

**ESTIMATES COMMITTEE
(1963-64)**

**FORTY-EIGHTH REPORT
(THIRD LOK SABHA)**

MINISTRY OF INTERNATIONAL TRADE



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**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRECTIONS

Forty-eighth Report of the Estimates Committee (Third Lok Sabha) on the Ministry of International Trade.

Contents, page (ii), item VI(C),
for "selction of Staff" read
"Selection of Staff".

Introduction, para 5, line 3,
for "Appendix IX" read "Appendix VIII".

Page 3, footnote, line 8, for
"Rs. 56300 million" read "56300 million ₹"

Page 3, footnote, line 9, for "Rs. 112700
million" read "112700 million ₹".

Page 8, para 14, line 5, for "Goernment"
read "Government".

Page 20, para 40, line 7, for
"Directorates" read "Directorate".

Page 28, heading for "IMPORT"
read "IMPORTANT".

Page 40, para 80, table, item 12(c),
for "Organo" read "Organo"

Page 44, para 85, table, item 5, 1962-63,
for "122.77" read "120.77".

Page 44, para 85, second sub-para, line 2,
for "applied" read "allied"

Page 61, line 13, for "Indian Council of
Fairs and Exhibitions" read "Indian
Council of Trade Fairs & Exhibitions".

(p. t. o.)

: 2 :

- Page 65, line 1, for "ouncil" read "Council".
Page 84, para 154, line 15, for "nothings"
read "notings".
Page 85, line 21, "for "on" read "an".
Page 87, line 9, delete "the first".
Page 87, line 13, for "Mulaiah" read "Mudaliar"
Page 87, para 157, line 3, for "on " read "an"
Page 88, para 158, last line,
for "vexations" read "vexatious".
Page 92, heading (iii), for "In part"
read "Import".
Page 93, item (xv), for "1.4.61 to 31.11.63"
read "1.4.63 to 31.10.63" and item (xvi) for
"30.10.63" read "31.10.63".
Page 101, Appendix III, last line, for
"readih" read "readily"
Page 107, column 2, for "11" read "12".
Page 111, column 2, for "53" read "54".
Page 116, column 2, for "83" read "84"
Page 121, column 3, S.No.69, last line, for
"Arabica" read "Arabic".
Page 127, column 2, for "152" read "152&153"
Page 131, column 3, against S.No.110,
line 6, for "indigneous" read "indigenous".

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1963-64

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SECRETARIAT

Shri Avtar Singh Rikhy - Deputy Secretary

Elected w.e.f. 16th August, 1963 vice Dr. K.L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the report on their behalf, present this Forty-eighth Report on the Ministry of International Trade.

2. The Committee took evidence of the representatives of the Ministry of International Trade on the 2nd, 3rd, 4th, 5th and 6th December, 1963. As a few items of the subject under examination related to the Ministries of Industry, Finance, Food and Agriculture, External Affairs and Transport and the Directorate General of Technical Development, the Committee considered it desirable to examine the representatives of the above Ministries/Department also. The Committee wish to express their thanks to the Secretary, Additional Secretaries and other officers of the above Ministries and the Directorate General of Technical Development for placing before them the material and information they wanted in connection with the examination of the estimates.

3. They also wish to extend their thanks to the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi, the All India Manufacturers' Organisation, Bombay, the All India Exporters' Chamber, Bombay, the Indian Jute Mills Association, Calcutta and the All India Importers Association, Bombay and the Director General, National Council of Applied Economic Research, New Delhi for giving evidence and making valuable suggestions to the Committee.

4. The Report was considered and adopted by the Committee on the 9th March, 1964.

5. A statement showing the analysis of recommendations contained in the Report is also appended to the Report (Appendix IX).

NEW DELHI;
Phalguna 22, 1885 (Saka).

March 12th, 1964.

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

I. INTRODUCTORY

The Department of International Trade was set up in 1952 to give special attention to problems of trade and export promotion and replaced the Commerce Wing of the Ministry of Commerce and Industry which had been functioning earlier. With effect from the 19th July, 1963, a separate Ministry of International Trade was created. The actual staff position in the Secretariat of the Ministry as on the 29th February, 1964 was 111 Class I, 55 Class II (Gazetted), 183 Class II (Non-Gazetted), 446 Class III and 169 Class IV.

2. Implementation of the policies relating to international trade is effected by various offices and executive agencies of the Ministry like Organisation of the Chief Controller of Imports and Exports, which is an attached office, Coffee Board, Tea Board, Coir Board and Rubber Board which are statutory bodies, constituted under Acts of Parliament; State Trading Corporation, Mineral and Metals Trading Corporation and Export Credit and Guarantee Corporation which are State Companies.

3. The Ministry is the primary Government agency responsible for the country's commerce and overseas trade including commercial relations with other countries, state trading, import and export control and tariff policies and procedures. It is also responsible for evolving and directing export promotion policies and efforts. In regard to certain export industries like coir, rubber, tea and coffee, the entire responsibility for planning, development and production has also been given to the Ministry. The subjects of jute and textiles have been transferred with effect from 8th January, 1964 from the Ministry of International Trade to the Ministry of Industry.

II. EXPORT PROMOTION

A. Introductory

(a) Review of Exports

Review of Exports during First and Second Plans

4. The trend of exports since 1951 may be seen from the table below:—

(Rs. in crores)					
First Five Year Plan		Second Five Year Plan		Third Five Year Plan	
Year	Value	Year	Value	Year	Value
1951-52	733	1956-57	603	1961-62	661
1952-53	577	1957-58	562	1962-63	694 (710 including Goa)
1953-54	531	1958-59	581	1963 (including Goa).	791
1954-55	592	1959-60	640		
1955-56	596	1960-61	660		
Total	3039	Total	3046		
Average exports per year in First Five Year Plan	606	Average exports per year in Second Five Year Plan	609		

It would thus appear that over the period of the first two Five Year Plans India's exports were somewhat stagnant. Though in volume, exports were higher in the Second Five Year Plan by 9 per cent., but on account of less favourable unit values, this increase was not reflected in larger export earnings.

5. In the pattern of export trade during the period 1951—60, two main trends could be observed. Firstly, among commodities which were directly or largely based on agricultural production such as tea, cotton textiles, jute manufactures, spices and tobacco, on the whole exports did not improve. However, significant increases were achieved in the exports of new manufactures and products like iron

ore but these were not sufficient to offset the decline in the traditional exports. These trends would be clear from the following table:—

Pattern of exports, 1951—60
(Rs. in crores)

	1950-51	1955-56	1958-59	1959-60
1. Agricultural commodities and related manufactures	496.5	489.3	453.5	473.6
Cotton and jute manufactures (included in item 1)	250.5	181.7	153.4	180.5
2. Other manufactures	58.4	61.0	53.3	105.0
new manufactured products (included in item 2)	8.9	8.6	12.5	25.0
3. Minerals	23.4	34.4	46.2	53.0
TOTAL†	578.3	584.7	553.0	631.6

The Committee consider it unfortunate that while over the decade 1950-60, the total world export trade* doubled, India's share in it declined from 2.0 per cent in 1950 to 1.1 per cent in 1960.

6. The Third Plan target of export is Rs. 3,700 crores. Actual exports from India excluding Goa in 1961-62 amounted to Rs. 660.6 crores and in 1962-63, Rs. 693.7 crores. There has been a shortfall of Rs. 12.7 crores as compared to the targets of exports fixed for 1961-62 and 1962-63, the first two years of the Third Plan. The latest estimate according to the Third Plan Mid-term Appraisal is that the exports would fall short by Rs. 90 crores of the target during the Third Plan period. Exports from Goa over the Third Plan period are expected to be of the order of Rs. 90 crores. Thus including exports from Goa, total export earnings over the five years of the Third Plan may be expected to amount to Rs. 3700 crores.

It has been emphasised in the Third Five Year Plan that exports must be built up during this Plan period in order to meet the much larger foreign exchange requirements anticipated for the Fourth Plan. Considering the requirements on account of repayment obligations abroad

†According to the latest information received from the Ministry, the total exports during 1955-56, 1958-59 and 1959-60 are as follows :

	(Rupees in crores)
1955-56	596.3
1958-59	580.8
1959-60	639.7

However, the commodity-wise break up is not available.

World export trade 1950 amounted to Rs. 56300 million.
World export trade 1960 amounted to Rs. 112700 million.

and maintenance and development exports, it is estimated that by the end of the Fourth Plan, the annual level of exports would have to rise to about Rs. 1300 crores to Rs. 1400 crores, that is, to at least twice the present level.

The Committee are glad to note that the export receipts for India including Goa, Diu and Daman during 1963 were Rs. 791 crores, showing an increase of Rs. 104 crores or 15 per cent as compared to the total exports of Rs. 687 crores during 1962—the highest rate of increase achieved so far.

Considering this trend the Committee have no doubt that every effort would be made to attain the original export target of Rs. 3700 crores excluding the exports from Goa, which are expected to total Rs. 90 crores.

(b) Need to create export consciousness

7. It has been stated during evidence that India exports only between 5 and 6 per cent of her national products and that Indian industries are primarily oriented towards the internal market. The Committee consider that there is imperative need for making the industry and the public conscious of the vital importance of exports to the economy of the country. The Committee would, in this connection, like to mention that a number of industrialised countries like West Germany, Japan and U.K. lost no time after the last World War to gear up their resources for an export drive. The co-operation of the public was enlisted through increased publicity measures and catching banners like "Export or Perish". The Committee consider that in the present context of the economy of the country, it is imperative that the co-operation of the public is enlisted for an all out effort to earn foreign exchange through exports.

(c) Fulfilment of Export Obligations

8. When considering applications for licensing of industries under the Industries (Development and Regulation) Act, preference is given to industries and units which have an export potential and which can undertake to effect exports upto a specified extent. Similarly, the limited foreign exchange available for capital goods licensing is,

wherever possible, utilised for licensing the requirements of units which undertake a similar export obligation. The value of export obligation is usually equal to twice the value of the capital goods sought to be imported, to be effected within a period of three years. At the time of the import of capital goods, the manufacturer is required to file a bond, with suitable bank guarantee wherever necessary, undertaking to fulfil the export obligation as prescribed. On the basis of information furnished by the manufacturer to the port licensing authorities, his export performance is watched. The procedure has been brought into effect only in respect of licences issued after November, 1961.

9. The Committee have been informed that in three cases, the period of fulfilment of export obligation expired on the 31st December, 1963 and the question of allowing further time for fulfilment of export obligation or enforcing the terms of the bond to the extent of the shortfall of the exports is under consideration of Government. *The Committee cannot but feel unhappy over the non-fulfilment of the export obligations by the concerned industries.*

The Committee would urge upon the industries to respect their export obligations. They would also like the Government to take suitable action promptly in cases where the export obligations are not discharged by the parties concerned.

(d) *Reduction in cost of Export Commodities*

10. The importance of cost reduction for keeping the competitive efficiency of the industry, especially from the point of view of exports is recognised on all hands. Following the recommendations of the Board of Trade, Government appointed in December, 1962 an "Expert Committee on Cost Reduction Studies" under the chairmanship of Dr. S. K. Muranjan for formulating cost reduction programmes in respect of export commodities. Dr. S. K. Sen of Planning Commission was the other member of the committee. The Committee learnt with regret that the other member expressed his inability to continue on the committee which as a result was reduced to one-man committee. *The Estimates Committee feel doubtful if a one-man committee can adequately and timely carry on studies of the relevant industries.*

It has been stated during evidence by the representative of the Ministry that the Expert Committee submitted a report on cotton textiles in July, 1963 which is still under consideration of Government. They have also been informed that the textile industry has not been taken into confidence with regard to this report and that the field covered by the document is so large that it is very difficult to start at a point where one would immediately get some concrete results:

The Committee are constrained to observe that at a time when there is paramount need for making export commodities competitive in price, nearly six months have passed without Government taking any positive action on the recommendations of the Expert Committee.

The Committee note that the Board of Trade at its meeting held in February, 1964 had emphasised the need for immediately establishing a Cost Reduction Cell in the Planning Commission to undertake commodity-wise and industry-wise cost studies both from the point of view of internal economy as well as of export trade and to suggest measures to bring them down.

They would urge the Government to give their most careful and urgent attention to the problem of cost reduction in various industries and devise a competent machinery to tackle it in a comprehensive manner.

B. Fiscal Rebates

(a) Relief from Income-tax

11. Relief from income tax was allowed to exporters for the first time under the Finance Act, 1962. The Finance Act, 1963 extended the scope of this relief. Briefly speaking, the relief allowed is as under:

- (i) Rebate at one-tenth of the amount of income-tax and super-tax attributable to income derived from exports out of India, in the case of all assessees other than certain foreign companies (i.e., which have not made the prescribed arrangements for declaration and payment of dividends within India) is allowed to any exporter, whether or not he is also a manufacturer.

- (ii) A further rebate of income-tax and super-tax, calculated at the average rate of income tax and super tax on an amount equal to 2 per cent of the export turnover, is allowed to a manufacturer who either himself exports, or where the first purchaser from him exports, any articles, manufactured by the former, in any of the industries (other than some specified industries e.g. textiles, cement, sugar etc.) listed in the First Schedule to the Industries (Development and Regulation) Act, 1951.

12. The Committee understand that Japan was allowing accelerated depreciation on fixed assets used in exporting industries. This concession was admissible to any exporter who increased both the value and proportion of the export sales to his total sales in any half yearly accounting period. Thus, if during January—June, 1960, the export sales were 1 million yen out of total sales of 2 million yen (50 per cent), and during July-December, 1960, the export sales were 1.5 million yen out of total sales of 2 million yen (75 per cent), the depreciation for the latter half-yearly accounting period would be increased by 25 per cent. The additional depreciation under this provision was subject to a maximum of 50 per cent.

The Committee have been informed during evidence that the techniques employed and concessions given in foreign countries for export promotion are constantly being studied. They also understand that a team under the National Productivity Council has recently toured several countries to study the techniques of export promotion. *The Committee have no doubt that Government would consider the advisability of giving such concessions to exporters as are considered necessary including that of accelerated depreciation on fixed assets used in exporting industries.*

(b) Sales tax

13. One of the burdens on the cost of export items is the sales tax. Sales tax at various rates, not always uniform, is levied by State Governments. Besides, there is also an inter-State Sales tax. Although the last sale, constituting actual exports, between the Indian exporter and the foreign importer is not subject to sales tax, the incidence of this falls very often on the export commodities also, particularly when it is collected on earlier sales, when

it is not possible to distinguish between sales for export and those for internal consumption. However, sales tax in respect of some commodities e.g. textiles, sugar and tobacco, has been replaced by additional central excise duties, and this has enabled such excise duties to be refunded on exports.

14. As sales tax is an important source of revenue to State Governments, they are understood to be very reluctant to part with any ingredient of it.

The Mudaliar Committee who considered this matter had suggested that the Central Government should assume the responsibility for the remission of the sales tax entering into export costs and that uniform rebate of say 2 per cent could be generally granted.

15. The Committee have been informed that a committee under the chairmanship of Shri R. G. Saraiya, was set up in June, 1963 by the Board of Trade to study the question of incidence of sales taxes on commodities exported from India and to suggest measures for grant of appropriate relief in the interests of export trade. The report of the Saraiya Committee is expected to be submitted by the end of March, 1964.

The Committee have no doubt that the recommendations of the Saraiya Committee would be processed quickly and suitable action taken to ensure that the exports are not unnecessarily burdened with levies.

(c) Drawback of Import and Excise Duties

16. When any manufactured product is exported, it is entitled to:

- (a) rebate (or non-payment) of the central excise duty, if any, chargeable thereon; and
- (b) rebate (or drawback) of the customs and excise duties paid on the materials used in the manufacture of such products.

Rates of drawback for different products are determined by the Ministry of Finance and actual payment is allowed by the Customs House through which the export takes place. There are nearly 200 items in the drawback schedule.

17. It has been represented to the Committee that the present procedure for obtaining drawback of import and excise duties is too lengthy and elaborate, particularly for complex engineering products which may contain many different materials or components, for each of which elaborate statements have to be filed. Various items also attract excise duty at several stages before they appear in the finished product and it may also be difficult to establish accurately the exact quantities of different materials used in a particular product. The position is further complicated where a particular raw material is imported for a range of manufactured items in a particular unit, of which only one or more will be subject to a claim for duty drawback.

18. The Committee understand that some steps have already been taken to simplify and expedite the various processes involved in allowing drawbacks.

There is also a committee consisting of representatives of the Ministry of Finance, Ministry of International Trade, the Directorate General of Technical Development and the Comptroller and Auditor General which deals with all problems relating to drawback. The Committee meets every fortnight at Delhi and at least twice a year at each of the major port towns where it meets representatives of Export Promotion Councils, Chambers of Commerce, individual exporters, etc., to discuss with them any problems relating to exports and payment of drawback thereon.

The Committee suggest that the above mentioned Departmental Committee should look into the difficulties being experienced by the industries and exporters in obtaining drawback of duties on exports and try to resolve them in consultation with the representatives of the concerned industries and exporters without any avoidable delay. They would also suggest that every effort should be made to fix the rate of drawback for as many products as possible to facilitate payment.

19. The Mudaliar Committee (1962) had recommended that for the sake of convenience of exporters, the drawback of import duties, the excise and sales tax should all be given at one central point most convenient to the exporter. The Committee have been informed that the Ministry of Finance have agreed in principle that the rebate of Central Excise Duty (on finished products) and

Drawback
of Import,
Central
Excise and
Sales tax
from one
Central
Point

the drawback of Customs and Central Excise duties (on raw materials) on the exports should be made by a single authority and the question as to which authority may be entrusted with the job is under consideration. They have also been informed that the recommendation of the Mudaliar Committee will be examined further on receipt of the report of the Saraiya Committee.

The Committee would like to emphasise that the decision in the matter may be taken without any avoidable delay.

C. Transport facilities and freight concession.

(a) *Transport Facilities and Railway Freight Concessions*

20. Movement of export cargo over Railways enjoys priority in Category 'D' of the Preferential Traffic Schedule. Special Priority labels "PRIORITY FOR EXPORT" are attached to various wagons carrying export cargo so that no hold-up takes place at any stage.

21. The Ministry of Railways have granted rail freight concessions on the movement of several export goods from places of manufacture to ports of export. The concessions range from 5 per cent to 50 per cent.

The Committee understand that the approximate value of rail freight concession already granted for export commodities, on the basis of a selective approach, is about Rs. 2.5 crores per annum.

The Mudaliar Committee had suggested in their Report that in view of the intense competition which Indian commodities were facing, it would be a help to our export effort if the railways gave a general rebate of 25% on all goods put on board. The Estimates Committee have been informed by the Ministry that this recommendation of the Mudaliar Committee has not been accepted for the following reasons:

- (a) A number of traditional items of export commodities do not stand in need of concessional railway freight and the grant of such concessions for commodities which do not require assistance would only imply increase of profits

of the exporters without any corresponding increase in the volume of export attributable to the concession.

- (b) The Ministry of Railways felt that the financial implications of the grant of such a concession would involve a very heavy drain on railway revenues, without a proportionate increase in the volume of export.
- (c) That by the adoption of a speedy and effective procedure the requirements of each commodity or a group of commodities could be adequately catered to.

The Committee find that the Government have continued to extend on a selective basis the railway freight concession for export of commodities and from 1st January, 1964, a rebate of 25 per cent in railway freight has been allowed to 65 more commodities, comprising products of engineering industry from any station to any port for export.

(b) *Ocean Freight Rates*

22. Ocean freights have an important bearing on sea-borne international trade. In order to keep a watch over the freight structure in India's overseas trade and to investigate complaints relating to high, anomalous and discriminatory freight rates and lack of shipping space for cargo, the Government have set up a Freight Investigation Bureau at Bombay under the administrative control of the Director General of Shipping, with a Branch Office at Calcutta.

23. It has been represented to the Committee that whenever the industry applies for reduction of freight rate to the Freight Investigation Bureau, the latter desire to be furnished with information about the rates charged for the particular item in other countries. As there are different Conference Lines operating in different spheres, the industry finds it difficult to collect the requisite information.

The Committee have been informed by the Director General, Shipping that Government have constituted a Research and Statistical Cell in Freight Investigation

Bureau to undertake a study of the maritime freight structure and shipping opportunities available for export cargoes and collect necessary data regarding f.o.b. and c.i.f. prices of freight rates from India and competing countries. The Bureau has for this purpose collected the Freight Schedules in respect of the various Conference/Rate Agreements/Shipping Lines serving the overseas trades of India. It has, however, not been possible to obtain copies of Freight Schedules of the various routes all over the world. Efforts are being made to get information through Trade Commissions and Embassies abroad in respect of individual commodities where representations are received that the freight rates are high or discriminatory.

The Committee suggest that vigorous and prompt efforts may be made to complete the comparative studies undertaken by the Freight Investigation Bureau as quickly as possible and necessary steps taken to seek reduction in freight rates particularly for sensitive commodities.

(c) *Miscellaneous*

(i) *Effect of Detention of Ships on Exports.*

24. It has been suggested to the Committee that the turn-round of ships in Indian ports particularly Calcutta needs to be improved. The Committee understand that there is heavy detention of ships at Calcutta Port. The Committee consider that it would be worthwhile to undertake a study of the effect of heavy detention of ships at this port on c.i.f. value of exports.

They would suggest that urgent measures may be taken to modernise the cargo handling facilities at the principal ports so that detention of ships, which has a direct bearing on freight rates, is reduced.

(ii) *Inadequacy of Indian Tramp Tonnage*

25. The Committee note that India-U.K. Continent Conference (Karmahom Conference Lines) increased their freight rates on West bound cargoes to 12½% w.e.f. 1st July 1963 but after considerable pressure from Government reduced it to 10 per cent. The Committee understand that agreement of the Conference Lines has also been obtained in principle to special treatment being accorded to sensitive commodities and the matter is being pursued in consultation with the trade interests.

26. The Committee understand that there is paucity of Indian tramp tonnage, the total capacity being about 50,000 G. R. T. During the current plan period, 20 tramp vessels, including bulk carriers, aggregating 2,90,534 G.R.T. have been acquired/ordered for operation in the tramp trade. The Committee feel that the most effective method of bringing down the Conference Lines rates is to have sufficient tramp tonnage available. The Committee suggest that the tramps may be encouraged so that they can act as a corrective and a check to the Conference system. Government should also continue to pursue the question of reducing the freight rates with the Conference Lines wherever necessary.

D. Quality Control and Pre-Shipment Inspection

27. Though the need for introducing compulsory quality control and pre-shipment inspection for export goods has been felt for several years, comprehensive legislation on the subject entitled the Export (Quality and Inspection) Act, 1963 and Textiles Committee Act, 1963 was passed only last year. The Committee understand that quality control and pre-shipment inspection schemes have been in force for about 15 agricultural commodities, e.g. unmanufactured tobacco, raw wool, lac, pepper, cardamom etc. and for two items of engineering goods, namely, aluminium utensils and plywood panels for tea chests and two items of handloom products viz., Madras handkerchiefs and Etawah bed-spreads and for salt. In addition to these, quality control is also exercised for fruit and vegetable products, other processed foods like hydrogenated oils and drugs. Rayon, art-silk and pure silk are also being subjected to compulsory pre-shipment inspection on the basis of buyer's specifications if stipulated in the contract. Intensive studies have been taken in hand by Government to decide upon the system under which the industrial, engineering, chemical and other finished products could be brought under compulsory quality control and pre-shipment inspection. A Study Group of experts has submitted recently a report after examining in detail the problem of quality control and inspection of engineering goods. The report is at present under discussion with the trade associations concerned. The Committee find that Japan had introduced the system of compulsory pre-shipment inspection of goods as early as 1957 for maintaining and improving its reputation for supply of quality goods. The Committee would recom-

Quality
Control and
Pre-shipment
Inspection.

mend that now that a comprehensive legislation on compulsory quality control and pre-shipment inspection has been passed, efforts should be intensified to extend quality control to exports particularly for engineering goods.

E. Free Trade Zone at Kandla

28. The concept of free trade zone first attracted the attention of the Government of India in 1948. In 1951, the Development Commissioner, Kandla took up the question of establishment of a free trade zone in Kandla. It was only after lapse of nearly 12 years that in February, 1963, the Government decided to establish a free trade zone at Kandla. The Ministry of International Trade have been entrusted with the implementation of the scheme. The development works required in this connection would be executed for them by the Port Organisation. It has been tentatively decided to establish the free trade zone in an area of 320 acres (1/2 sq. mile). Arrangements are being made for supply of water and electricity to the free trade zone. A high-level Committee consisting of some officials of the State Governments and the Central Ministries has been constituted under the Chairmanship of the Secretary of the Ministry to advise Government in regard to the procedures to be followed for setting up the various export-oriented industrial units.

