

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/STR/N/1/IND**

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## STATE TRADING

Notification Pursuant to Article XVII:4(a) of the GATT 1994 and  
Paragraph 1 of the Understanding on the Interpretation of Article XVII

## INDIA

The following communication, dated 15 January 1996, has been received from the Permanent Mission of India.

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I am directed to refer to WTO document G/STR/N/1 dated 13 March 1995 on the subject mentioned above and to forward herewith India's notification pursuant to Article XVII:4(a) of the GATT 1994 and Paragraph 1 of the Understanding on the Interpretation of Article XVII, for circulation among the Members of the Working Party on State Trading Enterprises.

### **1. Enumeration of State Trading Enterprises**

Information relating to State Trading enterprises which have been granted special privileges by way of monopoly or near monopoly on export or import (canalizing agencies) is available in the Export & Import Policy (1 April 1992 to 31 March 1997), as amended up until 31 March 1995. Chapter XV-Part III and Chapter XVI-Part III of the Export-Import Policy book contain the list of items and enterprises designated for imports and exports of these items, respectively. A consolidated list of canalizing agencies and the products with which they deal is given in Annex 1.

Annex 1A comprises one Marketing Board which is engaged in purchasing and selling and thus falls within the scope of notification requirements.

### **2. Reason and purposes for introducing and maintaining State Trading Enterprises**

In general, the objectives of granting monopoly on export or import of certain products are the following:

- (a) obtain better terms of trade through bulk transactions than would otherwise have been possible;
- (b) realize economies of scale in trade operations;
- (c) ensuring security of supplies through multiple contracts with diverse sources;
- (d) ability to handle crisis situations effectively and protect the country from disruptions in supply;
- (e) optimal utilization of certain non-renewable national resources; and
- (f) to help the exporters in tribal areas in getting remunerative prices for their export products (as in the case of niger seed) and developing their markets in a systematic manner.

### **3. Description of the functioning of the state trading enterprises**

- The enterprises dealing with imports or exports or both are listed in Chapter XV - part III and Chapter XVI - part III of the Export and Import Policy, as already indicated against 1 above. Details of such enterprises are in Annex I.
- Export or Import trade in canalized goods is substantially reserved for the designated agencies. However, the Government may grant licences to private parties to import or export any of these canalized goods.
- In the case of fertilizers, crude oil and petroleum products, availability of foreign exchange is the major consideration in deciding the quantum of imports. Import of cereals and edible oils is undertaken on the advice of Government from time to time. Government is guided by a number of factors including the balance of payments and domestic production and prices situation.
- In the case of mineral and ore products, the quantities available for export are liable to be restricted from time to time keeping in view the domestic requirement as well as the need to conserve exhaustible natural resources. Keeping in view the comfortable reserves position, there is no restriction on the quantities to be exported in the case of medium and low grade iron ores. In the case of onion and niger seeds, there is

no quantitative ceiling for exports and exports of these items are determined by market forces. In the case of petroleum products, long-term contracts are entered into and the quantum is decided taking into account domestic supply conditions. There is no restriction on the quantity of mica to be exported.

- Export prices are determined on commercial considerations and by the demand and supply forces in the international market. In the case of onions, Minimum Export Price (MEP) is determined for different varieties keeping in view the national and international market intelligence, crop prospects, market trends, quality aspects, freight charges, etc. In the case of iron ore, prices are fixed on a yearly basis as the exports take place under long-term/annual contracts. In the case of petroleum products, imports/exports are undertaken at market related prices. As regards mark-up on imported products, prices of imported commodities are fixed on the basis of actual costs incurred including duties, warehousing costs, etc., with a nominal service charge for handling these operations.
- Long-term contracts are entered into by the canalizing agencies in the case of import/export of petroleum products and export of iron ore. The contracts are entered into with national oil companies and through spot tenders.

**4. Statistical information**

The imports and exports of canalized items undertaken in the last three years are enclosed in Annexes 2 and 3, respectively.

**5. Reason why no foreign trade has taken place (if this is the case) in products affected**

The considerations which determine the volume of import or export are already explained in reply to item No. III. Though the Hindustan Vegetable Oils Corporation Ltd. has been designated as a canalizing agency for import of certain oils and oil seeds, as indicated in Annex I, it has not been authorized by Government to import any of these items so far. Motor spirit and bitumen, although canalized, were not imported during the last three years due to adequate indigenous productions. Similarly, export of aviation turbine fuel, crude furnace oil, high speed diesel, kerosene, liquified petroleum gas and motor spirit, although canalized, were not undertaken since these products were either in deficit or no surplus quantities were available for exports. The Manganese Ore India Ltd. could not export any quantity of manganese ore during the last three years due to depressed international market conditions. Also, the Kerala Minerals and Metals Ltd. could not export any of the canalized mineral items during the last three years.

