

**ESTIMATES COMMITTEE**  
**(1981-82)**

**TWENTY-THIRD REPORT**

(SEVENTH LOK SABHA)

MINISTRY OF COMMERCE  
EXPORT PROMOTION

*Presented to Lok Sabha on* 25 MAR 1982



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

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*of Recommendation*

## ESTIMATES COMMITTEE

(1981-82)

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Shri K. S. Bhalla—*Chief Financial Committee Officer.*

Shri A. N. Bhatla—*Senior Financial Committee Officer.*

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\*Shri Janardhana Poojary ceased to be member of the Estimates Committee w.e.f. 15-1-1982 consequent on his appointment as Deputy Minister.

## INTRODUCTION

1. The Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Twenty-third Report on the Ministry of Commerce—Export Promotion.

2. The Committee took evidence of the representatives of the Ministry of Commerce (Department of Commerce) on 17, 19, 21 December, 1981. 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 Associated Chambers of Commerce and Industry of India, Federation of Associations of Small Industries of India, All India Exporters Chamber, Federation of Indian Export Organisations and Professor P. N. Agarwala, Indian Institute of Management, Bangalore for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all other institutions, associations, bodies and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on 16th March, 1982.

6. For facility of reference the recommendations/observations of the Committee have been printed in thick type in the body of the Report. A summary of the recommendations/observations is appended to the Report.

NEW DELHI :

*March 18, 1982*

*Phalgun 27, 1903(S).*

S. B. P. PATTABHI RAMA RAO

*Chairman .*

*Estimates Committee.*

# CHAPTER I

## EXPORT-POLICY AND PERFORMANCE

### *Export Policy*

During the seventies, Government treated the export effort as one of the highest national priorities. The Export Policy Resolution of 1970 recognised that a steady increase in export earnings is dependent on the continuous development and expansion of export-oriented production. Conscious efforts were made to orient the industrial policy towards not only for meeting the internal requirements but also for catering for the rising demand for our industrial products in overseas markets through generation of expanding surpluses of manufacturing products. The Resolution also provided that exportable surpluses do not always arise automatically. Since export markets once lost can hardly be regained, a part of the production must always be made available to earn needed foreign exchange through, if necessary, temporary restrictions on home consumption. In order to encourage export orientation of production, the investor must have the assurance that the export policies shall be reasonably stable and that production for exports would be advantageous to the producer. Among the inadequacies of the existing infrastructure for exports, the Policy Resolution especially emphasized the augmentation of shipping facilities.

1.2 In terms of the Export Policy Resolution, the Government's approach for promotion of exports has been mainly directed to the provision of facilities for export production, provision of incentives like cash compensatory support, grant of import replenishment licences to exporters and improvement in the export services.

In July, 1963, Government of India constituted a Market Development Fund for financing schemes and projects for the development of foreign markets for Indian products, and commodities. Over the years, the operations of the Fund have been considerably expanded to cover the activities like Market research, export publicity, grants to EPCs etc.

1.3 The Schemes of export assistance and export incentives were extended and improved upon during the last few years. These include :—

- I. Cash Assistance Scheme.
- II. Import Replenishment Scheme.
- III. Duty Drawback Scheme.
- IV. Tax Concession Scheme for selected type of expenditure for market development abroad.
- V. Exemption from sales tax for sale abroad.
- VI. Provision of finance for exports for short, medium and long-terms from banks at better terms than for domestic activities.
- VII. Provision for raw materials including indigenously available raw materials at international prices and the provision for export credit insurance at relatively cheaper rates.

1.4 The indirect package of incentives included priority for industrial licences, capital goods licences and foreign collaboration approvals for export-oriented industries, priority in the allotment of railway wagons, priority for foreign exchange allocation for trips abroad for export promotion and services available from institutions specially created and charged with the responsibility of development and promotion of exports such as the Export Promotion Councils, Commodity Boards Trade Development Authority, Indian Institute of Packaging, Indian Institute of Foreign Trade, Export Houses and the newly created trading houses.

1.5 In addition to the above measures, the policy of imposing export obligation on all units in selected industries deemed to have sufficient export potential, has kept some pressure on the units subjects to export obligation to develop export markets for their products.

1.6 Government also directly supported development of new non-traditional exports such as export of capital goods on deferred payment terms, establishment of joint ventures abroad, supporting export of consultancy services, encouragement to Indian exporters undertaking turnkey projects abroad and, setting up export-oriented ventures in Free Trade Zones like Kandla and Santa Cruz and expansion of such units in the hinterland.

1.7 Government has also negotiated trade agreements with a number of foreign countries, canalisation of exports through STC and other similar bodies and strengthening of our commercial offices abroad.

1.8 According to the Ministry, the Government's concerted efforts at planned economic development through industrialisation with emphasis on creation of an adequate pace for the capital goods sector during the second and third Five Year Plans, along with the emphasis placed on encouraging import substitution, contributed in a large measure to make it technically feasible for India to venture into the exports of non-traditional goods and thereby changing the structure of exports in terms of commodity composition during the decade of seventies.

1.9 During the 10 years 1969—1979, exports expanded at a compound annual rate of about 16% in value terms and over 7% in real terms. The increase in the rate of growth in exports during this period was also marked by a substantial diversification both in terms of commodities and destinations. A large number of new items from the agricultural and manufacturing sectors, projects exports and export of both consultancy and other services have contributed towards exports expansion.

#### *Trends in Foreign Trade*

1.10 The following table shows the country's overall exports, imports and balance of trade for the last 10 years :

Year	Exports	Growth rate	Imports	Growth	Balance of Trade
1971-72	1608.82	+4.8	1824.54	+11.6	-215.72
1972-73	1970.73	+22.5	1867.44	+2.4	+103.39
1973-74	2523.40	+28.0	2955.37	+50.3	-431.97
1974-75	3328.83	+31.9	4518.78	+52.9	-1189.95
1975-76	4042.25	+21.4	5265.20	+16.5	-1222.95
1976-77	5142.25	+27.4	5073.79	-3.6	+68.45
1977-78	5404.26	+5.1	6025.29	+18.8	-621.03
1978-79	5726.26	+6.0	6814.30	+13.1	-1088.04
1979-80	6458.76	+12.8	9021.75	+32.4	-2562.99
1980-81	6710.64	+3.9	12500.94	+38.6	-5790.30

1.11 Two statements showing the country's principal export and import items are given in Appendix I & II. An analysis of the trend shows that during 1973-74 to 1976-77 India's exports registered high rates of growth ranging from 21.4% to 31.9 per cent. The annual growth rate of exports during the period of 4 years ending 1976-77 averaged as high as 27.4 per cent. The subsequent years, by and large were marked by deceleration in the growth of exports. The growth rate of exports was only 5.1 per cent in 1977-78, 6.0 per cent in 1978-79, 12.8 per cent in 1979-80 and 3.9% in 1980-81.

1.12 High growth rates of exports during 1973-74 to 1976-77 were attributed by the Ministry of Commerce to various international and domestic factors viz. (i) international commodity boom in 1974 in the wake of first oil price hike, improving the relative profitability of export sales vis-a-vis home sales; (ii) depreciation in the value of rupee vis-a-vis US \$ improving the Competitive strength of Indian exporters; (iii) opening of new markets especially in West Asian region and the expanded ECM; (iv) the better capacity utilisation of investments in domestic industries and expansion of production capacity in certain sectors coupled with slow growth of demand at home thereby generating larger surpluses for exports; (v) relative price stability in India and (vi) policy measures adopted by Government to stimulate export promotion and exports.

1.13 According to the Ministry, the deceleration in the growth of exports following 1976-77 was contributed by various factors. Although the external factors like recessionary situation in global economy, protectionist measures pursued by certain advanced countries for some products from developing countries and fall in the value of dollar, had some adverse effect on the growth of India's exports, it was mostly the domestic constraints that have come in the way of larger exports. Shortage of power, coal and certain basic raw-materials (steel, aluminium etc.), rising prices, domestic demand, drought conditions in many parts of the country transport and shipping difficulties, industrial unrest and congestion at ports have been the major constraints for both larger production and exports.

1.14 The Ministry have added that "the year 1980 has been a very difficult year for the international economy and world trade. There was a marked slow down in world trade with further acceleration in global inflation, instability in international money market and protectionist tendencies which caused sharp adverse movements in the terms of trade of developing countries like India. So far as the domestic economy is concerned, through deliberate and bold policy measures, the economy has now started looking up. Since the later part of 1980, there has been considerable improvement in the working of infrastructural industries such as coal, power, steel etc. During the year 1980-81, agricultural production is expected to increase by as much as 19 per cent, industrial production by about 4 per cent and GNP in real terms may grow up by 6.5 per cent. Due to a series of export promotion measures taken in the course of a year or so it is hoped that exports would show significant increase in the near future".

#### *India's share in world exports*

1.15 The share of India in world exports has been showing a perceptible decline over the past three decades. In the early years of Independence, India's share of world trade was 2.4% which was in keeping with



her share of global physical resources. Even in the Sixties, the country's share in world trade was 1.2%. This has been coming down and it now stands at just around 0.44%.

1.16 During evidence the Committee pointed out that the country is facing severe adverse balance of trade position and fall in its share in World trade in spite of the Government's elaborate export promotional measures, like extension of incentives, concessions, creation of a host of organisations for dealing with export promotion aspects and above all extending monetary assistance in the form of cash compensatory support and draw back.

1.17 The Commerce Secretary stated (December, 1981) that through the country's share in world trade has been declining "the situation is not really so bad as the figures indicate". He pointed out that the country's exports have increased from Rs. 733 crores in 1951 to Rs. 6710 crores in 1980-81. In fact during the decade 1971-81 exports jumped by 2½ times. He also informed the Committee that 'while in 1960-61 our exports was 4.7% of GNP, today it is 6.6% of the GNP".

1.18 The Commerce Secretary also stated that there is a general slow down in the growth of world trade. The growth rate in world trade which was 6% per annum till 1979, has come down to 1.5% in 1980. If the oil element in world trade is excluded, our share in world trade would increase from 0.44% to 0.65%.

1.19 The witness also referred to the changes in the composition of our exports. He pointed out that in 1960-61, 50% of our exports consisted of primary products, but in 1980 the share of primary products came down to 35%. Similarly, the manufactured goods which constituted 45% of our exports earlier, now accounted for 58% of our exports. The value of engineering goods export alone was slightly above Rs. 900 crores during 1980-81. He added that 'I am not trying to run away from the fact that decline is there from 2% to 0.44%. But looking at the value of exports each year and the increase in the share of exports in the country's GNP, it would be found that we have done fairly well". He further added that "India must make greater efforts so that at least we can go up to a decent percentage of 0.67, if not 1 per cent of the world trade".

#### *Balance of trade*

1.20 In spite of the growth in the volume of exports, the country has been facing adverse balance of trade. The position further deteriorated during the seventies as can be seen below : —

Year	Balance of Trade
1970-71	—99.04
1971-72	—215.72
1972-73	+103.39
1973-74	—431.97
1974-75	—1189.95
1975-76	—1222.95
1976-77	+68.46
1977-78	—621.03
1978-79	—1088.04
1979-80	—2562.99
1980-81	—5790.30

1.21 Throughout the last decade, excepting the years 1972-73 and 1976-77, the country had adverse balance of trade. The deficit of foreign trade has however shown a sharp increase in the course of last 4 years which according to the Ministry is due to disproportionate rise in imports in relation to growth of exports. While domestic and external constraints like drought, shortage of power and basic inputs, global recession and growth of protectionist tendencies abroad have had an adverse impact on the growth of exports, there has developed a severed strain on import bill in the wake of steep rise in world prices of POL, fertilisers, etc. Resultantly, the deficit of foreign trade which amounted to Rs. 1088 crores in 1978-79, increased sharply to Rs. 5535 crores in 1980-81.

1.22 During evidence the Commerce Secretary attributed the deficit in the balance of trade to the steep rise in the value of POL imports. The value of POL imports during the last decade is given below :—

Year	Value (Rs. in crores)
1971-72	193
1972-73	207
1973-74	540 (first oil price shock)
1974-75	1112 (second oil price shock)
1975-76	1256
1976-77	1424
1977-78	1551
1978-79	1681
1979-80	3269 (third oil price shock)
1980-81	5254 (fourth oil price shock)

1.23 Asked how Government proposed to bridge the yawning gap between the imports and exports, Commerce Secretary stated that "instead of saying that the gap can be closed we should certainly try to narrow the gap". To achieve this object, he added, the Ministry of Commerce is adopting a three pronged approach namely (i) to improve production base (ii) to curtail imports (iii) to increase exports.

1.24 To increase production base, the Government is giving a number of facilities like permission to import technology raw materials wherever required, tax holidays etc. On the import side, the Ministry is trying to see that in all those areas where indigenous products are available, the import policy is framed in such a way that the local products are made use of. The Commerce Secretary added that "If you look into the import bill, the emphasis is on absolutely essential things. For instance 3Fs—Fuel, food and fertilizers—these are the three things which account for the maximum of our import bill. We have restricted imports to only those areas which are absolutely essential and where we cannot deny ourselves.

#### *Import Substitution*

1.25 The country's trade deficit has been increasing year after year. The trade deficit for the year 1980-81 was estimated at Rs. 5790 crores. One of the ways for reducing the trade deficit is to reduce imports. In this regard the Ministry has stated that, "our import bill is largely inelastic and there is not much elbow room in reducing imports. More than 60 per cent

of the imports in 1979-80 comprised of fertilisers, petroleum, animal and vegetable oils and metals on which no reduction is possible. Machinery and transport equipment accounted for about 15 per cent of the import bill. Moreover a predominantly large part of our imports take place directly by the Government or through public sector canalising agencies and the residuary private imports are regulated through a comprehensive system of import licensing. Lastly raw materials and intermediate products which accounted for 71 per cent of the import bill in 1979-80, are absolutely necessary for efficient utilisation of domestic capacity and exports."

1.26 The Committee have received a number of suggestions that the import bill can be reduced by 10 to 15%. A leading chamber of commerce has pointed out that, "we are importing at present a number of items like cement, caustic soda, soda ash, fertilisers, paper, P.V.C., edible oils etc. which can be produced within the country even at lower cost. In many of these industries there is sizeable unutilised capacity."

1.27 A study made by the Indian Institute of Foreign Trade recently (1981) has also recalled that, "Scope for further import substitution exists in a number of industries, especially in dyes and dyestuffs, paints and varnishes and machinery, electrical and non-electrical".

1.28 During evidence, Commerce Secretary stated that he was entirely in agreement with the approach that the country must take to import substitution and improve the capacity of our industries. He added that the record of our country in this regard is "absolutely outstanding". The percentage of imports to total industrial output, which was 22.1% in 1960-61 declined to 12% in 1965-66, 8.6% in 1970-71, 6.4% in 1975-76 and it was 6.3% in 1981.

1.29 According to him as a result of import substitution efforts made by the Government the dependence on imports has been reduced to a considerable extent, as can be seen from the following statement :—

*Share of Imports of Selected Commodities in Total Estimated Supplies.*

(a) Total estimated supplies (in 1000 tonnes)

(b) Percentage of imports to total estimated supplies.

Sl. No.	Commodity		1955-56	1977-78
1.	Iron & Steel	(a)	2162	5406
		(b)	(39.9)	(1.1)
2.	Aluminium	(a)	23.5	132.1
		(b)	(63.5)	(2.0)
3.	Soda Ash	(a)	154	573
		(b)	(62.5)	(Neg.)
4.	Caustic Soda	(a)	96	573
		(b)	(62.5)	(Neg.)
5.	Paper & Paper Board	(a)	260	983
		(b)	(26.9)	(1.8)

1.30 The witness also added that the Ministry of Industry had set up an export committee—Import substitution committee (1979) to consider further scope for import substitution. This committee has submitted its

report an empowered committee is processing the recommendation of the expert committee.

At the instance of the Committee, the Ministry furnished the following details of the steps taken by the Government towards self-reliance. Management of country's foreign trade in the post-independence period has been marked by a vigorous drive towards achievement of import substitution in basic commodities like foodgrains, iron and steel, fertilisers, petroleum, etc. Considerable progress was achieved towards this objective during the first Four Five Year Plans.

1.31 The Fifth Five Year Plan laid, special emphasis on attainment of self-reliance in areas of food, energy and critical intermediates. The Fifth Plan sought to achieve rapid import substitution in the areas of food, fertilisers and POL through planned investments. As regards machinery, equipment and other industrial inputs, the Plan envisaged a strategy of selective import substitution. In the case of energy, import substitution has been pursued by an intensified programme of oil exploration and increased use of domestic coal and hydro-electric potential. In the field of steel, and fertilizers, it is being realised through increased capacity utilisation and capacity expansion.

1.32 Since Independence, India's exports have been increasing year after year. The country's exports increased from a mere Rs. 733 crores in 1951 to Rs. 6710 crores in 1980-81. During the ten year, period of 1969-79 exports expanded at an annual compound rate of 16% in value terms and over 7% in real terms. In spite of this impressive increase, the country has been having adverse balance of trade except during the years 1972-73 and 1976-77. The trade gap in 1980-81 was as high as Rs. 5790 crores. Also, India's share in world trade which was 2.4% in the early years of independence declined to 1.2% in the sixties and it now stands around 0.44%. If oil element in world trade is excluded, India's share in world trade will be 0.65%. According to the Ministry adverse trade balance and decline in the country's share in world trade were mainly due to the phenomenal increase in the value of POL products, fertilisers etc. Commerce Secretary, however, claimed in evidence (Dec. 1981) before the Committee that India had done fairly well in exports. In support of this claim, he stated that, while in 1960-61 the country's exports accounted for 4.7% of the GNP, this had now risen to 6.6%.

1.33 There cannot be two opinions on the three-pronged strategy adopted by the Government, namely, improving production base, curtailing imports and boosting exports. In fact there is no other course open to the government. But if the foreign trade deficit has to be eliminated or even minimised, the government will have to pursue this strategy vigorously and show concrete results in the form of progressive reduction the gap between imports and exports.

1.34 The Committee take note of the Commerce Secretary's observation that India must make greater efforts to raise exports to a "decent percentage of 0.67, if not 1 per cent, of the world trade." The Committee hope that the Ministry would not spare any effort to realise the goal of capturing 1% of world trade in the shortest possible time (Sl. No. 1)

1.35 ¶ Though Government has taken various steps to boost exports (which the Committee have dealt with later in this Report) and to reduce imports,

the Committee cannot but take note of the fact that the country has been having adverse balance of trade for a long time and that if the past is any guide the possibility of the adverse trade balance continuing in the foreseeable future cannot be ruled out.

From the statistics of imports and exports furnished by the Committee, the Committee find that import of POL (petroleum products etc.) is not the only factor responsible for adverse balance of trade. In 1976-77, when POL imports were of the value of Rs. 1424 crores, the country still had a favourable balance of Rs. 68 crores. But in 1980-81, the adverse balance of trade was about Rs. 530 crores more than the value of POL imports (Rs. 5254 crores). This shows that even other imports (excluding POL imports) had outstripped exports in that year. This is disappointing. So long as exports do not match total imports, no non-essential item should be allowed to be imported and this ban should be strictly enforced.

1.36 The Committee would like that the lists of items imported during 1980-81 and 1981-82 should be critically studied by a small group of experts drawn from the concerned Ministries, with a view to identifying those items which, in their opinion, were not absolutely essential to be imported. The Committee would also like that the results of the Study should be communicated to them within 6 months. The Committee expect that the Ministry will review the import policy in the light of the study and take remedial measures without delay. (Sl. No. 2).

1.37 The Committee are glad to note that the management of country's foreign trade in the post-independence period has been marked by a vigorous drive towards achievement of import substitution and as a result of various import substitution measures taken by Government, the country's dependence on imports in respect of a large number of products has come down considerably. For example, the percentage of imports to total estimated supplies in the country in the case of iron and steel has come down from 39.9% in 1955-56 to 1.1% in 1977-78; in the case of aluminium it has come down from 63.5% to 2% during the same period. The percentage of imports to total industrial output which was 22.1% in 1960-61 has come down to 6.3% in 1981. It is undoubtedly a creditable achievement. But the non-official agencies are of the view that the import bill can be still further reduced by stepping up production within the country of a number of items like cement, caustic soda, soda ash, fertilizers, paper, PVC, edible oils, etc. which are at present being imported. A study team of the Indian Institute of Foreign Trade (1981) has also opined that there is considerable scope for further import substitution in a number of industries especially in dyes and dye stuffs, paints and varnish, machinery, electrical and non-electrical items. The Committee have been informed that the Ministry of Industry had set up an expert committee on import substitution in 1979 which has already submitted its report. Its report is being processed by an empowered committee.

1.38 Import substitution has played a very valuable role in the past in the country's march towards self-reliance. The Committee urge the Government to see that there is no let up in the pursuit of this objective in the future. Whatever can be produced in the country to avoid imports should be produced and no effort should be spared by Government to encourage and assist industries in setting up and expanding capacities for production of items which have to be imported at present. It will be a national waste if any production capacity already existing in respect of such items is allowed to remain unutilised for any reason. (Sl. No. 3).

1.39 The Committee trust that the latest report of the Import Substitution committee would be processed expeditiously and follow-up action taken without delay to minimise dependence on imports and close the trade gap. (SI. No. 4).

#### *Tandon Committee on Export Strategy*

1.40 Government of India appointed an expert committee under the chairmanship of Shri Prakash Tandon to make an in-depth study of the expert strategy—1980's to be adopted by the government. This committee on Export Strategy—1980's submitted its final report in January 1981. Asked about the action taken on this committee's report, the Ministry stated that based on the interim report of the committee, Government had taken certain measures to promote exports. The Ministry also stated (Dec. 1981) that, "after submission of the final report early this year, an Empowered committee of Secretaries was set up to examine the recommendations. The Empowered committee will shortly consider these recommendations. The recommendations of the Tandon Committee are, however, kept in view in reviewing all policy matters relating to exports."

1.41 Asked about the reasons for delay in taking final action on this report, Commerce Secretary stated during evidence that, "the report was given in January 1981 and in March 1981 the Empowered Committee was set up. This Committee constituted a working group and that group hold 4 meetings in May, June, July and August. They have completed their deliberations and submitted their report on 24th October. By March 1982, we will be ready with the report."

#### *Export Policy Resolution & National Export Plan*

1.42 The Export Policy resolution was passed by the Parliament in 1970. Since then a number of changes have taken place in the arena of international trade. The Tandon Committee on export strategy 1980's reviewed the position and recommended that a new export policy resolution should be adopted. This committee also spelt out broad guidelines for incorporation in the new export policy resolution. The proposal is under the consideration of the Empowered Committee.

1.43 The Tandon Committee also recommended that a detailed three-year base National Export Plan phased down to a one year period, stating the objectives, constraints, assistance needed etc, should be prepared. There should be a careful planning of production capacities required to create the needed export surpluses and of inputs of raw materials and services required to ensure the planned exports. The National Export Plan should also specify the national cost of net earning of foreign exchange in each group in terms of subsidies and cost of incentives, and cost of imports and inputs and technology.

1.44 Asked about the action taken by the Ministry on these recommendations, Commerce Secretary replied that the Tandon committee's recommendation for formulation of an export plan was examined by a group in the Ministry of Commerce and it was felt that the empowered committee of the Secretaries examining the Tandon committee's recommendations

should take a final decision on this. The witness added that "for the present there is no such thing as national plan. The plan as we have worked out, really approximates to the national plan which Mr. Tandon has suggested. What we do is, we take our basic inspiration in regard to targetisation and making of the national plan for export from the Five-Year Plan itself. The Five Year Plan indeed is a development plan and does not go into details of export. But in each of the major areas of production, the Five-Year Plan lays down a certain percentage of production which has to be set aside for export purposes. From this particular point, the Ministry starts, or the Divisions in the Ministry start, taking a view to finalise the national plan or the yearly target for exports. These yearly targets are made on the basis of two things. One, the basic figures which have been given by the Plan; and two, a nine per cent increase which has been suggested by the Plan. This is from the Five-Year Plan. Then we get the reactions from the Export Promotion Councils who are in this particular work—they work on the figures of achievements of the past and projections for the future. Then, we hold inter-ministerial meetings in respect of those commodities where production responsibility is with other ministries. After that we entrust this to the Task Force, this particular task force tries to work out the figure. Basically this figure becomes the national target."

**1.45** The Tandon Committee on export strategy—1980's was set up in January, 1979. It gave its final report in January, 1981. The Tandon Committee has made a number of important recommendations, notable among them being formulation of a national export plan and adoption of a new export policy resolution by the Parliament. The Ministry of Commerce set up an empowered committee of Secretaries to examine the recommendations made by the Tandon committee. According to the Commerce Secretary this empowered committee will conclude its examination by March, 1982.

**1.46** The Committee find that at present there is no system of formulating any well considered "national export plan". All that is done at present is that national export targets are arrived at every year in the light of the basic figures given in the National Five-Year Plan after taking into consideration the growth rate as suggested in the national plan. The Committee feel that mere targets unsupported by ways and means of achieving the targets will not help. A comprehensive national export plan spelling out not only the objectives but also the means of achieving objectives at optimum costs with maximum advantage with yearly breakdown of targets to fit in with the overall strategy of National Five Year Plan is necessary for achieving the targeted growth rate in exports. They would like the Government to take a quick decision on this particular recommendation. (Sl. No. 5).

**1.47** The Committee feel that already too long a time has been taken by the Government to process and take a final decision on the recommendations of the Tandon Committee. The Committee would like to caution the Government that unless final view on the Tandon Committee report is taken expeditiously and their recommendations are implemented with a sense of urgency, a considerable part of 1980s, for which the export strategy is being worked out, might already be over before the action plan on the export strategy for 1980's gets going. They hope that the Ministry will lose no time after the receipt of the Empowered Committee's report to initiate follow-up action on the Tandon Committee's recommendations. (Sl. No. 6)

### *Changes made in Export Policy*

1.48 The Export Policy is announced annually on 1st April in the form of Export Policy Book. Amendments subsequent to the annual announcement of the policy are notified in the Gazette of India, Extraordinary, in the form of Export Trade Control Amendment Order and/or Public Notice.

1.49 According to a leading chamber of Commerce "our export policy continues to have a "Switch-on-Switch-Off" approach. Sometimes export of certain items is allowed but at times these are abruptly banned or discontinued without realising that exportation is a brutally competitive business. Overseas markets are cultivated over a period of time with sustained efforts, involving huge cost and energy. Sudden disruption in supply not only makes foreign buyers to take up for other sources of supply but affects the credibility of Indian exporters at large. A market once lost is difficult to regain. It is, therefore, essential that we must have a stable policy to enable entrepreneurs and exporters to take a long term views."

1.50 Even the Alexander Committee on Import and Export Policies and Procedures (1978) recommended that the Export Policy should be stable for a period of 3 years. This recommendation, was not accepted by the Government.

1.51 The Ministry have informed the Committee that during the last 3 years (1978-79) to (1980-81) the Export Policy was modified 45 times. Asked about the reasons for effecting so many modifications and for not accepting the recommendations of the Alexander Committee (1978) for keeping the Export Policy stable, Commerce Secretary stated during evidence that :

"This particular suggestion of the Alexander Committee is certainly acceptable and, in principle, we have adopted it. To say that the entire export and import policy of the Government of India is based on 'switch-on' and 'switch off' is not correct. If you look at the mid-year changes which are made, they are not so alarming, as is suggested. I will explain the reasons for the change. Our plantation and agricultural products are still not immune to weather changes. So, the cyclical changes do come into play and make it impossible for us to give either a green or red signal for all time to come. For example, sugar. We have committed for export but we found that it was not available."

1.52 Explaining the nature of changes made in the Export Policy, the Chief Controller of Imports and Exports stated that :

"These changes relate to small individual changes on items where there is either the introduction of a quota or ceiling or the quota or ceiling is changed. There are not major policy changes. But within the policy framework in respect of agricultural items sometimes we have to take a revised view."

He added that :

"99% of the exports are not under any form of control. Even the changes made are for items under some ceiling or some quota restriction. For all others, the export is freely allowed. We have O.G.L. for exports and in almost all items under O.G.L. for export, there is no uncertainty in the mind of exporters."



