

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

INDIA

A. HANDLOOM CLOTH

I. Nature and extent of the subsidy

The Indian handloom industry provides employment for about 1.5 million people residing mostly in rural areas. Following the slump conditions which prevailed during the early part of 1952, sales of handloom cloth in India declined sharply and led to the accumulation of large unsold stocks. As a result, quite a number of weaving establishments had to close down, thus aggravating the already serious unemployment position in the countryside. It became a matter of great urgency, socially and economically to relieve the distress caused by these closures.

One of the reasons which affected the sales of handloom cloth at that time was the relatively high price which the consumers had to pay for it as compared with similar cloth woven on power looms or manufactured in textile mills. Unless the cost of handloom cloth to consumers was substantially reduced, there was no prospect of popularizing its use or rehabilitating this village industry on a sound basis. The question of introducing technological improvements in the methods of production, better salesmanship, etc., needed careful planning and suitable steps have been taken to effect long-term improvements. But as there was pressing need to afford immediate relief to handloom weavers, the Government of India sanctioned, in September 1953, a scheme of financial assistance for the grant of rebates on the internal sales of handloom cloth with a view to reducing the price of these fabrics to domestic consumers. The procedure at present followed for the grant of this rebate is as follows:

1. A rebate at the rate of 5 nP (five Naye Paise) in the rupee (i.e. 5 per cent) is allowed on genuine retail sales of handloom cloth worth Rs. 2.00 or more by
 - (a) weavers' co-operative societies and/or State-owned depots, and
 - (b) consumer co-operative societies which purchase handloom cloth only from weavers' co-operative societies and which deal, so far as cloth business is concerned, only in handwoven cloth.

2. A special additional rebate at the rate of 5 nP (five Naye Paise only) in the rupee (i.e. 5 per cent) is being allowed on genuine retail sales of handloom cloth for a total period of fifteen days in the year, i.e. for eight days during the Annual All-India Handloom Week celebrations and for seven days on suitable festival occasions to be chosen by the individual State Governments/ Union Territories concerned with the prior approval of the Union Ministry of Commerce and Industry.

3. Rebate on wholesale sales: A rebate at the rate of 3 nP (three Naye Paise) in the rupee (i.e. 3 per cent) is allowed on wholesale sales of handloom cloth by weavers' co-operative societies. The State Governments have the option of allowing or not allowing the rebate on wholesale sales having regard to the need for limiting the total expenditure on rebates.

4. Rebate on export sales: With effect from 24 September 1954, a rebate at the rate of 5 nP (five Naye Paise) in the rupee (i.e. 5 per cent) was allowed on all quantities of handloom cloth exported directly by co-operative societies and State-trading organizations. This scheme has been withdrawn from 1 June 1962.

II. Effect of subsidy

- (a) Having regard to the fact that the cost of production of handloom fabrics is high, the subsidy of 5 per cent can have no significant influence on sales in the country.
- (b) Statistics of production, exports, etc. of handloom fabrics during the years 1957 to 1961 are given below:

Estimated Production of Handloom Cloth in India and Quantity Exported

Year	Production	Exports		Remarks
	Quantity (million yards)	Quantity (million yards)	Value (million rupees)	
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 are much less.

B. SUGARI. Nature and extent of the subsidyBackground and authority

Sugarcane is grown extensively in India and the sugar industry is the second largest in the country. Unlike 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, the 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 loss sustained by the Government on the export of sugar amounted to Rs.55 million during the financial year 1961-62.

II. Effect of subsidy

(a) 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.

(b) Statistics relating to production, consumption and exports of sugar during the years 1959 to 1961 are given below:

Year	Production	Consumption ('000 metric tons raw value)	Exports
1959	2302.7	2309.7	17.4
1960	2813.7	2228.3	19.3
1961	3094.5	2397.0	291.2

