

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## STATE-TRADING ENTERPRISES

Notifications Pursuant to Article XVII 4(a) in Reply  
to the New Questionnaire Contained in Document L/1014 of 3 July 1959

### I N D I A

#### A. General State Trading Corporation

To give a comprehensive summary of the activities of the general "State Trading Corporation", as suggested by the Panel of Experts, the Government of India transmitted the second annual report of this Corporation describing the functions exercised in 1957/58. Relevant extracts of this report are reproduced in Appendices A, B and C.

#### B. Specific State-Trading Enterprises

##### I. Enumeration of state-trading enterprises

In 1943, the Government of India brought into force a scheme of State trading in foodgrains. Since the inception of the scheme imports of foodgrains for human consumption are allowed on government account only.

##### II. Reasons for maintaining the State-trading enterprises

The principal objectives of the scheme has been to tide over difficulties of food shortages and to ensure regular supplies of food grains to the consuming public at reasonable prices. No special law providing for State trading in foodgrains has been enacted.

##### III. Description of the State-trading enterprises

(i) Ministry of Food and Agriculture (Department of Food) is dealing with the imports of foodgrains for human consumption.

(ii) Private trade is not allowed to import foodgrains for human consumption.

(iii) The question of import of foodgrains for human consumption depends on various factors such as internal supply position, availability of foreign exchange and availability of foodgrains from foreign countries at reasonable prices.

(iv) Does not arise.

(v) The contracts are entered into by the representative of the Government of India. The purchases are made either at the prices mentioned in the contract or by open tender if so provided in the contract.

IV. Statistical Information

Two statements on (i) imports and (ii) production of foodgrains are enclosed (annex I).

V. Reason why no Foreign Trade has Taken Place (if this is the case) in Products Affected

Not applicable.

VI. Additional Information

None.

ANNEX IIMPORTS OF FOODGRAINS INTO INDIA DURING 1956-58

Quantity in '000 tons  
C & F value in lakhs of rupees

Commodity	1956		1957		1958	
	Quantity	Value	Quantity	Value	Quantity	Value
Wheat	1,358.4	4,991.0	2,903.3	12,144.2	2,864.7	10,625.4
Rice	385.1	2,100.4	682.6	3,856.7	390.9	1,856.5
Sorghum	-	-	-	-	85.2	226.0
Corn	-	-	-	-	24.3	81.3
Total	1,743.5	7,091.4	3,585.9	16,000.9	3,365.1	12,789.2

PRODUCTION OF FOODGRAINS IN INDIA

('000 tons)

	Rice	Wheat	Other Cereals	Total Cereals	Pulses	Total Foodgrains
1954-55	24,821	8,900	22,462	56,183	10,777	66,960
1955-56	27,122	8,622	19,179	54,923	10,871	65,794
1956-57	28,282	9,314	19,649	57,245	11,503	68,748
1957-58	24,885	7,741	20,378	53,004	9,507	62,511
1958-59	29,721	9,694	21,880	61,295	12,208	73,503

Note: Figures for 1957-58 and 1958-59 are based on partially revised estimates and final estimates respectively and are subject to revision.

APPENDIX A.Extracts from the Second Annual Report (1957/58)  
of the Indian State Trading CorporationA. Import and Export Trade with Certain Countries

In the effort to diversify foreign trade and to cultivate new markets, the Corporation sought to provide facilities for trade with countries which believe in bilateral balancing and practise State trading.

It was noticed that unfavourable balances were beginning to appear in India's trade with some of these countries: the Corporation helped to mitigate the severity of these new imbalances by entering into special payments arrangements with corresponding trading and manufacturing organizations in Czechoslovakia, Rumania, Bulgaria, Yugoslavia, the German Democratic Republic, China and the Democratic Republic of Korea. These arrangements provided for the exchange of goods on a balanced basis, and included overdraft facilities intended to maintain a steady flow of Indian goods. Indian exporters and importers freely made use of these arrangements; this helped the Corporation to service imports required for public projects and industrial units and to promote overseas sales of Indian commodities.

The total volume of contracts registered under these arrangements added up to 19.48 crores<sup>1</sup> and the export list covered a wide variety of items which included oils, spices, crushed bones, hides and skins, trochaic shells, mica, tea, coffee and some light engineering goods. A beginning was also made in the year under report with "compensation" transactions: the import of rice from the Democratic Republic of North Vietnam was compensated by the export of gunnies, sugar, hemp and cotton waste.