1.53 Commercial circles feel that our export Policy is not stable. It has a 'Switch-on-switch-off' approach which is not in the country's interest. The Alexandar Committee on Import and Export Policies and Procedures (1978) had also recommended the Export Policy should be stable for a period of 3 years. The Ministry have stated that the Export Policy is announced annually on 1st April and subsequent amendments are notified through the Gazette of India. During the 3 years (1978-79 to 1980-81), there were as many as 45 modifications which are stated to be small individual changes necessitated by introduction or modification of ceilings or quota restrictions in respective items.

1.54 The Chief Controller of Imports and Exports told the Committee that these were not "major" policy changes. He, as well as Commerce Secretary, however, admitted that within the policy framework in respect of agricultural items, like sugar, changes had become necessary due to weather conditions. 99% of the exports are not under any form of control and in respect of these items, there should be no uncertainty in the minds of exporters. Commerce Secretary clarified in evidence that Alexandar Committee's recommendations regarding stability in export policy "is certainly acceptable and, in particular, we have adopted it."

1.55 From the aforesaid facts, it is clear that changes in export policy do take place rather frequently even if as stated by the Ministry, these may have been for reasons beyond the Government's control or even if these may not have been "major" changes. Annual announcement of export policy, 45 mid-year modifications in the policy during three years and Alexandar Committee's concern over this matter all lend support to the feeling prevailing in commercial circles that our export policy has not been stable. The Committee would expect the Ministry to realise the imperative need for stable export policy, not merely in concept, but also in practice. (Sl. No. 7).

#### *Export Policy—Identification of Products for Exports*

1.56 The Primary object of the Government, according to the Ministry is "to promote exports to the maximum extent, but in such a manner that the economy of the country is not affected by unregulated exports of items essentially needed within the country. Export control is exercised in accordance with the provisions of the exports (Control Order) 1977. Only items included in Schedule I of the Export (Control Orders 1977) are under control. The social and economic objectives are also kept in view through such devices as fixation of quotas, canalisation, scrutiny by Task Force in regard to export-oriented industrial units covered under the MRTP and FERA Acts and encouragement to exports through small scale industries".

1.57 The Ministry have also informed the Committee that in order to ensure that the maximum benefit by way of profit and net foreign exchange earnings obtained, the following instruments are adopted :—

- (i) The general approach is that the value added should not be less than 25 per cent for the purpose of granting import licences for the purpose of exports, including eligibility for cash assistance. However, there are exceptions where this has been relaxed for other reasons such as to utilise available capacities, providing employment to skilled artisans, e.g., those engaged in cutting and polishing of diamonds and goldsmiths, etc.

- (ii) The hundred per cent export oriented scheme provides for a minimum value addition of 20 per cent.
- (iii) In the case of a number of commodities, minimum export price is insisted upon before the exports are effected.
- (iv) Canalising agencies through which substantial exports are made keep this aspect in view of in promoting exports.

1.58 Asked whether the Ministry or any other Government Organisation had identified the product whose exports are really profitable to the country i.e. those having the least domestic resources cost, the Ministry informed the Committee that the "Ministry of Commerce has not undertaken any study of this type." The Ministry however, admitted that "while a more thorough assessment is considered necessary for exports to ensure that the exports are really meaningful it has been found difficult to undertake in-depth studies of this type due to practical difficulties and limitations of the available data."

1.59 Asked to comment upon the need for a study to identify products for export which could bring in maximum 'net' foreign exchange and which would be most profitable to the national economy i.e. which would have the least domestic resource cost Commerce Secretary stated in evidence "it is true that we have not followed the principle of least domestic resource cost to decide which items are to be exported. In the selection of commodities, we are concerned with two or three things the domestic need and the domestic socio-economic problems. For instance, if you go by the least domestic resources cost, quite a number of agricultural products should have been exported, but we do not do it. The policy is to export such items in such quantities which would not hurt the local economy as such. We also take into consideration what is called value-added item and employment-oriented item and that is why we export leather, textiles, diamond, etc.

1.60 "But during the last one decade, more and more studies are being mounted to find out the new items which India can produce and become competitive. Surely it is not identified in a scientific manner as suggested, but we are moving towards such a conscious decision-making. Today if you ask whether it is done according to the rules of economics, supply and demand, price fluctuation etc., the answer is, no. But what we are doing is not totally uneconomic and rudderless."

1.61 The Government's export Policy aims at Promoting exports to the maximum extent but in such a manner that the economy of the country is not affected by unregulated exports of items essentially needed within the country. The Ministry of Commerce have informed the Committee that though studies have been made in the past to find out items which can be produced in the country and become competitive in export market, no scientific study has been made to identify products the export of which could bring in maximum net foreign exchange and which would have the least domestic resource cost and be most profitable to the national economy. The Ministry has, however, admitted that a more thorough assessment is necessary to ensure that the exports are really meaningful but practical difficulties and limitations of the available data are stated to be standing in the way. The Committee feel that a systematic study should be undertaken by Government through experts to identify export items which would bring in the maximum 'net' foreign exchange and be most advantageous to national economy. (Sl. No. 8)

### Unit value realisation of Exports

1.62 From the information furnished by the Ministry, it has been noticed that the unit-value realised by many Indian commodities has been declining year after year. This is more pronounced in the case of items like Tea, Coffee, Oil cakes, Cashew kernels, Sugar, Spices etc., as can be seen from the following table :

### Unit value realised by Select Indian Products during 1977-78 to 1979-80

Items	Unit	1977-78 1978-79 1979-80		
		Rs. crores		
1. Tea . . . . .	Qty. M. Kg.	223.6	172.4	203.7
	Val.	569.69	340.46	367.84
	U. Val.	25.48	19.75	18.06
2. Coffee . . . . .	Qty. 000T	58.0	66.0	61.8
	Val.	194.42	143.95	163.31
	U. Val.	33521	21811	26421
3. Oil Cakes . . . . .	Qty. 000T	854.5	917.1	1034.0
	Val.	133.27	109.86	127.53
	U. Val.	1560	1198	1233
4. Cashew kernels . . . . .	Qty. 000T	40.4	27.0	38.0
	Val.	149.54	80.23	118.10
	U. Val.	37015	29715	31079
5. Sugar . . . . .	Qty. 000T	69.7	719.5	503.2
	Val.	19.47	131.00	115.20
	U. Val.	2793	1821	2289
6. Spices . . . . .	Qty. 000T	76.0	97.7	40.1
	Val.	137.09	147.93	149.36
	U. Val.	18038	15141	13566

1.63 The Unit values realised by India and other competing countries in respect of spices, sugar and feeding stuff for animals, to take a few items for comparison during 1978 were as follows :—

Market	Competing countries	c.i.f. unit value of imports U S Dollar/Metric Ton.
1	2	3
	<b>I—Spices</b>	
U.S.A. . . . .	Indonesia	2123
	Brazil †	2212
	India ‡	1914
U.K. . . . .	Singapore	2454
	Brazil	2012
	India	1581
	<b>II—Sugar</b>	
U.S.A. . . . .	Philippines	218
	Brazil †	207
	Belgium ‡	323
	India	104
U.K. . . . .	Mauritius	398
	Netherlands	541
	India	446

1	2	3
<b>III—Feeding Stuff for Animals</b>		
U.K.	U.S.A.	255
	Netherlands	223
	India	144
France	U.S.A.	230
	Brazil	214
	Belgium	249
	India	191
Japan	U.S.A.	178
	Argentina	215
	India	127
	Brazil	222
Netherlands	U.S.A.	144
	Brazil	166
	France	135
	India	101
Singapore	Brazil	217
	India	795
	U.S.A.	1023

1.64 While the unit value realised by India in the case of important primary products exported has been declining year after year, the unit value of almost all the products imported by the country has increased manifold, as is seen from the following table :—

*Unit value of Select Products imported by India during 1977-78 to 1979-80*

Commodities	Unit	1977-78	1978-79	1979-80 (Rs. in crores)
1. Wheat . . . . .	Val. <sup>₹</sup>	122.49	86.92	105.82
	Qty. 000T	508	289	335
	U. Val.	1125	2286	2517
2. Cashew nuts (raw) . . . . .	Qty. 000T	56	21	24
	Val.	17.98	9.16	19.60
	U. Val.	3211	4362	4833
3. Cotton raw . . . . .	Qty. 000T	134	14	Negl.
	Val.	198.77	26.44	0.07
	U. Val.	14834	18886	—
4. Fertilisers crude . . . . .	Qty. 000T	925	981	1167
	Val.	40.58	40.32	59.69
	U. Val.	439	411	511
5. Fixed vegetable oils & fats :				
(a) Palm oil . . . . .	Qty. L.Kg.	4601	3973	3289
	Val.	217.50	202.43	182.29
	U. Val.	4.73	5.10	5.54
(b) Soyabean oil . . . . .	Qty. L.Kg.	3458	3506	2677
	Val.	196.60	181.69	175.31
	U. Val.	5.69	5.18	6.56

1.65 Asked about their views on the declining trend in the unit value realised by our exports, the representative of a leading Chamber of Commerce stated during evidence that our products were losing their competitive edge as the quality of our products had not improved. In this regard the Commodity Boards charged with the responsibility of production, development and export had not come upto the expectations. The marketing strategy by the Commodity Boards was also lacking.

1.66 Explaining the reasons for the declining trend, in the unit-value realised by the country's primary products, the Commerce Secretary stated during evidence that the products from the Third world "are losing their value in the international markets—in the markets which are in the developed world—Europe, America and others. This is because of certain problems of trade which the developed countries are forcing on us."

1.67 He added that the following factors had also continued to the low—unit realisation :—

- (i) A number of countries have emerged as suppliers of primary products. Consequently there is stiff competitions.
- (ii) Certain substitutes have also entered the market—(like in the case of jute, cotton textiles).

1.68 The Commerce Secretary stated that the following steps should be taken in order to improve the competitive edge :—

- (i) Productivity must go up.
- (ii) Our plantation system should be modernised.
- (iii) Packaging should be improved.

During evidence the Committee enquired whether the declining unit value realisation could not be due to under-invoicing on the part of our exporters. The Commerce Secretary replied that such complaints were there.

1.69 With a view to realising optimum foreign exchange in the international market and also to avoiding under-invoicing, Minimum Export Prices (MEP) are fixed by the Government. In such cases exporters are at liberty to export at any price higher than the MEP fixed. So far in respect of 22 products, MEP has been fixed.

1.70 According to a non-official organisation, "inspite of this MEP obligation a large number of products are susceptible to depression of prices, via *inter-se* competition." The Commerce Secretary however informed the Committee during evidence that "the Port Customs authorities check 100% of these items. Very few under-invoicing cases have come to notice."

1.71 Asked about other steps taken to check under-invoicing, the Ministry stated that the Foreign Exchange Regulations Act, 1973, Customs Act, 1962 and Export (Control) Order, 1977 had vested adequate powers with the Government to curb under-invoicing and to take legal action against the offenders.

1.72 In a written statement given after the evidence, the Ministry stated that "54 complaints were received by the Enforcement Directorate about under-invoicing of exports during the last 3 years. On the basis of these complaints, investigations were started in all these cases. Searches were conducted by the Directorate in 49 of these cases and in the remaining 5

cases enquiries were made otherwise. Of these 54 complaints, 16 proved to be correct and total value of under invoicing detected therein was US \$ 58,982.46 and about Rs. 2 crores. Of these, one case has since been adjudicated and penalty of Rs. 1000/- imposed. The remaining 15 cases are under investigation/adjudication.”

1.73 The Committee are surprised to note that the unit value realised by many commodities exported by India has been declining year after year. This is more pronounced in the case of tea, coffee, oil cakes, cashew kernels, spices, and sugar. What is intriguing is the fact that while the unit value of Indian products has declined over the years, the competitors from other countries have been able to realise far higher unit value for the same products in the same market, and the unit value of many products imported by India has increased manifold over the years. Consequently, the country finds itself placed in an unevitable situation in which our important export products are losing their export value, while our imports are becoming dearer and dearer.

1.74 The Committee take note of the Ministry's explanation that our exports are losing their value because of severe competition and development of substitutes. But these in the Committee's view could not be the only reasons. The Committee are inclined to agree with the non-official view that our exports are losing competitive edge because of poor quality. The solution to this problem lies as is known to the Ministry in improving quality and packaging of export products for which quality consciousness has to be created among producers and production techniques have to be modernised. The Committee would like the Ministry to draw out a comprehensive scheme for upgrading quality and packaging in each sector of export production and provide assistance and encouragement to make Indian exports competitive in quality and price. They would like to know the steps taken by the Ministry in this direction. (Sl. No. 9)

1.75 The Committee suggest that the Ministry should also undertake on-the-spot case studies in foreign markets to investigate the reasons for the low unit value realisation as compared to our competitors and take steps to overcome the shortcomings in our products, marketing strategy etc. (Sl. No. 10)

1.76 Although the Commerce Secretary did not view the phenomenon of under-invoicing as wide spread in the Committee's opinion the unhealthy practice of under-invoicing exports should not be under-played.

1.77 In coming to this conclusion the Committee have found adequate evidence in the data furnished by the Ministry after the evidence. Of the 54 complaints of under-invoicing received during the last 3 years, 16 proved to be correct and under-invoicing of the value of US\$ 58,982 and about Rs. 2 crores detected. From this it is obvious that under-invoicing is taking place in spite of the fact that the Ministry has fixed minimum export prices in respect of 22 products with a view to checking under-invoicing and also to ensuring that our exports realise optimum foreign exchange in the international market. The Committee urge the Ministry that, besides examining the scope for extending the system of fixing minimum export prices to more products, it should take sterner measures, preventive as well as punitive, to curb this menace. (Sl. No. 11)

## CHAPTER II

### EXPORT PROMOTION MEASURES

The system of providing support by Government to the export sector through a variety of ways is universal. The export promotion measures currently in operation in India can be broadly categorised as under :—

- Material input facilities.
- Fiscal incentives.
- Export credit and exchange facilities.
- Institutional support in the form of services.

#### A. Material Input Incentives

2.2 The objective of the measures in this category is to provide support so as to enable the exporters and those engaged in export promotion to obtain imported and other inputs on a somewhat preferential basis. These are :—

- (i) Import Replenishment Licensing Scheme. These licences are issued only to replenish the import content in the products exported in respect of banned and canalised items.
- (ii) Supply of certain domestic materials at international prices.
- (iii) Preferential allotment of certain key materials.

#### *Import Replenishment Licences*

2.3 The value of import replenishment licences issued to the exporters and the value of exports for which these licences were issued during the years 1978-79 to 1980-81 were as follows :—

Year	Value of exports on which Repl. licences issued (Rs. in Crores)	Value of Rep. licences issued (Rs. in Crores)	% of Rep. licences to exports
1978-79	4321	1097	25.3
1979-80	3732	1089	27.0
1980-81	4755	1422	30.0

2.4 From this it can be observed that the assistance in the form of import replenishment licences constitutes more than one-fourth of the value exports. An expert on foreign trade opined in his evidence before the Committee that the value of assistance extended in the form of import replenishment licences was far too great in proportion to the value of exports entitled to such assistance.

2.5 A leading organisation engaged in foreign trade research informed the Committee that "the studies made by it has revealed that many exporting companies presently do not take into account the premium on transferred import replenishment licences while preparing their price quotations. The result obviously is that whatever premium may be attached to the

import replenishment licences goes to the exporting companies merely as a windfall but does not have any effect on enhancing the competitiveness of India's exports."

2.6 Commenting upon these views the Ministry stated that :—

(i) REP licences are issued only to replenish the import content in the products exported, in respect of bannel and canalised items and packing materials. The policy aims at providing imported inputs for export production, to the extent used in exports. Therefore, it cannot be said to be "very high" or "low" used in that sense of the term.

(ii) The aim is that REP licences should provide inputs for export production at international prices and of the desired quality. Without such assistance, the export could well have been adversely affected. Even now, given the constraints on availability of domestically produced inputs for export production, it would place the exporter at a handicap *vis-a-vis* his competitor abroad, if the required raw materials are not available of the right quality or price or in time.

(iii) The present structure of the Import Policy is based on the recommendations of the Alexander Committee (1978). In subsequent years however, some flexibility, has been given to manufacturers in the utilisation of REP licences issued on the exports of goods manufactured by them. The intention is to strengthen the base for production in the case of export oriented units.

(iv) Whether the existing system of import replenishment licences needs re-examination or not, is a matter of opinion. And whatever may be the modalities of the system, this type of assistance for export production is necessary in the present context.

Supplementing this, the representative of the Ministry of Commerce stated during evidence that "as far as the import replenishment licence is concerned, first of all, the misconception about this assistance should be removed. It is a scheme under which our export producers, have to get free access to the international market as they have to get their essential inputs in the form of raw materials at internationally competitive prices." He added that without such assistance will be suffering from a basic disadvantage of having to pay much higher prices for the domestic inputs, which may be costly. Therefore, this is not in the form of a subsidy. This is not treated as contravening the provisions of the GATT."

2.7 In this connection, the Committee drew the attention of the witness to a study made by the Indian Institute of Foreign Trade which had revealed that the import replenishment (IR) system which is used as an export assistance measure, has, infact, lost its significance now, due to gradual liberalisation of the import policy and consequent drastic decline in the premium rates." The study has concluded that "the present system of IR licensing can be modified by making it non-transferable and any consequent reduction in the average level of export assistance can be taken care of under the ambit of cash compensatory support (CCS) system, if considered necessary. This will help in eliminating a certain amount of avoidable foreign exchange outgo. However, since the transferred IR licences help in filling a part of the imported input requirements of the domestic sector, simultaneously liberalisation of the actual user policy will be required in



order to avoid any adverse impact on the level of production." (Study on Net Foreign Exchange Earnings from Exports, IIFT, 1981).

2.8 In this regard the representative of the Ministry of Commerce stated that "since this (import Replenishment licence) is not in the form of subsidy, the suggestion of the Indian Institute of Foreign Trade that this should be substituted in the form of cash compensatory support, was discussed in the Ministry and it is not acceptable to us. The cash compensatory support will be a direct outgo, from the Consolidated Fund of India, whereas these replenishment licences are meant only for the purpose of enabling the exporter-producer to get the raw materials at the international price."

#### *Transferability of Import Rep. Licences*

2.9 The REP licences are freely transferable. The goods imported against such licences can also be transferred. According to some exporters only some portion of the REP licences granted to them are being used for export production. In order to ensure that these licences serve the real objective of boosting exports, they suggested that a restriction that the REP licences will be transferable only to the exporters who should also be asked to use the licences only for export production purposes.

Commenting upon this, the Ministry of Commerce has stated that "the rationale of allowing free transferability of REP licences is that these are post-export replenishment licences and the intention is to provide flexibility to the exporter whether to use the replenishment imports himself or to pass it on the others. The concept of replenishment is viewed in the system as a whole and not exporter-wise. For example, if stainless steel utensils are exported and the exporter gets REP licence to import stainless steel used in the utensils exported, it is immaterial whether he imports the steel himself or someone imports it, as long as the quantity of steel used in exports is replenished by import. Exporters are not all manufacturers themselves and the imported material has, therefore, to go to the manufacturers. The transfer of REP licences evolves a simple and easy procedure of such transfers without involving unnecessary Governmental control."

2.10 During the course of evidence before the Committee the representative of the Ministry of Commerce further explained that "the transferability has been given to ensure certain measure of flexibility for the procedures. Exports are made not only by the manufacturers, but by the export houses also. These export houses will have to get the material. They transfer either the material or the licence. Even the manufacturing exporters may be either big or small. If there are small export producers, the amount of REP licences which they will get is so small that they will not have the advantage of making economic purchases abroad. So, these licences are made transferable."

2.11 The witness however, admitted that "a part of it (import replenishment licence) may go for internal production and at the same time something of the internal production goes for export". He further added that "the Ministry is satisfied that there is no misuse of the Rep. licences."

**2.12 Import Replenish licences (REP licences) are issued to replenish the import content in the products exported, in respect of banned and canalised items and packing material with a view to providing inputs for export pro-**

duction at international prices in order to make our exports competitive. The value of REP licences increased from 25.3% in 1978-79 to 30% in 1980-81. Experts feel that quantum of REP licences vis-a-vis value of assisted exports is rather high. According to a study made by Indian Institute of Foreign Trade, REP scheme has lost its significance due to gradual liberalisation of import policy and that the present REP system can be modified by making it non-transferable and any consequent reduction in the average level of export assistance can be taken care of *inter alia* by liberalisation of actual user policy. According to another view, the premium attached to REP licences goes to exporting companies merely as windfall as the exporters, while giving quotations do not take into account the premium on transferred REP licences. A feeling has also been voiced that only some portion of REP licences are being used for export production and in order to ensure that these licences serve the real objective of boosting exports, their transfer should be restricted only to the exporters for export production purposes. The Ministry has not agreed with any of the aforesaid views. The Ministry considers this type of assistance for export production is necessary in the present context. The Ministry has also stated that in its opinion REP licences should continue to be transferable freely as the transferability has been given to ensure a certain measure of flexibility to the producers. The Ministry has, however, admitted that a part of REP licences may be going for internal production. There cannot be two opinions on the need to provide raw material to exporters or export manufacturers at international prices, but the question arises whether the present system of REP licences is the only or the best way of extending this facility.

2.13 It cannot be denied that a part of the REP licences or the products imported under REP licences even though their imports are otherwise banned, enter the domestic market and to that extent it is a waste of foreign exchange. The Committee also feel that there is no justification to allow REP licences or the products imported under REP licences to be transferred to anybody other than exporters or export manufacturers. (Sl. No. 12)

### B. Fiscal Incentives

2.14 The main fiscal incentives extended are (i) Market Development Assistance, (ii) Cash Compensatory Support, (iii) Duty Drawback and Duty Exemption Scheme, (iv) Free Trade Zones and (v) concessions in Direct Taxes.

#### (i) *Market Development Assistance*

2.15 Government of India introduced the Scheme of Market Development Assistance in the year 1963, to facilitate the various measures undertaken to stimulate and diversify the country's export trade. The provision under this is utilised for meeting the expenditure on compensatory support for certain exportable commodities and grants-in-aid for schemes and projects for the development of markets abroad and covers.

Market Research, Commodity Research, Export Publicity, Participation in Trade Fairs, and exhibitions; Trade Delegations and study teams; Grants-in-aid to Export Promotion Councils, etc.

The following table indicates the actual expenditure incurred under the Marketing Development Assistance during the years 1977-78 to 1979-80

Year	Value at MDA—assistance extended (Rs. in crores)
1977-78	324.27
1978-79	375.19
1979-80	361.08
1980-81	—

(ii) *Cash Compensatory Support (CCS)*

2.16 The rationale behind giving cash compensatory support on exports is to compensate the exporters for various non-refundable taxes and to neutralise the disabilities which are inherent in our present state of economic development. The rates announced are valid, generally for a period of 3 years. This has been done in order to introduce an element of stability in export trade. The rates are fixed as a percentage of *f.o.b.* value of exports. The Ministry informed the Committee that on the basis of the Alexander Committee's recommendations, the following criteria for fixation of rates of CCS have been adopted with effect from 1st April, 1979.

- (i) Neutralisation of the handicaps encountered by exporters in the shape of (a) indirect taxes, including sales tax on inputs imported or domestically purchased that remained unrefunded after duty drawback; (b) higher rate of interest payable in India on working capital on export production; (c) higher cost of capital goods required in export production.
- (ii) The nature of industry producing the item—whether small scale and cottage sector etc.
- (iii) Labour-intensive industries and agriculture based products.
- (iv) Cost of entry into the new markets.
- (v) Cost of development of new products.

2.17 For fixing rates of CCS on the basis of the above criteria, the requisite data on the various elements like the incidence of unrefunded taxes, higher rate of interest, product development etc. are collected by the concerned Export Promotion Councils from representative units engaged in production of the concerned items. The data, is then checked further by the Commodity Divisions and by the Finance Division in the Ministry of Commerce. The rates are thoroughly examined from all the relevant angles and decided by an Inter-Ministerial Committee on Cash Assistance chaired by the Additional Secretary.

2.18 The value of cash assistance given during the years 1978-79 to 1980-81 is given below :

Year	CCS disbursed (Rs. in crores)
1978-79	358.13
1979-80	344.05
1980-81	335.76
	(provisional)

2.19 The grant of cash assistance has evoked considerable criticism within the country and abroad. Some importing countries had resorted to levying countervailing duties on products enjoying cash assistance, for example the U.S. Government had imposed countervailing duties on imports of industrial fasteners, iron metal castings and leather footwear and uppers (other than *unlasted*) from India into the United States. In these cases, however, the Government of India and the importers in the USA took up the matter for review by the U.S. Government. The case of countervailing duties on iron metal castings and leather footwear and uppers is being re-examined by US Department of Commerce. The case of countervailing duties on industrial fasteners is pending before the US Customs Court in New York. (position as in December, 1981).\*\*

2.20 Asked about the utility of extending cash assistance for exports, when such an assistance is attracting countervailing duties abroad, the Ministry stated that :

“it is only the United States of America which has resorted to imposition of countervailing duties on imports from India without giving the benefit of an ‘Injury test’ as required under the GATT provisions. The Agreement on Subsidies and countervailing Measures recognises that subsidies form an integral part of the economic development programmes of the developing countries and specifically exempts developing countries from the obligation not to grant export subsidies on non-primary products. While the Agreement contemplates that the export subsidies on the industrial products shall not be used in a manner which causes serious prejudice to the trade or production of another signatory, such prejudice has to be demonstrated on the basis of positive evidence.”

2.21 The Ministry has added that Indian exporters, particularly, those of manufactured products, suffer from a variety of inherent handicaps which adversely affect their competitiveness. Apart from the cumulative burden of various indirect taxes and levies which are not refunded through the mechanism of duty drawback, there are also serious handicaps on account of factors like higher rates of interest payable in India on working capital employed in export production and the duty burden on capital goods used for export production. Also, it has been observed that the freight structure adopted by Conference lines is such that ocean freight rates from Indian ports to destinations in Europe and other places are higher than those from Hong Kong, Taiwan, etc., to the same destinations. Thus, there is inherent freight disadvantage which makes our exports relatively uncompetitive. It is with a view to neutralising at least in part, the effect of these various handicaps and consistent with the competitive and developmental needs of our exports that the scheme of Cash Compensatory Support to exports has been devised.”

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\*\* At the time of factual verification (March 1982) the Ministry has stated that “in these cases, however, the Government of India has taken up the matter with the US Government for a review of these cases. The cases of countervailing duty on industrial fasteners and leather footwear and uppers have recently been reviewed by the US Government, but the outcome has not been favourable from India’s point of view. Bilateral discussions on these issues are actively continuing with the US Government. In the case of industrial fasteners, the importers in the USA have taken up the matter before the US Customs Court in New York. The case of countervailing duty on iron metal castings is currently under review under the US Department of Commerce”.

2.22 Some non-officials and leading export promotion organisations suggested to the Committee that the following schemes of incentives may be adopted with a view to avoiding countervailing duties and criticism abroad on the grant of cash assistance to the exporters :

- (i) A revision of the drawback scheme for providing total refund of all indirect taxes and levies at all stages of production, inter-state sales, export sales etc.
- (ii) An Income-tax and Corporate Tax rebate on export sales at a fixed percentage.
- (iii) Supply of all inputs at international prices.

2.23 Commenting on these suggestions, Commerce Secretary stated during evidence that "GATT itself provides for this sort of assistance which we are giving to our products. But what they really want is to create some sort of an optical illusion that whatever assistance we give is rebate of taxes. This is not feasible, because there is no country in the world which is not supporting its product. The cash compensatory support cannot really be substituted by any of these things."

2.24 Referring to drawback schemes he stated that under the existing procedure, the exporters are not getting the drawback "immediately" and that they have to "run from pillar to post to get it finalised."

Regarding the proposal for income-tax rebate, he stated that the Ministry tried whether it was possible to implement this proposal, but the income-tax authorities pointed out "lot of problems". About supply of all inputs at international prices the witness stated that "this has been tried in one way or the other. But it is really impracticable to implement it." The Commerce Secretary further submitted that "cash compensatory scheme has got several advantages and good characteristics which should receive our support."

#### *Data for Fixing the rates of Cash Assistance*

2.25 The Government fixes rates of cash assistance on the basis of the data furnished by the Export Promotion Councils. As the Councils are dominated by interested industrialists and exporters, the correctness of the data may be questionable. The Comptroller & Auditor General has, in the past, pointed out instances in which the data furnished by the Councils has proved to be incorrect.

