ESTIMATES COMMITTEE 1963-64

SIXTY-FIRST REPORT

(THIRD LOK SABHA)

MINISTRY OF INTERNATIONAL TRADE

Action taken by Government on the Recommendations contained in the Hundred and Sixty-Sixth Report of the Estimates Committee (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Part V—Export Promotion of Cotton Textiles.



LOK SABHA SECRETARIAT NEW DELHI

April, 1964/Vaisakha, 1886 (Saka)

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1963-64

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^{*}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 of the Estimates Committee, having been authorised by the Committee, present this Sixty-First Report of the Estimates Committee, on action taken by Government on the recommendations contained in the Hundred and Sixty-Sixth Report of the Estimates Committee (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Export Promotion of Cotton Textiles.
- 2. The Hundred and Sixty-Sixth Report of the Estimates Committee was presented to the Lok Sabha on the 28th March, 1962. Government furnished replies indicating the action taken on the recommendations contained in Report on the 17th December, 1962 and the 7th December, 1963.
- 3. Replies to the recommendations were considered by the Study Group D of the Estimates Committee (1963-64) on the 30th August, 1963, 21st December, 1963 and the 28th March, 1964. The draft Report was adopted by the Committee on the 28th April, 1964.
 - 4. The Report has been divided into following Chapters:
 - I Report.
 - II Recommendations that have been accepted by Government.
 - *III Recommendations which the Committee do not desire to pursue in view of the Government's reply.
 - *IV Recommendations in respect of which replies of Government have not been accepted by the Committee.
 - V Recommendations in respect of which final replies of Government are still awaited.
- 5. An analysis of the action taken by Government on the recommendations contained in the 166th Report (Second Lok Sabha) of the Estimates Committee is given in Appendix. It would be observed therefrom that out of 22 recommendations made in the Report, 21 recommendations i. e. 95.5 per cent have been accepted by Government and final reply of Government in respect of one recommendation i.e. 4.5 per cent has not yet been received.

New Delhi-1;

ARUN CHANDRA GUHA, Chairman,

April 29, 1964. Vaisakha 9, 1886 (Saka)

Estimates Committee.

^{*}There are no Chapters III & 'V in the Report as there are no recommendations for inclusion in these Chapters.

CHAPTER I

REPORT

The Estimates Committee are glad to observe that the recommendations contained in their Hundred and Sixty-Sixth Report (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Export Promotion of Cotton Textiles, have been generally accepted by the Government.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1) Para No. 6

The Committee recommend that the Cotton Textiles Export Promotion Council should complete early review of the export incentive scheme for cotton textiles and Government should take suitable action to rectify the shortcomings which are brought to notice.

REPLY OF GOVERNMENT

In consultation with Cotton Textiles Export Promotion Council, Government have since revised the Export Incentive Scheme. The Scheme is receiving continuous attention of the Government with a view to rectifying any shortcomings that may come to notice.

[Ministry of Commerce and Industry, O.M. No. 17(2)-Tex. B/62, dated 17th December, 1962.]

Recommendation (Serial No. 2) Para No. 7

To expedite issue of entitlement certificate under the Export Incentive Scheme, Government had recently decided to allow 90 per cent of the entitlement on the basis of Chartered Accountant's Certificates. The remaining 10 per cent would be adjusted later. The Committee welcome this step. They would also like that efforts should be directed to reduce delays and to ensure that the full entitlements are made available as soon as possible after the exports are completed and the necessary documents tendered in support thereof.

REPLY OF GOVERNMENT

The question of reducing the delays in regard to the issue of full entitlement to the mills has been considered. Suitable clauses have now been incorporated in the standard contract form between mills and exporters which would enable mills to hold the exporters responsible for production, within a stipulated time, of the evidence relating to shipment of cloth and yarn. With the introduction of these clauses, it would be possible to issue the full entitlements to the mills in one lot instead of the present method of issuing provisional entitlement first and final entitlement thereafter. The procedure for the grant of import entitlement has also been reviewed and simplified in consultation with the Cotton Textile Export Promotion Council and the Indian Cotton Mills' Federation. The new procedure will facilitate expeditious issue of import entitlements and incentives.

