E. C. No. 707

ESTIMATES COMMITTEE (1971-72)

(FIFTH LOK SABHA)

FOURTEENTH REPORT

MINISTRY OF FOREIGN TRADE

Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs

LOK SABHA SECRETARIAT
NEW DELHI

April, 1972/Chaitra, 1894 (Saka)

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(1971-72)

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Shri M. S. Sundaresan—*Deputy Secretary.*
Shri T. N. Dhar—*Under Secretary.*

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*Died on the 27th January, 1972.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fourteenth Report on the Ministry of Foreign Trade—Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs.

2. This subject was taken up for examination by the Estimates Committee (1970-71), preliminary information was obtained and evidence of non-official organisations taken by them. That Committee, however, could not continue the examination of the subject owing to the sudden dissolution of the Lok Sabha on the 27th December, 1970.

3. The Estimates Committee (1971-72) took evidence of the representatives of the Ministries of Foreign Trade, Agriculture (Department of Agriculture), Petroleum & Chemicals, Shipping and Transport, Steel and Mines and Finance on the 22nd, 23rd, and 24th September, 1971 and 12th and 13th October, 1971. The Committee wish to express their thanks to the officers of these Ministries for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

4. The Committee also wish to express their thanks to the then Secretary General, Federation of Indian Exports Organisation, New Delhi, the then Chairman, Central Silk Board, Bombay, the then Director-General, National Council of Applied Economic Research, New Delhi and the then President, Federation of Indian Chambers of Commerce and Industry for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

5. The Committee also wish to express their thanks to all the Associations and individuals who furnished memoranda to the Committee.

6. The Report was considered and adopted by the Committee on the 12th April, 1972.

7. A statement showing the analysis of recommendations/conclusions contained in the Report is also appended to the Report (Appendix XXXVIII).

NEW DELHI;
April 18, 1972
Chaitra 29, 1894 (*Saka*)

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

CHAPTER I

INTRODUCTORY

A. Genesis

1.1 India's exports were virtually stagnant during the decade 1951—60. Total exports averaged Rs. 606 crores a year during the First Plan period and Rs. 609 crores a year during the Second Plan. In contrast with this stagnation, exports showed a striking expansion during the first three years of the Third Plan. There was, however, a slowing down in the growth of exports in the fourth year. In the last year exports recorded a small fall of Rs. 10 crores as compared to the previous year, due probably to the bad harvest and Pakistan-India hostilities. The level of exports rose at an annual compound rate of 4.1 per cent from Rs. 660 crores in 1960-61 to Rs. 806 crores in 1965-66.

1.2 There was a significant change in the commodity composition and directional pattern of exports during the Third Plan. The share of the three principal traditional commodities—tea, cotton textiles and jute manufacturers —in total exports declined from 48 per cent to 44 per cent. There was, however, a substantial growth in a number of exports to East European countries, especially the U.S.S.R. and also engineering goods, iron and steel and handicrafts. Moreover, several new export, products principally in the engineering and chemical fields emerged for the first time.

1.3 There was a considerable increase during the Third Plan in export commodities like oilcakes, fruits and vegetable, sugar, iron ore, a sizeable increase in exports to the U.S.A., exports to West European countries recorded a small decline owing to a reduction in exports to the U.K.

1.4 Exports during 1966-67 aggregated Rs. 1157 crores ($ 1588 million) which were lower by 8 per cent than exports during 1965-66.

1.5 Exports, amounting to Rs. 1199 crores in 1967-68 recorded a growth rate of 3.6 per cent in contrast with a decline of 8 per cent in the preceding year. A good harvest eased the supply constraints and led to an expansion in exports of tobacco, raw cotton, coffee, millmade cotton textiles and jute manufactures. There was an increase in exports of tea, iron and steel, engineering goods, iron ore and handicrafts.

1.6 Exports recorded an increase in 1968-69. At Rs. 1360 crores, they represented an all-time high and showed a rise of as much as 13.5 per cent over the previous year. The bulk of this expansion was accounted for by substantial increases in a number of non-traditional items such as engineering goods, iron and steel, iron ore and chemicals and allied products. Among other items which showed increases were handicrafts, leather and leather manufactures, fruits and vegetables, oilcakes and cotton piecegoods. However, the other two principal export items, tea, and jute manufactures, recorded a substantial decline in export value. The expansion in exports of non-traditional items was partly due to the slack in home demand and to the export promotion measures.

1.7 The increase in overall exports during 1966-68 was almost wholly on account of exports to Asia and Oceania. The increase in exports to this region was in turn mainly due to larger exports to E.C.A.F.E. countries. Exports to East European Countries also registered a small increase during the period while exports to the Americas, West Europe and Africa showed small decreases. In the case of West Europe, the decline in exports was mainly due to a fall in exports to the U.K.

1.8 Subsequent to the devaluation of the rupee, further modifications, adjustments and extensions in export promotion policies were made. These took the form mainly of adjustments in export duties and in cash assistance, modification of import facilities for exporting units and industries and strengthening of credit arrangements for exports. Reductions, rationalisations or abolition of export duties were made from time to time in the light of international demand conditions and the competitive position of Indian export products in world markets. The rates of cash assistance were increased for a number of products and several new products were brought within the scope of the cash assistance scheme.

1.9 The import policy for 1968-69 was oriented to provide special import facilities for exporters. Units in the priority industries which had exported at least 10 per cent of their production in 1967-68 were given facilities to import their requirements from sources of their choice. Ten priority industries were selected on the basis of their export potential and it was laid down that units engaged in these industries would have to export 5 to 10 per cent of their production, failing which they would be liable to cuts in their import entitlements.

1.10 In the field of export credit, the Reserve Bank of India introduced a scheme under which preferential rates of discounts were provided for refinancing of pre-shipment credits granted by the commercial banks to certain categories of exporters at concessional rates. It also provided a subsidy to banks on export credit granted by them in the shape of packing and post-shipment advances.

1.11 India's exports including re-exports during the calendar year, 1970 showed a rise of 10.5 per cent over 1969. They amounted to Rs. 1520.8 crores in 1970 as against Rs. 1376.3 crores during 1969. In all, there was an increase of Rs. 144.5 crores during the year. In the financial year 1970-71 exports including re-exports totalled Rs. 1530.6 crores as against Rs. 1414.2 crores during the preceding year thus showing a rise of 8.3 per cent over the financial year 1969-70. Although during January-August, 1970 exports had shown a small increase of 2 per cent only as compared to the exports during January-August, 1969 they picked up considerably in the later part of the year.

1.12 A steady increase in export earnings is dependent on the continuous development and expansion of export oriented production. As the aim of such a development should be the promotion of economic efficiency, diversification of production and better utilisation of skilled and unskilled manpower, the Committee are glad to note that, India's foreign trade policy has been reviewed in the context of the objectives, strategy and priority of the Fourth Five Year Plan. Expansion of export earnings is as crucial for financing the plan as the mobilisation of domestic resources. To achieve self-reliance and to reduce dependence on external assistance, export earnings need to be

augmented. The Fourth Five Year Plan envisages the compound rate of expansion at 7 per cent per annum. The Committee hope no pains will be spared in achieving this target.

1.13 The Committee feel that the experience of the past years convincingly establishes that the country has the potential for achieving a rising level of exports in the years to come. They, therefore, lay great emphasis for the adoption and implementation of appropriate policies and measures designed to promote competitiveness in price and quality of Indian exports, particularly in non-traditional commodities.

B. Balance of Trade

1.14 The table below gives the balance of trade position from the year 1948-49 to the year 1970-71:—

Year	Imports	Exports*	Trade Balance
1948-49	643.8†	458.7	—185.1
1949-50	647.9	506.0	—141.9
1950-51	650.2	600.6	— 49.6
1951-52	970.0	732.9	—237.1
1952-53	701.6	577.1	—124.5
1953-54	610.2	530.5	— 79.7
1954-55	656.3	592.4	— 63.9
1955-56	678.8	596.3	— 82.5
1956-57	840.6	604.5	—236.1
1957-58	1034.9	561.1	—473.8
1958-59	906.3	580.8	—325.5
1959-60	960.8	639.7	—321.1
1960-61	1139.7	660.2	—479.5
1961-62	1107.1	679.7	—427.4
1962-63	1135.6	713.6	—422.0
1963-64	1222.8	793.2	—429.6
1964-65	1349.0 (2832.9)	816.3 (1714.9)	—532.7 (—1118.0)
1965-66	1408.5 (2957.9)	805.6 (1691.8)	—602.9 (—1266.1)
1966-67	2078.4 (2770.5)	1156.5 (1541.6)	—921.9 (—1228.9)
1967-68	1974.3 (2631.7)	1198.7 (1598.0)	—775.6 (—1033.7)
1968-69	1908.6	1357.9	—550.7
1969-70	1582.1	1413.3	—168.8
1970-71	1625.2	1535.2	—90.0

* Including re-exports.

† Excludes land trade with Afghanistan and Iran.

NOTE :—Figures are inclusive of (1) Goa, Daman and Diu from 1960-61 onwards; (2) Exports by Parcel post of precious and semi-precious stones and pearls from 1962-63; (3) Land borne trade with Nepal from 1962-63.

N. B. :—Since 1966-67, the figures are given in post-devaluation rupees.
The figures in brackets are in million U.S. Dollers. The figures are provisional and subject to revision.

1.15 The Committee enquired as to what measures had been taken by Government to see that the gap between India's exports and imports did not widen and the exports pay for imports. In a written note furnished to the Committee, Government have stated the position thus:—

"In order to see that the gap between India's exports and imports does not widen again and that exports pay for imports, the Government has been taking from time to time, measures to promote exports and reduce imports. The exports promotion measures included supply of imported raw material through the replenishment licences scheme, removal of capacity constraints; abolition or reduction of export duty drawbacks in import excise duties, barter deals etc. The Export Policy Resolution laid before the Parliament on 30th July, 1970 underlines the broad features of Government's trade policy.

Imports of a number of commodities were prohibited or permitted on a restricted basis during 1970-71 with a view to encouraging import substitution. Besides, higher duty rates were imposed on machinery, motor vehicles parts, pharmaceuticals and chemicals, non-electrical instruments and appliances, specific types of plastic materials and electric wire etc. Production of cash crops identified as possessing promising export potential and import saving such as cashew kernels, oil seeds, raw cotton, raw jute, etc. will be further developed."

1.16 The Committee note that India's adverse Balance of Trade which was just Rs. 479.5 crores in the year 1960-61 had narrowed down to Rs. 168.8 crores, in 1969-70 and to Rs. 90 crores in 1970-71. The Committee consider this as a welcome step and hope that with the various measures taken by Government it would be possible to further narrow the gap between exports and imports so that the exports pay for imports. It should at the same time be ensured that the industry in the country is not denied its essential import requirements so that the installed capacities are utilised fully.

C. Role of Exports in Economic Development of the Country

1.17 External trade is an important variable in the economic equation of a country. By providing the wherewithal for financing the import needs of a country, the rate of expansion in exports determines to a large extent the pace of its economic progress. Of course, export expansion will not automatically guarantee economic growth unless accompanied by complementary policies conducive to growth.

1.18 Trade statistics show that the share of the developing countries in world trade has been declining. Several factors stated to be responsible are enumerated below:—

The basic factor is the very structure of the economy of the developing countries. Their exports have been mainly of a few primary commodities; their exportable surplus is inflexible; they have been exposed to wide fluctuations in export earnings. The quantum of their export has been rising only slowly, the expansion in domestic demand affecting the exportable surplus.

(ii) With their sluggish and small export earnings the import capacity of many of the developing countries is limited. Several devices are adopted by the developing countries to meet this constraint, the most important of which is foreign aid. But no country can depend on aid permanently for its growth; inadequate flow of foreign capital could be a crucial constraint on economic growth.

1.19 It is in this context that the role of export earnings as of strategic importance should be considered. Foreign Trade and its plans for development are an inherent part of any country's overall development. In a system where a country tries to take full advantage of comparative cost, the crucial role of foreign trade is self-evident. Even otherwise, under any system of economy, foreign trade planning has come to have an importance of its own.

1.20 During evidence, while touching upon the role of exports in the economic development of the country, the Secretary, Ministry of Foreign Trade stated thus:—

"Of course, exports play an exceedingly important role in the economic development of any country. The growth of exports improves our balance of payment position and thereby enable us ultimately to eliminate our dependence on foreign aid. The growth of exports also helps necessarily to make our industry more competitive and also cost and quality conscious. The competition that our industry has to face in the foreign markets is a safeguard for the consumers within the country also because otherwise in a protected economy, the pressure to reduce costs and improve efficiency may be adequate. Export growth enables us to get by way of import some of the most vital goods for our development. To achieve complete self-sufficiency in the matter of our internal needs, is not always possible or desirable. Every country has certain factor endowments and depending on the nature of its factor endowments, it can produce some goods much cheaper and more efficiently than other countries. Some other goods may not be produced in the country at all except at exhorbitant cost. Thus if we try to produce everything ourselves the cost of producing some of them may be unduly high and domestic production may not be technically feasible in some other cases. It is, therefore, in the interest of the economy that we export those commodities where we can compete with the rest of the world and import those commodities which we get cheaply from other sources consistent with the need to promote maximum possible degree of import substitution that is economically efficient and conducive to our development. The growth of exports, particularly, of....labour intensive products can also help to increase our new employment opportunities at a faster rate than import substitution in highly capital intensive activities. Taking all these factors into account, exports play an important role in the economic development of the country."

1.21 Government have furnished the following note on the role of exports in the economic development of the country:—

"A sustained increase in exports is a basic condition of improving India's balance of payments to a point whereby we can progressively reduce and finally eliminate our dependence on foreign aid. Also,

since beyond a point import substitution is either technically not feasible or is economically wasteful on account of loss of economies both of scale and of specialisation, the emphasis on exports helps to balance our international payments at a higher level of real ineome. Moreover, an export oriented pattern of industrial development introduces a competitive pressur for reducing waste inefficiency in industry and it can also make a significant impact on the growth of employment opportunities."

1.22 The Committee are glad to note that the role of exports in achieving a quicker pace of economic development of the country is now being increasingly recognised. The Committee hope that with the adoption of various institutional, fiscal and other measures and with the broadening and strengthening of institutional framework for promoting exports, the exports will play an important role in the country's economic development.

D. Organisational Set up

1.23 The Department of International Trade was set up in 1962 to give special attention to problems of trade and export promotion and replaced the Commerce Wing of the Ministry of Commerce and Industry which had been functioning earlier. With effect from the 19th July, 1963, a separate Ministry of International Trade was created.

1.24 On the 18th February, 1969, by a Presidential Order the work allotted to the erstwhile Ministry of Commerce was distributed between the Departments *viz.*, the Department of Foreign Trade and the Department of Internal Trade. The latter Department forms part of the Ministry of Industrial Development. The nomenclature of the Ministry, however, again underwent a change and on the 11th November, 1969, the erstwhile Ministry of Foriegn Trade and Supply was bifurcated and the Department of Foreign Trade was re-designated as the Ministry of Foreign Trade.

1.25 The Ministry of Foreign Trade *inter alia* deals with the Foreign Trade; State Trading; Protection of interests of Indian traders abroad; Trade Missions and Delegations; International Commodity Agreements other than wheat; International Trade Agreement; Export Trade Control; Control of Prices of export goods; Trade Promotion, Publicity and Research: ECAFE and its Committees on Industry and Trade; Export Credit and Guarantee; Fairs and Exhibitions abroad and in India, Government show-room, and trade centres abroad; European Common Market, UN Conference on Trade and Development; Commercial Publications including periodicals; Tea, Rubber, Coffee Cardamom, Coir Industry; Textiles, Jute and Sericulture (excluding industries relating to the production of non-cellulosic synthetic fibers); Handloom Industry; Handicrafts; Commercial intelligence & statistics; Custody of Enemy Property; GATT TARIFF (Policy, Commission, Valuation, protection of industries) International Customs Tariff Bureau; Commonwealth Tariff preferences, etc. Following attached/Subordinate Offices and Commodity Boards are also under the Ministry of Foreign Trade:—

(i) C.C.I, & E., New Delhi.