2.26 At the instance of the Committee the Ministry furnished the particulars of the rates of cash assistance recommended by certain Export Promotion Councils and the rates actually granted by the Ministry of Commerce after scrutinising the data. From the details furnished by the Ministry it was noticed that the EPCs have furnished weighted cost data and demanded high rates of CCS. For example, the Cotton Textile EPC proposed 15% CCS (for the year 1981) for cotton fabrics and made-ups; the Government however, granted CCS at 7.5% only after scrutinising the data. The Council's other demand for 10% CCS for cotton yarn and sewing thread was not found justified by the Government. Similarly, the Chemical Export Promotion Council had proposed fixation of cash compensatory support in respect of a number of new items for the year 1981. In all these cases, the Council had recommended fixation of maximum possible CCS (20%) on the basis of proforma details. These proposals were considered by Government and CCS at the rate of 5 to 10% only was granted.

2.27 In order to ensure the reliability of the cost data prepared by the Councils, it has been suggested that the Councils should employ cost accountants and that they should scrutinise and certify the accuracy of the cost data. It has also been suggested that instead of inviting cost data from affected exporters for fixation of CCS rates, the Ministry should make a study of cost of production in a few representative units in each case and fix rates of CCS, for the entire group in that sphere.

2.28 Asked about the views of the Ministry on these suggestions, the Commerce Secretary stated during evidence that "the Government does not just accept any suggestion regarding CCS. There is a whole hierarchy of examination to which it is submitted. We do not accept their recommendation *suo motu*". He further added that the Ministry are in agreement with the suggestion of posting cost accountants in the EPCs. Regarding the suggestion that there should be a study of costs by Government, he stated that "in one or two cases, such a study has been taken up. We agree totally in principle."

2.29 Government has introduced a scheme of Cash Compensatory Support (CCS) with a view to neutralising the handicaps encountered by exporters in the shape of indirect taxes that remained un-refunded after duty drawbacks, higher rate of interest on working capital and higher cost of capital goods required in export production. CCS also takes care of requirements of small scale and cottage sector and labour intensive units, agriculture based products, and the cost of development of new products and entry of products into new markets. CCS has invited considerable opposition from certain countries like USA who have threatened imposition of countervailing duties on certain products, even though, according to the Ministry, there is no justification for this. The Committee agree with the Ministry that there is a need to neutralise at least in part the effect of various handicaps in the shape of indirect taxes, higher freight rates, higher capital cost and interest rates from which our exporters are suffering. But the Committee do not agree with the Ministry that CCS is the only appropriate method of achieving the objective.

2.30 The Committee also view this problem from another angle. At the moment the Government first collects a variety of taxes—direct as well as indirect—from exporters and export producers and then gets involved into a series of administrative exercises to determine CCS rates and make refunds to them. In short, Government collects money from exporters only to return it to them later. In these processes Government incurs administrative expenses for no productive reasons and at the same time leaves scope for malpractices at both collection and disbursement stages. In the Committee's opinion there is a great weight in the suggestions that schemes can be devised for providing total refund of all indirect taxes and levies at all stages of production, inter-state sales, export sales and to provide rebate on indirect taxes on export sales. This will save the Government of tremendous administrative expenditure, minimise scope for malpractices and also relieve the exporters of the burden of first paying taxes and then collecting monetary support. The Committee strongly feel that a detailed in-depth study by experts should be commissioned to evolve suitable schemes to be built into tax structure in lieu of CCS. (Sl. No. 13)

2.31 So long as the CCS scheme is in force the Committee would like to caution the Government against the natural tendency of Export Promotion Councils to give weighted cost data with a view to getting maximum assistance from Government under this scheme. There are examples which lend support to such a tendency on the part of EPCs. The Committee would, therefore,

suggest that cost data prepared by EPCs should be vetted by cost accountants who should be required to give certificate on the accuracy of the data. Also, instead of depending entirely on the cost data submitted by EPCs, Government should independently study costs of production of various items in certain representative units before determining the CCS rates.

### (iii) *Duty Drawbacks*

2.32 It is the internationally accepted principle that goods exported out of the country are relieved of the duties borne by them at various stages of their manufacture, so that they become competitive in the world market. The most widely adopted method of relieving export goods of such burden is the Scheme of Drawback. This scheme is administered by the Ministry of Finance. The rates of drawback are announced from time to time by the Drawbacks Directorate.

The value of drawbacks disbursed during the years 1978-79 to 1980-81 is given below :—

Year	Drawbacks disbursed (Rs. in crores)
1978-79	150.00
1979-80	152.00
1980-81	164.00

2.33 Some non-officials represented to the Committee that at present the Drawback Directorate, New Delhi and the Customs authorities do not work in unison, as a result of which exporters suffer. They have suggested that the task of fixing duty drawback may be handed over to any one of these authorities and not to both.

Commenting on this, the Commerce Secretary stated that "this is a matter which relates to the Ministry of Finance. But our view is that as far as possible unison should be there. But at present both the Departments are under the Ministry of Finance. One Department really determines the rates of drawbacks and the other makes the tables."

### *Duty Exemption Scheme*

2.34 The Duty Exemption Scheme introduced in 1976 provides for duty free imports of certain specified raw materials and components against advance licences, for execution of specific export orders. The scheme initially covered 55 items, but it was later expanded to cover in all 193 items. (Portion as in Dec. 1981). The exporters availing of this facility have to enter into a bond with the Customs Department.

2.35 The Estimates Committee in its 33rd Report (1978-79) Sixth Lok Sabha, on Customs had concluded that "now that the scheme has been in operation for over three years, the Ministry should have acquired enough experience of the working of this scheme to be able to extend it confidently to more items and thus meet the demand of the trade and industry."

2.36 A number of exporters and leading chambers of Commerce represented to the Committee that the system of drawbacks is causing a lot of difficulties like delay in payment etc. They suggested that the duty exemption scheme should be extended to all the items required for use in production of exportable items.

2.37 Asked whether the Ministry of Commerce did not feel that this scheme can be extended to almost all the major items of the imports required for executing export orders, the Commerce Secretary stated that "we entirely agree with it and we go all out to support this particular idea."

2.38 It is too well known that the duty drawback scheme is not working to the satisfaction of exporters and that there is delay in the exporters getting drawbacks from Government. Even the Commerce Secretary admitted that exporters are not getting the drawback immediately and that they have to run from pillar to post to get it sanctioned. The drawback scheme though good on paper has not been as helpful to the exporters as it could be. The Committee cannot over-emphasize the need to make the working of drawback scheme more efficient and less time-consuming. (Sl. No. 14)

2.39 The Committee are surprised to learn that the Drawback Directorate in New Delhi and the customs authorities at various places both of which are under the same Ministry (finance), are not working in unison. The Committee would like the Ministry of Finance to streamline the present arrangements so that the exporters are not made to suffer for lack of coordination between two sister Departments of the same Ministry. (Sl. No. 15)

2.39 At present 193 items are covered under the Duty Exemptions Scheme which enables duty free import of certain raw materials and components for execution of export orders. There is a widespread demand for extension of Duty Exemption Scheme to all the other major items. Even the Estimates Committee (1978-79) in their 33rd report on Customs had recommended that this scheme should be extended to more items. The Ministry of Commerce is also in agreement with this approach.

2.40 Now that the Government has gained adequate experience in the administration of the Scheme, there should be no difficulty in extending it to all the raw materials and components required for export production. This would relieve the Government of the burden of collection of duties on imports and later their refund on exports and at the same time save the exporter manufacturers from harassment and delays. (Sl. No. 16)

#### (iv) *Free Trade Zone*

2.41 From the point of view of duty and other taxes, a free trade zone is an extended version of the idea of manufacture in bond viz. Duty Exemption Scheme. There are two such zones currently in operation, Kandla Free Trade Zone and the Santa Cruz Electronic Export Processing Zone. The units working in these zones have to export their entire production.

2.42 Some non-officials have represented to the Committee that the infrastructural facilities provided in the Free Trade Zones particularly (KAFTZ) are extremely inadequate. In this regard, the Ministry have stated that the provision of infrastructural facilities like land, water, power and industrial estates in the two Free Trade Zones (Santa Cruz and Kandla) is considered quite adequate. It is, however, true that there are some inadequacies in the field of communication facilities, particularly in KAFTZ. Ministry of Commerce is trying to improve these facilities in cooperation with other Ministries like Posts and Telegraphs, Railways and Civil Aviation."

2.43 The Kandla Free Trade Zone was set up as far back as 1965. Asked about the reasons for the delay in improving communication and other infra-



structural facilities there; Commerce Secretary stated during evidence that Kandla is a backward area and the Government took a "deliberate decision" to set up the free trade zone there. In the beginning even from the railways and shipping facilities point of view, Kandla was backward.

The conditions relating to railways have since been improved. Similarly, the shipping conditions have also significantly improved. He added that "where we have strategically failed is in the field of tele-communications. In spite of our best efforts, they (Ministry of Communications) say that automatic connections for telephones and other things could be made available only in 1983-84. They have, perhaps, their own limitations. However we are pursuing the job and trying to improve the conditions."

2.44 The Ministry also informed the Committee that Government of India set up a Committee under the Chairmanship of Shri P. K. Kaul then Additional Secretary, Ministry of Commerce to look into the problems hindering the growth of the Kandla Free Trade Zone. The Committee gave its Report in November, 1978. The recommendations of the Report have been accepted by the Government and action taken accordingly.

2.45 The Government also set up in September, 1981 a high level committee as a Task Force, under the Chairmanship of Shri Prakash Tandon, President, National Council of Applied Economic Research to review the working of the free trade zones and also to recommend specific measures necessary to increase the attractiveness of free trade zones for encouraging exports. The Report of the Task Force is expected by 31st March, 1982.

**2.46 Government had taken a deliberate [decision to set up Free Trade Zone in Kandla in 1965 in spite of the fact that it was a backward area and that infrastructure was lacking there. While the Railways and Shipping facilities are reported to have improved since then, the telecommunication facilities are still far from satisfactory.**

2.47 The setting up of a free trade zone in a backward area is no doubt laudable, but allowing it to suffer from infrastructural inadequacies particularly telecommunication facilities even after 17 years of its coming into existence, is regrettable. The Ministry of Commerce should seriously pursue the matter with the Ministry of Communications and ensure that telecommunication facilities are improved at the earliest.

2.48 The Committee take note of the fact that the Tandon Committee is reviewing the working of free trade zones and will recommend specific measures to increase their attractiveness for encouraging export. The Committee would like to be apprised of the recommendations made by the Tandon Committee and action initiated by Government thereon. (Sl. No. 17)

#### *Setting up of a Free Trade Zone in Andaman and Nicobar Islands*

2.49 The Trade Development Authority had recommended establishment of a free port in Great Nicobar in two parts—main port of South Bay and ancillary port at Campbell Bay. The total investment of about Rs. 2056 crores over a period of 18 years was envisaged in this connection.

2.50 Asked about the follow-up action taken on this report, the Ministry has stated that the Committee of Economic Secretaries which considered this proposal in June, 1976, thought it necessary to have a comparative view, whether with the same investment in the mainland, the objective of additionality of foreign exchange earning could not be realised within the framework of the economy. The proposal was subsequent re-examined

at an inter-Ministerial meeting held in the Ministry of Commerce in August, 1976 and the consensus was that the proposal of a free port in the Andaman and Nicobar Islands need not be pursued. Government of India decided in May, 1976 not to set up any more free trade zones in the country. As of now the position remains the same. Hence, we are not setting up any more free trade zones in the country.

2.51 The Ministry has added that the Government have announced a 100% Export Oriented Scheme recently. Under this Scheme, units can be set up any-where in the country and the same facilities, such as import of raw materials, CG and components would be available to them as in the case of Free Trade Zones. The Committee enquired whether Ministry did not think that, in view of the urgent need to step up exports and to earn enough foreign exchange to meet the development needs of the country, the question of setting up free trade zone in Andamans and Nicobar Islands deserve a fresh review; Commerce Secretary stated during evidence that "reacting to the present need for export development and others, we are completely one with you that there should be a reconsideration of the need to set up more free trade zones. But, in spite of that, we would not like to repeat Kandla again because going to an area without the infrastructure, without the supporting staff and without the sustenance to be provided to the industry through the infrastructure would be very very difficult. But we have not ruled it out. What we have done is that we have submitted all these things before the Tandon Committee. We have referred it to them and we await their report. In the light of their suggestions we will be able to formulate our idea.

2.52 The Trade Development Authority had recommended establishment of a free port in Great Nicobar (Andaman Islands) with a total investment of about Rs. 2056 crores spread over a period of 18 years. The Government decided in 1976 not to pursue this proposal and not to set up any more free trade zones in the country. Commerce Secretary agreed that there should be a reconsideration of the need to set up more free trade zones in order to augment the country's exports. The Ministry is awaiting Tandon Committee's view on the question of setting up more free trade zones. The Committee suggest that Ministry should seriously examine the question of setting up of a free trade zone in Andaman and Nicobar Islands in order to boost exports from the country. (Sl. No. 18)

#### *Free Trade Zones, Units—Permission to sell in Domestic Market*

2.53 Some exporters have in their memoranda suggested that in order to develop the competitive strength, of the zone units, some domestic marketing support should be allowed. As in some other countries; the zone units may be allowed to sell goods ranging between 10 to 20 per cent of their production in the domestic market. In this regard, the Ministry informed the Committee that this suggestion "has come from various quarters. The Government is examining these requests keeping in view the provisions of the Customs Laws and the impact of such sales on the domestic industry."

2.54 Asked about the views of the Ministry on the suggestion to relax the obligations for 100% export of production, the Commerce Secretary stated that "we feel there is a lot of truth in the argument of our manufacturers. The fluctuations international prices are such that our industrialists

will not be able to get what you call capital formation. That is the case for allowing them a certain percentage of their products to be sold inside the country. While considering this proposition, we made it clear that any percentage that the Government would decide finally to be sold in domestic will market not be duty free."

2.55 Asked about the implications of this suggestion, he stated that "those outside the free zones manufacturing similar products would say that they are handicapped in not getting the advantage of imported machinery and imported raw materials. So, in order to equalise this we have given the idea that this raw materials will not be exempted from duty. The initial reaction of the industry is that they have responded favourably to it."

2.56 As per existing scheme the units working in free trade zones have to export their entire production. In order to develop the competitive strength of the zone units, some exporters have suggested that 10 to 20% of their production may be permitted to be sold in the domestic market. Even the Commerce Secretary during his evidence before the Committee felt that "there is a lot of truth in the arguments of our manufacturers." The Ministry of Commerce is reportedly considering this suggestion. The Committee hope that the Ministry would take a decision in this regard early. (Sl. No. 19)

### C. Export Credit

2.57 With a view to making available adequate credits at cheaper rate of interest to exporters, Government announced in June 1968, a Scheme called Export Credit (Interest subsidy) Scheme, 1968 for grant of subsidy towards interest charges on export finance provided by banks. For this purpose Reserve Bank prescribes a ceiling on interest charges qualifying under the Scheme. The ceiling rate of interest is fixed by Reserve Bank of India, from time to time. The existing rate is 11½% on pre-shipment credit and post-shipment credit and 8% on exports on deferred payment terms. Government pays a subsidy of 1.5% on such export credits to the financing banks. The types of credits available under the Scheme to the exporters are :—

- (i) Packing Credit or pre-shipment Credit.
- (ii) Post-shipment credit.

#### *Export Credit—Procedure followed by Nationalised Banks*

2.58 A number of exporters have brought to the notice of the Committee that there is considerable delay in extending export finance and in releasing foreign exchange to the exporters. According to them the documentation process to be fulfilled for getting credit and for release of foreign exchange by RBI is too cumbersome. Such feelings have been strongly expressed by export bodies in almost all regions.

2.59 In this regard, the Ministry has stated that, "there has been considerable streamlining of procedures and delegation of powers to its Regional Offices by the Reserve Bank of India. Resultantly, applications for release of foreign exchange for export promotion tours etc. are being disposed of expeditiously now provided these are complete in all respects.

The Ministry added that "the Exchange Control Manual has been thoroughly reviewed and revised by the Reserve Bank of India, in consultation with the Ministry of Finance before issuing its 1978 edition. In this

process the need to keep the documentation to the minimum, in regard to the release of exchange, was kept in view."

2.60 Asked whether it was the contention of the Ministry that the procedures and the documentation system to be followed by exporters are now completely streamlined and simplified, the representative of the Ministry of Finance stated in evidence that, "it is a continuous process, we go on revising and updating the standing instructions and procedures in order to streamline them and make them more liberal. I would at no time say that what has been done is the final word in streamlining. The RBI standing instructions as revised in 1978 in the Manual plus subsequent instructions, we believe have taken care of whatever difficulties have come to light. All banks have been asked to create special cells. And the Reserve Bank of India both in its Exchange Control Department and in its Export Credit Division has given special instructions. They pursue the individual cases if necessary with banks to see where problems exist."

2.61 Asked whether there was any mechanism to get feed back from exporters and their organisations about their difficulties in getting export credit, the witness added that, "the Reserve Bank of India has a standing committee under the Chairmanship of a Deputy Governor on export credit in which all major exporting banks, Ministry of Commerce, Finance are represented. Difficulties of exporters received from whatever sources are discussed in this Committee. The witness further added that, "by and large it is our experience, that where consensus develops in the Committee over what is the hinderance, the Reserve Bank of India takes immediate action."

The representative of the RBI informed the Committee that "in the Exchange Control Deptt. we have already introduced the so-called windows. We go out of our regional offices, meet the Chambers of Commerce, Export Promotion Council and others and discuss with them if there is a problem."

2.62 In a subsequent note (Feb. 82), the Ministry stated that "RBI has advised its regional offices to attend properly to the requests/problems of members of the public calling at their counters also to send monthly reports to the Central Office giving a feed-back indicating the procedure being followed to eliminate delays, etc. Periodic meetings are fixed with Chambers of Commerce & Industry and other sectors of trading such as diamonds trade, etc. Senior officers of RBI visit regional offices at periodic intervals to get a feedback from those centres and to meet representatives of trade and their organisations. Whenever the RBI finds sufficient justification for relaxing or simplifying existing procedures/documents it issues circulars to its regional offices to take immediate action."

2.63 The Ministry have also informed the Committee that "Adequate arrangements exist for getting feed-back from exporters or their organisations about their experience in getting various facilities for export, including credit and foreign exchange. The Export Promotion Councils, Commodity Boards, Chambers of Commerce & Industry and other organisations like the Federation of Indian Export Organisations, Federation of Indian Chambers of Commerce & Industry, Association of Indian Engineering Industry etc. provides opportunities to exporters to express their complaints/grievances and make suggestions. These organisations thereupon provide feed-back to the Government and the Reserve Bank of India. Officers from the

Ministries of Commerce and Finance quite often attend the meetings/seminars organised by these organisations. Office bearers of these organisations regularly and frequently meet officers of the Ministries of Commerce, Finance and the Reserve Bank of India to provide the feed-back on their experience.

2.64 The meetings of the Central Advisory Council on Trade under the Ministry of Commerce, which is chaired by the Commerce Minister, provide an opportunity for the Government to receive full feed-back from the exporting community about their experience, grievances and suggestions for remedial action.

#### *Packing Credit*

2.65 At present Packing Credit at a concessional rate of interest is available for a period of 90 days. A number of exporters represented to the Committee that the period was too short. They suggested that the packing credit at concessional rate of interest should be made available for a period of ranging from 180 to 270 days.

#### *Credit to Exporters of Gems etc.*

2.66 The export of jewellery is reported to have gone up from Rs. 60 crores in 1970 to 700 crores in 1981. Leading exporters of Gems and Jewellery represented to the Committee that finance was a big problem for them. 70% of the raw-material is imported. Commercial banks hesitate to lend funds to the jewellery exporting units because of their excess concern for debt equity ratio. They suggested that this approach should be changed. The criteria should be proven record of export and export potential. Instead of debt equity ratio, the banks should take into consideration the equity turnover ratio for extending credit.

It has also been represented that Soft loan is not available to a number of export items. This should be made available to all export items.

2.67 It was brought to the Committee's notice that the credit limits were fixed for exporting units regardless of their turnover or export orders. A unit having export orders worth Rs. 2 crores got the same amount of credit as the one having orders of Rs. 20 crores in hand.

**2.68 The Ministry informed the Committee that there has been considerable streamlining of procedures and delegation of powers to the regional offices of the Reserve Bank of India for release of foreign exchange for export promotion purposes expeditiously. The representative of the Ministry of Finance claimed that the Exchange Control Manual which was thoroughly revised by the RBI before issuing its 1978 edition and subsequent instructions issued by them takes care of whatever difficulties had come to their notice. Also a standing committee under the Chairmanship of a Deputy Governor, RBI considers difficulties of exporters.**

2.69 The Committee have received a number of representations about the difficulties experienced by exporters in getting adequate export finance and in release of foreign exchange. Even the documentation process according to them is very cumbersome. Obviously, the action taken by RBI and the Ministry of Finance in streamlining the procedures has not gone far enough to remove all their difficulties. The Committee would like that the export credit and foreign exchange procedures should be kept under constant review and simplified wherever these are found to be hindering and not helping easy flow of credit and release of foreign exchange for export. (Sl. No. 20)

2.70 The Committee take note of the arrangements made by Government and RBI to get feedback from exporters or their organisations about their experiences and difficulties in the matter of export credit and foreign exchange. All these arrangements appear to be at informal level. Under none of these arrangements the officials and non-officials meet formally or at stipulated periodicity at field or regional levels to hear each other's views face to face and resolve difficulties by mutual discussion. The Committee feel that on the lines of the Advisory Council on Trade at Central level, there is need for an institutional framework at regional or state levels, which alone can provide useful forum for discussion of exporter's problems regarding export credit and foreign exchange and thrash out concrete solutions to problems. (Sl. No. 21)

2.71 There is weight in the suggestion made by gems and jewellery exporters that the criteria for extending credit should be the proven record of export and export potential and instead of debt equity ratio, which the banks take into account at present, equity turnover ratio should be taken into consideration by them for extending credit. The suggestion that credit limits should be fixed with reference to export orders also appears reasonable and deserves consideration. The suggestions for extending soft loans for all those export items for which it is not at present available and extending the period of packing credit beyond 90 days also merit consideration. The Committee would like the Ministry to examine these proposals sympathetically. (Sl. No. 22)

#### D. Implications of the various Incentives and Export Promotion Measures

Each one of the wide variety of concessions, incentives, facilities etc., extended by the Government for promoting exports will have its own fiscal economic and social implications. The Ministry was asked by the Committee to furnish details of the value of assisted exports, financial implications, value of foreign exchange released and economic and social implications of all the export promotion measures taken by the Government. The Ministry furnished data only in respect of CCS, import replenishment licences, drawback and export credit subsidy schemes. This is given below :—

Statement showing the details of the value of assisted exports, incentives extended, economic and social implications of the Export Promotion measures etc. during the year 1979-80

S. No.	Nature of incentive concessions	Value of exports on which this has been extended. (Funds assisted exports only)	Financial implications (Outgo of public funds)	Value of Foreign Exchange Released	Economic and Social implications, like adding to inflation growth of monopolies shortages in domestic market, opportunity cost, etc. etc.
1	2	3	4	5	
	(Rs. in crores)	(Rs. in crores)	(Rs. in crores)		
(i) Cash compensatory support	2835.94	344.16			
(ii) Import Replenishment Licences	3731.66	Not outgo of public funds is involved (Foreign exchange only is realised)	1089.57		The export incentive in the various forms would not add to the inflation, since in final analysis, these would gear up production in the country in order to create exportable surpluses. Government also take adequate steps to ensure that there are no shortages in the domestic market in respect of goods being exported from the country.
(iii) Duty Drawback	Not available	Rs. 152			
(iv) Export Credit Interest Subsidy	Not quantifiable	Rs. 12.50			
(v) Incentives under Income Tax Act.	Not related to the value of exports.	Sacrifice of revenue cannot be accurately estimated but in view of the position that this concession is in lieu of all existing tax loss of revenue is not likely to be significant.			The MRTTP Act takes care to see that there is no growth of monopolies in the country. While extending concessions/incentives/preferences for export promotion Government gives due considerations to social implications thereof.
(a) Complete tax holiday for industrial units situated in free trade zones for an initial period of 5 years under certain specified conditions.					Does not arise.

- |   |                                      |                 |                 |
|---|--------------------------------------|-----------------|-----------------|
| <p>(b) Under section 35-B of the Income tax Act, domestic companies and non-corporate tax payers resident in India are entitled to a weighted deduction, in the computation of their taxable profits, at the rate of 1-1/3 times of the amount of the qualifying expenditure by them on the development of export market on certain specified activities.</p> | Not related to the value of exports. | Not worked out  | Does not arise. |
| <p>(c) Under the Notification No. 3210 dated 8-8-1969, closely held Indian Companies engaged in exporting goods or merchandise outside India are exempted from the requirement of distribution of specified percentage of the distributable income by way of dividends, subject to certain conditions.</p>  | Not related to the value or exports. | Not worked out. | Does not arise. |
- (vi) *Other assistances*
- (i) Supply of material at international prices. Not furnished by the Ministry.
  - (ii) Preferences in grant of industrial licences etc.
  - (iii) Transport subsidy etc. etc.



2.72 From this data it can be noticed that, in 1979-80, out of the total exports of about Rs. 6404 crores, the FOB value of exports on which the cash compensatory assistance was given was about Rs. 2836 crores; the FOB value of exports for which cash compensatory support was not paid accounts for the bulk of the exports, i.e. about 56% of the total exports.

The total expenditure on export promotion (in the form of CCS, drawbacks, and interest subsidy etc.) veered round to approximately Rs 500 crores on an export value of a little over Rs. 2800 crores.\*\*

2.73 A number of experts on foreign trade have in their memoranda to the Committee opined that considerable scope exists for reducing expenditure on export promotion without affecting exports.

2.74 Asked whether the Ministry did not feel that unless the total financial implications of all such concessions were known, it would be difficult to make an assessment of net gains from exports. Commerce Secretary stated during evidence that "we agree with you that one must have an idea in order to realise what we achieve at what cost and value."

2.75 During evidence, the Committee also enquired whether the Ministry thought that the present level of monetary support to export promotion was absolutely indispensable. The Commerce Secretary stated that :—

"our projects suffer from the higher cost at home. That is one of the reasons why we are not competing abroad. Secondly, our technology, when compared with the sophisticated technology, also given an edge to our competitors; and it is extremely necessary that we must provide the support. When we consider the figures of cash compensation, then one may get an impression that we are subsidising, but it is not so. The major part of it is really to neutralise those factors which have been created by the excessive taxation or excessive duty and hence it may be considered in this particular line that it is not really the subsidy which is going into it but it is a rebate which is internationally accepted."

2.76 He added that "we will have to provide monetary support. The question is whether we are wedded to this particular level of support. During the last four or five years, we have been reducing it. Wherever we are satisfied that cash compensatory concession can be reduced. We have reduced it." The witness further stated that "unless we in India are able to make our production reasonably economical using the factors of production to the maximum advantage, we will never be able to achieve what we wanted to achieve."

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\*\* At the time of factual verification (March 1982) the Ministry has stated that the figure of Rs. 2,800 crores relates only to the exports of items which qualify for cash compensatory support. In our reply we had not indicated the corresponding figures of exports on account of duty drawback and export subsidy as these were not available. While some of the exports corresponding to the payment of COS might be common for drawback as well as interest subsidy, there would still be some exports which qualify only for drawback and not for COS. Hence, the figure of Rs. 2,800 crores should relate only to the COS and not for other two incentives also. The combined figure of exports on account of the three incentives would be more than Rs. 2,800 crores.

2.77 The expenditure on export promotion in the form of cash compensatory support, drawbacks and export interest subsidy veers round to approximately Rs. 500 crores each year. Besides these Government incurs expenditure on such other measures like supply of raw materials at international prices, transport subsidy etc. and foregoes revenue by granting tax exemption. Considerable expenditure is also incurred on the various institutional arrangements set up for export promotion. The Ministry has no idea of the total cost of export promotion measures though Commerce Secretary agreed that "one must have an idea in order to realise what we achieve at what cost and value." It is a moot point whether the results achieved are commensurate with the expenditure incurred on export promotion measures. The Committee would like a Study to be made in this regard (Sl. No. 23)

2.78 The Commerce Secretary also identified certain factors like high cost of production at home, inferior technology etc. as the main factors responsible for the dependence of export sector on monetary support from Government. The question arises whether high cost of production due to inferior technology etc. should be neutralised by cash support and subsidies or whether it should be brought down by upgradation of technology and other improvements in production techniques. The Committee feel that cash support and subsidies are like clutches which though necessary for the time being, should not become a permanent feature. If a part of the financial support is diverted to making basic improvement in production techniques, it would do the national industry a lasting good and make our exports self-sustaining and competitive without much direct financial support. The Committee would urge that efforts in this direction should be intensified by Government and the Ministry of Commerce and Ministry of Industry should play a leading role in this regard. (Sl. No. 24)

## CHAPTER III

### CONSTRAINTS ON EXPORTS

#### (i) *Non-tariff—Barriers on Export Promotion*

A number of exporters and experts on foreign trade pointed out that the following non-tariff barriers adversely affect India's export prospects :—

- (i) Lack of quality/standards.
- (ii) Poor brand image.
- (iii) Inadequate after-sales service.
- (iv) Lack of aggressive marketing and sales promotion etc.

