

**SEVENTY-SIXTH REPORT**  
**ESTIMATES COMMITTEE**  
**(1983-84)**

**(SEVENTH LOK SABHA)**

**MINISTRY OF COMMERCE**  
**CHIEF CONTROLLER OF IMPORTS AND EXPORTS**



76-80

*Presented to Lok Sabha on 30 April, 1984*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1984/Valsakha, 1906 (S)*

*Price : Rs. 2.00*

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## ESTIMATES COMMITTEE

(1983-84)

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1. Shri T. R. Krishnamachari—*Joint Secretary*
2. Shri Bipin Behari—*Chief Financial Committee Officer.*
3. Shri D. M. Chanan—*Senior Financial Committee Officer.*

## INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Seventy-sixth Report on the Ministry of Commerce—Chief Controller of Imports & Exports.

2. The Committee took the evidence of the representatives of the Ministry of Commerce on 7, 8, 9, 12 December, 1983 and 12 January, 1984. The Committee wish to express their thanks to the Officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to the representatives of (i) the Federation of Associations of small Industries of India; and (ii) Federation of Indian Chambers of Commerce and Industry, New Delhi, for giving evidence and making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to all other Organisations who furnished memoranda on the subjects to the Committee.

5. The Report was considered and adopted by the Committee on 26, April, 1984.

6. For facility of reference, the recommendations/observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

NEW DELHI,

BANSI LAL.

April 28, 1984.  
Valsakha 8, 1906 (S).

*Chairman,*  
*Estimates Committee*

# CHAPTER I

## ORGANISATION

### *A. Organisational Set up*

1.1 The organisation functions under the charge of the Chief Controller of Imports and Exports with Headquarters at New Delhi and 24 regional offices at Amritsar, Agartala, Ahmedabad, Bangalore, Bombay, Bhopal, Calcutta, Chandigarh, Cuttack, Ernakulam, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, New Delhi (CLA), Kandla (Gandhidham), Panjim (Goa), Patna, Pondichery, Rajkot, Shillong, Srinagar and Vishakapatnam.

1.2 While eight of these regional offices are under the charge of Joint Chief Controller, five of them are under the charge of Deputy Chief Controller and the remaining eleven are being headed by Assistant Chief Controller/Controller.

1.3 The Chief Controller is assisted by Addl. Chief Controller, Legal Adviser, Export Commissioner and a number of other senior officers functioning as Divisional heads.

### *B. Role and Functions of CCI&E*

1.4 According to the Preliminary Material furnished to the Estimates Committee by the Ministry of Commerce :

“The Import & Export Trade Control Organisation lays down the Import & Export policies of the Government of India and is also responsible for their execution/implementation. While implementing the Policy of export Promotion, it looks after the disbursement of “cash compensatory support” to exporters and Supplementary Cash Assistance in lieu of Duty Draw-back against “deemed exports”. For the purpose of duty exemption scheme under the Customs Act, 1962, Advance Licensing Committee in the office of CCI&E decides the quantum and coverage of advance licences issued to registered exporters. Of late, the thrust of the role of this organisation tends to be more on export promotion and development rather than on import regulation.”

1.5 Enquired whether the power, function and role of the CCI&E have been defined at any stage in the past, if so, what was the nature thereof, the

Commerce Secretary stated during evidence that :—

“The powers, functions and the role of CCI&E had originally been copied from the Act of 1947. The 1947 Act lays down his basic authority to regulate the export-import trade, but this particular act which is a very small Act has not gone into the various other aspects. The other functions are derived from the orders passed under in this Act. Much more than that the powers have evolved as the time has passed.

As the Committee knows, the Export Import Policy is a historical document which is brought out reflecting the local situation the policy of the Government, and re-acting or interacting to the international situation. In addition to that, there have been certain committees like the Alexander Committee, which have also added certain functions. If one has to consider the role, functions and powers of this office, one has to go through all these documents to see as to how and what has happened. In brief, his powers can be described, (i) policy formation in respect of import and export, (ii) policy implementation and (iii) enforcement relating to these policies. Again, there are two types of it; one is the regulatory aspect and the other is the promotional aspect.”

1.6 Asked whether it is not desirable that the Positive role of the CCI&E in Export Promotion and Development rather than in import regulation should be emphasised and made known not only to the organisation itself but also to the general public so that the trade and industry gets the kind of support data and intelligence from the organisation which is necessary for export promotion and development. The witness replied :

“The policy is formulated after interaction not only with the Government organisation, but also with the chambers, with the public and with the clients. Once that is done, the policy once formulated, becomes a public document and it is presented to Parliament; and along with that a general publicity is given to it. There I completely agree that this type of promotional activity should receive greater support and greater emphasis must be attached to it.”

1.7 At present Promotional and control activities in respect of both of import and export are exercised by a single officer called the Chief Controller of Imports and Exports. It has been suggested to the Committee that these activities should be bifurcated and the export brought directly under a senior officer.

1.8 Asked to give his reaction to the above suggestion, the witness stated :

“I would put it this way that if you take the totality of the picture of the Indian foreign trade, export and import are the two wheels of this particular chariot. One has to support the other because the entire import policy is based in order to give support to the export.”

It is to provide such imports, such items of raw materials and components which go to make the Indian product efficient and at the same time competitive. So, there it has got to match with each other. But if you look at the level of administration, certainly export must receive a fulfilled attention and at the same time the import must receive a separate attention. That is why we have created the Office of the Commissioner of Exports which is working in that particular Office. And yet one more thing for your kind consideration is that export or import cannot be totally divorced. That is why the Alexander Committee made the suggestion that we should instead of calling him Chief Controller of Imports and Exports call him D-G of Foreign Trade. There we find once we get into foreign trade relating to export, what happens is that we have to have negotiations with other countries."

1.9 With regard to the change of nomenclature of the CCI&E to that of D. G. as suggested by Alexander Committee the witness informed the Committee that :

"We have not accepted. What we are feeling is that there is a big role in the export area which has to be played by the Ministry itself and unless and until we part with all those powers and authority in favour of CCI&E it would not be possible for us to give effect to the recommendations."

1.10 The Committee note that the powers, functions and role of the Chief Controller of Imports and Exports are derived from Rules, Regulations and Orders issued from time to time and that there is no consolidated instrument enumerating at one place all such powers and functions. They also note that the developmental functions of the CCI&E have receded in the background and the main functions of the Organisation has become regulatory in nature. The Committee recommend that the role, powers and functions of the CCI&E should be clearly spelt out in a single instrument emphasising the positive role of the Organisation in export promotion and development.

1.11 The Committee also recommend that the Ministry of Commerce should delegate some of its functions in relation to export/import trade to the CCI&E so as to speed up the decision making process in that field. Further, being the Chief Officer of the Central Government concerned with foreign trade, it would be in the fitness of things if CCI&E is closely associated with negotiations with foreign countries in matters connected with foreign trade. The Committee, therefore, agree with the suggestion of the Alexander Committee to redesignate the Chief Controller of Imports and Exports as Director-General of Foreign Trade. He should also be given an appropriate status to enable him to discharge his expanded functions.

#### *C. Work Study made by SIU of the Ministry of Finance*

1.12 The Committee have been informed that the Work Study of the



Organisation of CCI&E including its Regional Offices by the Staff Inspection Unit of the Ministry of Finance was last made in 1970-71 and their recommendations were implemented during the year 1974-75.

1.13 When the Committee pointed out that as the study had become 13 years old, would it not be desirable to have a comprehensive study made again either by the SIU of the Ministry of finance or any other outside Organisation, the Commerce Secretary stated in evidence that "I for one will have no objection. In principle there should be a comprehensive study done."

1.14 It has been stated in the preliminary material that the SIU after work study in respect of HQs. Office at New Delhi in 1980-81, submitted their tentative assessment which is still under discussion. It has also been stated that no formal report has been submitted till August, 1983.

1.15 Enquired as to why has it taken so long to finalise the report of the SIU and to take action on the assessments of the SIU, the witness stated during evidence that—

"This report was sent to us in a tentative form in December, 1982. After the report was received, there were discussions which were arranged between the Deptt. and ourselves in order to determine whether their observations were correct or some modifications were called for. These discussions we have finished in Nov. this year. I am sure a report will come up. The report has suggested that there are many superficial things which are to be declared as surplus. But after deliberations I think they have accepted it that perhaps this cut which was originally planned was not called for."

#### *Management Study of the Organisation of CCI&E*

1.16 The Public Accounts Committee (1981-82) had, in their 111th Report, *inter alia* recommended that "Govt. should get the set-up and functioning of the Office of the CCI&E examined by a team of management experts to suggest necessary changes to improve its working." This recommendation was accepted by Govt.

1.17 Asked to indicate the steps taken since the acceptance of the PAC's recommendation to have the management study of the Organisation carried out, the Commerce Secretary stated in evidence :

"The recommendation was received and accepted, as has been indicated over here. We thought over as to who should undertake this particular study and it was felt that we must set up a study team under the Chairmanship of the Secretary and also to associate a management expert. A resolution dated 15.11.1983 was passed by our Ministry and this Committee has been set up and notified and now we are

proceeding with this important work. I have already taken one meeting of this particular Study Team."

