

transfer is not more than 10 per cent.

It should also be noted that the Social Democratic party is more to the right than the British Labour Party, and that its majority in the Riksdag is narrow. In the "second" (lower) Chamber, it has only 112 seats out of a total of 230, while Prof. Ohlin's Liberal Party has as many as 57. In the "first" (upper) Chamber, the Social Democrats have 84 seats out of a total 150; in this Chamber new elections are held every year for one-eighth of the total membership and the composition of the house can thus change only slowly. The Social Democrats cannot obviously be very radical when they are mainly dependent on a house which responds to the changes in public opinion with a continuous time-lag. On the other hand, the social policies of all the major parties are very nearly similar, and it is interesting to note that the middle-class Liberal Party calls itself the People's Party and has an attractive social policy, while the Social Democrats have not, up till now, attempted any nationalisation of existing private enterprises. It seems that political and economic policy in Sweden is still proceeding along the "middle way." Stockholm, Aug, 1950.

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# Simplifying Exchange Control Administration

Sukumar Chakravarty

EXCHANGE Control apart from the economic and financial problems it raises, has to face various types of administrative difficulties. To trace all the remittances to and from the country is a colossal task. Reconciling the total imports with the remittances made against them is a gigantic undertaking. It can be greatly simplified, if each licence issued is lodged with a particular authorised exchange dealer.

Most of the import licences are issued in duplicate—one Customs purpose copy and one Exchange Control purpose copy. Once the importer clears a consignment under a licence, the Customs purpose copy of the licence is held by the Customs authorities. The licence is not returned to the importer except under especial circumstances. As the licence lies with them, the Customs can easily endorse the other consignments under the licence and strike a correct balance.

The Exchange Control copies of the licence, however, do not lie still. They keep on shunting between banks, between importers and Import Control authorities for amendments, between importers and banks in other ports and so on. Remittances for proceeds of imports are frequently held up by banks because the licences are not forthcoming at the time the bills are retired. Sometimes proceeds are thus locked up for months in India, causing a great deal of quite unnecessary anxiety and annoyance to the exporters in the foreign countries. If for any legitimate cause the Exchange Control copy of the licence is not in their hands, importers will be put to serious demurrage charges if the banks refuse to part with the documents unless the licence is produced by them. In many such cases, the banks clear and store the goods under Section 29 of

the Sea Customs Act pending receipt of the licence. In other cases, believing in their bona fides banks deliver the documents to the customers to enable them to clear the goods and keep the proceeds of the relative bills in suspense, account which they release only on receipt of the licence. In the case of interest bearing bills, the party has to pay interest up to the date he submits the licence and the proceeds are remitted. Thus a good amount of the interest and demurrage charges is being borne by the importer while the licence is shuttling between importers and the Import Trade Controller for enhancement of values, revalidation, etc. Much of such difficulties can be minimised if the licences are permanently lodged with a bank.

The bank in that case will know that the importers have the particular licences and even if at the time of retirement of the bills, the relative licences are out of the custody of the banks, the bank can deliver the documents and also remit proceeds against records in its books. When the relative Customs copy of a licence once utilised can go to the custody of the Customs and stay there till the licence is fully utilised, then there is no reason why the Exchange Control copy of the licence cannot, similarly, remain with an Exchange dealer. It is the Exchange dealer who is primarily interested in the Exchange Control copy of the licence. It is in the fitness of things that it should remain in his custody till the licence is fully utilised.

Some objections to this suggestion must be considered. If a particular licence is lodged with Bank 'A,' the importer shall have to make remittances only through that Bank. If he wants to open a Letter of Credit through Bank 'B,' Bank 'A,' may refuse to part with the licence and thus compel this importer to open the L/C through it

only. This may lead to a certain amount of bickering among the banks. But if the licence is issued specifying the importer's bank through which remittances have to be made, there will be no room for such bickering. Generally the importers with licences for large amounts go from bank to bank and look for minimum margins. This unhealthy type of competition among banks can be reduced if the licences are issued authorising particular banks to make the remittances. The importer should have the freedom to nominate any bank as the remitter of the proceeds of imports under the licence. But once he makes his choice, he should not be allowed to go from bank to bank to look for more favourable treatment in the matter of opening of L/C

Any one who has seen a licence being endorsed by a number of banks, will be amazed how a balance is at all struck for the licence. This is quite natural. The import control authorities throw out a bit of paper as a licence and it seems they have no knowledge what use is made of it later on. Otherwise they might have printed columns for proper endorsement of the licences. Ear-marking of amounts by the banks for the L/C opened through them, utilisation of amounts for remittances both under such credits as well as outside such credits all such entries make a mess at the back of the licence. Even the expert hands in the Exchange Control Departments are not always in a position to trace from them all the remittances allowed under the licence.

Our suggestion for localising the licences as explained above will meet these difficulties and give the Exchange Control Authorities a correct picture of the transactions done under a particular licence.

The minor difficulties that will arise can be easily met. If a licence is localised in Bank 'A' and bills come through Bank 'B,' the importer can ask Bank 'A' to certify to the Bank 'B' that the amounts of the bills have been properly endorsed to the relative licences and against such certificates Bank 'B' can make the remittances. There is no necessity for the licence to be bodily transferred from Bank 'A' to Bank 'B' for such endorsements.

Banks will have no objection to this procedure. As a matter of fact, they will welcome it since the lack of such a procedure puts them to endless difficulties. In many cases, importers refuse to submit licences to banks for shipment sent under their Letters of Credit and thus hinder them from clearing the goods and taking charge of them. The Government has recently allowed the banks to clear goods sent under their L/C without producing the relative licences. They have to certify OP that the Ls/C were opened against the particular licence for shipments arrived. Such a contingency will not arise if the licence lies with the bank which opened the L/C.

If any amendment regarding change in value or revalidation is required, the importer can write to the Import Trade Controller who will inform the banks for necessary endorsement on the licence in their custody and even get the licence from the banks and return it to them after making such endorsements. Transit between banks and the Licensing Authorities will be safer and more easily traceable than that between the importer and the Licensing Authorities.

With a large number of items of imports coming under OGL, pressure on the licence issuing authorities will be considerably reduced. This is the time to introduce this much needed administrative simplification.

This suggestion, if acted upon, will streamline the system of issuing licence.

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