(ii) All India Handicrafts Board, New Delhi.

(iii) Textile Commissioner, Bombay.

(iv) Jute Commissioner, Calcutta.

(v) Tariff Commission, Bombay.

(vi) Director General of Commercial Intelligence and Statistics, Calcutta.

(vii) All India Handloom Board, Bombay.

(viii) Custodian of Enemy Property, Bombay.

(ix) Development Commissioner Kandla Free Trade Zone, Gandhidham.

(x) Commodity Boards *viz*,, Tea Board, Coffee Board, Rubber Board, Coir Board, Silk Board, Cardamom Board.

1.26 The Ministry of Foreign Trade has the control of the following State Undertakings and Government Corporations:

(i) State Trading Corporation of India Ltd.

(ii) Minerals and Metals Trading Corporation of India Ltd.

(iii) The Export Credit Guarantee Corporation.

(iv) The National Textile Corporation.

(v) The Indian Motion Pictures Export Corporation.

(vi) The Handicrafts & Handlooms Export Corporation.

(vii) The Cashew Corporation of India.

(viii) The Cotton Corporation of India.

(ix) The Project and Equipment Corporation of India.

(x) The Jute Corporation of India.

1.27 The Directorate of Commercial Publicity concerns itself mainly with the publicity aspects of the export efforts.

1.28 The Directorate of Export Promotion (with its four Regional Wings located at Calcutta, Bombay Madras and Cochin) is a part of the Secretariat of the Ministry of Foreign Trade.

1.29 It has been stated that organisational improvements and institutional strengthening of the Ministry was carried out as a result of a comprehensive study conducted with the assistance of the Indian Institute of Foreign Trade. The Ministry of Foreign Trade underwent major reorganisation in March, 1971. Instead of three main Divisions, the Ministry was re-organised into eight Divisions, as follows:

(1) International Trade Policy Division.

(2) Foreign Trade Territorial Division.

(3) Export Products Division.

(4) Export Industries Division.

(5) Export Services Division.

(6) Policy Planning and Co-ordination Division.

(7) Personnel and General Administration Division.

(8) Finance Division.

(*i*) *International Trade Policy Division:*

It deals with the broad aspects of India trade policy in relation to the various International bodies such as GATT, UNCTAD, ECAFE etc. as well as International Regional Groupings. This Division also handles the work of internal tariffs as well as the the Tariff Commission.

(*ii*) *Foreign Trade Territorial Division:*

This Divison looks after the work relating to the development of trade with different countries and regions of the world.

(*iii*) *Export Products Division:*

This Division is concerned with the problems connected with the production, generation of surpluses and development of markets abroad for different manufactures and commodities. Although in administrative terms the responsibility for the different products remains with the Ministries concerned, this Division keeps in close touch with the concerned Ministries to ensure that production is sufficient to realise the full export potential as also basic home consumption.

(*iv*) *Export Industries Division:*

It deals with the development and regulation of those industries which have been entrusted to the Ministry of Foreign Trade under the Allocation of Business Rules *viz.*, textiles including wool, silk, man-made fibres, jute, coir, handicrafts and plantation industries *i.e.*, tea, coffee, rubber and cardamom.

(*v*) *Export Services Division:*

This Division provides a variety of services to assist the exporters. The services provided include assistance and incentives to exporters, quality control and pre-shipment inspection exhibition, publicity, market surveys etc.

(*vi*) *Policy Planning and Coordination Division:*

This Division handles the work relating to export policies, export planning, coordination, technical assistance, management services for export, state trading and barter deals and overseas investments by Indian entrepreneurs. This Division has been given an extremely important role to play in the evolution of policies, periodical evaluation and review of policies and also maintaining coordination and contacts with the other Divisions as well as the various Organisations which have been set up under this Ministry to assist the export drive. This new Division has started functioning recently under a full-fledged Economic Adviser.

(*vii*) *Personnel and General Administration Division:*

This Division deals with personnel and establishment functions and also allied functions such as Career Management, Vigilance and Security, Protocol, Welfare and Public Relations.

(*viii*) *Finance Division:*

This Division handles work relating to the Budget and Accounts of the Ministry, Internal Financial advice, Organisation and Methods and Work Study.

1.30 The broad subjects falling under the Ministry are indicated in the graphical chart depicting the organisational set up of the Ministry at Appendix—*I*.

1.31 There are a number of executive/advisory agencies functioning under the Ministry of Foreign Trade. These bodies are mainly in the category of attached/subordinate offices, Trade promotion Institutions, Public Sector Corporations, Commodity Boards or Registered Societies.

1.32 The Estimates Committee (Third Lok Sabha) examined the working of the Ministry of International Trade and presented its Forty-Eighth Report on the 30th April, 1964, and 113th Report on Action taken by Government on the recommendations contained in the Forty-Eighth Report was presented to Parliament on the 2nd March, 1967.

CHAPTER II

INDIA'S SHARE IN WORLD TRADE

A. Recent Trends in World Trade

2.1 The 'Sixties ended as a decade of uninterrupted growth in the world trade. Between 1961 and 1969, the value of world trade, increased from $ 118,600 million to $ 243,000 million. In absolute terms, this represented a compound annual growth rate of more than 8 per cent. The developed countries recorded a significant increase in terms of both absolute and relative sizes and also in terms of their impact on the rest of the world. The annual growth rate of economically advanced countries was as much as 9 per cent. Most of the major trading regions of the developed world registered an export expansion well above the average. For example, the exports of West Europe and North America increased by 12 per cent and those of Japan by as much as 24 per cent during this period. The primary producing countries lagged behind. The growth rate of the developing countries, taken together, was only 6 per cent. Thus, the trade of industrial countries expanded more rapidly than that of their developing counterparts. In addition, exports of industrial areas to and imports from each other rose by more than their trade with other areas. This resulted in a larger share of their mutual trade.

2.2 Among the developing countries, the most striking improvement in the world trade was made by Africa and Western and Eastern Asia. A notable feature of the African export earnings was their recovery after a slow-down in the earlier period and emergence of some new items like crude oil, non-ferrous metals and other valuable minerals as big export earners for many of the African countries. Much of the gain in Far-east Asian countries came primarily from increased shipment of manufactured goods. Taiwan, Hong Kong and the Republic of Korea were the major beneficiaries of this region. In the Phillippines and Singapore, there was a notable expansion in the sales of metal and engineering goods. The growth of exports from West Asia too was fairly high (8 per cent), although there was some setback in recent years because of the closure of the Suez Canal The main damper to Latin American export growth was a slow-down in agricultural production. However, increased exports of copper and petroleum, particularly by Chile and Venezuela respectively, have been largely responsible for the recent expansion of Latin american trade. The growth of trade during 1960-70 is indicated in Appendix *II*.

2.3 If the export of petroleum-producing countries are excluded, the growth rate of the developing countries would appear more depressing. For example, while the share of the developed market economies in the world exports rose from 60.8 per cent in 1950 to 70.9 per cent in 1968, the share of the developing countries declined from 31.2 per cent to 18.4

per cent. Excluding the petroleum-exporting countries, the share of the developing countries showed a further slump, as is apparant from Table given at Appendix *III*.

2.4 The course of export earnings in individual countries or in a group of countries is largely influenced by the nature of exportable supplies. It needs to be noted that the international market expanded rather more rapidly for manufactured products. And naturally a major portion of this increment was absorbed by the developed market economies. For example, in 1968, 90 per cent of the increase in world trade was due to expansion of trade in manufactured products. Of this, industrial areas accounted for as much as 80 per cent. Thus, while world trade rose by 14.4 per cent in manufactured products, world export of primary products (principal exports of developing countries) expanded by only 5.3 per cent. Even among the primary products, the expansion was largely in ores and other minerals. Agriculture-based items increased by only 2.5 per cent. In this group, the rate of growth has been relatively small in all the regions, particularly in some of the Asian countries including India.

2.5 The major factors which have been responsible for the sluggish rate of growth of the less developed countries, among others, are inelasticities of the supply of agro-based primary products and frequent fluctuations in international demand. Furthermore, these items are also subject to keen competition from synthetics and other substitutes, which the technologically advanced countries have been able to introduce in the world markets. The terms of trade have, therefore, been unfavourable to primary producing countries.

2.6 Exports of manufactured goods, which the developing countries are endeavouring to promote, are handicapped because of a number of tariff and non-tariff barriers, existing in developed markets. In addition, the formation of economic bloc like the European Economic Community, European Free Trade Association and many others have also restrained the free flow of goods from the developing to developed markets. The growth of exports of the less developed countries is also inhibited by some of the restrictions imposed by the low-income countries against imports from each other. This has also an adverse effect on the growth of the developing countries' trade. A reduction of the less developed countries' own protection would naturally help increase the rate of expansion of their exports and provide a sound basis for their economic growth.

2.7 Thus, the world trade during the development decade, by and large, operated to the relative disadvantage of the majority of the developing countries. It is against this background that India's place in the world trade has to be analysed and understood.

B. India's Share in World Trade

2.8 The situation in India has in no way been dissimilar to that in the other developing countries. India too has not been able to participate effectively in the expansion of world trade. During the last 20 years or so, India's share in world exports has shown a diminishing trend. In 1950,

India used to account for 2 per cent of the world's total exports; this came down to 1.2 per cent in 1960. India's exports registered a further decline to 1 per cent in 1965 and just 0.7 per cent in 1969. This has happened inspite of some increases that have taken place in our overall exports. Thus, while the total world exports during this period (from 1950 to 1969) shot up by 334.2 per cent, India's sales abroad recorded an increase by just 60 per cent. Even in the recent years, when exports have shown a sharp rising trend, India lags far behind the expansion which is taking place in the world as a whole. For example, while net increase in world exports in 1970 over 1969 was as much as $ 37,000 million, India's exports increased by only $ 193 million. India's place in the world trade *vis-a -vis* other regions of the world during 1961-70 have been indicated in the table below:—

World Export Trends

(In million dollars)

Year	Industrialised countries	Other developed areas	Developing areas	India	World Total	Percentage share of India in the World Trade
1961 . . .	83,220	8,280	27,100	1,387	118,600	1.2
1962 .	87,490	8,600	28,700	1,403	124,800	1.1
1963	95,330	9,540	31,200	1,631	136,100	1.2
1964	107,940	10,730	34,000	1,749	152,700	1.1
1965 .	118,430	11,150	35,900	1,687	165,400	1.0
1966 .	130,770	12,310	38,300	1,603	182,300	0.9
1967	137,710	13,230	39,600	1,618	190,600	0.8
1968	155,800	13,800	43,300	1,753	212,900	0.7
1969	179,700	15,930	47,300	1,833	243,000	0.7
1970† .	208,040	17,980	53,800	2,026	279,800	0.7
1971	Jan-June N.A.	N.A.	29,300	1,026	149,500	0.7

2.9 The Committee pointed out that while in 1960, India used to account for 2 per cent of the world's total exports, this came down to 1.2 per cent in 1960, it registered a further decline to 1 per cent in 1965 and just 0.7 per cent in 1970. Explaining the reasons for decline in India's share in world's exports the representatives of the Ministry stated during evidence that until 1960, there was not a degree of export consciousness in the country and the importance of export for the country's development was not adequately recognised. To a question whether the increase in the total exports had been commensurate with the development in the country, the Secretary, Ministry of Foreign Trade amplifying the point stated thus :

"Until recently our trade has been largely dependent on export of traditional items—jute, tea, textiles and things of that kind. It is only very recently that we have got new growth—items like engineering goods, garments, cashew, etc. So, during all this time we have been dependent on commodities which did not have any fairly elastic

foreign demand. In respect of Jute we have faced competition from Pakistan. The trade has been expanding on a much higher rate than the trade of developing nations. It is really the developed nations which have been in a better position to set up new industries which are modern, automatic, which have the capacity to produce larger quantities at reasonable cost. Because of shortage of capital, technical know-how, it is only now that we are beginning to export sophisticated products. It is doubtful if we can keep pace with a country like Japan. It will take us time to come up to that standard."

2.10 The Economic Adviser, Ministry of Foreign Trade amplifying the point stated thus :—

"... in reviewing our export performance we have to take stock of the developments in world trade. The most dynamic sector of world trade has been the trade in industrial goods. Now the trade in industrial goods is largely the result of trade originating in the rich countries and therefore, the share of developing countries, the poorer countries which account for 2/3rd of world population as a whole has come down from about 30% in 1950 to about 18% by 1970. In 1950 three commodities—cotton textiles, jute and tea accounted for nearly 60% of our exports. The world demand for jute manufacture is growing very slowly. There is competition from synthetics. World trade in tea and cotton textiles has also been growing at a very small rate. In all the three commodities, the average rate of growth of world trade has been much lower than overall growth of world trade during the last two decades. As a result, unless India could develop new exports on a large scale, her share of world trade was bound to fall. The development of new exports is linked with the speed of industrial development in the country and it takes considerable time before country's ecnoomic structure can be significantly transformed."

2.11 In a note furnished to the Committee, Government have stated :—

"Both external and internal factors have contributed to a decline in India's share of world trade. It is well known that the world demand for our major traditional exports is not growing fast enough for reasons beyond our control. Commodities like tea have been faced with the problems of slow growth of demand in the importing countries, excess production and low prices for the last many years. The exports of jute manufacturers have been affected by the growth of synthetic substitution as well as increased competition from Pakistan. Import substitution in other developing countries as well as quota restrictions in developed countries have affected exports of cotton textiles. On the domestic front, more recently there have been shortages of some critical inputs like steel which have hampered the growth of exports. Output of some commercial crops which enter our export trade has also been inadequate and this has affected export surpluses. India's share of world exports during the year 1970 was 0.7% and it remained

at the same level in January—June, 1971 as seen from the table below :—

Exports (in Million)

	1970	January-June 1971
World	279,800	149,500
India	2,026	1,026

2.12 The Fourth Five Year Plan stipulates the following in so far as India's share in world trade is concerned :—

"It is equally important to stress that specific imports are essential for the growth process and the country's ability to import its essential requirements determines its capacity for growth. Expanding exports provide one of the important measures for raising import capacity and have a crucial role in a developmental strategy aiming at self-reliant growth. India's share in world export is less than one per cent. Even with the growth of exports as envisaged India's share will not be significantly different in 1980-81. The implied rate of growth of export earnings is 7 per cent per year over the entire period of 10-12 years. This rate cannot be considered as too high. To sustain it over a long period would require a bold approach a considerable diversification of our exports and a concern for quality and price competitiveness."

2.13 The projected pattern of export growth is given at Appendix *IV*.

2.14 The Committee note that the share of India in world trade has come down from 1.2 per cent in 1961 to 0.7 per cent in 1970. They also note that nearly 90 per cent of the increase in World trade is due to expansion of trade in manufactured products. It is also noted that industrialised countries amongst themselves account for over 80 per cent of the trade leaving only less than 20 per cent to be shared by developing countries.

2.15 Our country has continued to rely heavily on exports of primary products such as jute goods, tea and cotton textiles which constitute nearly 30 per cent of the India's export earnings. The Committee feel that in the overall World context there is some scope for increasing our share in World trade in traditional or primary goods but, however, there is need, more than ever before, for diversification of our exports with a view to increase our exports of manufactured and non-traditional goods. There is also the imperative need for bridging the gap between exports and imports as Government have correctly decided to reduce our dependence on foreign assistance. The Committee stress that there should be integrated and detailed planning for exports if the targets set in the Fourth Five Year Plan are to be achieved. Our country is well-placed amongst the developing nations and also geographically well-

situated. At a time when industrial development in the country is coming up and Japan is switching over to the manufacture of more and more sophisticated goods, we should make full use of the opportunity to develop our exports of manufactured goods, particularly to developing countries. We should also continuously study the opportunities for stepping up our exports to more advanced countries which are in the process of "off loading" less sophisticated items which are labour-intensive and hardly viable in their state of economy. The Committee have dealt with these aspects in greater detail later in the Report.

