The following communication has been received from the Government of India:

"Permission from the foreign exchange control authorities is required to be obtained by Indian firms wishing to operate in foreign markets and by foreign firms to participate in the futures markets in India. In the present difficult foreign exchange position of the country, it is not possible to grant such permission merely for the purpose of affording protection to operators in the Indian markets against 'Corners'.

"In the context of a developing economy and the need to keep prices stable as far as possible, it is necessary to exercise control over futures markets for regulating price and market behaviour. The futures market in India has, therefore, to operate within specified limits but this cannot be helped in the present circumstances of the country. Apart from the need to keep within limits market manipulation, when shortages of production or other factors cause prices to shoot up very high, measures of control in the futures markets become necessary. The authorities also resort to other devices to mitigate the excessively fluctuating tendencies in future prices in the interest of consumers and the economy of the country. It may, however, be added that cotton is the only commodity in respect of which prices are statutorily controlled.

"In the note circulated in document L/1318 reference has been made to the minimum and maximum export selling prices introduced by the Indian Lac Exporters Association (with the sanction of the Government of India). Fluctuations in prices of lac both in amplitude and frequency during the past war period had been one of the major problems faced by the lac industry. Steady decline in prices of Shellac created a situation in which the trade itself could not establish a proper level of prices and the London Terminal
market did not help in improving the situation, in any way. The primary purpose of fixing minimum prices was to stabilize the internal prices which, during the year 1957 had touched the lowest levels threatening serious hardship to nearly four million cultivators. It may be added that important importing countries have welcomed the stable conditions which have been prevailing in the Shellac market since the introduction of this scheme. Confidence in 'Lac' has been restored and substitutes, which would have killed this industry, have not been preferred by foreign buyers, as was threatened during the highly speculative period, before the introduction of the Stabilization Scheme. The conclusion drawn by the International Chamber of Commerce about the effects of this scheme on the activities of the London Terminal market does not therefore take into account the full facts leading to the introduction of this scheme."