic purposes, the significance of which has varied from time to time. Thus several duties have been imposed for preventing the impact on domestic markets of inflationary conditions abroad, or for stabilising domestic prices, while other duties have been imposed for protective purposes. Tables 2 and 3 at pages 273 and 274 show (1) the exports since 1948-49 of commodities subject to

*Report of the Indian Fiscal Commission, 1921-22, page 104.

TABLE 2.—*Value of exports of commodities subject to export duties and duty realised therefrom*

(In crores of Rupees)

Year		Tea	Manganese ore	Cigars and cigarettes	Jute manufactures	Cotton textiles	Black pepper	Iron and steel	Vegetable oils	Coffee	Raw wool	Oil seeds	Raw cotton	Cotton waste	Raw jute
1948-49	Value	63·7	1·8	1·5	146·6	36·3	2·7	0·7	10·9	..	1·1	6·4	14·0	5·1	24·0
	Duty	10·8	0·4	No duty	6·4	4·0	No duty	No duty	0·9	..	No duty	0·6	1·8	No duty	1·2
	Percentage	*17·0*	*21·7*	..	*4·3*	*11·1*	..	..	*8·4*	..	..	*9·4*	*12·9*	..	*5·0*
1949-50	Value	72·4	5·8	0·5	127·0	59·1	14·5	0·7	7·6	1·3	3·7	14·1	10·6	8·2	16·7
	Duty	10·3	0·9	0·2	8·8	0·4	0·6	..	..	..	No duty	No duty	2·2	No duty	1·3
	Percentage	*14·3*	*14·7*	*40·0*	*6·9*	*0·6*	*4·4*	..	..	..	..	..	*20·8*	..	*7·8*
1950-51	Value	80·0	8·0	0·6	114·0	106·0	20·4	0·5	23·2	1·3	7·9	16·1	4·9	12·4	..
	Duty	11·2	1·3	..	23·9	0·3	4·3	0·2	..	..	2·0	No duty	2·2	1·2	..
	Percentage	*14·0*	*16·5*	..	*21·0*	*0·3*	*20·9*	*40·0*	..	..	*25·2*	..	*44·9*	*9·7*	..
1951-52	Value	82·8	13·6	1·1	210·7	39·2	18·6	0·24	20·2	0·6	3·6	5·5	8·8	4·7	..
	Duty	10·2	2·1	..	59·3	3·3	4·6	0·16	0·5	..	1·3	1·0	4·9	2·6	..
	Percentage	*12·3*	*15·3*	..	*28·2*	*8·5*	*24·5*	*66·7*	*2·5*	..	*37·3*	*18·4*	*55·7*	*55·3*	..
1952-53	Value	69·5	17·6	0·1	109·6	46·6	12·5	0·7	23·4	1·4	8·4	2·4	11·9	7·0	..
	Duty	10·5	2·8	..	19·4	6·0	3·5	0·3	0·6	..	Exempt	1·5	7·4	2·6	..
	Percentage	*15·1*	*18·1*	..	*17·7*	*12·8*	*27·8*	*42·9*	*2·6*	..	..	*62·5*	*62·2*	*37·1*	..
1953-54	Value	89·9	20·8	..	103·5	50·3	9·9	0·6	4·4	1·1	5·9	1·2	6·7	7·2	..
	Duty	11·6	3·5	..	10·4	2·9	2·8	0·2	0·4	0·3	Exempt	0·3	2·7	2·6	..
	Percentage	*12·9*	*16·8*	..	*10·0*	*5·8*	*28·3*	*33·3*	*9·1*	*27·3*	..	*25·0*	*40·3*	*36·1*	..

NOTE.—The value figures for exports are ex-duty.

