

Crash Boom Bang: Second Hand Car Imports in India

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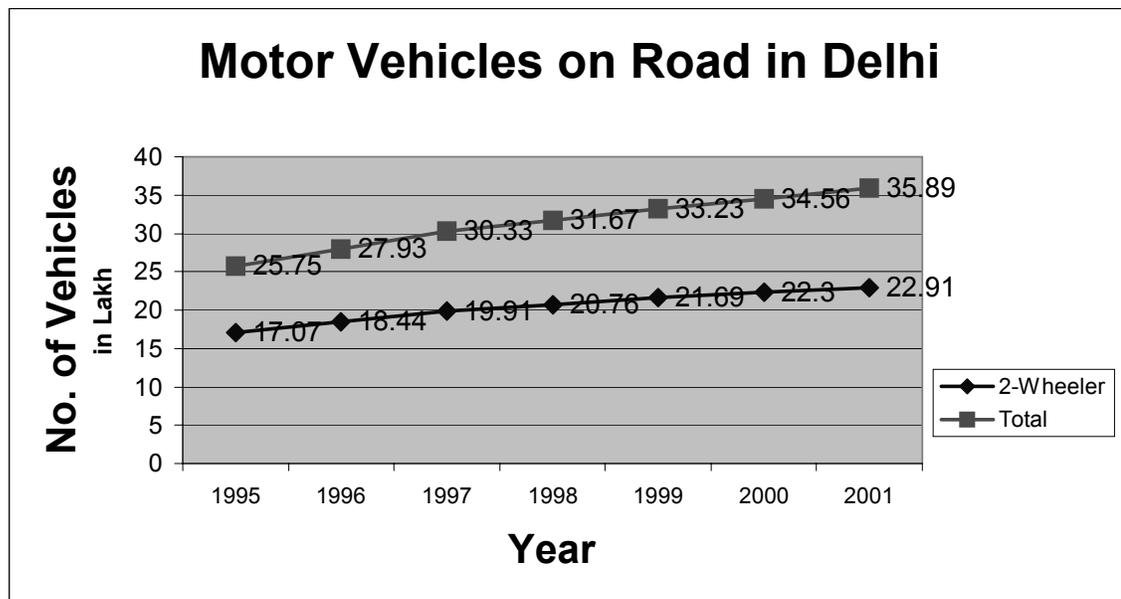
Introduction

Initially our study intended to correlate the fatality rates of 2-wheeler riders on the roads of Delhi and its possible decline if one made use of cars, especially second-hand foreign cars. The simple logic being the possibility of an accident involving 2-wheeler turning into a fatal one is considerably reduced if one is in a car. However, due to time constraints and lack of sufficient data in order to come to a conclusive correlation, we are forced to slightly change the focus of this research. We will now try to enumerate the various causes for accidents in Delhi, the major class of victims, and the possible solution to counter or bring down the rate. We will also talk about the second-hand import policy, and make a case for its possible benefit.

Vehicular Population in Delhi

The population of Delhi exceeds 14 million. The vehicular population in Delhi has seen a stupendous growth over the years. From a mere two lac in 1972 to 36 lac in 2001, i.e. more than 1850 per cent! The total road length of Delhi is around 25,948 Kms and has been constant for last eight years.