1.18 The objectives of Government Resolution dated 15.11.1983 a copy of which was furnished by the Ministry to the Committee are as follows :

"In the recent past, a number of changes have been brought about in the Import/Export Policy framework keeping in view the structural changes which have taken place in the economy. The institutional framework for implementation of the new policies has however, remained largely unaffected. The Govt. recognised that as a corollary to the fundamental changes in the objectives and structure of the Import-Export Policy, suitable changes should be made in the Import & Export Trade Control (I&ETC) Organisation for its transition from a primarily regulatory organisation to a promotional and developmental one. The I & ETC Organisation has to be a service Organisation to the Importers/Exporters on the one hand and it has to generate a sound data base for policy formulation on the other. Keeping these objectives in view, Govt. have decided to set up a Study Team to undertake an "in-depth study" of the Organisation and structure of the Office CCI&E and to suggest measures as may be necessary to improve its management capabilities."

1.19 The Resolution provide that the Study Team will submit its report within a period of six months.

1.20 The Study Team consists of :-

1. Shri Abid Hussain — Commerce Secretary— Chairman
- MEMBERS
2. Shri Hiten Bhaya—Management Export.
  3. Shri R. N. Chopra—Additional Secretary, Deptt. of Industrial Development, Ministry of Industry.
  4. Shri R. Parameswar—Addl. Secretary, Deptt. of Personnel & A.R.
  5. Shri P. C. Jain —Chief Controller of Import & Exports.
  6. Shri J. Datta —Member, Customs, Central Board of Excise & Customs.
  7. Shri Deepak Nayyar — Economic Adviser, Ministry of Commerce.

1.21 The Committee are surprised that although the work study conducted by the SIU of the Ministry of Finance in respect of the headquarters' Organisation at New Delhi of the CCI&E was conducted as far back as 1981, the report of the SIU has not yet been finalised and the tentative recommendations made and sent to the Ministry of Commerce are stated to have been under discussion till November, 1983. The Committee do not appreciate this delay on account of the

vacillating attitude of the Ministry of Commerce in regard to the tentative recommendations made by the SIU. Such delays dilute the value of the work-study made by the SIU rendering the entire progress infructuous. The Committee would like a time limit to be fixed within which the reactions of the Ministry concerned should be communicated to the SIU and thereafter the report of the SIU should be available by a fixed time limit.

1.22 The Committee regret that a study team to examine the set up and functioning of the office of the CCI&E was constituted only recently in November, 1983 although the recommendation therefor was made by the Public Accounts Committee in their 111th Report (1981-82). The Committee also find that although the Committee had recommended the setting up of "a team of management experts" the study team consists entirely of Govt. officials except one management expert. The Committee feel that the composition of the team is far from the spirit in which the recommendation of the PAC was made. They would like the Ministry of Commerce to add at least two more management experts to the study team so that the report of the study team is more independent and objective and has professional orientation so as to be really useful.

#### *D. Control Mechanism to Watch*

##### *Disposal of Applications*

1.23 It has been stated in the preliminary material that "so far as the regulatory aspect is concerned a periodical analysis of receipt and disposal of licences and other circulars and letters in the entire organisation is conducted and put up to the Commerce Minister for orders. This serves as a useful tool for monitoring and evaluating the performance in a sensitive area and the work handled by the Organisation."

1.24 The Committee asked whether on the basis of the periodical analysis, the Ministry are satisfied that there was no undue delay in the disposal of applications for licences and other applications by the various offices of the Imports & Exports Trade Control Organisation and that the procedures are absolutely sound and fool-proof leaving no scope for malpractices. The commerce Secretary stated in evidence:—

"There is scope for improvement. the trend is towards improvement. The Hon. Minister gives time to look into the statistical information He is also working out independently, an action programme. A review is regularly done fortnightly and we try to see how best we could minimise those delays.

As for the undue delay. I would say where any mala fide working has come to our notice, we react. Otherwise, the delays have to be reduced.

It is suggested that if a comprehensive application form is available, that itself cuts the delay. You will be happy that we have done more decentralisation. With the same staff, our total export and import have been on the increase."

*Delay on account of shortage of staff*

1.25 Some non-official organisations have pointed out to the committee that processing and decisions on their applications are delayed also on account of shortage of staff in the organisation. According to them the staff strength of the organisation has not increased in proportion to the increase in the volume of work.

1.26 Asked whether it was correct, if so, what steps have been taken or are proposed to be taken in this regard, the witness stated in evidence:—

“It is not merely the shortage of staff which is responsible for the failure; it is the totality of the system in which there are many things involved, which have got to be done. The quality of the staff matters a lot. There are certain things which are required to be checked and have got to be kept in a particular order. Even to this day, our procedure is such that they become bulky files. All the parties are very unhappy about low disposal of them. Some sort of computerisation, some form of a new tool of administration must be injected into it. Yet another point which has caused difficulty to a number of clients is that the procedure takes a long time. You must have seen in the last two or three years that Govt. is trying hard to liberalise things. That may be on account of the different methods employed. The second important thing which has got to be done is delegation of powers to officers. Even if you give officers all powers, it may not be useful. What I think is of total systems approach is taken we may be able to suggest some simplification procedure and simplification of procedure is necessary. We have improved the work of our offices. But this does not mean that where there is shortage of staff we should not get more men. I was looking into the staff for the central office recently. There are 689 officials, 455 non-gazetted officer, 123 class IV persons and 111 gazetted officers are there. This is the strength in the CCI&E's organisation at the Headquarters. It is important to improve the quality of this particular staff by making it more officer-oriented rather than clerk oriented. It should work on a different basis. In foreign countries the number of people is not more important, but the whole thing works like a machine.”

1.27 The Committee find that the monitoring system in the headquarters organisation of the CCI&E and in the Ministry of Commerce to watch the disposal of applications for licences and claims for cash assistance and those under duty drawback scheme are not adequate. The Commerce Secretary admitted during evidence that there is scope for improvement in the existing system. The Committee desire the Ministry to review the monitoring and control systems existing at different levels and try to streamline them so as to make them more effective.

1.28 The Committee note the observations made by the Secretary (Commerce) in the context of delays occurring in the CCI&E in processing and taking decisions

on applications and claims, that "it is not merely the shortage of staff which is responsible for the failure; it is the totality of the system in which there are many things involved." The things requiring attention that the Commerce Secretary spelt out before the Committee were dilatory procedures, inadequate delegation of powers to officers, need for improving the quality of the staff by making the organisation more officer-oriented and injection of "some sort of computerisation" or "some form of new tool of administration." The Committee would like the Ministry to seriously consider these and take concrete steps to streamline the functioning of the organisation of the CCI&E.

*E. Status of Officers & Decentralisation of Powers*

1.29 The Committee enquired the status and scale of pay of the following category of Officers of the Export Import Trade Control Organisation:—

1. Chief Controller
2. Joint Chief Controller
3. Deputy Chief Controller
4. Assistant Chief Controller

1.30 The witness replied that:—

"The Chief Controller is of the level of Addl. Secy. and gets a consolidated salary of Rs.3,000. The Jt. Chief Controller is of the status of Deputy Secretary and gets a salary of Rs.1,500 to Rs.2,000. And the Dy. Chief Controller is of Under Secretary's level and draws a salary in the payscale of Rs.1100 to Rs.1600. The Assistant Chief Controller is in the pay scale of Rs.700 to Rs.1300. Besides, there are posts of Controller of Imports & Exports in Central Secretariat Service as well as in non-CSS in the scale of Rs.650-1200."

1.31 Enquired whether the status of the officers heading the Regional Offices of the CCI&E's Organisation was commensurate with their responsibilities and the value of disbursements made by them annually, the witness stated in evidence that:—

"The levels at which we have decentralised are the levels of Jt. Chief Controller. At their particular level they are performing the same duties which have been decentralised in favour of the Regional Office So, with relation to the status or the salary drawn there is no distinction between their authority to take up these cases either on the basis of pecuniary or on the basis of any other consideration. That way it is O. K. We have also found that the JCs, who are in Bombay and others have played a very important role. Today what we have done is that instead of raising the level of the Bombay man from the joint Chief to Addl. Chief, we have provided two joint Chiefs there. We

feel that would be in harmony with the requirement, but what we need is more of decentralisation that will have to be brought about."

1.32 A non-official Organisation has suggested that decentralisation on powers and functions of the CCI&E could be achieved by creation of posts of Addl. Chief Controllers at major ports.

1.33 Asked to offer his comments the witness stated:—

"I wish you to consider that the degree of decentralisation is not related to status. We can say that the status is not a constraint for decentralisation. Today, we have got Jt. Chief Controllers and some Deputy Chief Controllers. When decentralisation was done, it had not come in our way. Secondly, it is the appellate functions where one level has got to be higher than the other. Since we have got the Addl. Chief Controller in our head office, if we have to have Addl. Chief Controllers in the zones also, the level of this person will also have to be increased. From the appellate point of view, there is no necessity to create a person of a higher status. Moreover, status has not come in our way so far. Decentralisation by itself is good, and it can be done."

1.34 After discussing the aspects of decentralisation the Committee asked whether the question of powers, jurisdiction and upgradation of regional officers could be examined in depth, the witness replied:—

"We will get it done.