TABLE 3.—*Indices of value of exports and duty realised*

Year		Tea	Manganese ore	Cigars and cigarettes	Jute manufactures	Cotton textiles	Black pepper	Iron and steel	Vegetable oils	Coffee	Raw wool	Oil seeds	Raw cotton	Cotton waste	Raw jute
1948-49	Value	100	100	100	100	100	19	140	100	1	14	100	100	41	100
	Duty	100	100	..	100	100	..	..	100	..	..	100	100	..	100
1949-50	Value	114	322	33	87	163	100	140	70	100	47	220	76	66	70
	Duty	95	225	..	138	10	100	..	0	..	..	0	122	..	108
1950-51	Value	126	444	40	78	292	141	100	213	100	100	252	35	100	0
	Duty	104	325	..	373	8	717	100	0	..	100	0	122	100	0
1951-52	Value	130	756	73	144	108	128	48	185	46	46	86	63	38	0
	Duty	94	525	..	927	83	767	80	56	..	65	167	272	217	0
1952-53	Value	109	978	7	75	128	86	140	215	108	106	38	85	56	0
	Duty	97	700	..	303	150	583	150	67	..	0	250	411	217	0
1953-54	Value	141	1,156	0	71	139	68	120	40	85	75	19	48	58	0
	Duty	107	875	..	163	73	467	100	44	..	0	50	150	217	0

NOTE.—In the case of commodities which were not subject to duty in 1948-49, the year of imposition of duty has been taken as the base year both for value and duty indices. *The following* base years have accordingly been taken for different commodities :—

1948-49 for tea, manganese ore, cigars and cigarettes, jute manufactures, cotton textiles, vegetable oils, oilseeds, raw cotton, and raw jute.

1949-50 for black pepper and coffee (exports of the latter commodity being negligible in 1948-49.)

1950-51 for iron and steel, raw wool and cotton waste.

export duties, the duty realised from them and the relative contribution of various export items to the total revenue from export duties, and (2) indices of value of exports and duty realised thereon, since 1948-49.

5. It appears from the table of indices of exports and duty thereon that some export commodities yield comparatively stable revenue, while the receipts from other items have been highly fluctuating. The fluctuations would be still more in evidence if figures for 1954-55 were available, since several export duties have been further reduced or abolished during the current year.

Tea

6. The choice of suitable commodities for the levy of export duties chiefly for revenue purposes may be examined in relation to the items of this type already on the tariff schedule. Tea is a commodity, for example, the exports of and the revenue from which have been relatively stable. The export duty on tea is a good illustration of a duty which has been levied primarily for revenue reasons. The revenue yield shows a slight upward trend but not of the same magnitude as the value of exports since the duties have not been adjusted to take account of trade variations. In 1950-51, 1951-52 and 1953-54, which have been good years for tea, the duty as a percentage of value has been slightly less than in the other years. The Official Team on the Tea Industry examined the export duty on tea and came to the conclusion that the duty was primarily paid by foreign buyers and that the position of the Indian industry was not adversely affected. It was of the view that Indian tea had special features in regard to flavour, appearance, cup quality etc., and there was little direct competition between tea of various countries. Quantities exported would not, in its opinion, vary significantly as a result of price changes. On the basis of the Team's conclusion, the export duty on tea may be regarded as an instance of a revenue duty the burden of which falls primarily on foreign buyers. In these circumstances, the duty may be held to ensure revenue without detriment to the trade.

Manganese ore

7. Manganese ore is not a commodity of which India has a monopoly. But there has, at any rate, till recently, been a sustained demand in foreign markets. The quantities exported, the total value of exports and the unit value rose every year from 1948-49 to 1952-53. Comparing 1948-49 and 1952-53, the quantity exported went up from 3·1 lakh tons to 13·7 lakh tons, the value of exports from Rs. 1·8 crores to Rs. 17·6 crores and the unit value from Rs. 58 per ton to Rs. 129 per ton. A sharp decline in prices and exports has taken place during the current year and the duty has been abolished.

Cigarettes, cigars and cheroots

8. The duties on cigarettes, cigars and cheroots were also levied mainly for revenue reasons while they were in force, but they were never of any significance. It was only in 1949-50 when receipts amounted to Rs. 17 lakhs that revenue worth mentioning was obtained from this source.