The Committee understand that the question of appointing an Officer on Special Duty for the Kandla Free Trade Zone is under the consideration of Government. *The Committee hope that speedier action would be taken to establish the Free Trade Zone at Kandla so that it can make an effective contribution in increasing exports of manufactured goods and products during the current Plan period and act as a model for establishment of Free Trade Zones in other promising areas like Haldia.*

F. Export Promotion Schemes

29. Export Promotion Schemes have been introduced in the course of the past few years. Mostly these export promotion schemes apply to manufactured products like engineering goods, chemicals, handicrafts, textiles, etc. The most important feature of these schemes is that a specified percentage of the f.o.b. value of exports is allowed to be used for importing raw materials and components required in the production of the exported products or a group of allied export products. This import entitlement

is generally determined on the basis of twice the import content subject to a maximum of 75% of the f.o.b. value of exports. A small portion of this entitlement, generally 10 per cent of the f.o.b. value of exports, is allowed to be used for the import of machinery, machinery parts etc. required for replacement or modernisation not involving substantial expansion. The schemes generally provide for the grant of such import licences on the basis of past exports, but advance licensing is also permitted under certain circumstances in order to enable the exporter to obtain the requisite raw materials etc. to fulfil the export contracts. Such advance licences are allowed where a firm export order has been obtained or where an irrevocable letter of credit has been opened. Manufacturer-exporters and merchant-exporters enjoy the same benefits. The materials imported under the incentive licences are allowed to be utilised either in the importer's own factory or factories or allowed to be sold to any other manufacturer covered by the same export promotion schemes who exports directly or sells his goods to another person for export.

The Export Promotion Schemes also provide for allocation of certain indigenous raw materials at concessional prices such as pig iron, steel, tin plate, etc. Some variations in the general pattern of the schemes as mentioned above exist in some of the schemes such as those relating to textiles. Details of export promotion schemes are outlined in Appendix 23 of the Import Trade Control Policy Book (Red Book).

30. The Committee note that 80 per cent of the aggregate exports of Rs. 791 crores during the year 1963 moved unaided and that it was only in respect of a small portion of the total exports that some assistance and incentives were considered necessary in view of the disabilities of high costs, scarcity of raw materials, rising internal demand etc. The exports covered by the export promotion schemes comprised only a total of about Rs. 160 crores and the incentives relating to these exports were of the order of about Rs. 28 crores. Assistance has been primarily given for procurement of machinery and modernisation and maintenance and import of raw materials and components. The export sector is being given a higher priority for modernisation in order to strengthen continuously the instruments of production for export.

Doubts about efficacy of incentive schemes.

31. A leading economist has expressed his apprehensions about the efficacy of incentive schemes. He has stated:

“It appears to me that no case has been made out for giving export incentives of the type that are at present given. In fact if the basic difficulty, as alleged is the disparity between prices in the internal and external markets, the sort of *ad hoc* incentives given to-day cannot be expected to prove effective. The efficacy of the incentives has to be judged by not *ad hoc* two point comparisons but by judging in terms of effects which are not accidental and which can be sustained. I fear that the costs of these incentives are also high. There are obviously two types of costs to be taken into account. One is the cost which results from the exceptions made to general regulations through incentive arrangements and the larger room for evasion etc. which exceptions offer. The second may be measured either in terms of revenue forgone or in terms of the additional mulcting of the buyer and the almost unlimited opportunities of profit opened up in favour of the person obtaining the incentive such as an irrelevant import licence. The whole system appears to me to be vicious in the sense of both not having a rational basis and in that of leading inevitably to corruption and malpractice.”

Abuses detected in Export Promotion Schemes.

32. It has been admitted by the Ministry that a few cases of abuse in the form of (i) lower quality standards, and (ii) under-invoicing or over-invoicing of exports have occurred in the export promotion schemes. They have, however, stated that such cases of abuses in concessional items form an insignificant part of the total exports and have been immediately dealt with promptly and exports stopped *viz.* stainless steel products, zari goods and garments made of rayon and synthetic fabrics. As regards quality enforcement, compulsory pre-shipment inspection is being introduced.

Evaluation of Export Promotion Schemes.

33. The Committee find that at its meeting held on 1st February, 1964, the Board of Trade have appointed a standing Sub-Committee under the chairmanship of Dr. P. S. Lokanathan to continuously review and evaluate the

performance of individual export promotion schemes and to suggest and devise suitable measures for effectively curbing abuse and malpractices wherever they may arise.

The Committee feel that as the scarce raw materials and other goods which are allowed to be imported under the export promotion schemes command high price in the internal market, there is need for continuous vigilance to ensure that the system does not result in abuse.

The Committee also feel that incentives should be given only to such commodities as would not find an export market on their own and where there is reasonable ground for belief that the exports would, after a time, become self-sustaining.

G. Marketing Development Fund

34. With a view to facilitating the implementation of various measures which Government have been undertaking to stimulate and diversify India's export trade and to develop the marketing of Indian products and commodities in foreign countries, a Marketing Development Fund has been set up with a provision of Rs. 3.80 crores. The Fund is intended to be utilised for meeting expenditure on schemes of development of markets abroad with special reference to the following:—

- (a) Market Research, Commodity Research, Area Surveys and Research programmes;
- (b) Export publicity and dissemination of information;
- (c) Participating in Trade Fairs and Exhibitions;
- (d) Trade Delegations and Study Teams;
- (e) Establishment of offices and branches in countries abroad;
- (f) Grants-in-aid to Export Promotion Councils and other organisations for the development of export and the promotion of foreign trade;
- (g) Quality Control and preshipment inspection;
- (h) Export assistance for exportable commodities including transport assistance;
- (i) Export Risks Insurance; and
- (j) Any other scheme which is calculated generally to promote the development of markets for Indian products and commodities abroad.

A code of Grants-in-aid has been evolved setting out the scale of assistance admissible under the Fund on various types of schemes. The Fund will be administered by the "Marketing Development Fund Committee" consisting of Secretary, Department of Economic Affairs, Secretary, Department of Expenditure, Ministry of Finance and Secretary, Ministry of International Trade.

The Committee hope that the fund would be utilised efficiently and fully to achieve expansion and diversification of India's export trade.

H. Indian Institute of Foreign Trade

35. Government set up in 1963 the Indian Institute of Foreign Trade for intensive market research, dissemination of commercial information and organising training programmes. The Institute has been registered as a Society under the Societies Registration Act of 1860. The Institute will concern itself with different aspects having a bearing on India's external trade. It will undertake and sponsor through appropriate agencies, market surveys and market research (including area and commodity surveys) in foreign countries to assess the potential demand for Indian goods in those countries, and will also undertake and sponsor commodity studies within the country. It will undertake specialised documentation and publicity, and organise itself into an efficient centre for collection and dissemination of information on all matters relevant to foreign trade so as to meet adequately the requirements of Indian and foreign businessmen as well as Departments of Government and Indian trade commissioners abroad. It will provide training not only to managerial personnel drawn from industrial concerns and trading houses in export techniques, but also refresher and background courses periodically to officials and personnel of India's trade missions. The Institute will also undertake and sponsor research into a variety of problems relating to foreign trade.

The activities of the Institute will be financed partly out of its own funds and partly by a Government grant supplemented by requisite assistance from suitable foreign agencies approved by Government.

The Committee hope that this Institute will adequately fulfil the objects for which it has been established.

I. Export Houses

36. The Government of India have a scheme for according recognition as export house to those companies which have substantial standing and experience in export business and are dealing in a wide range of articles. The scheme was started in September, 1962. The primary objective underlying the scheme is to develop increasingly specialisation in the export effort and to ensure that the export houses set high standards in the performance of contracts for exports and in particular, regarding the maintenance of quality, adherence to specifications, delivery schedules. The Committee have been informed that 46 Export Houses have so far been recognised by Government and it is the policy of Government to recognise a large number of Export Houses so that export as a major activity in the economic field may be given a fillip.

37. Export Houses recognised by Government are given facilities to carry out export plans and are allowed foreign exchange for opening of foreign offices abroad, wherever justified and for business visits abroad. The representative of the Ministry has informed the Committee that they have recently in consultation with the Ministry of Finance enabled the Export Houses to secure a blanket sanction of foreign exchange for enabling them to finance their visits abroad. In the code of Grants-in-aid for Export Effort promulgated by the Ministry, provision has been made for grant of assistance to the Export Houses for export publicity. *The Committee hope that the Government would render necessary assistance to Export Houses so that in course of time they may make substantial contribution to the export effort. The Committee, however, trust that the Government would keep adequate vigilance to see that the opportunities may not be abused.*

J. Trade Delegations

38. Of late, India has been sending a number of trade delegations abroad to promote trade with other countries. The Committee have been informed by the Ministry that trade delegations are generally of two kinds i.e. official delegations and non-official delegations. The official delegations, usually visit foreign countries either to conclude fresh trade agreements or to renew/review the existing trade agreements. In the case of non-official delegations, the objective is to explore markets for Indian goods.

Composition
of Trade
Delegations
sent abroad

Official delegations generally consist of officials from various Ministries who are concerned directly or indirectly with the subject for which the delegation is going abroad. Where, however, the official delegation includes representatives of industry and trade, the Ministry of International Trade determines as to who would be the best person to be included in order that he may deliver the goods. Non-official delegations are normally sponsored by the Export Promotion Councils or other commodity bodies. The selection of the members of the delegation is usually made by the Committee of Administration of the Council concerned but the proposals are submitted to Government for approval.

39. It has been represented to the Committee by the Industry that trade delegations which are sent abroad for exploration of markets are generally composed of vocal and influential persons who do not have expert knowledge of sales promotion and who have very little to do with sales themselves. The representative of the Ministry however contends that the delegations that are sent abroad are composed of people who are rightly and appropriately selected. *The Committee suggest that Government may consult the leading chambers of trade and industry in the matter of selection of non-official members in the delegations sponsored by Government.*

**Delay in
submission
of report by
trade dele-
gations**

40. The Committee understand that trade delegations sponsored by the Export Promotion Councils etc. are required to submit an interim report to the respective Council within a week or ten days of their return to the headquarters. Thereafter the delegation is required to submit to the Council a detailed report which is to be printed and circulated by the Council to the Directorates of Export Promotion as well as to their members etc. It has further been laid down that suitable action on the recommendations contained in the report should be initiated. Further, the action so taken should be reported to the Export Promotion Officers at the Ports as well as to the Export Promotion Directorate within two months of the return of the delegation.

The Committee note with regret that in some cases, reports of the trade delegations were submitted to Government only after a lapse of several months e.g. reports submitted by delegations sponsored by (i) Cashew Export

Promotion Council (ii) Spices Export Promotion Council and (iii) Chemicals and Allied Products Export Promotion Council. The delay in submission of reports affects their utility. The Committee suggest that suitable steps may be taken to ensure that reports are submitted in time by the trade delegations. They would also stress that there should be adequate follow up action on the reports so as to make sure that all the useful suggestions made therein have been duly implemented. It would also be desirable to make an assessment of the practical results achieved by these delegations going abroad so that in the light thereof necessary changes or improvements could be effected to achieve the maximum results.

41. It has been represented to the Committee that even reputed businessmen of standing have been experiencing difficulties in getting sanction of foreign exchange for their business tours abroad. The Committee have been informed by the representative of the Ministry of Finance during evidence that the policy followed both by the Ministry of Finance and Reserve Bank of India with regard to release of foreign exchange for business purposes has been greatly liberalised. They have been assured that all applications from established exporters for travel facilities abroad are now considered not only sympathetically but also expeditiously. The Committee are informed that anxiety is now to make available to the exporters whatever exchange facilities they need for genuine visits.

Liberalisation of travel facilities for exporters

K. Machinery of Export Promotion

42. The Ministry of International Trade is the primary Government agency responsible for export promotion policies and directing export promotion efforts. It is assisted by the following agencies in its export promotion efforts:

(a) Board of Trade

43. The Board of Trade is the chief advisory body of the Ministry. It was constituted in May, 1962 for a term of two years to review all aspects of trade and commerce and to advise and make recommendations to Government from time to time with particular reference to the following:

Functions of the Board of Trade

1. Expansion of production, internal trade and exports, including diversification of exports;

2. Rationalisation of imports and forging suitable import-export relationships;
3. Maintenance and improvement of quality of production, standards, standardisation and quality control; organisation of inspection for quality control and pre-shipment inspection;
4. Export incentives;
5. Development of fair, ethical and efficient trading practices including maintenance of fair prices; price regulation, organisation of stock piling and buffer stocks; display of price lists and markings including price markings;
6. Studies of individual commodities, market research and market surveys;
7. Development of State Trading in commodities particularly for external trade; expanding the functions and operations of the State Trading Corporation/Corporations and other Agencies;
8. Promotion and development of Export Houses and Export Agencies;
9. Wholesale and retail marketing; Cooperative Marketing and Cooperative Consumer Stores; fair-price shops, etc.
10. Exhibitions, trade fairs, emporia, show rooms and trade centres in India and abroad;
11. Promotion of salesmanship and marketing techniques and training of personnel for international trade;
12. Facilitating the movement of goods, particularly goods for export by rail, road, air etc.

**Composition
of the Board**

44. The Board consists of 21 members drawn from trade and industry, economists and Government representatives including the Minister of International Trade who is the Chairman. It meets approximately once in six weeks and discusses details of various problems, concerning exports.

**Subjects
discussed at
Board
meetings**

45. Some of the important subjects discussed by the Board are:

- (a) Fair trading practices.
- (b) Credit facilities for exporters.

- (c) **Quality Control on exports.**
- (d) **Establishment of an Institute of Foreign Trade.**
- (e) **Setting up of Free Trade Zones.**
- (f) **Constitution of an Indian Council of Trade Fairs and Exhibitions.**
- (g) **Review of the working of Commercial Sections of the Indian Embassies abroad.**
- (h) **Shipping and Freight problems.**
- (i) **Establishment of an export sector.**
- (j) **Cost reduction studies.**
- (k) **Working of major and minor ports in the Southern region.**
- (l) **Publicity for exports.**
- (m) **Export promotion assistance by the Reserve Bank of India.**
- (n) **Opening of foreign offices by Indian exporters and release of foreign exchange for visits abroad.**
- (o) **Commercial arbitration;**
- (p) **Incidence of Sales Tax on export commodities.**
- (q) **Economic aspects of tourism;**
- (r) **Review of the export promotion schemes; and**
- (s) **Review of export credit facilities.**

The Board undertakes detailed studies of specific problems through expert sub-Committees.

(b) *Export Promotion Councils*

46. With a view to securing active association of producers and exporters in the export promotion effort, Export Promotion Councils have been set up for specific commodities. There are at present 16 Export Promotion Councils covering the following commodities:

- (1) **Cashew.**
- (2) **Chemicals and Allied products.**
- (3) **Cotton textiles.**
- (4) **Engineering goods.**
- (5) **Processed food.**
- (6) **Leather.**
- (7) **Marine products.**
- (8) **Mica.**
- (9) **Plastics and Linoleum.**

- (10) Shellac.
- (11) Silk and Rayon Textiles.
- (12) Spices.
- (13) Sports goods.
- (14) Basic chemicals, Pharmaceuticals and Soaps.
- (15) Tobacco.
- (16) Finished Leather and Leather Manufactures.

**Composition
of Export
Promotion
Councils**

47. The Export Promotion Councils are non-profit making bodies registered under Section 25 of the Companies Act, 1956. The Councils are composed of the members of the trade and industry pertaining to the commodity for which the Councils have been formed. Nominees of the State Governments and the concerned Ministries of the Central Government serve on the Committees of Administration of these Councils. The Councils are financed by Government grants-in-aid and subscription and contributions from the members of the Councils. The Government grants are provided from the Central revenues. The approval of the Central Government is necessary for the budget estimates of the Councils. The functions of the Councils are briefly as under:

**Functions of
Export Pro-
motion
Councils**

- (a) Undertaking market studies in foreign countries on regular as well as on *ad hoc* basis.
- (b) Sending trade missions to foreign countries.
- (c) Appointing agents or correspondents in foreign countries for the purpose of continuously and regularly reviewing prices.
- (d) Conducting propaganda and publicity work.
- (e) Collecting statistics and other particulars about exports.
- (f) Enquiring and investigating into complaints received from foreign importers or Indian exporters.
- (g) (i) Making such recommendations and suggestions as may be necessary to Government and public bodies, (ii) acting as arbitrators or nominating arbitrators or valuers for the settlement of disputes, (iii) communicating with Chamber of Commerce and others for promotion and advancement of the goods.

Some of the Councils administer Export Promotion Schemes and are also implementing pre-shipment inspection and quality control schemes.

48. It has been stated during evidence that the membership of the Export Promotion Councils has been gradually increasing. *The Committee suggest that vigorous efforts may be made to prevail upon the industrial units in the country to become members of these Councils. In their view, the most effective method of attracting new members is to make these Export Promotion Councils demonstrably successful in their fields.*

Expansion of Membership of Export Promotion Councils

49. The Committee have been informed that during the financial year 1963-64. there have been delays in communicating Government's approval of programmes of work and allocation of foreign exchange in respect of Textile Export Promotion Council and Mica Export Promotion Council because of the supply of insufficient data by them which necessitated back references. *The Committee cannot too strongly stress the importance of furnishing complete data about the programme of work by the Export Promotion Councils to ensure proper scrutiny and timely approval by Government.*

Delay in approval of Programme of work of Export Promotion Councils

They would also suggest that the Ministry of International Trade may draw up in consultation with the Ministry of Finance, standing instructions about the manner in which the Export Promotion Councils should submit their estimates for the next year so that the necessity of making back references is obviated and the sanction is communicated in time.

50. The Committee have been informed that so far no comprehensive review of the work of the Export Promotion Councils has been made as some of them have been set up recently. *The Committee suggest that Government may constitute a committee consisting of eminent persons from trade and industry to review the work at least of those councils which have been in existence for three years or more. Such a review may be undertaken periodically, say, once in three years.*

Evaluation of work of Export Promotion Councils

(c) Other Advisory Bodies

51. The following advisory councils and committees have

been set up to enable the Ministry to have close touch with the trading community:—

- (a) Export-Import Advisory Council;
- (b) Regional Port Export Promotion Advisory Committees at Bombay, Calcutta, Madras and Cochin;
- (c) Export Promotion Advisory Committees in respect of several individual commodities;
- (d) Cardamom Development and Marketing Advisory Committee.
- (e) Export Inspection Council under the Export (Quality Control and Inspection) Act, 1963.

**Export-
Import
Advisory
Council.**

52. In order to forge closer inter-relationship between imports and exports, Government have set up Export-Import Advisory Council in place of separate Import Advisory Council and the Export Promotion Advisory Council. The main functions of the Export-Import Advisory Council are as follows:—

- (1) to advise Government on policies and programmes of foreign trade;
- (2) to make suggestions on import/export policy and procedure, export promotion, import rationalisation and substitution; and
- (3) to discuss the difficulties of the trade, manufacturers and consumers as a result of the operation of the Import and Export Control.

The Council consists of 47 members including Chairman and 8 official members. The Minister of International Trade is the Chairman of the Council and its members include representatives of Established Importers, Actual Users, Export Promotion Councils, Commodities Board and the other organisations of importers and exporters.

53. The Committee note that there is some overlapping of functions of the Board of Trade and the Export-Import Advisory Council. The representative of the Ministry has, however, stated in his evidence that there would be no duplication involved. While the Export-Import Advisory Council would review matters in a particular context, the Board of Trade was established to be available for a much

more frequent and informal consultation. He has added that it is possible that the same subjects might come on the agenda of these bodies but the way of handling them would be quite different.

54. The Committee understand that the time-lag between the date of the meeting of the late Import Advisory Council/Export Promotion Advisory Council and the circulation of their proceedings was approximately two months. *The Committee consider this time-lag to be too long and would stress that the proceedings of the Export-Import Advisory Council may be finalised and circulated to the members within two to three weeks of the date of the meeting.*

Circulation
of proceed-
ings of
Export-
Import
Advisory
Council

In this connection, the Committee would like to commend the high standard followed in preparing the Agenda papers for the meetings of the Board of Trade and the prompt action taken to circulate the minutes. This could be emulated with advantage for preparing the papers for the Export-Import Advisory Council. They would also suggest that a statement showing action taken on the various suggestions made by the members at the last meeting may be circulated to them for information, as is being done already in the case of Board of Trade.

III. EXPORT OF SOME IMPORT COMMODITIES

A. General

Composition of Exports. 55. The following table gives figures of exports of certain major commodities in 1960-61, 1961-62 and 1962-63:—

	(Rs. crores)				
	1960-61	1961-62	1962-63	Increase (+) Decrease (-) in 1961-62 over 1960-61	Increase (+) Decrease (-) in 1962-63 over 1961-62
1. Tea	123.6	122.3	129.2	-1.3	+6.9
2. Coffee	7.2	9.0	7.6	+1.8	-1.4
3. Spices	16.6	17.5	13.9	+0.9	-3.6
4. Tobacco	15.7	15.0	18.9	-0.7	+3.9
5. Vegetable oils (non-essential)	8.5	5.8	13.2	-2.7	+7.4
6. Oil Cakes	14.3	17.3	31.8	+3.0	+14.5
7. Sugar (excluding molasses)	2.5	14.6	17.0	+12.1	+2.4
8. Cashew Kernels	18.9	18.2	19.4	-0.7	+1.2
9. Raw Cotton	8.7	14.2	12.2	+5.6	-2.1
10. Leather (tanned and dressed)	24.9	25.3	22.6	+0.4	-2.7
11. Jute manufactures	135.2	144.8	155.7	+9.6	+10.9
12. Cotton Textiles	57.5	48.3	46.5	-9.2	-1.8
13. Art Silk Fabrics	3.2	6.7	8.1	+3.5	+1.4
14. Woollen manufactures	5.6	4.7	5.2	-0.9	+0.5
15. Coir yarn and manufactures	8.7	11.4	12.2	+2.7	+0.8
16. Iron Ore†	17.0	17.4	19.8	+0.4	+2.4
17. Manganese Ore†	14.0	10.4	7.9	-3.6	-2.5
18. New manufactures	25.3	23.6	17.1	-1.7	-6.5
Total (including other exports†)	632.9	655.2	686.4	+22.3	+31.2
Re-exports	9.9	5.4	7.3	-4.5	+1.9
All exports†	642.8	660.6	693.7	+17.8	+33.1

*The figures in this table are exclusive of exports from Goa.

†The Ministry have furnished the following revised figures of exports inclusive of exports from Goa, Daman and Diu:

	(Rs. in crores)				
	1960-61	1961-62	1962-63	Increase (+) Decrease (-) in 1961-62 over 1960-61	Increase (+) Decrease (-) in 1962-63 over 1961-62
Iron ore	17.0	17.4	35.5	+0.4	+18.1
Manganese ore	14.0	10.4	8.1	-3.6	-2.3
Total (including other exports)	640.3	674.1	702.7	+23.8	+28.6
All exports	660.2	679.5	710.0	+19.3	+30.5

56. The Committee note that India's major export items still consist of some important tropical agricultural products and simple processed goods. Jute manufacturers, tea and cotton textiles continue to account for nearly half of the export earnings. These together with other traditional items like spices, tobacco, mineral ores and scraps, leather, hides and skins, vegetable oils and oil cakes, cashew kernels, coffee, coir and coir products and wool make up more than three-fourths of the export realisation.

It is also noted that exports of a number of commodities recorded increases in 1961-62 as compared to 1960-61. Notable among these were sugar, jute manufactures, raw cotton, coir yarn and manufactures, art silk fabrics and oil cakes. The increase in exports achieved during 1962-63 was primarily contributed by traditional items such as jute manufactures, tea, oil cakes and vegetable oils (non-essential).

Since the traditional items of export continue to be the primary earners of foreign exchange, the Committee cannot too strongly stress the need for keeping a close watch on their performance. In fact, every effort should be made to increase the export of these commodities particularly to new markets so that export earnings are augmented.

B. Oil and Oil Cakes

57. Oilseeds, vegetable oils and oilcakes are India's traditional items of export. They are well known in world markets and have, therefore, large export potential.