[Ministry of Commerce and Industry, O.M. No. 17(2)-Tex. B/62 dated 17th December, 1962.]

Recommendation (Serial No. 4) Para No. 13

The Committee learn that by manufacturing cloth according to consumers' preference Japan has been able to take over the market for African prints at a very rapid rate. Special attention should be paid to the needs of each individual foreign market. The Committee also feel that the Cotton Textiles Export Promotion Council should play a more positive role by advising the Indian exporters and manufacturers on the opening for specific classes of goods in foreign countries.

REPLY OF GOVERNMENT

The Cotton Textiles Export Promotion Council have set up Regional Committee with the object of studying the requirements of each market so that the manufacturer-exporter could be advised specifically on the types of demand in each market.

[Ministry of Commerce and Industry O.M. No. 17(2)-Tex. B/62 dated 17th December, 1962.]

Recommendation (Serial No. 5) Para No. 14

The Committee suggest that it may be made clear to the manufacturers who display textiles in the fashion shows that they are to execute all orders which emanate after fashion and mannegum shows.

Fashion shows and exhibitions of textile goods are stated to produce good results. They may be a good way of promoting exports particularly in countries which offer good prospects of absorbing our textiles.

REPLY OF GOVERNMENT

In the selection of items of cotton textiles for display through the medium of fashion shows, etc. the capacity of the concerned manufacturers for export is taken into account by the Cotton Textiles Export Promotion Council.

[Ministry of Commerce and Industry, O.M. No. 17(2)-Tex. B/62 dated 17th December, 1962.]

(Further information called for by the Estimates Committee)

Please state whether Cotton Textiles Export Promotion Council has made clear through issue of any regulations or directive that manufacturers who display textiles in the fashion shows or mannequin shows shall execute all orders which emanate after such shows.

(Lok Sabha Sectt. O.M. No. 32 (V) 62/EC, dated the 5th September, 1963).

REPLY OF GOVERNMENT

The Cotton Textiles Export Promotion Council have advised the manufacturers that all such orders should be meticulously executed.

[Ministry of International Trade O.M. No. 13(15) Tex. (A)/63, dated 7th December, 1963].

Recommendation (Serial No. 6) Para No. 15

The Committee would stress that the functioning of the trade sections in the Indian Embassies abroad should receive constant attention so that any shortcomings noticed in their working are rectified promptly in consultation with the Ministry of External Affairs. They would also like to stress the need for sending of prompt reports on market developments in respect of principal items of interest to the Indian trade and industry by the Trade Commissioner/Commercial Attaches, etc., and their paying special attention to textile exports which constitute one of the principal foreign exchange earners.

REPLY OF GOVERNMENT

The functions and duties of the Commercial Representatives abroad have been laid down in the Manual of Instructions. The review of the Manual is a continuing process and the Manual is amended from time to time in the light of the practical experience as also on the basis of the suggestions received. The shortcomings whenever brought to the notice of the Ministry are carefully examined and suitable instructions are issued whenever necessary.

With a view to ensuring that economic and Commercial developments in the foreign countries are promptly communicated to the trade, the procedure of commercial reporting was recently revised. The monthly commercial reports are now sent directly to all Export Promotion Councils, Commodity Boards, Textile Commissioner, important Chambers of Commerce, etc. so that they may bring the contents thereof to the notice of their members and constituents without delay. These reports from our Commercial Representatives deal with all important commodities of exports, including textiles. In addition, the Commercial Representatives also send, whenever necessary, special despatches to the Ministry which are at once brought to the notice of concerned interests through the means of C.I. Circulars, etc. On request from the Export Promotion Councils or Government, our Commercial Representative also conduct market survey on individual commodities. Copies of survey reports are distributed to the concerned Export Promotion Councils, Commodity Boards, etc. for the benefit of the Trade.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 7) Para No. 16

It was represented to the Committee that now that the markets for Indian textiles have been explored, it would be more advantageous to send 'Sale teams' who could transact business on the spot as was the practice followed in Japan. The Cotton Textiles Export Promotion Council may examine the suggestions.