9. The duties on manganese ore and on cigarettes, cigars and cheroots illustrate the possibility of imposing export duties for the purposes of revenue on commodities which are not monopolies, but which are the products of industries with good markets abroad

There may be increased scope for such duties as the range of exports gets diversified. The revenue from such commodities cannot be as stable as from commodities of which India has a relatively steady export market. It is necessary to ensure that a suitable adjustment in rates is carried out from time to time in the light of changing circumstances.

Levy of export duties for purposes other than revenue.

Anti-inflationary duties

10. Export duties not levied primarily for revenue reasons may now be considered. The revenue consideration may, however, be said to exist in all cases and is often an important one. The occasion for levy of most of the new export duties or for very considerable enhancement of the older duties, it might be recalled, was the devaluation of the rupee in September 1949, followed by the boom that accompanied the Korean war a year later, though it was not until the boom had continued for some time that some export duties were imposed or enhanced, in the early summer of 1951. Thus many export duties were levied in order to prevent sudden price increases abroad being reflected in India. The devaluation of the rupee and the reaction on commodity markets of the Korean war increased considerably the demand for India's exports. It was necessary to keep within limits the prices of export commodities in order to avoid a general rise in prices in India as well as to secure for the State a share of the greatly favourable turn in the terms of trade. In common with several other countries, India imposed export duties increasingly as a means of intercepting the inflationary influence of external factors.

11. The export duties most significant from this point of view were those on jute manufactures, cotton textiles and black pepper. These are commodities the exports of which increased in value in 1950-51 and 1951-52, primarily due to rise in prices. Substantial enhancements were made in rates of duty in order to absorb for Government a part of the increased proceeds of exports. It will be seen that between 1948-49 and 1951-52, the revenue from export duties on these items, taken together, increased by over five times while the value of exports went up by barely one-half of their level in the earlier year. Between 1951-52 and 1953-54 the value of their exports declined by two fifths and the revenue in 1953-54 remained barely one-quarter of what it was in 1951-52. Revenue collection as a percentage of the value of exports of these articles has fluctuated considerably, the decline being only somewhat less steep than the proportionate rise in collections. Variations in the rate of duty have had no corresponding effect on the volume of exports. There is another way to look at the role of these export duties. Of the increase in value of exports of these commodities between 1948-49 and 1951-52, Rs. 57 crores was absorbed by Government and Rs. 83 crores was left to the trade.

Jute manufactures

12. A separate examination of each of these commodities reveals some interesting features. In the case of jute manufactures, the quantities exported did not respond to the price increases. In 1950-51 and 1951-52, the quantities of exports were less than in 1947-48 and 1948-49. The increased value of exports was entirely due to price increases. The supply was, therefore, highly inelastic. The duties on jute

manufactures were adjusted fairly closely in line with the price changes. The revenue from these export duties, expressed as a percentage of value of exports, was 21·0 in 1950-51 and 28·2 in 1951-52, when prices were high. The corresponding percentages for other years were 6·9 in 1949-50, 17·7 in 1952-53 and 10·1 in 1953-54.

Cotton piecegoods

13. The position regarding cotton piecegoods was somewhat more complicated. There were many rate changes, and duty as a percentage of value of exports was 11·1 in 1948-49, 8·5 in 1951-52, 12·8 in 1952-53 and 5·7 in 1953-54. In 1950-51, which was a boom year, no duty was imposed; however, there was a substantial increase in quantities exported and prices were high. The quantity exported in 1950-51 was 1,210 million yards as against only 384 million yards in 1951-52 and 560 million yards in 1952-53. In 1951-52 when prices went up further, a duty was imposed, and the quantities exported declined.

Black pepper

14. Black pepper is a commodity the price of which has varied considerably in response to changes in foreign demand. The unit values of exports rose from Rs. 484·4 per cwt. in 1949-50 to Rs. 802·9 per cwt. in 1950-51 and declined to Rs. 778·5 per cwt. in 1951-52, Rs. 647·3 per cwt. in 1952-53 and Rs. 512·1 in 1953-54. The duties have been adjusted to take account of this factor and of the change in export demand, but in view of the highly speculative nature of the trade, the variations have not been completely in line with trends in the value of exports. Revenue expressed as a percentage of value of exports was 20·9 in 1950-51, 24·5 in 1951-52, 27·8 in 1952-53 and 28·3 in 1953-54.