The Committee understand that export of oilseeds is not encouraged as emphasis is on export of manufactured goods namely vegetable oils and oilcakes. Export of castorseed, cottonseed and linseed is totally banned. Small quantities of special variety known as H.P.S. groundnut are allowed to be exported for table use in U.K., Canada and Europe. Small quantities of sesamum, mustard, kardi and niger seed are also allowed to be exported.

Efforts have, however, been concentrated on export of vegetable oils and oilcakes. Exports of vegetable oils have been handicapped on account of high internal prices.

In 1955, when Indian prices were competitive with international prices, India was able to earn about Rs. 50 crores of foreign exchange from oils, oilseeds and oilcakes. Exports, however, fell to Rs. 14-15 crores in 1957 and 1958 on account of shortages developing in the country.

The Committee are informed that efforts were made from 1959 to develop export of vanaspati by enabling the manufacturer exporters to make up the losses on export at international prices by granting them import licences for copra/palm oil. Import entitlement has also been allowed against exports of raw groundnut oil and refined vegetable oils and extended to castor oil and linseed oil—both raw and refined. Import licences for copra have also been granted against export of decorticated cottonseed cake, copra cake and deoiled linseed cake. The Ministry have stated that these steps have brought about satisfactory results and exports have risen to about Rs. 53.58 crores in 1962-63. They have touched a figure of Rs. 59.2 crores in 1963.

The following table shows the annual average exports of these commodities for the Second Plan and their exports during 1961-62, 1962-63 and 1963-64 (April-December) and the corresponding period of last year:—

Item	Second Plan (Average)	1961—62	1962—63	(Rs. crores)	
				1963—64 (April-Dec.) 9 months	1962—63 (April-Dec.) 9 months
1. Oil Cakes	10.07	17.32	31.79	23.41	20.70
2. Oil vegetable (essential & non-essential)	13.97	10.34	17.44	14.24	11.09
3. Seeds	2.15	4.62	4.35	1.99	2.56
Total	26.19	32.28	53.58	39.64	34.35

The Committee are glad to note that export of oil cakes, vegetable oils etc. which had declined in the past few years have recovered and touched the figure of Rs. 59.2 crores in 1963. They trust that no effort would be spared to increase the export of oilcakes and vegetable oils.

C. Jute

58. During the First Plan period, the average yield of raw jute per acre was 2.25 bales. It is now 2.78 bales per acre. In Pakistan the yield is about 3.5 to 3.89 bales per acre. The increase in yield of jute per acre achieved in India is very small. Yield of Jute to be stepped up.

The Committee suggest that concerted efforts may be made by the Government and industry to increase the yield of jute.

In this context, the Committee would stress the need for supply of good quality seeds at reasonable prices and adequate supply of fertilizers.

59. The Committee understand that studies about the cost of production of jute have been under way for several years but without any definite conclusion being reached. Reduction in Production Cost of Jute.
The Committee would stress the need for finalising these studies at an early date and devising suitable measures to reduce the cost of production so as to make Indian raw jute competitive in price with that of Pakistan.

60. A sum of Rs. 3 crores has been sanctioned by the Central Government to the State Governments for improvement of retting facilities in the jute growing areas. Improvement of Retting Facilities.

The Committee would stress that the Indian Central Jute Committee should draw up model schemes for providing retting facilities which are best suited to the requirements of different jute growing areas. There is also need for close follow-up action to ensure that the funds earmarked for this purpose are put to effective use, as reports to the contrary have been received.

61. The operational minimum price for raw jute fixed at Rs. 30 per maund for Assam bottoms at Calcutta for 1961-62 season was continued in respect of the 1962-63 and 1963-64 seasons also. Derivative prices for raw Jute.
The Committee consider that the full benefit of fixing the "floor" price of jute would reach the cultivators only if effective measures are taken to ensure that the derivative prices fixed for all secondary markets corresponding to the "floor" price at Calcutta are fully maintained in all secondary markets.

Revolving
Licence.

62. India is importing at present a limited quantity of high grade long jute from Pakistan for use in the manufacture of carpet backing, bright hessian and other specialities. *The Committee suggest that Government may consider the question of introducing a system of revolving licences for importing jute so that the purchases can be made at the most opportune time from Pakistan.*

Setting up
of Jute
Develop-
ment Board.

63. The Jute Committee which was set up under the chairmanship of Shri N. C. Srivastava, Adviser, Planning Commission, in its report submitted to Government in January, 1963, recommended the establishment of a high-powered Jute Development Board under the control of the Ministry of Food and Agriculture for facilitating the effective implementation of the development programme and to achieve a break-through in the important matter of increasing the jute yield. It has been stated in evidence by the representative of the Ministry that final decision has not yet been taken in the matter. *The Committee suggest that in the interest of implementing an integrated programme for development of jute, Government should take an early decision on the aforementioned recommendation of the Jute Committee.*

Modernisa-
tion of Jute
Industry.

64. The Committee have been informed that as on the 30th September, 1963, the modernisation of the Indian jute industry upto the spinning stage was almost complete. On that date the number of fine spindles installed in the industry was 3,00,000 and coarse spindles 54,640. This would mean that 85.95% of fine spindles and 100% of the coarse spindles have been modernised on three shift basis. Over and above this, about 25,000 broad looms are being fed by modern fine spindles. The total investment on modern machinery in the jute industry since inception of the modernisation programme in 1952 is of the order of Rs. 45 crores.

In view of the Plan targets for production of jute goods during the Third and Fourth Plan period and prospects for higher demand, Government have liberalised their policy for installation of additional spindles i.e. from 2 shift basis to 3 shift basis. This additional jute yarn would help in the utilisation of the existing built-in potential in the weaving capacity by multiple shift working for stepping up production to meet any anticipated increase in the demand

for jute goods whether for exports and internal consumption or for exigencies of diversified products. In order to facilitate import of jute mill machinery not available from indigenous sources, a new self-financing scheme has been introduced which enables mills to import machinery on deferred payment out of the export earnings. Under this scheme over Rs. 4.8 crores worth of machinery has already been licensed. The further requirements under this Scheme on this account are estimated at Rs. 3 crores.

The Committee understand that there are about 15 per cent of jute mills which are still not modernised. They would suggest that steps may be taken in conjunction with the jute industry to improve the working of these units.

65. The Committee have been informed by the Ministry that the single most important development in recent years in the jute industry has been the increase in the production of carpet backing cloth used in the manufacture of tufted carpets. The following table gives the quantity and value of production and exports of carpet backing cloth since the year 1961:—

Diversification of production of Jute Goods.

Year	Production		Exports (estimated)	
	Quantity (in '000' tonnes)	Value (in lakhs of rupees— estimated)	Quantity (in '000' tonnes)	Value†(in lakhs of rupees— estimated)
1961	40·7	1221	40·7	1221
1962	59·8	1794	59·8	1794
1963	103·4	3102	103·4	3102

66. Since 1955 the mills in India have installed about 2,600 carpet backing looms and it is estimated that another 500 of these looms will have been installed by the end of the Third Plan and a further 1,000 looms by the end of the Fourth Plan. Production is currently running at the rate of about 110,000 tonnes per annum, representing about 8.5 per cent of the industry's total. The entire production is exported and the principal export market at present is the U. S. A.

In addition to established industries in Europe, Pakistan is also coming up fast in this field and would be a serious competitor because of the better quality of its jute and

cheaper price; also vigorous research is in hand in U. S. A. to find out suitable substitutes for carpet backing cloth. The Committee have also been informed that to encourage the production of speciality goods particularly carpet backing cloth, import of high grade jute not produced in India in adequate quantities and specialised machinery (dressing machine, pre-beamers, etc.) are being allowed liberally. The Committee also understand from the Ministry that the production of a number of other new items is also being developed and of these laminates and union fabrics need special mention.

The production of tufted carpet has not yet been developed in the country, although some mills are reported to be examining possibilities of its manufacture in India.

67. *The Committee note that the Jute Agricultural Research Institute of Indian Central Jute Committee and the Indian Jute Mills Association Research Institute have been taking some interest in suggesting ways and means for diversification of jute manufactures. The Committee would stress the need for making concentrated and urgent efforts to expand the export of carpet backing, to evolve new uses for jute and to diversify its production so that Indian jute is able to meet effectively the challenge presented by substitutes. They would also suggest that the possibilities of manufacturing tufted carpets in the country which have considerable export potential, may be urgently investigated.*

Research to improve quality of jute Bags.

68. It has been represented to the Committee that the practice of using a proportion of second-hand jute bags for the packing of cement in the country should be discontinued. The use of such bags adversely affects the standard of packing and results in the loss of cement by seepage. *The Committee would suggest that the matter may be examined early by Government.*

They would also suggest that research efforts to improve the quality and durability of jute bags may also be intensified.

Jute Purchases by D.G.S.&D.

69. The Indian Jute Mills Association in their memorandum to the Committee have *inter alia* stated as follows:—

“A strong domestic market can be a most useful stabilising factor and the Government of India is in a position to influence market conditions

through its buying policy. Such influence can be exercised beneficially as for example when stocks with the mills are accumulating owing to a recession in overseas demand. Government should therefore gear its buying policy to the general market conditions prevailing in the industry with a view to promoting stability."

The Committee suggest that the question of purchase of jute by the Director General of Supplies and Disposals at a time when there is a tendency for the prices to sag, may be examined by Government.

70. The representative of the Ministry has admitted during evidence that efforts previously made in relation to market surveys for promotion of export of Indian jute goods in foreign markets had been somewhat inadequate and were not made on a proper scientific basis. The Committee have been assured that steps are now being taken to improve the situation.

Market
Surveys for
Jute Exports.

The Committee cannot over-emphasise the importance of carrying out market surveys on scientific lines.

71. The Committee understand that there is lot of ground being lost on the side of conventional jute goods such as sackings and bagging cloth because of keen competition from Pakistan. India is now producing more and more speciality type of goods which are consumed in U. K., U. S. A., Argentina and Australia. Government, however, expect that on the whole, there would not be much loss.

Pakistan
competition
to Indian
Jute Goods
Exports.

The Committee cannot too strongly emphasise the need for taking urgent and effective measures in conjunction with industry to meet the growing challenge by Pakistan Jute Mills in the export markets of the world.

D. Mica

72. India is responsible for 80 per cent of world's production of mica. 95 per cent of Indian mica is exported. Exports of mica during the last two years were as follows:—

Decline in
Mica Export
Prices.

	Quantity (in lakhs of Kgs.)	Value (in lakhs of Rs.)
1961-62	285	1066
1962-63	342	1054

The Committee are informed that mica prices indicated different trends in different markets but since many different types of mica are exported from India, these variations in price would not indicate any general rise or decline in the price of particular type of mica. In U. K., for instance, average prices obtained for mica recorded a sharp decline. Thus in 1961-62, 45.6 lakh Kg. of mica fetched Rs. 1.64 crores while in 1962-63, 82 lakh kg. of mica fetched only Rs. 1.56 crores. However, in East Germany where exports increased from 2.6 lakh kg. in 1961-62 to 7 lakh kg. in 1962-63 the export earnings were Rs. 41 lakhs (1962-63) against Rs. 39.5 lakhs in 1961-62.

The average price of mica obtained in 1962-63 was Rs. 3.08 per kg. as against Rs. 3.79 per kg. in 1961-62. The Committee understand that India has not been able to get a fair price for mica owing to consignment basis of sale and "cut throat" competition amongst the Indian exporters.

The Committee note that Government have imposed a ban on the export of mica on consignment basis w.e.f. 1st February, 1964. Shipments of mica of any variety other than the fabricated mica will be permissible only if an irrevocable letter of credit, without recourse to the extent of at least 90 per cent of the invoiced value of the goods has been opened in favour of the exporters. Government have also fixed minimum export prices of certain varieties of mica. *The Committee feel that the above steps should have been taken much earlier to stop the undesirable practice of sale of mica on consignment basis which was against the larger national interests.*

The Committee also suggest that the reasons for the decline in prices obtained for mica in 1962-63 specially in U.K. and East Germany may be carefully analysed and steps taken to see that mica exports fetch adequate prices in the export markets of the world.

Standardisation of Mica.

73. The Committee understand that one of the vexed problems which Indian mica trade had to tackle from the very inception was the multiplicity of "pseudo" standards which confounded business between the exporter and the foreign buyer. Each buyer tries to impose his own standard on the seller irrespective of any consideration of the actual requirement and since mica is one of those commodities which have got very little internal market, the buyer often enough succeeds in getting away with his

individual notion of standardisation and standard. The Committee understand that the Mica Export Promotion Council have succeeded in getting mica samples authenticated by American Society of Testing Materials through Indian Standards Institute. The Indian Standards Institute have prepared the following master samples for nine grades:

-
1. Clear.
 2. Clear & S. S.
 3. Fair Stained.
 4. Good stained.
 5. Stained A.
 6. Stained B.
 7. Heavy stained.
 8. Densely stained, and
 9. Dotted.
-

It is understood that the other samples are under preparation but due to the complexity of the work it would take some time for the Indian Standards Institute to finalise the standards in consultation with the foreign buyers of mica.

The Committee would stress the necessity of evolving objective standards for mica in consultation with the industry at an early date. The standards to be evolved should be such as would command acceptance in the world markets. The Committee would like Government to consider the question of having quality control and pre-shipment inspection for mica as soon as suitable standards have been evolved.

74. It is unfortunate that though India is the foremost country in the world so far as production and export of mica is concerned, adequate attention had not been paid in the past to the development of technology for processing of raw mica. Mica Research.

The Committee understand that the Central Glass & Ceramics Research Institute has been conducting research on mica, particularly on utilisation of waste mica. As a result, the following two processes have been developed

- (a) **Manufacturing of heat insulating materials like bricks for use in furnaces etc. For this purpose vermiculate, imported from South Africa was formerly used. Two factories have already been set up.**
- (b) **Converting waste mica into fine powder by wet grinding process. This powder is suitable for use in paint and rubber industries. Two factories are being set up.**

The Institute is also conducting research on evolving new processes to produce mica paper and mica mat after utilising mica waste. Under a 'Product Research' project sponsored by the Ministry, a separate Mica Research Unit has been set up in the Central Glass and Ceramics Research Institute, Calcutta.

The Committee would urge that priority may be given for development of technology and processing of mica. It is also essential that mica industry should be modernised in order to reduce the cost of production and to diversify the fabrication of mica so that more foreign exchange can be earned through export of processed mica.

E. Engineering Goods

75. A statement showing the exports of engineering goods by principal commodities for each of the last three years is reproduced in Appendix I.

It would be seen from the statement that there has been a noticeable rise in exports of iron and steel utensils, room air-conditioners, electric fans, dry batteries, components and process materials, railway track fittings etc. during 1962-63. There has been a noticeable fall* in exports of hard wares of metals, crown corks, cycles, components and accessories, iron and steel castings, textile machinery etc. during 1962-63.

76. The Committee understand that the main reasons for the decline in the export of afore-mentioned items are as follows:—

- (a) **Incompetitive prices, especially in crown corks, bolts, nuts and rivets, bicycles, mild steel pipes, tubes and fittings.**
- (b) **Import restrictions in some of the countries like Ceylon.**

During April—October, 1963, there was however increase in the exports of iron and steel utensils; hard-ware of metals; cycles, components and accessories, etc, as compared to the corresponding period of 1962.

- (c) Lack of export surplus in items like electrodes, auto parts and accessories.

77. The Engineering Export Promotion Council in their memorandum to the Committee have urged *inter alia* that the following steps may be taken for increasing the exports:—

- (i) As far as possible, definite figures, either in quantity or value, should be fixed for export of engineering goods to countries with whom India has bilateral trade agreements;
- (ii) supply of indigenous steel should be ensured.
- (iii) Uncertainty about supply of rolled sections required for fabricating rail track materials should be removed.
- (iv) Packing methods and materials used for packing should be improved.

The Committee also notice that some important recommendations have been made by the delegations which toured Latin America and the United States, and West Europe and U.K. in 1962 and 1963 respectively. It has been urged that Government should enter into bilateral trade agreements with countries in Latin America and persuade the International Bank of Reconstruction and Development to make purchases of semi-finished items and producer goods from India for supply to Latin American countries.

78. The Committee are informed that among the items which have great promise for exports are railway track materials, cast iron products covering both the consumer type articles like soil pipes and manhole covers and semi-finished components for other industries, diesel engines, electric fans, sewing machines, folding furniture, batteries, tea machinery, oil mill machinery, sugar machinery, transmission line towers, pipes and tubes, metal containers and structurals.

The Committee would suggest that specific plans may be drawn up for the export of important engineering goods and actual performance should be reviewed, say once a quarter by the Board of Trade and the Council to see whether any remedial measures are necessary not only to sustain the exports but to steadily increase them to earn foreign exchange.

Scope for
export of
engineering
goods to
Europe and
U. S. A.

79. The Committee understand that as the engineering industry in Europe and United States becomes more capital intensive and goes more towards automation, there are some simple engineering components and products which can more easily be produced and supplied to them by a country like India. The Committee would suggest that the possibilities of supply of such components and products to meet the requirements of engineering industries in Europe and U.S.A. may be investigated and widely publicised by the Engineering Export Promotion Council so that full advantage is taken of these openings to earn foreign exchange.

Unutilised
Capacity
in industries.

80. The Committee understand that there are several industries with export potential which are under utilised with reference to their capacity. A list of such industries in the Chemical Sector as furnished by the Directorate General of Technical Development is given below:—

UNDER-UTILIZATION OF CAPACITY

Sl. No.	Name of Industry	Extent of under-utilisation
		(Percentage)
1	Bichromates	12
2	Fatty Acids	25
3	Paints	17
4	Synthetic Resins	32
5	Printing Inks	23
6	Soap	31
7	Tooth Paste	16
8	Tooth Powder	69
9	Laboratory Glassware	17
10	Leather Cloth	17
11	Linoleum	20
12	Insecticides:	
	(a) Malathion	68
	(b) Copper Oxychloride	57
	(c) Organo Mercurials	60
	(d) Zinc Phosphide	60
	(e) Pesticidal Formulations	50

It is noted that the extent of under-utilisation in the chemical industries ranges from 12½% to 71%.

The Committee have been informed by the Ministry that similar information in respect of the "Engineering" Sector is being compiled and will be furnished to the Committee as soon as possible. The information is, however, still awaited.

81. The Committee has however been informed by the representative of the Directorate General, Technical Development during his evidence that in respect of engineering industries there are a few cases of under-utilisation of capacity. It has been stated that these are largely confined to units which produce consumer goods such as razor blades, utensils, electric fans etc. The reason for the under-utilisation of capacity of these units is the lower priority which has been accorded to them for allotment of raw materials. It has been explained that in these fields there are export incentive schemes whereby on the basis of the actual exports made by them, they would import their raw material requirements. *The Committee suggest that the problem of under-utilisation of capacity, especially of industries with export potential should be carefully investigated and suitable remedial measures taken.*

F Handicrafts

82. Exports of handicrafts have increased from Rs. 19.34 crores in 1961-62 to Rs. 21.53 crores in 1962-63. The Committee have been informed that in 1965-66, the last year of the Third Plan, exports of handicrafts would reach a figure of Rs. 35 crores. The following statement gives details of exports of major groups of handicrafts during 1962-63 and targets for the current and the next two years:

		(Rs. in crore)			
S. No.	Description of items	1962-63 (actuals)	1963-64	1964-65	1965-66
1	Carpet	4.45	5.00	6.00	6.50
2	Brass and Copper	1.63	2.50	3.00	3.50
3	Ivory	0.48	1.00	1.50	2.00
4	Zari	0.45	1.50	2.00	2.50
5	Gold Jewellery and jewellery of other precious metals—set and unset	0.92	1.50	2.00	2.50
6	Precious and Semi-precious stones	9.93	11.00	12.00	13.50
7	Textile Hand-printing	0.94	1.50	1.75	2.00
8	Wood	0.37	0.50	0.75	1.00
9	Others	2.36	1.00	1.25	1.50
TOTAL		21.53	25.50	30.25	35.00

The Committee understand that a number of measures have been taken to step up export of handicrafts.

The Committee are glad to note that it is proposed to conduct market surveys for carpets, brass artware, jewellery, woodwork and toys and dolls in U.S.A., Canada and Western Europe. The Committee are also glad that it is proposed to intensify the publicity programme. The Committee feel that as Indian handicrafts come to be better publicised, there is bound to be growing demand for them. They would stress the need for continuous research in the chief consuming markets so that the design of goods, such as carpets, handprinted textiles, jewellery, silk fabrics etc. can be modified to suit taste and requirements of those countries.

The Committee trust that all efforts would be made to achieve the export target of Rs. 35 crores for handicrafts in 1965-66.

G. Leather, Hides and Skins—Tanned or Dressed

83. Exports of hides and skins, tanned or dressed have shown a decline during the last four years. During 1962-63 exports amounted to Rs. 22.58 crores as compared to Rs. 25.33 crores in 1961-62. There was a slight increase in exports to U.S.A. from Rs. 1.72 crores to Rs. 1.74 crores. But exports to West Germany, U.K. and France recorded sharp decline. Exports to West Germany in particular were reduced by 50 per cent.

The Committee understand that the decline in exports of tanned hides and skins is due mainly to the following factors:—

- (a) Shortage of raw materials in the country. There has been a very rapid increase in the internal demands for hides and skins and manufacture thereof.
- (b) The enactment of the cow slaughter legislation by various State Governments has affected the supply position of hides.

- (c) In view of the internal shortage in the supply of raw hides and skins, these have to be supplemented by imports. But in spite of the liberal policy for the import of raw hides and skins, these are not available to the extent desired due to the developments taking place in exporting countries themselves.
- (d) At present India's main exports are of vegetable tanned hides and skins whereas the trend today in the importing countries viz. East European countries, U.K. and Continental countries, is towards the use of chrome tanned hides and skins in preference to vegetable tanned hides and skins.

84. The Committee note that the following measures have been taken by Government to promote the exports of tanned hides and skins:—

- (a) A special Export Promotion Scheme for Tanned Hides and Skins is in operation. Under this scheme the import entitlement against exports of tanned hides and skins is 75 per cent. Besides large number of items of raw materials and chemicals, import of machinery and spare parts of machinery, tools etc., is allowed to the extent of 10 per cent within the overall import entitlement of 75 per cent.
- (b) A Leather Trade Delegation is being sent shortly by the Leather Export Promotion Council, Madras to U.S.A., U.K. and Continental countries to study at the first hand the present situation affecting Indian exports of tanned hides and skins in the said countries.
- (c) The chrome tanning industry in the country is being encouraged so that it can gradually switch over from vegetable tanning to chrome tanning.

The Committee understand that chrome tanned leathers will earn more per unit of foreign exchange than vegetable tanned hides and skins. Besides, the manufacture of chrome tanned hides and skins would encourage further processing and finishing of leather and manufacture of finished goods. *The Committee would stress that Government*

should make sustained efforts to encourage development of tanning industry in the country. Encouragement should also be given to the export of leather goods in finished form rather than as raw hides and skins so as to earn maximum of foreign exchange.

H. Chemical and Allied Products

85. Exports of chemical and allied products from India have improved during the last few years. The following table shows the value of exports of the major groups of chemicals and allied products during the last three years:

(Rupees in lakhs)

	1960-61	1961-62	1962-63
1 Inorganic and organic chemicals .	83·14	129·19	133·66
2 Drugs and Pharmaceuticals .	98·26	98·20	106·70
3 Glass and Glassware .	25·6	24·6	24·0
4 Soaps and Toiletries .	17·30	15·43	18·65
5 Rubber Manufactures .	77·89	94·20	122·77
6 Paper and Paper Products .	63·13	75·07	78·40
7 Plastics and Linoleums .	76·03	82·88	84·90

It will be seen that while the exports of inorganic and organic chemicals, rubber manufactures, paper and paper products and plastics and linoleum have been steadily looking up, the exports of drugs and pharmaceuticals and soaps and toiletries recorded a slight fall in 1961-62 as compared to 1960-61 and then rose in 1962-63. The export of glass and glassware showed a slight decline in 1961-62 and 1962-63 as compared to 1960-61.

The main overseas markets of Indian chemicals and applied products are Burma, Ceylon, Pakistan, Kenya, Congo, Iran, Saudi Arabia, Bahrein Islands, Cambodia, Singapore, Indonesia, U.A.R., Nepal, Kuwait, Sudan, Turkey, Afghanistan, Mauritius and Ghana. Some of the products also find their way to the U.K., U.S.A., Canada and some European countries.

The Committee note that although in terms of value the increase in exports of chemicals and allied products has been moderate, the successful introduction of a wide range of products in highly competitive markets of the

world is indicative of a healthy trend in the development of the industry.