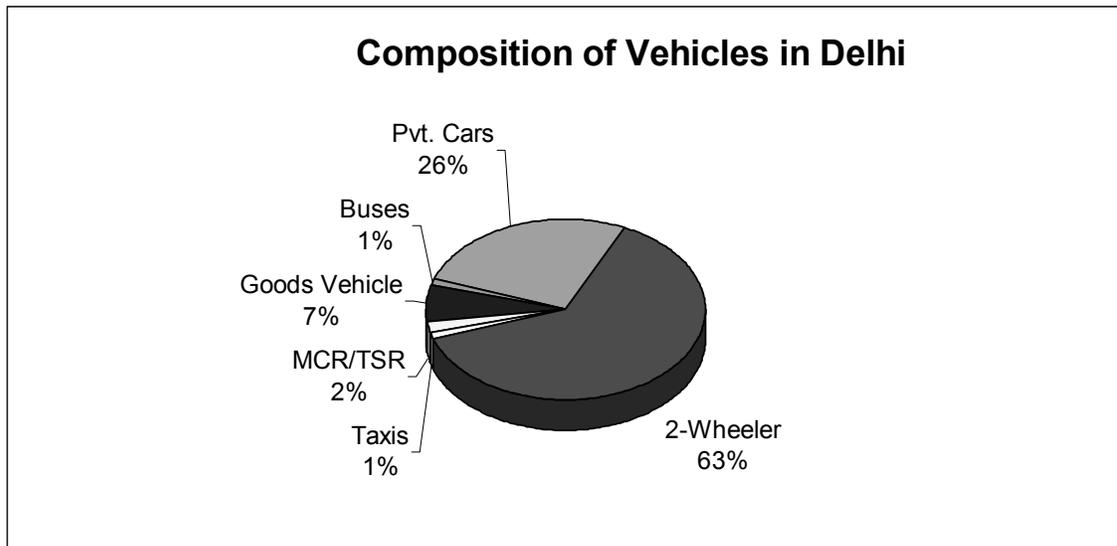
Table 1



Source: Delhi Traffic Police

According to the Delhi Traffic Police, the registration of motor vehicle under the category of 'Car' had shown decline from 1980 to 1986 and thereafter it is increasing every year where as the rate of growth of 2-wheelers had an increasing trend up to 1986 and thereafter it is gradually decreasing every year. This indicates a shift from 2-wheeler to 4-wheeler vehicles in respect of personal vehicles. This has been attributed to arrival of low priced small cars and increase in income of Delhi residents.

Table 2



Source: Delhi Traffic Police

Road Accidents in Delhi

It is a well-known fact that roads of Delhi are a death trap. Limited space, lax regulations and lack of basic traffic sense make accidents inevitable. On an average five fatalities per day makes one wonder whether we are actually safe on our roads. Information collected by the Accident Research Cell, Delhi Traffic Police gives evidence to the increasing accident trend in Delhi. A staggering 72 per cent of the total killed and 63 per cent of total injured in road accidents in Delhi comprise pedestrians and 2-wheelers.

Problems peculiar to Delhi:

1. Lack of basic traffic sense like lane discipline, adherence to signals
2. Poor Traffic Management
3. Inefficient / Inadequate Public Transport System
4. Large number of Vulnerable Road Users (VRU)
 - a. Pedestrians
 - b. Bicyclists
 - c. Motorised 2-wheeler riders
 - d. Animal and Human drawn carts

India is a Less Motorised Country (LMC). The car population as a proportion of total motor vehicles is much less in a LMC than in a Highly Motorised Country (HMC) and that of pedestrians, bicyclists and Motorised Two-Wheeler (MTW) riders constitute a larger proportion of road crash victims in LMCs than in HMCs. The prevalent high rates of pedestrian, bicycle and motorcycle traffic in Delhi result in Vulnerable Road User (VRU) fatalities constituting 70-80 per cent of all traffic fatalities.

Table 3

Victims						
Year	2-wheelers killed	Total Killed	% Out of total killed	2-wheelers injured	Total Injured	% Out of total injured
1995	458	2070	22%	2500	9805	25%
1996	505	2361	21%	1123	10288	11%
1997	401	2342	17%	2117	10700	20%
1998	446	2182	20%	1980	8905	22%
1999	433	2045	21%	1833	8607	21%
2000	474	2014	24%	2176	8746	25%
2001	383	1842	21%	2120	8449	25%

Source: Delhi Traffic Police

Table 4

Year	Total accidents	No. of 2-wheeler accidents	%	No. of pedestrian victims	%
2000	10295	2369	23%	4212	41
2001	9344	2228	24%	3977	42.5

Source: Delhi Traffic Police

Table 5

Total Accidents for all categories			
2000	2001	2002	2003
10245	9344	8699	3395

Source: Delhi Traffic Police

In Delhi Non-motorised Transport (NMT) constitutes a significant share of the total traffic and it has a relatively high rate of 2-wheeler ownership and a high proportion of 2-wheeler traffic. The same road space gets used by modern cars and buses, along with locally developed vehicles for public transport (three-wheelers), scooters and motorcycles, tricycle rickshaws, animal and human drawn carts. The infrastructure, which is designed based on homogeneous traffic models, has failed to fulfil the mobility and safety needs of this traffic. The above data shows that VRUs are the main victims in Delhi. This flows logically from the fact that this class of road users forms the majority of those using the road. In addition, because VRUs are not protected by metallic or energy absorbing materials, they sustain relatively serious injuries even at low velocity crashes. Hence, the Delhi road safety policy must focus on issues concerning the safety of VRUs and their interactions with cars, trucks and buses.