Levy of export duties to stabilise prices of essential commodities

15. Export duties may serve other purposes also. The attempt to stabilise domestic prices is a purpose which is essentially similar to the anti-inflationary purpose which we have just considered. This object has, however, had a certain distinctive significance in relation to some commodities which have been sold in India at prices well below world levels. Although the existence of different price ratios between commodities in different countries is generally undesirable, a large rise in prices of some essential commodities is liable to raise the general level of internal prices and may, therefore, call for preventive measures. In such cases careful consideration is necessary of the relative advantages of export control and export duties. A system of restriction through duties has advantages in so far as it makes clear the degree of restriction imposed by Government action, and, to the extent that exports actually take place, it enables some revenue to be raised. In practice, however, a judicious combination of the two methods, wherever possible, will provide a more satisfactory solution of the problem. Commodities on which export duties for this purpose have been levied in India are iron and steel, vegetable oils and coffee. The duty on coffee is of recent origin, having been imposed only in October 1953. The revenue from these items has never even reached Rs. 1 crore.

Levy of export duties for protective purposes

16. Export duties may also be used for protective purposes. Export duties may be imposed on raw materials in order to give an advantage to the Indian industries using those raw materials. The Fiscal Commission, in 1921-22, considered this

matter in relation to the competition between foreign and Indian manufacturers for supply to the Indian market. It expressed itself against the levy of export duties of such a type on the ground that they caused more resentment than protective import duties on the manufactured articles.* Such duties would place all foreign output of the finished article at a disadvantage and not merely that part of the foreign output which was exported to India. The rates would have to be very high because raw material costs form only a part of the cost of the finished articles.

17. It might be considered undesirable in general to levy an export duty on raw materials in order to give the industries using the raw materials a protected market in India in relation to foreign industries. It might be held that the objective could be better achieved directly through use of import duties and import control on the foreign manufactured articles. There are, however, other aspects to the question. Export duties on the raw materials will reduce prices in India and thereby place Indian industries using the raw materials in a favourable position in export markets. It is not a necessary condition that the corresponding foreign industries draw their raw materials from India. Thus, export duties which discourage the export of raw cotton benefit the Indian textile industry in its export trade, even though Lancashire may buy very little of its raw cotton in India. Export duties may merely be a device to transfer resources from Indian producers of the raw material to Indian manufacturers of exportable goods. Exports will take the form of the finished article rather than the raw material. This result could not be achieved through import control or import duties. Whether or not action of this kind is justified depends on the possibility of establishment of an economical processing industry in India. The considerations involved are broadly the same as those relevant in deciding on the grant of protection through import duties. In such cases also, export controls may be a necessary supplement to export duties. Thereby effective determination of the quantities to be exported is rendered possible, a result which export duties by themselves cannot achieve. Duties of this type levied in India are those on raw wool, oilseeds, raw cotton, cotton waste and raw jute.

18. The revenue derived is substantial in respect of these duties, having reached the figure of Rs. 11·5 crores in 1952-53. The main revenue-yielding items have been raw cotton and cotton waste. All these commodities are subjected also to export control and export duties have played a supplementary part in the general fiscal policy. Some cyclical variations can, however, be discerned in the figures for revenue as a percentage of value of exports. The maximum value was reached in 1951-52, the boom year. The values of exports were, however fairly low in that year, presumably because Indian industries required practically all the supply of these raw materials.

Raw wool

19. Raw wool was subjected to a 30 per cent. duty from the middle of 1950 to March 1952. There had been a steep rise in unit value from Rs. 1·3 in 1949-50 to Rs. 3·1 in 1950-51. After the abolition of the duty, there has been an increase in the quantities and the prices of exports, but the

*Report of the Indian Fiscal Commission, 1921-22, page 102.

importance of keeping in line with export duties in foreign countries was great in the case of this commodity.