The Committee suggest that concentrated efforts may be made by the chemical industry to step up exports of chemical and allied products to countries in Asia and Africa which offer promising markets.

The Committee consider that as drugs and pharmaceutical industries have made rapid progress in the country, it should be possible for the well established units, particularly in the Public Sector to increase their exports.

86. It has been suggested to the Committee by the chemical industry that full value of import entitlement may be allowed for the importation of machinery and spares for the purpose of replacement or modernisation of machinery as against the import entitlement of 10 per cent allowed for this purpose.

Import
Entitlement
for modernisation of
Chemical
Industry.

The Committee suggest that Government may consider the advisability of allowing a higher percentage of import entitlement to the chemical industry for importing machinery and spares for the purpose of replacement and modernisation.

I. Medicinal Herbs

87. Exports of medicinal herbs and crude drugs exported since 1960-61 are as follows:

Name of the medicinal herbs and crude	Qty. in tonnes. Val. in '000' Rs.							
	1960-61		1961-62		1962-63		1963-64 (Apr Oct.)	
	Qty	Value	Qty.	Value	Qty.	Value	Qty.	Value
Senna leaves	812	561	2048	1757	2385	2785	2121	3796
Sarsaparilla	8	10	9	13	10	12	1	1
Zedovary roots	10	10	34	29	64	54	23	17
Kuth roots	105	590	88	321	10	38	1	3
Nux Vomica Seeds	570	409	476	270	166	82	64	36
Rauwolfia Serpentina	128	726	62	441	102	871	107	1588
TOTAL	1633	2306	2717	2831	2737	3842	2317	5441

The Committee have been informed that with the embargo on trade with China, exports of Kuth roots have declined. The need for exploring new markets in South Asia for the export of Kuth roots is indicated.

88. The Committee understand that in order to organise exports of crude drugs and medicines an *ad hoc* committee has been constituted in the Indian Council of Agricultural Research with the representatives of the various interests concerned. *The Committee hope that suitable measures will be taken in the light of the findings of the ad hoc committee to stimulate exports of the medicinal herbs and crude drugs. It would obviously be to the advantage of the country if medicinal herbs and drugs are exported after processing instead of in raw form so as to command higher per unit value.*

J. Forest Products

89. The following statement shows the details of exports of major forest products during the last two years and the current year (April-October):—

	Quantity in Kgs. (Value in Rs.)					
	1961-62		1962-63		1963-64 (Apr.-Oct.)	
	Quantity	Value	Quantity	Value	Quantity	Value
Myrabolans	2,21,06,925	51,75,796	184,77,216	49,14,055	79,67,410	18,01,464
Walnut	5449029	15034149	5143814	12832172	2600287	5729122
Kapok	82519	161444	44935	101140	5582	17886
Mushrooms	13170	236773	15314	682854	16095	864481
Bamboo and Bamboo Cases	15877779	1650597	5957728	739158	5363768	571562

It is noted that the export earnings of all the above products have gone down in 1962-63 as compared to 1961-62.

The Committee understand that the main reasons for the fall in export earnings of these products are as follows:—

(1) *Myrabolans*

Competition from cheaper substitutes.

(2) *Walnut*

(i) Indian nuts do not compare favourably in flavour and keeping qualities with the competing products.

(ii) Incentives given for export of walnuts by Pakistan.

(iii) High price of Indian nuts.

(3) Kapok

(i) Competition from Pakistan who allows very high incentive for export of her product.

(ii) High cost of production due to improper method of collection and marketing of Kapok.

(iii) Destruction of trees in order to meet the growing demand of match industry.

(iv) Use of substitutes.

(4) Mushrooms

Absence of quality control.

(5) Bamboo and Bamboo Canes

Inferior quality and high price of Indian products.

91. The Committee understand that compulsory quality control has already been introduced on the export of myrabolans and walnuts. They understand that there is potential market for the export of mushrooms to Europe, particularly, France, West Germany and Switzerland.

As in the case of crude drugs and medicines, the Committee would suggest that an ad hoc Committee may be constituted by Government with representatives of various interests concerned to go into the subject of export of forest products with special reference to myrabolans, walnuts and mushrooms so that concerted measures may be taken to increase their export.

K. Seedlac

92. India, once almost the sole source of world supply of seedlac, has been steadily losing its monopolistic position mainly because of the inroads being made in the export trade by Thailand. It is understood that Indian seedlac is superior in quality than the seedlac produced in Thailand, though it is somewhat higher in price.

Between 1958 and 1961, the share of Indian exports in the world market declined from 83 to 73 per cent while that of Thailand which is the other main producer went up from 17 to 27 per cent. This has resulted in reducing export earnings from lac exports to Rs. 4.8 crores in 1962-63 compared with Rs. 6.3 crores in 1960-61.

The Committee are glad to note that Thailand has been persuaded to have a coordinated policy in regard to export of seedlac, and has agreed to the gradual increase of the prices of Thai seedlac in order to narrow the differences of export prices of Indian seedlac and Thai seedlac. The Committee also note that the Shellac Export Promotion Council intends to work jointly with the Indian Lac Exporters Association for effecting quality control in future. They would suggest that stringent quality control should be maintained over shipped goods in order to avoid unfair competition through sub-standard shipment. Quality control would also ensure that the reputation built by India for superior quality of Indian seedlac as compared to Thailand would be maintained. They would also suggest that Government should vigorously explore possibilities of diversifying the export trade by instituting research and other suitable measures.

L. Tobacco

93. Statistics of tobacco during the last three years and the current year (April—November, 1963) along with those for the corresponding period of last year are given below:—

(Rs. in crores)				
1960-61 ¹	1961-62	1962-63	April—Nov. 1963	April—Nov. 1962
15.7	15.0	18.9	19.2	14.1

The exports of tobacco have improved during 1962-63 and 1963-64 as compared to the preceding two years. It is heartening to note that the earnings of tobacco during the first 8 months of the current financial year 1963-64 have exceeded those during the last financial year.

The Committee would like to bring to the notice of Government some of the important suggestions made by the Tobacco Delegation 1962 such as obtaining of foreign tech-

nical assistance for diversified development of tobacco, need for developing production of thin cigar filler tobacco with low nicotine content specially for export, assisting the exporters in increasing re-drying capacity and the need for intensifying foreign publicity programme.

The Committee hope that Government would take early action on these recommendations and draw up an integrated programme for the development and export of tobacco.

M. Synthetic Stones

94. Exports of synthetic stones (other than by parcel post) since 1960-61 have been as follows:—

(Value in lakhs of Rs.)

1960-61	6.27
1961-62	12.27
1962-63	4.66
1963-64 (Apr.—Oct.)	2.40

It is noted that the exports of synthetic stones have sharply declined from Rs. 12.27 lakhs in 1961-62 to Rs. 4.66 lakhs in 1962-63. The representative of the Ministry has informed the Committee during evidence that the primary cause for the decline in export of synthetic stones has been the poor off-take by Burma due to her foreign exchange difficulties.

He has further informed the Committee that rough synthetic stones (other than white and red) are now importable under the import entitlement against exports of cut and polished synthetic stones or imitation jewellery. This measure is expected to increase exports of synthetic stones.

The Committee suggest that the reasons for the sharp decline in the export of synthetic stones may be carefully analysed and concerted steps taken to remedy the position and improve their export earnings.

95. It has been represented to the Committee that there is an urgent need for opening of a foreign post office at Jaipur for handling incoming and outgoing postal traffic in jewellery and precious stones and the appointment of a Customs Postal Appraiser at Jaipur to facilitate the export of these articles. It is understood that these matters are

under consideration of Government. The Committee suggest that the Ministry of International Trade may pursue these questions with the concerned Ministry/Department vigorously so that the difficulties experienced by the trade in the absence of these arrangements are removed and the export of precious stones and jewellery is facilitated.

Appraisal of
re-imported
jewellery.

96. It has been represented to the Committee that difficulties are being experienced by the jewellers in the clearance of re-imported goods due to cumbersome procedure. At first the Principal Postal Appraiser has to inspect and certify the goods for clearance and then the papers are sent to the Assistant Controller of Customs for signatures. The latter's office being situated at some distance from the Office of the Appraiser, unnecessary delay is caused. It has been suggested that the certificate of Principal Postal Appraiser should be considered sufficient to clear the goods.

The Committee have been informed by the representative of the Ministry of International Trade that the matter has been taken up with the Ministry of Finance and the Central Board of Revenue and they are now considering the proposal of authorising the Principal Postal Appraiser to conduct the appraisal of re-imported jewellery consignments without reference to Assistant Controller of Customs. The Committee suggest that the decision in the matter may be expedited.

IV. EXPORTS TO CERTAIN COUNTRIES

A. Trade Agreements

97. The Government of India have entered into trade agreements with a number of countries for promotion of commercial ties and expansion of trade. There are at present 30 bilateral agreements or arrangements between India and the following countries:

Afghanistan, Bulgaria, Ceylon, Chile, Czechoslovakia, German Democratic Republic, France, West Germany, Greece, Hungary, Iran†, Iraq, Italy, Japan, Jordan, North Korea, Morocco, Nepal, Pakistan, Poland, Rumania, Sweden, Switzerland, Tunisia, U.A.R., U.S.S.R., North Vietnam, Yugoslavia, Burma and Indonesia.

These trade agreements do not necessarily require the contracting parties to export or import specific quantities of the commodities covered by them. They generally help to publicise availability of various commodities that each country can offer to the other. In some cases for example in the Trade Agreement with West Germany, India has been given export quotas.

The trade agreements also provide for arrangement for effecting payment for imports and exports.

98. Of the 30 trade agreements, 14 provide for payment in rupee currency. Bulgaria, Czechoslovakia, Jordan, U.A.R., German Democratic Republic, Hungary, North Korea, Poland, Rumania, Tunisia, U.S.S.R., North Vietnam, Yugoslavia and Pakistan‡ are countries in this group.

*In terms of the trade agreement, arrangements were signed with Ceylon. The last Arrangement expired on 31-12-63. Government have negotiated a new Arrangement which has not yet been signed.

†The last Agreement expired on 15-8-63. Government have had negotiations since and the new Agreement has been signed.

‡Pakistan was partly a rupee agreement area till 31-8-63. Thereafter it is not, except to the extent of the fulfilled obligation under the old Agreement.

It is noted that rupee payment agreements are primarily with East European countries. The representative of Ministry has stated in his evidence before the Committee that it is a pre-condition of the bilateral trade that imports and exports should be on a balanced basis.

99. The Committee note from the statistics of India's trade with East European countries that on the whole her trade with these countries has developed rapidly (*vide* Appendix II). While the exports to East European countries have risen from Rs. 21.56 crores in 1956-57 to Rs. 93.24 crores in 1962-63, imports from these countries have increased from Rs. 32.38 crores to Rs. 106.19 crores during the same period. *While the improvement in the volume of India's exports to East European countries is no doubt significant, the Committee are somewhat concerned to note that India has been facing an unfavourable trade balance vis-a-vis these countries for the last two years especially as the bilateral agreements were supposed to ensure automatic balancing of India's exports to and imports from each of the countries concerned. India's adverse trade balance with the East European countries during 1961-62 and 1962-63 amounted to Rs. 23.81 crores and Rs. 12.95 crores respectively.*

100. It has been stated before the Committee by non-official witnesses that there have been some adverse effects of the bilateral trade agreements which provide for rupee payment arrangements. Rupee payment agreements, it has been pointed out, are nothing but barter. It has been stated that India loses on barter deals because the prices of Indian goods are often reduced or the prices of goods imported are often raised above the normal levels as the foreign party is keen to make profit. It has been argued that as these agreements do not enable India to earn free foreign exchange, they would not help her in the long run,

It has also been stated that some of the traditional commodities are imported from India by East European countries to be re-exported to her traditional markets and sold there at a discount to her disadvantage.

101. On the question of prices paid for imports, it has been stated by the representative of the Ministry in his evidence that supplies which are used by Actual Users "on stock and sale basis" are imported by the State Trading Corporation who have sufficient data and experience to see that the prices paid are competitive. Machinery is mostly

imported on project basis by the public enterprises and it is left to them to make sure that the project equipment is obtained on a competitive basis.

The representative of the Ministry has informed the Committee that it is not true that Indian goods have not been getting a fair price in the bilateral trade agreements. He has stated: "No such case has come to our notice where the realisations from sales to East European countries are less than those elsewhere." He has pointed out that there is no question of Indian exports getting lower prices because there is "no compulsion on us to meet the demands of a particular quantity irrespective of the price".

On the question of re-export of Indian goods imported by the East European countries, the representative of the Ministry has stated that some marginal cases had come to the notice of Government of India and they have taken up the matter with the Governments concerned. There is a clause in the Trade Agreements that goods exported from India shall not be re-exported by the importing countries. *The Committee suggest that suitable measures may be devised to discourage this kind of re-export, if there is any.*

102. The Committee note that the Market Research Cell exists in the Directorate General, Supplies and Disposals for undertaking systematic studies of world market prices of various types of capital equipment required to be imported for implementation of Five Year Plan projects and informing all concerned so as to ensure that reasonable prices are paid for the imported items. The market research studies which are at present being conducted are confined only to 55 items of capital equipment. The Market Research Cell has so far brought out 34 Reports on different items. In addition to these items, *ad hoc* studies have also been made of fertilizer items required to be imported for the implementation of the Plan projects in the agricultural sector.

Study of
Price Data
of goods
imported
from rupee
payment
countries.

The Committee would stress the vital importance of collecting and comparing the price data of goods imported from rupee payment countries as well as other centres of supply so as to ensure that no unfair prices are charged for imports by these countries. They suggest that the scope for the research studies by the Market Research Cell may be extended so as to cover a larger number of repre-

sentative imported items. They would also suggest that the result of such studies should be suitably publicised for the information and guidance of all concerned.

103. The Committee suggest that Government may consider the advisability of allowing imports of a limited number of items which are normally imported from East European countries under Rupee Payment Agreements from general currency areas in order to enable the industry and trade to have a fair idea of their comparative price and performance.

Trade Agreements with Hungary and Czechoslovakia.

104. The Committee are glad to note that in the recent agreements concluded with Hungary and Czechoslovakia, specific provision has been made about the export of manufactured and semi-manufactured goods. The Committee would suggest similar provision for export of manufactured and semi-manufactured goods in other trade agreements, particularly with rupee payment countries. The Committee would also stress that suitable steps should be taken to show and publicise the Indian manufactured goods in the countries with whom we have bilateral trade agreements so that larger orders for export of manufactured goods can be obtained.

Consultation with Trade and Industry on Trade Agreements.

105. It has been represented to the Committee that the leading chambers of commerce and industry should be consulted by the Government before finalising trade agreements/arrangements with foreign countries. While it may not be possible for the Government to associate the representatives of trade and industry in the negotiation of trade agreements, the Committee feel that it might be possible for Government to invite suggestions from important chambers of commerce and industry so that all the cogent suggestions are duly considered and necessary provisions are made in the trade agreement.

B. Exports to Ceylon, Burma and Nepal

106. The Committee understand that exports from India to neighbouring countries like Burma, Ceylon and Nepal have been on the decline. The following table shows the trends of India's exports to these countries since 1960-61 :

	(Rs. 'laks)			
	1960-61	1961-62	1962-63	1963-64 (April-Sept.)
Burma	658	526	521	189
Ceylon	1843	1703	1353	819
Nepal	N.A.	916	437	400

It has been stated that China has been flooding the markets of these countries with her goods at cheaper rates with facilities for long term credits. *The Committee consider that vigorous efforts are called for to sustain exports to these neighbouring countries.*

They suggest that a detailed study of exports to these countries from India and China may be made with a view to evolve effective measures to meet the Chinese challenge in these natural markets for India's exports.

C. Exports to African Countries

107. In 1962-63 exports from India to the African countries aggregated to Rs. 50.2 crores as compared to 56.3 crores in 1961-62 and Rs. 49.0 crores in 1960-61. Bulk of her exports is made up of three traditional items, namely, tea, jute goods and cotton textiles. The share of jute goods in 1962-63 amounted to Rs. 18.0 crores or 35 per cent while those of tea and cotton textiles stood at Rs. 11.2 crores and Rs. 9.3 crores, their respective percentages being 22 and 18. These apart, India has been sending spices, footwear, rayon and artsilk fabrics, coir manufactures, sports goods, canned foodstuffs, pharmaceuticals, paints and varnishes and some light engineering goods such as diesel engines, sewing machines and agricultural implements, tea machinery, locks, steel furniture, G.I. buckets, house-hold utensils, steel structurals, etc.

In regard to jute goods, India has now been experiencing competition from Pakistan. In the case of textiles also, the competition has been growing from a number of countries both from Western and Eastern Europe, Japan and China. At the same time, the market has begun to shrink, largely due to the efforts now being made by the newly independent countries to set up their own textile mills and to expand production capacity in order to attain early self-sufficiency. As regards tea, East Africa and Ceylon have been offering keen competition.

The bulk of India's exports is directed to countries, such as the U.A.R., Ethiopia and Sudan and to those areas which have had closer relations with Britain, namely, Ghana, Nigeria, British East Africa, Zanzibar and Pemba. More than 80 per cent of India's exports are being absorbed by these countries.

108. India's exports to African countries represent about 7 to 8 per cent of her exports. Her exports showed some improvement until 1961, but thereafter, they have been showing a slightly receding trend. India's share in the import trade of Africa is hardly 1.3 per cent. In 1960, the total imports into Africa amounted to, for instance, Rs. 3656 crores while India's share stood at Rs. 46 crores. In the import trade of some countries India's share in 1962 remained at 8.5 per cent with Sudan, 6.2 per cent with Tanganyika, 4.4 per cent with Zanzibar, 3.97 per cent with the U.A.R., 2.3 per cent with Nigeria, 1.9 per cent with Kenya and less than 1 per cent with Ghana and Morocco.

The Committee understand that many of the African countries have rich resources of minerals and raw materials. India needs export markets particularly for her manufactured goods and products. *The Committee would, therefore, suggest that Government may explore the possibilities of entering into agreements with the newly liberated countries in Africa for the import of essential minerals and raw materials from them in exchange of Indian manufactured goods and products.*

Collaboration
with Industrialists in
African and
Asian Countries.

109. There is great scope for industrialisation in the African and Asian countries which have won freedom recently. India, which has already got valuable experience in the field of industrialisation, should be able to play an effective role in helping to set up new industries in these countries.

The Committee have been informed during evidence that the prospects of Indian *entrepreneurs* entering into industrial collaboration arrangements with industrialists in Asian and African countries are brighter now than before. In more than half a dozen cases, industries have already been established in some of the African and Asian countries and there are also proposals in ripe stage for another dozen cases.

The Committee are glad that Government have taken some initiative in the matter. They would suggest that efforts in this behalf should be intensified so that full advantage is taken of the opportunities presented to enter into collaboration arrangements with entrepreneurs in these countries.

D. Exports to Fiji, Trinidad etc.

110. It has been suggested to the Committee that countries like Fiji, Trinidad etc. where there are sizable populations of persons of Indian origin offer good scope for export of Indian goods. *The Committee, therefore, suggest that special efforts may be made to step up exports of Indian goods to these countries.*

E. Exports to Western Europe

111. It has been stated during evidence that Indian exporters' performance in Europe has been sporadic. The Committee understand that a scheme whereby only selected exporters either in arrangement with the industry itself or through some mechanism would be encouraged is under consideration of Government. *The Committee would suggest that the decision in the matter may be expedited.*

Encouragement to selected exporters

112. The Committee understand that the export of textiles to Western Europe is faced with the problem of quantitative import restrictions by the importing countries. They have been informed during evidence that Government are persuading the industry to work out some kind of an arrangement such as a consortium so that it can, take effective action to dispel the fears of the cotton textile industry in Europe that India is the supplier of cheap goods and will disrupt their market. *The Committee would suggest that opportunity may be taken at the forthcoming meeting of GATT to secure relaxation of import restrictions on textiles which have for long been one of the chief items of Indian exports to the developed countries.*

Export of Cotton Textiles to Western Europe

V. COMMERCIAL PUBLICITY AND EXHIBITIONS

A. Commercial Publicity

113. Commercial publicity has a distinct and vital role in any export promotion programme. It is intended to project a powerful image of the country's growing industrialisation and the advancement in production and standards of quality. Within the country it should create a proper export climate. The basic requirements of publicity programmes should be:—

- (i) to maintain a regular and steady inflow of commercial intelligence from overseas markets and its dissemination to Indian industry and trade;
- (ii) to arouse export consciousness in the country; and
- (iii) publicity abroad about Indian goods and manufacturers as well as the schemes of industrial development.

Export Publicity.

114. There are various organisations which undertake export publicity. These organisations include (i) Directorate of Commercial Publicity, (ii) Directorate of Exhibitions, (iii) Director General, Commercial Intelligence and Statistics, (iv) Export Promotion Councils and Commodity Boards, (v) Indian Trade Missions and ISI posts abroad (Information Service of India Posts), (vi) Trade Associations and Export Houses, (vii) Individual *entrepreneurs*. The representative of the Ministry has stated that the Directorate of Commercial Publicity was functioning as a liaison agency for coordination of the publicity programmes of other organisations. The publicity effort comprises the utilisation of various media such as publications, press, films, radio and television etc. Some details of the publicity done abroad, as received from the Ministry, are given below:—

“(i) Publications:—

The Directorate of Commercial Publicity issues two monthlies, i.e., the Journal of Industry and

Trade and 'Foreign Trade of India' for dissemination of information and publicity abroad. In addition, it publishes pamphlets, folders, etc., on important subjects. It will also publish shortly a quarterly journal for direct publicity projections to departmental stores, consumer organisations, etc., in important markets.

(ii) Press Publicity:—

In addition to the regular press publicity work of Indian Missions, efforts are made to sponsor special newspaper supplements on trade and industry. Important papers like 'Daily Mail', 'Le Monde' and 'Egyptian Gazette' recently brought out special features on India. Necessary advertisement support, write-ups, etc., were arranged by the Directorate of Commercial Publicity. A special supplement on India will shortly be brought out by the New York Herald Tribune. Negotiations with the Time Life Group are in progress for sponsoring similar supplements. In addition, articles, information, etc., are also sent from time to time to Indian Trade Missions and I.S.I. Posts for press publicity.

(iii) Films:

The Directorate of Commercial Publicity has already produced 22 films for publicity abroad through Indian Missions. It also distributes prints supplied to it by other organisations. At present, 12 films sponsored by the Ministry and attached organisations are under production and are expected to be completed shortly. In addition, it is arranging for the production of eight documentary films on behalf of Export Promotion Councils, Commodity Boards etc. The Films Division have agreed to make arrangements for dubbing publicity films in four languages viz., French, Spanish, Arabic, Russian.

(iv) Radio and TV Publicity:

On an average, 20—25 broadcasts on export products are projected to various countries annually through the External Services Division of

All India Radio. Material for these is supplied by the Directorate of Commercial Publicity. Indian Missions also arrange radio and TV publicity as a part of their publicity programmes."

115. *With the growth of industries in India and the greater need and opportunity of exporting manufactured products including consumer goods, the Committee feel that necessity of publicity has not only increased in scope but has radically changed in character. The Committee would like the export promotion organisations to make greater use of press, film, radio and television media to make an impression on the prospective markets and create a favourable atmosphere for the export of Indian goods and products.*

**Export
Publicity
Efforts to be
Intensified.**

116. The Committee understand from the representative of the Ministry that by and large the entire programme of export publicity drawn up by Government would be keeping in view the requirements of publicity of Indian goods in all the areas including the developing areas as well as the markets of developed countries but there is no detailed programme, region-wise. The Committee understand that most of the publicity pamphlets which are distributed in Asian and African countries are printed in English.

In Committee's view, publicity of Indian exportable products in the developing countries of Asia and Africa needs special attention. They would suggest that export publicity efforts in these countries should be intensified. The Indian products should be publicised in these countries not only in English but also in other languages in vogue e.g., Arabic, Malayan, French etc.