Possible Remedies

- a) Stricter enforcement of road user behaviour
- b) Road safety education
- c) Use of better and new computerised traffic signal systems, traffic control devices
- d) Reducing the number of slow moving vehicles on road
- e) Reduction in the number of 2-wheelers

The Indian Car Market

Just a few years ago, the only possible choice the Indian car consumer had was two or three models that were benchmarks of a forlorn era. The Government of India was against the idea of foreign manufacturers entering the Indian car industry. They feared it would wipe out the domestic industry. Come 1991 and we witnessed a dawn of a new era for the Indian Industry. Liberalisation

and globalisation emerged as new policies. The Car industry was one of the major benefactors of this policy. Suddenly, the Indian car consumer was served an elaborate (well almost) menu of foreign cars. The government was committed to bringing down the excise duty for the import of foreign cars either as Completely Built-up Units (CBU), Completely Knocked-Down Units (CKU) or as Semi Knocked Downs (SKD). Over the years, it has indeed taken positive steps towards this end. Today one can see almost all the well-known foreign brands on Indian roads.

The Duty and License Structure

Import of passenger cars / Jeep / Multi-utility vehicles / motorcycles / scooters / mopeds etc. are restricted items of import and can be imported against an import license. However, individuals coming to India on Transfer of Residence after two years continuous stay abroad and other importers may import these vehicles without a license but on payment of customs duty¹.

The various customs duties leviable on vehicles imported into India are as follows:

Table 6

Customs duty for second hand vehicles				
Vehicle	Basic Duty	Addl. Duty	Spl. Addl. Duty	Total Duty
Cars	105%	32%	4%	183%
Motor cycles /scooters/ moped	105%	16%	4%	149%
Customs duty for new vehicles				
Vehicle	Basic Duty	Addl. Duty	Spl. Addl. Duty	Total Duty
Cars	60%	32%	4%	121%
Motor cycles /scooters/ moped	60%	16%	4%	94%

Source: ITC(HS), DGFT

The restrictions/conditions imposed on import of cars by importers for commercial purposes shall not be applicable in the case of passengers bringing their own car on Transfer of Residence. However, these imports shall be subject to the condition that the vehicle should have right hand steering and controls (applicable on vehicles other than 2 and 3 wheelers). Value of these vehicles for the purpose of levy of customs duty is CIF value, where C stands for the cost of the goods, I is the insurance and F is the freight. Cost in the case of new vehicles is the transaction value between the seller and the buyer, however in the case of old and used vehicles cost is arrived at by taking value of the vehicle in year of manufacture and after allowing depreciation at following rates.

Table 7

(i) For every quarter during 1st year	4%
(ii) For every quarter during 2nd year	3%
(iii) For every quarter during 3rd year	2.5%
(iv) For every quarter during 4th year and thereafter	2% subject to a maximum depreciation of 70%

Source: ITC(HS), DGFT

Second-hand Car Imports

The second-hand foreign car market is yet to enjoy a status similar to the domestic manufacturers. Government has been reluctant to give similar benefits to them. Duties as high as 180 per cent makes it almost impossible for one to import any second-hand foreign car. In addition, the process of

¹ As specified in Public Notice No. 3 (RE/1997-02) of Directorate General of Foreign Trade, New Delhi.

acquiring a license to import and homologation (approval) takes roughly 3-6 months. It is a well-known fact that some of the best cars in the world are available for throwaway prices as second-hands. However, it seems a dim possibility that this market may see the light of day if the government keeps giving it a step motherly treatment.

The cause of second-hand car imports is further aggravated by the immense lobbying by the foreign car manufacturers in India. Today these same manufacturers want to protect their own turf by lobbying against the move to allow free imports of second-hand cars into India. Automobile manufacturers are apprehensive about possible imports of second-hand cars. It is not surprising to note that the automobile manufacturers are most vociferous about not allowing imports of second-hand cars and most of them are those who entered after 1991.

Government and car manufacturers' lobbies argue that:

- a) Domestic Car Industry will be destroyed resulting in loss of jobs.
- b) It will be a waste of foreign exchange on imports when one can produce cars domestically.
- c) The consumer will be exploited, as he is unfamiliar with technology and brand names and will import sub-standard cars.
- d) Pollution will be a big factor as most of the old imported cars may not comply with the present Euro-I and Euro-II norms.
- e) From a manufacturing economy, India will soon become an importing economy.