1.35 The Committee note that out of the 24 Regional offices of the CCI&E, 8 are under the charge of Jt. Chief Controllers who are of the status of Deputy Secretary (Scale : Rs. 1500-2000), 5 of them are under the charge of Dy. Chief Controller who are of the level of under Secretary (Scale : Rs. 1100-1600) and the remaining 11 are headed by Asstt. Chief Controller who are of the rank of Section Officer (Scale : Rs. 700-1300 or Rs. 650-1200). Since the heads of Regional Offices are responsible for disbursement of cash assistance and claims under duty drawback scheme of running into crores of rupees, it is only proper that the Regional Offices should be headed by officers of appropriate status.

1.36 The Commerce Secretary agreed during evidence before the Committee to get examined in depth the question of powers, jurisdiction and upgradation of the Regional Officers. The Committee hope that this examination would be undertaken soon and the Committee apprised of the result thereof.

## CHAPTER II

### EXPORT PERFORMANCE

#### *Exports in 6th Plan Period*

2.1 It has been stated in the Preliminary Material furnished to the Committee that:—

“According to the projections made for the midterm Appraisal, India’s aggregate exports for the cumulative 5 Years’ period of the 6th Five Year Plan (1980-85) in terms of 1979-80 prices are estimated to be Rs. 34903 crores against the projections of Rs. 41078 crores made in the 6th Five Year Plan Document. This would mean a shortfall in exports by about 15% because of gloomy international trade outlook...

The mid-term appraisal stressed the need for intensifying the export thrust to achieve the goal of self-reliance. Strategies should be worked out carefully for managing the foreseeable strains in the balance of payment position in the 7th Plan.”

2.2 Asked what steps Government have taken or propose to take in pursuance of the observation made in the Mid-term Appraisal, the representative of the Ministry stated:—

“It is a fact that the export figure has been scaled down in terms of costs and prices, but that sort of decline is a world phenomenon.

As a matter of fact, if you take the figures of the world trade, in 1980 it increased only at the rate of 1.5%, in 1981 it was zero per cent and 1982, it was minus two per cent.

Keeping that in view, India has been doing very well. From about Rs. 6700 crores in 1980-81, we have gone to about Rs. 7800 crores in 1981-82 and then to about Rs. 8800 crores in 1982-83; our annual rate of increase has been 4%, 16%, and 13% in 1980-81, 1981-82 and 1982-83 respectively.

It is true that if you take the international scene, some countries have done better than us, but our own performance is not really bad. We are constantly evolving policies in order to improve our exports.

Now, our taxes were coming in the way. We evolved the policy of cash compensation. We are permitting the import of such inputs which are necessary to improve the quality. Constantly, we are trying to see how we would be able to get better prices.

For example, in the case of tea, packing has been a handicap for us. In the last 1-1/2 Years, we have been extremely liberal in allowing the import of packing material, whereby we can improve the packaging.

Similarly, we have allowed the import of soles to be used with the upper here, because that will bring good prices for our shoes.

Then we were not able to supply certain commodities constantly and continuously for example agricultural products. We are constantly in dialogue with the Agriculture Ministry to ensure that our supplies are constant. Then earlier we used to send only ordinary labour to other countries, but of late we are sending our projects, in which our Engineers, designers and consultants also go.

One more area is that if we are able to improve on the credit and cash flow, we would be able to do better.”

**2.3 The Committee note that whereas the 6th Five Year Plan (1980-85) had projected total exports of Rs.41078 crores, the Mid-term Appraisal of the Plan has estimated the cumulative exports during the plan period to be Rs. 34903 crores only. This would mean a shortfall in exports by about 15 per cent. During evidence before the Committee the Commerce Secretary expressed satisfaction with our export performance in the context of the declining trend in the world trade. The Committee would, however, like to caution the Ministry of Commerce against any complacency in this regard. There can be no let up on the export promotion front. Our policies, schemes and procedures ought to be kept under constant review for reorientation to achieve a steady growth of exports. The Monitoring and review machinery should be toned up to ensure this.**



## CHAPTER III

### IMPORT/EXPORT POLICY

#### *A. Formulation of Import Policy*

3.1 It has been stated that the Import Policy is formulated for each financial year from April to March. A Working Group headed by the Chief Controller with representatives of concerned economic Ministries and technical authorities makes its recommendations on the import policy for each year.

3.2 It is stated that the process of formulation of new import policy starts in early December each year. Suggestions are invited by the CCI&E from Chambers, Associations of Trade and Industry, Central Government Departments concerned, Sponsoring Authorities, Customs Authorities and licensing authorities. These suggestions are placed before the Working Group. Suggestions on itemwise policy are considered by separate Sub-Groups headed by CCI&E and consisting of representatives of Technical Authorities concerned, such as DGTD; DC (SSI) etc.

3.3 Enquired whether suggestions are invited from Chambers, Associations of Trade and Industry through public notices in the daily newspapers, the Secretary (Commerce) stated during evidence :—

“We write letters to the Chambers, and actually some of them are involved in group discussions. I do not think we can keep them out of it. As a matter of fact, now; the stage has been reached where they start writing to us. Actually, the time has come and we have started getting ideas from them suggestions etc. to the changes they would like to be made in the Import-Export Policies.”

Asked about the composition of the Working Group on Import Policy, and whether it has representative of Trade and Industry the witness stated :—

“This is a working Group consisting of Government officials; the departments like DGTD, Industries, Commerce, Finance are represented there and along with that also there are those Departments who have got a bearing on the subjects which are to be considered.”

The witness confessed that the Working Group was basically a body cons-

sisting of officials of various Deptts. the reason being that the ideas of trade and industry had already been worked out in the preworking Group sessions. For instance if the Alumuniam Industry wanted to have certain concessions in terms of import, the Working Group would consider what should be given and what implications it would have.

It has also been stated in the preliminary material furnished to the Committee that the recommendations of the Working Group and Sub-Groups are considered by Government in the Ministries of Commerce, Industry and Finance, and approval of Minister is obtained.

Enquired as to how secrecy of the impending changes until the policy is finally announced is ensured, the witness stated :—

“We try to keep it very secret. Even the recommendations which are made are made on papers kept in the secret files which are also numbered and it has been our practice that anything which is typed with carbon copies, the rough draft and the carbon papers and other relevant pages are destroyed immediately.

#### *Consultation with Trade and Industry*

3.8 It has been stated in the Preliminary Material furnished to the Committee that “the Trade and Industry are consulted through the Central Advisory Council on Trade under the chairmanship of Commerce Minister and 4 Regional Import/Export Advisory Committees headed by non-officials.”

3.9 It has been represented to the Committee that the present arrangements for consultation are not at all satisfactory. It has been suggested that regular institutional framework should be evolved for this purpose at various levels and the consultation with Trade and Industry in these matters should be a continuous process.

3.10 Asked to give his reactions to the above suggestion, the Commerce Secretary stated during evidence :

“The present arrangements are fairly adequate. There are three forums— institutional, non—institutional, informal forums—in which consultations are held. If you take formal forums, we have the export promotion councils, commodity boards, advisory councils. They usually meet and take a view of the policy and the measures taken and the officials are present there. About the informal forums at the end of every two-three months we hold an open house meeting. A notice is given to all the exporters’ councils and the regional bodies to come prepared with their ideas and measures, criticism or review. At the top of it, we have got certain *ad hoc* system. There, sometimes representations do come from certain sectors, say tea, chemicals or jute. They have certain recommendations to make.

In addition, you will be happy to know that upto the level of Joint Secretary, we are constantly asking them to visit places from where bulk exports of items are coming. So, by and large, these particular arrangements are there. They have got their own recommendations to make."

3.11 The witness however, added :

"Some of these things are more ritual, more formal, ritually we meet and we take a view of a particular thing, we reflect on that particular thing and bring specific changes, which are immediately to be reacted to. Certainly, it is not the form which exists in Japan.

The weakness of the Indian system is that it is not operating like the "Michi" in Japan, where the Government, the Industry, the business, they all inter-act in a particular institutional form, which is reflected in the form of the polity as such.

Here the difference really arises in the political system in which we are operating. As a matter of fact, even in America such a system does not exist. But usually they say that is what has got to be done.

I would say that we are trying to build up our own Indian version of Michi. Parliament is concerned in the Consultative Committee, where there is inter-action. So far as industry and trade are concerned, we move to the Advisory Committee. This is how we are doing this particular thing."

3.12 The witness continued :—

"But I am prepared to consider the suggestion, if it comes from your side, that this Advisory Committee, which meets after three or four months, may set apart a small group of men. We are more interested in policy, and they could inter-act with the Secretary to Government and other officials more than they are doing to-day. But I feel that our arrangements are not inadequate, barring this particular thing."

3.13 The Committee pointed out that there was a complaint from the Federation of Small Scale Industries that whereas all other sections were being consulted, there was no adequate consultation with them. Asked to give his comments about it, the witness stated :—

"We can have special meeting with small scale industries and traders to work it out."

3.14 It was represented to the Committee that the present arrangements for consultation with trade and industry regarding export/import policy changes are not at all satisfactory. The evidence of the Commerce Secretary before the Committee corroborates this view. The Central Advisory Council on Trade meets only at an interval of 3-4 months under the Chairmanship of the Commerce

Minister and the four Regional Advisory Committees do not meet regularly. The system of consultation with Trade and Industry, thus seems perfunctory. The Committee feel that Trade and Industry must be allowed a greater role in influencing import/export policy and there should be a proper and more effective institutional frame work for continuous consultations. In this context the Committee welcome the idea of the Central Advisory Council on Trade appointing a small group to continuously interact with the Ministry of Commerce and make suggestions for changes and alterations in the Government policy in the economic interest of the country. The Committee also suggest that representatives of small scale industries and small traders may also be included in this group so as to elicit the view point of this section of trade and industry.