C. Fourth Five Year Plan

2.16 It has been stated that India's foreign trade policy has been reviewed in the context of the objectives, strategy and priorities of the Fourth Five Year Plan. Expansion of export earnings is as crucial for financing the Plan as the mobilisation of domestic resources. To achieve national self-reliance and to reduce dependence on external assistance, export earnings need to be expanded at a high rate. The Fourth Five Year Plan (April, 1969-March, 1974) visualises India's exports to reach a level of around Rs. 1900 crores in 1973-74, showing a rise of Rs. 540 crores or 40% over the base year (1968-69) level of Rs. 1360 crores (revised to Rs. 1358 crores). The Plan itself does not lay down any yearwise targets of exports, but adopts a compound rate of growth of 7 per cent, on the basis of which exports during the plan period as a whole are expected to aggregate to Rs. 8300 crores.

2.17 It has been stated that the Fourth Plan document assumed that the balance of Foreign Exchange requirements amounting to Rs. 8300 crores would have to be met out of export earnings. Most of the increase in exports has to be achieved through an expansion in the export of iron ore, iron and steel, engineering goods, chemical and allied products, footwear, leather manufactures, fish and fish preparations, cashew kernels and jute manufactures.

2.18 The Plan emphasised that an essential pre-condition for the fulfilment of the export programme was the realisation, according to schedule, of the production targets set in the agricultural, mineral and industrial sectors. Among other important conditions mentioned were restraints on the growth of domestic consumption of some commodities through fiscal and other measures, keeping in view the requirements of exports while licensing additional industrial capacity and/or permitting diversification of capacity, and maintaining reasonable internal price stability. The Plan also stressed the importance of ensuring stability in export policy, while providing for a measure of flexibility to meet effectively changes in the conditions abroad, or in the domestic economy. Emphasis was also laid on the necessity of maintaining competitiveness in the cost and quality of export products, of effecting improvements in port, shipping and handling facilities, especially in regard to bulk commodities, and of providing technical and financial assistance along with deferred payments arrangements for promoting exports of machinery and engineering goods.

2.19 In the Preface to the Fourth Five Year Plan, 1969-74 which was presented to the Parliament on the 7th August, 1970, the Prime Minister while stressing the importance of export has stated that:

> "The policy of self-reliance does not mean that we should be actually reducing imports from the rest of the world. In fact, as the pace of development quickens, imports of industrial raw-materials, intermittents and special components will go up. But we propose to pay for them increasingly through our own earnings from exports. Economic independence, therefore, hinges to a considerable extent on how we fair in export markets; and our export performance in turn would depend on the state of our economy at home and our success in developing a purposive planned approach to the problem."

2.20 Export targets for the year 1969-74 (the period covered by Fourth Plan) for 21 major commodities fixed so far is shown in Appendix V.

2.21 To a question whether the Government had undertaken a mid-term review of financial and physical performance of the country's exports against plan provision, the Economic Adviser of the Ministry of Foreign Trade stated during evidence that Government had undertaken a mid-term review of financial and physical performance of the country's exports in co-operation with the Working Groups of the Planning Commission on which the Ministry of Foreign Trade was represented. It was their hope and belief that the Fourth Plan targets i.e., exports worth Rs. 1,900 crores of exports for the year 1973-74, would be realised.

2.22 In a written information furnished to the Committee after evidence, the Ministry of Foreign Trade have stated as follows:—

> "The progress of the first two years of the Fourth Five Year Plan has been reviewed. In the light of new developments both at home and abroad, a fresh appraisal of commoditywise export targets of the Plan is being done. *India's exports showed a significant increase during 1970-71 and trend in the current year is still more encouraging. It is hoped that with intensification of various export promotion measures, it would be possible to achieve the export target of 7 per cent annual growth rate during the Fourth Five Year Plan".

D. Export Policy Resolution (1970)

2.23 The Export Policy Resolution was laid on the Table of Lok Sabha on the 30th July, 1970. It has been stated that the Export Policy Resolution is a statement of policies which Government intend pursuing in order to achieve a rapid growth of India's exports.

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*At the time of factual verification, the Ministry of Foreign Trade desired the deletion of the words.... India's exports showed a significant .....is still more encouraging.

2.24 It has been stated that the following steps are intended to be taken by the Ministry on the salient and essential features of the resolution:

(*i*) *Identification of product groups having export potential :*

"In each of the broadlines of production such as agriculture, horticulture, sericulture, forestry fisheries, minerals, textiles, chemicals and engineering industries, electronics etc., the products having long term export potential will be identified with grater precision and special measures and programme will be undertaken to secure their development and improvement. At the same time, attention and assistance will also be provided for consolidating the position acquired in overseas markets by our traditional products and for identifying in these sectors, new area of growth and production adoptation.

(*ii*) *Organisation of production base for an expanded export effort :*

The production programmes of various export products, both agricultural and industrial product would be designed as to secure steady increase in export surpluses for items having export potential.

(*iii*) *Ensuring a competitive cost structure :*

In implementing industrial licensing policy, the aim will be to generate expanding export surpluses of industrial products. In pursuing this aim every effort will be made to assist export oriented units in the private and public sectors to achieve economies of scale, improve efficiency of production reduce costs and adapt production to meet the requirements of their customers abroad. To this end, the procedures relating to foreign investment, licensing of creation of expansion of industrial capacity, licensing of imports of capital goods and raw materials or other inputs will be suitably adapted. Every effort will be made to secure their indigenous industrial raw materials required for export production are made available in right quality and quantity and at their prices.

(*iv*) *Compensatory support to overcome transitional difficulties :*

Government will also endeavour to compensate exports for the temporary handicaps that stem from transitional difficulties inherent in developing economy and to alleviate the dis-advantages arising from our domestic fiscal policies or tariff barriers in importing countries.

(*v*) *Modernisation of marketing and promotional techniques :*

Efforts will be made to improve our techniques of export marketing and product development. Programmes devoted to improvement of marketing research, building up of marketing skills and training of export managers will be intensified. There will be greater coordination of work relating to product and market research. Effectiveness of services provided by Export Promotion Councils and Commodity Boards will be improved. Efforts in the field of commercial publicity will be strengthened. Government will also

strengthen, expand and intensify its policy of compulsory quality control and pre-shipment inspection.

(*vi*) *Expanding role of public sector :*

The role of the public sector in the development and expansion of India's foreign trade will be expanded progressively and substantially. Its competence to penetrate new markets and to market new products as well as to provide merchandising services to Indian producers will be built up. Special attention will be paid to forge enduring relationship with procurement authorities and trading firms and organisations in various countries. New patterns of relationship with state trading organisations in other countries will be evolved.

(*vii*) *Provision of adequate and timely finance :*

Every effort will be made to strengthen and expand existing credit arrangements for export production and export marketing and to put them on an internationally comparable basis and the framework of financial institutions for the purpose will be suitably strengthened.

(*viii*) *Adequate Shipping Service* :

Government proposes to intensify its efforts to expand the national merchant marine fleet, to start new services and to strengthen existing ones, as may be necessary for the development of our trade. The existing institutional machinery to secure fair freight treatment for our export cargo will be strengthened. Methods for the handling of export cargoes in our docks are also proposed to be improved in this connection.

(*ix*) *Development of tourist potential :*

The provision of adequate transport and accommodation facilities for foreign tourists will be accorded a high priority.

(x) Export of consultancy services will be actively developed and encouraged.

(*xi*) *Liberalisation of commercial and aid policies of developed countries :*

Through bilateral negotiations and in international forums like UNCTAD & GATT efforts will be made to secure speedy modification of such commercial and aid policies pursued by other countries which set limits to the natural expansion of Indian exports. Government proposes to play an active role in promoting economic cooperation in Asia and strengthening its economic links with other developing countries. Efforts will be made to ensure the enlargement of EEC, expand our trading opportunities in that part of the world. Arrangements will be made to intensify commercial and industrial cooperation with Socialist countries."

2.25 During evidence the Committee desired to know as to how it was ensured that each sector of the economy *viz.*, agricultural sector, mineral sector, textile sector etc. contributed its share to achieve the steady increase in export earnings envisaged in the Export Policy Resolution, 1970. The Secretary, Ministry of Foreign Trade, informed the Committee thus:—

"The Export Policy Resolution lists the important measures. Recently we have set up a number of inter-ministerial Working Groups to go into this question of greater production for the purpose of exports, in certain sectors offering considerable export potential. There are 12 such working groups which are examining this question. In cooperation with the administrative ministries directly responsible for various sectors of the economy, we review from time to time progress that is being made in increasing production and in generating surpluses for export. We are also identifying the potential of various commodities both from a long term and a short term point of view. We have set up the Trade Development Authority recently, which is identifying some of the commodities where the potential for export is good and the markets which offer the best prospects. TDA would also assist industry in this country to develop and to expand their capacity or to set up new industries so that we can exploit the available export opportunities. We have also played a fairly important role in the working of international institutions particularly the UNCTAD and the ECAFE in securing a more favourable international environment for our exports. We have not, in a small measure, been responsible for the reductions in tariffs under the general scheme of preference for manufactured and semi-manufactured products of the developing countries in the markets of developed countries."

2.26 As regards number of product-lines identified for export by the Ministry of Industrial Development with the assistance of the administrative Ministries concerned, the representative of the Ministry of Foreign trade stated:—

"Initially about 20 product-lines were identified as having a good export potential for implementation through inter-ministerial working group, like electronic equipments, components, aluminium metal petro-chemicals and derivatives thereof, plastic resins and plastic manufacturers, metallurgical equipments, small and cutting tools, automobiles ancillaries, brass castings, aluminiummetal manufacture, sewing machines and bycycles, processed foods, leather and leather products etc. and these were entrusted to different working groups; the progress is uneven and at various stages. Unfortunately it is rather disappointing that none of these groups have yet submitted the report."

2.27 The Secretary, Ministry of Foreign Trade amplifying the point further stated:—

"These industrial products that have been identified as having good export potential as you will notice, do not fall under the administrative control of this Ministry. We have, therefore, a problem

and we are trying now to set up a higher level inter-ministeria group to ensure that these groups become more active and they go into the questions which are referred to them and submit report so that further action can be taken."

2.28 The Economic, Adviser to the Ministry of Foreign Trade supplemented the Secretary's statement with the following observations:—

"It is true that no working group has submitted a formal report. At the same time, I would like to say that this does not mean that these groups have not proved useful. When we go to various committees, Capital Goods Committee or the Licensing Committee, the Chairman of these Working Groups are present and the fact that they have participated in the Working Group relating to specific products I think has greatly facilitated the task of getting the applications of the various export-oriented units approved by these Committees. Therefore, from that point of view, although they have not submitted final reports, they have contributed considerably to the production of export — oriented products."

2.29 It was further explained to the Committee:—

"While these Groups have not submitted reports as such, they have been trying to identify areas where export production can be developed and stimulating action to permit such production. Some applications have already been made and expansion of capacity — allowed based partly on the recommendations of these groups. Automobile ancillaries may be cited as an example. Certain machine tools have been considered. These groups are working in a dynamic manner. Submission of reports will be of course made in the course of time, it does not mean that work is not being done in the meantime."

2.30 The Committee recall the high hopes which were generated at the time the Export Policy Resolution was introduced in Lok Sabha. It was a comprehensive statement which broadly indicated the areas for intensive export development and also identified, in general terms, the difficulties and handicaps facing the export effort. The Committee are, however, disappointed to note that the inter-ministerial Working Groups which were set up by the Ministry of Foreign Trade in 1970 to go in detail into the question of concrete measures for stepping up exports of twenty promising product lines have not yet finalised their reports. The Committee can see no justification for such a lackadaisical approach to a problem which brooks no delay. The Committee feel that the Working Groups should have functioned with a greater sense of urgency and brought out long ago a detailed plan for action. The Committee at this point of time cannot but strongly stress the need for finalisation of these Reports taking note of the latest developments without delay and suggest that Government should lay down a time-bound programme not only for submission of Reports, but for taking decisions thereon, so that action along the desired lines can be processed at least during the remaining two years of the plan.

2.31 The Committee further suggest that a comprehensive annual statement showing the progress made in implementation of the Export Policy

Resolution should be laid on the Table of the House so that the Members are apprised of the progress made in concrete terms and there is opportunity for discussion, identification of areas of weakness and constructive suggestions for effecting improvement.

2.32 In regard to the question of setting up a machinery for regularly reviewing export performance, the Secretary, Ministry of Foreign Trade informed the Committee thus :—

"We have set up Export Planning Section which is constantly reviewing our export performance on the basis of statistics that become available to us. We are doing this in the Ministry itself. The Export performance is analysed both on a quarterly as well as annual basis. We are also setting annual export targets for various commodities and important regions. In addition to this, we have also set up a Policy Advisory Committee in the Ministry iteself, consisting of the senior officers of the Ministry which reviews from time to time the adequacy of various policy measures in realising the targets that we have set up. Every effort is made to identify bottlenecks to increase exports. The removal of these bottlenecks involves discussions with other Ministries which have administrative responsibilities for specific sectors of the economy. The interministerial discussions and reviews help to remove the bottlenecks that impede exports, though things had not been to our expectations."

2.33 As far as the general question of export performance was concerned, the Secretary, Ministry of Foreign Trade observed thus :—

"The reviewing machinery has now started functioning. It takes a little time for the material to become available. We have now the figures for the first quarter of 1971-72 which are being reviewed. The purpose of review is to find out whether we are able to stick to the targets that we have set for ourselves or whether we are sliding back, to analyse the reasons for shortfall and then to take remedial action.... the time has been too short for us to make an assessment of the performance of the reviewing machinery or the results achieved by it. But we do hope that as a result of the systematic review of our export performance, we shall be able to improve the things in future."

2.34 As regards organisational set up of the Export Planning Section, the Government have in a written note furnished to the Committee stated that Export Planning Section in the Ministry of Foreign Trade, functions under the overall supervision and direction of the Economic Adviser of the Ministry, who was assisted by a Deputy Economic Adviser, two Research Officers and other complement of staff.

2.35 The primary functions of the Export Planning Section were preparation of export plan, formulation of export targets in relation to commodities and countries; collection, maintenance and analysis of trade statistics; review of export performance in general as well as review of exports by public sector enterprises.

2.36 It has been stated that there was no over-lapping of functions allotted to the Export Planning Section of the Ministry of Foreign Trade and the

Indian Institute of Foreign Trade. The Indian Institute of Foreign Trade was primarily a training and research institution. Whereas, the Export Planning Section was responsible for planning action programme and continuous evaluation of export performance in relation to export targets.

2.37 The Committee note that there is no firm trend in the increase in exports and that there has been period of anxiety in the first few months both in 1969-70 and 1970-71 when the rate of exports had in fact not gone up. This is indicative of the necessity to keep the export performance closely under review and take timely remedial measures. The Committee note that the Ministry have set up an Export Planning Section under the Economic Adviser to closely watch the performance, analyse the reasons for any shortfall and take remedial action. The Committee cannot too strongly stress the need for critical and timely analysis as the export effort is spread over a very large spectrum of Governmental activities and timely and well-coordinated action are the assence of the matter. The Committee have no doubt that the mechanism and machinery for review would be improved in the light of experience so as to subserve this objective.

2.38 The Committee feel that there should be no sense of complacency in any quarter about the need for utmost effort in sustaining and improving our exports as we have to pay for larger imports (about Rs. 9,000 crores) during the Plan period which are necessary in the interest of industrial growth and production. Besides we have to become more self-reliant as Government have rightly decided not to rely on foreign aid.