Oilseeds

20. Regarding oilseeds, the policy has varied for different varieties. The revenue statistics do not distinguish between the varieties of oilseeds subject to duty and an analysis of the duty charged in relation to value of exports is not practicable. The object of the duty has been largely to encourage the processing of oilseeds in India.

Raw cotton and cotton waste

21. The policy regarding raw cotton and cotton waste has been determined primarily in relation to the requirements of the domestic textile industry. Quantities exported have varied considerably from year to year, export quotas being adjusted in the light of varying trade conditions. For raw cotton, prices were high in 1950-51 and 1951-52. Unit values were Rs. 853 and Rs. 673 per bale in these years, as against Rs. 362 in 1948-49, Rs. 388 in 1949-50, Rs. 293 in 1952-53 and Rs. 324 in 1953-54. The duty was high in 1950-51 and 1951-52, revenue as percentage of price being 45·5 and 55·2. In 1952-53, there was no downward adjustment in duty. In 1952-53 and 1953-54 duty as percentage of value of exports was, respectively, 62·6 and 40·3. In 1952-53, there was a very large quantity exported and exports on this scale were presumably not considered desirable. The duty on cotton waste was high in 1951-52, a year of high prices. There was a downward adjustment in 1952-53 when prices declined. As regards this group of commodities, therefore, somewhat greater use has been made of export duties with benefit to the revenue.

Mercury

22. The varied use of export duties is illustrated by the duty on mercury. This yielded a revenue of Rs. 15 lakhs in 1952-53. The levy was imposed because traders indulged in speculative import of mercury and then wished to re-export.

Relative importance of different types of export duties

23. We have surveyed above the various purposes for which export duties can be used and have mentioned considerations relevant to each. The following table will be of interest in showing the relative importance of export duties in India for different purposes over the last few years. There is a degree of over-lapping in the various purposes, and it is to be understood that a certain over-simplification is involved in this classification, which is nevertheless interesting.

TABLE 4.—*Revenue from export duties levied for different purposes* (a)

Year	Duties primarily for revenue purposes (b)		Duties for protective purposes (c)		Duties to remove price disparities (d)		Anti-inflationary duties (e)		Total (f)
				In crores of Rupees					
1948-49 . .	11·2	*42·9*	3·6	*13·8*	0·9	*3·4*	10·4	*39·9*	26·1
1949-50 . .	11·4	*46·1*	3·5	*14·2*	*Nil*	*Nil*	9·8	*39·7*	24·7
1950-51 . .	12·5	*26·8*	5·4	*11·6*	0·2	*0·4*	28·5	*61·2*	46·6

TABLE 4—*contd.*

Year	Duties primarily for revenue purposes (b)		Duties for protective purposes (c)		Duties to remove price disparities (d)		Anti-inflationary duties (e)		Total (f)
1951-52 . .	12·3	*13·7*	9·8	*10·9*	0·7	*0·8*	67·2	*74·6*	90·0
1952-53 . .	13·3	*24·4*	11·5	*21·1*	0·9	*1·6*	28·9	*52·9*	54·6
1953-54 . .	15·1	*40·0*	5·6	*14·9*	0·9	*2·4*	16·1	*42·7*	37·7

NOTE:—(a) Figures in italics give revenue from duties in the category as percentage of the total export duty revenue in the year.

(b) Duties on tea, manganese and cigarettes.

(c) Duties on raw wool, oilseeds, raw cotton, cotton waste and raw jute.

(d) Duties on iron and steel, vegetable oils and coffee.

(e) Duties on jute manufactures, cotton textiles and black pepper.

(f) The totals in this column are in each case less than the figures for gross revenue from export duties given in Table 1 as the latter include miscellaneous receipts.

The 'anti-inflationary' duties are the most important revenue yielding items. The 'revenue' duties come next. The 'protective' duties are of less importance and the duties for removal of price disparities are of negligible significance from the revenue standpoint.

