

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1414
ANSWERED ON:02.03.2001
POLICY FOR PHASED REDUCTION OF CUSTOMS DUTY
AJAY SINGH CHAUTALA

Will the Minister of FINANCE be pleased to state:

- (a) whether the Economic Advisory Council has urged the Government to announce a policy for phased reduction of customs duties to bring them at par with East Asia tariff rates over a period of three to four years;
- (b) if so, the details and reasons thereof;
- (c) the time by which the above policy is likely to be framed and implemented; and
- (d) the manner in which it will affect Indian economic scenario?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a)&(b) : The Prime Minister's Economic Advisory Council in their report on Economic Reforms has recommended that the Government should announce a five year phased transition from an average import duty level of 34 per cent to an average of 12 per cent by 2005. The council has observed that high rates of duty protection do not contribute to the development of a strong industrial sector and they shield inefficiencies in domestic production, creating a high cost industrial structure which makes domestic industry uncompetitive across the board. The council has further observed that it also leads to over-valuation of the exchange rate and makes export oriented industries less profitable.

(c)&(d): As announced by the Finance Minister in his budget speech for the year 2001-2002, the Government will like to move progressively within three years to reduce the number of rates to the minimum with a peak rate of 20%. The modalities for this will be worked out in time for the next budget.