B. Export of Ores<sup>2</sup>

Mineral ores constitute the core of the Corporation's business in the field of exports. With effect from 1 July 1957 the export of iron ore was required by the Government of India to be canalized through the Corporation. In consequence the management was able, in the face of a deepening slump in the steel industry, to maintain a steady flow of exports and stability of prices. Firm contracts for the sale of 2.2 million tons were concluded for delivery during the year of which 1.9 million tons were shipped.

Bulk contracts enabled the Corporation to renovate the trading mechanism and to spread its purchases so as to stimulate production in new areas where transport was more easily available, and at the same time to maintain, to the extent practicable, stable conditions in the rest of the mining area. A

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<sup>1</sup> See Appendix B.

<sup>2</sup> Volume of trade, see Appendix C.

beginning was made with mine-owner co-operatives and associations of traders and the export of low grade ores through minor ports was specially organized.

Bulk handling made it possible to achieve notable economies in transportation and loading. ....

The Corporation's performance, amongst other things, helped to induce the Japanese Steel Industry to turn to India as a dependable supplier for their growing requirements of iron ore. An agreement for the supply of a further two million tons from the Rourkela area, for a period of ten years in the first instance, commencing from 1964, was concluded between the two countries in March 1958. The export of ores under this agreement will be handled by the Corporation.

The market for Indian ores in European countries is also being developed and extended. Sales to Czechoslovakia, Poland, Yugoslavia and Hungary have been stepped up, while exports to Italy have been maintained. The possibility of organizing bulk shipments from the West Coast to West European markets is being actively explored.

Similar success could not, however, be achieved in respect of manganese ore. Apart from the steep fall in the world production of steel, the emergence of new sources of supply nearer to consuming centres, developed in many instances by consumers themselves, compelled the Corporation to play a defensive rôle. The comparatively high level of internal prices did not make it easy for the management to convert limited trading opportunities into firm sales. Nevertheless, the Corporation's joint sales programmes with the principal producers of manganese ore and a number of spot transactions helped to preserve contacts with traditional users and buyers and to sustain the country's exports at a fairly steady though somewhat reduced level. The total quantity marketed by the Corporation in the year under report was 4.41 lac tons, while the total exports of the country came to 13.13 lac tons.

#### C. Export of Small-scale Industry Products<sup>1</sup>

The effort to cultivate and develop overseas markets for Indian manufactures has produced gratifying results. Woollen fabrics were marketed for the first time; the sale of handicrafts to new markets registered a 50 per cent increase; 505,950 pairs of shoes were delivered as compared with 325,350 in the previous year. The Corporation's good offices helped to improve the quality of woollen fabrics and the National Small-scale Industries Corporation was assisted to organize the manufacture of shoes in the small-scale sector. And notable progress was achieved in the attempt to standardize hand-sewn footwear. This promotional activity is being extended to other manufactures, but efforts so far have proved unrewarding.

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<sup>1</sup> Volume of trade, see Appendix C.

#### D. Export of Difficult-to-Sell Items<sup>1</sup>

The Corporation has been engaged in exploring overseas markets, and studying business techniques, but it has not so far been possible to take many active steps to promote the export of difficult-to-sell items. A Special Trade Development Fund, however, has been created, and a sum of Rs.15 lakhs has been set apart for investment in promotional ventures. One of the active promotional steps taken by the Corporation in the year under report has been to provide leadership to trade teams, composed of exporters, which have been sent to the fairs at Leipzig, Poznan, Zagreb and Peking, to facilitate on-the-spot sales. These trade teams succeeded in introducing several new items into new markets, and in concluding a fair volume of business in commodities like lemongrass oil, cashew-nuts, sports goods and turmeric.

#### E. Importation of Vital Requirements<sup>1</sup>

The import of some important industrial items such as caustic soda, soda ash and raw silk is canalized through the Corporation. Bulk contracting by the management has facilitated economical procurement. Supplementary imports of muriate of potash were arranged by compensating sales of Indian products. 68,000 tons of ammonium sulphate were bought and bulk shipments of nitrate of soda were also organized in pursuance of an agreement with the Chilean Nitrate Corporation.