If the same logic is extended, then one can question the entry of foreign car manufacturers since 1991. But one cannot deny the fact that the more the competition, the better it is for the consumer.

The domestic car industry contends that prices of second-hand cars is one single factor that could kill them all. The argument is that given the prevailing prices of second-hand cars, it would be impossible for Indian companies to match the import price. As a result, lobbying from major car manufacturers has pressurised the government to impose duty as high as 183 per cent (effective) for import of second hand cars.

An Example

For instance, one can secure a good second-hand car from abroad for as low as US \$ 3,000, which converts to around Rs 1.5 lac (inclusive of shipment charges).

Even if the government pegged the rate at 100 per cent (which itself is quite high), a fine second-hand foreign car would cost a low Rs three lac. Even a brand new Maruti 800 Deluxe 5-speed MPFI costs almost the same.

Taking the current effective import duty at 183 per cent (Duty Structure of DGFT) we get a figure of around Rs 4.2 lac. This figure seems ridiculous. Hence, it becomes all the more necessary to bring down this duty structure to more reasonable values.

However, a few factors need to be accounted for:

- a) It would be difficult to get an imported second-hand car serviced in the country. Of course, once volumes justify it, the foreign majors might set up facilities in India to recondition their vehicles and sell them with a warranty attached.
- b) The government has imposed certain restrictions such as preventing the import of vehicles beyond a certain age or mileage. It has also stipulated that vehicles with left-hand drive would not be allowed. This would take away a major source market for second-hand cars – the USA.

Society of Indian Automobile Manufacturers (SIAM) has argued that it is certainly not a desirable proposition for the government to allow such imports if it wants the domestic industry to thrive. It cites the example of New Zealand, which allowed the import of second-hand vehicles only to see its domestic industry wiped out. Another press report cites a similar experience with regard to Sri Lanka.

But at the same time one should realise that the Indian customer is not getting a good deal at all compared to his counterpart in the developed world. It has been estimated by the Society of Indian

Automobile Manufacturers (SIAM) that the acquisition cost of an entry-level car is 42 times the median salary of an average Indian against just nine times in the US and 20 times in South Korea.

Its no secret that the average salary levels in the country are lower compared to the developed world. Equally responsible is the high taxation regime.

The Government has to be more pragmatic in the matter of duties and taxes on cars. A reduction in the duties might lead to higher revenues because of more buys. This can be a valid argument in countering the problem of second-hand car imports, as manufacturers would be encouraged to produce and sell more new cars.

The pre-shipment certification, which is an essential document for importation of vehicles, expects the vehicle to be in a particular shape before being shipped into the country. Japan is a potential source of second-hand vehicles as the vehicle laws are extremely stringent there. Vehicles in Japan, which are more than six years old, are forced to pay heavy taxes. Japanese customers, therefore, prefer to get rid of their vehicles faster even though they may be in good condition.

Regulations for Second-hand Car Imports²

In exercise of powers conferred under Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with paragraph 1.3 and 4.1 of the Export and Import Policy, 1997-2002, the Central Government publishes the ITC (HS) Classifications of Export and Import Items with amendments from time to time. The amendments are namely in the import licensing notes of the said ITC (HS) Classification on Export and Import items. The following clauses are part of the act for Cars appearing in Chapter – 87:

Clause 5:

- A) A second hand or used vehicle (including all the vehicles other than Railway or Tramway) for the purposes of this Chapter shall mean a vehicle that:
- 1) has been sold, leased or loaned prior to importation into India; or
 - 2) has been registered for use in any country according to the laws of that country, prior to importation into India;
- B) The import of second had or used vehicles shall be subject to the following conditions:
- 1) The second hand or used vehicle shall not be older than three years from the date of manufacture;
 - 2) The second hand or used vehicle shall:
 - a) have right hand steering, and controls (applicable on vehicles other than two and three wheelers);
 - b) have a speedometer indicating the speed in Kilometres; and
 - c) have photometry of the headlamps to suit “keep left” traffic.
 - 3) In addition to the conditions specified in 1) and 2) above, the second hand or used vehicle shall conform to the provisions of the Motor Vehicle Act, 1988 and the rules made there under.
 - 4) Whoever being an importer or dealer in motor vehicles who imports or offers to import a second hand or used vehicle into India shall,
 - a) at the time of importation, submit a certificate issued by a testing agency, which the Central Government may notify in this regard, that the second hand or used vehicle being imported into India has been tested immediately before shipment for export to India and the said vehicle conforms to all the regulations specified in the Motor Vehicles Act, 1988 of India and the rules made there under.
 - b) At the time of importation, submit a certificate issued by a testing agency, which the Central Government may notify in this regard, that the second hand or used vehicle being imported into India has been tested immediately before shipment for export to India and the said vehicle conforms to the original homologation certificate issued at the time of manufacture.

