RESTRICTED

L/1597/Add.2
25 July 1962

Limited Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Original: English

SUBSIDIES

Notification of Contracting Parties

Addendum

INDIA

Notification of 10 July 1962

By letter of 10 July 1962, the Government of India has submitted to the secretariat the following notification in accordance with the revised questionnaire on subsidies under Article XVI.

A. Handloom cloth

The notification of India dated 21 December 1960 (L/1328/Add.5) gives details of the scheme of rebates on the export of handloom cloth by co-operatives and State-trading agencies. The scheme remained in force during 1961 without any material change in respect of the rate of rebate or in other procedures.

The attached table contains statistics of production and export of handloom cloth during the years 1958-60 and part of 1961.

B. Sugar

I. Nature and extent of the subsidy

(a) Background and authority

Sugarcane is grown extensively in India and the sugar industry is the second largest in the country. Unlike in other countries where large plantations exist, the cultivation of sugarcane in India is undertaken generally in small farm holdings. The average yield per acre in the country is low and the quality of the cane is much below the standard in other cane growing countries. In order to provide an adequate return to the growers, it has therefore been necessary to fix a floor price for the cane delivered by them to sugar mills. The floor price bears no relation to the quality of the cane and it has been responsible for increasing the cost of production of sugar in the country. The price of Indian sugar is, therefore, substantially higher than the world price. Manufacture of

sugar has, however, to be maintained at a high level so that the sugarcane growers will have a market for their products. The arrangement can operate only if manufacturers are relieved of burdensome stocks of sugar left after meeting domestic requirements by sales to overseas markets. To effect such exports it is necessary to bring down the price to the level of world price which, on account of the high cost of the product, results in a loss. For some time the Indian sugar industry met the losses on export sales but because of its limited capacity to shoulder the financial burdens involved, Government have had to undertake to bear the losses from the export transactions out of a monetary grant obtained from Parliament for the purpose. The extent of the loss to be borne by Government has not yet been determined as the scheme to be adopted has not yet been finalized.

II. Effects of subsidy

The scheme is envisaged to cover the loss incurred in selling the high cost sugar - an agricultural commodity - abroad at world prices. The quantities exported are also regulated in accordance with the International Sugar Agreement to which India is a party - and the quotas fixed under the United States Sugar Act. This measure does not therefore have any appreciable influence on international trade in sugar.

Estimated Production of Handloom Cloth in India and Quantity Exported

Year	Production Quantity (million yards)	Export Quantity (million yards)	Export Value Rs. (million)	Remarks
1957	1,643.4	*37.5	55.6	As there is practically no import of handloom fabrics into India, the difference between the estimated production and exports may be taken to be the quantity consumed internally.
1958	1,797.9	*35.7	52.3	
1959	1,906.8	*35.6	66.9	
1960	1,860.34	*28.87	50.18	
1961	1,512.23 (up to August)	*26.26 (up to November)	43.55 (up to November)	

*These figures represent total exports of handloom fabrics. Exports by co-operatives and State-trading organizations, which alone benefit from the rebate of 5 per cent are much less.