3.2 Asked about the action taken in overcoming these barriers, the Ministry stated that "much would depend upon what our own exporters do. As a result of the efforts made and various measures taken by the Government there is, however, greater consciousness among our exporters to maintain high quality standards develop brand image, provide after-sales service and adopt proper marketing and sales techniques."

3.3 The Ministry added that the Export Inspection Council was set up by the Government under the Export (Quality Control and Inspection) Act, 1963. This Act empowers the Central Government to notify the commodities to be brought under the purview of compulsory quality control and pre-shipment inspection. No product covered under the Act can be exported unless a certificate of export worthiness is issued by the agencies recognised/established under the Act. More and more products have been brought under compulsory quality control. At present, 837 items are covered under compulsory quality control, which constitutes about 40% of our total exports.

3.4 The Ministry further stated that while there is no quality control on "brand" it is ensured by the export inspection agencies that the brand is not misleading one. No product which is covered under the compulsory quality control is allowed for export with misleading export brand. In regard to after-sales service, firms having large exports of machinery, capital goods are given all facilities to open after sales service.

3.5 Regarding marketing and sales promotion, the Ministry stated that there was provision in the annual programmes of Export Promotion Councils to conduct market studies and surveys for potential items and to participate in trade fairs and exhibitions abroad. The emphasis of late has been on participation in specialised trade fairs and exhibitions which are more result oriented. The foreign office of TDA and Engineering Export Promotion Councils as well as our Missions abroad help our exporters in various ways especially through providing marketing information and business contacts. TDA and EEPC have also been organising business meets to project India's capacity and capabilities in specific areas and develop business contacts.

3.6 Referring to these non-tariff trade barriers, Commerce Secretary stated in evidence that "the quality control angle will have to be conti-

nuously kept in our mind, at the time of inspection, at the time of production and at the time of even choosing people who go abroad for promoting our sales. But there is a human element which is involved here. I am not going into the question of morality. But that has got to be checked and I think a positive business culture will have to be evolved."

3.7 He added that "there are certain areas where we are being victimised by certain vested interests. In the area of food and fish, it is quite true that some of our goods are found to be defective. But there is a deliberate move from Japan itself which tries to bring discredit to some of our products. For example, when we are selling our bananas, the quality of these perishable goods would not be the same when they reach the destination. We will have to constantly work on these ideas. I do not say that this is an excuse for us to keep silent. Vigilance will have to be stepped up. We are trying to see that the inspection teams are always in position to do this job. Wherever a thing comes to our notice that the quality is bad, we bring it to the notice of the Councils and take action."

3.8 Regarding inadequate after-sale service he stated that "we have tried to set up after sale services and in this area, the private sector has taken a lead. Kirloskars have set up sale services for their pumps etc., Tatas have set up this in Singapore for automobile. We are requesting the trading houses having over 10 crores of exports to provide service facilities. As regard aggressive salesmanship, marketing is our weak area and we have to be more aggressive in this."

3.9 Asked as to what the Ministry had specifically done in this field, Commerce Secretary stated that "a group of 837 products have been identified and notified where preshipment certification is absolutely necessary. The other thing which we are doing is to bring about an amendment to the Quality Act itself so that exemplary punishment could be given to those who have violated the basic principles of ensuring the standards and qualities. Pre-shipment inspection is also being intensified. Then we have got what you call a new idea to inculcate quality consciousness into the companies themselves by assisting them in building up in house quality control and testing facilities. We are trying to see in house process quality control is also there and also self-certification is being encouraged. These are some of the things, apart from policing and other things which we are doing and we feel that over a period of time with more firms coming into production, we will be able to take care of it, to the extent possible, but, much more than that, it will have to come by a quality culture which has to be built up in the industrial base itself."

#### *Complaints about lack of quality*

3.10 At the instance of the Committee, the Ministry furnished the following information regarding complaints about quality of Indian exports "the number of cases regarding quality complaints received from various sources by the Quality Complaint Cell of the Export Inspection Agency located at Bombay during 1979-80 and 1980-81 are as under :—

Agency	1979-80	1980-81
Export Inspection Agencies	312	182
Certified by other Agencies	17	43
	329	225

Regarding value of the consignments/goods rejected by the foreign importers during the last 2 years as above, the same is not readily available on account of quality goods supplied did not conform to the specifications."

3.11 However, the following quality claims value-wise were allowed by the Reserve Bank of India during the last two years :

(Rs. in lakhs)

Agency	Year	No. of complaints	Invoice value	Claim Admitted
Export Inspection Agencies } . . . . .	1979-80	92	805.01	29.96
	1980-81	63	1133.01	34.42
Non-Export Agencies } . . . . .	1979-80	155	1938.02	64.38
	1980-81	17	257.80	4.28
		43	238.84	11.50
GRAND TOTAL		60	496.64	15.78
		215	2434.66	80.16

3.12 According to the Ministry the cases of complaints and the value of the claims allowed by the Reserve Bank of India "appeared to be negligible keeping in view the total number of consignments certified during these 2 years. The Export Inspection Agencies during the period have certified about 2.07 lakhs and 2.30 lakhs of consignments. As against this the number of consignments reported to be of sub-standard quality by the foreign buyers stood at 329 and 225 respectively (inclusive of those certified by other agencies)." The Ministry has also stated that "the reasons towards the complaints received from the foreign buyers may be attributed to :—

- (i) *Sampling plan* :—Under consignments inspection scheme, samples are drawn up at the prescribed scale based on statistical quality control system to assess the quality of the total consignment. The possibility of the error in judgment cannot be ruled out.
- (ii) There are cases where the unscrupulous inspection officers were responsible to certify the sub-standard consignments. Disciplinary action was taken against 51 erring officials of the Agencies (w.e.f. April 1979).
- (iii) For marine products, the possibility of deterioration after inspection due to lack of maintenance of cold storages on Account of break-down of power supply, during transit and handling of the materials, do also exist. The Marine Products Export Development Authority has drawn up a number of schemes to arrest such failures.

3.13 The Ministry has informed the Committee that the following steps have been taken to prevent the export of sub-standard quality goods :

- (a) Coverage of more items under the scheme of compulsory quality control.
- (b) Simplification of system of inspection and the role of the inspection officers and manufacturers/exporters.
- (c) Setting up of Vigilance Cells important out stations with their Headquarters at Delhi.
- (d) Encouraging the manufacturers/exporters to adopt the scheme of In-process quality control.

- (e) Proposal to make comprehensive amendments of some of the existing provisions of the Export (Quality Control and Inspection) Act, 1963 is under active consideration of the Government.
- (f) Recognition of other governmental inspection agencies, in addition to Export Inspection Council, and also some private inspection agencies for the purpose of carrying out pre-shipment inspection of product under compulsory quality control.

3.14 Asked about the steps taken against the erring exporters, Commerce Secretary stated in evidence that "we can take away from them the right to export. We do not allow them also the import facilities if they were found connected with it. And in many cases we have exercised that power. One immediate case to our mind is medical bandages which were sent to Australia and other countries. They were found defective. Immediately the whole thing was suspended and they were not permitted to export and at the same time an inquiry is being made as to how they could send non-standard bandages. We also have the Registration procedure for exports. We are also inspection the consignments which are exported. Though it is a State subject, yet our Controller of Drugs and others have immediately taken it up with the company and the inspection of three or four consignments was immediately taken up.

#### *Inspection by buyers nominees*

3.15 A chamber of commerce had suggested that inspection should be allowed to be done by the export inspection agency nominated by the buyers. The buyers would then be forced to accept the quality certificates issued by the nominated export agency of their choice.

3.16 Asked about the views of the Ministry on this suggestion, Commerce Secretary stated during evidence that "we feel that scope for collusion is there. If the local salesman wants, he can bring a bad reputation to us. On the other hand there are some advantages also. Certainly this alternative may be a little better than the other. We have to carefully consider the pros and cons of this."

**Lack of quality, poor brand image, inadequate after-sales service and lack of aggressive marketing are stated to be some of the major constraints on export growth. The Ministry has stated that in order to ensure quality in exports, Government has introduced a statutory scheme for compulsory quality control and pre-shipment inspection and so far 837 items of export have been brought under this scheme. These items cannot be exported unless certificate of export worthiness is issued by export inspection agencies set up or recognised by the Government. It is a sad reflection on these inspection agencies that 329 complaints of poor quality of exports in 1979-80 and 225 similar complaints in 1980-81 were received in respect of exports which had gone through compulsory pre-shipment inspection. Out of the total number of 554 quality claims received in these two years, 370 claims involving an invoice value of over Rs. 24 crores were admitted and a sum of Rs. 80 lakhs was allowed as compensation by the Reserve Bank of India in these cases. The Ministry considers this to be "negligible" in view of over 2 lakh consignments certified during each of these two years. In the Committee's opinion, it is not the quantity alone that should be taken into account in such matters, even a small number of sub-standard exports can tarnish the image of the country and shake the confidence**

of importers. The Committee would, therefore, like the Ministry to take every such complaint more seriously and besides tightening pre-shipment inspections and taking other remedial measures, it should investigate as to how certificate of export worthiness was issued in such cases. There should be no laxity shown in this regard and officers found guilty of negligence should be given deterrent punishment. (Sl. No. 25)

3.18 The Committee find that 837 items covered under the compulsory pre-shipment inspection scheme constitute only about 40% of the total export items. This leaves a big gap for sub-standard items to find a way out. The Committee suggest that the list of items not at present covered under the compulsory pre-shipment inspection scheme should be reviewed with a view to bringing as many more items under this scheme as possible to guard against sub-standard items being exported. (Sl. No. 26)

3.19 The Committee were informed that in certain areas like food and fish and other perishable items our exports have been found to be defective and certain foreign countries have tried to take advantage of the situation. The explanation that the quality of such goods though tested and found good at the time of pre-shipment is likely to deteriorate in transit due to the perishable nature of these items does not carry conviction. The importers are not concerned with the reasons for the deterioration of perishable goods in transit, they want goods of good quality at destination point. The Committee expect the Ministry to step up vigilance and tighten pre-shipment control to ensure that exports of perishable goods are not only of good quality when they leave our shores but are so packed and handled in transit that they maintain their quality when they reach the destination. (Sl. No. 27)

3.20 The importers who export sub-standard items can also not be absolved of their share of responsibility in this regard. The Committee are informed that Government has power to punish such exporters and has in fact exercised that power in some cases. The Committee would like the Ministry to make use of these powers more often to prevent unscrupulous exporters from tarnishing the image of the country abroad. (Sl. No. 28)

3.21 The Committee take note of the proposal under consideration with the Government to have statutory powers to give exemplary punishments to those who may be found to have violated the basic principles of ensuring standards and qualities in exports. This should be implemented at the earliest. (Sl. No. 29)

3.22 The Committee also take note of the progress made in private sector in setting up after-sales service in certain fields. The Ministry is reportedly suggesting to Trading Houses having over Rs. 10 crores of exports to provide service facilities abroad. This should be pursued. (Sl. No. 30)

3.23 The Committee strongly feel that there is an imperative need to inculcate quality consciousness into the companies themselves. For this purpose, it is seen that the Ministry is trying to encourage and assist the companies to set up inhouse quality control and testing facilities. This is a step in the right direction. The Committee would urge the Ministry to pursue this matter with the manufacturers and take all other steps necessary to build up a positive quality culture in industry in order to ensure a consistently high quality in industrial and other exports. (Sl. No. 31)

3.24 The suggestion made by a chamber of commerce, that inspection of export goods should be allowed to be done by an agency to be nominated by the buyers is apparently sound. The Committee would like the Ministry to examine it carefully and see how far and in what form it can be implemented in the interest of exporters. (Sl. No. 32)

(ii) *Forms and Procedures need for simplification*

3.25 A number of exporters and Chambers of Commerce represented to the Committee that under the present procedure followed, an exporter has to fill up as many as 89 forms for completing each export transaction. They suggested that the procedures and the format require streamlining.

3.26 Asked whether the Ministry had reviewed the forms and procedures to be followed by the exporters in the recent past Commerce Secretary stated that "we completely agree that the number must be reduced, and that the system must be simplified. IIFI, has been entrusted with the job of undertaking this study and giving us a report, in July, 1981, we are expecting it."

3.27 The Committee are glad to know that the Ministry has at last realised the need to stop procedural harassment to exporters and has commissioned a study with a view to reducing the number of forms to be filled up by an exporter and simplifying the procedure.

The Committee would like to know the outcome of the study and the concrete action taken in the matter. (Sl. No. 33)

(iii) *Export Duty on Coffee*

3.28 During the course of an on-the-spot study tour, the Study Group of the Estimates Committee were told that the biggest problem faced by exporters of coffee is export duty. Export duty is announced without advance notice at any time. An exporter enters into a contract with a foreign buyer and before the coffee is paid for or moved to the port or shipped, the duty is increased. The entire burden on this account falls on the coffee exporter the following suggestions were made to the Committee in this regard :—

1. Pipeline stocks (i.e. stocks bought in auctions and awaiting shipment under firm export orders) should be exempted from the raise in export duty announced after the auction.
2. Export duty may be replaced by a special levy to be collected by Coffee Board at each auction and remitted to Government.
3. The duty may be announced before the auction or at least at the commencement of each auction so that the exporters should be able to provide for the levy at the time of buying/selling. Since auctions take place twice or thrice in a month it should not be difficult to time the announcement of export duty.

3.29 Asked whether the aforesaid suggestions were acceptable the Ministry stated that "at present pipeline stocks are not exempted from variation in export duty. Exemption of pipeline coffee will deprive Government of revenue to the extent of exemption granted in cases where duty rates have been increased. It may be noted that when duty is reduced, exporters get the benefit on pipe line coffee exports. The Coffee Board affords



protection against variation in export duty on a graded scale if coffee is shipped within 42 days from the date of auction.

“The replacement of export duty by a special levy to be collected by the coffee Board at each auction and remitted to government may require amendments to the Customs Act under which export duty is levied. In implementing such a scheme, however, Coffee Board may have practical problems. They may not be able to fulfil the requirement of a tax collecting agency as export duty is leviable at the time of export and there is bound to be time lag of varying lengths between disposal at export auction and actual shipments.”

3.30 While announcement of levy could be made before an auction, there could be difficulties in implementation. Exporters generally club coffees bought at one or several export auctions and ship these coffees together to a particular buyer. Computation of export duty liability on coffees bought at different export auctions may be difficult.

3.31 During evidence, the Committee pointed out that the Government may announce the modifications in the export duty one or two days before the auction, instead of announcing after the auction. In this case the exporters can suitably alter their quotations. Asked whether there is any objection to this, the representative of the Ministry of Commerce stated that “I have had a discussion with the Central Board and I told them after all the export duty has to come. Then why don't you announce it at least before the date, at least orally?”

**3.32 The difficulty of coffee exporters caused by raise in export duty after the coffee auction and before shipment are genuine and can be solved by government without loss of revenue. All that is required is to time the announcements of revisions in the rates of export duty so as to synchronise them with the auctions which are reportedly held twice or thrice in a month. The Committee would like the government to look into the matter and evolve a system which, while safeguarding public revenue, would protect the financial interests of coffee exporters. (Sl. No. 34)**

*(iv) Sailing from Southern Ports*

3.33 Some non-officials represented to the Committee that sailings from Madras, Tuticorin, Cochin and Mangalore to both the Eastern and Western hemisphere are inadequate and that the sailings from these ports should be increased. They also felt that if sailings from the Southern ports are increased, the pressure on the Bombay port would ease considerably.

3.34 Commenting on this, Commerce Secretary stated that “Our present information is that they have definitely improved the shipping system as we call it. However there are still problems due to bunching and irregular sailings. This is causing a lot of hardship to our exports and we are aware of it. This is a very critical area which has got to be improved. Ports have also got to be improved.”

Regarding adequacy of sailings, a representative of the Ministry of Commerce informed the Committee that, “For destinations like UK-Continent, etc. there may not be problems; in regard to certain other destinations, there

are problems. We have got Standing Export Committee for export production (Shipping). They take up such matters with concerned persons. If additional sailings are needed they are looked into; these are *ad hoc* measures; and there is need to tone up the overall system so far as these matters are concerned."

3.35 Now that the Ministry of Commerce has accepted the inadequacy of sailings for export merchandise from Southern ports and has recognised the need to tone up the shipping system, the Committee hope that the Ministry would spare no efforts to have the sailings from these ports increased to cope with the demand so that exporters from the Southern Region are not put into difficulties on this account. (Sl. No. 35)

(v) *Setting up of Warehouses Abroad*

3.36 A number of non-officials suggested to the Committee that India should set up warehouses abroad to store exportable merchandise and offer ready deliveries of its products. The need for warehouses arises mainly, for facilities of inventory stockpiling, distribution, and marketing. The provision of proper warehousing facilities thus aids effective selling and helps enlarge the market share. The supplies made through warehouses inspire confidence among the buyers about regular deliveries, besides enabling them to keep their inventory low.

3.37 The Ministry informed the Committee that considering the importance of warehouses Government is providing appropriate assistance to the Export Houses for setting up warehouses abroad. In the existing code for MDA grant, assistance up to 25% of the expenditure is allowed for a period of three years from the date of opening of such warehouses. The Government had also set up a committee in 1976 to examine the question of setting up of warehouses. That committee had suggested (Nov. 1977) that initially warehousing facilities might be started at Rotterdam since all the facilities required by the warehousing company were available there. That Committee also suggested Hamburg, London, Geneva and Kuwait as the next preferable places for setting up warehouses. This Committee also identified certain engineering products for keeping in the warehouses. In the opinion of that committee the STC would be the most appropriate public sector organisation which could provide the proposed warehousing facility.

3.38 The Ministry informed the Estimates Committee that the warehouses have not been set up at any place so far and the matter was still being pursued with the State Trading Corporation.

3.39 During evidence, the Committee enquired about the reasons for delay in setting up warehouses abroad. Commerce Secretary stated that "the idea is attractive and we agree with it and if I may be permitted to say so, we definitely went one step forward and two steps backward in this regard. For instance STC had set up in Rotterdam a warehouse but then we ran into so many complications and financial losses and what you call criticisms and counter criticisms that we have withdrawn from it."

3.40 He added that the Government has provided some enabling support to this idea and both the private sector and the public sector have taken initiatives. For instance, HMT, Tatas and Kirloskar have already set up warehouses and they are doing a very well. The witness, however, felt that "warehousing is not just stockpiling of certain products. It has got to do

something in terms of finding a distribution outlet—sales. It has also got to have some connection with marketing intelligence. That is why we were hesitating in this particular aspect. Of late the STC has also reconsidered the possibility of opening it but we want to be very sure that what they are going to do is not to repeat the past experience of closing down. While we are supporting this particular idea and helping institutions like EPCs and others to open up warehouses, but we have done it with a world of caution given to them.”

3.41 The Committee enquired about the reasons as to why the private sector was able to run the warehouses successfully while the public could not do so. Commerce Secretary replied that “the reason is that where it gets bureaucratised, it runs into difficulties. We are good for certain jobs and not good for certain other jobs.”

3.42 A Scheme of setting up government warehouses at Rotterdam and certain other places has been under the Ministry’s consideration since 1977. The Ministry is in favour of setting up warehouses abroad and is in fact helping public and private sector units, set up warehouses but with a word of caution in view of the sad experience it had with a similar warehouse set up in the past which had to be closed down. Certain private and public sector units have established warehouses abroad which are doing very well.

3.43 The Committee agree that proper warehousing facilities abroad will enable exporters to stock inventories in consumption centres and help them provide ready and regular deliveries to buyers. This will certainly give Indian exports a great advantage. Whether more warehouses should be set up by government or public sector or private sector agencies is a matter for the Ministry to decide but the Ministry should see that warehousing facilities become available at selected places for all such merchandise as has a stable demand, low risk of obsolescence and rapid turnover. The Ministry will, no doubt, ensure that past mistakes like bureaucratisation of warehousing units are not repeated in future ventures. (Sl. No. 36)

(vi) *Distribution of export orders by canalising agencies*

3.44 It was represented to the Committee that export orders obtained by the canalising agencies like STC are not distributed equitably among all the exporters. Even a State Government informed the Committee that the State Trading Corporation was not distributing the orders among various exporters equitably as per the industries capacity. The Committee were also informed that certain exporters were able to corner the export orders.

3.45 Asked about the procedure adopted by canalising agencies for distributing export orders, Commerce Secretary stated in evidence that the exporters have to register themselves with the STC and once they are registered, their capability, their capacity and their past performance are assessed and after that they are taken on the books and they are permitted for competing for the export orders. While giving them this particular status, we definitely look into their past performance, financial position, cost of production and the quality of the product.”

He added that “the importer who is wanting to buy the product, has got certain designs in view and the companies which can fulfil those designs are certainly given preference. So, there is no feeling that the orders are confined to only certain people.”

“Asked about that level at which decisions in this regard were taken, the representative of the STC stated in evidence that so far as the export orders are concerned, after evaluation they are put up to a committee of officials and this committee finally recommends which are the units which are suitable for distribution of the order. If there is any variation to be done, the orders of the Director are taken. But there is a committee which assists the Director.”

3.46 To enable the Committee to make a case study, the Ministry was asked to furnish a statement showing the total export orders for garments, statewise demand for orders and the orders actually distributed state-wise, during the last 2 years. In reply the Ministry stated as follows :—

“Exports of garments are regulated in terms of Export Trade Central Order. Except for exports to countries with whom bilateral textile agreements have been entered into under the aegis of Multifibre Arrangement for regulating trade in textile and clothing (i.e. EEC, USA, Canada, Sweden, Finland, Austria), exports to all other countries are allowed without any control or restrictions. Exports to quota countries are regulated in terms of Garment Quota Distribution policy announced by the Govt. from year to year. The policy for 1981 was notified *vide* Public Notice dated 28th July, 1980 and that for 1982 on 10th August, 1981.

“The Policy prescribes a special reservation of quotas for central/state public undertakings including Apex Handloom Co-op Marketing Societies. For the years 1981 and 1982 the reservation is 5% of the Annual quota levels.

“The allotment of quotas for State/Central Corporations etc. is done by the Textile Commissioner in accordance with the prescribed guidelines. Briefly, these guidelines provide for allotments among the corporations on first-come-first-served basis, subject to export contracts fulfilling the conditions of floor prices prescribed for various items of garments. Wherever applications are in excess of the quota available, the allotment is done on the basis of cut off prices.

“The garment Quota distribution policy does not envisage distribution of quotas State or regionwise. Therefore, statistics relating to garments exports are not maintained Statewise.”

3.47 There is a general feeling among private as well as State Government circles that export orders received by canalising agencies like State Trading Corporation (STC) are not distributed equitably among States or exporters in various parts of the country. The orders, it is stated by STC, are distributed after evaluation by a committee of officers of the STC of the individual exporter's capacity and capability to execute the export orders.

3.48 When the Committee decided to make a case study of garment export orders and their distribution State or region-wise and asked for statistics in this regard, the Ministry informed the Committee such statistics were not maintained state-wise as garment quota distribution policy does not envisage distribution of quotas state or region-wise.

3.49 In view of the Ministry's inability to furnish relevant statistics, the Committee find difficult to judge whether the export orders are distri-

buted equitably among exporters in various regions or not. The Committee suggest that the Ministry should review the mechanism adopted by canalising agencies for distribution of export orders among exporters and ensure, through proper checks and balances, that export orders are distributed fairly and equitably among eligible and reliable exporters all over the country and that export orders are not allowed to be cornered by a few preferred exporters. The Ministry would do well to take steps to dispel the feeling of injustice prevalent among exporting circles in certain States. (Sl. No. 37)

### (vii) Projects Exports

3.50 As a measure of diversification of exports, the Government is encouraging taking up of project exports. The Ministry also informed the Committee (by Feb. 82) that the total value of contracts obtained by Indian firms amounted to Rs. 4407 crores. The break-up of the projects between private and public sector alongwith their vaule is as given below :—

	Supply/Turnkey contract		Engineering contracts involving supply of service alone		Construction contracts		Total	
	No.	Amount (in crores)	No.	Amount (in crores)	No.	Amount (in crores)	No.	Amount (in crores)
Public Sector	30	445.50	—	—	65	1733.38	95	2078.88
Private Sector	238	399.07	8	13.23	143	1915.79	389	2328.09
<b>TOTAL</b>							<b>484</b>	<b>4406.97</b>

(The figures mentioned under the column 'Supply and Turnkey Projects' includes purely supply contracts also for which deferred credit facilities were accorded by IDBI).

3.51 It was noticed by the Committee that in certain cases the project exports were not profitable to the country or to the exporters. For example, the EPI suffered loss in the ARDIYA (KUWAIT) HOUSING project. The BHEL is also reported to have suffered loss in the Tripoli Power Station Project.

3.52 Asked about the profit or loss suffered by Indian companies in the projects executed so far, Commerce Secretary stated in evidence that "We don't have the figures for the losses which have been made, but in respect of EPI, it is Rs. 10 crores in Iraq and Rs. 29 crores in Kuwait".

3.53 The Ministry subsequently informed the Committee (February, 82) that "Reserve Bank of India have indicated that most of the Overseas contracts undertaken by Indian companies are still under execution. The net financial results in respect of such projects can be determined only when they are finally completed, handed over to the project authorities and the stipulated maintenance periods are over. Large number of the projects are undertaken by private contractors. Information regarding the profits made and losses sustained by these contractors on different projects are not required to be reported to this Ministry by them. However, Reserve Bank of India has been asked to compile the information regarding completed projects, as soon as possible."

3.54 Asked about the view of the Ministry on the projects sustaining losses, Commerce Secretary stated in evidence that "we do not like it, but some times losses are unavoidable. But if you were to look now what is happening on this front, the situation is encouraging and not very depressing. The Point is that the number of projects is constantly on the increase, the number of people going for project exports is increasing and the report of the performance which is reaching IDBI is good. IDBI has a working group which clears this particular bids before the companies are allowed to tender".

3.55 He added that while considering the advantages and disadvantages of this particular scheme in project exports the following aspects have to be considered :—

- (i) Our entry in foreign countries is really serving as a window for our products.
- (ii) We are lifting up the curtain in respect of our capabilities and capacities inside the country.
- (iii) Invisible gains are also there, e.g. remittances from other countries.
- (iv) It provides us a footing in certain areas where we are not known.

Asked about the extent of exports generated by the turn-key projects, the witness stated that "it has generated a lot of exports, but our difficulty is that our supply is limited. In regard to cement, our local demand is such that we are not able to meet it. But on the engineering side, a lot of things which are moving, do so with the help of these project exports".

**3.56 Projects exports have added on a new and welcome dimension to Indian exports. With 484 projects of the value of Rs. 4407 crores executed or under-execution abroad at present, India has certainly made an impressive entry in hitherto unknown areas and opened a new window for our products and services. Besides other benefits, these projects will bring in numerous invisible gains which are sure to improve our foreign exchange position. The Committee hope that the Ministry would give all guidance help and encouragement to public and private sector organisation to go in for project exports in a big way. (Sl. No. 38)**

(viii) *Export Houses*

3.57 A number of non-officials had represented to the Committee that the record of Export Houses had not been gratifying. According to a Chamber of Commerce Export Houses do not play the role assigned to them either in increasing raw material production, or in developing markets, or in researches, they do not take any interest at all. What they do is to get 'on account' shipments by the small scale operators paying a small margin. They do not have any responsibility regarding the quality of goods exported. In short, the role of the Export Houses is not at all helpful in any respect, to promote exports.