B. Indian Council of Trade Fairs & Exhibitions

117. As an outcome of the recommendations of the Mudaliar Committee, the Indian Council of Trade Fairs and Exhibitions has been set up as a registered body, in January 1964 under the Registration of Societies Act, 1860, to promote, organise and participate in industrial and trade fairs, exhibitions and show-rooms and to take all measures incidental thereto. The estimated expenditure of the Council for the current year is Rs. 1 lakh. The representative of the Ministry has informed the Committee

during evidence that primarily the function of the Council will be to organise exhibitions abroad especially in areas where it has not been possible for Government to go upto now and also to take over some of the minor exhibitions which are not of national importance. In due course, the maintenance of show-rooms will also be transferred to this body. Government consider that exhibitions of major importance of the nature of the Moscow Exhibition or the New York Trade Fair should continue to be handled by the Directorate of Exhibitions. *The Committee apprehend that the organisation of exhibitions and fairs abroad by two bodies, viz., the Directorate of Exhibitions and the Indian Council of Fairs and Exhibitions might lead to duplication of activities and wasteful expenditure.*

The Committee have, however, been assured by the representative of the Ministry that Government would make necessary adjustments to ensure that there was no duplication or wasteful expenditure in the activities of these two bodies. *The Committee hope that a careful check to avoid duplication of activities between the Indian Council of Trade Fairs and Exhibitions and the Directorate of Exhibition would be exercised by the Ministry and the position reviewed in the light of experience after a year or two.*

C. Exhibitions and Fairs

118. Government have been organising Indian Trade Exhibitions arranging participation in International Fairs abroad and maintaining show-rooms in foreign countries to display Indian merchandise and goods for export. The policy of the Government is to draw up each year programme of visual commercial publicity by means of participation in International Trade Fairs/Exhibitions and/or by organising Indian Trade Exhibitions abroad. The selection of the events is based on the recommendations of the *ad hoc* Advisory Committee for Exhibitions and show-rooms composed of representatives from the Trade and Industry, Export Promotion Councils, Commodity Boards and from Government. The selection of the events is based on rotational basis so that no one particular area is neglected for long periods; also in areas important from the trade angle, where International Fairs, in which India can participate are not being held, Indian Trade Exhibitions are organised.

119. The Committee have been informed that because of limitations of resources in finance and trained personnel, the programme of visual commercial publicity has been a limited one, both as regards the number of exhibitions organised each year as also the number of Show-rooms Government is able to maintain abroad. The organisational expenditure on the Show-rooms or Exhibitions, viz., rent of space, construction of pavilion, decoration, display, staff, freight, insurance handling, clearance of exhibition goods are all borne by Government; the participants being required only to lend their exhibits on consignment basis and transport their exhibits to the port of shipment and back from the port of landing when the goods are returned after display abroad.

120. The Committee understood from the representative of the Ministry during evidence that recently, Government have been encouraging more and more people whose products are actually displayed to send representatives of the executive level, competent to book orders, to be present at the exhibition in order to explain their products and canvass business; but the experience has been that they do not come forward in enough numbers.

The Committee would emphasise the vital need for the Indian participants in the exhibitions/fairs which are held abroad to depute competent representatives to such exhibitions to book orders and otherwise promote export business. They would suggest that the reasons for the inadequate response from the participants in this behalf may be carefully analysed by Government and suitable steps taken to improve the position.

Indian Exhibition in Moscow.

121. The Committee gather that the Indian Exhibition in Moscow had made a favourable impact not only in the markets of USSR, but also of the East European countries. It was for the first time that an exhibition on such a scale was organised abroad. The Committee understand that the expenditure incurred on the exhibition was about Rs. 70 lakhs, out of which Rs. 30 lakhs, were collected from the participants. Contracts for the supply of Rs. 1.3 crores of Indian non-traditional items were concluded during the exhibition and in addition business worth about Rs. 12 to Rs. 13 crores had been negotiated or was in the process of being negotiated.

The Committee are glad to note the success achieved by the Indian Exhibition in Moscow and would commend that such exclusive Indian exhibitions where justified by the export potentialities of a region may be organised in consultation with trade and industry.

122. *The Committee suggest that the advisability of sending a mobile exhibition of Indian products to potential markets specially to African and Asian countries offering promising potentialities for export may be considered.* **Mobile Exhibitions**

123. It has been represented to the Committee that the notice of time given to manufacturers/exporters for participation in International Exhibitions/Fairs held abroad has in some cases been very short with the result that it has not been possible for them to prepare the exhibits. It has also been complained that many times exhibits do not reach in time and even if they reach the packages are not sometimes opened and the exhibits are not displayed; that the products are not properly exhibited; that the exhibits are not returned in a number of cases and that reports about the reactions of prospective importers to the exhibits are not supplied to the participants. **Difficulties experienced for participation in International Trade Fairs/Exhibitions.**

124. The Committee note from the information furnished by the Ministry that out of about 10 International exhibitions/fairs in which India participated in 1963, in two cases, the time lag between the date of issue of the trade circular and the last date for supply of exhibits as specified in the circular, was less than a month. It is further noted that recognised Chambers of Commerce, Trade Associations, etc., are required to send the list of exhibits for display to the Director of Exhibitions for his final approval through the concerned Export Promotion Councils/Commodity Boards, etc. The intending participants are further required to despatch the exhibits to the Government's shipping and forwarding Agents only on receipt of intimation from the Director of Exhibition about the final approval of the exhibit. It would thus be seen that having regard to the procedure outlined above the notice of time of less than a month given to the participants is too short to enable them to select and prepare their exhibits for the exhibitions/fairs.

The Committee consider that if full participation of industry and trade in the International exhibitions/fairs is to be secured, it is imperative that adequate notice of time should be given to them.

As regards the complaint that exhibits are not returned to the participants in a number of cases, the Committee have been informed that during the period from 1958-59 to 1961-62, the total value of samples of goods displayed in 70 exhibitions abroad is about Rs. 29 lakhs and the value of goods lost in transit|display|storage is Rs. 0.64 lakhs, i.e., about 2 per cent. It has been stated that Government allows only a small team for exhibitions and it has necessarily to employ local labour in repacking the goods and for security purposes. If the exhibition team has to take complete responsibility in order to ensure reduction in losses, it would be necessary to allow a large number of staff to go from India and stay there for longer periods and all that would involve considerable additional expenditure in foreign exchange which would be out of all proportions to the loss of about 2 per cent. *The Committee are not convinced with the above explanation. The Committee suggest that the whole procedure regarding the receipt and return of exhibits may be carefully examined and suitable measures taken to reduce the loss of exhibits in transit.*

**Participants
to be apprised
of reactions to
Exhibits.**

125. The Committee have been informed that the reactions of foreign importers to the Indian exhibits displayed in International Exhibitions/Fairs are normally reported and commented upon by the Indian Commercial Secretary in the area where exhibitions are held and specified comments in regard to particular commodities contained in Commercial Secretaries' reports are brought to the notice of the Export Promotion Councils or Commodity Boards concerned. Besides, a trade information counter is set up in the Indian pavilion to disseminate trade information, and give away literature. At this counter is also maintained a set of trade enquiry forms which are filled up by importers or businessmen interested in any of the items on display and even for items which are not on display. Trade enquiries which materialise during and immediately after participation in exhibitions abroad are immediately communicated to the exporter/manufacturer concerned in India and copies are also endorsed for follow up action to

the Export Promotion Council/Commodity Boards and to Director-General of Commercial Intelligence and Statistics at Calcutta.

The Committee consider that it is essential to ensure that for every product exhibited, relevant data regarding response from visitors is collected and is passed on to the participant concerned. Remarks pertaining to reaction to quality, packing, price etc., are very important especially for items of mass consumption. Unless these reactions are conveyed to the manufacturers concerned, the time and money spent in holding such exhibitions may not be fully justified.

126. It has been suggested to the Committee that there should be a permanent exhibition particularly of engineering goods where not only goods which are indigenously manufactured but also those which are imported in large quantities both by Government and private industries are exhibited so that the existing capabilities of Indian industries are widely known while at the same time industrialists could also see whether they could undertake manufacture of items which continued to be imported.

Permanent Exhibitions of Export Products in India.

The representative of the Ministry has informed the Committee during evidence that Government have set before themselves the objective of creating a permanent exhibition with the specific idea of exhibiting in it the best export products so that the people who have opportunities of visiting the country may be shown these products. In addition, it is also contemplated that Government should be able to continuously secure the specimens of the latest consumer products from abroad to show them to Indian manufacturers in order to give them the ideas of the latest designs of products required abroad. He has informed the Committee that it is proposed to organise a permanent exhibition in a big way not only in Delhi but also in Bombay, Calcutta and Madras and possibly also in Ernakulam. *The Committee hope that permanent exhibitions showing export products would be established before long in the country.*

VI. COMMERCIAL REPRESENTATIVES ABROAD

A. Organisation

127. The Office of the Commercial Representative is formally known abroad as Commercial Section of the Indian Mission. It is generally headed by an officer of the rank of First or Second Secretary. Depending on the importance of the station, an officer of higher rank e.g. Counsellor (Commercial), Minister (Economic) may be appointed to head the Commercial Section. They are normally drawn from the I.F.S.(A) or I.F.S.(B), as the case may be.

The Commercial Section is a part and parcel of the Mission concerned and functions under the overall guidance of the Head of the Mission. The other categories of India-based officers and staff posted abroad to assist the Commercial Representative include Assistants, Personal Assistants and Clerks and Registrar. In addition, local staff of various categories e.g. Marketing Officer, interpreter/translator, typist, clerk and messenger etc. are also appointed. The Committee have been informed by the Ministry that there are 44 Commercial Representatives working abroad in Commercial Sections.

The Commercial Sections in Missions abroad are wholly under the administrative and budgetary control of the Ministry of International Trade. Their administrative problems and proposals are dealt with by the Ministry of International Trade, subject, of course, to the general rules/policies applicable to the Indian Foreign Service as formulated by the Ministry of External Affairs. In Mission where a single post is only sanctioned for commercial work it is generally created by the Ministry of External Affairs under their budget control. The administrative matters in relation to such a post are dealt with by the Ministry of External Affairs.

B. Functions

128. The functions of commercial Representatives abroad are varied and complex. These can be broadly classified into four heads:—

- (a) Advisory functions to the Head of Mission—The Commercial Representatives advise and assist the

Head of Mission on broad issues of trade, industry and finance and on particular commercial and economic questions that require attention.

- (b) Functions relating to the responsibilities of the Ministry of International Trade—The Commercial Representatives submit regularly to the Ministry of International Trade reports (Monthly in two parts, half-yearly and annual) in the prescribed form on the economic, financial and commercial conditions of the country in which he is stationed. Apart from these regular reports, matters of immediate interest to Government are reported forthwith by separate despatches by telegrams or otherwise according to the urgency of the matter.
- (c) Functions relative to Trade—The Commercial Representatives answer all trade enquiries and maintain Foreign Importers Register. They assist visiting Indian businessmen and trade delegations with suitable introductions to local firms and business houses and provide them with reasonable facilities other than financial, as are possible. They also conduct market surveys and test local markets by means of trial consignments. They take such steps as are necessary to settle trade disputes and help Indian firms in the appointment of local agents. They also supply information regarding tenders issued by foreign Governments and other organisations.
- (d) Miscellaneous functions—The Commercial Representatives maintain library of commercial reference books, organise fairs, exhibitions, show-rooms and trade centres. They keep in touch with local commercial and trade institutions and maintain relations with Indian commercial community. They keep liaison with local chambers of commerce and trade associations and firms interested in the import of Indian goods or in goods similar to those which India exports. They give publicity to India's export potential through periodic hand-outs and bulletins, lectures, radio talks, etc. as may be possible.

C. Selection of Staff

129. The Committee understand that the selection of officers and staff for appointment in the Commercial Sections is made by the Foreign Service and other Establishment Boards in the Ministry of External Affairs on which the Ministry of International Trade is represented. Besides the Foreign Service Board dealing with appointments of officers of the rank of Third Secretary and above, the Senior Establishment Board deals with the appointments of Registrars, and Personal Assistants and the Junior Establishment Board with Assistants, Clerks and other Class IV staff.

In certain cases, non-I.F.S. Officers with specialised knowledge of commercial work are appointed on *ad hoc* basis if suitable I.F.S. Officers are not available.

The Committee have been informed that Foreign Service Officers have to specialise in the languages allotted to them and care is exercised in posting commercial officers in a manner that their knowledge of foreign languages is utilised to the extent possible. *The Committee find that out of the total of 44 Commercial Representatives posted abroad, only 13 of them know the language of the country to which they are accredited. Out of these 13 Commercial Representatives, only three are working in non-English speaking countries. It would be a distinct advantage if the Indian Commercial Representative knows the language of the country in which he has to function. They suggest that necessary steps may be taken in this direction without delay.*

D. Training of Commercial Representatives

Provision of orientation and refresher courses for Commercial Representatives

130. The Committee have been informed by the Ministry that a certain number of posts in the IFS(A) and IFS(B) are permanently located at the Headquarters of the Ministry of International Trade. The Committee further note that out of 44 posts of Commercial Representatives, 36 posts are manned by I.F.S. Officers. Officers and staff belonging to the Foreign Services work against these posts. This helps in training a number of I.F.S. Officers in commercial works.

The officers after being selected for posting abroad are temporarily attached to the Ministry of International Trade

for suitable training and briefing, the length of attachment varying with the previous experience of the officer and the type of post and the country to which he is assigned. They are also deputed to hold discussions with the Export Promotion Councils and trade interests to acquaint themselves with the problems and prospects of India's trade with the countries of their assignment.

In the case of the newly recruited I.F.S. Officers, care is taken to see that opportunities are given to them to familiarise themselves with commercial and economic matters.

The Committee note that at the present moment there is no refresher course as such except that between two postings while the officers and staff of Commercial Sections are in India, they are attached to the Ministry of International Trade for briefing for a short period.

131. One of the leading manufacturers' organisations has represented in a memorandum to the Committee that:—

“There is a general feeling that most of our Trade Missions abroad, especially in Africa and Asia, continue to regard themselves as political diplomats and have not realised their functions as India's trade representatives. Where the Commercial Attachee/Commercial Secretary/Commercial Counsellor/Trade Commissioners are somewhat active in the furtherance of the trade of India, their knowledge appears to be limited to traditional exportable items; even here, the emphasis is on textiles and tea. Practically, the Indian Government Trade Representatives have little knowledge of non-traditional items like engineering goods, chemicals, pharmaceuticals, etc.”

It has been admitted during evidence by the representative of the Ministry that some of the Foreign Service Officers working as Commercial Representatives show eagerness to go back to the Diplomatic side even though there is no rigid demarcation between Commercial staff and Diplomatic staff drawn from the parent Indian Foreign Service.

The Committee would stress that as export and trade are of basic importance to the country, care should be taken to see that officers who show special aptitude for the work and have adequate knowledge and background are only posted as commercial representatives. The Committee would stress that orientation and refresher courses in International Trade should be given to the I. F. S. Officers so that they are well-equipped to discharge fully their responsibilities.

E. Market Surveys

Scope for improvement in market surveys

132. Market surveys in foreign countries are conducted every year by Commercial Representatives abroad, as part of their normal function, on commodities specifically allocated by the Ministry of International Trade. The surveys are, wherever possible, conducted through specialised agencies who have the requisite technical know-how. In the absence of such agencies, the surveys are conducted by the Commercial Representatives with the help of the staff in the Mission, if possible.

It has been represented to the Committee by a leading manufacturers' organisation that "the Trade Representatives should be original in collecting up-to-date data and present the same in a comprehensive manner so that Indian traders and industrialists will get a full picture of the situation of the market in the country concerned."

The representative of the Ministry has admitted during evidence that there is room for improvement in the market surveys prepared by the Commercial Representatives. *The importance and utility of up-to-date and comprehensive market surveys in the promotion of international trade needs no stress. The Committee feel that a survey to be purposeful should contain not only up-to-date and reliable information but bring out pointedly the prospects for Indian exports. They would stress that the staff of the Commercial Sections of the Indian Embassies abroad should be well versed in the technicalities of market research so that they can produce reports which would be of practical value to the Indian industry and trade.*

Study of Market Survey reports

133. The Committee suggest that Government may undertake a comprehensive study of the market survey reports prepared by the Indian Government Commercial Representatives abroad and those brought out by other countries with a view to effecting improvements.

134. *The Committee suggest that the market survey reports may be reviewed periodically so as to keep them upto date. As the pattern of trade with developing countries is liable to rapid change, it may be desirable to review the market survey reports in respect of them at shorter intervals.*

**Review of
Market
Survey
Reports.**

135. The survey reports, when received from Commercial Representatives, are published by the Director, Commercial Publicity after suitable editing in the market survey series. The reprints of these reports are circulated by the Director, Commercial Publicity through the respective Export Promotion Councils, Commodity Boards, etc. among the concerned manufacturers/exporters. Pending the distribution of the complete copy of the reports, the salient points from these survey reports are brought out by the Director General of Commercial Intelligence and Statistics, Calcutta in their weekly issue of Indian Trade Journal.

**Survey re-
ports to be
published
without
delay.**

The Committee note with regret that the survey reports are published in the Indian Trade Journal after lapse of several months. If the survey reports are to be of any real use to the industry and trade, it is imperative that they are published without delay.

F. Transmission of Trade enquiries to exporters

136. It has been represented to the Committee that generally enquiries, tenders, etc. which are received by Indian Government Commercial Representatives abroad are not transmitted to the prospective exporters in India. The Committee have been informed by the Ministry that instructions to the Commercial Representatives are that they should obtain tender forms/specifications etc. issued by the foreign Governments and other organisations and send copies to the concerned Export Promotion Councils/Commodity Boards/Railway Board/State Trading Corporation and Director General of Commercial Intelligence and Statistics, Calcutta for dissemination of the information to the exporters in India. Till last year the Commercial Representatives were not expected to send the information direct to any individual exporter or exporters; now they have been asked to send information about foreign tenders direct to well established parties and the export organisations in India.

The Director General of Commercial Intelligence and Statistics publishes the information in the Indian Trade Journal. The Export Promotion Council publish the information received by them in their respective journals.

The Committee learn that it is proposed to bring out soon a special weekly circular carrying only foreign tenders for the benefit of India's export trade.

The Committee further understand that as different procedures are adopted by foreign Governments in regard to effecting purchases from abroad, studies are being made of the procedure obtaining in each country and Commercial Representatives are being advised to evolve a suitable machinery for the transmission of the information collected to the well established parties and export organisations in India.

The Committee cannot too strongly stress the importance of prompt transmission of trade enquiries to the interested organisations and established parties in India and hope that suitable and adequate machinery for the purpose would be evolved, without any avoidable delay.

G. Miscellaneous

Commercial
Representatives to be
more helpful.

137. It has been represented to the Committee that Indian Commercial Representatives abroad are not as helpful to the visiting Indian businessmen and "Foreign Officers" of Export Promotion Councils as they should be.

One of the Export Promotion Councils has stated in the memorandum to the Committee:

"While the Council has been receiving necessary co-operation from the Embassies in general, it is felt that there is considerable scope for strengthening the bond between the Embassies, particularly the Commercial Secretaries and the Foreign Officers of the Council. This can be done by taking the Foreign Officers into confidence and treating them not only as representatives of a private organisation. All possible help should be given to them so that they could establish contact with high Government officials and Chairmen of Tender Boards."

The representative of the Ministry has admitted in his evidence before the Committee that some complaints had been received about the Indian Commercial Representatives not being helpful to the visiting Indian businessmen, but by and large the position is satisfactory. He has, however, stated that there is close co-operation between the Indian Commercial Representatives and the Officers of the Export Promotion Councils posted abroad.

The Committee consider that the Commercial Representatives should try to be more helpful to Indian businessmen and manufacturers who go abroad and seek their assistance for promoting exports. They would also stress the need for closer co-operation between the Commercial Representatives and the "Foreign officers" of the Export Promotion Councils.

138. *The Committee are glad to note that recently an opportunity was provided by Government for exchange of views between Indian envoys working in African and West Asian countries with representatives of Export Promotion Councils and Commodity Boards. The Committee suggest that such exchange of views between the Indian envoys and Export Promotion Councils and Commodity Boards may be arranged for other regions, having promising export prospects.*

Exchange of views between Indian Envoys and representatives of E.P.Cs. etc.

VII. DEPARTMENT OF COMMERCIAL INTELLIGENCE AND STATISTICS, CALCUTTA.

A. Functions

139. The Department of Commercial Intelligence and Statistics, Calcutta has two broad functions *viz.*, (i) collection and supply of commercial information, and (ii) compilation of trade statistics. The names of various publications brought out by the Department of Commercial Intelligence and Statistics are given below:

<i>Name</i>	<i>Periodicity</i>
1. Indian Trade Journal.	Weekly.
2. Monthly Statistics of the Foreign Trade of India Vol. I (Exports and re-exports) and Vol. II (Imports)	Monthly.
3. Supplement to the Monthly Statistics of the Foreign Trade of India	Monthly.
4. Statistics of the Coasting Trade of India	Monthly
5. Customs and Excise Revenue Statement of the Indian Union	Monthly.
6. Accounts relating to the Inland (Rail and River- borne) Trade of India	Monthly.
7. Statistics of the Maritime Navigation of India	Annual.
8. Indian Customs Tariff	Annual.
9. Annual Statement of the Foreign Trade of India, Vol. I and II	Annual.
10. Annual Statistics of the Foreign Trade of India by Customs Zones (Hindi)	Annual.
11. Directory of Exporters of Indian Produce and Manufactures	<i>Ad hoc.</i>
12. Indian Trade Classification	<i>Ad hoc.</i>
13. Alphabetical Index to the Indian Trade Classifica- tion	<i>Ad hoc.</i>

It has been suggested to the Committee that the Department of Commercial Intelligence and Statistics needs to be thoroughly reorganised and so geared that up-to-date commercial information basically necessary for promotion of international trade is made available every fortnight.

The Committee have been informed by the Ministry that owing to paucity of funds and lack of printing facilities thorough reorganisation has not so far been found feasible. However, it is proposed to issue an Export Service Bulletin containing up-to-date information on market possibilities every week.

The Committee suggest that energetic steps should be taken to improve the working of the Department so that it can render efficient and prompt service to the Industry and trade.

B. Directory of Exporters of Indian Produce and Manufactures.

140. The Mudaliar Committee had observed that "the Indian Directory of Exporters leaves much to be desired". The Committee desired to know what improvements were being effected in the new 15th Edition of the Directory as compared to the last Edition. The Committee have been informed that the following improvements have been made in the 15th Edition as compared to the 14th Edition:

14th Edition	15th Edition
SECTION I	SECTION I
	<i>Additional information</i>
Name, Postal address, Telephone No. and Cable address of the firm, names of the cities where branches are located, commodities exported or interested in export.	(1) Names of Chambers of Commerce/Trade Associations, Commodity Boards, Export Promotion Councils etc. to which affiliated registered and/or enrolled with.
	(2) Names of principal articles manufactured and exported by each firm.
	(3) Names of principal commodities manufactured, by each firm.
<i>Items of General Information (Shown in the Appendix)</i>	
1. Statement showing exports of principal items from India during 1958 and 1959.	1. List of Shipping Agents in India and their branches

14th Edition	15th Edition
SECTION I	SECTION I
	<i>Additional information</i>
<ol style="list-style-type: none"> 2. Short descriptions of the activities of certain organisations and Government Departments in the field of Export Promotion (including Export Promotion Councils and Commodity Boards). 3. List of Export Promotion Councils, their functions, etc. 4. Addresses of Overseas Officers and/or correspondents of certain Export Promotion Councils. 5. Indian Standards Institution and its activities. 6. List of Surveying and Cargo Inspecting Firms in India. 7. List of Foreign Exchange Banks and the names of towns where their branches are located. 8. List of Travel Agencies (city-wise) in India. 9. Facilities available in India for arbitration in commercial disputes. 10. The Arbitration Act, 1940 (X of 1940). 11. List of Indian Government Trade Representatives abroad. 12. List of Foreign Government Trade Representatives in India. 13. List of Chambers of Commerce and Trade Associations in India. 14. List of Chambers of Commerce and Trade Associations, the names of the Authorities/Organisations authorised to issue certificates of origin. 	<ol style="list-style-type: none"> 2. Short note on Foreign Exchange and Visa facilities. 3. Normal Terms and Conditions for participation in International Fairs. 4. Brief Note in respect of the functions of the Indian Government Commercial Representatives abroad. 5. Remittance of Commission to Agents overseas on exports from India. 6. Foreign Exchange Rates.

The Committee are glad that additional information has now been incorporated in the Directory and that its get up has been improved. As the Directory of Exporters is an important instrument of export promotion the Committee need hardly stress that continuous efforts should be made to improve its contents and get up so that it can in near future compare favourably with the Directories which are being brought out by advanced countries.

141. It has been suggested to the Committee that for each export product a properly tabulated statistical sheet should be brought out by the Department of Commercial Intelligence and Statistics once in six months or so indicating the production and export trends of the product concerned. *The Committee suggest that Government may consider the advisability of such a tabulated sheet for each export product being brought out by the Department of Commercial Intelligence and Statistics or by some other agency.*

Statistical sheet for each export product.