**6. Additional information**

Nil.

ANNEX 1

List of Canalizing Agencies (State Trading Enterprises granted monopoly for imports or exports of specific products) and the products for which they are Canalizing Agencies (as per April 1992 - March 1997 Export and Import Policy amended up until 31 March 1995).

S1. No. (1)	Canalizing Agency (2)	Nature of trade (3)	Products/Group of products canalized (4)
1.	Indian Oil Corporation Ltd.	Imports	Petroleum products, namely, aviation turbine fuel, crude oil, motor spirit, bitumen (asphalt) - paving grade, furnace oil (except low sulphur heavy stock/low sulphur waxy residue) and high speed diesel.
		Exports	Petroleum products, namely, aviation turbine fuel, bitumen (asphalt) - paving grade, crude oil, furnace oil, high speed diesel, kerosene, liquified petroleum gas (LPG), motor spirit, naphtha and raw petroleum coke.
2.	Minerals and Metals Trading Corporation of India Ltd.	Imports	All types of nitrogenous, phosphatic and potassic fertilizers, except Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), Mosco Ammonium Phosphate (MAP), Sulphate of Potash (SEP), NP Fertilizers and NPK Fertilizers.
		Exports	Mica Waste (including factory cuttings) and scrap which is obtained by processing mica and which because of size and colour is considered below the specification of processed mica.

			<p>Iron ore excepting (i) iron ore of Goa origin when exported to China, Europe, Japan, South Korea and Taiwan and (ii) iron ore of Redi origin to all markets. Chrome ore lumps with <math>\text{Cr}_2\text{O}_3</math> not exceeding 38 per cent.</p> <p>Low silica friable/fine ore with <math>\text{Cr}_2\text{O}_3</math> not exceeding 52 per cent and Silica exceeding 4 per cent.</p> <p>All grades of bauxite, except calcined bauxite and low grade bauxite with alumina content <math>\text{Al}_2\text{O}_3</math> less than 64 per cent of west coast origin.</p> <p>Manganese ores excluding lumpy blended Manganese ore with more than 46 per cent Manganese.</p>
3.	Hindustan Vegetable Oils Corporation Ltd.	Imports	<p>Coconut oil, RBO Palm oil and RBD Palm Stearin, Seeds (Copra, Groundnut, Palm, Rapeseed, Safflower, Soyabean, Sunflower, Cotton).</p> <p>All other non-edible oils but excluding tung oil/China wood oil and natural essential oils; seeds or any other material from which oil can be extracted not specifically mentioned above or elsewhere in the Policy.</p>
4.	Food Corporation of India	Imports	Cereals, excluding feed grade maize for poultry or animals
5.	The Tribal Cooperative Marketing Federation of India Ltd.	Exports	Gum Karaya and Niger Seeds.
6.	Mica Trading Corporation of India Ltd.	Exports	Mica waste (including factory cuttings) and scrap which is obtained by processing mica and which because of size and colour is considered below the specification of processed mica.

7.	Indian Rare Earths Ltd.	Exports	Rare Earths (including Yttrium) Cres. Concentrates and Compounds thereof, other minerals containing the following substances as accessory ingredients including: a. Samarskite; and b. Uraniferous allanite: Radium ores and concentrates. Granular sillimanite produced by the Indian Rare Earths Ltd.
8.	Kerala Minerals and Metals Ltd.	Exports	Other minerals containing the following substances as accessory ingredients including: a. Samarskite; and b. Uraniferous allanite: Radium ores and concentrates. Granular sillimanite produced by the Kerala Minerals and Metals Ltd.
9.	Manganese Ore India Ltd.	Exports	Manganese ores excluding lumpy blended Manganese ore with more than 46 per cent Manganese and produced in the mines of the Manganese Ore India Ltd.
10.	National Agricultural Cooperative Exports Marketing Federation of India Ltd.	Exports	Niger Seeds and Onions
11.	National Dairy Development Board	Exports	Niger Seeds

Note: The State Trading Corporation of India Ltd., which was a major State Trading Enterprise does no longer deal with any canalized item of import/export.