3.58 Asked about the value of export performance of the export houses the Ministry stated that the f.o.b. value of exports against which replenishment licences were issued to export houses during 1979-80 and 1980-81 was Rs. 570 crores and Rs. 907 crores (Provisional) respectively. Many of the export houses have also exported items which do not attract replenish-

ment licences. Separate figures relating to such exports are not readily available. The Ministry also stated that it is difficult to say categorically whether the performance of the export houses has been commensurate with the facilities and benefits given to them.

3.59 It was however admitted by the Ministry that there is room for improvement in the performance of export houses. In particular, export houses have to contribute much more than what they are doing at present to develop the export potentialities of the small and cottage units. There is also much scope for further diversification of products and markets by export houses.

3.60 Asked about the steps taken to improve the functioning of Export Houses, Commerce Secretary stated that a Working Group under the Chairmanship of Shri L. C. Jain was set up in 1978 for reviewing the working of the Export Houses. Based on this group's recommendations, certain changes and modifications were made. The witness explained that according to this group export houses "are doing significantly better work than what they were doing before they were brought under the category of Export Houses."

He further added that "this is an instrument which should be exploited further to see that its work is sharp and performance is better. But, at present, we are not dissatisfied."

3.61 Utility of the Export Houses has been questioned by certain exporters and export organisations. Complete picture of the total exports made through Export Houses is not available with the Government. In the absence of this data, it is difficult to judge the performance of Export Houses in relation to the facilities and benefits given to them by Government.

3.62 According to the Ministry certain changes were made in the working of export houses in the light of L.C. Jain Committee's Report (1978) and now the export houses are doing significantly better work than what they were doing before they were brought under the category of export houses. The Ministry has, however, conceded that these houses have to make greater efforts to diversify products and markets and boost export potentialities of small and cottage units. The Committee expect the Ministry to look into the weak areas of export houses and make them a more potent, instrument of service in the field of exports, especially in hitherto neglected areas.

3.63 The Committee would also like the Ministry to maintain complete data about the performance of export houses in order to be able to assess their achievements in relation to the facilities and benefits given to them. (Sl. No. 39)

(ix) *Problems faced by Exporters in the North Eastern Region*

3.64 During the visit of the Study Group of Estimates Committee to North Eastern Region, it was represented that :—

- (i) The attempts made to popularise products of north-eastern region, in India and abroad are very very insignificant.
- (ii) Not to speak of fairs abroad even within India products of this region do not get a proper place in fairs. The entrepreneurs of north-eastern region were stated to be in the dark even in

November, 1981 about the trade fair being held at Pragati Maidan New Delhi in that month.

- (iii) The North Eastern Region does not have any office or branch of EPC, commodity Board.
- (iv) S.T.C. has failed to secure any export order for products of the region.
- (v) The North Eastern Region is not represented in Advisory Council on Trade.

The Study Group of the Estimates Committee were also informed that there were no inspection agencies in the region with the result that the exporters have to go all the way to Calcutta for inspection.

3.65 During evidence Commerce Secretary admitted that "in EPC and Advisory Council we do not have any representative of this particular region. The nominations in Advisory Council are not based on the regional representation and that is why we do not have any one from there. It is also correct that the STC, so far, has not secured any specific export-oriented order for this particular region."

He added that the following steps have been taken to boost exports from this region :—

- (i) A Joint Secretary in the Ministry has been designated exclusively incharge of exports from this region.
- (ii) An action-oriented programme for exports of coffee and tea has been chalked out.
- (iii) The Handicrafts and Handloom Board has set up a separate cell for exports from this region.
- (iv) The IIFT and the National Institute of Design are making an assessment of the export potential from this region.

3.66 Commerce Secretary also informed the Committee that since the setting up of the special corporation in this region by the products of this particular region were exhibited in the Exhibitions; they participated in the International Exhibitions in Moscow, Brussels and Tokyo and the Buyer-and-Seller-Meets which was held in the USA. In the latest International Trade Fair also there was a special pavilion meant for this particular region.

3.67 Regarding the location of Export Inspection Agencies in the region, the witness stated that "it is the 'quantum of export' which determines it. There are 62 offices in 14 States. There are some States where we don't have it. When export picks up, we will provide it."

3.68 There is no representative of the North Eastern Region in the export promotion councils or in the advisory council on foreign trade. No office or branch of the export promotion councils, Commodity Boards, Export Inspection Council has been opened in this Region. Even the State Trading Corporation has not so far secured any specific export order for this particular region. Indifference to the legitimate expectations of this important region in these matters especially when it has good export potential is very unfortunate.



3.69 The Ministry of Commerce has recently taken certain steps like designating a Joint Secretary exclusively incharge of exports from this region, chalking out action oriented programme for exports of coffee and tea, creation of a separate corporation by the Handicrafts and Handloom Board, commissioning of the Indian Institute of Foreign Trade and the National Institute of Design for making an assessment of the export potential of this region etc.

3.70 The Committee would like the Ministry not only to take all possible measures to boost exports from this region but also involve the representative organisations of this region in evolving and implementing export plans in a big way. Branches of export organisations and inspection agencies should be set up there as early as possible to stimulate export consciousness and export efforts. In fact, the Ministry should make all efforts to help this region to catch up with the rest of the country in the field of exports. (Sl. No. 46)

(x) *Problems faced by Exporters and the offices of the CCI&E*

3.71 A number of exporters and the leading chambers of commerce represented to the Committee that exporters were finding it difficult to get import and export licences from various offices of the Chief Controller of Imports and Exports (CCI&E). They alleged that there was considerable redtapism and corruption in the Offices of the CCI&E. According to them the long time taken in granting these licences causes considerable set back in their industrial development and export plans. Referring to this during evidence the representative of the Ministry of Commerce stated that "procedures have been streamlined in the office of the Chief Controller of Imports and Exports. There are mainly two functions—issue of licences and disbursement of cash compensatory support. In the case of cash compensatory support, we have simplified the procedure, under which bulk of the payment of cash compensatory support is made across the counter either the same evening or the following day. From 1st November, 1980 we have a time-bound issue of licences. In the case of actual user licence for restricted items we have prescribed 30 days by which we have to issue the licence. For import replenishment licences 45 days have been given. We get reports from the field officers. We take care to see that this time-table is followed. There are complaints because perhaps this time-table was not followed. Otherwise, such complaints would not have come to the notice of the Committee. As the Commerce Secretary mentioned, our constant endeavour is to make further and further improvement.

"One area which the committee might be having in mind is the capital goods licensing, which is decided by two different committees. Up to a certain value, the Chief Controller is the presiding officer of the Committee. But if it goes above a certain value, then the issue of the licence has to be decided at a very high level, by a Committee of Secretaries. This paper has to be processed by several Ministries, which involves some delay. But we take note of the very valuable suggestion of the Committee and we will try to improve it further." When the Committee pointed out that the delay was not at higher level but at lower levels, the witness stated that "we will take note of it."

3.72 Even though the Ministry has taken action on various fronts to streamline the procedures in the grant of import and export licences, it will be a mistake to ignore the general feeling in certain quarters that there is considerable delay in the issue of these licences and that there is red-tape and cor-

ruption in the Offices of the CCI&E. As assured during evidence, the Committee expect the Ministry to make further efforts towards improvement and streamlining of the procedures so as to leave no loopholes or scope for any official at any level to cause delays in the issue of licences or harassment to the exporters. (Sl. No. 41)

#### (xi) *Miscellaneous Problems*

3.73 During the course of examination of the subject the Committee received a number of representations relating to problems experienced by the exporters. The Committee have dealt with a number of them elsewhere in this Report some of those not dealt with elsewhere are indicated hereinafter in this section.

#### I—*Industrial Licensing/Modernisation*

- (a) Grant of industrial licences for export oriented units should be made simple.
- (b) Expansion of existing capacity for purposes of exports should be allowed.
- (c) Modernisation of existing units should be allowed freely.
- (d) For setting up export oriented units or for installation of additional capacity for exports, the machinery required should be allowed to be imported with minimum formalities.
- (e) Soft credit should be allowed for this purpose.
- (f) All other facilities which are presently being provided by the Centre and the State to Small Scale Sector should be made available to export oriented units.

#### II—*State Levies on Raw Materials*

While the Union Government has adopted several measures for export promotion, certain legislations by some State Governments very often go counter to the spirit of the Central measures. For example, purchase tax on raw materials levied by certain maritime states on seafood industries, which are 100% export oriented industries, is stated to be against the spirit of the Central Sales-tax. Because of such a tax being there in some States and not in all States this tax creates a costwise competition between products of different States. This has also affected the competitiveness of the Indian seafood exporters. This tax should not be levied.

#### III—*“Wastage” under Duty Exemption Scheme*

There is great dissatisfaction with the provision for wastages allowed under the Duty Exemption Scheme. The wastage allowed under the Scheme is much less than what the actual wastage is, with the result that the benefits contemplated under this scheme are not available to the exporters in full measure.

#### IV—*Freight Subsidy*

(a) The freight places an extra burden for exporting units situated far away from Bombay. For example, the Woollen Knitwear industry being situated in Ludhiana has to incur heavy expenditure on freight. A few years ago 50% concession was given on export consignments moving from North India to Bombay by Railways. This concession has been withdrawn. This

concession should be revived. Besides, air freight subsidy should be granted to export consignments.

(b) The high incidence of freight charges is one of the important factors which make the working of certain industries uneconomical. A subsidy on freight charges should be considered.

#### V—*Service Charges of Canalising Agencies*

Canalising agencies like Handicrafts and Handloom Export Corporations charge heavy service charges without rendering any service. HHEC does not organise any buyer-seller meets fair or market surveys. The service charges paid to them add to the cost of the exporter.

#### VI—*Inspection for Woollen Industry*

The Textiles Committee has been designated as the Inspection Agency for Woollen Industry. Exporters of Woollen goods are not happy with the working of the Textiles Committee Inspectorates. There are inordinate delays in the issuance of inspection-cum-test certificates. Exporters are unnecessarily harassed and treated very shabily by the staff of the Textiles Committee offices. Self certification scheme should be introduced. If this is not possible the nearest laboratory recognised by the State Government or Central Government should be authorised to issue inspection-cum-test certificate for purposes of grant of cash compensatory support and drawback.

#### VII—*Delay at Customs Houses*

In certain cases goods sent for trade fair abroad are subjected to delays by Customs on return.

#### VIII—*Seafood Industry*

The following problems were brought to the Committee's notice :—

- (a) There is a lack of adequate refrigerated/insulated trucks for transportation of seafood. Refrigeration units should be allowed to be imported duty free on priority basis for this purpose.
- (b) High cost of diesel oil has made the fishing industry economically non viable. A substantial subsidy on the cost of diesel oil for this industry is necessary.
- (c) The seafood industry is virtually denied a need based financing policy. There is no system of allowing finance to help the exporters to keep stocks in times of abundance to build up a bargaining capacity. The interest charged to this industry is too high. The quantum of credit for purchase of raw material is based on the cost existing several years ago and has no relevance to the present high costs.
- (d) Many units have gone sick. No rehabilitation finance is available to such units. The debt equity ratio stipulated by IDBI for term loan refinance is 3 : 1. This ratio has to be revamped in accordance to this industry's needs.
- (e) Being fully export oriented, the seafood industry should be exempted from the requirements of margin money for packing credit which today is to the extent of 25 to 30%.

- (f) At present, the Marine Products Export Development Authority sends its own personnel to trade fairs abroad and it meets their full expenses. This does not help the promotion of seafood exports. Persons from Seafood Industry should be sent abroad to participate in trade fairs and the entire expenses of the participating exporters should be met by the MPEDA. In fact where EPCs are functioning, exporters are sent abroad and some portion of their expenses are met by the EPCs.
- (g) In countries like Pakistan, Bangladesh, Malaysia, Indonesia, Sri Lanka, etc. which are our neighbour competitors in seafood export, some arrangements should be made to procure valuable data on catches and raw materials prices to be promptly transmitted to the trade through the MPEDA.
- (h) Depending on the offtake by each importing country, a representative of MPEDA should be stationed in such countries to communicate timely information to the trade in India.
- (i) MPEDA, a statutory body, lacks in necessary powers to take decisions and to implement them in the field of seafood production and exports. The authority is vested only with recommendatory powers. Decisions on any issue come from the Government. All questions relating to fishing still continue to be under the control of the Ministry of Agriculture where the MPEDA has no voice at all. There is no coordination between the primary production and export. This is a major implement. This state of affairs needs rectification and MPEDA should be vested with necessary powers to take decisions in all aspects and to implement them.

#### IX—Cardamom

(a) Cardamom is facing stiff competition from Guatemala. Cess on cardamom should therefore be abolished.

(b) Exporters of cardamom should be encouraged to attend trade fairs and they should be given Market Development Assistance.

(c) In the case of cardamom, market intelligence is reaching from Middle East but not enough from Europe. A market intelligence unit should be set up in Europe.

#### X—Cashew Industry

In the case of Cashew Industry, a Commodity Board which will not only deal with export promotion but also take care of development and production definitely serve the industry much better than the Export Promotion Council.

The Directorate of Cashew Development and Cashew Export Promotion Council are not able to resolve the problems in the fields of production and development fully and a commodity board as a broad based organisation would be welcome.

#### XI—Walnuts

There is a great scope for export of Kashmir walnuts, particularly to U.K. but as the apple and walnut seasons overlap and the State Government

gives priority to apples for the purpose of transport by road, the export of walnuts suffers because of lack of adequate transport.

## XII—*Handmade Matches*

(a) Handmade Match sector can export considerably large quantum, if only it is allowed to procure the right raw materials for Veneers such as Pinewood and also allowed to procure good quality printed card-board outer & inner slides for the match boxes to the desired finish to enable it to compete with the Overseas Manufacturers of West Germany & Sweden. Unfortunately efforts to have the Printing industry instal necessary machines with updated technology to produce a really good quality product is being stumped by vested interests.

(b) Shippers classify the safety matches as hazardous goods and very few shipping companies accept matches cargo. As a matter of fact, matches properly packed pose no hazard at all and are not capable of spontaneous combustion by themselves. Thus, shipping is a major uncertainty.

(c) At present shipments are effected only by Country Crafts from Bombay Port and that too between October and March, as Shipping through regular vessels is uneconomical even when available. As far shipment to Mauritius and other East-African Countries where there is a demand, there are no shipping facilities available.

(d) Shippers & Port Authorities should make a study of the manufacture of safety matches, the way it is being packed etc., so that they may be satisfied that safety matches, as cargo, is no more or no less hazardous than any other conventional cargo. Such a study will enable them to come to a pragmatic conclusion in fixing the freight rates, providing shipping spaces in all the Ports, etc.

## XIII—*Chilly trade*

(a) There are no standard shipping rates for chillies to many destination such as New Zealand, Fiji Islands and African Ports. When no standard freights are available the chillies have to be shipped under General Cargo rates, this is relatively very high, as chillies being a bulky commodity, the rates are assessed on the volume occupied by the Commodity and not on weight basis. At times this freight works out to any where from 30% to 50% of the sale price of the commodity, which is very high.

(b) The freight rates for chillies to destinations must be fixed on weight basis and not on volume basis.

(c) In Cochin Port chillies are not being allowed to be loaded into containers. This is a hinderance since there are only container facilities available to Ports such as in Australia, Newzealand etc., and since many of the vessels calling for U.S.A. and European have only container for loading. Chillies should be allowed to be loaded in containers in Cochin.

## XIV—*Sports Goods*

Small scale units engaged in manufacturing sports goods face a number of difficulties in procuring raw materials for manufacture of goods for export. The sports goods industry of India is mainly at Jullundur and out of Rs. 20 crores of sports goods exported from India during 1979-80, Rs. 15 crores worth of sports goods were from Jullundur. But the States

like Karnataka, J&K, H.P. and Goa have banned the movement of cane, willow, ashwood, mulberry etc. from their States to Punjab. This has given a great set-back to the sports industry of Punjab. This problem should be sorted out.

#### XV—*Handloom*

(a) In view of the shortage of short staple cotton within the country, export of short staple cotton should be banned forthwith. Further NTC/Co-operative spinning mills should also be directed to re-structure their production of yarn so that lower counts of yarn are also manufactured to meet export requirements.

(b) Most of the orders for handloom towels procured on government and foreign trade delegation level etc. are taken away by the exporters sitting in Delhi and Bombay. The exporters sitting in other places never got orders.

#### XVI—*Return of exhibits from abroad*

Valuable articles exhibited abroad in trade fairs are not often returned to the concerned units and most of them are declared as "lost".

#### XVII—*Container facility at Delhi*

An inland container facility at Delhi should be provided as announced by the Central Government.

#### XVIII—*Availability of wagons*

In spite of priority being accorded for movement of export cargo, exporters are unable to secure adequate and timely wagon facilities. This needs improvement.

#### XIX—*Storage Facilities—Minerals*

Storage facilities are not available for mineral exporters in Madras Port. Exporters of minerals in bulk cannot execute export orders unless they are provided storage facilities in the harbour and are enabled to move the export cargo in adequate quantities well in time for shipment since they cannot move all the cargo within the 30 days time they are allowed.

3.74 The Committee have gone into the problems and suggestions, referred to in detail earlier in this section, relating to industrial licencing, State levies on raw materials, "wastage" under Duty Exemption Scheme, freight subsidy, service charges of canalising agencies inspection for woollen industry, delay at customs houses, seafood industry, cardamom cashew industry, walnuts, hand-made matches, chilly trade, sports goods, handloom, return of exhibits from abroad, container facility at Delhi, availability of wagons and storage facilities. The problems of the exporters in these fields appear to be genuine and deserve a careful and dispassionate consideration. The Committee would like the Ministry to examine each one of these suggestions and problems and inform the Committee of the action taken in the matter. (Sl. No. 42)

#### XX—*Exports Studies*

3.75 During the course of the examination of the measures taken by the Government for promoting exports the Committee noticed that there

was considerable scope for improving export earnings and reducing export promotion expenditure. The important areas in which the Ministry's efforts should be directed were identified by the Committee. These are :—

1. Improving unit value realisation of Indian Exports (which is declining year after year).
2. Improving competitive strength of Indian Manufacturers.
3. Identifying Products whose exports can be sustained without cash assistance or with least cash assistance for a short period.
4. Identifying products which earn maximum "net foreign exchange."
5. Reducing expenditure on export promotion measures.
6. Pricing systems adopted by Indian Exporters, the correctness of the data furnished by the councils and exporters for fixing cash assistance efficacy of MEP system, problem of under invoicing etc.
7. Streamlining the institutional set up.
8. Identifying exporters who can sustain the country's exports with no or least assistance from the Government.
9. Competitive strength of our exporters *vis-a-vis* of other countries.
10. Studies on efficacy of our publicity campaigns, buyers-sellers meets, Trade Fairs etc.
11. Social and economic costs of our exports and how to reduce them.
12. How best to minimise our imports, what are the products whose imports can be avoided, shortcomings in the Imports strategy adopted, buying direct from producers, resorting to spot purchases of oil etc.

3.76 At the instance of the Committee the Ministry explained the position *seriatim*, as follows :—

**Point No. 1 :** The Indian Institute of Foreign Trade conducted a study on greater Processing for exports for better unit value realization in 1968-69.

**Point No. 2 & 9 :** In practically all the markets studies the question of improving the competitive strength of Indian manufacturers, exporters *vis-a-vis* competitive sources of supply abroad is dovetailed upon. The areas of weaknesses identified and suggestions made in this regard are given sympathetic consideration.

**Point No. 3 :** The Indian Institute of Foreign Trade conducted short studies in respect of selected engineering products *viz.*, bicycle and bicycle parts, steel wire ropes, transformers, and steel tubes and pipes, in 1972-73 and suggestions were made either to reduce or maintain cash compensatory support.

**Point No. 4 :** In 1981, the Institute conducted a study on 'Net Foreign Exchange earning from Exports'. The objectives of this study were, *inter-alia* : (a) to clarify the conceptual and methodological issues relating to net foreign exchange earnings (b) to estimate net foreign exchange earnings for specified industrial sectors to the extent possible which would have opened the data base and easy to draw conclusions for policy formulation on the basis of the empirical analysis.

This study has estimated net foreign exchange earnings for 19 industrial sub-sectors on the basis of data published by the Reserve Bank of India for large and medium industries. The net value added for these sub-sectors were also estimated.

**Point No. 5 :** It has been the continuous endeavour of the Government to reduce unnecessary expenditure if any, on export promotion measures.

**Point No. 6 :** A short study in late sixties was conducted by the Indian Institute of Foreign Trade to indicate the processes of reducing cost for export.

Besides a few cases of pricing systems for export were compiled by the Institute. Every year since 1970, the Institute has been organising seminars/training programmes on costing and pricing for export with a view to discussing the different pricing systems followed by Indian exporters.

**Point No. 7, 8, 10, to 12 :** No specific study has been made as such in respect of these points.

3.77 It is seen that studies on the aforesaid aspects of exports have either not been undertaken so far or where undertaken, these were done long time ago.

The Ministry has however informed the Committee that the Ministry's Export Services Coordination Committee (ESCC) at its meeting held in December 1981, had specifically asked the various Export Promotion Councils Commodity Boards, TDA and IIFT etc. to undertake studies on the points outlined above.

3.78 The Committee are glad to note that at their instance the Export Services Coordination Committee had asked the various Export Promotion Councils, Commodity Boards, Trade Development Authority, Indian Institute of Foreign Trade etc. to undertake studies on the various aspects of export promotion as identified by the Committee on which studies have either not been undertaken so far, or where undertaken have become outdated. The Committee hope that these studies would be completed and made use of in shaping the future strategy of exports with a view to deriving the maximum advantage. (Sl. No. 43)



## CHAPTER IV

### EXPORT PUBLICITY

#### A. Trade Fairs

Export publicity of various commodity/product groups in overseas markets is looked after at the individual industry level by respective export promotion agencies viz. Export Promotion Councils, Commodity Boards, Corporations, etc. The export publicity effort at the national level is supplemented by the Trade Fair Authority of India (TFAI) through various media such as journals, special supplements on India in foreign newspapers/journals etc.

4.2 TFAI also brings out an English Weekly, "Economic and Commercial News" which is intended primarily for feeding Indian Governments' Commercial Representatives abroad with topical information about the country's advancements in commercial and industrial fields. The Missions abroad utilise the material contained in the weekly for further publicity through their home bulletins press handouts. Copies of the weekly are also distributed among the commercial and industrial circles by the Missions abroad.

4.3 To focus attention on the country's growing industrial and export capabilities, TFAI sponsors from time to time special supplements on India in selected foreign newspapers and periodicals. The Authority assists the trade and industry in the country in the release of table advertisements in foreign newspapers/periodicals for projecting the increasing export potential.

4.4 In the context of various trade fairs and exhibitions organised by the TFAI abroad, publicity is organised on India's industrial progress and export potential through newspapers, radio, television and other mass media in the countries concerned.

Apart from TFAI, the Trade Development Authority (TDA) organises Buyer-Seller meets participates in Fairs and Exhibitions abroad. TDA also conducts contact promotion programmes, publishes catalogues on Indian products etc.

4.5 A number of experts, exporters and Chambers of Commerce feel that our publicity campaigns have been ineffective and inadequate. In a memorandum submitted by an export it was stated that the failure of the publicity campaigns are evident from the fact that the image of our products in the world markets remains very poor and our share of world trade has been showing a perceptible decline over years. Very few countries, even in the developing world, are aware of the immense changes in the industrial complex that have taken place in India in the last 2-1/2 decades. Indian manufacturers, by and large, have not come to enjoy any high degree of acceptability. No Indian brand names with few exceptions have become popular in the world markets. In the developed countries the image of Indian products leaves much to be desired in terms of deliveries, quality and specifications. Similar comments were made in many other memoranda received by the Committee. Referring to these views, Commerce Secretary

stated during evidence that "we completely agree with the suggestion that publicity provides the drive to the projects. Sales are likely to go up if there is proper and timely publicity. But we have the resource-constraint. But within it, we try to do our best. But in Europe, the cost of publicity is rising. TV publicity is very costly. That is why we find it very difficult to make use of all modern media for doing publicity.

4.6 He added that, "the image of several of our products, both in the private and in the public sectors, is receiving attention and is being projected in a proper manner which really helps in the sale of our products. Bajaj Autos have been publicised very well in Indonesia and other places and it is catching up. Similarly Tata publicity is quite satisfactory. In the public sector, HMT has done pretty well. Our participation in trade fairs also is expected to give a push to the publicity drive which is most desirable. But ultimately our limitations are the resources."

4.7 The witness stated that though there was no ceiling on the foreign exchange allowed to private sector manufacturers for publicity abroad of their products, the RBI was rather very careful in this matter. In this context the Committee pointed out that certain private manufacturers had told them during on-the-spot study visit that they could get better markets if they were allowed more foreign exchange for publicity.

Asked whether there is any independent mechanism at present to evaluate the impact of our publicity campaigns abroad, the witness stated that "we have not undertaken any independent study of this."

#### *Coordination amongst agencies organising Trade Fairs*

4.8 Certain non-official organisations representing exporters and manufacturers informed the Committee that, "in comparison to participation from Western countries in overseas Trade Fairs, Indian entries have yet to attain a professional footing. Participants often face problems in regard to choice of displays, timely despatch, replacement of damaged exhibits etc. A thoroughly professional handling is required, since displays in overseas fairs compete fiercely with one another from the angle of total effect the cosmetics or the product, the visual appeal of the decor/stall erection etc. A coordinated approach in these matters among the Trade Fair Authority, Trade Development Authority, and EPC's Commodity Boards is called for. The basic point is to build up capability for professional excellence in doing the job."

4.9 Commenting on these points, Commerce Secretary stated in evidence that TFAI has been declared as the focal point for organising and participating in trade fairs. Agreeing that there should be a coordinated approach amongst the various authorities in this regard, the witness stated that "we have already decided to undertake a study in this regard. This has been entrusted to NID to ensure that we are able to work out as to what should be done to improve these capabilities immediately, and to see that these ideas are percolated and professionalism is introduced there. As for the reaction of the Ministry, we would say that we are completely in favour of a coordinated approach without wasting talent."

**4.10 Publicity of various products in overseas markets is organised by a large number of organisations, viz. Export Promotion Councils (EPCs), Com-**

modity Boards, Corporations, Trade Fair Authority of India (TFAI) and the Trade Development Authority (TDA).

4.11 There is a general feeling among exporters and commercial organisations that the export publicity leaves much to be desired. They feel that our publicity campaigns are ineffective and inadequate, and not many countries, even in the developing world, are aware of the immense changes in the industrial complex that have taken place in India over the last 25 years.

4.12 Commerce Secretary has admitted that due to resource constraints, they find it difficult to make full use of all modern media for doing publicity abroad. He feels that within the available resources, India is doing its best and image of several of our products is receiving satisfactory attention abroad. The Committee is not in a position to evaluate the impact of our publicity abroad. But they would like to point out that publicity, if it has to produce impact must be concentrated and sustained and sophisticated enough to catch the eye of target audience. Half-hearted publicity is hardly productive.

4.13 At present there is no independent mechanism to evaluate the impact of the publicity campaigns. Unless these are evaluated from time to time, the Ministry will not have an opportunity to judge the effectiveness of their publicity or to improve their techniques and channels of publicity. The Committee expect the Ministry to evolve a suitable mechanism for evaluation of foreign publicity. (Sl. No. 44)

4.14 Lack of professionalism and coordinated approach is stated to be one of the weaknesses of our publicity campaigns abroad particularly in the number of export promotion. The Committee are glad to note that the Ministry, which is in favour of a coordinated approach, has now decided to undertake a study in this regard in order to bring about improvement in foreign publicity. The Committee would like to be apprised of the outcome of the study. (Sl. No. 45)

4.15 There are a large number of organisations, official as well as non-official, which are carrying out publicity abroad. Just as Government has declared TFAI as the focal point for organising and participating in trade fairs abroad, in the Committee's opinion, there is need for a well equipped and professionally staffed body to be designated as the focal point for coordinating publicity campaigns abroad. Unless this is done, the chances of duplication of efforts and wastage of precious foreign exchange cannot be completely ruled out. The Committee would like the Ministry to give it a serious thought. (Sl. No. 46)

4.16 There is a feeling among exporters that they could get better markets abroad if they could get more foreign exchange for publicity. The Committee suggest that this matter may be looked into by the Ministry of Commerce in consultation with the Ministry of Finance and RBI. (Sl. No. 47)

#### *Trade Fairs—Participation of Small Scale units*

4.17 According to a leading association of small scale industries, Trade Fair Authority invites only big firms to participate in the trade fairs and that the small industries or their associations are not even approached by the TFAI. The association suggested that leading small industries associations should be permitted to hire stalls as the small industries are not in a

position to participate individually in the trade fairs or hire stalls individually.