E. Fourth Plan Mid-Term Appraisal

2.39 The Mid-Term Appraisal of the performance and prospects of the Fourth Plan which was laid on the Table of the House, on the 22nd December, 1971, reviews the export performance in the first two years of the Fourth Plan period *viz.*, 1969-70 and 1970-71 as follows :—

(*i*) Exports in 1969-70 amounted to Rs. 1413 crores showing an increase of only 4.1 per cent over the previous years, as compared to an increase of 7 per cent envisaged in the Annual Plan. Although exports recorded a satisfactory growth in the first quarter of the year, they became sluggish thereafter and until the end of November, 1969, a comulative growth rate of only about 1 per cent was recorded, as compared to the corresponding period of the previous year. In order to counter this declaration in the growth of exports, a crash programme was initiated in December, 1969. The main features of this programme were : (1) Speedy removal of obstacles in the way of exports; (2) encouragement for increasing exports ex-stock and from scheduled production, and (3) encouragement for a fuller utilisation of idle capacity specifically for exports though adequate supply of raw materials, either imported or indigenous, and other essential inputs. As a result, the growth rate in exports picked up substantially during the last 4 months of the year.

(*ii*) In order to improve the competitiveness of our exports, the budget for 1969-70 reduced export duties on jute hessian and sacking, tea and

mica, and completely abolished these on wool sacks, cotton bagging degreased raw wool and package tea in metal containers.

(*iii*) The slow growth in exports during 1969-70 is attributable to a number of factors, both internal and external. The growth in exports of steel and engineering goods was much lower than anticipated because of domestic shortages of various types of steel and non-ferrous metals. Abnormal factors such as strikes also hampered the production and exports of a number of items. The decline in the output of oil-seeds adversely affected exports of oilcakes. Among external factors, mention may be made of a weakening in world demand for various primary products, a fall in the unit value of a number of export items, such as, tea, coffee, mica, cashew kernels and tobacco, and the restrictive import policies persued by a number of countries notably the European Economic Community and the U.K.

(*iv*) In terms of commodities the slowing down in the growth of exports during the year 1969-70 was mainly the result of a substantial fall in exports of tea, jute manufactures and oilcakes. Exports of cotton piece-goods (mill made) and cashew kernels also recorded a decline. On the other hand, a number of non-traditional items, namely, engineering goods, leather and leather manufactures, marine products and iron ore recorded a substantial increase. There was also a marked rise in the exports of some traditional items like spices and cotton yarn.

(*v*) The performance of exports during the first five months of 1970-71 was again unsatisfactory, but this was much more than compensated by the expansion of exports during the period September-December, 1970. Over the year 1970-71 as a whole, exports totalled Rs. 1535 crores* recording an increase of Rs. 122 crores or 8.6 per cent over the preceding year. This rate of growth in exports was not only in excess of the Annual Plan target of 7 per cent but also substantially higher than the growth rate recorded in 1969-70. It is important to note in this context that there was a change in the procedure for recording exports adopted by the DGCIS with effect from November, 1970.

(*vi*) The poor performance of exports during the first five months of 1970-71 was both due to internal and external factors. Apart from the dock strike in Calcutta during June-July, 1970, which held up exports during these months, the growth of exports was hampered by supply constraints on basic inputs such as steel, non-ferrous metals and raw cotton. On the external front, there was stagnation in the demand for some export commodities, particularly jute carpet backing hides and skins, leather and cotton yarn. In order to arrest the downward trend in exports, the Government took a number of measures particularly with a view to improving the supply of essential materials to export industries. As a result of these measures as also of increased domestic production of raw materials, exports expanded substantially during the rest of the year. A number of commodities, both

*According to customs data.

traditional and non-traditional, contributed to the overall increase in exports during the year. Sizeable increase were recorded in the case of tea, sugar, oilcakes, iron ore and engineering goods. Smaller increases were registered in chemical and allied products, mill-made cotton piece-goods, coffee, spices, mineral fuels and lubricants, and manganese ore. On the other hand, there was sharp decline in exports of jute manufactures, leather and leather manufactures (excluding footwear). Exports were also appreciably lower in the case of cotton yarn, fruits, and vegetables and hides and skins.

(*vii*) In the field of export promotion a major development during the year was the presentation of the Export Policy Resolution to Parliament in July, 1970. This stressed the need for promoting the expansion of exports at a high rate so as to quicken the countrys progress towards self-reliant growth. In pursuance of this Resolution the Government set up a new organisation, namely, the Trade Development Authority in July, 1970, to assist individual firms to build up exports through a package of personnalised services in the field of trade information, market research and analysis, and production and sales promotion. The 25 per cent *ad valorem* duty on exports on coir fibre was abolished with effect from July, 1970."

2.40 The re-assessment of the export prospects for the remainder of the plan period as indicated in the Mid-term Plan appraisal is as follows :—

(*i*) ....exports during 1969-70 and 1970-71 amounted to Rs. 1,413 crores and Rs. 1,535 crores respectively. The reassessment of export prospects for the remainder of the Plan period indicates that exports may amount to Rs. 1,660 crores in the current year (1971-72) and then rise further to Rs. 1,760 crores in 1972-73 and Rs. 1,907 crores in 1973-74. On this basis, the growth rate in exports would work out at 8.1 per cent in 1971-72, 6 per cent in 1972-73 and 8.4 per cent in 1973-74. Over the period of the Fourth Plan as a whole, export earnings are now placed at a total of Rs. 8,275 crores as compared to an estimate of Rs. 8,300 crores given in the Fourth Plan document.

(*ii*) The reassessment of the export estimates has been made on the basis of the likely growth of production in the agricultural, minerals and industries fields. As in the Fourth Plan document, reasonable stability in internal prices has been assumed. Account has also been taken of the likely developments in world market conditions and in particular, the introduction of the general schemes of preferences, the levy of a 10 per cent surcharge by the U.S.A. and the implications of U.K.'s entry into the European Common Market in 1972.

(*iii*) The largest increase in exports during the last three years of the Plan is expected in the case of engineering goods. Sizeable increases are also anticipated in iron ore, leather and leather manufactures, handicrafts, chemicals and allied products, fish and marine products and jute manufactures. Smaller increases are postulated in the case of tea, cotton textiles, cashew kernels and cotton yarn and thread. On the other hand, a substantial decline in exports has been taken into account in regard to iron and steel. A number of other exports

commodities are expected to remain stagnant or register small decreases during this period.

(*iv*) In regard to tea exports, it has been assumed that the Mauritius agreement allotting a joint quota to India and Ceylon will operate till the end of the Fourth Plan and that this joint quota would be in the neighbourhood of 425 million Kgs. As the price of tea has risen to an unusual high level in the current year, a lower unit value has been taken into account in calculating the value of exports. A nominal increase in the exports of mill-made cotton piecegoods has been assumed in view of the difficulties that the cotton textile industry has faced for a long time in the world market. It has been assumed that adequate amounts of raw cotton and other inputs would be made available to the textile industry. Exports of jute manufactures which have also been facing difficulties over the past few years on account of competition from synthetics and Pakistan, are expected to show a substantial increase in 1971-72 in view of the current difficulties in Bangla Desh. This level of exports is not expected to continue during the rest of the Plan period during which a somewhat declining trend has been assumed. It is expected that jute carpet backing, which enjoys a substantially higher unit value than hessian and sacking, would be the main component in our exports of jute manufactures.

(*v*) Exports of fish and other marine products which have a great potential have been somewhat sluggish in the last two years owing to an insufficiency of fishing vessels as also of cold storage and transport facilities. It is assumed that good progress would be made towards removing these bottlenecks and that exports of this category would show a noticeable increase in the remaining years of the Plan. Iron ore is another growth item in our export trade. The growth rate in these exports has been somewhat lower than the expectation owing to mining, transport, and port handling difficulties. With the efforts that are being made to overcome these difficulties, it is expected that exports of iron ore would improve materially from the current year onwards. Some shortfall is, however, expected in the quantum of iron ore exports as compared to the target mentioned in the Fourth Plan document.

(*vi*) ....among manufactured products, engineering goods, leather and leather manufactures, chemicals and allied products and handicrafts are expected to show sizeable increases. India has made an inroad into world markets in the exports of a variety of engineering goods; and there is substantial scope for extending exports of this group of commodities. It is assumed that the essential inputs required by engineering industries notably steel and non-ferrous metals would be made available, particularly for export production. About two-thirds of our exports of handicrafts are accounted for by precious and semi-precious stones and jewellery. Exports of these products are expected to grow at a fairly fast rate during the last three years of the Plan.

(*vii*) Among commodities which are expected to show a decline in the coming years, the most prominent is iron and steel. Domestic

shortages of steel are the main factor which have brought down exports of this commodity in the current year and are expected to be a major constraint on exports in the last two years of the Plan. However, pig iron which is a component of this group, is in surplus in the country and exports at the current years level are expected to continue. A sizeable decline in exports of steel are anticipated in the current year (1971-72) and a much sharper fall in 1972-73. Thereafter, in 1973-74, steel exports are expected to pick up somewhat owing to an improvement in the domestic supply situation.

(*viii*) Imports in the first two years of the Plan amounted to Rs. 1,582 crores and Rs. 1,669 crores respectively. The reassessment of import requirements indicates that there will be a sharp rise in imports in the current year (1971-72). Imports are estimated to increase from Rs. 1,669 crores in 1970-71 to Rs. 2,106 crores in 1971-72—a rise of as much as Rs. 436 crores. The next two years are expected to show increases of the order of Rs. 63 and Rs. 214 crores, imports for these two years being estimated at Rs. 2,169 crores and Rs. 2,383 crores. On this basis, over the Fourth Plan period as a whole, the total import requirements are placed at Rs. 9910 crores—or an increase of Rs. 180 crores as compared to the estimates given in the Fourth Plan document.

2.41 The Committee note that the Fourth Five Year Plan (April, 1969 to March, 1974) visualises India's exports to reach a level of around Rs. 1,900 crores in 1973-74 and adopts a compound rate of growth of 7 per cent on the basis of which exports during the plan period as a whole are expected to aggregate to Rs. 8,300 crores. As against these targets, the Committee note that exports in 1969-70 amounted to Rs. 1,413.21 crores compared with Rs. 1,357.87 crores in 1968-69 showing an increase of Rs. 55.34 crores i.e. only 4.1 per cent over the previous years as against an increase of 7 per cent envisaged in the Annual Plan. Similarly over the year 1970-71 as a whole exports totalled Rs. 1,535 crores, recording an increase of Rs. 122 crores or *8.6 per cent over the preceding year. The overall increase during the first two years (1969-70 and 1970-71) of the Fourth Plan period would be Rs. 177 crores i.e. 6.35 per cent on an average. The rate of growth in exports during the period thus has been below the 7 per cent compound rate of target envisaged for the Fourth Plan.

2.42 The re-assessment of export prospects for the remainder of the Plan period as given in the Mid-term Plan Appraisal indicates that exports may amount to Rs. 1,660 crores in the current year (1971-72) and then rise to Rs. 1,760 crores in 1972-73 and Rs. 1,907 crores in 1973-74. On this basis growth rate in exports would work out at 8.1 per cent in 1971-72, 6 per cent in 1972-73 and 8.4 per cent in 1973-74. Over the period of the Fourth Plan as a whole, the export earnings are now placed at a total of Rs. 8,275 crores as compared to an estimate of Rs. 8,300 crores given in the Fourth Plan document thus showing a shortfall of Rs. 25 crores in exports.

F. **Controversy about the Export Statistics for the year 1970-71.**

2.43 Recently there has been some controversy about the export figures for the year 1970-71. On the 14th March, 1972, the Minister of Foreign

*See also paras 2.43—2.44 of the Report.

Trade (Shri L.N. Mishra) laid on the Table of the Lok Sabha, the following statement in this regard:

"(i) The task of collection, compilation and dissemination of export trade statistics is performed primarily by the Director-General of Commercial Intelligence & Statistics, Calcutta. The export statistics published by him are based on the Daily Trade Returns received from the Customs authorities at various ports. The Daily Trade Returns are in turn compiled from the shipping bills filed by the exporters with the Customs officials. The Reserve Bank of India also collects data on exports for the compilation of balance of pay ments statistics. The Reserve Bank data are based on the Exchange Control records.

(ii) According to the DGCI&S data, India's exports, including re-exports, in 1970-71, amounted to Rs. 1,535 crores. However, according to the Reserve Bank data, exports in that year amounted to Rs. 1,403 crores. There is a discrepancy of Rs. 132 crores between the two figures.

(iii) While examining the causes for this discrepancy it has to be borne in mind that the DGCI&S data on exports and the Reserve Bank data have in the past never coincided. A statement giving both sets of figures since 1960-61 is as follows:

(value f.o.b. in Rs. crores)

	DGCI & S data	R.B.I. data	Difference of 2 & 3
1	2	3	4
1960-61	660.2	630.5	+29.7
1961-62	679.6	668.3	+11.3
1962-63	713.6	680.9	+32.7
1963-64	793.2	801.6	—8.4
1964-65	816 3	800.9	+15.4
1965-66	805.6	783.3	+22.3
1966-67	1156.6	1079.3	+77.3
1967-68	1198.7	1254.6	—55.9
1968-69	1357.9	1367.4	—9.5
1969-70	1413.3	1403.9	+9.4
1970-71	1535.2	1402.7	+132.5

The statement will show that in 1966-67 the DGCI&S export figures exceeded the Reserve Bank figures by Rs. 77 crores while in 1967-68 they were lower by Rs. 56 crores. The discrepancy in 1968-69 and 1969-70 has, however, been of the order of about Rs. 9 crores.

(iv) Differences between the DGCI&S and Reserve Bank export figures are perhaps inevitable owing to differences in coverage, valuation, timing and other factors. For example, the territorial coverage of the two series is not identical. The DGCI&S data include trade with Nepal while the Reserve Bank figures do not. There is also an in-

evitable time lag between the shipment of goods by the shippers and the submission of relevant exchange control documents by the authorities dealers in foreign exchange to the Reserve Bank. Sometimes the actual invoice values recorded in the GR Forms on which RBI data are based, are not identical with the f.o.b. values recorded by the Customs.

(v) The substantial increase in the discrepancy in 1970-71 does, however, call for some explanation. In November, 1970 there was a change in the method of recording of export statistics published by the DGCI &S. Exports which were previously being recorded when the ship left on the basis of actual shipments made are now being recorded as and when the shipping bills are approved for shipment by the Customs with adjustments for short and shut out shipments, details of which are received during the month of reporting. Under the old system, export statistics particularly the commodity details became available after a lag of nearly three months and this seriously affected the utility of statistics for formulation of economic policies. The new system evolved with the help of the Customs Department was designed to make the overall trend available within three to four weeks and to reduce the time lag for commodity figures by four to six weeks. I understand this is the system that has been adopted by a number of countries.

(vi) The House would naturally like to know if the rather large discrepancy between the DGCI&S and the RBI export figures for 1970-71 is due to any substantial extent to the change in the method of compilation of DGCI&S figures referred to earlier in my statement. At the time the DGCI&S export figures for 1970-71 first became available, I believe in April, 1971, we did not have the corresponding RBI figures to compare with the DGCI&S figures. No were they available in fact for several months afterwards. At that stage, we had no reason to doubt the accuracy of the figures published by DGCI&S. Nevertheless, I made every effort to ensure that the DGCI&S figures did in fact reflect the true trend of our exports. On the basis of the statistical advice available to me at that time I was convinced that there was nothing wrong with the new system of recording our export statistics or the figures obtained thereunder. However, it has recently come to my notice that in their last annual report, the Board of Directors of the Reserve Bank of India have stated that "a part of the increase registered in 1970-71 is statistical resulting from the change in procedure, for recording exports, adopted by the DGCI&S which became effective from November, 1970".

(vii) After the discrepancy came to notice, the matter was examined. It came to light that in order to avoid any double counting or the omission of any actual shipments from the accounts, instructions were issued to the Customs Houses in respect of the manner of compilation of the daily trade returns. Shipping bills passed by the Customs in October, 1970 were according to the old practice to be included in the returns of the ships by which the goods were exported. Since some of these ships left in November or even December the figures for these shipments were included in the statistics of the rele-

vant months. The shipping bills passed by Customs in November and December were included under the new system in the statistics for November and December. As a result the statistics for November and December may possibly have included a statistical element in the growth of exports. However, as the old method for compilation of export statistics was discontinued with effect from Ist November, 1970, it is not possible to compile afresh the export statistics for 1970-71 in a manner fully comparable with the export figures for 1969-70.