² DGFT Notification No. RE-2001/1997-2002, New Delhi, 31 March 2001 on Import of Car & Automobile vehicles.

- c) On arrival at the Indian port but before clearance for home consumption, submit the vehicle for testing by the Vehicle Research and Development Establishment, Ahmednagar of the Ministry of Defence of the Government of India or Automotive research Association of India, Pune or Central Farm Machinery Training and Testing Institute, Budni, Madhya Pradesh for tractors, and such other agencies as may be specified by the Central Government, for granting a certificate by that agency as to the compliance of the provisions of the Motor Vehicles Act, 1988 and any rules made thereunder.
- d) Import of these vehicles shall be allowed only through the customs port at Mumbai.
- 5) The second hand or used vehicles imported into India should have a minimum roadworthiness for a period of five years from the date of importation into India with assurance for providing service facilities within the country during the five year period. For this purpose, the importer shall, at the time of importation, submit a declaration indicating the period of roadworthiness in respect of every individual vehicle being imported, supported by a certificate issued by any of the testing agencies, which the Central Government may notify in this regard."

Table 8

Heading No.	Sub-heading No.	Description of article	Rate of duty
			Standard
87.03		Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars	
	8703.10	- Vehicles specially designed for travelling on snow; golf cars and similar vehicles	105%
		- <i>Other vehicles, with spark-ignition internal combustion reciprocating piston engine :</i>	
	8703.21	-- Of a cylinder capacity not exceeding 1,000 cc	105%
	8703.22	-- Of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc	105%
	8703.23	-- Of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc	105%
	8703.24	-- Of a cylinder capacity exceeding 3,000 cc	105%
		- <i>Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel):</i>	
	8703.31	-- Of a cylinder capacity not exceeding 1,500 cc	105%
	8703.32	-- Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	105%
	8703.33	-- Of a cylinder capacity exceeding 2,500 cc	105%
	8703.90	- Other	105%

Source: Chapter 87, ITC (HS) Classifications of Export and Import Items, Directorate General of Foreign Trade (DGFT)

Mumbai is the only port in India through which second-hand cars can be imported. This itself is a big hindrance. The government has cleverly put this restriction in order to make imports even more unattractive. (all this can be put in an appendix. Too descriptive and unnecessary)

Our Case for Second-hand Car Imports

Every consumer wants to upgrade from 2-wheeler to a car, or from an entry-level car to a premium car. The low price differential between the second hand car and two wheeler makes used car an automatic choice for a consumer.

A) We would like to build our case on the following points:

B) Tremendous potential in terms of market penetration

The table below indicates the past sales trend for cars –

Table 9

Cars	1994	1995	1996	1997	1998	1999	2000
Volume	209,203	264,822	345,486	410,992	417,736	409,624	638,815
Growth % yoy	27.0	27.0	30.0	19.0	2.0	-2.0	55.8

Source: SIAM (some book or something)

2-wheelers comprise almost 63 per cent of the total vehicular population in Delhi. This proves that there is an immense market potential for cars, especially second-hand cars as these 2-wheeler riders will be more inclined to go for them given their income levels and needs. Hence, the need for a change in the policy for second-hand car imports as people will be able to buy cars of foreign make at a much cheaper rate than some of the brand new small cars available in India. And to top it all they can enjoy some of the best features available only in high-end cars at almost one-fourth the cost of a brand new car.

C) Curbing imports in the guise of protecting domestic industry is not justified

Quality and price determines one’s survival in the any industry. The argument that domestic car industry will be destroyed is ridiculous. If one cannot produce a world-class car at the right price, then why produce at all? It is all about Demand-Supply/Price-Quality. The consumer should not be made to compromise on this factor.

D) Employment

The argument that one will lose jobs in the manufacturing segment is also baseless. More second-hand cars will open up new job opportunities. If not in the manufacturing sector then certainly in the services sector. However, workers would be required to re-train themselves, which itself is not a very big issue.