C. Change-over of Licensing to the S.I.T. Classification

142. At present three schedules, namely, the I.T.C. schedule, the Standard International Trade Classification and the Indian Customs Tariff are being used for the purposes of issuing import licences for recording statistics of actual imports and for levy of customs, respectively. It has been decided by Government that import licensing should be done on the basis of the Standard International Trade Classification, which is already in use for recording the actual import statistics. With this object in view, correlation is being prepared between the existing I.T.C. schedule heads and the heads figuring in the Standard International Trade Classification. After this work is completed, the correlation chart will be circulated to the concerned Ministries and the departments of the Government as well as Chambers of Commerce and Trade Associations and other concerned interests. Thereafter the classification will be brought into use for purposes of licensing. *The Committee consider that it would greatly facilitate work and remove ambiguities if there is one schedule uniformly applied for the purposes of issuing licences, recording import statistics and for levy of custom duties. They would recommend that earnest efforts should be made to evolve such a uniform schedule.*

D. Accommodation for Office and Library

143. The Study Group of the Estimates Committee which visited Calcutta noticed that the Department of Commercial Intelligence and Statistics does not have enough accommodation and the library is very congested.

The Committee suggest that Government may take steps to provide proper accommodation for the office and library. The Committee would also stress that the Commercial Library should be reorganised so as to increase its utility to the trade and industry.

VIII. IMPORTS

A. Review of Imports

144. Plans of economic development have exerted increasing influence on the country's foreign trade, in particular on imports since 1951. Over the First Plan period, the total imports amounted to Rs. 3,617 crores or an average of Rs. 723 crores a year. In the Second Plan, there was a sizable step-up in the level of imports on account of the larger requirements of capital goods, raw materials, intermediate products, components etc. The total imports during the Second Plan period amounted to Rs. 4882 crores or an average of Rs. 976 crores a year.

The Third Plan entails even larger import requirements than the Second Plan, the total import bill being estimated at Rs. 5750 in addition to PL 480 imports of the order of Rs. 600 crores.

The details of the estimated imports of Rs. 5750 crores are as follows:—

	(Rs. crores)
(i) Import of machinery and equipment for Plan projects	1900
(ii) Components intermediate products etc. for raising production of capital goods	200
(iii) Maintenance Imports (excluding imports under U.S. PL 480)	3650
TOTAL	<u>5,750</u>

The annual average level of imports, inclusive of P.L. 480 imports during the Third Five Year Plan thus comes to Rs. 1270 crores as compared with an average level of Rs. 976 crores during the Second Plan.

B. Policy and Procedure

(a) Objectives of Import Control

145. The Committee understand from the representative of the Ministry that while formulating the import

policy for the year April, 1963—March, 1964 the following objectives have been kept in view:

- (i) to ensure that the pace of development of industries is not curtailed suddenly;
- (ii) to ensure that the industries set up do not suffer on account of lack of raw materials or other equipment;
- (iii) to ensure that special steps are taken for the establishment of industries which are vital for the economy of the country;
- (iv) to ensure that priorities are given for the defence and export-oriented industries; and
- (v) to ensure that the import of commercial items, whether they are consumer items or not are maintained to the minimum level.

The Committee consider that import control should serve as an instrument of industrial development, as a conservator of foreign exchange and as a vehicle of export promotion. It should help to set competitive standards for quality and price and keep in check prices of goods, particularly consumer goods. In short, the import control policy should strengthen the industrial base of the country, diversify the economic structure and create conditions of a self-generating economy.

**Structure of
India's
Import
Trade**

146. The Committee have been informed that imports have been allowed on the basis of priorities as follows:—

- (a) Industrial goods.
- (b) Capital goods.
- (c) Consumer goods.

Besides, specific ceiling is set off for import of raw materials for scheduled industries borne on the books of Directorate General of Technical Development. Allocations are made for licensing semi-manufactures, components and spare parts which are needed in industrial units. Emphasis is also laid on import of capital goods, heavy electrical plants and industrial raw materials like non-ferrous metals, heavy chemicals, sulphur etc.

147. An analysis of the structure of India's import trade during the last three years (*Vide Appendix III*) reveals that the proportion of capital goods imported from abroad increased from 13·91 per cent. in 1960-61 to 16·13 per cent. in 1962-63. The proportion of industrial goods increased from 62·25 per cent in 1960-61 to 66·13 per cent. in 1961-62 but thereafter declined to 64·87 per cent. in 1962-63. The percentage of imports of foodgrains declined from 15·95 per cent. in 1960-61 to 10·54 per cent. in 1962-63. The share of other consumer goods in the total imports, however, increased from 7·89 per cent. in 1960-61 to 8·46 per cent. in 1962-63.

The Committee feel that unless the reduction in the percentage of import of industrial goods is due to substitution of import by indigenous goods, it may lead to imbalance and result in idling of capacity in existing units.

The Committee consider that the increase in the percentage of imports of consumer goods is indicative of not a very desirable trend.

They would suggest that strenuous efforts may be made to bring down import of non-essential consumer goods to the barest minimum consistent with the need to check artificial increase in prices.

(b) Role of Established Importers

148. For the purpose of licensing, the importers are divided into the following four broad categories:

- (a) Established Importers;
- (b) Actual Users;
- (c) New Comers;
- (d) Others, who do not fall in any of the above categories.

The Committee understand that over the last decade since industrialisation in the country has been undertaken on a wide basis and of large magnitude, the trend for import licensing has been in favour of Actual Users, public utilities and projects. A good deal of experience has been gained by these organisations and industries to import goods of the right quality at best prices required for their own use. The share of Established importers has shrunk and is getting progressively reduced.

The Committee note (vide Appendix, IV) that the share of Established Importers in the total value of import licences issued during the licensing period 1962-63 is only 5.4% while that of the Actual Users is 40.9%. No licences have been issued to new comers. The share of 'Others' is 1.8%.

While the Committee have no doubt that the Established Importers can continue to play a useful part in the import trade particularly for items for which after-sales service is required and where goods are required to be imported in small quantities by diverse consumers, the Committee consider that the time has come when Government should try to impress on them the urgency of enlarging their sphere of activity and of engaging themselves in the growing export business.

(c) Requirements of Small Scale Industries

149. It has been represented to the Committee that the small scale industries are being given a raw deal while allotting foreign exchange to the various sectors of industry. While the scheduled industries are given licences for the import of raw materials on the basis of their capacity or as near to it as possible, the small industries sector, irrespective of its capacity, receives only an *ad hoc* allotment of foreign exchange which is thoroughly incommensurate with their requirements of raw materials and components. The starvation of legitimate supply of raw materials forces the small units to make up the deficiency by purchases from the so-called open market at very high prices which renders its physical cost of production higher than that of the scheduled units and therefore makes it face unfair competition from the latter.

It has been urged that in the matter of import of raw materials, the scheduled and small scale sector should be treated on par.

150. It has been admitted by the representative of the Ministry of Industry that while the scheduled units are always assured of the necessary raw materials, the position regarding allocation of foreign exchange for small scale industries has been really serious during the last

18 months, particularly after the emergency. He has informed the Committee that the Ministry of Finance have now been persuaded to allot a larger amount of foreign exchange and with that it has now been possible to keep at least 50 per cent of the capacity of the small scale industry going. It is their intention to see that at least this amount is stabilised and there is no further cut. It has also been stated that arrangements have been made to get a very considerable share of the Defence requirements from the small scale units.

The Committee are concerned at the hardship which the small scale industries have had to undergo as a result of a severe cut in the allocation of foreign exchange for the import of their requirements of raw materials, components, etc. and would urge Government to give a more sympathetic and urgent consideration to their requirements.

(d) Announcement of Import Policy

151. It has been represented to the Committee that considerable difficulty is being experienced by the trade and industry when Government import policy is not announced simultaneously for all commodities in the Import Trade Control Policy Book (Red Book). It has been represented that when the Red Book was last published, import policy was not announced in respect of certain commodities like rayon, soda ash, steel etc. The result was that there was speculation in these commodities and the prices of these materials went up in the market. *The Committee would stress that import policy may be announced simultaneously for all commodities, as far as possible, so that the scope for speculation is eliminated.*

(e) Import substitution

152. *The Committee are surprised to note that the Technical Panel on Import Substitution set up under Government Resolution No. I&M-11(2)/62 dated the 29th August, 1962 was dissolved on the promulgation of emergency. In fact the emergency should have underlined the urgency of the problem of saving foreign exchange.*

153. It has been stated during evidence that a Sub-Group on Import Substitution has been appointed to review the progress made with regard to import substitution in the course of the Third Five Year Plan and to suggest what further steps should be taken to realise the fullest potentialities in this respect. The Sub-Group is required to submit its report to the Planning Commission by March, 1964. *The Committee hope that the new Sub-Group would earnestly pursue its task and submit the report by March, 1964. The Committee also hope that Government would take action on the recommendations of the Sub-Group without delay so that as much of foreign exchange as possible could be saved by resorting to import substitution.*

(f) Disposal of Import Licence Applications

154. The Committee regret to observe that there were 9,665 applications pending for import licences as on the 27th September, 1963 for the period April-September, 1963 (*vide* Appendix V). The reasons for the large number of pendencies are stated to be (i) insufficiency of treasury challan, (ii) non-furnishing of I.V.C. No., (iii) non-furnishing of essentiality certificate and (iv) receipt of a large number of licence applications towards the close of the half year. The Committee have been informed that case studies of not less than 1 to 2% of licensing files opened in the Office of the Chief Controller of Imports and Exports during a particular licensing period are generally undertaken by the Inspection Unit of the Office to check if the cases have not been examined correctly and whether there has been any defect such as repetitive nothings, delays etc. The defects that come to light are brought to the notice of the officers concerned and measures suggested for the removal of such defects. Inspection Unit periodically visits all sections at Headquarters as well as Regional Offices and submits a report to the Head of the Office/Organisation. With a view to economise in the expenditure of the organisation during the period of emergency, the activities of the Inspection Unit have been suspended temporarily. However, when complaints regarding inordinate delays in the disposal of cases in Chief Controller of Imports and Exports office are received, the O. & M. Branch undertakes study of these cases. Apart from Inspection Unit and O. & M. Branch, Branch, Officers are also required to make case studies of

selected cases. The Committee understand that on the basis of the case studies made by Inspection Unit/O. & M. Branch, suitable measures were taken to minimise delays in the organisation. The Committee are further informed that a detailed case study of various categories of cases was also undertaken by the Special Reorganisation Unit of the Ministry of Finance as a part of 'Work Study', when they inspected the office during 1959-61. As a result of this, a number of work simplification proposals relating to procedural/organisational changes were suggested by the Unit. It has been stated that these proposals have, no doubt, helped in the better working of the organisation and in cutting down delays in the disposal of cases to the minimum but "what has been gained by way of introduction of such measures, has been more than offset by general shortage of staff in the office as a result of ban on recruitment of personnel to fill the vacancies."

The Committee cannot help concluding that there is considerable scope for improvement in the working of the Chief Controller of Imports and Exports Organisation. They feel that in an organisation like this, timely and expeditious disposal of work should be the primary consideration. They would recommend that a careful and thorough investigation into the staff position of this office, may be made urgently and suitable steps taken to remedy the position.

In this connection, the Committee would also like to draw attention to the recommendation made in para 66 of Chapter III of the Report of the Import and Export Policy Committee (1962) popularly known as Mudaliar Committee, in which certain organisational changes in the Import and Export Control Organisation had been suggested. The Committee consider that the large number of pending applications at the end of the half year on the 30th September, 1963 indicates that there is lot of scope yet for streamlining the procedure.

As a large number of applications are stated to be submitted incomplete, the Committee suggest that Government may bring out a Guide Book containing detailed instructions about the manner in which the various forms should be filled.

(g) Locating Indigenous Availability of Goods

155. It has been represented to the Committee that sometimes it takes two years for the Directorate General of Technical Development to come to conclusion whether a particular item being manufactured locally is of standard quality and whether the manufacturer can produce and deliver the item in requisite quantity and in time. The representative of the Directorate General of Technical Development has stated in his evidence before the Committee that in the case of chemical items, it is not very difficult to say whether a particular item is locally available or not. In the case of engineering goods, however, it is very difficult to know from the mere description of items as to what precisely the applicant needs. It, therefore, becomes necessary to make a reference to the applicant and the resulting correspondence between the Directorate General of Technical Development and the applicant causes delay. He has, however, informed the Committee that normally it should not take more than two weeks to know whether a particular item is indigenously manufactured or not.

The Committee only hope that this estimate of two weeks in disposing of applications is adhered to in practice, so that there is no occasion for non-official organisations to represent that it takes two years to dispose of some applications.

156. In this context, the Committee would like to refer to the recommendation made by the Mudaliar Committee (1962) that the Development Wing (now Directorate General of Technical Development) should bring out annually a comprehensive register indicating the availability of raw materials and components, plant and machinery produced in the country, the names of the producers and full information in regard to their installed capacity, actual production, specifications etc. They have been informed by Government that this recommendation has been accepted and the Directorate General of Technical Development is bringing out the following publications which contain the required information:

- (i) Handbook of Indigenous Manufacturers of Engineering Stores;**

- (ii) Handbook of Indigenous Manufacturers of Chemicals and Miscellaneous Stores; last published in October 1963;
- (iii) Names of Indigenous Manufacturers of Industrial Machinery (Banned or Restricted Types); and
- (iv) Import Policy for Actual Users for machinery and equipment.

The Committee are surprised to note that the first publications Nos (i) and (iii) above were last brought out in the year 1961. They fail to understand how these out-dated publications can be a proper substitute for the annual register recommended by the Mulaiah Committee. They also regret that the Hand-book of Indigenous Manufacturers of Engineering Stores does not cover indigenous manufacturers in the Small Scale Sector.

The Committee cannot but regard the present position in this respect as unsatisfactory. They would suggest that the publications referred to above may be issued annually after bringing the information up-to-date. They would also suggest that the advisability of bringing out a Hand book of Indigenous Manufacturers in the Small Scale sector by the Development Commissioner, Small Scale Industries or alternatively including the relevant information in the Handbook being brought out by Directorate General of Technical Development may be considered by Government.

157. During evidence before the Committee, the representative of the Directorate General of Technical Development agreed that it might be useful to adopt an I.B.M. system etc. for maintaining upto-date information about the availability of goods from indigenous sources so that applications for import licences could be processed quickly. The Committee suggest that the matter may be considered by Government.

The Committee would also suggest that Government may take suitable measures to ensure that description of items in the applications for import licences is furnished precisely by the applicants. They have already suggested that suitable Guide Book for filling up the forms for import licences might be brought out by the Import Trade Control authorities. They would like that in the Guide

Book, special emphasis may be laid on the desirability of furnishing precise information by applicants about the items of machinery etc. which they require.

(h) Clearance of imported goods by customs authorities

158. A leading Chamber of Commerce has represented to the Committee that the present procedure for clearance of consignments of imported goods by the Customs authorities is dilatory and cumbersome. In this connection, the Chamber furnished to the Committee some instances in which it was alleged that despite valid import licences, the clearance of consignments had been delayed by the Customs authorities.

The Committee desired to know from the Ministry (Central Board of Revenue) the value of imported goods which were at first held by Customs authorities to have contravened the provisions of import licences but were later on allowed during each of the last two years but have been informed that the requisite information is not readily available. *The Committee would suggest that a study may be made of the cases where goods were at first held by Customs authorities to have contravened the provisions of import licences but were later on allowed, so as to make sure that the existing powers are not being exercised in a vexatious manner.*

(i) Malpractices in Import/Export Trade

159. The Committee desired to know from the Ministry the malpractices which had been detected in the applications received from persons or firms for import and export licences. In reply, they have been furnished with a list of malpractices. (*Vide Appendix VI*).

The Committee have been informed that the total number of cases of malpractices in import and export trade reported to Chief Controller of Imports and Exports, New Delhi during the last three years (1961 to 1963) was of the order of 2,534. The number of firms against which action was taken departmentally i.e., debarred for a specified period or suspended from obtaining import/export licences was 443. Of these 443 firms, 20 firms or persons connected therewith were prosecuted. The number of cases pending was 778. The number of cases closed without taking any action since no case was made out was 1,313. Some cases

had also come to light where inspite of the essentiality certificates granted to the applicants by Directors of Industries in States, it was found that the units did not exit.

The Committee are constrained to observe that as many as 778 cases of malpractice representing 30% of the total number of complaints received were outstanding at the end of 1963. They cannot stress too strongly the need for taking urgent steps to finalise investigations and of taking severe and prompt action against the parties at fault so that it acts as a deterrent to others.

160. The Committee note that the problem of over-invoicing and under invoicing of exports was discussed at the meeting of the Board of Trade held on the 9th June, 1962. The Board of Trade "recognised that solutions would have to be found which would deal with the evil without hampering exports." It has been stated in evidence that certain cases of under-invoicing of export of jute goods were detected and severe action has been taken against the parties at fault. Further, a system has been started of voluntary registration of contracts for exports which are duly scrutinised by the Jute Contract Committee. The Committee have been further informed that the Department of Economic Affairs, Department of Revenue and the Ministry of International Trade have been holding discussions about taking concerted measures to combat the problem of over-invoicing and under-invoicing of goods at the time of import or export.

Over-invoicing and under-invoicing of goods at the time of import or export

The Committe feel that over-invoicing and under-invoicing of goods take away valuable resources from the pool of foreign exchange of the country, at a time when they are most needed. The Committee recommend that a study may be expeditiously made of dubious tactics followed by the parties in over-invoicing and under-invoicing so that all loopholes are plugged and an end is put to such undesirable and anti-national practices.

(j) Appeals

161. It has been represented to the Committee that sometimes it takes a long time for the Import Trade Control authorities to dispose of appeals. The following table

shows the time taken in the disposal of appeals made to the Chief Controller of Imports and Exports, New Delhi during 1961-62, 1962-63 and 1963-64:

Period	Total No. of appeals received	Total No. of appeals disposed of				
		Within One month	Between one and two months	Between two and three months	Between three and six months	After more than six months
1961-62	2568	128 (5%)	1926 (75%)	256 (10%)	179 (7%)	79 (3%)
1962-63	2958	147 (5%)	2217 (75%)	295 (10%)	207 (7%)	92 (3%)
1963-64 (Upto 14-1-64)	2453	123 (5%)	1839 (75%)	243 (10%)	171 (7%)	77 (3%)

It is noted that 5% of the appeals were disposed of within one month, 75% between one and two months, 10 per cent between two and three months, 7% between three and six months and 3% after more than six months. *The Committee are somewhat surprised to note that the rate of disposal has been uniform during these years.*

The Committee do not consider the position as satisfactory and would suggest that steps may be taken to see that all appeals are disposed of within a month from the date of their submission (complete in all respects).

(k) *Miscellaneous Problems*

(i) *Impact of Import Control*

162. A leading chamber of commerce has expressed the view before the Committee that import restrictions which protect home industries inevitably tend to relieve the pressure on firms to reduce prices and improve quality. *The Committee consider that a duty devolves upon the indigenous industry to maintain high quality of production particularly when a ban is imposed on imported goods of international standard required by the manufacturers. It is obvious that if the manufacturers do not take full care in maintaining standard specifications, particularly of producer goods or raw materials, components and other articles which go into finished products, both the quality*

and volume of production would suffer. The Committee would stress the paramount need for maintaining high and consistent quality in production of goods.

The Committee understand that the market prices of indigenous products are sometimes increased by producers following an import ban or reduction in import quota. The Committee consider such artificial increase in prices as highly undesirable. The Committee feel that the Government should take note of this practice and take necessary action. The Committee also consider that a duty devolves on the associations of manufacturers and trade to impress upon their constituent members to desist from such malpractices.

The Committee consider that it would be useful if Government undertake a study of the effect of import control on price and quality of indigenous products. It may not be difficult to undertake such a study as information about a large number of indigenous products should be readily available with the Director-General of Supplies and Disposals.

(ii) Import Licences tied to specific countries

163. A leading Chamber of Commerce has represented to the Committee that sometimes licences are issued for import from countries which either do not manufacture the particular engineering goods or are unable to give timely deliveries. In this context, the Committee have been furnished details of three cases where import licences for bearings have been tied to countries which are unable to supply them. It has been stated: "In the first case, where the import licence has been tied to Czechoslovakia, the Indian company has been obliged to wait 2½ years for delivery and even then has been offered less than half of the original order. Similar difficulties arise in the second case, where the import licence was tied to the USSR and where the actual user in India has received delivery of only one type of bearing against an order for five different types of bearing placed a full 2 years previously. In the third case, where the import licence has been tied to the American DLF/AID loan, prompt delivery of most types of bearings can be relied on, but only at much higher prices and to metric specifications. The import quota was cut by 50 per cent." *The Committee need hardly say that an import licence loses its utility if it is not possible to*

import the requisite goods in time and in adequate quantity and according to specifications. They would like the Government to keep the above aspects in view while issuing import licences.

(iii) *In part of Capital equipment from different sources*

164. It has been represented to the Committee that individual units are at times obliged to procure capital equipment from a variety of sources which not only results in augmenting the inventory but also tends to up-set production programme. The representative of the Ministry of Industry has stated in his evidence before the Committee that it is due to the fact that many of the credits given to India are subject to the condition that they can be utilised only in the countries giving the credits. The Committee have been assured by the representative of the Ministry that within these limitations every effort is made to see that credits are being utilised from as few countries as possible.

C. External Assistance

(a) *Slow rate of utilisation*

165. The following table shows the amount of external assistance available to India during the Second Plan period and the Third Plan period upto 31st October, 1963 and the amount utilised during that period:

	(Rupees in crores)		
	Loans Credits	Grants	Total
(i) Amount remaining unutilised at the end of First Plan <i>i.e.</i> on 31-3-56 and carried forward to Second Plan	100.5	67.8	168.3
(ii) Additional aid made available during Second Plan	1299.5	121.9	1421.4
(iii) Total aid available during Second Plan	1400.0	189.7	1589.7
(iv) Utilisation during Second Plan	724.6	160.3	884.9
(v) Amount carried over from Second Plan to the 1st Year of Third Plan <i>i.e.</i> on 1-4-61	675.4	29.4	704.8

(Rupees in crores)

	Loans Credits	Grants	Total
(vi) Additional aid made available during 1st Year of Third Plan	371·7	31·0	402·7
(vii) Total aid available for utilisation during 1st year of Third Plan	1047·1	60·4	1107·5
(viii) Utilisation during 1st Year of Third Plan	230·2	21·0	251·2
(ix) Amount carried over to the 2nd year of Third Plan	816·9	39·4	856·3
(x) Additional aid made available during 2nd year of Third Plan	628·9	9·3	638·2
(xi) Total available for utilisation during 2nd year of Third Plan	1445·8	48·7	1494·5
(xii) Utilisation during 2nd year of Third Plan	310·5	13·9	324·4
(xiii) Amount remaining unutilised at the end of March, 1963 and carried over to 1-4-63	1135·3	34·8	1170·1
(xiv) Additional aid made available from 1-4-63 to 31-10-63	195·7	..	195·7
(xv) Total aid available for utilisation from 1-4-61 to 31-11-63	1331·0	34·8	1365·8
(xvi) Utilisation from 1-4-63 to 30-10-63	212·2	7·8	220·0
(xvii) Amount remaining unutilised at the end of October, 1963	1118·8	27·0	1145·8

It would be seen from the above that the rate of utilisation of external assistance during the Second Plan period and Third Plan period upto the 31st October, 1963 has been slow.

166. It has been stated by the representative of the Ministry of Finance during evidence before the Committee that as regards credits tied to particular projects, the delay is partly due to the time taken by foreign suppliers to

fabricate the equipment and partly to other factors; there is however, scope for speeding up the procedure. As regards united loans, the main reason for a substantial portion of them remaining unutilised has been attributed by him to the delay in securing goods against the licences issued. Licences have been issued for a substantial proportion of the united loans. The Committee note that two committees have been appointed; one under the chairmanship of Shri T. Swaminathan, Secretary, Departments of Supply and Technical Development to review the operation of the controls applicable to the establishment of additional industrial capacity, the import of goods, the issue of capital and collaboration and to suggest modifications as would reduce delays in decision; and the other under the chairmanship of Dr. V. K. R. V. Rao, Member, Planning Commission to see how utilisation of foreign credits could be expedited. Swaminathan Committee has since submitted an interim report.