4.18 Commenting on this the Ministry has stated that "it is not correct to say that the Trade Fair Authority of India invites only big firms to participate in the trade fairs. Invariably intimation is given to organisations concerned with small scale industries like, the NSIC, State Directors of Industries, State Export Corporations, Development Commissioner for Small Scale Industries etc. Also, small scale units with export performance/potential are usually members of Export Promotion Councils to whom information is invariably given in advance about the fairs.

4.19 The Ministry has stated that TFAI does "encourage" associations of small scale industries to participate in trade fairs. During evidence Commerce Secretary informed the Committee that industries of all scales "are definitely invited" to these fairs.

4.20 With reference to the representation of the Small Scale Industries that stalls in the trade fairs should be given to them at subsidised or concessional rates, the Ministry has stated that, "TFAI rates were already subsidised. The charges were usually a token contribution from the participants for providing a comprehensive package of facilities commencing from shipping of exhibits, decoration of pavilion to return of exhibits. The expenditure incurred by the Trade Fair Authority of India for organising participation in overseas fairs is usually much more than the token contribution collected from participants."

4.21 When the Committee asked during evidence whether any special consideration is shown to the small scale units, Commerce Secretary stated that, "it is true that no special concession is given to the small scale industries as such, but it is also a fact that the rate at which facilities are provided to the participants is itself a subsidised rate." Commerce Secretary assured that he could "consider in some form or the other to give a little bit of more concession to them."

4.22 The Committee are informed that it is not a fact, as stated by an association of small scale Industries, that TFAI invites only big firms to participate in trade fairs. Intimation about trade fairs, the Ministry says, is given to organisations concerned with small scale industries like the NSIC, State Directors of Industries, State Export Corporations, Development Commissioner for Small Scale industries, etc. This list does not include the name of any small scale industries association. TFAI it is stated also "encourages" associations of small scale industries to participate in trade fairs. All this shows that the complaint made by small scale industries association is not entirely without basis. The Committee do not see any reason why associations of small scale industries cannot be 'invited' to participate in the trade fairs just like the big firms. This should be done. (Sl. No. 48)

4.23 The Committee take note of the admission made by Commerce Secretary in his evidence that no special concession is given to the small scale industries in the matter of hiring of stalls and accommodation at trade fairs. Even if the TFAI's rates are already subsidised for all participants, it does not mean that small scale industries do not deserve any further concession vis-a-vis large and medium industries. It would be in the fitness of things to show some special consideration to the small scale industries. (Sl. No. 49)

### *Trade Enquiries received during fairs :*

4.24 Some non-officials pointed out to the Committee that during each trade fair, held both in India and abroad, a lot of trade enquiries worth millions of dollars were received but not much of this had materialised. The Ministry informed the Committee that during the period of an exhibition organised abroad by the Trade Fair Authority of India, the Director of the Pavilion obtains information from participants about the business actually booked and business under negotiation. As regards business under negotiation, follow up action to determine how much of the business has materialised is taken by writing to the participants after a period of six months. The experience of the Trade Fair Authority of India shows that the participants are sometimes reluctant to divulge complete information about the business booked or under negotiation. The reason for this is perhaps fear of competitors. However, subject to this main constraint, TFAI proposed to follow the following procedure :—

- (i) Details of all negotiations pending as discharged by the participants could be compiled by TFAI and passed on to the concerned EPCs so that the Council could closely monitor the subsequent developments till the negotiations materialise into concluded business.
- (ii) While the main monitoring will be done by EPCs, TFAI would also keep in touch with the participants and EPCs and finally monitor business finalised and ascertain reasons for some of the negotiations not materialising. This monitoring will also enable identifying specific problems which could be tackled at various levels.

4.25 Asked whether the Ministry had any objection to set up a review committee to monitor and evaluate the impact of trade fairs. The Ministry has stated in written reply that after the receipt of the questionnaire from the Estimates Committee, it has been decided that a quarterly review of the working of the Trade Fair Authority of India should be undertaken under the Chairmanship of the Commerce Secretary.

4.26 . Elaborating the point in evidence, Commerce Secretary stated that it was indeed very difficult to know the details of negotiations and to do the follow up. Once the party enters into a discussion with the other, they would like to keep their letters secret. The witness added that in the last few years, TFAI had found that detailed follow-up was not possible, though it was necessary.

**4.27 The Committee are glad to know that the Ministry has now realised the importance of a suitable system to follow up the trade enquiries received during trade fairs and to monitor the volume of business deals concluded as a result thereof. The Committee would like the proposal in this regard to be finalised and implemented expeditiously, so that concrete business gains made by the country from each trade fair can be known. (Sl. No. 50)**

**4.28 The Ministry has also now decided to make a quarterly review of the working of the Trade Fair Authority of India. This will give a good opportunity to the Ministry to judge the performance of TFAI and apply correctives wherever found necessary. (Sl. No. 51)**

### *Sale proceeds of goods sold at Trade Fairs*

4.29 Some exporters brought to the notice of the Committee that the sale proceeds of items sold by Indian participants in trade fairs abroad are repatriated through the Embassies of India etc. and that it took nearly two years for the proceeds to reach the participants. They also represented that they had to pay several visits to Delhi for getting the sale proceeds.

4.30 During evidence, the Commerce Secretary stated that "the real difficulty arises because of the currency regulations and situation which exists in certain countries. In Tanzania and Lybia, we felt difficulty in conversion and remittance to India. The internal rules and complications of the host country come in the way."

4.31 Difficulties in repatriating the sale proceeds of the goods sold at trade fairs abroad have been expressed by exporters and admitted by the Ministry. The difficulties are stated to be mainly due to the currency regulations of the countries where trade fairs are held. This is a matter which should be sorted out with the host country before participating in the trade fair and steps taken in advance to ensure that the participants are not put into difficulties in repatriating the sale proceeds. (Sl. No. 52)

### *Trade Agreements*

4.32 During the course of discussions with the representatives of the State Governments the Committee learnt that details of items included in trade agreements entered into by Government of India with foreign countries were not intimated to the concerned State Governments.

Commerce Secretary admitted in evidence that the details of trade agreements were not intimated to State Governments. But all such agreements were publicised. In Commerce Secretary's opinion, no specific purpose would be served by communicating copies of trade agreements to State Governments as these documents referred only to lists of items in which trade would be done and the quality or quantity was not revealed in them. The witness, however, agreed to furnish copies of trade agreements to State Governments.

4.33 The Committee expect that besides copies of trade agreements signed with other countries, as much other information as can be supplied without difficulty should be supplied to all State Governments to enable the exporters and manufacturers within their States to avail themselves of the export opportunities. (Sl. No. 53)

### **B. Market Intelligence and Trade Statistics etc.**

#### *Market Surveys*

4.34 The Committee were informed by a large number of exporters and Chambers of Commerce that—(i) Market surveys presently undertaken by TDA, IIFT, EPCs and FIEO tend to be a compilation of data and information without systematic analysis and interpretation so essential in strategic planning for export development, and (ii) quite often the market surveys are completed after a considerable lapse of time and much of the data is already old and out of date by the time it is published and made available.

4.35 Commenting on these, the Ministry stated that :—

- (i) Market surveys are entrusted to those who have the requisite expertise and experience in the techniques of market research.

- (ii) The Ministry is generally satisfied with the reports prepared by the IIFT on the surveys and studies undertaken by them in terms of indepth analysis and coverage. However, considering the nature of studies such as undertaken by the IIFT, there could always be scope for further improvement.
- (iii) It is far from truth that the market data (IIFT reports) is statistically not the latest and hence of limited interest to the exporting community. Care is exercised in collecting the latest data and information from the overseas markets, by tapping different sources, official and non-official as well as national and international. Where latest data are not published by the countries concerned, the Institute invariably provides estimates based on valid criteria.

4.36 During evidence, the Committee pointed out that while the Ministry thought the market Survey reports produced by Government organisations were satisfactory, the exporters for whose use the surveys were prepared, thought otherwise. Commerce Secretary replied that "our market survey reports have definitely been found to be satisfactory by some of the very important international institutions. Several of our market surveys have really been taken as a model by the ITC and UNCTAD. But surely the client is the king. Unless and until we satisfy our exporters, we will definitely feel that we have not been able to discharge our responsibility fully. So, keeping this thing in view, we will certainly see to it how to bring about more improvements in it".

4.37 Asked whether there was any institutional mechanism to continuously receive feedback about the utility of these surveys and studies from the exporters, Commerce Secretary stated that "in the Board of Directors' meetings and other meetings. We have suggested that on all these market surveys and other things we must get feedback from the exporters themselves and find out from them as to where these things are found lacking so that we may be able to help them in a better way".

**4.38 The Market Surveys prepared by various organisations like TDA, IIFT, EPCs and FIEO have come in for criticism by the exporters. According to them these surveys tend to be a mere compilation of data often out-dated and without any serious analysis and interpretation. The Ministry has, however, not agreed with these comments. But it has nevertheless admitted that unless the exporters are satisfied with the market surveys, the Ministry would not deem to have discharged its responsibility fully.**

**4.39 The Committee would like that an institutional mechanism should be evolved to receive feedback about utility of these surveys from the exporters as only then can the Government know the shortcomings of the market surveys brought out by various organisations and suggest improvements. The Ministry accepts the need for feedback. What is needed now is action to put it into practice. (Sl. No. 54)**

#### *National Trade Information Centre*

4.40 A number of non-officials and leading Chambers of Commerce and Industry also informed the Committee that they are experiencing considerable difficulties in getting up-to-date marketing information/

intelligence. The difficulties assume added dimensions due to the fact that a number of organisations like IIFT, TDA, EPC's and Commercial representatives are handling various aspects of market intelligence. The non-officials suggested that a National Trade Information Centre should be set up for collecting and disseminating market intelligence in respect of projects and products of export interest to India. They also suggested that this centre should have branch offices in important business centres in the country and abroad for collecting and disseminating the latest and relevant information. A proposal in this regard was stated to be under consideration for the past 10 years but no decision had been taken so far.

4.41 The Ministry of Commerce admitted that "the need for establishing an apex body in India for collection and dissemination of all types of trade information, no doubt, does exist." Asked about the reasons for the delay in setting up the apex body, the Ministry stated that before such a body was established, certain operational questions needed to be considered in depth. These questions, *inter alia*, include :—

- (i) Whether it will be able to obtain information directly from primary sources like private companies, exporters etc.
- (ii) It would be necessary to create and strengthen the primary information sources like the DGCI&S, Port Customs, Banks, the EPCs etc. as only then would it be logical to set up a National Trade Information Centre which would depend on these primary resources to perform effectively and efficiently.
- (iii) An important point is whether the Centre would be in a position to play the role of adviser and guide to exporters, when agencies specialising in specific sectors like EPCs etc. are to some extent playing this role. What will be the coordination between these agencies and whether there will be overlap.
- (iv) It is also not certain whether the Centre would be in a position to computerise the necessary data and disseminate it quickly, when the primary sources themselves have access to information with some delay.

4.42 The Ministry added that "in view of the above considerations and other related aspects relevant to the setting up of the National Centre of Trade Information (NCTI), it was felt that before a final view on establishment of NCTI, is taken which will require large expenditure, it would be more appropriate and practical to strengthen the existing EPCs and other connected agencies in this task. With this end in view, it has been decided that, to begin with, selected EPCs may be advised and the officers working in those Councils may be trained in collecting the trade information and dissemination thereof."

4.43 During evidence, the Commerce Secretary stated that "we completely go with this particular idea of the Centre. We visualise it as a network which means that there would be a focal point at the apex and there would be several other base organisations which will be feeding this particular centre. And it would be able to furnish the information to others."



He added that "while agreeing with this particular concept, at the operational level, it was felt that unless and until the bases are created, the apex centre might appear like an empty shell. Therefore, instead of going ahead with the Apex Centre, we may really start strengthening the institutions which will have to take the burden of collecting the data. That is what we have already started doing. We would see that in these centres information system is improved and dissemination of information is made possible."

4.44 The Committee then pointed out that the exporters were facing considerable difficulties due to lack of timely trade information and market intelligence. Commerce Secretary agreed with this view and stated that "we definitely feel that this is the weakest link in the chain in our information system. Unless they supply us the information, we will not be able to achieve anything. So, we have already started doing that. We have taken a sectorwise approach. For instance, on the engineering Industry, we ensure first that the institutions and others provide the information and they really get on to the right targets."

4.45 Asked whether the Ministry agreed with the view that ultimately we must have some apex body for collecting and disseminating trade information, Commerce Secretary replied "most certainly."

4.46 Though a number of organisations like the Indian Institute of Foreign Trade, Trade Development Authority, Export Promotion Councils etc. are collecting the market intelligence, a centralised information system is lacking and in the absence of a centralised system, the exporters face considerable difficulties. The Ministry of Commerce has admitted the need for an apex body for collection and dissemination of all types of trade information but, regrettably, it has not been able to set up such a body so far though proposal to this effect has been under consideration for the last 10 years. The Ministry proposes to strengthen the primary information sources like DGCI & S, Port customs, banks, EPCs before setting up an apex body. The Committee do not dispute the need to strengthen primary information sources but they cannot condone delay of 10 years to do the needful. The Committee recommend that a National Centre of Trade information should be set up at the earliest to collect, collate and disseminate up-to-date market intelligence. (Sl. No. 55)

#### *Delay in publishing Trade Statistics*

4.47 It was brought to the notice of the Committee that the time lag in publishing trade statistics by Director General Commercial Intelligence and Statistics (DGCI&S) was as much as 18 months. According to a leading chamber of commerce "in the absence of prompt and reliable trade data, it is not easy to formulate realistic export plans and programme". The Ministry stated that, the delay in bringing out the publications of the DGCI&S was due to (i) delay in data flow from the Custom Houses, (ii) delay in preparing of manuscripts in the DGCI&S, and (iii) delay on the part of Government of India Presses in printing the publications according to schedule of time in view of power shortage etc. All these problems have been gone into by the Committee on Timely Supply of Foreign Trade Statistics of India, headed by Dr. K. C. Seal, Director General, Central Statistical Organisation. On the basis of recommendations

of this committee various remedial measures have been taken. In the wake of the several steps taken in this direction, delay in the flow of data from the Custom Houses has been reduced considerably.

4.48. The Ministry added that delay in printing by Presses had also been curtailed appreciably. For example, the manuscript for March, 1980 (Annual) issue of Export publication was published on 23-5-1981. Similarly, the March 1980 (Annual) issue of Import Publication was published on 11th July, 1981. Necessary efforts are being made to improve the working capability of the DGCI&S through installation of new machines etc. The Seal committee is also considering a study made by the National Information Centre of the Electronics Commission on the computerization of the data base in the DGCI&S and other measures of modernization thereof for ensuring the timely supply of India's foreign trade statistics.

4.49 During evidence the Committee pointed out that even after all the exercises done by the Seal committee, instead of 18 months as stated by non-officials, the DGCI&S took 14 months to publish March 1980 issue (Annual exports) and 16 months to publish March 1980 (Annual imports).

4.50 Asked whether the Ministry considered this to be much of an improvement, Commerce Secretary stated that "although indefensible, it is not a helpless case. But it is an unenviable case. Regarding Calcutta, we are caught up with certain problems connected with computerization. This is needed for improving supply of information and the processing of information. We could not do that. We are going in for 'modernisation' rather than 'computerization'. Regarding Calcutta we have to live with certain difficulties for some time. It will not be for all time to come. The Seal Committee has given its first report; we expect the second report. On that we will take action."

In reply to a query, Commerce Secretary informed the Committee that countries like Hong Kong and South Korea take about 3 to 4 months for publishing trade statistics.

4.51 Supplementing this, a representative of the Ministry of Commerce stated that the Ministry had proposed to install photo copying machines in 5 major customs houses except Calcutta. In Calcutta the unions were not allowing the machines to be installed. He added that "we are trying our best to solve this problem. When this materialises the time gap could be reduced to 3 to 4 weeks only".

4.52 The long time lag in publishing trade statistics by DGCI&S makes it difficult for exporters to formulate realistic export plans and programmes. Even after taking remedial measures in the light of the Seal Committee on Timely Supply of Foreign Trade Statistics, DGCI&S took 14 months to publish March 1980 issue of Annual Export and 16 months to publish the March 1980 issue of Annual Imports which is not much of an improvement as compared to past when it reportedly took 18 months. Countries like Hong Kong and South Korea take only 3 to 4 months for publishing trade statistics. Commerce Secretary admitted that the delay was "indefensible". The Ministry is awaiting 2nd report of Seal Committee and also planning certain other measures to expedite publication of trade statistics.

4.53 The Committee would like to judge the Ministry's performance not by the plans formulated or measures taken to expedite matters, but by the

results achieved. If trade statistics have to serve the purpose for which these are collected, they should be in the hands of exporters within 6 months or so after the relevant year. (Sl. No. 56)

### *Trade Centres*

4.54 Some non-officials suggested to the Committee that trade centres should be opened by India at important business centres abroad. According to them even countries like Ireland and Brazil had opened a number of trade centres abroad. The Ministry informed the Committee that the Indian Trade Centre at Brussels, opened in February, 1980, functions as a part of the Economic Mission of India to European Economic Community. It carries out specific functions as part of an overall programme of collecting and analysing market intelligence and passing it on to the various trade promotion agencies. It also acts as a clearing house of information for the Indian Exporters and European Importers and also identifies possible distribution channels for Indian Products in Europe.

4.55 Asked about the views of the Ministry on the functioning of this centre, Commerce Secretary replied that our experience so far is good. It has actually succeeded in collecting data, analysing it and finding out the market intelligence and serving as a clearing house also." He however, added that "I do not mean to say that in one and half years we have reached a stage when we can say that we would be arriving to final stage. We are trying to interlink this particular centre with the other Embassies and with the other commercial centres and trying to organise a two-way flow of information from these areas. This particular centre has been partly financed by the E.E.C."

4.56 Asked about the views of the Ministry on the desirability of opening more such centres, the witness stated that "in February 1980 this was started. We are going to review this by 1982. After that we would be able to decide as to how to go about it in future. We completely agree that there is need for other such centres to be set up. We have one or two in our mind. The experience with Brussels is very good. We have to set up such a centre in Africa as also in the Middle-East. This is what we are proposing. After evaluation of the trade centre, we will be in a much stronger position to go to the Government to get more support for it."

**4.57 The Ministry's experience with the working of the Trade Centre at Brussels which was set up in Feb., 1980, is good. Need for more such Trade Centres has been voiced by commercial circle and accepted by the Ministry. Its proposal to set up two more such centres in Africa and West Asia is awaiting review of the working of Brussels centre which is due this year (1982)**

**4.58 If the Brussels Centre has succeeded, as the Ministry says it has, in doing service to the exporting community, the setting up of more such centres should not be delayed. The Committee would like to be informed of the progress in this regard. (Sl. No. 57)**

## CHAPTER V

### INSTITUTIONAL INFRASTRUCTURE

At present a large number of organisations, named below are involved in exports and export promotion activities :—

1. Ministry of Commerce. .
2. C.C.I. & E. (Chief Controller of Imports & Exports).
3. Drawbacks Directorate, Min. of Finance.
4. Export Promotion Councils.
5. T.D.A. (Trade Development Authority).
6. Indian Institute of Foreign Trade.
7. Trade Fair Authority of India.
8. Commodity Boards.
9. Canalising Agencies like STC, MMTC.
10. Export Inspection Councils.
11. Exim Bank, IDBI, Commercial Banks.
12. Export Credit and Guarantee Corporation.
13. Reserve Bank of India.
14. Federation of Indian Export Organisations.

5.2 A number of exporters and Chambers of Commerce represented to the Committee that they experience considerable difficulties in processing export transactions as they have to contact different organisations for getting trade information and for fulfilling export formalities. They pleaded for reducing the number of organisations dealing with export promotion.

5.3 During evidence, the Committee enquired whether any review of the organisations engaged in export promotion had been made in the past with a view to streamlining and reducing the number of organisations engaged in export promotion and whether it would not be possible to provide a nucleus of all these services under one roof under the operational (not administrative or policy) control of one lead agency which might be nominated by the Government.

5.4 Commerce Secretary replied that “these institutions have specifically different individual functions and therefore it would not be very difficult to combine. I doubt very much whether it would be possible to reduce the number as such. But certainly what we are trying to do is to

examine as to how these can be made more efficient and the time consuming procedures and other things could be simplified. It has been attempted where individual separate products are concerned. Attempts have been made to bring some of the activities together for example where Air Cargo Scheme has been taken up. An effort has been made to bring some of these institutions together. But to bring institutions dealing with a variety and range of products under one roof appears to be difficult."

As regards coordination, the witness added that, "coordination is perfectly necessary. In a limited area it is also possible to bring some of these institutions together. For instance in the Mini Custom House, this can be done."

5.5 In a note submitted after evidence (Jan. 1982) the Ministry informed the Committee that in order to bring about coordination between the functioning of the various organisations certain standing coordinating committees are already functioning. For example, the Export Services Co-ordination Committee in the Ministry of Commerce is functioning to monitor proposals coming from various service organisations like export Promotion Councils for conducting market surveys or sponsoring Trade Delegations etc. While considering these proposals, the committee looks into several aspects like whether there is any duplication, any similar study had been undertaken for the same product, the product and area coverage should be improved or modified etc. etc.

5.6 Recently, an Inter-Ministerial Committee has been set up in this Ministry to look into the general problems of exporters concerning different Departments, so that one time consideration of such problems is facilitated.

The object of this Committee is to serve as a coordinating forum between various Departments in regard to the problems of exporters so as to avoid the need for the exporters approaching different Departments for his problems.

5.7 In the field of export credit and finance, a Standing Committee on Export Finance is presently functioning under the chairmanship of the Deputy Governor Reserve Bank of India. This Committee is *inter alia* concerned with tackling policy and procedural issues relating to provision of export finance and the export credit.

5.8 The Ministry added that, this way some kind of coordinating mechanism is already operative in this Ministry and other Departments so as to synthesise the activities of various organisations as well as try to evolve solutions to the problems of exporters at one place. Creation of a single coordinating agency for all the organisations concerned however does not seem feasible for the reason that not only the number of organisations involved in export promotion is large, but they have wide and varied roles to play in the field of export promotion. Some of these organisations are also not exclusively concerned with the export promotion and they have separate rules to play in other economic spheres.

#### *Duplication of Efforts :*

5.9 The Committee notice that the functions of the various organisations are overlapping, particularly in the cases of TDA, IIFT, TFAI, EEPC,

FIEO. From the information furnished by the Ministry, the following facts emerge :—

Organisation	Some of the important functions performed by them.
TDA	Conducts market surveys, organises buyer-seller meets, participates in trade fairs.
TFAI	Organises and participates in trade fairs, and explores new markets for traditional items of export and develops export of new items.
IIFT	Undertakes market surveys and disseminates market information.
EEPC	Undertakes market studies in foreign countries and promotes export of engineering goods.
FIEO	Undertakes and promotes studies, market surveys and collect and disseminate market information, also participates in trade fairs abroad and at home.

All these organisations send officers and delegations abroad for carrying out these functions.

5.10 From the above it is seen that more than one organisation are engaged in the same activity. TAI, TDA, EEPC and FIEO are concerned with trade fairs and market surveys. Besides, IIFT is also doing market surveys.

5.11 The primary objective for which the TDA was established was to organise export intelligence services on modern lines and to organise collection and projection of trade statistics and commercial information on a scientific and a systematic basis. It was also proposed that a trade information division would be created by the TDA. TDA, it is seen, has spread its activities to other spheres like taking up market surveys and conducting and participating in Exhibitions, buyer-seller meets. TDA has now expanded its range to cover 28 product groups on which both the IIFT and the EEPC have also brought out a number of studies and surveys.

5.12 Asked about the necessity of entrusting the task of preparation of market surveys to so many organisations, the Ministry stated as follows :—

“The products exported by India to more than 100 countries of the world are numerous. Therefore, involvement of various agencies who specialise in their respective fields and undertake the studies with specific objectives is considered necessary. For instance, the market surveys carried out by the TDA differ in their approach from those carried out by the IIFT. While the emphasis of IIFT is on studying the potential in general for broad product groups. TDA's studies are more pinpointed and specific and aim at collecting :—

- (i) Marketing information and intelligence on specific items under different product groups;
- (ii) Detailed information regarding nature of product adaptation required;

- (iii) Examining the scope for joint ventures and collaborations where possible;
- (iv) Reviewing the price competitiveness and response to samples manufactured in India;
- (v) Establishing live market contacts to be pursued by the Indian exporters.

5.13 This kind of product-specific and market-specific information at micro-level for selected items is very necessary to promote exports of selected items to selected markets.

5.14 All the research project proposals are placed before the Export Services Coordination Committee which ensures that the same product with reference to the same market is not included by more than one organisation in order to avoid duplication.

5.15 The Committee enquired whether it was difficult for the Indian Institute of Foreign Trade which has a large contingent of professionals or EPCs or FIEO to prepare market surveys on the lines of TDA or *vice-versa*. Commerce Secretary stated in evidence that "these three or four institutions which have been named here are constituted differently. Their expertise is different. Their approaches are also different. For instance, the TDA is totally client-oriented. There may be a few clients who are interested in certain products. What they do is that their cases are taken up and it is their perception which are projected in a particular way. As far as the IIFT and other institutions are concerned, these are strictly speaking research-oriented institutions. Their emphasis is quite different. Similarly so far as the EPC's are concerned, in a particular type of industry only they are concerned and, therefore, the interest which they take and the type of expertise they would like to bring into focus is entirely different. Though they might be undertaking surveys or studies relating to certain products, their emphasis is different. Their focus is different from the focus of other institutions. There is no duplication as such."

#### *Merger of TDA with TFAI/IIFT*

5.16 Some leading chambers have suggested to the Committee that the TDA's functions may be merged with the IIFT and TFAI. Commenting on this, the Ministry have stated that "the Trade Development Authority has been set up to play a unique role in the export effort in the country and during its ten years of existence has lived upto this role. Therefore, merging of TDA's functions with other organisations would nullify the expertise built up by this organisation and would be a retrograde step in the present context of the overall efforts required to increase our exports."

5.17 During evidence the Committee enquired how the Ministry thought that by merger of TDA with IIFT and TFAI the expertise of TDA would be multifified. Commerce Secretary stated that, "TDA is absolutely client oriented and, therefore, the follow-up, the projection and the focus relate only to the interests of buyers, purchasers, who may be their clients. The IIFI is an institution which undertakes research and organises training. The TFAI is really doing demonstrations and exhibitions. Since they are all operating in that area, apparently it looks as if they are all doing the same job, but it is not so."

## *Duplication of efforts among Export Promotion Councils Commodity Boards*

5.18 The Committee had been informed by a research organisation that there had been instances of overlapping and duplication of functions in respect of certain Export Promotion Councils and Commodity Boards. These included All India Handloom Board, Handloom Export Promotion Council and Office of the Development Commissioner Handlooms (in respect of handloom products), Central Silk Board and Silk and Rayon Textiles EPC (in respect of silk products), All India Handicrafts Boards and Gem and Jewellery Export Promotion Council (in respect of Gem and Jewellery items), All India Handicrafts Board and Wool and Woollens EPC (in respect of woollen carpets), All India Handicrafts Board and Cotton Textiles EPC (in respect of hand printed textiles), Chemicals and Allied Products EPC and Basic Chemicals EPC (in respect of certain chemical items) and Plastics and Linoleums EPC and Sports Goods EPC (in respect of indoor games made of Plastics). There have also been instances of conflict of interests in respect of certain EPCs such as Leather EPC and the EPC for Finished Leather and Leather Manufacturers holding different views and showing divergent interests in the export of semi-processed Leather.

5.19 Even the Review Committee on EPCs (1977) had recommended the merger of the 3 EPCs dealing with chemicals and plastic items into two Councils and merger of the two leather Councils into one.

5.20 The Ministry, however, denied duplication of efforts or conflict of interests among Export Promotion Councils. The Ministry informed the Committee that a Task Force was set up in June 81 to review the working of the EPCs, including the question of product coverage and data collection mechanism. The Task Force had been given time upto March, 1982.