E) Pollution

Pollution norms in most foreign countries are much more stringent than in India. Hence, it is obvious that most of the foreign second-hand cars, which will be imported, will conform to the norms prevalent in India. All that the government has to ensure is to make sure that the second hand cars being imported are consistent with the same pollution norms.

F) Fall in the fatality rate of 2-wheelers

Although we do not have sufficient data to empirically prove the negative correlation between the accident rates of 2-wheelers and import of second-hand cars, it is quite logical to infer that there will be a drop in the same owing to less number of 2-wheelers plying on road.

According to a study³, when two cars crash, the restrained occupants can expect to survive in crashes at velocities up to 50 km/h. On the other hand, if a car, bus, or truck collides with a VRU at a velocity as low as 15 km/h, it is possible for the VRU to suffer a fatality. This means that for the same number of collisions in a LMC and a HMC, the number of injuries and fatalities in the LMC would be much higher.

G) Cost

³ Road Traffic Crashes, Injuries and Public Health

Dinesh Mohan, Indian Institute of Technology, New Delhi

Proceedings of WHO Meeting to Develop a 5-year Strategy for Road Traffic Injury Prevention

Most of the foreign second-hand cars are cheaper than even the small economy class brand new Indian cars. In fact, they will even have most features available only in high-end premium cars. With second hand automobile prices in Japan crashing to near scrap values, it is worth their while to ship them across to India. The import of second-hand cars, especially from Japan, is viewed as a major threat by the manufacturers. However, it will be a major boon for the customer.

Table 10

Make	Model	Year	Engine (cc)	Mileage (kms)	Japanese Yen	Indian Rupee (100Yen= Approx. Rs 40) with additional shipping charges= RS 55000	
					in 00s	0%	183%
Honda	City	1993	1300	99000	2,000	135000	247050
	Civic	1995	1500	80000	2800	167000	305610
Toyota	Corolla-II	1995	1500	87000	2500	155000	283650
	Land Cruiser	1995	3000	76000	7400	351000	642330
	Prado						
Nissan	Sunny	1996	1500	65000	2500	155000	283650
Mitsubishi	Lancer	1995	1800	78000	3000	175000	320250
	Pajero Exceed	1994	2800D	93000	8000	375000	686250

Source: www.carjunky.com (more citation needs to be given)

H) Inadequate and Inefficient Public Transport System (should all these points be in title format?)

Thousands of public transportation users are shifting to 2-wheelers and cars simply because the public transportation system in Delhi is inadequate to meet the needs of the burgeoning population.

I) Rising Standards of Living

Increasingly better standards of living in Delhi (why only Delhi, the case is being made for India as a whole) are making people look for a better quality of life. Consequently, they will buy more cars just the way they are buying other everyday conveniences and consumer goods.

J) Congestion

If the question of too many cars and too little space on roads arises, then the only way to contain the car population on the streets is to limit the number of cars a person can own and to build new roads and flyovers. Second hand, cars have no special role to play in this deterioration of our traffic conditions.

K) Condition of Second-hand Cars

The longevity of cars in India, whatever their original quality may be, is reputed to be the highest by far and the ability of Indian mechanics to keep any car on the road, irrespective of age and brand, is by now globally acknowledged.

L) The Indian Consumer

The demand for cars is dependent on a number of factors. The key variables are:

- 1) per capita income
- 2) introduction of new models
- 3) availability and cost of car financing schemes
- 4) price of cars
- 5) incidence of duties and taxes
- 6) depreciation norms

- 7) fuel cost and its subsidisation
- 8) public transport facilities etc.

The first four factors have positive relationship with the demand whereas others have an inverse relationship with demand for cars.

M) Demand from 2-wheeler riders

The demand for cars in the future is expected to come predominantly from the existing two-wheeler owners who will be upgrading to a 4-wheeler, due to rising income and necessity of car for personal transportation purposes.

According to a study done by Karvy Research Desk, the potential demand for cars in the next fifteen to twenty years can be taken as 50 per cent of the existing 2-wheeler population of around 28million units.

The dominance of economy segment will continue in the future as it will provide large volume to Indian car industry. This is because a majority of customers for cars will graduate from two-wheelers.