The Committee consider that at a time when the industry is feeling greatly strained for want of availability of foreign exchange, it is unfortunate that from year to year, large amounts of grants and credits have been allowed to remain unutilised on which, in some cases, commitment charges have to be paid. The Committee cannot too strongly emphasise the need for streamlining the procedures so that the grants and credits which are arranged after such hard efforts are put to effective use.

(b) Commitment Charges

167. The Committee have been informed by the Ministry of Finance that the commitment charges are paid on unutilised portion of the loans from the day the loan agreement is made effective. Only in the case of loans from the International Bank for Reconstruction and Development and Germany such charges are paid. The commitment charge is generally 0.75 per cent. The total amount of foreign loans/credits authorised in foreign currency up to 30th September, 1963, is Rs. 2,693.38 crores. Out of this, the amount liable to commitment charges is Rs. 489.93 crores. Commitment charges paid upto 31st October, 1963 add to Rs. 3.71 crores. This is inclusive of Rs. 2.04 crores on non-Government account.

From 1963, the German Government (i.e. Kreditanstalt) started following the World Bank procedure and a provi-

sion regarding payment of commitment charges has been incorporated in the loan agreement concluded with Kreditanstalt during the current calendar year. The total amount of commitment charges paid during 1963 (upto 31st October, 1963) to Germany is about Rs. 2 lakhs.

The Committee find that the credits obtained from the International Development Association are repayable over a period of 50 years, including a grace period of 10 years. No interest is payable on these credits, only a service charge of $\frac{3}{4}$ per cent per annum on the amount drawn and outstanding is payable to the Association for its administrative expenses.

The Committee consider that it would obviously be better if other foreign creditors including the International Bank for Reconstruction and Development and the Kreditanstalt etc. are persuaded to give loans to India on terms similar to those of the International Development Association.

(c) Need to obtain untied assistance

168. The Committee understand that wherever imports are tied to credits from specified countries, the prices which India has to pay tend to be high. The Committee have been informed by the Ministry that the total amount of external assistance authorised by the Members of the Aid India Consortium for the Third Plan period amounted to Rs. 1206.95 crores during the first 2½ years of the Plan. Out of this amount, Rs. 447.16 crores comprised of untied loans. In the meeting of the Consortium held in June 1963 and July-August 1963 there was general recognition of the need for non-project assistance. In view of this, it is expected that during the remaining period of the Third Five Year Plan, a substantial part of their assistance would be in the form of untied loans. The Committee are glad to note that Government are already endeavouring to obtain as much of untied external assistance as possible. *The Committee need hardly stress that in the remaining years of the Third Five Year Plan, there is greater need than ever of obtaining untied assistance from friendly countries.*

D. Import-Export Stabilisation Fund

169. Plentiful supply of raw materials is an essential pre-requisite of a dynamic industry. In this connection, the Mudaliar Committee recommended the creation of an "Import-Export Stabilisation Fund" through which imports of essential commodities could be financed on a revolving basis. This recommendation was further considered by the Study Group on Export Finance set up under the Chairmanship of Shri K. P. Mathrani. That Study Group came to the conclusion that the proposed revolving arrangement would be an important measure of export promotion and be of general benefit to the economy. *The Committee recommend that early decision may be taken on the question of setting up of an Import-Export Stabilisation Fund.*

NEW DELHI;

March 12, 1964.

Phalguna 22, 1885 (Saka)

ARUN CHANDRA GUHA,

Chairman,

Estimates Committee.

APPENDIX I

(Vide para 75)

Exports of Engineering Goods

Sl. No.	Principal items	1960-61	1961-62	1962-63	April-Oct. 1962	April-Oct. 1963
(Rs. in lakhs)						
1.	Crown Corks	10·11	7·97	5·81	3·29	4·32
2.	Household Utensils of Aluminium	37·56	34·75	35·55	20·10	22·37
3.	Household Utensils of Iron & Steel (including Stainless steel utensils)	12·67					35·29	23·87	46·44
4.	Hardware of Metals	13·32	10·30	9·87	7·79	16·83
5.	Cutlery	12·70	7·60	6·62	4·25	4·89
6.	Bolts, Nuts, Rivets, Dog Spikes and other fastners	5·01	5·94	5·29	3·67	2·49
7.	Sewing Machines and Parts	52·59	44·41	48·27	20·14	19·69
8.	Room Air Conditioners, Domestic Refrigerators Water-coolers and Ice Machinery	1·55	1·22	3·86	2·91	2·62
9.	Diesel Engines (Vehicular & Stationery)	26·07	47·73	54·25	34·39	39·14
10.	Machine Tools	2·51	2·39	7·99	2·11	3·91
11.	Electric Fans & Parts	81·80	77·01	100·33	41·01	41·01
12.	Dry Batteries, Components and processed materials for Dry Batteries	11·23	14·84	22·29	14·03	36·26
13.	Cycles, Components and accessories	6·86	15·73	11·45	5·31	14·51
14.	G.I. Buckets and Drums	14·70	12·55	13·14	7·31	4·71
15.	M.S. Pipes, Tubes and Fittings	17·17	12·23	6·18	3·79	27·03
16.	Steel Trunk	23·58	20·03	21·80	11·74	14·26
17.	Screws	12·82	2·90	3·99	2·74	1·99

Sl. No.	Principal Items	1960-61	1961-62	1962-63	April-Oct. 1962	April-Oct. 1963
(Rs. in lakhs)						
18.	Oil Mill Machinery	14.84	17.29	14.90	7.98	9.24
19.	Railway Track Fittings	8.69	28.91	41.50	17.93	30.26
20.	Transmission Line Towers . . . . .	..	22.24	28.79	23.69	7.43
21.	Iron and Steel Castings (all sorts)	19.67	33.54	29.54	13.39	24.72
22.	Steel Furniture	16.05	21.61	22.30	12.36	12.76
23.	G.L.S. Lamps & Fluorescent Tubes	3.25	6.52	10.19	6.53	6.71
24.	Tea Machinery	12.02	11.31	15.51	8.62	17.98
25.	Triplate Containers	9.74	16.67	13.48	8.64	11.70
26.	Steel Items	} 641.62	213.12	25.21	1.60	26.82
27.	Others		435.29	587.84	147.92	281.65
Grand Total		1066.07	1136.76	1131.24	457.11	731.74

Source : Engineering Export Promotion Councils' Home Bulletin.

APPENDIX II

(Vide para 99)

India's Trade with East European Countries

(Rs. in lakhs)

	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63
U.S.S.R.							
Imports from	.	.	.	1,719	1,587	3,994	5,550
Exports to	1,691	2,447	1,721	3,038	2,881	3,221	3,854
Balance of trade	1,550	1,666	2,590	+1,319	+1,294	-773	-1,696
	-141	-781	+869				
Czechoslovakia							
Imports from	.	.	.	454	876	1,502	1,971
Exports to	727	548	578	502	730	810	1,136
Balance of trade	326	338	402	+48	-146	-692	-835
	-401	-210	-176				
E. Germany							
Imports from	.	.	.	267	331	564	794
Exports to	49	63	200	291	329	455	851
Balance of trade	46	190	117	+24	-2	-109	+57
	-3	+87	-83				

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Poland											
Imports from	444	300	230	419	442	916	784
Exports to	124	92	88	493	387	451	1,171
Balance of trade	.	.	.	.	-320	-208	-142	+74	-55	-465	+387
Hungary											
Imports from	.	.	.	.	66	79	129	197	202	561	291
Exports to	.	.	.	.	49	38	76	71	137	476	661
Balance of trade	.	.	.	.	-17	-41	-53	-126	-65	-75	+370
Rumania											
Imports from	.	.	.	.	19	63	54	164	495	383	261
Exports to	.	.	.	.	22	56	44	237	139	261	341
Balance of trade	.	.	.	.	+3	-7	-10	+73	-356	-122	+80
Bulgaria											
Imports from	.	.	.	.	22	13	8	24	54	96	233
Exports to	.	.	.	.	5	2	14	17	19	89	176
Balance of trade	.	.	.	.	-17	-11	+6	-7	-35	-7	-57
Yugoslavia											
Imports from	.	.	.	.	200	306	160	298	444	746	735
Exports to	.	.	.	.	26	79	93	258	333	618	1,134
Balance of trade	.	.	.	.	-174	-227	-67	-40	-111	-128	+399
Total											
Imports from	.	.	.	.	3,218	3,819	3,080	3,542	4,431	8,762	10,619
Exports to	.	.	.	.	2,148	2,421	3,424	4,907	4,955	6,381	9,324
Balance of trade	.	.	.	.	-1,070	-1,398	+344	+1,365	+524	-2,381	-1,295

APPENDIX III

(Vide para 147)

The Break-up of imports into Major Heads—Capital goods, industrial goods and consumer goods during the years 1960-61 to 1962-63

Items	1960-61		1961-62		1962-63	
	Val.	%	Val.	%	Val.	%
(Value in crores of Rs.)						
1. Capital Goods .	153·24	13·91	165·29	15·74	173·11	16·13
2. Industrial Goods	685·60	62·25	694·40	66·13	696·35	64·87
3. Consumer Goods—						
(i) Foodgrains (Wheat and Rice)	175·64	15·95	106·52	10·15	113·12	10·54
(ii) Others	86·91	7·89	83·90	7·98	90·83	8·46
TOTAL (3)	262·55	23·84	190·42	18·13	203·95	19·00
TOTAL 1 to 3	1101·39	100·00	1050·11	100·00	1073·41	100·00
4. Returned goods and special transactions	4·36	..	3·08	..	3·68	..
GRAND TOTAL +	1105·75		1053·19		1077·09	

NOTE.—Figures are exclusive of imports into Goa, Daman and Diu.

+ The Grand totals are to be revised as follows :

(value in crores of Rs)		
1960-61	1961-62	1962-63
1121·62	1092·17	1119·29

(Breakup of these figures are not readily available.)

APPENDIX IV

(Vide para 148)

Statement showing number and value of import licences issued (category-wise) by C.C.I. & E. and other licensing authorities under him during the licensing periods April 1961—March, 1962 and April 1962—March, 1963

Categories	Total of 1961-62 (April 1961-March 1962)		Percentage share of the total value	April 62- March 63 (upto 31-3-63)		Percentage share of the total value
	No.	Value		No.	Value	
(Value in lakhs of Rs.)						
Established Importers	179,477	7,698	8.9	1,01,679	4,718	5.4
Actual Users	1,18,043	39,200	45.8	72,213	35,575	40.9
New Comers	..	..	..	..	..	..
<i>Ad hoc</i>	3,192	2,231	2.6	1,275	2,199	2.5
G.G.†	5,837	13,806	18.5	4,431	24,341	28.0
H.E.P.	255	2,871	3.4	335	8,609	9.9
Railway Contracts	2,255	1,080	1.3	1,490	1,968	2.3
D.G.S.&D. Order	2,057	1,218	1.4	1,302	686	0.8
Raw Materials for Scheduled Industries	14,098	13,074	15.3	6,832	7,346	8.4
Others	6,229	2,415	2.8	4,426	1,529	1.8
TOTAL	1,31,143	85,593	100.0	1,93,983	86,971	100.0

APPENDIX V

(Vide para 154)

Statement showing receipts, disposal and pendency of import licence applications in the Import Trade Control Organisation during the licensing period April-September, 1963 (upto 27th September, 1963).

	B.F.	Receipts	Total	Disposal	Pendency
Headquarters	939	30,915	31,854	29,754	2,100
Bombay	227	56,324	58,551	53,725	2,826
Calcutta	130	16,755	16,885	15,898	987
Madras	12	11,544	11,556	8,434	3,122
C.L.A. . . . .	..	26,073	26,073	25,855	218
Ernakulam	10	2,175	2,185	2,014	171
Rajkot . . . . .	..	881	881	881	..
Visakhapatnam	66	736	802	644	158
Pondicherry	30	1,307	1,337	1,285	52
Bangalore	1	2,123	2,124	2,093	31
New Kandla . . . . .	..	28	28	28	..
Shillong . . . . .	..	156	156	156	..
TOTAL	1,415	1,49,017	1,50,434	1,40,767	9,665

APPENDIX VI

(Vide para 159)

Malpractices generally resorted to by persons in Import and Export Trade.

1. applying for licences on the basis of forged essentiality certificates of the Director of Industries or certificates obtained by misrepresentation;

2. applying for licences on the basis of forged quota certificates or such certificates obtained by false or forged documents of past imports;

3. applying for licences on the basis of false turnover by producing certificates from the Chartered Accountants obtained by misrepresentation or in collusion with the Chartered Accountant;

4. applying for licences on the basis of other false or forged documents;

5. applying for licences on the basis of wrong Income-tax verification number or such number having been obtained on production of false or forged Income-tax Clearance Certificate;

6. applying for licences on the basis of Imports or Exports which do not qualify for establishment of quota;

7. applying for more than one licence for the same goods during the same period on different basic years;

8. applying for licences both as established importers and as actual users for the same goods and for the same periods;

9. applying for licences separately in the name of different branches of the same firm and for the same goods on the basis of performance in different basic years;

10. applying for licences on the basis of forged or fabricated recommendation of the Directorate General of Technical Development;

11. applying for licences on the basis of forged or fabricated orders purported to have been placed by a Government department for the supply of goods sought to be imported;

12. applying for licences by concealing changes in the ownership or constitution of business;

13. obtaining clearance of goods from the customs by producing false or fabricated recommendation purported to have been issued by the Import and Export Trade Control authorities or by obtaining such recommendation by influencing the staff of the Import and Export Trade Control Organisation.

14. selling of goods imported, against actual user licences by contravening the conditions of the licences.

15. trafficking in licences;

16. selling of goods before their clearance through the customs;

17. tampering with licences or any other documents;

18. over-invoicing and under-invoicing of goods at the time of import or export or applying for licences by misdeclaration of the value, quality, sort, quantity or description of goods.

19. applying for duplicate copy of licences by concealment of facts;

20. making unauthorised changes or interpolations in the licences by means of chemical washing of the original entries in the licences or in the lists attached to licences;

21. importing goods against a bogus licence;

22. applying for licences in the name of fictitious firm;

23. soliciting of licences;

24. smuggling of goods;

25. offering illegal gratification to the staff.

APPENDIX VIII.

Statement showing the summary of Conclusions/Recommendations contained in the Report

Sl. No.	Reference to Para No. in the Report	Summary of conclusions/recommendations
(1)	(2)	(3)
1	5	The Committee consider it unfortunate that while over the decade 1950—61, the total world export trade doubled, India's share in it declined from 2:0 per cent in 1950 to 1·1 per cent in 1960.
2	6	The Committee have no doubt that every effort would be made to attain the original export target of Rs. 3700 crores excluding the exports from Goa, which are expected to total Rs. 90 crores.
3	7	The Committee consider that there is imperative need for making the industry and the public conscious of the vital importance of exports to the economy of the country. The Committee would, in this connection, like to mention that a number of industrialised countries like West Germany, Japan and U.K. lost no time after the last World War to gear up their resources for an export drive. The cooperation of the public was enlisted through increased publicity measures and catching banners like "Export or Perish". The Committee consider that in the present context of the economy of the country it is imperative that the cooperation of the public is enlisted for an all out efforts to earn foreign exchange through exports.
4	9	The Committee cannot but feel unhappy over the non-fulfilment of the export obligations by certain industries.

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The Committee would urge upon the industries to respect their export obligations. They would also like the Government to take suitable action promptly in cases where the export obligations are not discharged by the parties concerned.

5 10 (i) The Committee feel doubtful if the Expert Committee on Cost Reduction Studies which has been reduced to a one-man Committee can adequately and timely carry on studies of the relevant industries.

(ii) The Committee are constrained to observe that at a time when there is paramount need for making export commodities competitive in price, nearly six months have passed without Government taking any positive action on the recommendations of the Expert Committee made in its report on cotton textiles. They would urge the Government to give their most careful and urgent attention to the problem of cost reduction in various industries and devise a competent machinery to tackle it in a comprehensive manner.

6 11 The Committee have no doubt that Government would consider the advisability of giving such concessions to exporters as are considered necessary including that of accelerated depreciation on fixed assets used in exporting industries.

7 15 The Committee have no doubt that the recommendations of the Saraiya Committee which has been set up by the Board of Trade to study the question of incidence of sales taxes on commodities exported from India would be processed quickly and suitable action taken to ensure that the exports are not unnecessarily burdened with levies.

8 18 The Committee suggest that the Departmental Committee which deals with all problems relating to drawback should look into the difficulties being

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experienced by the industries and exporters in obtaining drawback of duties on exports and try to resolve them in consultation with the representatives of the concerned industries and exporters without any avoidable delay. They would also suggest that every effort should be made to fix the rate of drawback for as many products as possible to facilitate payment.

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The Committee would like to emphasise that the decision on the question of payment of drawback of Customs and Central excise duties on exports from one central point may be taken without any avoidable delay.

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The Committee suggest that vigorous and prompt efforts may be made to complete the comparative studies undertaken by the Freight Investigation Bureau as quickly as possible and necessary steps taken to seek reduction in freight rates particularly for sensitive commodities.

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The Committee consider that it would be worthwhile to undertake a study of the effect of heavy detention of ships at Calcutta port on c.i.f. value of exports. They would suggest that urgent measures may be taken to modernise the cargo handling facilities at the principal ports so that detention of ships, which has a direct bearing on freight rates, is reduced.

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The Committee feel that the most effective method of bringing down the Conference Lines rates is to have sufficient tramp tonnage available. The Committee suggest that the tramps may be encouraged so that they can act as a corrective and a check to the Conference system. Government should also continue to pursue the question of reducing the freight rates with the Conference Lines wherever necessary.

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13	27	<p>The Committee find that Japan had introduced the system of compulsory preshipment inspection of goods as early as 1957 for maintaining and improving its reputation for supply of quality goods. The Committee would recommend that now that a comprehensive legislation on compulsory quality control and preshipment inspection has been passed, efforts should be intensified to extend quality control to exports particularly for engineering goods.</p>
14	28	<p>The Committee hope that speedier action would be taken to establish the Free Trade Zone at Kandla so that it can make an effective contribution in increasing exports of manufactured goods and products during the current Plan period and act as a model for establishment of Free Trade Zones in other promising areas like Haldia.</p>
15	33	<p>The Committee feel that as the scarce raw materials and other goods which are allowed to be imported under the export promotion schemes command high price in the internal market, there is need for continuous vigilance to ensure that the system does not result in abuse.</p> <p>The Committee also feel that incentives should be given only to such commodities as would not find an export market on their own and where there is reasonable ground for belief that the exports would, after a time, become self-sustaining.</p>
16	34	<p>The Committee hope that the Marketing Development Fund would be utilised efficiently and fully to achieve expansion and diversification of India's export trade.</p>
17	35	<p>The Committee hope that the Institute of Foreign Trade will adequately fulfil the objects for which it has been established.</p>

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18	36	<p>The Committee hope that the Government would render necessary assistance to Export Houses so that in course of time they may make substantial contribution to the export effort. The Committee, however, trust that the Government would keep adequate vigilance to see that the opportunities may not be abused.</p>
19	39	<p>The Committee suggest that Government may consult the leading chambers of trade and industry in the matter of selection of non-official members in the trade delegations sponsored by Government.</p>
20	40	<p>The Committee note with regret that in some cases, reports of the trade delegations were submitted to Government only after a lapse of several months e.g. reports submitted by delegations sponsored by (i) Cashew Export Promotion Council, (ii) Spices Export Promotion Council and (iii) Chemicals and Allied Products Export Promotion Council. The delay in submission of reports affects their utility. The Committee suggest that suitable steps may be taken to ensure that reports are submitted in time by the trade delegations. They would also stress that there should be adequate follow up action on the reports so as to make sure that all the useful suggestions made therein have been duly implemented. It would also be desirable to make an assessment of the practical results achieved by these delegations going abroad so that in the light thereof, necessary changes or improvements could be effected to achieve the maximum results.</p>
21	48	<p>The Committee suggest that vigorous efforts may be made to prevail upon the industrial units in the country to become members of the Export Promotion Councils. In their view, the most effective method of attracting new members is to make the Export Promotion Councils demonstrably successful in their fields.</p>

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22	49	<p>The Committee cannot too strongly stress the importance of furnishing complete data about the programme of work by the Export Promotion Councils to ensure proper scrutiny and timely approval by Government.</p> <p>They would also suggest that the Ministry of International Trade may draw up in consultation with the Ministry of Finance, standing instructions about the manner in which the Export Promotion Councils should submit their estimates for the next year so that the necessity of making back references is obviated and the sanction is communicated in time.</p>
23	50	<p>The Committee suggest that Government may constitute a committee consisting of eminent persons from trade and industry to review the work at least of those Export Promotion Councils which have been in existence for three years or more. Such a review may be undertaken periodically, say once in three years.</p>
24	53	<p>The Committee would stress that the proceedings of the Export-Import Advisory Council may be finalised and circulated to the members within two to three weeks of the date of the meeting.</p> <p>In this connection, the Committee would like to commend the high standard followed in preparing the Agenda papers for the meetings of the Board of Trade and the prompt action taken to circulate the minutes. This could be emulated with advantage for preparing the papers for the Export-Import Advisory Council. They would also suggest that a statement showing action taken on the various suggestions made by the members at the last meeting may be circulated to them for information, as is being done already in the case of Board of Trade.</p>

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25	56	<p>Since the traditional items of exports continue to be the primary earners of foreign exchange, the Committee cannot too strongly stress the need for keeping a close watch on their performance. In fact, every effort should be made to increase the export of these commodities particularly to new markets so that export earnings are augmented.</p>
26	57	<p>The Committee are glad to note that exports of oil cakes, vegetable oils, etc. which had declined in the past few years have recovered and touched the figure of Rs. 59.2 crores in 1963. They trust that no effort would be spared to increase the export of oil cakes and vegetable oils.</p>
27	58	<p>The Committee suggest that concerted efforts may be made by the Government and industry to increase the yield of jute. In this context, the Committee would stress the need for supply of good quality seeds at reasonable prices and adequate supply of fertilizers.</p>
28	59	<p>The Committee would stress the need for finalising studies about the cost of production of jute at an early date and devising suitable measures to reduce the cost of production so as to make Indian raw jute competitive in price with that of Pakistan.</p>
29	60	<p>The Committee would stress that the Indian Central Jute Committee should draw up model schemes for providing retting facilities which are best suited to the requirements of different jute growing areas. There is also need for close follow up action to ensure that the funds earmarked for this purpose are put to effective use, as reports to the contrary have been received.</p>
30	61	<p>The Committee consider that the full benefit of fixing the "floor" price of jute would reach the</p>

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- cultivators only if effective measures are taken to ensure that the derivative prices fixed for all secondary markets corresponding to the "floor" price at Calcutta are fully maintained in all secondary markets.
- 31 62 The Committee suggest that Government may consider the question of introducing a system of revolving licences for importing jute so that the purchases can be made at the most opportune time from Pakistan.
- 32 63 The Committee suggest that in the interest of implementing an integrated programme for development of jute, Government should take an early decision on the recommendation of the Jute Committee regarding the establishment of a high-powered Jute Development Board.
- 33 64 The Committee understand that there are about 15 per cent of jute mills which are still not modernised. They would suggest that steps may be taken in conjunction with the jute industry to improve the working of these units.
- 34 67 The Committee would stress the need for making concentrated and urgent efforts to expand the export of carpet backing, to evolve new uses for jute and to diversify its production so that Indian jute is able to meet effectively the challenge presented by substitutes. They would also suggest that the possibilities of manufacturing tufted carpets in the country which have considerable export potential, may be urgently investigated.
- 35 68 The Committee suggest that the advisability of continuing the practice of using a proportion of second-hand jute bags for packing of cement may be examined early by Government. They would also suggest that research efforts to improve the quality and durability of jute bags may be intensified.