5.21 Referring to these points, the Commerce Secretary stated in evidence that "duplication should certainly be avoided. But... we cannot take a blanket view in this particular regard that there should be one Council for one product or one product in one Council. It will not be possible because, even in the engineering and chemicals there is a tendency to see that segregation is done so that there may be more Councils for the engineering products and for the chemicals." He added that "we are definitely looking into to see that such a duplication is avoided and that is why we have set up a Task Force."

## *Conversion of EPCs into Commodity Boards*

5.22 The Export Promotion Councils are mainly involved in export promotion of the concerned products. Views were expressed before the Committee that exports could not be viewed in isolation. Export is dependent on development and production and quality. An organisation like EPC concerned with exports only could play only a limited role. What was needed was a broad based organisation which should be concerned with not only promotion of exports, but also development and production of quality raw materials and finished goods.

5.23 According to a research organisation, Commodity Boards, not promotion Councils are best suited wherever the product group required cons-



tant attention and where substantial investment is involved. On the basis of this criterion, this organisation has suggested that :—

*Sports goods*, manufacture mostly in small scale sector requiring constant financial and marketing help in production and export; *cashew* requiring considerable development in the area of plantation etc; *shella* requiring mobilisation of produce from forests, deserve a commodity board each. The present EPCs dealing with the above three products may be converted into commodity boards. The interests of spices are looked after by Cardamom Board in respect of cardamom and Spices EPC in respect of other spices. Either a Spices Development Authority or a spices Board to cover all items of spices may be constituted by merging the present two organisations.

5.24 Even the Review Committee on Export Promotion Councils (1977) had recommended similar measures.

5.25 These suggestions/recommendations were also welcomed by many non-officials and Chambers of Commerce. The Ministry of Commerce however, did not agree with these suggestions.

5.26 During evidence the Committee pointed out that in the past, the Tobacco Export Promotion Council was converted into a Commodity Board, and Marine Products EPC into an "Authority". Export of Cardamom which was handled by the Spices EPC, was sought to be increased by creating a separate cardamom Board. Export of these products have increased manifold after this reorganisation. The Commerce Secretary replied that "we agree with the idea that export is the function of production and, therefore, wherever export and production could be combined together certainly we should have Commodity Board. But where production base is too large and demand of home consumption is larger than export requirement it will be difficult to convert the Councils into Commodity Boards."

#### *Staffing Pattern in EPCs*

5.27 The Ministry informed the Committee that the Export Promotion Councils (EPCs) generally had personnel who had gained professional experience through long service in the council, apart from their academic qualifications in Economics, Statistics, Business Administration, Engineering etc. Some staff in most of these councils have received specialised export promotion training in institutes like IIFT and Indian Council of Arbitration, or in United National and International Trade Centre Programmes, or under Colombo plan on export promotion.

5.28 Some non-officials informed the Committee that EPCs did not have adequate professional staff. According to an expert on international trade, the EPCs as at present constituted are not able to effectively service the exporters because the personnel manning them are not professionals. Many of the staff working in the export promotion councils and Commodity Boards have had a background of routine administrative work; they are not well versed in market research, international marketing by way of background or aptitude.

5.29 It was also stated that even the Federation of Indian Export Organisations which is the apex body of EPCs did not have professionals in their secretariat. Only recently an economist was recruited by this organisation.

5.30 Asked whether any review of the staff standard of EPCs was made recently, Commerce Secretary stated in evidence that "we completely agree with the thrust and we would like to accept this particular suggestion and professionalise them. Government has already taken a decision in this regard—that we must examine as to what further resources we can provide to them (EPCs) so that they could really work as good professional organisations."

#### *Export Promotion Councils (EPCs)—Management*

5.31 Central Government gives considerable monetary support to the Export Promotion Councils (about 60% of the total expenditure is borne by Government). The Councils are administered by a working Committee consisting of a very large number of interested industrialists and exporters. The representation of the Government in the working Committee is not significant (for example in the Engineering Export Promotion Council out of 60 Working Committee Members only three are Government appointed nominees who are also holding senior posts in the Ministries).

5.32 Asked about the necessity of handing over the management of these Councils to private industrialists when the Councils depended on the monetary support of the Government, the Ministry stated that the EPCs were service institutions which had been created to provide necessary information support to the exporting community on various aspects of export trade. To make these organisations functionally more viable and responsive to the needs of the exporters, the affairs of the Councils are managed by the respective Managing Committees. The members of these committees are selected by the members of the Council. At present, bulk of the export trade is in the hands of the private exporters, although public sector undertakings like STC and MMTC are also handling exporter of certain specific commodities. Hence Government feels that the interests of exporters can best be served by organisations which are primarily managed by the exporters themselves.

5.33 During evidence the Committee enquired whether it was not fair for the Govt. or Govt. agencies, Public Sector undertakings to have a proportionate share in management of the EPCs. Commerce Secretary replied that "as for the point that Government should be over-poweringly represented in those Councils, Government thinks, perhaps, it would not be a right move in the right direction. We feel that Government should be able to provide guidelines and keep them informed of the latest directives. We would like these institutions to function in a more autonomous manner. We have not found that the Councils have abused their position to do things dismetrically opposite to the views of the Governments."

#### *Membership of Export Promotion Councils*

5.34 Membership of the Councils is open to all exporters whether merchant-exporters or manufacturer exporters. The Ministry however, stated that non-exporters are also members of the various export promotion councils. In fact from the information furnished by the Ministry it is seen that the non-exporters constitute a majority of the members in

some export promotion councils; for example, in EFPC out of 6,776 members only about 2,500 are involved in exports. In Shellac export promotion Council and Plastic and Linoleums Export Promotion Council, the exporters are hardly 50% of the total membership.

5.35 Asked to explain the phenomenon of majority of members of Export Promotion Council being non-exporters and whether preponderant presence of non-exporters did not dilute the export character of Export Promotion Councils and not divert the Government aided resources of the Councils to non-export activities. Commerce Secretary stated in evidence that "the whole idea and concept is this that not only exporters are there, you have others also who are potential exporters and who can become exporters and by joining this particular council, all they get is the information that is given to them. We have seen to it and it has become a convention that the office-holders are not those who are not exporters unless somebody who was an exporter was not able to export in a year. Otherwise this has been the principle that has been followed—that it is only the exporters who get elected to the positions over there and even with regard to delegations that are going out, their credentials are seen in the Ministry before clearing the name. So we take almost all precautions necessary to see that non-exporters do not exploit this organisation to their advantage."

5.36 At present a large number of organisations are concerned with the various aspects of exports and an exporter has to contact a good number of them for getting relevant information and processing export transactions and formalities. Since these organisations are situated at different places, a number of exporters and Chambers of Commerce have represented to the Committee that they are put to great inconvenience and have to spend a considerable time in going from place to place to contact these organisations in the process of finalising exports. The Ministry concedes the need for coordination and also agrees that in a limited area it is possible to bring some of these institutions together for instance, in the mini customs house. The Ministry has also stated that Government has set up Export Services Coordinating Committee and an inter-Ministerial Committee to bring about coordination among the various organisations. Besides, there is a standing Committee on Export Finance in RBI to help the exporters. But, in the Ministry's opinion, creation of a single coordinating agency for all the organisations concerned is not feasible for the reason that not only the number of organisations involved in export promotion is large but they have also wide and varied roles to play and it is difficult to combine them or reduce their number. The Committee feel that first of all the Government must through an expert and independent study satisfy itself that there is need for all these organisations to continue as separate entities in the field of exports and where possible, combine such of these organisations into one body as are capable of being so combined. (Sl. No. 58)

5.37 Notwithstanding the outcome of the aforesaid study, the Committee feel that it is not fair to make the exporters run from pillar to post in the process of getting trade information, processing export transactions, finalising administrative formalities and getting release of foreign exchange etc. etc. The Committee see no reason why all or at least most of the organisations concerned cannot be brought under one roof where exporters can meet the representatives of these organisations one after the other and get the needful done. The example of District Industry Centre which has been set up to provide a package

of services to entrepreneurs under one roof is there and the Ministry should take inspiration from this concept to evolve a similar set up to provide a more streamlined package of services to exporters at one place. (Sl. No. 59)

5.38 Though the Ministry has denied duplication of activities the various Government organisations in the field of exports the Committee feel that the facts are otherwise. The Committee find that participation in trade fairs is the concern of as many as four organisations (TDA, TFAI, EEPC & FIEO) and the market surveys are undertaken by five of them (the four above and also IIFT). To justify separate market surveys by TDA and IIFT on the plea that the surveys by the former are "Client oriented" and "those by the others as research oriented" is nothing but hair splitting. It is difficult to understand why the two types of surveys cannot be undertaken by the same organisation quickly, without much of redtapsism.

5.39 Similarly why TFAI cannot be made solely responsible for organising and participating in all types of trade fairs is also not understood. A considerable amount of duplication of efforts is obviously there in certain areas for no advantage. There is need for an independent review in order to remedy the situation. (Sl. No. 60)

5.40 It appears that TDA is at present engaged in a number of activities not envisaged for it at the time of its constitution at the cost of some of its most important objectives such as, to organise an export intelligence service on modern lines and to organise collection and projection of trade statistics on a scientific and systematic basis.

5.41 The Committee would like the Ministry to go into the matter and ensure that TDA does not lose sight of its main objectives. (Sl. No. 61)

5.42 Instances of overlapping and duplication of functions in respect of certain Export Promotion Councils and Commodity Boards have been brought to the Committee's notice. Even the Review Committee on EPCs (1977) had pointed out the need for merger of three EPCs dealing with Chemicals and Plastics into one council and merger of the two leather Councils into one to avoid duplication. The Ministry has, however, denied that there is any duplication among EPCs though in evidence Commerce Secretary stated that the Ministry had set up a Task Force to look into the working of EPCs with view *inter alia*, to avoiding duplication among them.

5.43 The Committee feel that a council may deal with more than one product but the same product should not be dealt with by more than one council. Unless this is ensured, duplication cannot be avoided. The Committee expect that the Task Force set up by the Ministry would look into this matter critically and suggest measures to avoid duplication of functions among EPCs. (Sl. No. 62)

5.44 The need for converting some of the EPCs like those on sports goods, cashew, shellac into Commodity Boards has been pointed out by a research organisation and accepted even by non-officials and chambers of commerce. EPCs can play a part only in promoting exports and where exports need a strong production base, it is a Commodity Board and not an EPC which is best suited. The Commerce Secretary also agreed that wherever export and production could be combined, they should certainly have Commodity Boards but where production base is too much and demand of home consumption is larger than export requirement, it will be difficult to convert the councils into

commodity boards. The Committee would like the Ministry to examine the present status of development of products like sports goods, cashew, shellac, etc. to determine whether the EPCs in respect of them should not be converted into commodity boards for better results. (S. No. 63)

5.45 There is a widespread feeling that EPCs are not manned by professionals well-versed in export business and this is one of the reasons for the not-so-efficient functioning of many of the EPCs. This fact has also been admitted by Commerce Secretary who promised to examine this matter and see what further resources can be provided to the EPCs to enable them to raise their professional competence. The Committee would like to be informed of the steps taken by Government in this matter. (SL. No. 64)

5.46 Though Government gives considerable monetary support to the EPCs (60% of the total expenditure of the councils) the Government or government organisations do not have a corresponding say in the management of these councils. For example, only 3 out of the 60 working committee members in the EEPCC are from government. But the Ministry is not in favour of increasing government representation on EPCs as it feels that interests of exporters can best be served by organisations which are primarily managed by exporters themselves. But, in view of adverse comments received on the working of EPCs and in view of the past trend of submitting weighted cost data by some of them, the Committee feel that Government representatives on EPC's management should be more active in the deliberations and affairs of the Councils so as to tone up their efficiency and professional competence. (Sl. No. 65)

5.47 At present membership of the Export Promotion Councils is open to exporters as well as non-exporters. In many cases the non-exporters constitute a majority of the members in the councils. The Ministry stated the presence of a majority of non-exporters in the councils did not dilute the export character of these councils. Government ensures through a convention that office holders of councils are not drawn from non-exporters. The Ministry also screens delegations going abroad to ensure that non-exporters do not exploit the councils to their advantages. The Committee take note of these assurances given by the Ministry and hope that at no stage export character of export promotion councils would be allowed to be diluted on account of preponderant number of non-exporters being members of the councils. (Sl. No. 66)

### *Commercial Representatives*

5.48 The cadre of Commercial Representative (CRs) in Indian Missions abroad has been evolved with a view of providing to the Government all basic assistance on commercial matters. The CRs are expected to monitor the commercial events and developments of the countries of their accreditations, identify products with export potential and other trade opportunities, study the tariff and non-tariff barriers, government procedures and shipping facilities, take initiatives in cultivating specific trade contacts, undertake all publicity activities for image building, organise participation in trade fairs, department stores promotions, etc. give effective guidance to the trade visitors and missions, maintain a flow of timely commercial intelligence and deal with all the problems of commercial complaints and bottlenecks. The CRs are, in short, catalysts in the context of market thrusts and trade promotion.

5.49 There has been widespread dissatisfaction with the working of Commercial Representatives (CRs) in Indian Missions abroad. Exporters feel that Foreign service officers working as commercial representatives are neither qualified nor have the aptitude for foreign trade. They are too much engrossed in routine administrative work and do not show interest in commercial work or help entrepreneurs. A large number of exporters and chambers of commerce have stated that :—

- (i) the monthly economic reports sent by the Commercial Missions to the various Ministries and export promotion organisations etc. contain general economic and statistical data and information which is of not any use in the export activities. The reports should contain more information about export opportunities, activities of India's competitors and the promotional activities employed by them etc.
- (ii) Many of the Missions do not have field officers. The Missions could probably perform a better function in collecting and disseminating commercial information if they are given the resources for recruiting qualified and well-trained field staff. They could carry out market research and data collection work from original local sources and publications. Continuous probing for new opportunities for contract work, turnkey projects, consultancy services, sub-contracting with prompt feed back to an identified nodal point at home should become a regular feature.
- (iii) Indian missions abroad should equip themselves to give regular guidance and tips in advance to EP organisations for bidding and tendering, factors influencing acceptance, etc.
- (iv) The commercial representative should maintain a close personal rapport with decision makers in the countries of their posting.
- (v) The Commercial representatives take considerable time in furnishing the trade information whenever requested by the exporters/tenders.

5.50 For instance the commercial representative in the Embassy of India, Brussels sent the monthly report for the month of July, 1981 vide his letter No. BRO/Com/201/1/81 dated 24-9-1981. This was received by the exporters in India in the middle of October, 1981.

#### *Commercial Representatives—Staffing pattern*

5.51 According to a leading export service organisation the foreign services officers are not professionally trained to carry out the functions of commercial representatives abroad. There is, a good case for establishing a separate cadre of commercial representatives abroad with the induction of suitable personnel from export servicing institutions etc.

5.52 Similar views have also been expressed by many exporters and leading chambers of commerce. A Chamber has also pointed out that "one of the key elements responsible in a very successful export performance of countries like Japan and South Korea is the vast network of their overseas offices manned by professional people both in their Embassies abroad as well as in their trade promotion organisations like KOTRA and JETRO."

5.53 Even the Alexander Committee (1978) had recommended that "a separate cadre of commercial representatives should be established providing a wide field of choice." This recommendation has not been implemented so far by the Government.

5.54 This aspect was also examined by the Estimates Committee (1978-79). In their 29th Report (6th L.S.) on the Ministry of External Affairs the Committee had concluded that "for competent handling of economic and commercial work, the officers manning these wings in our missions must possess a certain degree of specialisation which may not always be possible without a proper aptitude and a certain background. It will not be correct for the Ministry of External Affairs to assume that a few weeks training in the Indian Institute of Foreign Trade and a short term attachment of economic Ministries are enough to turn all Indian Foreign Service Officers into experts in economic and Commercial work. In the opinion of the Committee, it is necessary to strengthen the economic and Commercial wings of the Missions by selection from time to time the most qualified persons from outside the Indian Foreign Service for a certain percentage of posts in these wings."

5.55 This recommendation was again reiterated by the Committee in their 8th Report (7th Lok Sabha) presented in March, 1981.

5.56 Sharing the aforesaid views for improving the working of the Commercial Representatives, Commerce Secretary stated in evidence that "we want that greater importance is given by our commercial representative services. This is a time consuming thing. Change in realisation has to come from the top. We take action with our Ambassadors and others who are right there on the spot and they will be able to help us in the matter of orienting our exports."

5.57 Regarding training facilities, the witness stated that "we are going to provide orientation course. I think that itself would be able to solve the problem." He said that, the Trivedi Committee, Alexander Committee and others have suggested induction of experts from the trade. He added that "we are trying to see that wherever the new vacancies arise, we should be able put new people there who have got export interest." He assured the Committee that "we are constantly working on this and we assure you that we will not leave any stone unturned to achieve this particular aim."

5.58 Commerce Secretary agreed with the Committee's view that Ministry of Commerce should have a dialogue and common understanding with the External Affairs Ministry so that sufficient number of people to look after the country's interests abroad could be posted as CRs. He informed the Committee that "we are trying to see that we are able to take some decision in respect of postings and in the selection of personnel and others. Though they develop their own culture and they have got certain inhibitions, we have to get over these things. But as you have suggested, we would definitely look into this and see that necessary steps are taken in this regard."

5.59 The working of Commercial Representatives in Indian Missions abroad has come in for severe criticism at the hands of exporters. The monthly economic reports sent by them are reported to be outdated and a mere compilation of data without any meaningful analysis. A large number of exporters and leading chambers of commerce felt that the IFS officers cannot discharge

the functions of commercial representatives well as their training and background are not related to foreign trade. The Alexander Committee 1978 and Trivedi Committee had stressed the need for induction of experts from the trade into the Ranks of CRs. Even the Estimates Committee (1978-79) in their 29th Report on the Ministry of External Affairs had recommended that it is necessary to strengthen the economic and commercial wings of the missions by selecting from time to time the most qualified persons from outside the IFS for a certain percentage of posts in these wings. The Committee regret to note that these recommendations have not been implemented by government so far with the result that the working of the CRs has reportedly been as unsatisfactory as before. The Committee note that the Ministry of Commerce agreed to the need to broad base the cadre of CRs. The Committee urge that there should be no dillying-dallying with this problem any longer and conclusive action, including strengthening of the cadre of CRs by induction of professionals from outside IFS, should be taken without delay so as to ensure that the CRs are able to provide all basic assistance on commercial matters to exporters and other organisations. (Sl. No. 67)

NEW DELHI;  
*March* 18, 1982  
*Phalguna* 27, 1903 (S)

S.B.P. PATTABHI RAMA RAO,  
*Chairman,*  
*Estimates Committee.*



## APPENDIX I

## Principal Exports

(Rs. in crores)

Item	1976-77	1977-78	1978-79	1979-80	1980-81
Tea	293.14	569.69	340.46	367.84	385.4
Coffee	126.01	194.42	143.95	163.31	225.0
Tobacco unmanufactured	96.84	113.21	110.73	102.25	138.1
Cashew Kernels	106.10	149.54	80.23	118.10	123.2
Oil Cakes	234.37	133.27	109.86	120.53	109.2
Spices	75.00	137.09	147.93	149.36	106.2
Sugar raw & refined	148.12	19.77	131.00	115.20	36.0
Rice	6.12	11.47	38.71	128.31	—
Fish & fish preparations	180.64	174.33	226.29	253.40	223.7
Iron ore	238.49	240.84	232.91	285.24	289.4
Cotton piece goods	267.26	224.73	224.30	287.40	—
(a) Mill-made	213.12	143.35	163.22	216.29	—
(b) Handloom	54.14	81.38	61.08	71.11	—
Cotton apparel	263.08	235.05	345.49	342.65	431.0
Jute Manufactures incl. yarn	201.12	244.85	166.86	336.13	243.3
Leather & Leather manufacturers (incl. footwear)	294.34	272.59	354.53	520.04	341.2
Chemicals & allied products excl. essential oil and plastic materials	110.76	116.69	148.07	197.81	209.8
Pearls precious and semi-precious stones worked or unworked	287.04	545.80	713.68	518.95	542.7
Handmade carpets & druggets	68.39	83.18	100.29	139.76	—
Engineering goods	266.29	617.39	100.39	739.13	900.5
<b>Total incl. other items</b>	<b>5142.25</b>	<b>5407.87</b>	<b>5726.07</b>	<b>6404.67</b>	<b>6710.6</b>

## Principal Imports

(Rs. crores)

Commodity	1976-77	1977-78	1978-79	1979-80	1980-81
1	2	3	4	5	6
1. Food and Live animals chiefly for food (excl. Cashew raw)	937.4	214.5	236.1	269.7	N.A.
2. Raw Materials and Intermediate Manufactures	2903.2	4397.4	4873.7	6822.0	N.A.
3. Petroleum oil and lubricants	1410.4	1551.8	1686.9	3267.1	5586.9
4. Animal and vegetable oils and fats	118.0	737.0	552.3	438.9	N.A.
5. Fertilisers and chemical products	506.1	727.7	913.9	1100.4	N.A.
6. Paper, paper board and manufactures thereof	61.1	31.8	104.7	155.3	175.
7. Non-metallic mineral manufactures	191.8	362.7	560.3	441.7	542.0
8. Manufactures of metals	31.9	38.1	46.1	62.3	78.8
9. Non-electrical machinery apparatus & appliances	731.5	694.7	769.6	859.6	978.2
10. Electrical machinery apparatus and appliances	145.3	190.4	193.6	171.7	201.2
11. Transport equipment	170.7	225.2	296.8	336.5	393.3
Total including others	5073.8	6020.2	6814.3	9021.8	12500.9

## Summary of Recommendations

Sl. No.	Para No.	Recommendations/Conclusions
1	2	3
		<b>Trade Gap</b>
1.	1-32 1-33 1-34	<p>Since Independence, India's exports have been increasing year after year. The country's exports increased from a mere Rs. 733 crores in 1951 to Rs. 6710 crores in 1980-81. During the ten year period of 1969-79 exports expanded at an annual compound rate of 16% in value terms and over 7% in real terms. In spite of this impressive increase, the country has been having adverse balance of trade except during the years 1972-73 and 1976-77. The trade gap in 1980-81 was as high as Rs. 5790 crores. Also, India's share in world trade which was 2.4% in the early years of independence declined to 1.2% in the sixties and it now stands around 0.44%.</p> <p>There cannot be two opinions on the three-pronged strategy adopted by the Government, namely, improving production base, curtailing imports and boosting exports. In fact there is no other course open to the government. But if the foreign trade deficit has to be eliminated or even minimised, the government will have to pursue this strategy vigorously and show concrete results in the form of progressive reduction the gap between imports and exports.</p> <p>The Committee take note of the Commerce Secretary's observation that India must make greater efforts to raise exports to a "decent percentage of 0.67, if not 1 per cent, of the world trade". The Committee hope that the Ministry would not spare any effort to realise the goal of capturing 1% of world trade in the shortest possible time.</p>
1		
		<b>Review of Import items</b>
2.	1-35 1-36	<p>The country has been having adverse balance of trade for a long time and that if the past is any guide the possibility of the adverse trade balance continuing in the foreseeable future cannot be ruled out.</p> <p>Import of POL (petroleum products etc.) is not the only factor responsible for adverse balance of trade. In 1976-77, when POL imports were of the value of Rs. 1424 crores, the country still had a favourable balance of Rs. 68 crores. But in 1980-81, the adverse balance of trade was about Rs. 530 crores more than the value of POL imports (Rs. 5254 crores). This shows that even other imports (excluding POL imports) had out-stripped exports in that year. This is disappointing. So long as exports do not match total imports, non-essential item should be allowed to be imported and this ban should be strictly enforced.</p> <p>The Committee would like that the lists of items imported during 1980-81 and 1981-82 should be critically studied by a small group of experts drawn from the concerned Ministries with a view to identifying those items which, in their opinion, were not absolutely essential to be imported. The results of the Study should be communicated to the Committee within 6 months. The Committee expect that the Ministry will review the import policy in the light of the study and take remedial measures without delay.</p>

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### Import Substitution

3. 1-37  
1-38
- The Committee are glad to note that the management of country's foreign trade in the post-independence period has been marked by a vigorous drive towards achievement of import substitution and as a result of various import substitution measures taken by Government, the country's dependence on imports in respect of a large number of products has come down considerably. The percentage of imports to total industrial output which was 22.1% in 1960-61 has come down to 6.3% in 1981. It is undoubtedly a creditable achievement.

The Committee urge the Government to see that there is no let up in the pursuit of this objective in the future. Whatever can be produced in the country to avoid imports should be produced and no effort should be spared by Government to encourage and assist industries in setting up and expanding capacities for production of items which have to be imported at present. It will be a national waste if any production capacity already existing in respect of such items is allowed to remain unutilised for any reason.

### Committee on Import Substitution

4. 1-39
- The Committee trust that the latest report of the Import Substitution committee would be processed expeditiously and follow-up action taken without delay to minimise dependence on imports and close the trade gap.

### National Export Plan

5. 1-45  
1-46
- At present there is no system of formulating any well considered "national export plan". All that is done at present is that national export targets are arrived at every year in the light of the basic figures given in the National Five-Year Plan after taking into consideration the growth rate as suggested in the national plan. The Committee feel that mere targets unsupported by ways and means of achieving the targets will not help. A comprehensive national export plan spelling out not only the objectives but also the means of achieving objectives at optimum costs with maximum advantage with yearly breakdown of targets to fit in with the overall strategy of National Five-Year Plan is necessary for achieving the targeted growth rate in exports. They would like the Government to take a quick decision on this particular recommendation.

### Tandon Committee on Export Strategy

6. 1-47
- The Committee would like to caution the Government that unless final view on the Tandon Committee report is taken expeditiously and their recommendations are implemented with a sense of urgency, a considerable part of 1980s, for which the export strategy is being worked out, might already be over before the action plan on the export strategy for 1980's gets going. They hope that the Ministry will lose no time after the receipt of the Empowered Committee's report to initiate follow-up action on the Tandon Committee's recommendations.

### Stability of Export Policy

7. 1-53  
1-54  
1-55
- It is clear that changes in export policy do take place rather frequently even if as stated by the Ministry, these may have been for reasons beyond the Government's control or even if these may not have been "major" changes. Annual announcement of export policy, 45 mid-year modifications in the policy during three years and Alexander Committee's concern over this matter all lend support to the feeling prevailing in commercial circles that our export policy has not been stable. The

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		<p>Committee would expect the Ministry to realise the imperative need for stable export policy, not merely in concept, but also in practice.</p> <p><b>Identifying Products for Exports</b></p>
8.	1-61	<p>No scientific study has been made to identify products the export of which could bring in maximum net foreign exchange and which would have the least domestic resource cost and be most profitable to the national economy. The Committee feel that a systematic study should be undertaken by Government through experts to identify export items which would bring in the maximum 'net' foreign exchange and be most advantageous to national economy.</p> <p><b>Unit Value Realisation</b></p>
9.	1-73 1-74	<p>The Committee are surprised to note that the unit value realised by many commodities exported by India has been declining year after year. The Committee are inclined to agree with the non-official view that our exports are losing competitive edge because of poor quality. The solution to this problem lies as is known to the Ministry in improving quality and packaging of export products for which quality consciousness, has to be created among producers and production techniques have to be modernised. The Committee would like the Ministry to draw out a comprehensive scheme for upgrading quality and packaging in each sector of export production and provide assistance and encouragement to make Indian exports competitive in quality and price. They would like to know the steps taken by the Ministry in this direction.</p>
10.	1-75	<p>The Committee suggest that the Ministry should also undertake on-the-spot case studies in foreign markets to investigate the reasons for the low unit value realisation as compared to our competitors and take steps to overcome the shortcomings in our products, marketing strategy etc.</p> <p><b>Under-Invoicing of Exports</b></p>
11.	1-76 1-77	<p>Although the Commerce Secretary did not view the phenomenon of under-invoicing as widespread in the Committee's opinion the unhealthy practice of under-invoicing exports should not be under-played.</p> <p>The Committee urge the Ministry that, besides examining the scope for extending the system of fixing minimum export prices to more products, it should take stern measures, preventive as well as punitive, to curb this menace.</p> <p><b>Import Replenishment Licences</b></p>
12.	2-12 2-13	<p>Import Replenish licences (REP licences) are issued to replenish the import content in the products exported, in respect of banned and canalised items and packing material with a view to providing inputs for export production at international prices in order to make our exports competitive. The value of REP licences increased from 25.3% in 1978-79 to 30% in 1980-81. A part of the REP licences or the products imported under REP licences even though their imports are otherwise banned, enter the domestic market and to that extent it is a waste of foreign exchange. The Committee feel that there is no justification to allow REP licences or the products imported under REP licences to be transferred to anybody other than exporters or export manufacturers.</p>

### Cash Compensatory Support

13. 2:29  
2:30
- Government has introduced a scheme of Cash Compensatory Support (CCS) with a view to neutralising the handicaps encountered by exporters in the shape of indirect taxes that remained unrefunded after duty drawbacks, higher rate of interest on working capital and higher cost of capital goods required in export production. The Committee agree with the Ministry that there is a need to neutralise atleast in part the effect of various handicaps but they do not agree with the Ministry that CCS is the only appropriate method of achieving the objective.

