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CENTRAL INTELLIGENCE AGENCY  
**INFORMATION REPORT**

COUNTRY India  
SUBJECT Pulp and Paper Industry

REPORT

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1. India is setting up its own newsprint industry to meet the growing needs of its newspapers as the spread of literacy increases the circulation of the English and Indian-language press.
2. So far, all newsprint is imported. 60,000 tons were purchased from Finland, Austria, Canada, Scandinavia and Czechoslovakia to meet the annual consumption which is reckoned today at 69,000 tons. (Import figures not available.) Finland is India's biggest supplier with 15,000 tons in the last trade year followed by Austria, Norway and Sweden with 14,000, 10,000, and 5000 tons respectively.
3. At the commencement of World War II, India's annual consumption was only 39,000 tons. Experts in the industry estimate India will need 120,000 tons of newsprint a year - double its present consumption.
4. Viewing the potential world-wide shortage and urged by the necessity of saving foreign currency, the Governments of India and of Madhya Pradesh State have invested US\$5,000,000 in a newsprint plant called Nepa Mills Ltd. This will go into production in the first quarter with an estimated annual output of 30,000 tons. Nepa will use imported pulp, as well as indigenous bamboo, straw, rags and sugar-cane husk. At the same time, private interests have blueprinted a plant of similar capacity, to be called Star Paper Mills Ltd., in Uttar Pradesh State. Plans for this unit now are being finalized on the strength of recommendations made on mechanical logging by a U.N. expert.
5. The Uttar Pradesh plant will use raw materials from the spruce and fir forests of nearby Himalayan Tehri-Garvahl, a former princely state, but the difficulty of floating the logs down the torrential Jamuna and Ganga rivers remains to be overcome.

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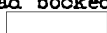
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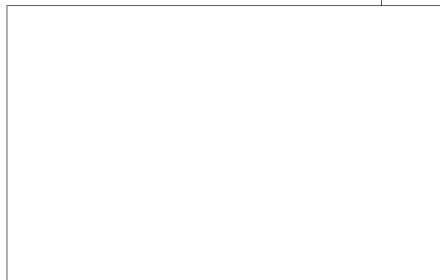
6. Paper other than newsprint is more plentiful. Twelve pulp mills manufacture 90,020 tons a year, which meets India's current domestic needs. Therefore no pulp is imported except a small amount of the sulphite variety, which comes from Scandinavia and the U.S. India also makes 15,000 tons of wrapping paper (  the annual consumption was 30,000 tons) and 22,880 tons of other varieties such as straw, mill, duplex, ticket and file boards. It is the Indian industry's claim that some of the writing and foolscap paper it produces is the cheapest in the world, at 13 cents a pound.
7. Almost all the pulp and paper mills have shown a good profit during the last two years. The biggest among them (the Titaghar Paper Mills, West Bengal, Shri Gopal Mills, Punjab and Rohtas, Bihar) have bought new machinery from Germany, Sweden and the U.S. to step up production, which is expected to increase by 10% to 15% during the last three years. However, at a recent meeting of the Calcutta Paper Traders' Association, its President pointed out that China had booked practically all Europe's newsprint output for the first three quarters  Since stocks have not been built up, India is likely to face a newsprint shortage between now and the time when the output of Nepa Mills will be on the market.
8. Newsprint is on Open General License. All paper, other than board, is liable to a customs duty of 33% plus 5% surcharge. (Board has a duty of 66%.) On writing, printing and wrapping paper, which is under license and quota, the quotas vary from 5% to 45% of each importer's previous imports when there was no restriction.
9. What irks the newsprint and paper dealer is the sales tax which is charged in 20 of the 30 states of the Indian Union. The paper and newsprint business works on a narrow margin with dealer profits ranging from 12% to 3%. When 10% in sales tax is demanded from the consumer, he prefers to import direct. Most newspapers buy their newsprint direct from overseas thus removing the traders. Trade and Industry have led a public agitation on this issue in Bombay state but the tax seems to have come to stay - a useful source of revenue for financially hard-pressed administrations.

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