REPLY OF GOVERNMENT

In the recent past, a number of exporting houses have sent their salesmen abroad to finalise business on the spot. The Council is con-

tinually encouraging personal contacts with buyers and wherever feasible sales team will be organised.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 8) Para No. 17

The Indian Exporters' delegation which had visited African countries last year had reported that adverse trade balance of these countries was coming in the way of Indian exports. Some of the African countries were stated to be eager to enter into bilateral trade agreements with India. The Committee would suggest that a careful review in respect of each country in Africa may be made with a view to seeing how far a trade understanding or agreement could be reached keeping in view the international obligation.

REPLY OF GOVERNMENT

India has entered into bilateral trade agreements with some countries in Africa. The question of entering into such agreements with other countries is constantly under review, but the economy of many of these countries is at present such that it may take some time before similar agreements can be entered into with them.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B 62. dated 17th December, 1962]

Recommendation (Serial No. 9) Para No. 18

The Committee understand that there was a large demand for wax-type of cloth in African countries and that special imported machinery costing about Rs. 3 lakhs was required for its manufacture. Government may examine the potentiality of exports of wax-type of cloth and if the results are promising, there should be no hesitation for the country going in for some of the specialised machinery required for its production on the condition that a substantial portion of it would be exported.

REPLY OF GOVERNMENT

The Cotton Textiles Export Promotion Council has been requested to explore the possibilities of increasing exports of wax-type of cloth to the African market. We do not anticipate any difficulty in allowing such imports of specialised machinery for manufacture of wax-type cloth under the export promotion schemes.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 10) Para No. 19

The Committee hope that with the liberalisation of conditions on the sale of printed cloth in the internal market, there will be now no hesitation on the part of the mills to supply similar lots of printed cloth to the markets abroad.

REPLY OF GOVERNMENT

No remarks.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 11) Para No. 20

Information regarding the total cloth exported from automatic looms or the duty collected as penalty for shortfall in export was not readily available with the Textile Commissioner. Since the automatic looms were being installed especially for increasing exports the Textile Commissioner should not only see that licensed automatic looms are installed speedily but that they in fact contribute the prescribed quota for export.

Recommendation (Serial No. 12) Para No. 21

The Committee are happy to know that Government have decided to licence 10,000 automatic looms in units of 500 each, on the condition that 75 per cent of the cloth produced on these looms would be compulsorily exported. They hope that the industry would take full advantage of the opportunity not only to get licences for the automatic looms but also instal them so as to augment India's exports.

REPLY OF GOVERNMENT

Necessary watch is being kept on the export obligations of the mills who have been permitted to instal automatic looms.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 13) Para No. 22

The Committee observe that prices of Indian textiles are higher than the prices of similar types of cloth exported by other leading textile manufacturing countries of the world. The Committee desire that the Textile Commissioner should take special interest in devising means which would help to increase productivity and bring down the cost of Indian textiles. For this purpose they suggest that agency of the Research Associations may be effectively utilised.

REPLY OF GOVERNMENT

The reasons for higher prices of Indian textiles as compared to prices of similar types of cloth exported by other leading textile manufacturing countries are many, and differ in character from time to time. e.g., the recent rise in prices of cotton following shortage in supply of indigenous cotton has led to a rise in the prices of cloth and yarn. Incentive scheme has been adjusted from time to time to enable mills to bring down the prices of cloth meant for export to some extent. Long term solution of bringing down the cost of production and enabling the mills to compete in the export markets lies in the improvement of quality standards, lowering of manufacturing costs, etc. Modernisation of productive equipment would appear necessary for this purpose. The export promotion incentive scheme has the objective of affording to the producers the necessary

raw material and machinery for this purpose. Modernisation is also being effected by securing machinery under the various credits made available by different countries for import of textile machinery. Effective utilisation of the research associations for this purpose primarily rests with the mills. It appears that the mills are alive to this problem.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 14) Para No. 23

The Committee understand that the question as to whether the present standard of inspection under Itex Scheme for such quality of textile goods needed to be revised upward or whether in its place two or three standards for each quality should be laid down was under the consideration of the Cotton Textiles Fund Committee. The Committee recommend that the review of Itex scheme may be expedited. They would also like to emphasise that the standards laid down should be strictly enforced so that the goods bearing Itex label find ready acceptance in foreign markets.