### *B. Long Term Import/Export Policy*

3.15 It has been suggested to the Committee that import/export Policy should preferably remain in operation for a period of 3 to 5 years. At present the changes are affected in the policy frequently, some times at the rate of 2-3 a week.

3.16 Asked whether it was possible to have an export/import policy which might be stable for 3 to 5 years, the Secretary (Commerce) stated during evidence :—

“We are at one with this suggestion. The policy has to be stable and a longterm one. In actual practice what happens is this. The production base of India is such that any change, the climatic change or change in consumer needs has an immediate effect on all these. Agricultural policy, for instance, regarding rice, sugar, onions etc., has to change with the changing weather, as such.

Since Alexander Committee's Report, OGL applications are changing in the direction of utilisation rather than that of restriction. Replenishment licenses are becoming more liberal. Certain indigenous industries are there; they say, we are not able to sell; please give us some production. If you divide this policy into what is called micre and macro levels, at macro, we are able to retain its stability. At micre level changes have taken place. Regarding certain things Saudi Arabia came forward with some restrictive policy. That has to be reflected in our policy.”

3.17 The Committe enquired whether it was not a fact that because of frequent changes in the export policy, we lost many markets as far as agricultural commodities are concerned. The witness stated :

“We have been saying that if the export of agricultural items involves a certain sacrifice at the domestic level, we must be prepared for that. But if we immediately react to the shortages and surpluses, then the export policy is affected, because the buyer becomes very careful and chary about buying such commodities.”

3.18 The witness added :

“ . . . it is the utility of the policy which is reflected in the working of the import-export policy. So, what we have been doing is to influence different points. One is the Planning Commission and the others are our industry, agriculture service sectors and others to own upon themselves certain responsibilities for export. If the idea is that export is only to come out of the surplus, then India should be very clear in its mind not to export the goods in which it is not self-sufficient. But to correct the balance of payments and to have inescapable imports, we would like to have certain sacrifices. Therefore, I agree with you that better coordination and better working is called for and this is a continuous effort to be made. But, if you take the bird's eye view of the thing, I suppose one would be right in saying that India's import-export policy at least for the three or four or five years has been in step in the sense that its broad structure has not been changed.”

3.19 The witness further stated :—

“Itemwise there have been changes and there has been give and take. And if you look at the magnitude of the particular changes in the items, it is less than 10%”.

3.20 It was pointed out that the changes made by Government were not made known to the importers and exporters immediately. It took about a month or two to communicate them. Giving his reaction to the observation of the Committee, the witness stated :

“Our idea is that immediately after the policy is announced, we distribute the Red Book. We note your point that we should make more number of copies available to them. The changes are really made as a reaction either to the trade or to the Government Departments . . . . when we take a decision we do make announcement and notifications do go. According to section 3 of our Act, we have got to inform if there are any changes which are to be made. I think the means of communications are such that perhaps we have got to improve them.”

3.21 The Committee feel that export/import policy should be by and large stable for a reasonable period, say 5 years preferably plan period. This would enable the domestic trade and industry to go in for import/export contracts spread over a comparatively longer time with beneficial effect on national economy.

3.22 Since changes in the import/export policy are stated to be not many it should be possible for the CCI&E to give proper publicity to these changes through mass media like radio, TV and newspapers as also through circulars to Organisations of Trade and Industry. In this context, the Committee suggest that it will be of immense use to trade and industry if six months after the publication of the import/export policy for the year, a supplement is brought out consolidating all

the amendments to the policy made from time to time after the publication of the Red Book and made available to all concerned.

*C. Interpretation of Import/export Policy*

3.23 It has been stated by a non-official organisation that the import/export policy has become very complicated. There are differences in the interpretation of policy even between the Regional Offices and the Headquarters.

3.24 It has been suggested that the authoritative interpretation of doubtful points in the policy should be notified for public information so that the trade as well as the officers implementing the policy are made aware of it.

3.25 Asked to indicate his reaction to the above observation and suggestion, the Secretary (Commerce) stated during evidence :

"I think that when he refers to the policy being complicated, he refers interpretations relating to classification of items. It is not policy as such.

"With regard to this classification, interpretation are given differently by Customs and by some of our regional officers. So, there has been a constant endeavour from CCI & E side to issue clarifications. Unfortunately, the more legalistic we became more interpretations are provided both by our officers and lawyers. I find that the moment the Red Book is issued, there is a group of lawyers giving interpretations of words and loop-holes, but our endeavour is to clarify and simplify it as far as possible. You will see that we are proceeding more and more towards O. G. L. so that we can leave it to them to do it. It is not so much a policy as an interpretation of the items and classification."

3.26 Enquired whether Government issue notification giving correct interpretation of various items, the CCI & E stated during evidence :

"At Madras, Calcutta and Bombay, they do it. They consider those references and then whatever decisions are taken, they are sent to all chambers, commodity boards and export promotion council."

3.27 When the Committee specifically pointed out that since these interpretations came from various sources, could there be no conflicts, the Chief Controller stated "they can any some time they do."

3.28 Enquired further whether it could be possible to issue clarifications at CCI & E's level, the witness replied that this could be possible but these would create difficulties to the local people, and it had been so arranged that clarifications given at these three places were sent to Head-quarters.

3.29 The Chief Controller of Imports and Exports admitted before the Committee in evidence that conflicting interpretations of export/import policy and

classification of items "can occur and sometimes they do." This betrays lack of coordination by the Headquarters Organisation. There should be regular monitoring of the position and circularised instructions to all the field offices in order to obviate any divergence in practices. The Interpretations given by the Headquarters office and Regional Offices should therefore be published in a Bulletin on a regular basis which should be distributed among all the Regional Offices as well as Organisations of Trade and Industry.

*D. Advertisement Procedure in the case of Import of Capital Goods*

3.30 It has been stated in the preliminary material furnished to the Committee that apart from raw materials, components, consumables and spares, Actual Users also have to import Capital Goods. The Import Policy contains a list of banned items of Capitals Goods, which are not normally allowed. There is also a list of Capital Goods which are permitted to be imported under Open General Licence. Items which do not appear in the banned list and the OGL list or allowed to be imported by Actual Users through the system of import licensing.

3.31 It has been further stated that applications, for Capital Goods licenses are considered on the recommendations of the sponsoring authority concerned and subject to indigenous clearance. Such applications are placed as under :—

- (i) Whether the value of the application does not exceed Rs. 20 Lakhs the application is considered by the local CG Committee situated in the regional licensing office concerned.
- (ii) where the value of the a application exceeds Rs. 20 lakhs but does not exceeds Rs. 50 lakhs, it is placed before the CG *Ad hoc* Committee headed by the Chief Controller of Imports and Exports, New Delhi.
- (iii) Where the application exceeds Rs. 50 lakhs in value, it is considered by the CG Main Committee headed by Secretary (ID).

3.32 It has also been stated in the preliminary material that "where the value of Capital Goods to be imported exceeds Rs. 20 lakhs, the intending importer has to advertise his requirement before applying for import licence. the period of 45 days from the date of the publication of the advertisement is given to the indigenous manufacturers to make their efforts, if they can supply the material.

3.33 Asked equality of indigenous goods, possibility of timely supply and price quoted are factors which are taken into consideration while according permission for import of capital goods, the Secretary (Commerce) stated during evidence :

"As the rule the technical specification, competitive nature of the price and indigenous angle are all considered. But I cannot say whether

the system of determining the quality, the price and other things is fool-proof or not. So far as global tenders relating to World Bank are concerned, they are guided by the World Bank rules and regulations and there we need not insist upon the indigenous supply being the only consideration."

3.34 The witness further stated :—

"Actually the whole thing starts from the licensing itself. When a person applies for licence, it goes before the Industrial Licensing Committee which takes an overall view as to what are the capabilities etc. And after that, we reach a stage where the capacity to supply is limited inside the country and the need for that machinery is much more. Then again, the Committee will have to take a view and they have to take in view the supplier's credit that is available. So it is very difficult to give a one-line formula, to meet that particular thing.

But the basic principle should be that what is locally available should not be allowed to be imported.....So there will be many combinations of factors which will determine the decision-making."

3.35 Pointing out that cases did occur when indigenous supplier who had earlier agreed to supply, and orders were placed on him, did not fulfil the order for a long time, thereby causing undue hardship and difficulties to the Customer industry, the Committee asked the witness to indicate the Government's view in such Cases. The witness replied :

"Both objectives are good—the objective that we must support our indigenous manufacturer and Government must give him the support. (and).....the other objective is that the capacity must be created. But this tussle constantly goes on. For example, I am from the Industry Ministry and I am interested in setting up the industries quickly. But the other man will say : 'I will be able to supply the components'. So there has to be a balance of judgement and the balance of advantage has to be in favour of the local person.