With the help of its business associates, the Corporation has been able to service essential requirements in some vital sectors of the country's economy. These include X-ray films for hospitals, unexposed films for the cinema industry, tractors for cultivators, printing machinery for printing presses, newsprint for newspapers and machine tools for both small-scale and large-scale industries. The total value of import contracts thus serviced by the Corporation was of the order of Rs.10 crores.

#### F. Distribution of Scarce Products

The management of the Corporation has endeavoured to regulate distribution of some imported scarce commodities in the interest of the consumer. The sale of caustic soda and soda ash was organized through established distributing agencies and associations of established importers. The Corporation is grateful to the State Governments for the help it received from them in supervising the sale of skimmed milk powder at fixed prices. Arrangements were made for the sale of copper against certified requirements to small users. The distribution and sale of nitrate of soda were supervised in an effort to assess its value and utility for specialized uses in stimulating agricultural production. The gaps between supply and demand imposed a heavy strain on the distributing mechanism, with the result that it was not always possible to ensure sales at fixed prices. The experience gained is expected to make it possible for the management to utilize its control over physical stocks to better advantage in due course.

<sup>1</sup> Volume of trade, see Appendix C.

#### G. Implication of the Cement Control Order

The Corporation is grateful to the cement industry for its constructive and helpful co-operation. The management has striven hard to improve the administrative arrangements for the implementation of the provisions of the Cement Control Order. With the increase in domestic production, the programme of imports was curtailed, and consequent upon the cessation of imports and the expansion of installed capacity, the scheme of distribution was suitably adjusted, and marketing zones re-demarcated in order to ensure equitable distribution, timely supplies and freight economies. The requirements of cement throughout the country have continued to be met at a fixed uniform destinational price, the additional expenditure on the movement by sea of surpluses from Saurashtra and South India to Cochin and Calcutta being pooled with savings on more economical movements. The demands from projects, government departments and stockists were allocated equitably to different producing units and a little over 6.3 million tons of cement, an increase of 20 per cent over the previous year, was marketed.

The cement industry is now in a position to contribute to the country's foreign exchange earnings. India is well positioned to serve as a base of supply to neighbouring markets. The competition from other sources is, however, so severe that our natural advantages are of little avail. The Corporation had made a modest beginning and was able to sell a small quantity of 17,000 tons during the year under report. The management expects to succeed in the efforts to introduce Indian cement into the neighbouring markets of South-East Asia and West Africa.

The Corporation's remuneration for its agency functions had been scaled down to  $\frac{3}{4}$  per cent of the gross turnover; and the cement agency account shows a surplus of Rs.4.10 crores for the year ending 30 June 1958, which has since been remitted to the Government of India.

#### H. Organizational Problems

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#### I. Turnover and Rentability

The turnover in commodities directly traded in by the Corporation was of the order of Rs.28.57 crores. The gross profit on this turnover was Rs.2.13 crores. Last year the turnover on such items was Rs.10 crores and the gross profit Rs.35.42 lakhs.

During the year under review, the Corporation suffered losses on soda ash and tobacco. The loss on soda ash amounted to Rs.5.95 lakhs and was sustained with a view to maintaining the price of the commodity at a steady level, despite fluctuations in procurement prices. The loss on tobacco amounting to Rs.1.39 lakhs approximately was promotional in character and has been more than made good in subsequent sale contracts during the ensuing year. As regards manganese ore, the Corporation has had, in view of the slackness in

international demand, to carry forward into the current year purchase commitments of the order of 100,000 tons entered into at a time when prices were ruling at comparatively a high level. This quantity is proposed to be marketed as and when price and demand conditions improve.

The gross receipts, including the gross profit on direct trading activities, agency fees, service charges and interest on deposits etc., total up to Rs.2.86 crores. After meeting the expenses on establishment, administration, contingencies, audit fees, depreciation etc., aggregating to Rs.53 lakhs, a sum of Rs.2.33 crores is available for the payment of taxes and for other appropriations. Rs.1.21 crores have been set apart for the payment of taxes and a sum of Rs.1,006,627 has been earmarked to cover destination risks, likely shortages in stocks and bad and doubtful debts and certain adjustments. The net amount thus available works out to Rs.102.64 lakhs.