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36	69	<p>The Committee suggest that the question of purchase of jute by the Director General of Supplies and Disposals at a time when there is a tendency for the prices to sag, may be examined by Government.</p>
37	70	<p>The Committee cannot over-emphasise the importance of carrying out market surveys on scientific lines for export of Indian jute goods.</p>
38	71	<p>The Committee cannot too strongly emphasise the need for taking urgent and effective measures in conjunction with industry to meet the growing challenge by Pakistan Jute Mills in the export markets of the world.</p>
39	72	<p>The Committee note that Government have imposed a ban on the export of mica on consignment basis w.e.f. 1st February, 1964. Government have also fixed minimum export prices of certain varieties of mica. The Committee feel that the above steps should have been taken much earlier to stop the undesirable practice of sale of mica on consignment basis which was against the larger national interests.</p> <p>The Committee also suggest that the reasons for the decline in prices obtained for mica in 1962-63 specially in U.K. and East Germany may be carefully analysed and steps taken to see that mica exports fetch adequate prices in the export markets of the world.</p>
40	73	<p>The Committee would stress the necessity of evolving objective standards for mica in consultation with the industry at an early date. The standards to be evolved should be such as would command acceptance in the world markets. The Committee would like Government to consider the question of having quality control and pre-shipment inspection for mica as soon as suitable standards have been evolved.</p>

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41	74	<p>It is unfortunate that though India is the foremost country in the world so far as production and export of mica is concerned, adequate attention had not been paid in the past to the development of technology for processing of raw mica. The Committee would urge that priority may be given for development of technology and processing of mica. It is also essential that mica industry should be modernised in order to reduce the cost of production and to diversify the fabrication of mica so that more foreign exchange can be earned through export of processed mica.</p>
42	78	<p>The Committee suggest that specific plans may be drawn up for the export of important engineering goods and actual performance should be reviewed, say once a quarter, by the Board of Trade and the Engineering Export Promotion Council to see whether any remedial measures are necessary not only to sustain the exports but to steadily increase them to earn foreign exchange.</p>
43	79	<p>The Committee suggest that the possibilities of supply of simple engineering components and products to meet the requirements of engineering industries in Europe and U.S.A. may be investigated and widely publicised by the Engineering Export Promotion Council so that full advantage is taken of these openings to earn foreign exchange.</p>
44	81	<p>The Committee suggest that the problem of under-utilisation of capacity, especially of industries with export potential, should be carefully investigated and suitable remedial measures taken.</p>
45	82	<p>The Committee feel that as Indian handicrafts come to be better publicised there is bound to be growing demand for them. They would stress the</p>

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		need for continuous research in the chief consuming markets so that the design of goods, such as carpets, handprinted textiles, jewellery, silk fabrics etc. can be modified to suit taste and requirements of those countries. The Committee trust that all efforts would be made to achieve the the export target of Rs. 35 crores for handicrafts in 1965-66.
46	83	The Committee would stress that Government should make sustained efforts to encourage development of tanning industry in the country. Encouragement should also be give to the export of leather goods in finished form rather than as raw hides and skins so as to earn maximum of foreign exchange.
47	85	The Committee suggest that concentrated efforts may be made by the chemical industry to step up exports of chemical and allied products to countries in Asia and Africa which offer promising markets. The Committee consider that as drugs and pharmaceutical industries have made rapid progress in the country, it should be possible for the well established units, particularly in the Public Sector, to increase their exports.
48	86	The Committee suggest that Government may consider the advisability of allowing a higher percentage of import entitlement to the chemical industry for importing machinery and spares for the purpose of replacement and modernisation.
49	88	The Committee hope that suitable measures will be taken in the light of the findings of the <i>ad hoc</i> Committee constituted in the Indian Council of Agricultural Research to stimulate exports of the medicinal herbs and crude drugs. It would obviously be to the advantage of the country if medicinal herbs and drugs are exported after processing instead of in raw form so as to command higher per unit value.

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| 50 | 91 | As in the case of crude drugs and medicines, the Committee would suggest that an <i>ad hoc</i> committee may be constituted by Government with representatives of various interests concerned to go into the subject of export of forest products with special reference to Myrabolans, walnuts and mushrooms so that concerted measures may be taken to increase their export. |
| 51 | 92 | The Committee would suggest that stringent quality control should be maintained over shipped seedlac in order to avoid unfair competition through sub-standard shipment. Quality control would also ensure that the reputation built by India for superior quality of Indian seedlac as compared to Thailand would be maintained. They would also suggest that Government should vigorously explore possibilities of diversifying the export trade by instituting research and other suitable measures. |
| 52 | 93 | The Committee would like to bring to the notice of Government some of the important suggestions made by the Tobacco Delegation 1962 such as obtaining of foreign technical assistance for diversified development of tobacco, need for developing production of thin cigar filler tobacco with low nicotine content specially for export, assisting the exporters in increasing re-drying capacity, and the need for intensifying foreign publicity programme.

The Committee hope that Government would take early action on these recommendations and draw up an integrated programme for the development and export of tobacco. |
| 53 | 94 | The Committee suggest that the reasons for the sharp decline in the export of synthetic stones may be carefully analysed and concerted steps taken to remedy the position and improve their export earnings. |

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54	95	<p>The Committee suggest that the Ministry of International Trade may pursue the question of opening of a foreign post office at Jaipur for handling incoming and outgoing postal traffic in jewellery and precious stones and the appointment of a Customs Postal Appraiser at Jaipur to facilitate the export of these articles with the concerned Ministry/Department vigorously so that the difficulties experienced by the trade in the absence of these arrangements are removed and the export of precious stones and jewellery is facilitated.</p>
55	96	<p>The Committee suggest the decision on the proposal of authorising the Principal Postal Appraiser to conduct the appraisal of re-imported jewellery consignments without reference to Assistant Controller of Customs may be expedited.</p>
56	99	<p>While the improvement in the volume of India's exports to East European Countries is no doubt significant, the Committee are somewhat concerned to note that India has been facing an unfavourable trade balance <i>vis-a-vis</i> these countries for the last two years especially as the bilateral agreements were supposed to ensure automatic balancing of India's exports to and imports from each of the countries concerned. India's adverse balance of trade with East European Countries during 1961-62 and 1962-63 amounted to Rs. 23.81 crores and Rs. 12.95 crores respectively.</p>
57	101	<p>The Committee suggest that suitable measures may be devised to discourage re-export, if there is any, of Indian goods by East European Countries and their sale in other countries at a discount.</p>
58	102	<p>The Committee would stress the vital importance of collecting and comparing the price data of goods imported from rupee payment countries as</p>

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		<p>well as other centres of supply so as to ensure that no unfair prices are charged for imports by these countries. They suggest that the scope for the research studies by the Market Research Cell may be extended so as to cover a larger number of representative imported items. They would also suggest that the result of such studies should be suitably publicised for the information and guidance of all concerned.</p>
59	103	<p>The Committee suggest that Government may consider the advisability of allowing imports of a limited number of items which are normally imported from East European countries under Rupee Payment Agreements from general currency areas in order to enable the industry and trade to have a fair idea of their comparative price and performance.</p>
60	104	<p>The Committee are glad to note that in the recent agreements, concluded with Hungary and Czechoslovakia, specific provision has been made about the export of manufactured and semi-manufactured goods. The Committee would suggest that specific provision for export of manufactured and semi-manufactured goods may be made in trade agreements, particularly with rupee payment countries. The Committee would also stress that suitable steps should be taken to show and publicise the Indian manufactured goods in the countries with whom we have bilateral trade agreements so that larger orders for export of manufactured goods can be obtained.</p>
61	105	<p>While it may not be possible for the Government to associate the representatives of trade and industry in the negotiation of trade agreements, the Committee feel that it might be possible for Government to invite suggestions from important chambers of commerce and industry so that all the cogent suggestions are duly considered and necessary provisions are made in trade agreement.</p>

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62	106	<p>The Committee consider that vigorous efforts are called for to sustain Indian exports to neighbouring countries like Ceylon, Burma and Nepal. They suggest that a detailed study of exports to these countries from India and China may be made with a view to evolve effective measures to meet the Chinese challenge in these natural markets for India's exports.</p>
63	108	<p>The Committee suggest that Government may explore the possibilities of entering into agreements with the newly liberated countries in Africa for the import of essential minerals and raw materials from them in exchange of Indian manufactured goods and products.</p>
64	109	<p>There is great scope for Industrialisation in the African and Asian countries which have won freedom recently. India, which has already got valuable experience in the field of industrialisation, should be able to play an effective role in helping to set up new industries in these countries. The Committee are glad that the Government have taken some initiative in the matter. They would suggest that efforts in this behalf should be intensified so that full advantage is taken of the opportunities presented to enter into collaboration arrangements with entrepreneurs in these countries.</p>
65	110	<p>The Committee suggest that special efforts may be made to step up exports of Indian goods to Fiji and Trinidad which offer good scope for export of Indian goods.</p>
66	111	<p>The Committee suggest that the decision on the proposed scheme whereby only selected exporters either in arrangement with the industry itself or through some mechanism would be encouraged, may be expedited.</p>

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67	112	<p>The Committee suggest that opportunity may be taken at the forthcoming meeting of GATT to secure relaxation of import restrictions on textiles which have for long been one of the chief items of Indian exports to the developed countries.</p>
68	115	<p>With the growth of industries in India and the greater need and opportunity of exporting manufactured products including consumer goods, the Committee feel that necessity of publicity has not only increased in scope but has radically changed in character. The Committee would like the export promotion organisations to make greater use of press, film, radio and television media to make an impression on the prospective markets and create a favourable atmosphere for the export of Indian goods and products.</p>
69	116	<p>In Committee's view, publicity of Indian exportable products in the developing countries of Asia and Africa needs special attention. They would suggest that export publicity efforts in these countries should be intensified. The Indian products should be publicised in these countries not only in English but also in other languages in vogue e.g., Arabica, Malayan, French, etc.</p>
70	117	<p>The Committee hope that a careful check to avoid duplication of activities between the Indian Council of Trade Fairs and Exhibitions and the Directorate of Exhibition would be exercised by the Ministry and the position reviewed in the light of experience after a year or two.</p>
71	120	<p>The Committee would emphasise the vital need for the Indian participants in the exhibitions fairs which are held abroad to depute competent representatives to such exhibitions to book orders and otherwise promote export business. They would</p>

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		suggest that the reasons for the inadequate response from the participants in this behalf may be carefully analysed by Government and suitable steps taken to improve the position.
72	121	The Committee are glad to note the success achieved by the Indian Exhibition in Moscow and would commend that such exclusive Indian exhibitions, where justified by the export potentialities of a region, may be organised in consultation with trade and industry.
73	122	The Committee suggest that the advisability of sending a mobile exhibition of Indian products to potential markets specially to African and Asian countries offering promising potentialities for export may be considered.
74	124	The Committee consider that if full participation of industry and trade in the International Exhibitions/Fairs is to be secured, it is imperative that adequate notice of time should be given to them.
75	124	The Committee suggest that the whole procedure regarding the receipt and return of exhibits offered for display in International Exhibitions/Fairs may be carefully examined and suitable measures taken to reduce the loss of exhibits in transit.
76	125	The Committee consider that it is essential to ensure that for every product exhibited, relevant data regarding response from visitors is collected and is passed on to the participant concerned. Remarks pertaining to reaction to quality, packing, price etc. are very important especially for items of mass consumption. Unless these reactions are conveyed to the manufacturers concerned, the time and money spent in holding such exhibitions may not be fully justified.
77	126	The Committee hope that permanent exhibitions showing export products would be established before long in the country.

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| 78 | 129 | <p>The Committee find that out of the total of 44 Commercial Representatives posted abroad, only 13 of them know the language of the country to which they are accredited. Out of these 13 Commercial Representatives, only 3 are working in non-English speaking countries. It would be a distinct advantage if the Indian Commercial Representative knows the language of the country in which he has to function. The Committee suggest that necessary steps may be taken in this direction without delay.</p> |
| 79 | 131 | <p>The Committee would stress that as export and trade are of basic importance to the country, care should be taken to see that officers who show special aptitude for the work and have adequate knowledge and background are only posted as commercial representatives. The Committee would stress that orientation and refresher courses in International Trade should be given to the I.F.S. Officers so that they are well-equipped to discharge fully their responsibilities.</p> |
| 80 | 132 | <p>The importance and utility of upto date and comprehensive market surveys in the promotion of international trade needs no stress. The Committee feel that a survey to be purposeful should contain not only upto date and reliable information but bring out pointedly the prospects for Indian exports. They would stress that the staff of the Commercial Sections of the Indian Embassies abroad should be well versed in the technicalities of market research so that they can produce reports which would be of practical value to the Indian industry and trade.</p> |
| 81 | 133 | <p>The Committee suggest that Government may undertake a comprehensive study of the market survey reports prepared by the Indian Government Commercial Representatives abroad and those brought out by other countries with a view to effecting improvements.</p> |

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82	134	<p>The Committee suggest that the market survey reports may be reviewed periodically so as to keep them uptodate. As the pattern of trade with developing countries is liable to rapid change, it may be desirable to review the market survey reports in respect of them at shorter intervals.</p>
83	135	<p>The Committee note with regret that the survey reports are published in the Indian Trade Journal after lapse of several months. If the survey reports are to be of any real use to the industry and trade, it is imperative that they are published without delay.</p>
84	136	<p>The Committee cannot too strongly stress the importance of prompt transmission of trade enquiries to the interested organisations and established parties in India and hope that suitable and adequate machinery for the purpose would be evolved, without any avoidable delay.</p>
85	137	<p>The Committee consider that the Commercial Representatives should try to be more helpful to Indian businessmen and manufacturers who go abroad and seek their assistance for promoting exports. They would also stress the need for closer cooperation between the Commercial Representatives and the "Foreign Officers" of the Export Promotion Councils.</p>
86	138	<p>The Committee are glad to note that recently an opportunity was provided by Government for exchange of views between Indian envoys working in African and West Asian countries with representatives of Export Promotion Councils and Commodity Boards. The Committee suggest that such exchange of views between the Indian envoys and Export Promotion Councils and Commodity Boards may be arranged for other regions, having promising export prospects.</p>
87	139	<p>The Committee suggest that energetic steps should be taken to improve the working of the Department of Commercial Intelligence and Statis-</p>

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tics so that it can render efficient and prompt service to the Industry and trade.

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As the Directory of Exporters is an important instrument of export promotion, the Committee need hardly stress that continuous efforts should be made to improve its contents and get up so that it can in near future compare favourably with the Directories which are being brought out by advanced countries.

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The Committee suggest that Government may consider the advisability of a tabulated sheet indicating the production and export trends of each export product being brought out once in six months or so by the Department of Commercial Intelligence and Statistics or by some other agency.

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The Committee consider that it would greatly facilitate work and remove ambiguities if there is one schedule uniformly applied for the purposes of issuing licences, reckoning import statistics and for levy of customs duties. They would recommend that earnest efforts should be made to evolve such a uniform schedule.

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The Committee suggest that Government may take steps to provide proper accommodation for the Department of Commercial Intelligence and Statistics and Commercial Library. The Committee would also stress that the Commercial Library should be re-organised so as to increase its utility to the trade and industry.

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The Committee consider that import control should serve as an instrument of industrial development, as a conservator of foreign exchange and as a vehicle of export promotion. It should help to set competitive standards for quality and price and keep in check prices of goods, particularly consumer goods. In short, the import control

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		policy should strengthen the industrial base of the country, diversify the economic structure and create conditions of a self-generating economy.
93	147	<p>The proportion of industrial goods imported from abroad increase from 62.25% in 1960-61 to 66.13% in 1961-62 but thereafter declined to 64.87% in 1962-63. The share of other consumer goods in the total imports, however, increased from 7.89% in 1960-61 to 8.46 per cent in 1962-63. The Committee feel that unless the reduction in the percentage of import of industrial goods is due to substitution of imports by indigenous goods, it may lead to imbalance and result in idling of capacity in existing units.</p> <p>The Committee consider that the increase in the percentage of imports of consumer goods is indicative of not a very desirable trend.</p> <p>The Committee suggest that strenuous efforts may be made to bring down import of non-essential consumer goods to the barest minimum consistent with the need to check artificial increase in prices.</p>
94	148	<p>While the Committee have no doubt that the Established Importers can continue to play a useful part in the import trade particularly for items for which after-sales service is required and where goods are required to be imported in small quantities by diverse consumers, the Committee consider that the time has come when Government should try to impress on them the urgency of enlarging their sphere of activity and of engaging themselves in growing export business.</p>
95	150	<p>The Committee are concerned at the hardship which the small scale industries has had to undergo as a result of a severe cut in the allocation of foreign exchange for the import of their requirements of raw materials, components, etc. and would urge Government to give a more sympathetic and urgent consideration to their requirements.</p>

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| 96 | 151 | The Committee would stress that import policy may be announced simultaneously for all commodities, as far as possible. so that the scope for speculation is eliminated. |
| 97 | 152 | The Committee are surprised to note that the Technical Panel on Import Substitution set up in August 1962 was dissolved on the promulgation of emergency. In fact that emergency should have underlined the urgency of the problem of saving foreign exchange. The Committee hope that the new Sub-Group on Import Substitution would earnestly pursue its task and submit the report by March, 1964. The Committee also hope that Government would take action on the recommendations of the Sub-Group without delay so that as much of foreign exchange as possible could be saved by resorting to import substitution. |
| 98 | 154 | The Committee cannot help concluding that there is considerable scope for improvement in the working of the Chief Controller of Imports & Exports Organisation. They feel that in an organisation like this, timely and expeditious disposal of work should be the primary consideration. They would recommend that a careful and thorough investigation into the staff position of this office, may be made urgently and suitable steps taken to remedy the position. |
| 99 | 154 | The Committee consider that the large number of pending applications at the end of the half year on the 30th September, 1963 indicates that there is lot of scope vet for streamlining the procedure. As a large number of applications are stated to be submitted incomplete, the Committee suggest that Government may bring out a Guide Book containing detailed instructions about the manner in which the various forms should be filled. |

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100	155	<p>The Committee have been informed during the evidence by the representative of the Directorate General of Technical Development that normally it should not take more than two weeks to know whether a particular item is indigenously manufactured or not. The Committee only hope that this estimate of two weeks in disposing of applications is adhered to in practice, so that there is no occasion for non-official organisations to represent that it takes two years to dispose of some applications.</p>
101	156	<p>The Committee fail to understand how the following publications, two out of which Nos. (i) and (iii) were last brought out in 1961, can be proper substitute for the annual register recommended by the Mudaliar Committee:</p> <ul style="list-style-type: none"> <li data-bbox="533 1046 1247 1127">(i) Handbook of Indigenous Manufacturers of Engineering Stores; <li data-bbox="529 1157 1247 1283">(ii) Handbook of Indigenous Manufacturers of Chemicals and Miscellaneous Stores; <li data-bbox="519 1313 1247 1439">(iii) Names of Indigenous Manufacturers of Industrial Machinery (Banned or Restricted Types); and <li data-bbox="519 1469 1247 1552">(iv) Import Policy for Actual Users for machinery and equipment. <p>They also regret that the Handbook of Indigenous Manufacturers of Engineering Stores does not cover indigenous manufacturers in the Small Scale Sector.</p> <p>The Committee cannot but regard the present position in this respect as unsatisfactory. They would suggest that the publications referred to above may be issued annually after bringing the information up to date. They would also suggest that the advisability of bringing out a Handbook of Indigenous Manufacturers in the Small Scale Sector by the Development Commissioner, Small Scale</p>

(1)	(2)	(3)
		Industries or alternatively including the relevant information in the Handbook being brought out by Directorate General of Technical Development may be considered by Government.
102	157	The Committee suggest that Government may consider the advisability of adopting an I.B.M. system etc. for maintaining up-to-date information about the availability of goods from indigenous sources so that applications for import licences could be processed quickly.
103	157	The Committee suggest that Government may take suitable measures to ensure that description of items in the applications for import licences is furnished precisely by the applicants. They have already suggested that suitable Guide Book for filling up the forms for import licences might be brought out by the Import Trade Control authorities. They would like that in the Guide Book, special emphasis may be laid on the desirability of furnishing precise information by applicants about the items of machinery etc. which they require.
104	158	The Committee would suggest that a study may be made of the cases where goods were at first held by customs authorities to have contravened the provisions of import licences but were later on allowed so as to make sure that the existing powers are not being exercised in a vexatious manner.
105	159	The Committee are constrained to observe that as many as 778 cases of malpractice representing 30% of the total number of complaints received were outstanding at the end of 1963. They cannot stress too strongly the need for taking urgent steps to finalise investigations and of taking severe and prompt action against the parties at fault so that it acts as a deterrent to others.

(1)	(2)	(3)
106	160	<p>The Committee feel that over-invoicing and under-invoicing of goods take away valuable resources from the pool of foreign exchange of the country, at a time when they are most needed. The Committee recommend that a study may be expeditiously made of the dubious tactics followed by the parties in over-invoicing and under-invoicing so that all loopholes are plugged and an end is put to such undesirable and anti-national practices.</p>
107	161	<p>The Committee do not consider the position regarding disposal of appeals made to Chief Controller of Imports and Exports as satisfactory and would suggest that steps may be taken to see that all appeals are disposed of within a month from the date of their submission (complete in all respects).</p>
108	162	<p>The Committee consider that a duty devolves upon the indigenous industry to maintain high quality of production particularly when a ban is imposed on imported goods of international standard required by the manufacturers. It is obvious that if the manufacturers do not take full care in maintaining standard specifications, particularly of producer goods or raw materials, components and other articles which go into finished products, both the quality and volume of production would suffer. The Committee would stress the paramount need for maintaining high and consistent quality in production of goods.</p>
109	162	<p>The Committee understand that the market prices of indigenous products are sometimes increased by producers following an import ban or reduction in import quota. The Committee consider such artificial increase in prices as highly undesirable. The Committee feel that the Government should take note of the practice and take</p>

(1)	(2)	(3)
		necessary action. The Committee also consider that a duty devolves on the associations of manufacturers and trade to impress upon their constituent members to desist from such malpractices.
110	162	The Committee consider that it would be useful if Government undertake study of the effect of import control on price and quality of indigenous products. It may not be difficult to undertake such a study as information about a large number of indigneous products should be readily available with the Director General of Supplies and Disposals.
111	163	The Committee need hardly say that an import licence loses its utility if it is not possible to import the requisite goods in time and in adequate quantity and according to specifications. They would like the Government to keep the above aspects in view while issuing import licences.
112	166	The Committee consider that at a time when the industry is feeling greatly strained for want of availability of foreign exchange, it is unfortunate that from year to year, large amounts of grants and credits have been allowed to remain unutilised on which, in some cases commitment charges have to be paid. The Committee cannot too strongly emphasise the need for streamlining the procedures so that the grants and credits which are arranged after such hard efforts are put to effective use.
113	167	The Committee consider that it would obviously be better if other foreign creditors including the International Bank for Reconstruction and Development and the Kreditanstalt etc. are persuaded to give loans to India on terms similar to those of the International Development Association.
114	168	The Committee need hardly stress that in the remaining years of the Third Five Year Plan there

(1)

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(3)

is greater need than ever of obtaining untied assistance from friendly countries.

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The Committee recommend that early decision may be taken on the question of setting up of an Import-Export Stabilisation Fund.

APPENDIX VIII

Analysis of recommendations in the Report

I. Classification of recommendations:

A. Recommendations for improving organisation and working:

S. Nos. 3, 5, 7—14, 16, 18—46, 48—57, 59—74, 76—104; 107; 109—112, 114 and 115.

B. Recommendations for effecting economy:

S. Nos. 15, 58, 75, 105, 106 and 113.

C. Miscellaneous:

S. Nos. 1, 2, 4, 6, 17, 47 and 108.

II. Analysis of more important recommendations directed towards economy:

Sl. No.	S. No. as per summary of recommendations (Appendix VIII)	Particulars
(1)	(2)	(3)
		<p>As the scarce raw materials and other goods which are allowed to be imported under the export promotion schemes, command high price in the internal market, there is need for continuous vigilance, to ensure that the system does not result in abuse.</p>
1	15	Incentives should be given only to such commodities as would not find an export market on their own and where there is reasonable ground for belief that the exports would, after a time, become self-sustaining.
2	53	Price data relating to goods imported from rupee payment countries as well as other centres of supply should be collected and compared so as to ensure that no unfair prices are charged for imports by these countries.

(1)	(2)	(3)
3	75	The procedure regarding the receipt and return of exhibits offered for display in International Exhibitions/Fairs may be carefully examined and suitable measures taken to reduce the loss of exhibits in transit.
4	105	There is need for taking urgent steps to finalise investigations and of taking severe and prompt action against parties who are alleged to have indulged in malpractices in import and export trade, so that it acts as a deterrent to others.
5	106	Over-invoicing and under-invoicing of goods take away valuable resources from the pool of foreign exchange of the country, at a time when they are most needed. A study may be expeditiously made of the dubious tactics followed by the parties in over-invoicing and under-invoicing so that all loopholes are plugged and an end is put to such undesirable and anti-national practices.
6	113	Foreign creditors including the International Bank for Reconstruction and Development and the Kreditansalt may be persuaded to give loans to India on terms similar to those of the International Development Association.