Worldwide, cars are segmented on the basis of their size. However, in India, price is the main factor determining the choice of car. Hence, cars are segmented on the basis of price into three segments:

Table 11

Segment	Price Range (Rs '000)	Main Models	Features of the segment	Approximate Market Share of the Segment (1999-00)
Economy	< 250	M-800, Omni, Uno, Ambassador	Price, Fuel Efficiency	46.9%
Medium	250-500	Zen, Uno, 118-NE, Ambassador, 1800 ISZ, Contessa, Indica, Santro, Matiz	Price, Performance, Diesel Option	43.1%
Premium	500 & above	Lancer, Esteem, Cielo, Accent, City, Opel Astra, Ikon	Status Value, Performance, Features.	10.1%

Source: Karvy Research Desk

By international standards however, the Indian car volumes remain small at just over one per cent of the world market with penetration rates of approximately 3.7 cars per thousand people as against 24 in Thailand, 144 in Malaysia, 204 in Poland and 90 in Brazil. Cars currently constitute approximately only 12 per cent of the total stock of personal vehicles in India.

Why not Indian Second-hand Cars?

1. Existence of unorganised sector for second-hand cars does not safeguard the buyer from being duped. There is no "blue book" on car prices based on model and distance run, simply because past ownership is no longer a confirmed commodity, unless one knows the past owner and the vehicle personally.
2. In countries like Japan and the Persian Gulf, sales can happen only through registered brokers. In India, anybody can put up a board under a tree and get into business with a bagful of fake rubber stamps.

Comparing prices of Indian second-hand car also gives us ample reasons to look for foreign made second-hand cars that can be bought at a slightly higher price but with more advanced and world-class features.

An approximate price chart of some Indian second-hand cars is given below.

- 1997 Maruti 800 (AC) = Approx. Rs 1,30,000
- 2000 Matiz (SD) = Approx. Rs 2,30,000
- 1999 Santro (LE) = Approx. Rs 2,30,000
- 1999 Honda City (1500 cc) = Approx. Rs 5,00,000
- 1999 Lancer = Approx. Rs 6,90,000
- 2000 Baleno = Approx. Rs 5,50,000.
- 1998 Zen = Approx. Rs 1,90,000
- 1998 Esteem = Approx. Rs 2,30,000
- 1998 Maruti 800 = Approx. Rs 1,20,000.

Comparing the above prices with the prices of Japanese second-hand cars, given earlier, it is quite clear that the latter definitely have a potential market in India in terms of price competition. The well-organised second hand car industry in Japan has already had its successes in New Zealand and the United Kingdom.

Drawbacks of Relaxing the Second-hand Car Import Policy

The safest modes of importing of cars are car-carriers and containers. While freight rates in car carriers could range between US\$400 and US\$600, container freights are at least 60 per cent higher, with variations depending on the country of import. The authorities, on their part, say that many cases of price manipulation and under-invoicing having come to their notice. The cases of under-invoicing are increasingly high. There are also shippers who attempt to import brand new cars under the garb of second-hand imports.

Apart from this, we are well aware of the following structural problems on Delhi roads:

- a) Growing traffic congestion.
- b) Dearth of parking facilities at public places.
- c) No separate lanes for slow moving vehicles.
- d) Inadequate roads and flyovers.

Conclusion

A freer open economy conforming to the principles of Comparative Advantage increases the size of one's own market. It is conducive to high living standards. A nation does not really need to produce a commodity if it cannot do it with comparative world-class quality and cost. It would make sense to import the same at a cheaper price. Australia's trade liberalisation has demonstrated how much cheaper and better cars and garments become when tariffs and quotas are cut. This is something that the Indian consumer has not enjoyed. The Indian car consumer had been deprived of the world-class luxuries for quite some time now. Although the car segment has been opened up, he still is not getting a good deal as far as prices are concerned. Specialisation accelerates overall growth. Merits of specialisation and exchange are generally overlooked. At present, when globalisation is the order of the day, overlooking such important factors will literally mean no trade and hence no globalisation! Those who oppose globalisation seem to think that more open trade and capital flows destroy the third world countries' chances of working and learning their way out of poverty. There is no doubt in our minds that once second-hand car imports are liberalised, the Indian consumer will benefit immensely. As far as their correlation with the accident rates of 2-wheelers is concerned, we are not able to reach a conclusive proof due to time as well as resource constraints. However, given the data and various studies done in this area, it is quite clear that the accident rates will definitely come down. However, 'by how much?' is a question that has to be probed further?

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