3.36 The Committee agree with the Secretary (Commerce) that "the basic principle should be that what is locally available should not be allowed to be imported." At the same time the Committee would not like a situation to be created in which unrealistic and baseless assurances of quality and timely availability of indigenous items causes operational difficulty for the established industry. They are unable to fully agree with the view of the Secretary (Commerce) expressed before the Committee that in all such considerations "the balance of advantage had to be in favour of the local person (indigenous manufacturer)". While encouraging indigenous manufacturer with a view to achieving self reliance, they would like Government to appraise realistically in each case the capability and capacity of the indigenous manufacturer to supply quality goods on timely basis and at reasonable prices before denying import of raw material and compo-



nents to an established industrial unit. In other words, quality economic cost and timely availability should be determining factors. The same consideration should be applicable to applications for import of capital goods for augmenting existing capacity or setting up new capacity.

### *E. Replenishment Licences*

3.37 It has been stated in the preliminary material that Registered Exporters are granted import replenishment licences for raw materials, components, consumables and packing materials against their exports of specified products. Such licences are issued for the import of items appearing in the Limited Permissible List, banned list or canalised list in the import policy.

3.38 It has also been stated that Import replenishment licences (REP licences) are issued after the export has taken place, but before the realisation of the export proceeds from the foreign buyers. The exporter has to produce a bank certificate giving the particulars of the export consignment, and invoice attested by the bank and such other documents as may be necessary in terms of the policy. The REP licences thus issued are freely transferable. The goods imported against such licences are also transferable.

3.39 In this connection, the Committee invited attention to the following recommendation made by them in para 1.10 of their 43rd Report (1982-83) on Action Taken by Government on the recommendations contained in the 23rd Report of Estimates Committee (7th Lok Sabha) on the Ministry of Commerce—Export Promotion :—

“The Committee’s objection to the transferability of REP Licences was mainly on two counts; (1) the premium attached to the licenses goes to exporters as an unintended windfall and (2) only some portion of licenses are being used for export production as such. The Committee do not approve of free import of banned and canalised items by private parties under REP licences, which could be used, even if partly, for domestic consumption. There should be some method of ensuring that such imports are used only for export production. The Committee, therefore, are unable to appreciate the position taken by the Ministry that it is inevitable to allow free transfer of REP Licenses, despite the consequences. They would reiterate that the transfer should be restricted to export manufacturers. If this cannot be done, RFP Licenses scheme should be replaced by some other scheme to ensure availability of raw materials, components etc. at international prices for export production.”

3.40 Asked whether Government have taken any decision in the matter, the Secretary Commerce, stated in evidence :—

“We have considered this matter. It has come up on a number of occasions. As regards the Licenses issued to Registered Exporters about 50 per cent of them are non-transferable and it is only 50 per cent of

them which are transferable. We have got the Alexander Committee Report according to which, before transferability, there were many more abuses."

3.41 On being pointed out that transferability of 50 per cent of the REP Licences was quite adequate for mischief and irregularity, the witness stated :—

"We are taking a deliberate view. The deliberate view is that we are giving freedom to the man who has exported something to have the import facility. This particular import facility, when it is freely transferable, has got some advantages also. The advantage is that right now I do not wish to use that amount of money for buying their raw material and what I do is that I give it to those who would like to import and use it for buying their raw material. The disadvantage is that it could be used to buy such of the banned items and other things which are available inside the country, thereby pushing an indigenous item into export and an imported item into indigenous production.

Further, once it becomes transferable, he does not have to pay a premium or black market rate. To that extent, the abuse which was there with non-transferability has been reduced or done away with.

3.42 The witness added :—

"Now, if thereby an indigenous item gets into export, it is not very bad. But if it was brought in for the purpose of export and it was used for non-export purposes, we are trying to see whether some administrative measures can be taken or not. Otherwise, we might be moving from one extreme to another. Both extremes are open to abuses. The balance of advantage is to give this particular freedom in respect of REP. Licences to the man for what he has earned."

3.43 The Committee are of the considered view that free transferability of REP licences and of the goods imported thereunder is leading to large scale unscrupulous trade dealings and jacking up of prices of imported raw materials and components which renders import trade control almost nugatory. The Committee therefore reiterate the recommendation contained in their 23rd and 43rd Reports (7th Lok Sabha) that the transfer of REP licences and the goods imported thereunder should be restricted to export manufacturers and, if this cannot be done, REP licences scheme should be replaced by some other scheme to ensure availability of raw material, components etc., at international prices for export production.

#### *F. Import of Canalised Items*

3.44 It has been suggested to the Committee by a non-official organisation that in the case of items the import of which is canalised, the importers should be assured of supplies within a stipulated time, where it is not possible

for the canalising agency to arrange for import within the stipulated time, they should be required to issue no objection certificate to the importer within 30 days of the date of placing the order.

3.45 Asked to give his reaction to the above suggestion, The Secretary (Commerce) stated during evidence :—

“We are completely in agreement with this suggestion that importer should be given assured supplies, and supplies should also be done within the stipulated time. That is also the bounden duty of the organisation. I am happy to tell you that, of late, the situation has improved a lot. The condition imposed now is that if they cannot supply within 90 days, the importer has to be told that he can import on his own... He can do it. Our reaction is very favourable to the idea that importer should be allowed to have assured supply and that the supplies should also be timely. We agree with this.”

3.46 It is also seen from the Press Note issued by the Ministry of Commerce in respect of the Import & Export Policy announced for the year April, 1984—March, 1985, that “Canalising agencies would now be required to indicate within 60 days—instead of the present limit of 90 days—the arrangements they would be able to make regarding supplies. Where the Canalising agency is not able to supply the material in time provision regarding direct import by Actual Users have been liberalised.”

3.47 The Committee welcome a change in the import/export policy announced for the year April, 1984—March, 1985, reducing the time limit by which canalising agencies are required to indicate the arrangements they would be able to make regarding supply from 90 days to 60 days. They would, however, like the Ministry of Commerce to consider a further reduction in the time limit from 60 days to 30 days.

#### *G. Release of Foreign Exchange to satisfy foreign claims*

3.48 It has been represented to the Committee that the RBI's policy in regard to the release of foreign exchange for the settlement of foreign claims against Indian exporters is very restrictive and it takes a long time to get foreign exchange for the purpose released. It is creating a bad image of Indian exporters, as well as of Government. It has been suggested that a small percentage of the total exports, say 2% should be reserved for release by the RBI to satisfy claims of foreign exporters against Indian exporters.

3.49 Giving his reaction to the above suggestion, the Secretary (Commerce) stated during evidence :—

“We have asked the RBI to facilitate exporters in this particular regard... The Patwardhan Committee which has been set up by the RBI has been asked to look into it and suggest whether this can be adopted.”

3.50 There is force in the suggestion that a small percentage of the total exports, say 2 per cent, should be reserved for release by the RBI, to satisfy claims of foreign importers against Indian exporters. The suggestion should, therefore, be examined expeditiously for appropriate action. Prompt remissions in foreign exchange against admitted foreign claims would, in the view of the Committee, lead to a better image of our country as well as of firms engaged in foreign trade.

#### *H. Free Trade Zones*

3.51 It has been stated in the preliminary material furnished to the Committee that "in the course of last one or two years, the Government have taken a number of measures to strengthen production base and boost exports which include the removal of licensing constraints on export production, setting up 100% Export-oriented Units, establishment of EXIM Bank, easier access to industrial inputs and import of technology etc. The scheme of 100% Export-oriented Units introduced in 1981 is receiving an encouraging response. It has also been decided to set up more FREE TRADE ZONES in Cochin, Madras Nodia and Falta. These Zones are in addition to the two existing zones at Kandla and Santa Cruz."

3.52 Enquired about the progress made in regard to the setting up of these new Free Trade Zones, the Commerce Secretary stated during evidence :—

"Notifications have been issued for all the four zones and then four officers from the Ministry have been appointed as Development Commissioners pending permanent appointments and regular Development Commissioner.

All the four State Governments have established High Power Committee under the Chairmanship of the Chief Secretary of the respective States to coordinate the implementation of free trade zones. The site selection Committee has also been established with the assistance of Commerce Ministry for Cochin and the Committee is going to the site on the 28th of this month.

The Free Trade Zones Authorities and the Boards have approved the scheme and it has already been established in Madras and for others approval is under way.

Supporting nucleus system for all ports have been created.

Then series of meetings at the level of Commerce Ministry and at the level of the State Governments have been held. Madras is leading amongst all the new four and Cochin is the one which is coming up very soon."

3.53 Asked about the advantages of setting up such zones, the witness stated :—

"This area is cordoned off. Export earning is fast through this.

All industries around Kandla produce their goods and sell them through this zone to Soviet Union and other countries immediately."

3.54 Asked whether there is an idea of setting up any Dry Port, the witness replied :—

"There is an idea, but it has not been set up as yet. Noida near Delhi is being thought of. However, some arrangement has been made for the dry-port in the Exhibition Grounds."

3.55 The Committee welcome the decision to set up 4 more Free Trade Zones in Cochin, Madras, Noida and Falta. While the Cochin and Madras Zones are stated to be at an advance stage, the Committee would like the two Zones at Noida and Falta also be set up early.

#### *1. Commercial Representation Abroad*

3.56 A suggestion has been made in a memorandum submitted to the Committee that "separate cadre of commercial officers should be created for posting abroad to look after the work. Such personnel may also be drawn from the private business houses and institutions on a regular or contract basis as is the practice in many countries."