REPLY OF GOVERNMENT

Modifications of the prevailing standards are being examined and broadly it is proposed to have separate standards for two categories of cotton fabrics viz. (i) for grey fabrics (ii) for dyed, finished and superfine fabrics. It is also intended to sub-classify the two categories into Grade I and Grade II specially in the case of dyed, finished and superfine fabrics. These steps are expected to cater to the needs of various countries having different quality standards depending upon their requirements and also to eliminate any complaints or misunderstandings that some overseas buyers may have, based on their own quality standards. The standards of inspection based on the above lines will be implemented shortly.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62 dated 17th December, 1962]

Recommendation (Serial No. 15) Para No. 24

It was stated that Government had under consideration a scheme under which it was proposed to categories the mills into three classes on the basis of their past record. Certain categories could then be put under compulsory inspection and others could be exempted from it. It was also proposed to levy an inspection fee to meet the expenditure involved. The Committee hope that the industry would welcome the contemplated scheme and recommend that it may be finalised soon and brought into force.

REPLY OF GOVERNMENT

The question of introduction of compulsory inspection of cotton textiles meant for export has been fully investigated by the Cotton Textiles Fund Committee. It has decided that, as a prelude to the compulsory inspection, an ad hoc survey inspection scheme should

be introduced with a view to effectively exercise check for the quality of textiles exported. If, as a result of such survey it is found that the production of some of the mills was below the standard, inspection will be made compulsory. Such mills which are found to produce quality goods will be exempted from compulsory inspection. The ad hoc survey inspection is a continuous process and will be carried out at least twice during the course of one year. The results of such survey inspection will be made known to the mills concerned for improvement wherever necessary. If subsequent survey confirms the presence of defects, the concerned mill will be warned and if improvements are not carried out, a compulsory ITEX inspection will be enforced for specified period.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex.B/62, dated 17th December, 1962]

Recommendation (Serial No. 16) Para No. 25

The Committee hope that effective action will be taken by the Cotton Textiles Export Promotion Council to ensure that complaints regarding export of cotton textiles are disposed of expeditiously.

REPLY OF GOVERNMENT

The Cotton Textiles Export Promotion Council have already set up for this purpose a Complaints Committee which is doing its best to speed up settlement of complaints from foreign buyers.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62 dated 17th December, 1962]

Recommendation (Serial No. 17) Para No. 26

The Committee hope that effective action would be taken to improve packing so as to make it appealing and attractive.

REPLY OF GOVERNMENT

Standards for packing have been laid down by the Textile Commissioner in consultation with the Cotton Textiles Export Promotion Council.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-62]

Recommendation (Serial No. 18) Para No. 27

The Committee hope that the Government would soon be able to introduce the incentive scheme for the export of embroidery goods.

REPLY OF GOVERNMENT

An Incentive Scheme for export of embroidered goods with cotton cloth as the basic ground material has been announced.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-621

Recommendation (Serial No. 19) Para No. 28

The Committee hope that the introduction of liberalised incentive scheme for readymade garments would make for increase in exports.

REPLY OF GOVERNMENT

The export incentive scheme for cotton readymade garments has already been liberalised. The import entitlements have been increased from 15 per cent of the FOB value to 25 per cent for import of dyes, chemicals, embellishments, machinery, etc. in addition to a cotton entitlement at the rate of 50 per cent.

Besides, a scheme of incentive for export of non-fabric cotton textile manufactures as well as embroidered goods (with cotton cloth as the basic material) has also been formulated and announced so that besides cotton cloth and yarn, other items of cotton manufactures would also be eligible to receive incentives when exported.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-62]

Recommendation (Serial No. 20) Para No. 29

The Committee have no doubt that, if the State Government is moved in the matter, the necessary accommodation for setting up the show room in Bombay would be made available.