(viii) The House would no doubt wish to be assured that the new method for recording of export statistics adopted since November, 1970 is free from any statistical bias. I must confess that no statistical method can be perfect in all respects. This applies to statistical methods used in the compilation of national income, industrial production, agricultural production as well as to those used in the compilation of foreign trade statistics. I have been assured that export statistics for later years subsequent to the year of introduction under the new system would be free from any statistical bias. Even then, I have been keen to make it doubly sure that the new system does give a correct picture of our export trends. To that end, we have already appointed a high powered Committee presided over by Dr. B. S. Minhas, Member, Planning Commission, to look into the working of the office of the DGCI&S. The Committee's terms of reference include an assessment of the new method for the compilation of export statistics adopted in November, 1970. The Committee was appointed much before the recent controversy over the figures for 1970-71 and its members include high officials from the Ministry of Finance and the Reserve Bank.

2.44 The Committee note that according to Customs data, overall export earnings during 1970-71, rose to Rs. 1,535 crores an increase of more than 8 per cent over the exports recorded in 1969-70. Since, however, there was a change in the method of compilation in November, 1970; a comparison between the performance in the two years is vitiated. The Committee welcome the timely statement of the Minister of Foreign Trade made in both Houses of Parliament on the 14th March, 1972 on the subject of discrepancy between the data compiled by Director-General of Commercial Intelligence and Statistics, Calcutta and that compiled by the Reserve Bank of India. The Committee note that a High Powered Committee presided over by Dr. B. S. Minhas, Member, Palanning Commission has been constituted by Government to review the working of the office of Director-General of Commercial Intelligence and Statistics and make *inter alia* an assessment of the new method of compilation of export statistics adopted by Director-General of Commercial Intelligence and Statistics from November, 1970. They hope that the High Powered Committee would submit its report early, so that the manner of compilation of statistics is placed on sound basis. The Committee would, in fact, like that the statistics on exports to be compiled by the Director-General of Commercial Intelligence and Statistics and the Reserve Bank of India should be on some common basis and understanding so as to obviate any confusion arising in public mind from two sets of disparate figures on the same subject.

CHAPTER III

EXPORT PROMOTION PROBLEMS

3.1 One of the major factors affecting Indian Exports has been inadequate availability of Export Surpluses, particularly in the non-traditional items such as iron and steel products. The availability of these products is, by and large dependent on the internal demand.

A. Production Constraints

(i) *Export Obligation*

3.2 It has been stated by the Ministry of Foreign Trade that in the interests of stepping up exports, units other than small-scale units will also be considered for expansion or creation of new capacities in respect of items reserved for the small scale sector, if they undertake an export obligation of a minimum of 75% of the new or additional production, to be achieved within a maximum period of three years. It will, however, be ensured that the production allowed for indigenous sales is not so large as to swamp the small scale units.

3.3 The Ministries of Foreign Trade and Industrial Development are at present engaged in drawing up concrete export production plans with the assistance of other administrative Ministries concerned, in respect of items having maximum export potential.

3.4 The Economic Adviser to the Ministry of Foreign Trade stated during evidence before the Committee :

"The first thing obviously is that we must have export surplus. In the short run you can increase export surpluses by restraining domestic consumption even though production is fixed. But these essential short run measures have limitations in a country like ours, for a large part of our exports consist of commodities which also enter into domestic consumption and many of these items are in the nature of essential consumption. Thus it often becomes difficult both economically and politically to restrain the growth of domestic consumption of these items in the interest of exports. In the long run, a solid foundation of our export policy must, therefore, rest on a big increase in investment that goes into exportable products. And from that point of view, I must confess that certainly we need to do much more to ensure that planning for exports, of both traditional items and non-traditional items, really becomes an integral part of our entire development effort. We have made efforts in the Fourth Five Year Plan; we have tried to foresee, for example, the trend in domestic consumption of certain exportables as well as the likely overseas demand

for them; we have tried to estimate the existing capacity but I would submit that much more needs to be done in this area and we are very anxious that our planning procedures should be considerably, improved."

3.5 The representative of Federation of Indian Chambers of Commerce and Industry expressed his opinion on the subject thus:

"When we ask for 75% of the production being exported we must remember that in any organisation a certain number of rejections take place. Depending on the industry the rejections vary from 50% to 25%. There will be very few cases where the rejections are less than 25%. In other words, if you ask for 75% exports, you are really asking for 100% in practical terms and it will not be possible to proceed on this 100% basis taking into account the defects which we suffer from. If you remove the defects it may be possible, but the two are interlinked."

3.6 The Committee wanted to know the steps that were being taken by the Ministry of Foreign Trade to ensure that the existing capacity of the industries was augmented to the full. The representative of the Ministry stated that apart from a few industries like textiles which come under the charge of the Ministry of Foreign Trade, the Ministry was mainly looking into the problems of export oriented industries. The export oriented industries were being given priority treatment for meeting their requiremets. An export-oriented industry may or may not be included in 59 priority industries. Any industry which exports 10% or more of its production was eligible for priority treatment in meeting its genuine needs of capital goods as well as raw materials for export production.

3.7 It has been provided by the Export Policy Resolution that export-oriented industries may expand their capacities, provided they take specific export commitment. The recent change in the Industrial Licensing Policy allows expansion of industries on the specific condition that 60 to 70% of their expanded capacity is made available for export.

3.8 Asked to state the results achieved as a result of implementation of the above decision the Ministry of Foreign Trade have in a written note stated :

"Some Large-Industrial Houses and foreign firms which submitted their applications to the Licensing Committee for expansion of their production in sectors other than core and heavy sectors have been subjected to an export obligation of 60% of their expanded capacity, and 75% in cases where the production is reserved exclusively for small scale sector. Since the industrial capacity so licensed will come into being only after the machinery and equipment have been imported and installed by these large units, it is premature to say how many of the large units subjected to this condition have actually established production and whether their export performance has been according to the conditions that have been imposed. The modified licensing policy has been in force only since the last one and half years or so."

3.9 It has been admitted by Government in the Fourth Plan Mid-Term Appraisal that :

"It is clear that the Plan target of increase in overall industrial production is not likely to be realised. However, given concerted efforts at creating a climate of expansion and at speeding up the implementation of projects, the 1973-74 targets for key industries and for overall industrial production could be reached in the early part of the Fifth Plan."

3.10 With the object of generating export surpluses the new industrial licensing policy allows expansion of industries on the specific condition that 60% to 70% of their expanded capacity is made available for export.

3.11 The Committee, however, note that Government are not able to say how many of the large units subjected to this condition have actually established production and whether their export performance has been according to the conditions that thave been imposed because the modified industrial licensing policy has been in force only since the last one and half years or so.

3.12 Since it is imperative to create conditions for a rapid growth in industrial production with a view to generate surpluses for exports the Committee suggest that Government may review various measures taken by them to create Climate for rapid growth of production and generation of surpluses for exports.

(ii) Delay in issue of Licences

3.13 The Economic Adviser to the Ministry of Foreign Trade stated during evidence:

"Our Ministry is concerned only with industrial licensing applications in respect of export-oriented industries. We have a section in our Ministry — the Export Production Section to deal with these cases. When an application is submitted for industrial licence, our Ministry does receive those applications for comments which relate to export-oriented industries. As far as these applications are concerned, we follow them up; we take them up in the Licensing Committees and it is our effort to see that such cases are disposed of as quickly as possible. This also applies to the requirements of export-oriented industries for imports of capital goods which are cleared on priority basis,"

3.14 He admitted that there had been complaints of unusual delays in clearance of licences for export-oriented industries and stated that such cases were pursued by the Ministry if brought to their notice.

3.15 The representative of the Ministry of Finance stated :

"I would like to explain that perhaps that is not so important and secondly, there is little difficulty in deciding as to what is an export unit. In some cases the promise is made that they shall try and export 8% or 10% or 12%. A party which is planning new capacity or

augmenting capacity on the basis that a small minority of the production will be exported, it becomes a little difficult to give that party an overriding priority over the normal considerations and constraints of Government. I would like to say that if a party came and indicated their intention to set up a unit with a view to export 100% or 70% or 60% of the production then the Ministry of Foreign Trade have taken great deal of interest in such cases and have steered the case through all the departments and the Ministries."

3.16 The statement at Appendix VI shows (i) the list of industries in which the licensed capacities have been exceeded substantially beyond the authorised limits, (ii) the actual exports of those products from India and (iii) the targets that have been fixed in many cases for future exports.

3.17 Regarding excess capacities which have been built up in violation of the capacity authorised under the Industrial Development and Regulation Act the Ministry of Foreign Trade have stated that a policy decision is yet to be taken and this is under consideration of the Ministry of Industrial Development and Internal Trade.

3.18 The Committee are unhappy to note that delays have taken place in clearance of licences for some export-oriented industries. They, therefore, suggest that all measures should be adopted to see that the licences for such cases are cleared with utmost expedition.

3.19 The Committee further note that in a number of cases excess capacity has been created in export-oriented industries over and above the licensed capacities. The Committee also understand that the whole matter in regard to regularising such capacities is under consideration of the Government. The Committee suggest that since capacities have already been built and in the present situation it would not be desirable to let them remain idle. Government may, therefore, examine all such cases sympathetically in the larger interests.

(iii) *Identification of items susceptible to Domestic Consumption*

3.20 It has been stated in the Export Policy Resolution that "exportable surpluses do not always arise automatically. Sometimes when there is a shortfall in production or indigenous production on an adequate scale is yet to be developed, there tends to be a temporary conflict between domestic consumption and export. 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 restraints on home consumption. The question of restraint will be decided in consultation with the Ministries concerned keeping in view the degree of essentiality of the product in question for industrial use or consumtion at home".

3.21 It has been represented to the Committee that "rising domestic consumption as a result of growing national income may threaten a reduction in export surpluses and thereby jeopardise the continuity of supplies to the export markets. India's exports of oilseeds and vegetable oil products have had to be previously curtailed because of the increasing pressures of domestic consumption. It is, therefore, desirable to identify the items susceptible to

rising domestic consumption and thereby reducing export surpluses, so that intensive efforts to expand their production base be given high priority. The Export Policy Resolution merely mentions the possibility of a conflict between domestic consumption and export surpluses and is silent on the issue of identification of such items and on detailed plans for expanding their total production on a priority basis".

3.22 The Ministry of Foreign Trade, have however, expressed the view that with a few exceptions, most of the products exported by India, also enter into domestic consumption. Thus in the long run, increasing export surpluses can emerge only if overall production is expanded faster than the likely growth of domestic consumption. In fixing export targets and investment needs of various sectors for the Fourth Plan, these factors have been taken into account.

3.23 It has been stated that the Inter-Ministerial Working Groups set up to identify the export potential of specified commodities will also take them into account in making recommendations about future capacity creation.

3.24 The Committee are of the view that conflict between domestic consumption and export may arise when there is shortfall in production. The rising do mestic consumption as a result of growing national income may threaten a reduction in export surpluses and thereby jeopardise the continuity of supplies to the export markets. Since most of the products exported by India with a few exceptions, also enter into domestic consumption, increasing export surpluses can emerge only if overall production is expanded faster than the likely growth of domestic consumption. The Committee hope that all these factors will be taken into account and detailed plans would be worked out for expanding production on priority basis of exportable items.

(iv) *Demand for labour intensive products*

3.25 The main items of labour intensive nature which are produced in the small scale sector are: cycle parts, sewing machine parts, automobile parts and components, agricultural implements, leather footwear, sports goods etc.

3.26 It has been stated that Government have set up Working Group 'J' for export production planning of small industries products. The Development Commissioner, Small Scale Industries is the Chairman of the Group. The Group has been entrusted with the task of planning the export production of selected small industries products both at the macro and micro levels.

3.27 The Group has selected 47 products which are mainly of labour intensive nature, as per list at Appendix VII for this purpose. It has been decided that efforts would be made to concentrate in the beginning on 25 products as per list given at Appendix VIII. This list includes 11 products which are reserved exclusively for production in the small scale sector.

3. 28 It has been suggested at the 5th meeting of the Board of Trade held on the 22nd January, 1971 that efforts should be made to identify areas of production which were being vacated by the advanced countries so that these products could be supplied to them.

3.29 It has been stated by the Ministry of Foreign Trade that precise identification of areas of production which are likely to be vacated by the advanced countries so that their demand could be met by exports from countries like India is a difficult exercise. In a general way, it is known that on account of rising labour costs, in developed countries, some labour intensive processes and industries could be transferred to developing countries. Government is giving all possible assistance to the development of such exports. Moreover, in view of the complexities of factors influencing the location of an industry, it is felt that the matter is best dealt with on a case by case basis.

3.30 The Committee hope that the Working Group 'J' set up by Government for export production planning on small industries' products will in particular plan the production of selected labour intensive small industries and encourage the manufacturers of such items in the country.

B. Raw Material Constraints

3.31 It has been represented to the Committee that one of the biggest difficulties which the exporters are facing today is the shortage of raw materials particularly steel which is basic to all industries. It has been stated on behalf of a leading Commercial Organisation that steel shortage has not come suddenly, it has been accentuating over the last few years and Government are themselves now feeling that they should have anticipated this situation 3-4 years ago. The Steel shortage has arisen largely because the Public Sector Steel Corporations have not been able to perform as well, as they should have done.

(i) *Canalisation*

3.32 It has been represented to the Committee that despite a lot of criticism about "the shortage of various raw materials, such as iron and steel items, non-ferrous metals, calcium carbide, graphite, argon gas, etc., the potential in the 1970's to transform the Indian economy into a decade of surpluses is likely to be still born. The raw materials position is worsening and, in spite of release of foreign exchange for imports, there are delays in the issue of licences, allocation of credit, and finally obtaining quotations and deliveries. This crisis has been further compounded by canalisation of raw materials imports on a much wider scale with effect from the current year. There was delay in announcement of the agencies authorised to canalise and there will be even greater delays in allocating the necessary credit to these agencies and there will be even greater delays in the import of items with complex specifications and non-standard qualities. All this will further aggravate the raw materials shortages within the country."

3.33 The Ministry of Foreign Trade have stated that :

1. "There are certain difficulties faced by canalising agencies in the initial stages when the import of an item is canalised. The canalising agencies have to obtain foreign exchange allocation, collect requirements of the industry in respect of various types of specifications of the items canalised, locate sources of supply and set up channels for distribution, and such difficulties are not uncommon to any new line of business.

2. In order that export production should not suffer in the transitional period because of these difficulties, a decision has been taken to allow exporters to make imports direct against their import replenishments on letters of authority issued to them in respect of licences issued in favour of the canalising agencies. This facility will, of course, be confined to a few items in which it is found necessary."

3. "In order to cut down procedural delays, the Ministry of Foreign Trade have set up a Committee to review the working of public sector agencies in regard to procurement, pricing, distribution of imported materials and other matters pertaining to canalisation. The Committee meets as often as necessary. Accordingly, arrangements for import of canalised items have been substantially speeded up. For the year 1971-72 for which the import policy was announced on the 30th April, 1971, Government have already allocated foreign exchange of the order of about Rs. 248.28 crores to the canalising agencies for bulk imports of canalised items."

3.34 It has further been stated by the Ministry that the raw materials imported by the State Agencies are supplied to various industries to the extent of their requirements of such imported materials. The requirements of priority industries are met on the basis of consumption in a given period. For non-priority industries release orders are issued on repeat basis, *i.e.* on the basis of the licence or release orders obtained by them in the earlier period. In respect of certain items, release of raw materials is made to priority as well as non-priority industries on the basis of recommendations of the concerned sponsoring authorities.

3.35 The imports of raw materials are programmed in consultation with the Advisory Committee of the representatives of the industry consuming the raw materials and Ministries/Departments of the Government concerned and distribution is arranged in accordance with the requirements of each industry.

3.36 It has been stated that in respect of canalised items, the State Agencies work very closely with the industry. These agencies have set up Advisory Panels and consultative committees with whom regular formalised consultations are held and supplies organised.