3.57 The Estimates Committee had also in their 8th Report (1980-81) on the Ministry of External Affairs—working of Indian Diplomatic Missions, and their 43rd Report (1982-83) on the Ministry of Commerce—Export Promotion—emphasised the need for induction of professionals from outside the Indian Foreign Service cadre to the posts of commercial Representatives in our Diplomatic Missions abroad.

3.58 Asked to give his views in this regard, the Commerce Secretary stated in evidence :—

"They have got to have the knowledge of Commerce, Industry and Economics. Therefore, we must try to bring into this particular fold, the other stream of expertise also. To that extent, there has been agreement between the Ministries of External Affairs and others.

On the question of cadre, there is a school of thought which says that you need not have a separate cadre. Recently, the Sen Committee has been set up and there a view has been expressed that the change should come about not only among the commercial representatives but in the entire Embassies and Ambassadors' outlook also. They have to be made more and more commercial and economic oriented.

In that case, the entire kader of the External Affairs Ministry will have to undergo a change. Today there are officers of the Commerce Ministry who are being posted as Commercial Representatives ; there

are officers from Education and Industry Ministries who have also been inducted.”

3.59 Enquired as to what was the position in this regard in other countries, the witness stated :

“It differs from country to country. May be, in the USA and Japan they are doing. As I was saying, the question of cadre is presenting a difficulty. The IAS Officers, the IFS officers, the trade officers, each of them have got their own point of view. In the Sen Committee we have tried to harmonise, but the report is not yet final.”

3.60 The witness further added :

“Then, the discussion which took place in the Commerce Ministry have now escalated to the level of Cabinet Secretary ; after our last discussion, they have referred it to Mr. L. K. Jha who has constituted a small Committee with Mr. L. K. Jha, Commerce Secretary, Finance Secretary and the External Affairs Secretary, and we will be meeting to take a certain view which will be reflected.”

3.61 The Committee would once again emphasise the need for induction of professionals from outside the Indian Foreign Service cadre to the posts of commercial representatives in our Diplomatic Missions abroad.

## CHAPTER IV

### IMPORT/EXPORT LICENSING PROCEDURE

#### *A. Delay in Licensing and payment of Claims for Cash Assistance and under Duty Drawback Scheme*

4.1 Regarding Import Licensing procedures, it has been stated in the preliminary material that "no study has been undertaken recently by any outside agency with a view to streamlining the procedures." Similarly, in the case of export licensing procedures, it has been stated that "it has not been found necessary in the recent past to make a study for streamlining the export licensing as the existing procedures are quite simple and there had been generally no complaints from the trade for further simplification of the procedure."

4.2 The Committee have, on the other hand, received complaints from non-official organisations of trade and industry that the licensing procedures are generally time-consuming and dilatory. Further, the procedure for obtaining cash assistance and duty-draw-back are also dilatory.

4.3 The Committee enquired whether the Government agreed that the licensing procedures need a comprehensive review with a view to streamlining them, the Secretary (Commerce) stated during evidence :

"The improvement in the processes is a continuous thing which has got to be done. From the time of Alexander Committee Report itself, continuously we are trying to streamline it. On the export side, but for about 10 per cent of licensing, the remaining is really open and free. Therefore, there is really no problem. The problem really arises in cases where the quotas and other things have to be fixed, the qualities and quantities are to be mentioned and described and the agencies are also laid down. There the exporters have a feeling that they find it difficult. For example, Onions have to go. They have to go in conjunction with NAFED. There the complaints come. But by and large I still feel that this is a continuous process. The other two things which we have mentioned of cash assistance, I would say with an element of pride that we have been able to move very fast and we had 300 applications disposed of in a day. We have worked out a simplified payment system. Under this system the application is made in the morning, the payment is made in the afternoon. We are insisting that no single party should get more than five consignments

in a day. Therefore, a large number of small and medium people are cleared. Under 14 days condition the big houses are also taken care of."

4.4 With regard to the delays in disposal of claims under Duty Drawback Scheme, the Ministry of Finance had, in their action taken reply (1981) in respect of Estimates Committee recommendation made in Para 5.35 of their 33rd Report on Customs stated that recommendations made by the panel of officers appointed by the Government for review of Draw-back procedure and practices and to rationalise and further simplify the procedures for fixation of draw-back rates have, by and large, been accepted by Government and implemental action has been taken. As a consequence of the action taken on the recommendations there should be no delays in the fixation of drawback ratio.

4.5 Asked, how much time it normally took to dispose of an application for Duty-drawback cash compensatory support under the existing procedures, the Secretary (Commerce) stated during evidence :

"Where the rates have been fixed, there is no difficulty. But where they have not fixed the rates or the generic names are not sufficient then the difficulty comes on duty draw-back.

Then, on cash compensation, we should not change in the middle of the year. It is not done except under certain circumstances."

4.6 Enquired, whether in case of payment of small amounts, they could make payment of cash compensation or duty-back within 15 days, the witness stated :—

"We have divided the payments into two categories—one is daily payments and the other fort-nightly payments.

There are some people who would like their payments be accumulated and then take it."

4.7 In this connection, a representative of the Ministry further stated that procedural complaints, which have been raised, are correct, and "once the rate is fixed, there is no problem. The delay takes place only about fixation of rate."

4.8 The Committee have received complaints from organisations of trade and industry that licensing procedures are generally time consuming and dilatory. The Ministry have informed the Committee that no study has been undertaken recently by any outside agency with a view to streamlining the procedures. The Secretary (Commerce) stated during evidence that "the improvement in the processes is a continuous thing." The Committee however feel that it would be of advantage if a study by an outside agency of the procedures for import/export licensing is instituted with a view to streamlining the procedures.



4.9 It is admitted that the claims under duty drawback schemes are delayed in cases where the rates have not been fixed or "the generic names are not sufficient." The Committee consider that it should be possible to further rationalise and simplify the procedure for fixation of drawback rates so as to minimise the time taken in disposing of the claims.

#### *B. Internal Licensing Instructions*

4.10 It has been represented to the Committee that apart from the documents on import and export policy and procedures published annually, CCI & E have some "Departmental Internal Licensing Instructions" which are required to be observed by officers dealing with different kinds of applications at the Headquarters as well as at the Regional Offices. The instructions are said to be "confidential" and are not made available to Trade and Industry.

4.11 Since these instructions deal with matters which would be of interest to potential importers/exporters, a non-official organisation has suggested that these should be made public so that the applicants do not submit applications which may not be accepted resulting in infructuous work all round.

4.12 Enquired whether there were any such Departmental instructions, and whether they could be made public the Commerce Secretary stated during evidence :

"So far as licensing is concerned, all the instructions issued, have to be published. There is no such thing as departmental internal licensing instructions. They have got to be published, and they are sent to the public through Chambers, Councils etc. But outside them, there could be confidential letters which may be sent for administrative reasons. These administrative grounds can be : (1) bringing about uniformity in administration, when interpretations are to be given ; (2) there are certain destinations where, due to shortage of finance or foreign exchange, payment difficulties from the other side are there, and we are instructed that we should go slow ; and (3) there can be some enforcement cases where they involve certain people having some shady deals, or something similar."

4.13 The Committee feel that, to avoid infructuous applications for import/export licences in areas where issue of licences are discouraged for one reason or the other, Ministry of Commerce should be able to find some method to forewarn the prospective applicants either by issuing a formal circular or by advising them informally of the policy of the Government.

#### *C. Simplification of Forms*

4.14 The Ministry in the preliminary material furnished to the Committee, stated that the Indian Institute of Foreign Trade made a study of various forms prescribed by the CCI & E for import/export licences etc. Some of the recommendations made by the IIFT are reported to have been implemented and some have not been implemented as yet.

4.15 Asked to state the position regarding implementation of the recommendations of Indian Institute of Foreign Trade, the witness stated in evidence :—

“There were a lot of complaint that there were many documents which the exporters had got to file. And so, they wanted to work out some sort of rationalisation and simplification of this particular document.”

4.16 The Committee trust that all the recommendations of the Indian Institute of Foreign Trade in regard to various forms prescribed by the CCI & E for export/import licences have been duly considered and the decisions taken thereon have been implemented. The Committee would like to have an assurance from the Ministry of Commerce in this regard.

## CHAPTER V

### MISCELLANEOUS

#### *A. CBI cases in respect of the work relating to CCI & E*

5.1 The Committee enquired about the number of cases relating to the work of CCI&E which have been referred to the CBI and the latest position in respect of each of them, the representative of the Ministry stated during evidence that "upto September, 1983, we have referred 1998 cases to CBI. Prosecution were launched during this period in 769 cases."

5.2 Enquired as to how many cases ended in convictions the witness replied :

"Out of 769 prosecutions launched during the period from 1957-58 to September, 1983, 640 ended in prosecutions."

5.3 The Committee desired to know the nature and number of cases in which prosecutions were launched against the Officers of the CCI & E or the Ministry of Commerce. The Ministry in a written note (Jan. 1984) subsequently stated that "information with regard to the prosecution cases launched against the officers of the CCI&E or the Ministry of Commerce is being collected from the concerned Departments, and will be supplied as soon as it is available". On 17.4. 1984, the Ministry furnished a statement showing information in respect of 34 cases covering the period 1959 to 1982. Scrutiny of this statement reveals that in 4 cases, responsible officers of the rank of Controller of Imports and Exports in one case Joint Chief Controller and in other LDCs/UDCs/Assistants were involved. The nature of offences committed were licences obtained in the name of non-existing firms, connivance with business houses, misuse of LTC. Out of these cases 5 have been acquitted and some of the cases are still pending trial in courts.