REPLY OF GOVERNMENT

The Cotton Textile Export Promotion Council is continuing its efforts to obtain a suitable site for the proposed show room.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-621

(Further information called for by the Study Group of the Estimates Committee)

Please state if the Maharashtra Government have been moved to provide necessary accommodation for setting up the show room by the Cotton Textiles Export Promotion Council in Bombay. If so, with what results?

[Lok Sabha Secretariat O.M. No. 32 (V) 62 EC, dated the 5th September, 1963]

REPLY OF GOVERNMENT

The Council's efforts with the State Government to secure a show room of adequate size have not been successful. The Cotton Textiles Export Promotion Council are exploring the possibility of acquiring a show room through estate agents.

[Ministry of International Trade O.M. No. 13(15)-Tex. (A)/63 dated 7-12-1963]

Comments of the Committee

The Committee hope that every effort will be made to secure at an early date the necessary accommodation for setting up the show room in Bombay.

Recommendation (Serial No. 21) Para No. 30

The Committee hope that the negotiations going on at present with the members of European Common Market will lead to satisfaction results on the whole and in particular on the question of Export of Indian Textile goods to Britain and other member-countries of European Common Market.

REPLY OF GOVERNMENT

Our Ambassador at Brussels is keeping in close touch with the negotiations with the E.C.M.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-62]

(Further information called for by the Study Group of the Estimates Committee)

Please intimate the latest position regarding negotiations with European Common Market for Indian exports, particularly of Indian textiles.

[Lok Sabha Sectt. O.M. No. 32(V)62/EC, dated the 5th September, 1963]

REPLY OF GOVERNMENT

Representatives of the Cotton Textiles Export Promotion Council in consultation with our Ambassador in Belgium carried out negotiations at the industry level in each of the E.E.C. countries with the object of softening the resistance to the proposal for nil tariffs on Indian cotton textiles imported in E.E.C. countries in low count grey cloth categories. It was the objective to arrive at certain working arrangements with the industry so that trade could effectively take place. Negotiations are still going on.

[Ministry of International Trade O.M. No. 13(15)-Tex. (A)/63 dated 7-12-1963]

Recommendation (Serial No. 22) Para No. 31

Before expanding the activities of the Council, it would be advantageous if arrangements were made to evaluate objectively the work done by the Cotton Textiles Export Promotion Council more specially by its overseas offices.

REPLY OF GOVERNMENT

The recommendation is accepted and action will be taken in due course.

[Ministry of Commerce and Industry O.M. No. 17 (2) Tex. B/62, Dt. 17-12-62]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

NIL

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

NIL

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 3) Para No. 11

The Committee recommend that the possibility of entrusting the overseas offices of the Cotton Textiles Export Promotion Council with more than one commodity may be examined very early. The staff may be given necessary training and a pilot scheme may be tried in a selected area and on the basis of experience gained, a comprehensive scheme for extending the arrangement to other places may be drawn up and adopted.

REPLY OF GOVERNMENT

This suggestion is being examined by the Cotton Textiles Export Promotion Council in consultation with the other appropriate Councils.

[Ministry of Commerce and Industry O.M. No. 17(2) Tex. B/62, Dt. 17-12-62]

Comments of the Committee

The Committee hope that Government would take an early decision in the matter.

New Delhi; April 29, 1964 Vaisakha 9, 1886 (Saka). ARUN CHANDRA GUHA,

Chairman,

Estimate Committee.

APPENDIX

Analysis of the Action taken by Government on the recommendations contained in the 166th Report of the Estimates Committee (Second Lok Sabha)

1.	Total number of recommendations made	22			
2.	Recommendations that have been accepted by Government (vide recommendations Nos. 1, 2 and 4—22 referred to in Chapter II).				
	Number	21			
	Percentage to total	95.5%			
3.	Recommendation in respect of which final reply of Government is still awaited (vide recommendation No. 3 referred to in Chapter V).				
	Number	1			
	Percentage to total	4.5%			