3.37 In respects of highly specialised items canalised through the Corporations, these agencies endeavour to arrange letters of authority to operate import licences granted in their favour to obviate possible dislocations in the supply of raw materials.

3.38 The Committee have been informed that the State Agencies have developed expertise and are arranging purchases at competitive prices in world markets and distributing these raw materials at fair prices to the actual users.

3.39 In a written note the Ministry of Foreign Trade have stated that there are occasional complaints of delay in supply of raw materials, but immediate steps are taken to import the raw materials in order to obviate possibilities of dislocation or decline in production programme of any industrial units.

(ii) Open General Licence

3.40 As regards the introduction of a restricted open General Licences System for imports of raw materials so as to maintain the pipeline of supplies to industry from abroad and simultaneously to destroy open market operations the Ministry of Foreign Trade have stated that it would not be feasible to allow import of raw materials to actual users under Open General Licence even on a limited scale. When an item is placed on Open General Licence, the importers are not required to approach the licensing authorities for import licences and they are allowed to import the goods without licensing formalities. Such a step will have an adverse effect on the development of indigenous industry as it may lead to excessive import of goods available in the country. Moreover, when import licences are issued to actual users and registered exporters, the licensing/Sponsoring authorities have not only to scrutinise the items sought to be imported but they have also to determine the eligibility of the applicant to the import and also calculate his entitlements based on his past production or exports or consumption, as the case may be. This type of check cannot be exercised when an item is allowed to be imported under Open General Licence. The Open General Licence may, therefore, amount to distortion of import policy which Government framed having regard to the foreign exchange resources, domestic production, domestic demand and the need for promotion of exports as well as development of industry.

3.41 Imports of raw materials are allowed under Open General Licence even at present but these are the items in respect of which the imported material is required to the extent it can be imported as it would help in tiding over the shortage in the country and exports of finished goods. These items are the following:

Sl. No.	Parts of the ITC Schdule	Description of goods
1	2	3
43	IV	Wattle extract.
44	IV	Wattle bark.
45	IV	Bark for tanning excluding wattle bark.
143(c)	IV	Pickled hides, skins, pelts, splits and parts thereof.
144(a)	IV . .	Hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon.
6	V . .	Quebracho extract, Chestnut extract and Modified Eucalyptus extract (Myrtan).

3.42 The Committee note that the raw materials position is worsening and in spite of release of foreign exchange for imports there are delays in the issue of licences, allocation of credit and obtaining quotations and deliveries. It has been represented to the Committee that this crisis has been further compounded by canalisation of imports of raw materials on a much wider scale and that there was delay in announcement of the agencies authorised to canalise.

3.43 The Committee note that there are a number of difficulties faced by canalising agencies in the initial stages when the import of an item is canalised. The canalising agencies have to obtain foreign exchange allocation, collect requirements of the industry in respect of various types of specifications of the items canalised, locate sources of supplies and set up channels for distribution.

3.44 The Committee hope that there will be no delays in allocating the necessary credit to these agencies. There is bound to be some delay in the import of items with complex specifications or of non-standard quality which may accentuate the raw materials shortages for the industry. The Committee suggest that in order that export production does not suffer in the transitional period because of these difficulties, exporters may be allowed to make imports direct for the duration of transitional period against therir import entitlement.

3.45 The Committee are glad that the Ministry of Foreign Trade have set up a Committee to review the working of public sector agencies in regard to procurement, pricing, distribution of imported materials and other materials pertaining to canalisation. They hope that this Committee will meet often, continuously review the position and submit reports to the Government regularly regarding the improvements to be made in procurement of raw materials and its distribution to the users.

(*iii*) *Steel for exports*

(*a*) *Demand and supply*

3.46 The Engineering Export Promotion Council, Calcutta had estimated the requirements of steel for export fabrication during 1968-69 and 1969-70 as under:

Category of Steel	Tonnage (Planned) for 1968-69	Tonnage (Planned) for 1969-70
1	2	3
Rounds	8766	24870
Flats	403	1670
Angles	11800	31298
Channels	460	5978
Billets	11180	32758
Pig Iron	18028	25036
BP/CR Sheets and Coils	19866	20250
HR Coils	66568	60768
GP/GC Sheets	88	219
Skelp	37	100
MS Plates	8532	15976

3.47 Steel requirements for export production during 1970-71 have been estimated by the Engineering Export Promotion Council as under:

1	2
	Metric Tonnes
Pig Iron	1,12,000
MS Billets	40,000
MS Wire Rods	25,000
MS Bars and Rods in Straight	42,500
Hot rolled strips and Skelp	1,40,000
MS Structurals	1,00,000
MS Plates	45,000
HR/CR Sheets	45,000
Tool alloy and special steel, High Carbon Wire Rods	17,000
Requirements of other categories	13,400

3.48 Asked to state the targets actually laid down by Government for procurement of such steel from indigenous sources during this period, it was stated by the Ministry of Foreign Trade:

> "It is the endeavourof the Government to maximise production of different categories of steel indigenously and no separate target was laid down for procurement of steel from indigenous sources for export fabrication, as Government have to take an overall picture of the steel requirements for different sectors in the industry."

3.49 According to the Council's figures the quantities actually made available for export production during 1968-69, 1969-70 and 1970-71 are given below:

Items	Tonnage supplied		
	1968-69	1969-70	1970-71
1	2	3	4
Rounds	6100	13090	10380
Flats	44	325	409
Angles	5513	15190	11993
Channels	92	3033	13088
Billets	6577	19401	22665
Pig Iron	4790	24658	12468
BP/CR Sheets and Coils	7460	18228	61173
HR Coils	25522	66154	
GP/GC Sheets	439	302	128
Skelp	16	55	49939
MS Plates	4238	7675	2424

3.50 It has been stated that due to recession there was not much difficulty in Steel Supply except for certain categories like flat products during 1967-68 and 1968-69.

3.51 Overall steel requirements for the next 3 years to achieve the export target according to the Engineering Export Promotion Council will be 646,500 metric tonnes in 1971-72, 784,750 metric tonnes in 1972-73 and 930,250 metric tonnes in 1973-74.

3.52 The Ministry of Foreign Trade have admitted that there would be a substantial gap between the production and demand steel during the next few years.

3.53 The Committee wanted to know if the steel shortage was likely to persist particularly in view of the world steel shortage and whether Government had drawn up a well defined production and import policy for steel to meet the requirements of exporting industries during the next 5-10 years. The Secretary of the Ministry of Foreign Trade stated that:

"There are 3 aspects; one is the problem of internal production by HSL, TISCO, Indian Iron and Steel Co., and there all facilities needed for balancing equipment, procurement of essential spares etc. are taken care of so that they can increase production. Some problems regarding industrial relations at Durgapur and Rourkela which have arisen are being tackled. Electric furnaces are to be set up in several places to produce steel from scrap, which is also expected to increase steel availability in future. Liberalised import policy has also been adopted. Last year a pulblic notice was issued under which half the requirements in a particular year of total quantity used by them were to be allowed to be imported freely or in the alternative 100% of requirements for steel for export purpose would be allowed freely to be imported. These are some of the steps taken. We have asked HSL and MMTC to obtain more steel in bulk and distribute to those who need it. These are some of the steps taken to meet future requirements, both for domestic production as well as exports."

3.54 Apart from expediting the commissioning of Bokaro stage I, steps are being taken as a long term measure, to expedite the expansion of Bokaro to 4 million tonnes, expansion of Bhilai to 4 million tonnes, the expansion of Alloy Steel Plant to 3 lakh tonnes and to set up plants at Vizag, Salem and Hospet.

3.55 Asked whether production of steel in public sector plants was to the tune of 30 or 40 per cent of their rated capacity, the representative of the Ministry of Foreign Trade admitted that the production was much below the capacity. He stated that the causes leading to loss in production were being identified and efforts were being made to meet the requirements to the extent possible. He, however, expressed the hope that it may be possible to improve the situation. The representative of the Ministry felt that an import policy designed to meet the entire shortfall in domestic production would not be justified. The representative informed the Committee that a Committee under the Chairmanship of the Chief Controller of Imports and Exports had been set up to see that demands for exports and imports are met. It was not possible to allow free import because of limitations of foreign exchange but within the foreign exchange availability efforts were being made to meet the requirements in full in consultation with Engineering Export Promotion council.

3.56 The representative of the Ministry of Steel and Mines admitted during evidence that public sector steel plants particularly Durgapur and Rourkela had not functioned as well as they would have on account of a series of labour troubles in Durgapur and to some extent in Burnpur. Rourkela had an accident. Steps were being taken to normalise production there, by December, 1971. Bhilai was doing well. In the past they could not achieve higher capacities because they were facing major technological difficulties regarding the quality of refractories etc. Steps had now been taken to improve the quality from domestic production and also to import essential refractories in order to step up production. This year Bhilai was expected to do much better.

3.57 Asked in case all the public sector steel plants produced to their full capacity whether there would still be shortage of steel in the country, the representative of the Ministry of Foreign Trade replied in the affirmative. The representative of the Ministry of Steel, however, stated as follows:

> "If all the five steel plants would have produced according to their rated capacity, the overall shortage would not have been there but there would certainly have been certain shortages in individual sections and certain surpluses in others. But the net result would have been about balanced because the rated capacity is 6.7 million tonnes of saleable steel and our estimates of demand in 1971-72 are placed at 6.5 or 6.7 million tonnes."

3.58 It has been stated that Government has also liberalised the import policy for those categories of steel that are in short supply. Apart from this in 1970-71, a special Import Policy was announced. Among other provisions, this enabled export engineering fabricators with firm orders for exports to import all categories of mild steel required by them to fulfil those export orders, even if the categories were normally banned for import.

3.59 The representative of the Ministry of Steel informed the Committee during evidence that licences for import of steel worth Rs. 200 crores had been issued in 1970-71. Out of this some might have come in 1970-71 but the bulk of it which will be over a million tonnes should come in 1971-72. In addition liberal licensing was still continuing. Certain orders for replenishment had been placed. Delivery of this steel was also expected to take place before March, 1972.

3.60 The Committee wanted to know if the import of this Rs. 200 crores worth of steel would meet the requirements when the engineering industries worked to their full capacity and not 40 to 60 per cent of their capacity, as at present. The representative of the Ministry of Foreign Trade stated as under:

> "No Sir, I had explained earlier that it is not possible, considering the trends, particularly shortage of foreign exchange. We are exploring the possibility of having alternative material to be used or substituted in the place of steel. We are also trying to have a system of priority so that the high priority requirements of steel are met to the full extent as far as possible, while the lower categories will have

to be deprived of some steel. Of course, if we could really import the entire requirements, all the industries would run to full capacity. I would submit that there is undoubtedly shortage of steel and that the industries are suffering to that extent because of the shortage of steel. But my main problem is to take care of exports."

3.61 The representative of the Ministry of Steel informed the Committee that the shortage of 1 m. of 1.5 m. tonnes of steel was estimated as at present. The production of both the main steel plants had been taken into account while arriving at this estimate. The anticipated increase in demand for steel was stated to be of the order of about 0.6 to 0.7 million tonnes every year. This would cover the production of new industries that are coming in. The study undertaking by the National Council of Applied Economic Research had taken into account the present production capacity and the possible production of the industrial sectors five and ten years ahead.

3.62 The Committee note that there has been a substantial gap between the demand and supply of steel during 1968-69, 1969-70 and 1970-71 for export fabrication. The gap has been continuously on the increase. The Committee also note that the production of steel within the country has not kept pace with the requirements particularly for exports and that the causes leading to low production of steel are being identified and efforts made to meet the export requirements in full.

3.63 The Committee are concerned over the situation prevailing on the production side leading to huge amounts of foreign exchange being spent on import of this essential raw material. This is particularly disappointing as it appears that the requirements and supply would be nearly balanced if the existing plants had been able to achieve the rated capacity.

3.64 Since the Committee are examining in detail the problem of Iron and Steel in a separate Report it will suffice to say here that apart from achieving a rated capacity in steel plants as early as possible and taking all possible measures to increase the production of iron and steel, the Committee suggest that Government should draw up a well defined production and import plan to meet in full the requirements of exporters during the next ten to fifteen years.

3.65 The Committee note that licences for import of steel worth Rs. 200 crores had been issued in 1970-71 out of which some had come in 1970-71 and the remaining are coming in 1971-72. Since, however, the import of steel worth Rs. 200 crores is not going to meet the entire requirements of the engineering industries if worked to their full capacity, the Committee feel that all possible avenues should be explored to enhance the production of iron and steel indigenously and that Government should import more steel as required to bridge the gap between actual requirements and indigenous production.

(b) Time lag in supply of Steel

3.66 It has been represented to the Committee that in accordance with the present time-table presented for allocation of priorities, at least six months time was required from the date of indenting to the actual receipt of the raw materials. Keeping in view the competitive conditions abroad

it might not be possible for the exporters to quote deliveries extending beyond six months period in all cases. The representative of the Ministry of Steel stated thus :

"It is true that from the time a party places an order on a steel plant to the actual supply of steel to that party, about six months, time does elapse. This is true largely because of the technological considerations in the steel plants. They have to prepare rolling programmes well ahead so that we use their rolls with the maximum economy of production scales. It is because of this that a party's order cannot immediately be taken up by a plant for rolling and despatch whenever it is placed. It has to figure in a plant production programme which the plants, prepare every quarter, from quarter to quarter.

Now, the particular difficulty of parties who wish to quote abroad can partly be met to a limited extent by having a reasonable quantum of inventories from which they can meet immediate supplies while the rest of the indented supplies come in. Also, the Industrial Raw Materials Assistance Centre and to some extent we ourselves are thinking in terms, of the HSL also working a system of having some material imported in advance which exporting units particularly could take more or less off the shelf. There are some difficulties in that; they are partly financial in the sense that any importer would prefer to take materials on the high seas where he escapes the incidence of sales-tax and that is why these schemes will have to be given careful consideration before they can really have any major practical effect.

But knowing the extent to which priorities are given and knowing the extent to which there is a frequent exchange of information and views between the Engineering Export Promotion Council and the Joint Plant Committee, it should be possible for the exporter to plan his exports with some degree of reasonable certainty."

3.67 The representative of the Ministry of Steel and Mines stated that in view of practical difficulties it was not possible to reduce the time lag below six months. The two essential pre-requisites were: sufficient supply of steel in the country so as to make steel available more or less off the shelf or excess capacity in the steel plants over the demand so that large orders could straightaway be given to them to include it in their production programme. Both these pre-requisites were absent.

3.68 The representative of the Ministry of Steel has suggested instead that the agencies planning to secure orders from domestic producers as well as outside should carry a reasonable level of inventories in order to meet any emergency order which they have to fabricate and supply.

3.69 The Committee note that at least six months time is required from the date of indenting to the actual receipt of steel largely because of technological considerations in the steel plants and that it is not possible to reduce the time lag unless sufficient supply of steel is made available in the country. The Committee also note that Government are considering a proposal of

importing some material even in advance through Industrial Raw Materials Assistance Centre and partly through HSL so as to make it available more or less off the shelf.

3.70 The Committee are in favour of trying such a system and are hopeful that this system will go a long way in reducing the time lag and to that extent remove an impediment to export efforts.

3.71 The Committee note from Government's reply that importers prefer to receive materials on the high seas for thereby they escape the incidence of sales tax. The Committee have no doubt that the Government would consider all these aspects so that the raw materials are made available off the shelf or through the Industrial Raw Materials Assistance Centre at prices which do not carry a heavier burden of sales and other taxes than are at present paid by the exporters.

(*c*) *Multiplicity of Agencies*

3.72 It was pointed out that a number of agencies such as the HSL, the MMTC and the STC were involved in the same work and the people had to run from one body to another. Asked if it would help entrusting this job of import of raw materials to only one organisation the representative of the Ministry of Foreign Trade stated during evidence that the question of entrusting it to one single agency was considered carefully. There were only two agencies now *viz.*, HSL, MMTC and STC had now gone out of picture. It was felt that there were certain advantages in having two agencies. The work had been divided between the two, without any over-lapping or duplication.