A dividend at the rate of 7 per cent was declared on the paid-up share capital of the Corporation. The Corporation paid a dividend of 6 per cent in the last year which was the first year of its working.

The Board have also decided to make certain appropriations out of net profits so as to make it easier for the management to build up the business of the Corporation in the succeeding years. ....

On the basis of the experience gained in the working of the Corporation, it was considered that adequate reserve should be built to provide against seasonal fluctuations in prices, and it was accordingly decided to create a Price Fluctuation Fund and to appropriate a sum of Rs.30 lakhs for it.

It was furthermore considered that for enlarging the export of bulk commodities and for promoting overseas sales of industrial products, the Corporation should be in a position to finance developmental and promotional activities. For instance, the provision of essential facilities in mining areas, the improvement of means of communications in inaccessible regions and the supply of handling equipment at the jetties may help to maximize availabilities and eventually cheapen costs. Promotional expenses in exploring new markets or developing preference for Indian industrial products are known to be unusually heavy and the business associates of the Corporation are unable to meet these costs individually. It is, therefore, proposed to create, on an experimental basis, a Trade Development Fund, for which a sum of Rs.15 lakhs is being appropriated.

APPENDIX B

State Trading Corporation: particulars of the Import/Export Contracts Registered during the Year 1957-58  
under Special Payment Arrangements

S.No.	Name of the country	E X P O R T S		I M P O R T S	
		Name of Commodities	Value in lakhs	Name of Commodities	Value in lakhs
1	2	3	4	5	6
1.	Hungary	Cotton waste, skins, ores, spices, shells, wool, mica and crushed bones	64	Welding sets, punching, shearing and grinding lathes etc. Hydro-electric plant, house service meters, tools	91
2.	Rumania	Cottonseed oil, black pepper, shellac, skins	23	Road rollers, oil drilling equipments, tractors and power hammers	46
3.	Yugoslavia	Castor oil, coffee, tobacco	34	Aluminium wire, welding sets	57
4.	Poland	Mica, tea, goat skins, pepper, coal	48	Tyres and axles	39
5.	Czechoslovakia	Tea, skin, pepper, textiles, tobacco	21	Arc welding sets and tractors	27
6.	G.D.R.	Coffee, mica, tea, bones, jute goods, raw wool, spices, shoes, shells, animal hair, soap stone lumps	188	Textile machinery, unexposed films, paper card-board, photographic goods, ammonium sulphate, printing machinery, insulators, milling machinery	310
7.	Egypt	Tea, jute, pepper and cardamom	552 930	Cotton	448 1,018
				Grand total - 19.48 crores	

APPENDIX CParticulars of Trading Activities of the State Trading Corporation  
in 1956-57 and 1957-58. Direct Trading Terms

S.No.	Name of Commodity	1956-57 Quantity	1957-58 Quantity
<b>EXPORTS</b>			
1.	Iron ore	T. 422,858	T. 1,912,091
2.	Manganese ore	T. 105,978	T. 448,941
3.	Chrome ore	T. 1,526	T. 17,282
4.	Manganese dioxide	-	T. 683
5.	Tobacco	-	lbs. 5,687,521
6.	Gunny bags	Ps. 600,000	Ps. 2,062,000
7.	Sugar	-	T. 823,099
8.	Sandalwood oil	-	lbs. 33,690
9.	Handicrafts	Sundry items	Sundry items
10.	Shoes	Pairs 325,350	Pairs 505,950
11.	Woollen fabrics	yds. 3,711	yds. 159,836
12.	Cotton waste	-	Bales 1,130
13.	Salt	T. 53,204	T. 47,771
14.	Hemp	lbs. 397,540	lbs. 95,785
15.	Coffee	T. 775	-
<b>IMPORTS</b>			
1.	Caustic soda	T. 10,993	T. 44,335
2.	Soda ash	T. 37,491	T. 26,293
3.	Raw silk	lbs. 96,566	lbs. 161,233
4.	Ammonium sulphate	T. 24,733	T. 68,092
5.	Chilean nitrate	T. 8,504	T. 15,036
6.	Skimmed milk	-	lbs. 10,971,200
7.	Muriate of potash	-	T. 10,000
8.	Copper	-	T. 609