ANNEX 1AList of Marketing Boards engaged in Purchasing and Selling

Name of Board (1)	Commodity dealt with (2)	Nature of activity (3)
Coffee Board	Coffee	<p>Until 1992, under the Coffee Act, 1942, all coffee produced in the country was compulsorily pooled with the Coffee Board for sale and disposal.</p> <p>Since then, the coffee marketing system has been liberalized. On 13 October 1992, an Internal Sale Quota (ISQ) to the extent of 30 per cent of the coffee produced was granted to the coffee growers under which they could sell 30 per cent of their produce in domestic market.</p> <p>After considering the demand of coffee growers for grant of Free Sale Quota (FSQ) in place of the ISQ, on 14 January 1994, it was decided to grant FSQ of coffee in place of ISQ, up to 50 per cent of the total produce which was permitted to be sold by the coffee growers either internally or in the international market. The responsibility of receiving the remaining 50 per cent of the total produce continued to repose with the Coffee Board. With this deregulation it became necessary for the Coffee Board to switch from the dual auction system of marketing to a single auction system wherein both domestic dealers and exporters bid for coffee at the prevailing international prices.</p> <p>The coffee marketing system has been further liberalized with the decision of the Government announced on 22 April 1995 under which 100 per cent FSQ has been allowed to small growers with a holding size of less than 10 hectares, and 70 per cent FSQ to other coffee growers. Coffee growers with a holding size of 10 hectares and above would have to pool 30 per cent of their produce with the Board which will be used by the Coffee Board for market intervention according to the needs of the situation.</p> <p>This coffee marketing system would ensure liberalization on the one hand and provide fair return to the producers and restrain undesirable fluctuation on the other.</p>

ANNEX 2

Imports of Canalized Items during 1992-1995

Quantity: 000 tonnes  
Value: RS. Crores

Sl. No.	Name of item	1992-1993		1993-1994		1994-1995	
		Qty.	Value	Qty.	Value	Qty.	Value
1.	Crude oil	27,247	10,685.36	30,822	10,688.52	27,319	10,316.03
2.	Aviation Turbine Fuel	-	-	-	-	78	51.31
3.	Furnace oil	-	-	-	-	267	91.62
4.	High speed diesel	7,159	3,691.34	7,535	4,174.97	8,637	4,360.09
5.	Urea	1,863	731.68	2,755	824.30	2,951	1,546.90
6.	Cereals						
	a. Wheat	2,599	n.a.	476	n.a.	-	-
	b. Rice	86	n.a.	56	n.a.	-	-

Note: Even though canalized, no import of motor spirit and bitumen took place during the last three years. The Hindustan Vegetable Oils Corporation Ltd., even though a canalized agency for import of certain oils and oil seeds as indicated in Annex 1, was not authorized to import any of these items during the last three years. Also, since the State Trading Corporation of India (STC), the canalizing agency for import of certain oils and oil seeds, does not deal with any of these canalized items, no information on these items is included in this statement.



ANNEX 3

Exports of Canalized Items during 1992-1995

Quantity: 000 tonnes  
Value: RS. Crores

Sl. No.	Name of item	1992-1993		1993-1994		1994-1995*	
		Qty.	Value	Qty.	Value	Qty.	Value
1.	Petroleum products	3,719.00	1,606.78	4,034.00	1,508.81	3,254.00	1,587.38
2.	Gum karaya	0.89	7.57	1.59	12.15	1.54	11.46
3.	Mica waste and scrap	4.10	5.60	4.50	6.80	n.a.	n.a.
4.	Rare earths products	3.12	8.36	3.19	9.26	n.a.	n.a.
5.	Iron ore	10,630.00	553.94	10,620.00	632.65	12,000.00	660.19
6.	Manganese ore	223.00	33.49	249.00	31.05	417.00	46.53
7.	Chrome ore	285.00	61.20	241.00	53.41	340.00	76.37
8.	Niger seeds	16.614	n.a.	12.263	n.a.	8.188	n.a.
9.	Onions	395.685	163.00	448.874	244.00	496.881	257.00

\* Provisional

Note: Exports of crude oil, aviation turbine fuel, furnace oil, high speed diesel, kerosene, liquified petroleum gas and motor spirit, although canalized through the Indian Oil Corporation were either not undertaken or were negligible since these products were either in deficit or had no surplus quantities available for exports.