3.73 Asked why MMTC was not considered capable of handling the job alone, the representative stated:

"On the whole, the MMTC's performance in this respect has been exceedingly good, but it was felt that, firstly, the load on them may be rather heavy and secondly, there were certain categories for which —because Hindustan Steel was manufacturing this also and Hindustan Steel as producers had an idea of the total production requirements in the country—Hindustan Steel may be able to coordinate the programme of import with that of production so that it would be possible to ensure these particular categories are made available for use by the domestic consumers."

3.74 The representative of the Ministry further stated:

"We would certainly give utmost consideration. But, as I explained before, the matter was very seriously considered and there were two points of view. One was that the MMTC as a trading organisation was better equipped to deal with all imports. The other view was that the HSL as a producer organisation which knew about the needs of the country and also about its production, would be in a better position to co-ordinate. So a compromise was reached. It is quite possible to take the view that a production organisation should concentrate on production and a trading organisation, on trade. We shall consider the matter again."

3.75 The Committee note that import of iron and steel has recently been divided between the two agencies *viz.*, HSL and MMTC with a view to reduce load on the MMTC and with the idea that HSL would be in a position to co-ordinate the programme of production with that of import. The Committee feel that the MMTC as a trading organisation is better equipped to deal with imports and that if the job is given to a single organisation it will minimise the number of organisations whom the exporters would be required to approach. At the same time it will relieve the HSL from the additional burden of trading functions and will enable them to concentrate on production programmes. The Committee would, therefore, suggest that the whole matter may be reviewed early.

(*d*) *Consultation Machinery*

3.76 Exports to developed countries on sustained basis is possible only if the deliveries are strictly adhered to. Exports of Engineering goods from India are being made increasingly against large value contracts. Exporters are not able to enter into commitments for supply of equipment against large value contracts unless some sort of commitment is available from the authorities about the availability of steel in the required quality and quantity within the delivery period stipulated in the contracts. The Engineering Export Promotion Council, has, on this ground, represented that there is an immediate need for evolving suitable consultation machinery which could discuss the requirements of steel against such large value contracts so that a definite assurance is available to the exporters about the availability of the required raw material. It has been stated that the Council had adopted this system to get an idea about the availability of steel from indigenous sources in respect of the wagon orders received recently from Yugoslavia.

3.77 Asked if there was a proposal for having a suitable machinery to ensure that a definite assurance could be given to exporters about the availability of required raw material in time, the Secretary, Ministry of Foreign Trade stated that for this purpose Government was thinking of authorising the Industrial Raw Materials Assistance Centre to underwrite the supply of the raw materails and to come to the assistance of those people who had entered into long term or large amount contracts so that it became the responsibility of Industrial Raw Materials Assistance Centre to ensure that the supplies required by exporters were made available whether from indigenous source or by import.

3.78 The Secretary, Ministry of Foreign Trade informed the Committee that the problem of delays resulting from consultations with authorities on availability of Steel had now been more or less settled. There was another aspect of the matter *viz.*, price. The exporters wanted indigenous steel which was cheaper. It was not always possible to supply it from indigenous sources. This was discussed at a higher level meeting and it was decided to import to the extent of shortfall. The initial reluctance on the part of contractors to import was now being overcome. The hard facts were now being faced and the imported steel taken up.

3.79 Explaining the existing arrangements for consultations on steel requirements the representative of the Ministry of Steel stated:—

"In the Steel Priority Committee poceedings we have a series of meetings which the J.P.C. organised with the representatives of the Plants as well as of the various authorities interested in different sectors. Representatives of the Engineering Export Promotion Council are invited, and they participate in full and complete discussion with the officers of J.P.C. as well as all the Steel Plants representatives regarding the proposed production programme for the coming quarter so that in case any particular sector or category in which they are interested is not proposed for rolling, they can try to persuade the Plants to include that section. This has been done on occasions and also in regard to the allocation of steel, they can fully bring forward their point of view to the J.P.C. officers and the Steel Controller so that their requirements and the urgency and the importance of it are given the fullest consideration."

3.80 In reply to the specific question whether it was proposed to set up a consultation machinery the witness stated:—

"As far as the consultation machinery is concerned, all the importing agencies particularly the H.S.L. and the M.M.T.C. are in touch with the industries and with the organisation of the people who need steel or other raw materials, and I believe they have also a number of organisations with whom they consult periodically. Then, they have other consultations which are not at fixed intervals or with fixed organisations. The consumers of those articles also meet them frequently. So, the process of consultation is partly done by the agencies which are required to import those particular categories of steel, let us say, the HSL and the MMTC in this particular instance, and they have their own organisation and their own system of consultation with the consumer."

3.81 The Committee note that Government propose to authorise the Industrial Raw Materials Assistance Centre to under-write the supply of raw materials and assist the industry where long term and large value contracts have been entered into. The Committee hope that this arrangement will meet the requirements of the industry in this regard and obviate the necessity of a separate consultation machinery for this purpose.

(*e*) *Export of Steel*

3.82 It has been represented that "The steel plants were put up in India primarily for the supply of basic raw material to engineering industry not only for the national development programmes but also for earning foreign exchange by exporting engineering items which have large unit value. The steel is a basic raw material and, therefore, there is no point in exporting prime steel and importing the same to meet the requirements of engineering industries. In fact the import of steel is an expensive proposition and roughly export of 100 tonnes of prime steel would hardly generate the foreign exchange to import 60 to 80 tonnes of steel. The revenue per

tonne on export of prime steel is naturally less than the revenue per tonne on export of engineering goods."

3.83 The representative of the Ministry of Steel stated during evidence that certain quantities of steel were being exported particularly to neighbouring countries. The Committee enquired as to why steel was being exported to neighbouring countries when there was a shortage of steel in the country. The Secretary, Ministry of Foreign Trade stated as follows:—

> "We have to weigh and balance the different considerations. Even though there is shortage, we have over a period of years won and entered certain markets. In future, when we are in surplus, we can easily operate in those countries which we cannot do if we get out now and other people have got in there, Having entered those markets, it is desirable for us to stay for the future if we can do so without paying too heavy a price. We cannot continue to afford to export steel at the rate at which we have done in the past when we have surplus steel, but should we not keep our relations alive by making at least some small supplies available to them. Otherwise we shall be driven out of them. It is possible to argue that the advantage is less than the disadvantage and the price very high."

3.84 Asked to what extent the indigenous industry was being deprived by this the representative of the Ministry stated that the export of steel was getting progressively reduced. Government was sticking to only old contracts. In some categories such as rail and heavy structurals there was some extra capacity and it was, therefore, possible to continue such exports. Small token quantities of billets which were being imported and where some problem was expected were being exported to neighbouring countries. Similarly, some bars and rods were being exported to some developing countries such as Middle East and South East Asia although small imports of the same were being made.

3.85 The Committee have been informed that only mild steel is being exported. Special and alloy steel is not included in this.

3.86 The Committee note that export of various types of steel was encouraged and built up during the years of recession when the availability of steel was clearly surplus and domestic industries and export engineering industries were in no position to absorb the entire production. As the requirements for steel of domestic industries have developed and almost all categories of steel have become scares in the country the Committee suggest measures should be taken to regulate the export of steel and to confine it only to cases where commitments have already been entered into or export of a small quantity is clearly in the interest of maintaining our relations with foreign countries.

3.87 Ever since the Fourth Plan we have been experiencing acute shortage of iron and steel and this position is bound to continue for some years. It is, therefore, of the utmost importance that export target for iron and steel are drawn up on realistic basis after fully taking into account the internal requirements. Government should indentify the products which are clearly surplus and are of high exporting value which it would be in the long term interest of the country to export.

(iv) *Cotton and Jute*

3.88 Amongst the important agricultural raw materials from the point of view of export production are cotton and raw jute. Constraints in respect of these two commodities have been discussed in Chapter V.

(v) *Availability of Raw Materials at International Prices*

3.89 In their study on 'Export Strategy' the National Council of Applied Economic Research has recommended that "All the major raw materials used in manufactured goods, engineering, chemical and other export products should be made available to the exporters at international prices and on top-priority. This is the single vital export assistance measure which would produce miraculous results. Disequilibrium in basic raw materials costs is the severest handicap from which our export products suffer. That must be set right by supply of all major raw materials off the shelf at international prices either from indigenous sources or by permitting such imports promptly on an automatic basis."

3.90 It has also been laid down in the Export Policy Resolution that every effort will be made by Government to ensure that indigenous industrial raw materials required for export production are made available in right quality and quantity, and at fair prices.

3.91 It has been stated by the Ministry of Foreign Trade that the following schemes are at present in force to facilitate availability of essential raw materials:—

(i) In the engineering industry steel is the most important raw material required for production. Presently two schemes are under operation for the supply of iron and steel to engineering exporters at international price *viz.* 'Joint Plant Committee Scheme' and 'Engineering Export Promotion Council Scheme'. The former is intended for supply of indigenous iron and steel and the latter for supply of imported steel from 'off-the-shelf' for execution of outstanding export orders. Under both these schemes indigenous as well as the imported steel is supplied to the manufacturers of engineering goods at international price or the Joint Plant Committee price (this is announced from time to time by JPC) whichever is lower. This is an intra-industry arrangement without any expenditure from Government funds.

(ii) The Plastic and Linoleum Export Promotion Council, Bombay has introduced a scheme which has been approved by Government for supply of plastics raw materials by indigenous manufactures at international prices to exporters of plastics goods under the import policy for Registered Exporters. This is essentially for export production and covers eight items *viz.*, the following:—

1. Polyethlene, low density and high density.
2. P.V.C. Resins.
3. Rolystyrene.
4. P.V.C. Sheetings.

5. P.V.C. Leather Cloth and foam leather cloth.
6. Phenol formaldehyde moulding powder.
7. Polyurethane foam.
8. Nylon zip fasterners.

The scheme contemplates release of materials at international prices as decided periodically by a Committee, by individual manufacturers to the extent they are nominated under the Registered Exporters' Policy. The manufacturer so nominated may utilise his nomination for either import of materials permissible to such a nominated manufacturer under the Registered Exporters Policy or adjustment against the export obligation imposed on him under a C.G. licence.

(iii) Arrangements have also been made for supply of sugar at 'levy' prices to various sugar-based processed food items as also for exalic acid.

(iv) In view of the inadequate availability of indigenous steel in the country, it has been decided to allow additional import licences to the actual users for import of certain steel items during April 70-March, 71. Actual users both in the large and small scale sectors including D.G.T.D. units who have consumed specified items during 1969-70 whether of imported or indigenous origin, are allowed to apply for additional import licences for such items consumed by them, to the extent of 50 per cent of their total consumption of the specified items of steel during 1969-70. In the case of electrical steel sheets and high carbon wire rods parties who actually consumed stampings or wires/wire-products made from these two, are also considered for being permitted to import the permissible sheets or wire rods as the case may be. These schemes have been started recently and all attempts are being made to issue the required licences as expeditiously as possible.

3.92 It has been stated by the Ministry of Foreign Trade that a number of complaints have been received by the Government about the inadequacy of supply of indigenous raw materials at international prices. Since there is no price control over most of the raw materials produced in the country it is difficult to ensure that supplies to manufacturers will be made at international prices. This factor alongwith others, is taken into consideration in fixing the levels of compensatory support, against export of industrial products. The export promotion councils are also being asked to bring forward schemes on the lines of the one at (ii) above.

3.93 Asked to state the criteria followed in fixing the levels of compensatory support against export of industrial products and if the losses of exporters on account of higher price paid for raw materials as compared to international price are fully covered the Ministry of Foreign Trade have explained that the object of the scheme of cash compensatory support is to enable our exporters to quote competitive prices to their foreign buyers. The quantum of such support is fixed after taking into account the various elements in the cost of production

of an export item and of these the price at which raw materials are available to the manufacturer is a very important element. As the cash compensatory support is intended to fill the gap between the cost of production of an item and the f.o.b. realisation against its export, it takes care of the disadvantage of higher prices of indigenous material which the manufacturer has to bear.

3.94 The Committee note that Government have brought into force a few schemes for making essential raw materials available to the industries. They are, however, unhappy to note that inspite of the fact that several schemes have been brought into force for this purpose, Government are still receiving number of complaints about the inadequacy of supplies of indigenous raw materials at international prices.

3.95 Since there is no price control over most of the raw materials produced in the country it is difficult for Government to ensure that supplies to manufacturers are made at international prices. The Committee have been informed that this factor along with others is taken into consideration in fixing the level of compensatory support against export of industrial products.

3.96 The Committee are of the view that the raw materials and other goods should be made available to the exporters at international prices and on top-priority basis, as the exporters have to compete with the suppliers all over the world. The Committee therefore, recommend that all major raw materials should be supplied off the shelf at international prices either from indigenous sources or by licencing timely imports.

(*vi*) *Import of Copper and Non-Ferrous Metals*

3.97 It has been represented that supply of raw materials such as copper and non-ferrous metals, which are being imported through M.M.T.C. resulting in increase in landed cost by 5% to 7% over the price that would otherwise be available if the copper would be imported directly by the importer.

3.98 In this connection, the Ministry of Foreign Trade have stated as follows:—

"The import of non-ferrous metals like Zinc, Lead and Aluminium has been fully canalised through M.M.T.C. during the current year (1971-72). The import of copper, tin and nickel is canalised through M.M.T.C. to meet the requirements of industries in the non-priority sector.

M.M.T.C. has been invariably following the procedure of making purchases of non-ferrous metals against free foreign exchange by floating global tenders. The purchases are, therefore, made on the most competitive prices with reference to the prevailing international prices.

The purchases are not made on a single day's price basis but on the basis of the average of L.M.E. prices for the month prior to the contractual month of shipment. Thus, fluctuations in prices are evened out.

During the year 1970-71 and during the current year, the purchases of bulk quantity of copper have been made at the producer's price (currently at par with the L.M.E. prices) c.i.f. Indian ports. Only some small quantities have been purchased on a nominal premium of about £3 per M/T over the L.M.E. average. During this year, we have entered into a long term contract for the procurement of copper with the Zambian producers for supplies at the rate of 1500 tonnes per month commencing from July, 1971 at the producer's price without any premium c.i.f. Indian ports This is a price at which perhaps no importer would have been directly able to procure. Apart from this, to meet our balance requirements of copper we have been making purchases by floating global tenders from month to month and bulk of these purchases have also been made only at producer's price without premium; only some small quantities have been purchased so far at premium not exceeding £3 over the L.M.E.

Similarly, the purchases of other metals have also been made from time to time at the most competitive prices in the context of the international market. For instance, when the producer's price of Zinc was increased in June, 1971 from £127.95 to £150 we had succeeded to cover a sizeable quantity at the old producer's price of £127 95 even though the producer's price has been increased to £150 an d even subsequently all purchases so far have been below the ne w producer's price.

It is also further mentioned that during the year 1970-71 average purchase price for copper worked out to £489.66 per tonne C.I.F. as against the international yearly average L.M.E. price being £525.12 per M/T. It will, therefore, be seen that M.M.T.C. has not only been making purchases at the most competitive price but also at a time when prices happen to be low.

In view of the position explained above, it is not correct to say that the increase in landed cost on account of imports through M.M.T.C. has been by 5% to 7% over the price that otherwise would be available when the copper is directly imported by the importer. The 5% to 7% difference over the landed cost of M.M.T.C. can be due to the margins of 2% allowed for R.E.P. units and 3½% allowed for other actual users and the sale tax of 3% which the units have to pay for taking ex-godown deliveries from MMTC (which the importers save, if the import is made directly).

3.99 During evidence the representative of the Ministry of Foreign Trade stated:—

"We are actually charging only a margin of 2 per cent on the landed cost for exporters. The reason why they feel it is 5 to 7 per cent can be broadly classified into three compartments. Firstly, the price of copper, nickel and lead has been falling continuously for the last one year. So, when they actually compare the price at which we sell to them in a particular quarter, they compare the price which is prevalent in the world market in that quarter. If they had imported it directly, they would have really placed the order 3 months

before just as we have done and they would have paid higher price. They forget this when they make this comparison.