In the Committee's opinion there is a great weight in the suggestions that schemes can be devised for providing total refund of all indirect taxes and levies at all stages of production, interstate sales, export sales and to provide rebate on indirect taxes on export sales. This will save the Government of tremendous administrative expenditure, minimise scope for malpractices and also relieve the exporters of the burden of first paying taxes and then collecting monetary support. The Committee strongly feel that a detailed in-depth study by experts should be commissioned to evolve suitable schemes to be built into tax structure in lieu of CCS.

14. 2:31
- So long as the CCS scheme is in force the Committee would like to caution the Government against the natural tendency of Export Promotion Councils to give weighted cost data with a view to getting maximum assistance from Government under this scheme. The Committee would, therefore, suggest that cost data prepared by EPCs should be vetted by cost accountants who should be required to give certificate on the accuracy of the data. Also, instead of depending entirely on the cost data submitted by EPCs, Government should independently study costs of production of various items in certain representative units before determining the CCS rates.

### Drawbacks

15. 2:38  
2:39
- It is too well known that the duty draw back scheme is not working to the satisfaction of exporters and that there is delay in the exporters getting drawbacks from Government. The Committee cannot over-emphasize the need to make the working of drawback scheme more efficient and less time-consuming.

The Committee are surprised to learn that the Drawback Directorate in New Delhi and the customs authorities at various places both of which are under the same Ministry (Finance), are not working in unison. The Committee would like the Ministry of Finance to streamline the present arrangements so that the exporters are not made to suffer for lack of coordination between two sister Departments of the same Ministry.

### Duty Exemption Scheme

16. 2:39  
2:40
- At present 193 items are covered under the Duty Exemptions Scheme, which enables duty free import of certain raw materials and components for execution of export orders. There is a widespread demand for extension of Duty Exemption Scheme to all the other major items. Now that the Government has gained adequate experience in the administration of the Scheme, there should be no difficulty in extending it to all the raw materials and components required for export production. This would relieve the Government of the burden of collection of duties on imports and later their refund on exports and at the same time save the exporter manufacturers from harassment and delays.

### **Kandla Free Trade Zone**

17. 2-46 The setting up of a free trade zone at Kandla, a backward  
2-47 area is no doubt laudable, but allowing it to suffer from infra-  
2-48 structural inadequacies particularly tele-communication fac-  
ilities even after 17 years of its coming into existence, is  
regrettable. The Ministry of Commerce should seriously  
pursue the matter with the Ministry of Communications and  
ensure that telecommunication facilities are improved at the  
earliest. The Committee take note of the fact that the Tandon  
Committee is reviewing the working of free trade zones and  
will recommend specific measures to increase their attractive-  
ness for encouraging export. The Committee would like to be  
apprised of the recommendations made by the Tandon Com-  
mittee and action initiated by Government thereon.

### **Setting up of a Free Trade Zone in Andaman Nicobar Islands**

18. 2-52 The Trade Development Authority had recommended estab-  
lishment of a free port in Great Nicobar (Andaman and Nicobar  
Islands). The Government decided in 1976 not to pursue  
this proposal and not to set up any more free trade zones in the  
country. Commerce Secretary agreed that there should be a  
reconsideration of the need to set up more free trade zones in  
order to augment the country's exports. The Ministry is  
awaiting Tandon Committee's view on the question of setting  
up more free trade zones. The Committee suggest that  
Ministry should seriously examine the question of setting up of  
a free trade zone in Andaman and Nicobar Islands in order  
to boost exports from the country.

### **Domestic Marketing Support for Free Trade Zone Units**

19. 2-56 As per existing scheme the units working in free trade zones  
have to export their entire production. In order to develop  
the competitive strength of the zone units, some exporters have  
suggested that 10 to 20% of their production may be per-  
mitted to be sold in the domestic market. Even the Commerce  
Secretary during his evidence before the Committee felt that  
"there is a lot of truth in the arguments of our manufacturers."  
The Ministry of Commerce is reportedly considering this sug-  
gestion. The Committee hope that the Ministry would take  
a decision in this regard early.

### **Export Credit**

20. 2-68 The Committee have received a number of representations  
2-69 about the difficulties experienced by exporters in getting  
adequate export finance and in release of foreign exchange.  
Even the documentation process according to them is very  
cumbersome. Obviously, the action taken by RBI and the  
Ministry of Finance in streamlining the procedures has not  
gone far enough to remove all their difficulties. The Com-  
mittee would like that the export credit and foreign exchange  
procedures should be kept under constant review and simpli-  
fied wherever these are found to be hindering and not helping  
easy flow of credit and release of foreign exchange for export

21. 2-70 Under none of the arrangements made by Government and  
RBI to get feedback from exporters about difficulties in the  
matter of export credit and foreign exchange, the officials and  
non-officials meet formally or at stipulated periodicity at field  
or regional levels to hear each other's views face to face and  
resolve difficulties by mutual discussion. The Committee  
feel that on the lines of the Advisory Council on Trade at Cen-  
tral level, there is need for an institutional framework at re-  
gional or state levels, which alone can provide a useful forum

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		for discussion of exporters' problems regarding export credit and foreign exchange and thrash out concrete solutions to problems.
22.	2-71	<p>There is weight in the suggestion made by gems and jewellery exporters that the criteria for extending credit should be the proven record of export and export potential and instead of debt, equity ratio, which the banks take into account at present, equity turnover ratio, should be taken into consideration by them for extending credit. The suggestion that credit limits should be fixed with reference to export orders also appears reasonable and deserves consideration. The suggestions for extending soft loans for all those export items for which it is not at present available and extending the period of packing credit beyond 90 days also merit consideration. The Committee would like the Ministry to examine these proposals sympathetically.</p> <p><b>Cost Benefit Study</b></p>
23.	2-77	<p>The expenditure on export promotion in the form of cash compensatory support, drawbacks and export interest subsidy veers round to approximately Rs. 500 crores each year. Besides these Government incurs expenditure on such other measures like supply of raw materials at international prices, transport subsidy etc. and foregoes revenue by granting tax exemption. Considerable expenditure is also incurred on the various institutional arrangements set up for export promotion. The Ministry has no idea of the total cost of export promotion measures. It is a moot point whether the results achieved are commensurate with the expenditure incurred on export promotion measures. The Committee would like a Study to be made in this regard.</p> <p><b>Improvement in Production Techniques</b></p>
24.	2-78	<p>The Commerce Secretary also identified certain factors like high cost of production at home, inferior technology etc. as the main factors responsible for the dependence of export sector on monetary support from Government. The question arises whether high cost of production due to inferior technology etc. should be neutralised by cash support and subsidies or whether it should be brought down by upgradation of technology and other improvements in production techniques. The Committee feel that cash support and subsidies are like clutches which though necessary for the time being, should not become a permanent feature. If a part of the financial support is diverted to making basic improvement in production techniques, it would do the national industry a lasting good and make our exports self-sustaining and competitive without much direct financial support. The Committee would urge that efforts in this direction should be intensified by Government and the Ministry of Commerce and Ministry of Industry should play a leading role in this regard.</p> <p><b>Quality Control</b></p>
25.	3-17	<p>In order to ensure quality in exports, Government has introduced a statutory scheme for compulsory quality control and pre-shipment inspection and so far 837 items of export have been brought under this scheme. It is a sad reflection on the inspection agencies that 329 complaints of poor quality of exports in 1979-80 and 225 similar complaints in 1980-81 were received in respect of exports which had gone through compulsory pre-shipment inspection. Out of the total number of 554 quality claims received in these two years, 370 claims</p>



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involving an invoice value of over Rs. 24 crores were admitted and a sum of Rs. 80 lakhs was allowed as compensation by the Reserve Bank of India in these cases. The Ministry considers this to be "negligible" in view of over 2 lakh consignments certified during each of these two years. In the Committee's opinion, it is not the quantity alone that should be taken into account in such matters, even a small number of sub-standard exports can tarnish the image of the country and shake the confidence of importers. The Committee would, therefore, like the Ministry to take every such complaint more seriously and besides tightening pre-shipment inspections and taking other remedial measures, it should investigate as to how certificate of export worthiness was issued in such cases. There should be no laxity shown in this regard and officers found guilty of negligence should be given deterrent punishment.

26. 3-18 The Committee suggest that the list of items not at present covered under the compulsory pre-shipment inspection scheme should be reviewed with a view to bringing as many more items under this scheme as possible to guard against sub-standard items being exported.

#### **Perishable Goods**

27. 3-19 The Committee expect the Ministry to step up vigilance and tighten pre-shipment control to ensure that exports of perishable goods are not only of good quality when they leave our shores but are so packed and handled in transit that they maintain their quality when they reach the destination.

#### **Exporters Responsibility regarding Quality**

28. 3-20 The exporters who export sub-standard items can also not be absolved of their share of responsibility in this regard. The Committee are informed that Government has power to punish such exporters and has in fact exercised that power in some cases. The Committee would like the Ministry to make use of these powers more often to prevent unscrupulous exporters from tarnishing the image of the country abroad.
29. 3-21 The Committee take note of the proposal under consideration with the Government to have statutory powers to give exemplary punishments to those who may be found to have violated the basic principles of ensuring standards and qualities in exports. This should be implemented at the earliest.

#### **After-sales Service**

30. 3-22 The Committee also take note of the progress made in private sector in setting up after-sales service in certain fields. The Ministry is reportedly suggesting to Trading Houses having over Rs. 10 crores of exports to provide service facilities abroad. This should be pursued.

#### **Quality Consciousness**

31. 3-23 The Committee strongly feel that there is an imperative need to inculcate quality consciousness into the companies themselves. For this purpose, it is seen that the Ministry is trying to encourage and assist the companies to set up inhouse quality control and testing facilities. This is a step in the right direction. The Committee would urge the Ministry to pursue this matter with the manufacturers and take all other steps necessary to built up a positive quality culture in industry in order to ensure a consistantly high quality in industrial and other exports.

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32.	3-24	<p>The suggestion made by a chamber of commerce, that inspection of export goods should be allowed to be done by an agency to be nominated by the buyers is apparently sound. The Committee would like the Ministry to examine it carefully and see how far and in what form it can be implemented in the interest of exporters.</p>
		<p><b>Documentation</b></p>
33.	3-27	<p>The Committee are glad to know that the Ministry has at last realised the need to stop procedural harassment to exporters and has commissioned a study with a view to reducing the number of forms to be filled up by an exporter and simplifying the procedure.</p> <p>They would like to know the outcome of the study and the concrete action taken in the matter.</p>
		<p><b>Coffee Exports</b></p>
34.	3-32	<p>The difficulty of coffee exporters caused by raise in export duty after the coffee auction and before shipment are genuine and can be solved by government without loss of revenue. All that is required is to time the announcements of revisions in the rates of export duty so as to synchronise them with the auctions which are reportedly held twice or thrice in a month. The Committee would like the government to look into the matter and evolve a system which, while safeguarding public revenue, would protect the financial interests of coffee exporters.</p>
		<p><b>Sailings from Southern Ports</b></p>
35.	3-35	<p>Now that the Ministry of Commerce has accepted the inadequacy of sailings for export merchandise from Southern ports and has recognised the need to tone up the shipping system, the Committee hope that the Ministry would spare no efforts to have the sailings from these ports increased to cope with the demand so that exporters from the Southern Region are not put into difficulties on this account.</p>
		<p><b>Warehouses]</b></p>
36.	3-42 3-43	<p>The Committee agree that proper warehousing facilities abroad will enable exporters to stock inventories in consumption centres and help them provide ready and regular deliveries to buyers. This will certainly give Indian exports a great advantage. Whether more warehouses should be set up by government or public sector or private sector agencies is a matter for the Ministry to decide but the Ministry should see that warehousing facilities become available at selected places for all such merchandise as has a stable demand, low risk of obsolescence and rapid turnover. The Ministry will, no doubt, ensure that past mistakes like bureaucratisation of warehousing units are not repeated in future ventures.</p>
		<p><b>Distribution of Export Orders by Canalising Agencies</b></p>
37.	3-47 3-48 3-49	<p>There is a general feeling among private as well as State Government circles that export orders received by canalising agencies like State Trading Corporation (STC) are not distributed equitably among States or exporters in various parts of the country. The Committee find it difficult to judge whether the export orders are distributed by canalising agencies equitably among exporters in various regions or not. The Committee suggest that the Ministry should review the</p>

mechanism adopted by canalising agencies for distribution of export orders among exporters and ensure, through proper checks and balances, that export orders are distributed fairly and equitably among eligible and reliable exporters all over the country and that export orders are not allowed to be cornered by a few preferred exporters. The Ministry would do well to take steps to dispel the feeling of injustice prevalent among exporting circles in certain States.

### Project Exports

38. 3-56 Project exports have added on a new and welcome dimension to Indian exports. With 484 projects of the value of Rs. 4407 crores executed or under-execution abroad at present, India has certainly made an impressive entry in hitherto unknown areas and opened a new window for our products and services. Besides other benefits, these projects will bring in numerous invisible gains which are sure to improve our foreign exchange position. The Committee hope that the Ministry would give all guidance help and encouragement to public and private sector organisation to go in for project exports in a big way.

### Export Houses

39. 3-61  
3-62  
3-63 Utility of the Export Houses has been questioned by certain exporters and export organisations. Complete picture of the total exports made through Export Houses is not available with the Government. In the absence of this data, it is difficult to judge the performance of Export Houses in relation to the facilities and benefits given to them by Government. The Committee expect the Ministry to look into the weak areas of export houses and make them a more potent, instrument of service in the field of exports, especially in hitherto neglected areas. The Committee would also like the Ministry to maintain complete data about the performance of export houses in order to be able to assess their achievements in relation to the facilities and benefits given to them.

### Problems faced by Exporters from North Eastern Region

40. 3-68  
3-69  
3-70 The Committee would like the Ministry not only to take all possible measures to boost exports from this region but also involve the representative organisations of the North-Eastern region in evolving and implementing export plans in a big way. Branches of export organisations and inspection agencies should be set up there as early as possible to stimulate export consciousness and export efforts. In fact, the Ministry should make all efforts to help this region to catch up with the rest of the country in the field of exports.

### Problems faced by Exporters in the offices of the CCI & E

41. 3-72 Even though the Ministry has taken action on various fronts to streamline the procedures in the grant of import and export licences, it will be a mistake to ignore the general feeling in certain quarters that there is considerable delay in the issue of these licences and that there is red-tape and corruption in the Offices of the CCI&E. As assured during evidence, the Committee expect the Ministry to make further efforts towards improvement and streamlining of the procedures so as to leave no loopholes or scope for any official at any level to cause delays in the issue of licences or harassment to the exporters.

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### Miscellaneous Problems

42. 3·74 The Committee have gone into the problems and suggestions, relating to industrial licensing, State levies on raw materials, "wastage" under Duty Exemption Scheme, freight subsidy, service charges of canalising agencies inspection for woollen industry, delay at customs houses, seafood industry, cardamom cashew industry, walnuts, hand-made matches, chilly trade, sports goods, handlooms, return of exhibits from abroad, container facility at Delhi, availability of wagons and storage facilities. The problems of the exporters in these fields appear to be genuine and deserve a careful and dispassionate consideration. The Committee would like the Ministry to examine each one of these suggestions and problems referred to in Section (xi) of Chapter III and inform the Committee of the action taken in the matter.

### Export Studies

43. 3·78 The Committee are glad to note that at their instance the Export Services Coordination Committee had asked the various Export Promotion Councils, Commodity Boards, Trade Development Authority, Indian Institute of Foreign Trade etc. to undertake studies on the various aspects of export promotion as identified by the Committee on which studies have either not been undertaken so far, or where undertaken have become outdated. The Committee hope that these studies would be completed and made use of in shaping the future strategy of exports with a view to deriving the maximum advantage.

### Export Publicity

44. 4·10 There is a general feeling among exporters and commercial organisations that the export publicity leaves much to be desired. Commerce Secretary has admitted that due to resource constraints, they find it difficult to make full use of all modern media for doing publicity abroad. The Committee would like to point out that publicity, if it has to produce impact must be concentrated and sustained and sophisticated enough to catch the eye of target audience. Half-hearted publicity is hardly productive. At present there is no independent mechanism to evaluate the impact of the publicity campaigns. Unless there are evaluated from time to time, the Ministry will not have an opportunity to judge the effectiveness of their publicity or to improve their techniques and channels of publicity. The Committee expect the Ministry to evolve a suitable mechanism for evaluation of foreign publicity.
45. 4·14 Lack of professionalism and coordinated approach is stated to be one of the weaknesses of our publicity campaigns abroad particularly in the number of export promotion. The Committee are glad to note that the Ministry, which is in favour of a coordinated approach, has now decided to undertake a study in this regard in order to bring about improvement in foreign publicity. They would like to be apprised of the outcome of the study.
46. 4·15 There are a large number of organisations, official as well as non-official, which are carrying out publicity abroad. Just as Government has declared TFAI as the focal point for organising and participating in trade fairs abroad, in the Committee's opinion, there is need for a well equipped and professionally staffed body to be designated as the focal point for coordinating publicity campaigns abroad. Unless this is

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		done, the chances of duplication of efforts and wastage of precious foreign exchange cannot be completely ruled out. The Committee would like the Ministry to give it a serious thought.
		<b>Release of foreign exchange for publicity purposes</b>
47.	4·16	There is a feeling among exporters that they could get better markets abroad if they could get more foreign exchange for publicity. The Committee suggest that this matter may be looked into by the Ministry of Commerce in consultation with the Ministry of Finance and RBI.
		<b>Trade Fairs—Participation of Small Scale Units</b>
48.	4·22	Intimation about trade fairs, the Ministry says, is given to organisations concerned with small scale industries like the NSIC, State Directors of Industries, State Export Corporations, Development Commissioner for Small Scale Industries, etc. This list does not include the name of any small scale industries association. TFAI it is stated also “encourages” associations of small scale industries to participate in trade fairs. All this show that the complaint made by small scale industries association is not entirely without basis. The Committee do not see any reason why associations of small scale industries cannot be ‘invited’ to participate in the trade fairs just like the big firms. This should be done.
49.	4·23	The Committee take note of the admission made by Commerce Secretary in his evidence that no special concession is given to the small scale industries in the matter of hiring of stalls and accommodation at trade fairs. Even if the TFAI’s rates are already subsidised for all participants, it does not mean that small scale industries do not deserve any further concession <i>vis-a-vis</i> large and medium industries. It would be in the fitness of things to show some special consideration to the small scale industries.
		<b>Follow-up of Trade enquiries received during trade fairs</b>
50.	4·27	The Committee are glad to know that the Ministry has now realised the importance of a suitable system to follow-up the trade enquiries received during trade Fairs and to monitor the volume of business deals concluded as a result thereof. The Committee would like the proposal in this regard to be finalised and implemented expeditiously, so that concrete business gains made by the country from each trade fair can be known.
		<b>Review of the working of TFAI</b>
51.	4·28	The Ministry has also now decided to make a quarterly review of the working of the Trade Fair Authority of India. This will give a good opportunity to the Ministry to judge the performance of TFAI and apply correctives wherever found necessary.
		<b>Repatriation of Sale Proceeds</b>
52.	4·31	Difficulties in repatriating the sale proceeds of the goods sold at trade fairs abroad have been expressed by exporters and admitted by the Ministry. The difficulties are stated to be mainly due to the currency regulations of the countries where trade fairs are held. This is a matter which should be sorted out with the host country before participating in the trade fair and steps taken in advance to ensure that the participants are not put into difficulties in repatriating the sale proceeds,

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		<b>Trade Agreements</b>
53.	4-33	The Committee expect that besides copies of trade agreements signed with other countries, as much other information as can be supplied without difficulty should be supplied to all State Governments to enable the exporters and manufacturers within their States to avail themselves of the export opportunities.
		<b>Market Surveys</b>
54.	4-38 4-39	The Market Surveys prepared by various organisations like TDA, IIFT, EPCs and FIFO have come in for criticism by the exporters. According to them these surveys tend to be a mere compilation of data often out-dated and without any serious analysis and interpretation. The Committee would like that an institutional mechanism should be evolved to receive feed back about utility of these surveys from the exporters as only then can the Government know the shortcomings of the market surveys brought out by various organisations and suggest improvements. The Ministry accepts the need for feedback. What is needed now is action to put it into practice.
		<b>National Centre of Trade Information</b>
55.	4-46	Though a number of organisations like the Indian Institute of Foreign trade, Trade Development Authority, Export Promotion Councils etc. are collecting the market intelligence, a centralised information system is lacking and in the absence of a centralised system, the exporters face considerable difficulties. The Ministry of Commerce has admitted the need for an apex body for collection and dissemination of all types of trade information but, regrettably, it has not been able to set up such a body so far though proposal to this effect has been under consideration for the last 10 years. The Ministry proposes to strengthen the primary information sources like DGCI & S, Port customs, banks, EPCs before setting up an apex body. The Committee do not dispute the need to strengthen primary information sources but they cannot condone delay of 10 years to do the needful. The Committee recommend that a National Centre of Trade information should be set up at the earliest to collect, collate and disseminate up-to-date market intelligence.
		<b>Publication of Trade Statistics by DGCI &amp; S</b>
56.	4-52 4-53	The long time lag in publishing trade statistics by DGCI&S makes it difficult for exporters to formulate realistic export plans and programmes. Even after taking remedial measures in the light of the Seal Committee on Timely Supply of Foreign Trade Statistics, DGCI&S took 14 months to publish March 1980 issue of Annual Export and 16 months to publish the March 1980 issue of Annual Imports which is not much of an improvement as compared to past when it reportedly took 18 months. The Committee would like to judge the Ministry's performance not by the plans formulated or measures taken to expedite matters, but by the results achieved. If trade statistics have to serve the purpose for which these are collected they should be in the hands of exporters within 6 months or so after the relevant year.
		<b>Trade Centre</b>
57.	4-57 4-58	If the Brussels Trade Centre has succeeded, as the Ministry says it has, in doing service to the exporting community, the setting up of more such centres should not be delayed. The

Committee would like to be informed of the progress in this regard.

#### **Need for Streamlining the Institutional Set up**

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| 58. | 5-36         | At present a large number of organisations are concerned with the various aspects of exports and an exporter has to contact a good number of them for getting relevant information and processing export transactions and formalities. Since these organisations are situated at different places, a number of exporters and Chambers of Commerce have represented to the Committee that they are put to great inconvenience and have to spend a considerable time in going from place to place to contact these organisations in the process of finalising exports. The Committee feel that first of all the Government must through an expert and independent study satisfy itself that there is need for all these organisations to continue as separate entities in the field of exports and where possible, combine such of these organisations into one body as are capable of being so combined. |
| 59. | 5-37         | Notwithstanding the outcome of the aforesaid study, the Committee feel that it is not fair to make the exporters run from pillar to post in the process of getting trade information processing export transactions, finalising administrative formalities and getting release of foreign exchange etc. etc. The Committee see no reason why all or at least most of the organisations concerned cannot be brought under one roof where exporters can meet the representatives of these organisations one after the other and get the needful done. The example of District Industry Centre which has been set up to provide a package of services to entrepreneurs under one roof is there and the Ministry should take inspiration from this concept to evolve a similar set up to provide a more streamlined package of services to exporters at one place.  |
|     |              | <b>Duplication of Efforts</b>   |
| 60. | 5-38<br>5-39 | Though the Ministry has denied duplication of activities the various Government organisations in the field of exports the Committee feel that the facts are otherwise. The Committee find that participation in trade fairs is the concern of as many as four organisations (TDA, TAAI, EEPC & FIEO) and the market surveys are undertaken by five of them (the four above and also IIFT). It is difficult to understand why the two types of surveys cannot be undertaken by the same organisation quickly, without much of redtapism. Similarly why TFAI cannot be made solely responsible for organising and participating in all types of trade fairs is also not understood. A considerable amount of duplication of efforts is obviously there in certain areas for no advantage. There is need for an independent review in order to remedy the situation.                                       |
| 61. | 5-40<br>5-41 | It appears that TDA is at present engaged in a number of activities not envisaged for it at the time of its constitution at the cost of some of its most important objectives such as, to organise an export intelligence service on modern lines and to organise collection and projection of trade statistics on a scientific and systematic basis. The Committee would like the Ministry to go into the matter and ensure that TDA does not lose sight of its main objectives.   |
| 62. | 5-42<br>5-43 | The Committee feel that an Export Promotion council may deal with more than one product but the same product should not be dealt with by more than one council. Unless this is  |

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ensured, duplication cannot be avoided. The Committee expect that the Task Force set up by the Ministry would look into this matter critically and suggest measures to avoid duplication of functions among EPCs.

#### **Conversion of EPCs into Commodity Boards**

63. 5-44 The need for converting some of the EPCs like those on sports goods, cashew, shellac into Commodity Boards has been pointed out by a research organisation and accepted even by non-officials and chambers of commerce. EPCs can play a part only in promoting exports and where exports need a strong production base, it is a Commodity Board and not an EPC which is best suited. The Committee would like the Ministry to examine the present status of development of products like sports goods, cashew, shellac, etc. to determine whether the EPCs in respect of them should not be converted into commodity boards for better results.

#### **Staffing Pattern in EPCs**

64. 5-45 There is a widespread feeling that EPCs are not manned by professionals well-versed in export business and this is one of the reasons for the not-so-efficient functioning of many of the EPCs. This fact has also been admitted by Commerce Secretary who promised to examine this matter and see what further resources can be provided to the EPCs to enable them to raise their professional competence. The Committee would like to be informed of the steps taken by Government in this matter.

#### **Management of EPCs**

65. 5-46 Though Government gives considerable monetary support to the EPCs (60% of the total expenditure of the councils) the Government or government organisations do not have a corresponding say in the management of these councils. The Ministry is not in favour of increasing government representation on EPCs as it feels that interests of exporters can best be served by organisations which are primarily managed by exporters themselves. In view of adverse comments received on the working of EPCs and in view of the past trend of submitting weighted cost data by some of them, the Committee feel that Government representatives on EPC's management should be more active in the deliberations and affairs of the Councils so as to tone up their efficiency and professional competence.

#### **Membership of EPCs**

66. 5-47 At present membership of the Export Promotion Councils is open to exporters as well as non-exporters. In many cases the non-exporters constitute a majority of the members in the councils. The Ministry stated the presence of a majority of non-exporters in the councils did not dilute the export character of these councils. Government ensures through a convention that office holders of councils are not drawn from non-exporters. The Committee take note of these assurances given by the Ministry and hope that at no stage export character of export promotion councils would be allowed to be diluted on account of preponderant number of non-exporters being member of the councils.



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**Commercial Representatives**

67. 5-60 The working of commercial Representatives in Indian Missions abroad has come in for severe criticism at the hands of exporters. The monthly economic reports sent by them are reported to be outdated and a mere compilation of data without any meaningful analysis. A large number of exporters and leading chambers of commerce felt that the IFS officers cannot discharge the functions of commercial representatives well as their training and background are not related to foreign trade. The Alexander Committee 1978 and Trivedi Committee had stressed the need for induction of experts from the trade into the ranks of CRs. Even the Estimates Committee (1978-79) in their 29th Report on the Ministry of External Affairs had recommended that it is necessary to strengthen the economic and commercial wings of the missions by selecting from time to time the most qualified persons from outside the IFS for a certain percentage of posts in these wings. The Committee regret to note that these recommendations have not been implemented by Government so far with the result that the working of the CRs has reportedly been as unsatisfactory as before. The Committee note that the Ministry of Commerce agreed to the need to broad base the cadre of CRs. The Committee urge that there should be no dillying--dallying with this problem any longer and consulative action, including strengthening of the cadre of CRs by induction of professionals from outside IFS, should be taken without delay so as to ensure that the CRs are able to provide all basic assistance on commercial matters to exporters and other organisations.

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