5.4 The Committee also desired to know the number of cases in which attention of the Vigilance or any other such organisation was drawn, where the parties might have imported items like steel or any other such material but ultimately neither the steel nor the imported goods could be traced. The Ministry in a written note informed that no case has so far come the notice of Enforcement Division of the office of the Chief Controller of Imports and Exports (Ministry of Commerce) where the attention of the Vigilance Division or any other such organisation was drawn in which the parties might have imported items like steel or any other item but neither the steel nor the imported goods could be traced.

5.5 The Committee find that during the last 23 years a total of 1998 cases relating to the work of the CCI & E were referred to the CBI out of which in 769 cases prosecutions were launched and 640 of them ended in prosecution. These figures underline the need for further tightening of vigilance machinery in the Organisation.

### *B. Delegation of Powers to Hear Appeals*

5.6 It has been stated that the Chief Controller of Imports and Exports, as Head of Department, enjoys financial powers conferred on him in terms of Rule 13 of the Delegation of Powers Rules, 1978. He also derives powers under the Imports and Exports Control Act, 1947, as amended from time to time. These powers are further enumerated in the respective Control Order issued separately for imports and exports. The Chief Controller of Imports and Exports has been vested with powers under the Authentication (Orders and Other Instruments) relating to the Office of the Chief Controller of Imports and Exports under clause 2 of Article 77 of the Constitution.

5.7 The Chief Controller has authorised additional Chief Controller to hear appeals under the Imports and Export (Control) Act in exercise of the powers vested in him under clause (b) of sub-section 1 of section 4(m) of the said Act *vide* Office Order No. 20/77 dated 7.9.1977. He has also delegated powers to Joint Chiefs upto Rs. one lakh and Deputy Chiefs up to Rs. Twenty-five thousand in exercise of the powers conferred by clause (b) of section 4(k) of the Act *ibid*. The consolidated powers of delegation for grant of import licences, amendment and revalidation thereof were issued in 1978.

5.8 Asked to state whether these powers were still realistic after a lapse of 5 years or their review had become necessary to reduce the number of appeal cases handled at higher level, the Secretary (Commerce) stated in evidence "we are examining that".

5.9 The Committee learn that the powers of the officers at various levels for grant of import licences, amendment and revalidation thereof were issued in 1978. As a period of 5 years has elapsed since then, it is necessary to review these powers to reduce the number of appeal cases handled at higher levels. The Committee would like to be informed of the result of examination of these powers which is stated to be already under way.

### *C. Appellate Tribunal*

5.10 It has been suggested by a non-official Organisation that while the first appeal against the decision of an application should be heard by the senior officers of the organisation, for hearing the second appeal, there should be a Tribunal like the Customs and Excise Tribunal. It has also been suggested that at least first appeal should be heard and decided on a time-bound basis.

5.11 Asked about his reaction to the above suggestion, the Secretary (Commerce) stated during evidence :

"All these are administrative things. What we are thinking of is that since the appeals are coming from the lower level to the higher level, these should be decided by the officers who are experienced".

5.12 With regard to the suggestion for setting up a Tribunal, the witness stated that "that would become judicial".

5.13 Enquired further that in case justice may not be given to the cases by the officers at lower level, then what would be the position, the witness stated :

"For instance, he comes to me finally. There are cases in which they come to me".

5.14 The witness further stated that in case they were not satisfied they could go to the Court.

5.15 The Committee are of the view that the existing arrangements whereby the second appeals in disputed cases under the export/import trade control are heard by departmental officers at various levels is not satisfactory. They recommend that the second appeal in such cases should be heard by a quasi-judicial body specially set up for the purpose as has been recently done in the case of disputes relating to Customs and Central Excise.

#### *D. Annual Reports*

5.16 The Committee had asked the Ministry of Commerce to furnish copies of the Annual Reports of the Organisation of the Chief Controller of Imports and Exports for the last five years, the Ministry furnished copies of the Reports for the years 1977-78, 1978-79 and 1979-80. Copies of the Reports for the following years were not made available to the Committee.

5.17 Asked to explain the reasons as to why the Reports for the years 1980-81 and 1981-82 had not been furnished to the Committee, the Commerce Secretary stated during evidence :—

"You are right. The Reports for 1980-81 and 1981-82 have not yet been published. The Report for 1980-81 is in the press and we hope that before the end of this year, this will be published. As regards 1981-82, it is under preparation. We admit that these delays have occurred. We apologize for that."

5.18 Asked as to why it has been delayed for such a long time to prepare and publish the report, the witness stated :

"The main delay was in the collection of material coming from the ports as such. Preparation is delayed because of that. Unless the whole data comes at one consolidated point, it is difficult to prepare".

5.19 Asked as to who was responsible for the preparation of the Report, the Secretary (Commerce) stated :

“In the CCI&E’s office we have got a statistical cell and it is this Statistical Division which has to collect the information and there are others who are bringing out this report. That may, we are all responsible. This Report is in addition to the Report which we submit to Parliament. In this there are three or four basic elements-policy, trends, the changes which are taking place, then the data which comes from all the ports”.

5.20 Enquired, if within a period of three years the Government does not get the data, then how can the position of imports and exports improve, the witness stated :

“Unless the full data comes, in the analysis there will be difficulty. Where policy and other elements are concerned they are clearly laid down”.

5.21 Asked by what time the Report for 1982-83 would be prepared, the witness replied “four monts”.

5.22 Asked about its utility, the witness stated that “at one consolidated place you get the details”.

5.23 Enquired further whether printing of such a report after four years would not be waste of money, the witness stated—

“Now we have planned it in such a way that 1981-82 will be available by March, 1984 and 1983-84 will be completed before March, 1985, meaning thereby that we should be able to bring it by March or April, that is, by the Budget time”.

5.24 The Committee observe that the annual reports of the organisation of the Chief Controller of Imports and Exports are benig published very late. The report for 1980-81 was in press in December, 1983 and that for the year 1981-82 was then under preparation. It is a deplorable state of affairs. The Secretary Commerce assured the Committee that the backlog will be cleared and the report for 1983-84 will be completed before March, 1985. The Committee hope that the assurance given by the Secretary will be kept.

NEW DELHI ;

April 28, 1984  
Vaisakha 8, 1906 (S)

BANSI LAL,

Chairman  
Estimates Committee

## APPENDIX

### Statement of Recommendations/Observations

Sl. No.	Para No.	Recommendations/Observations
1	2	3
1.	1.10	The Committee note that the powers, functions and role of the Chief Controller of Imports and Exports are derived from Rules, Regulations and Orders issued from time to time and that there is no consolidated instrument enumerating at one place all such powers and functions. They also note that the developmental functions of the CCI&E have receded in the background and the main function of the Organisation has become regulatory in nature. The Committee recommend that the role, powers and functions of the CCI&E should be clearly spelt out in a single instrument emphasising the positive role of the Organisation in export promotion and development.
2.	1.11	The Committee also recommend that the Ministry of Commerce should delegate some of its functions in relation to export/import trade to the CCI&E so as to speed up the decision making process in that field. Further, being the Chief Officer of the Central Government concerned with foreign trade, it would be in the fitness of things if CCI & E is closely associated with negotiations with foreign countries in matters connected with foreign trade, The Committee, therefore, agree with the suggestion of the Alexander Committee to redesignate the Chief Controller of Imports and Exports as Director-General of Foreign Trade. He should also be given an appropriate status to enable him to discharge his expanded functions.
3.	1.21	The Committee are surprised that although the work study conducted by the SIU of the Ministry of Finance in respect of the headquarters' Organisation at New Delhi of the CCI & E was conducted as far back as 1981, the report of the SIU has not yet been finalised and the tentative recommendations made and sent to the Ministry of Commerce are

stated to have been under discussion till November, 1983. The Committee do not appreciate this delay on account of the vacillating attitude of the Ministry of Commerce in regard to the tentative recommendations made by the SIU. Such delays dilute the value of the work-study made by the SIU rendering the entire process infructuous. The Committee would like a time limit to be fixed within which the reactions of the Ministry concerned should be communicated to the SIU and thereafter the report of the SIU should be available by a fixed time limit.

4. 1.22

The Committee regret that a study team to examine the set up and functioning of the office of the CCI & E was constituted only recently in November, 1983 although the recommendation therefor was made by the Public Accounts Committee in their 111th Report (1981-82). The Committee also find that although the Committee had recommended the setting up of "a team of management experts" the study team consists entirely of Govt. officials except one management expert. The Committee feel that the composition of the team is far from the spirit in which the recommendation of the PAC was made. They would like the Ministry of Commerce to add at least two more management experts to the study team so that the report of the study team is more independent and objective and professional orientation so to be really usefull.

5. 1.27

The Committee find that the monitoring system in the headquarters organisation of the CCI & E and in the Ministry of Commerce to watch the disposal of applications for licences and claims for cash assistance and those under duty drawback scheme, are not adequate. The Commerce Secretary admitted during evidence that there is scope for improvement in the existing system. The Committee desire the Ministry to review the monitoring and control systems existing at different levels and try to streamline them so as to make them more effective.