Export control and export duties

24. We may consider at this stage an issue analogous to the one we have considered in respect of import duties, *viz.*, the respective role of export control and export duties as means of preventing import of inflation. The problem is not merely to restrict the quantity of exports but to absorb a part of the high prices obtained by exporters. The quantity of exports index with 1948-49=100 was 105 in 1949-50, 110 in 1950-51, 89 in 1951-52 and 94 in 1952-53 and 1953-54. Thus in 1951-52, the year of maximum revenue from export duties, the quantity of exports was at the lowest level during the entire period. Export control by itself would have been ineffective and export duties were necessary. As indicated earlier, the two methods supplement each other.

Levy of export duties in other under-developed countries

25. The advantages of export duties as a means of keeping out inflation abroad, especially when supplies of export goods are inelastic, have been realised by many Asian as by other under-developed countries. In most of these countries, the peak of the Korean boom was touched in the first quarter of 1951, earlier than in India. In that quarter, the unit value of exports with January—June 1950 as 100 was 128 in Burma, 143 in Ceylon, 154 in Indo-China, 236 in Indonesia, and 235 in Malaya*. The situation was met by imposition of fresh export duties or increases in the rates of already existing duties. Malaya replaced with effect from 1st January 1951 the 5 per cent. *ad valorem* export duty on rubber by a sliding scale in which the rate varied from 3 cents per pound with a price of 60 cents to 82 cents per pound with a price of 200 cents. Ceylon increased the duty on rubber by 43 per cent., the duty on tea by 13·2 per cent., on copra by 33·3 per cent., on coconut oil by 33·2 per cent., on coconut *poonac* by 100 per cent., and on pepper

*Bulletin of the Economic Commission for Asia and the Far East, Second quarter 1951, page 9, and Third quarter 1951, page 6.

by 25 per cent., and fresh duties were imposed on cocoa, cardamom and *citronella* oils. Even these duties were expected to absorb only 30 per cent. of the windfall profits being obtained. Thailand increased the duty on rubber by 50 per cent. The revenue from the export duties was of great importance in the budgets of many of these countries.

Machinery for ensuring prompt adjustments in rates of export duties

26. When export duties are used as a weapon against inflation, prompt adjustment of rates in the light of changing economic conditions is a matter of importance. Undue delay in the adjustment of duties will have serious consequences both for Government and for the trade. We recognise that determination of appropriate rates of duty is a delicate and complicated task. There is an inevitable time-lag in the availablity of statistics regarding trade, and their interpretation and application to policy requires considerable experience and judgment. We, however, consider it a matter of great importance that there should be proper machinery—in the country as well as in overseas trade centres where we have Consular and other organisations—for the prompt and systematic collection of accurate information regarding prices and trade trends, and the supplying of the necessary information to the Government of India. We have not been able to make a detailed study of the existing organisation which is entrusted with this task, and are not, therefore, in a position to say definitely whether it is working on satisfactory lines. Apart from the question of methods of work, there is also the question whether the existing organisation has an adequate staff who are properly trained in this rather specialised field. We are inclined to think in the light of such evidence as we have received that there is scope for considerable improvement in various directions. We would, therefore, recommend that the Ministry of Commerce and Industry (which is primarily the authority concerned) should have a thorough investigation made of the existing organisation with a view to making it fully effective. Such investigation will, we trust, cover not merely the purely administrative and organisational aspects of the problem but also the scope for extending and strengthening contacts with trade interests in India as well as abroad.

Funding of proceeds of export duties

27. The suggestion has been made to us that the proceeds of export duties should be put into a special fund for the development of the industries concerned. This has special relevance to the proceeds of anti-inflationary export duties. We are aware that in many countries governmental action has been taken to absorb part of the high prices of export commodities during boom years, the amounts being returned to the industries concerned in one form or another in bad years. This has been true especially for primary products. It is arguable that unless such a course of action is adopted, export industries will be taxed at a heavier rate than other industries over the average of good and bad years, and, therefore, will be prevented from undertaking necessary investment. We are unable, however, to support the suggestion, because, in our opinion, the earmarking of tax-revenues, except in special cases such as the distribution of part of the proceeds of the export duty on jute to certain States, is open to objection and also because various types of machinery are available whereby finance is provided to industries for necessary investment.