

file

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP/58/Add.3
1 September 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES

S U B S I D I E S

NOTIFICATIONS REQUIRED BY ARTICLE XVI AND BY
THE DECISION OF THE CONTRACTING PARTIES OF
2 MARCH 1950

Notification by India

The following communication, dated 28 August, has been received from the Government of India:

"Article XVI of the General Agreement on Tariffs and Trade requires each contracting party to notify the Contracting Parties of any subsidies, including any form of income or price support, leading directly or indirectly to increased exports or to reduced imports. The following paragraphs describe the measures now operating in India which, broadly speaking, may come under the purview of this Article.

"Strictly speaking, subsidies are being granted by the Government of India only on two indigenous industrial products - Soda Ash and Aluminium. Both these subsidies were granted on the recommendation of the Indian Tariff Board with a view to protecting the Indian industries from extreme foreign competition. When the industries applied for protection, the Indian Tariff Board, after thorough enquiry, came to the conclusion that the import duty that would have to be imposed to protect the industries effectively would entail a heavy burden on the particular consumers. The Board, therefore, recommended a combination of protective duty and subsidy to enable the industry to face competition from imports of cheaper foreign products. The two succeeding paragraphs explain the schemes of subsidy as they are operating in respect of these two industries.

"Soda Ash - A subsidy of Re.1/- per cwt. is payable on Soda Ash sold from 22nd February, 1950, onwards, provided the Government are satisfied that the companies actually sell soda ash at or below the fair-selling price estimated by the Tariff Board which is Rs.16.83 per cwt. The installed capacity of the producers is 54,000 tons per annum as against an estimated demand of 1,20,000 tons per annum. The present annual production of Soda Ash in India is estimated at 48,000 tons. The difference between demand and indigenous production is met by imports. The subsidy is expected to be paid for three years in the first instance.

"Aluminium - There are only two Aluminium producing concerns in India and subsidies on aluminium produced by them are being granted at the following rates -

<u>Year</u>	<u>Rates of subsidy in rupees per ton</u>			
	<u>Indian Aluminium Company</u>		<u>Aluminium Corporation</u>	
1949-50	330 (on sheets and circles)	(719 (900	(on sheets and circles) (on ingots)	
1950-51	230 (on sheets and circles)	(610 (825	(on sheets and circles) (on ingots)	
1951-52	130 (on sheets and circles)	(510 (750	(on sheets and circles) (on ingots)	

The subsidy represents the difference between the fair selling price of the products of the two manufacturers, having regard to their respective costs of production and the fair selling price of similar imported articles. In this case also the concession is to be allowed for three years in the first instance and the subsidy would be largely met from the additional revenue expected to be realized by the enhanced duties imposed on aluminium ingots, sheets and circles over and above the import duty of 30% ad valorem. The scheme started operating on 15th May, 1949. The gradual decrease indicated in the rates of subsidy mentioned in the table above is due to the anticipation that with increasing efficiency and volume of production the cost of production will gradually tend to decrease.

"With a view to raising the production of major foodgrains, jute, cotton and sugar to the level of internal requirements, the Government of India are giving financial assistance either directly or indirectly to the State Governments or other parties to enable them to carry out plans of increased production, and to provide them with an incentive for the purpose. Such assistance is necessary because the State Governments or other parties concerned cannot meet the full expenditure on measures necessary for increasing the production from their own resources. The aim of the measures being taken is to make India less dependent on imports for her foodgrains, cotton and jute so that the heavy strain which the very large imports of these commodities put on her foreign exchange resources may be avoided. Food subsidies or bonuses on procurement are given for the specific purposes of protecting the consumer from high prices and encouraging internal procurement. These special measures of assistance are not, therefore, of the category of discriminatory help to internal agriculture or industry."