6. 1.28

The Committee note the observations made by the Secretary (Commerce) in the context of delays occurring in the CCI&E in processing and taking decisions on applications and claims, that "it is not merely the shortage of staff which is responsible for the failure ; it is the totality of the system in which there are many things involved." The things requiring attention that the



Commerce Secretary spelt out before the Committee were dilatory procedures, inadequate delegation of powers to officers, need for improving the quality of the staff by making the organisation more officer-oriented and injection of "some sort of computerisation" or "some form of new tool of administration." The Committee would like the Ministry to seriously consider these and take concrete steps to streamline the functioning of the organisation of the CCI&E.

7. 1.35

The Committee note that out of the 24 Regional offices of the CCI & E, 8 are under the charge of Jt. Chief Controllers who are of the status of Deputy Secretary (Scale : Rs. 1500-2000), 5 of them are under the charge of Dy. Chief Controller who are of the level of Under Secretary (Scale : Rs. 11 00-1600) and the remaining 11 are headed by Asstt. Chief Controller or Controller who are of the rank of Section Officer (Scale : Rs. 700-1300 or Rs. 650-1200). Since the heads of Regional Offices are responsible for disbursement of cash assistance and claims under duty drawback scheme of running into crores of rupees, it is only proper that the Regional Offices should be headed by officers of appropriate status.

8. 1.36

The Commerce Secretary agreed during evidence before the Committee to get examined in depth the question of powers, jurisdiction and upgradation of the Regional Officers. The Committee hope that this examination would be undertaken soon and the Committee apprised of the result thereof.

9. 2.3

The Committee note that whereas the 6th Five Year Plan (1980-85) had projected total exports of Rs. 41078 crores, the Mid-term Appraisal of the Plan has estimated the cumulative exports during the plan period to be Rs 34903 crores only. This would mean a shortfall in exports by about 15per cent. During evidence before the Committee the Commerce Secretary expressed satisfaction with our export performance in the context of the declining trend in the world trade. The Committee would however, like to caution the Ministry of Commerce against any complacency in this regard. There can be no let up on the export promotion front. Our policies, schemes and procedures ought to be kept under constant review for reorientation to achieve a steady growth of exports. The monitoring and review machinery should be toned up to ensure this.

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10. 3.14 It was represented to the Committee that the present arrangements for consultation with trade and industry regarding export/import policy changes are not at all satisfactory. The evidence of the Commerce Secretary before the Committee corroborates this view. The Central Advisory Council on Trade meets only at an interval of 3-4 months under the Chairmanship of the Commerce Minister and the four Regional Advisory Committees do not meet regularly. The system of consultation with Trade and Industry, thus seems perfunctory. The Committee feel that Trade and Industry must be allowed a greater role in influencing import/export policy and there should be a proper and more effective institutional framework for continuous consultations. In this context the Committee welcome the idea of the Central Advisory Council on Trade appointing a small group to continuously interact with the Ministry of Commerce and make suggestions for changes and alterations in the Government policy in the economic interest of the country. The Committee also suggest that representatives of small scale industries and small traders may also be included in this group so as to elicit the view point of this section of trade and industry.
11. 3.21 The Committee feel that export policy should be by and large stable for a reasonable period, say 5 years preferably plan period. This would enable the domestic trade industry to go in for import/export contracts spread over a comparatively longer time with beneficial effect on national economy.
12. 3.22 Since changes in the import/export policy are stated to be not many it should be possible for the CCI&E to give proper publicity to these changes through mass media like radio, TV and newspapers as also through circulars to Organisations of Trade and Industry. In this context, the Committee suggest that it will be of immense use to trade and industry if six months after the publication of the import/export policy for the year, a supplement is brought out consolidating all the amendments to the policy made from time to time after the publication of the red book and made available to all concerned.
13. 3.29 The Chief Controller of Imports and Exports admitted before the Committee in evidence that conflicting interpretations of export/import policy and classification of item

“can occur and sometimes they do.” This betrays lack of coordination by the Headquarters Organisation. There should be regular monitoring of the position and circularised instructions to all the field offices in order to obviate any divergence in practices. The interpretations given by the Headquarters office and Regional Offices should, therefore, be published in a Bulletin on a regular basis which should be distributed among all the Regional Offices as well as Organisations of Trade and Industry.

14. 3.36

The Committee agree with the Secretary (Commerce) that “the basic principle should be that what is locally available should not be allowed to be imported.” At the same time the Committee would not like a situation to be created in which unrealistic and baseless assurances of quality and timely availability of indigenous items causes operational difficulty for the established industry. They are unable to fully agree with the view of the Secretary (Commerce) expressed before the Committee that in all such considerations “the balance of advantage had to be in favour of the local person (indigenous manufacturer).” While encouraging indigenous manufacturer with a view to achieving self reliance, they would like Government to appraise realistically in each case the capability and capacity of the indigenous manufacturer to supply quality goods on timely basis and at reasonable prices before denying import of raw material and components to an established industrial unit. In other words, quality economic cost and timely availability should be determining factors. The same consideration should be applicable to applications for import of capital goods for augmenting existing capacity or setting up new capacity.

15. 3.43

The Committee are of the considered view that free transferability of REP licences and of the goods imported thereunder is leading to large scale unscrupulous trade dealings and jacking up of prices of imported raw materials and components which renders import trade control almost nugatory. The Committee, therefore reiterate the recommendation contained in their 23rd and 43rd Reports (7th Lok Sabha) that the transfer of REP licences and the goods imported thereunder should be restricted to export manufacturers and, if this cannot be done, REP licences scheme should be replaced by some other scheme

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		to ensure availability of raw material, components etc., at international prices for export production.
16.	3.47	The Committee welcome a change in the import/export policy announced for the year April, 1984-March, 1985, reducing the time limit by which canalising agencies are required to indicate the arrangements they would be able to make regarding supply from 90 days to 60 days. They would, however, like the Ministry of Commerce to consider a further reduction in the time limit from 60 days to 30 days.
17.	3.50	There is force in the suggestion that a small percentage of the total exports, say 2 per cent, should be reserved for release by the RBI, to satisfy claims of foreign importers against Indian exporters. The suggestion should, therefore, be examined expeditiously for appropriate action. Prompt remissions in foreign exchange against admitted foreign claims would, in the view of the Committee, lead to a better image of our country as well as of firms engaged in foreign trade.
18.	3.55	The Committee welcome the decision to set up 4 more Free Trade Zones in Cochin, Madras, Noida and Falta. While the Cochin and Madras Zones are stated to be at an advance stage, the Committee would like the two Zones at Noida and Falta also be set up early.
19.	3.61	The Committee would once again emphasise the need for induction of professionals from outside the Indian Foreign Service cadre to the posts of commercial representatives in our Diplomatic Missions abroad.
20.	4.8	The Committee have received complaints from organisations of trade and industry that licensing procedures are generally time consuming and dilatory. The Ministry have informed the Committee that no study has been undertaken recently by any outside agency with a view to streamlining the procedures. The Secretary (Commerce) stated during evidence that "the improvement in the processes is a continuous thing". The Committee, however, feel that it would be of advantage if a study by an outside agency of the procedures for import/export licensing is instituted with a view to streamlining the procedures.
21.	4.9	It is admitted that the claims under duty drawback scheme

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are delayed in cases where the rates have not been fixed or "the generic names are not sufficient." The Committee consider that it should be possible to further rationalise and simplify the procedure for fixation of drawback rates so as to minimise the time taken in disposing of the claims.

22. 4.13

The Committee feel that, to avoid infructuous applications for import/export licences in areas where issue of licences are discouraged for one reason or the other, Ministry of Commerce should be able to find some method to forewarn the prospective applicants either by issuing a formal circular or by advising them informally of the policy of the government.

23. 4.16

The Committee trust that all the recommendations of the Indian Institute of Foreign Trade in regard to various forms prescribed by the CCI&E for export/import licences have been duly considered and the decisions taken thereon have been implemented. The Committee would like to have an assurance from the Ministry of Commerce in this regard.

24. 5.5

The Committee find that during the last 23 years a total of 1998 cases relating to the work of CCI&E were referred to the CBI out of which in 769 cases prosecutions were launched and 640 of them ended in prosecution. These figures underline the need for further tightening of vigilance machinery in the Organisation.

25. 5.9

The Committee learn that the powers of the officers at various levels for grant of import licences, amendment and revalidation thereof were issued in 1978. As a period of 5 years has elapsed since then, it is necessary to review these powers to reduce the number of appeal cases handled at higher levels. The Committee would like to be informed of the result of examination of these powers which is stated to be already under way.

26. 5.15

The Committee are of the view that the existing arrangements whereby the second appeals in disputed cases under the export/import trade control are heard by departmental officers at various levels is not satisfactory. They recommend that the second appeal in such cases should be heard by a quasi-judicial body specially set up for the

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purpose as had been recently done in the case of disputes relating to Customs and Central Excise.

27. 5.24

The Committee observe that the annual reports of the Organisation of the Chief Controller of Imports and Exports are being published very late. The report for 1980-81 was in press in December, 1983 and that for the year 1981-82 was then under preparation. It is a deplorable state of affairs. The Secretary, Commerce assured the Committee that the backlog will be cleared and the report for 1983-84 will be completed before March, 1985. The Committee hope that the assurance given by the Secretary will be kept.

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