The second reason is that we are given a packet of foreign exchange consisting of free foreign exchange, rupee and tied credit and we buy from different sources according to the availability of foreign exchange and then we pool the price. We treat all the customers in a uniform manner so far as price is concerned.

Thirdly, they ignore the fact that if they had imported and built up an inventory for their production, they would have kept it in store for 3 to 6 or 9 months and they would have paid interest to the bank and incurred the godown charges. These charges are borne by us and these work upto 1 to 1½ per cent in our case also. They would have spent this which is being spent by the canalising agency.

Even then we feel that for registered exporters and manufacturing exporters we can do much more and some schemes are pending before the Government to give them even better prices that we are giving at present. We expect that a decision will be taken very shortly.

Further, when they talk of prices, they speak of the London Metal Exchange notified prices. Whether they are buying at that price or not is a matter of doubt. I have consulted many individual exporters. I have seen the prices at which they buy. I can assure you that nobody is buying at the notified price in the London Metal Exchange. They have to pay a premium depending upon the source of supply and the difference in freight charges whereas the M.M.T.C. in most cases buys at the notified price without paying any freight differential. Even from the rupee payment countries we are paying a very small premium over the notified price without paying any freight differential. Even from the rupee payment countries we are paying a very small premium over the notified price in the London Metal Exchange.

If these factors are taken into account, if the actual difference which an individual exporter pays is taken into account, you will find that this 5 to 7 per cent margin is not very correct. We have made an objective study in the matter of metal buying. If we buy every month a uniform quantity of metal and if the average price for the whole year is taken into consideration we find that our actual buying has been at a lower price which means we have bought when the prices were really lower. So, if you take all these things into consideration this statement of 5 to 7 per cent margin is not quite correct.

3.100 The Committee note that Government have recently entered into a long-term contract for the procurement of copper with the Zambian producers for supplies at the rate of 1500 tonnes per month commencing from July, 1971 at the producers' prices without any premium. The Committee have been assured that this is a price at which perhaps no importer would have been directly able to procure. An assurance has also been given to the Committee that

the purchases of other metals have also been made from time to time at the most competitive prices in the context of the international market.

3.101 The Committee note that prices of copper, nickel and lead have been falling continuously for the last one year and that the Ministry of Foreign Trade are actually charging only a margin of 2 per cent on the landed cost for export manufacturers.

3.102 The Committee hope that the purchases of copper and non-ferrous metals are made by M.M.T.C. at the most competitive prices and the most opportune time with reference to the prevailing international prices so that the industry may have no grievances that they have to purchase on a higher landed cost over the price at which they would have been able to purchase if they imported directly.

3.103 The Committee note that some schemes are pending before Government to make available materials to exporter and manufacturing exporters at even more competitive price than at present. The Committee desire that a decision in this regard may be taken expeditiously.

C. Import Substitution

3.104 Provisions have been made in the import policy for Registered Exporters in orderto allow imports for export production in respect of items which may be available from indigenous sources. These provisions are:—

(*i*) Import is allowed where the quantum of replenishment provided is inadequate to accommodate an essential raw material or component which is required to be imported on the ground that the quality of the indigenous substitute is not adequate, or its price is too high, to maintain the competitive strength of the export product, or the quantity of indigenous substitute is not adequate to meet the demand (Reference Paragraph II of Part 'B' of Section I of the Red Book, Volume II for 1971-72).

(*ii*) Imports are allowed for export production even in respect of items which are not normally permissible to actual users i.e. 'banned' items. The value limit upto which such items can be allowed to be imported is 5 per cent of the value of replenishment licence, provided that the value of a single item so allowed does not exceed Rs. 10,000/- and provided further that the item, in question is required in the manufacture of the exported product (Research Paragraph 40 of Part 'B' of Section I of the Red Book, Volume II for 1971-72), and

(*iii*) In the case of exporters, import of restricted items is allowed upto higher value limit as compared to actual users. Such items can be allowed to be imported by exporters upto 10 per cent of the face value of the licence or Rs. 40,000/- whichever is less (Reference Paragraph 40 of Part 'B' of Section I of the Red Book, Volume II for 1971-72).

3.105 The Ministry of Foreign Trade have expressed the view that while the existing policy makes ample provision for the safety of the export effort, consistent with the requirement of import substitution, it will not be accepted that the policy of import substitution has outlived usefulness. On the

contrary, Indian industry is insufficiently diversified and there are large areas of sophisticated technology where a great deal of effort in this direction is required. Mention may be made of electronics, materials technology and machine tool design. It is only by continuous emphasis on import substitution that progress in these areas can be achieved and this is vital for the country's industrial advancement.

3.106 It has also been stated that Control on imports only by tariff mechanism is not feasible. It would increase the landed cost of imported inputs and will consequently add to the cost of production. On the other hand. the desired objective may not be achieved as it is difficult to limit the total import of a particular commodity upto a specified quantity only by means of raising tariffs on items of which the import is intended to be controlled. Moreover. control on imports is not merely on account of indigenous availability; it may be due to foreign exchange considerations whereby imports are banned in respect of items which are not considered essential to the economy.

3.107 The Committee agree that import substitution has not outlived its usefulness for the country's industrial development, rather, the industry in the country is insufficiently diversified and there are areas of sophisticated technology where a great deal of effort in this direction is required. However, the Committee feel that import substitution should not be allowed to stand in the way of further technological improvements in fields such as bicycles, sewing machines and fans where a reasonable competitiveness has been achieved but where there has been little technical change for long. The Committee, therefore, suggest that efforts should continuously be made to ensure that qualities are improved by taking to newer technology.

D. Relationship with procurement and Trading Firms

3.108 The Export Policy Resolution envisages efforts for forging enduring relationship with procurement authorities and trading firms and organisations in various countries.

3.109 The Ministry of Foreign Trade have apprised the Committee of the following measures taken in this direction:

1. At a Government to Government level, the Government of India from time to time negotiates trade plans and arrangements which lay down the broad directions and commodities which would form part of bilateral trade.

2. In addition to the above, the S.T.C. maintains offices in various countries both in the free market economy countries and in the planned economy countries of Eastern Europe. These Offices are in constant touch with the various procurement authorities and trading firms in the areas of their operation. The S.T.C. also have special trading arrangements with a number of trading firms in Western Europe. The T.D.A. recently established regular arrangements with two major American Trading Houses. These firms viz. M/s. Macys and Sears-Reebuck of the U.S.A. get in touch with the T.D.A. and inform the T.D.A. about their requirements of Indian

products. The T.D.A. then arranges supplies through relevant Indian firms. In addition to the Directorate of Commercial Publicity regularly publicises details of various international tenders through its weekly "Indian Export Service Bulletin."

3. Over and above the efforts of the Government and semi-Government agencies, encouragement of Government is given to Study-cum-sales-Team of private businessmen to go out and investigate markets for their goods. Partial financial support is given to these teams through the Market Development Fund. Wherever available assistance is also given by Indian Missions and S.T.C. offices abroad. Some Export Promotion Councils and Commodity Boards also maintain offices in various countries and these provide their members with commercial contacts and information. Government directly or through the S.T.C. etc. also invite teams of foreign businessmen to visit India and see for themselves the extent of Indian Industrial Development.

3.110 The Committee notice that nothing significant has been done in forging enduring relationship with procurement authorities and trading firms and organisations in various countries as envisaged in the Export Policy Resolution 1970. They suggest that regular arrangements should be established with major trading houses as have been established by T.D.A. recently with M/s. Macys and Sears-Reebuck, two major trading firms of the U.S.A.

E. Packing and Packaging

3.111 The primary objective of packing and packaging is safe delivery of a product to the final consumer. Packaging has the additional functions of attracting consumers. Nearly all consumer products are packaged, or packed to contain them, protect them, and in many cases to help to sell them. The National Council of Applied Economic Research have in their study 'Export Strategy' observed that while packing and packaging get great attention by other exporters, it is perhaps the weakest link in India's export efforts. Perhaps the greatest difficulty is the absence of an adequate packing industry and suitable packing materials. Units of repute in the packing industry are few, and those that are, often lack the equipment for research and the materials for manufacturing right type of containers for different purposes.

3.112 It has also been represented to the Committee that adequate packaging materials of modern concept and of international standards is not available to the industry, e.g., importers in Germany and U.S.A. are averse to receiving goods packed in traditional wooden crates. They desire corrugated card board cartons which are not readily available and whatever is available is not of international standards and the price of comparable materials is high. The production is confined to one or two units.

3.113 As regards wooden packing material the Ministry of Foreign Trade have stated in a written note that where heavy machinery is concerned the use of wooden material is unavoidable. It is understood that wood is invariably treated so as to kill any inherent infestation they carry. In many

other instances corrugated/solid board containers are increasingly coming into use for export purposes.

3.114 According to the findings of a study team of the corrugated board industry which was sponsored by the Indian Institute of Packaging corrugated board which is essential not only for conserving industrial products as well as the meagre forest resources of the country, it is also the major packaging material which is used as a container for exports. It is economical and therefore, can contribute to the competitiveness of export products. The raw materials for corrugated board i.e., craft liner and fluting media are not indigenously manufactured but are allowed to be imported. They are being subjected to a high level of import duty at 100%. Inspite of the fact that they are not indigenously manufactured a counter-veiling duty of Rs. 600 per tonne is also imposed. This renders import of these essential raw material prohibitively costly. This creates a situation where import licences for the raw materials remain unutilised though actually required. It has further been observed by this study team that a very poor substitute for craft liner, namely craft paper from bamboo pulp is being produced in the country. Its price is disproportionately high considering its quality. Even on this material, excise duty of Rs. 420/- per tonne constituting 25% of the cost of material is being levied.

3.115 This team has recommended reviewing the duties on this material as also establishing of some paper mills to exclusively make craft liner for corrugated board and production of S.C. fluting media.

3.116 When the problem of non-availability of adequate packaging materials of modern concept was posed to the Secretary, Ministry of Foreign Trade, he stated that wherever any special packaging was required for a particular article provisions were made for replenishment through imports. For packing required for exports of razors, leather, sports goods, coir, ready-made garments provisions have been made for importing packing materials like kraft paper, ivory board, bristle board, leather art board, vegetable parchment paper, card -board etc. He was of the view that in view of these arrangements there was no problem. Regarding setting up of indigenous capacity, he stated that in many cases the quantity required was not really large enough to permit setting up of the capacity on economic basis. If the exports expanded and the requirements were large a viable unit would be set up in the country.

3.117 The Committee note that adequate packaging materials of modern international standards are not available to our industry. Corrugated cardboard cartons are not readily available and whatever is available is not of international standards and the price of substitute materials is high. The Committee further note that raw materials for corrugated Board i.e. kraft liner and fluting media are not indigenously manufactured and are subject to a high level of import duty at 100% and counterveiling duties and that this renders its import unprofitable and prohibitive. The Committee recommend that Government should review the duties on packaging materials used for exports. The Committee are of the view that it is high time that in the interest of competitiveness of Indian exports Government formulate a programme for production of packaging material at internationally

competitive rates within the country and do away with dependence on import of these essential materials.

F. Shipping for Exports

(i) *Identification of Problems*

3.118 It has been stated in the 'Export Strategy' that:—

"An important factor that influences the growth of exports from developing countries is the ability to assure a regular and timely supply at competitive prices. An efficient transport net-work would play a pivotal role in this context. For high transport costs could nullify the comparative advantage a country might otherwise enjoy. Of all the means of transport, shipping is crucial in international trade. Shipping is also important from the point of view of its contribution to 'invisible exports,."

3.119 The pattern, composition and direction of engineering goods export has undergone a significant change during the last one decade. Exports have substantially increased. From simple consumer goods attention has gradually turned to industrial plant and machinery, heavy transport equipment, heavy and light electrical goods, turnkey projects and many high added value sophisticated items. Directionwise also exports have started moving towards sophisticated countries.

3.120 It has been represented to the Committee that "it is rather unfortunate that our shipping and infrastructural facilities connected with shipping have not kept pace with /our ability to diversify and expand our engineering goods export. In the last five or six years *ad hoc* attempts have been made to solve the problems connected with shipping. Neither there has been an attempt to qualify and identify the problems nor an appreciation of the nature and magnitude of the problem".

3.121 Commenting on the above statement the Ministry of Foreign Trade have stated that the Indian Shipping companies are members of almost all the conference lines which generally cater to the liner cargo traffic of which the Engineering goods form a part. Share of Indian companies now is of the order of about 40 to 45 per cent. As on the 1st September, 1971 as many as 117 out of 190 Indian ships operating in overseas trade are catering to the liner traffic. Nearly half liner vessels are stated to have been added in the 1960, after the entry of engineering goods in the country's export efforts in a big way. These vessels are specially equipped to carry heavy lifts. It has been stated by the Ministry that although there are no specialised carriers as such for the carriage of fully assembled trucks, locomotives etc. in the Indian merchant fleet, the fleet can be said to be near modern, if not fully modern from the point of view of design, speed, deadweight cubic capacity, special stowage facilities etc.

3.122 It has further been stated by the Ministry of Foreign Trade in a note submitted to the Committee that problems connected with the shipping for exports have been receiving the attention of the Government

in one way or the other during the last two decades. The Government of India established in 1959 the Freight investigation Bureau (as part of Director General of Shipping, Bombay) a specialised agency for looking into complaints of shippers of traditional and non-traditional items relating to lack of adequate and timely shipping space as also existence of high, anomalous and discriminately freight rates hampering India's export efforts. In the course of a decade of its existence the Bureau has been able to render spot assistance to shippers in sorting out their problems through field offices located at Bombay, Calcutta, and Madras. It has also been instrumental in evolving a democratic consultation procedure which has come to be known as 'Discussion Formula' for sorting out shipping at freight rate problems at the commercial level and maintaining stability in freight rates for a minimum of 2 years period. It has been able to assist shippers in obtaining rate adjustements in more than 3,000 cases so far a fourth of which related to engineering goods. Plans for streamlining and strengthening this organisation to make it function more effectively are now under consideration of the Government.

3.123 At the request of the Government of India a study on 'Liner Shipping in India's Overseas Trade', was made by UNCTAD in 1965-66. This study, among other things, paid special attention to the problems of export of non-traditional items including engineering goods.

3.124 The above study was immediately followed by two studies by Indian Institute of Foreign Trade namely:—

"Difficulties in the shipment or Export cargo at the Bombay Port" . 1966

"Shipowners Problems at the Port of Bombay" 1968

3.125 In 1968 the Ministry of Foreign Trade commissioned a study with the assistance of U.S.A.I.D. on "Survey of Overseas Transport and Freight Structure in India's Export Trade", which was carried out by the Operational Research Group, Baroda.

3.126 In 1970, the National Council of Applied Economic Research had carried out a "Survey of India's Export potential within the Indian Ocean Basin and Nearby Areas."

3.127 All the studies mentioned above had identified the various problems faced by exporters and had made some general and some concrete recommendations. Necessary follow-up action has been initiated wherever needed and the authorities concerned are continuously on the job. To sum up, the Government is always guided by the results of such studies in planning the appropriate measures to over come specific bottlenecks which impede growth in the export of such items.

3.128. The Committee note that the Ministry of Foreign Trade commissioned studies on overseas transport and freight structure in India's export trade first in 1965-66 by UNCTAD and then in 1968 with the assistance of USAID. A similar study was carried out in 1970 by the NCAER Inspite of the fact that these studies had identified the various problems faced by exporters and had made recommendations, the Committee are surprised that nothing tangible has been achieved so far. They, therefore, urge that neces-

sary followup action should be taken forthwith so that known bottle-necks which impede growth in the export of such items are overcome in the shortest possible time.

(ii) Acquisition of Ships

3.129 The Ministry of Foreign Trade have expressed their concurrence to the view that development of adequate and direct shipping facilities is undoubtedly an essential factor for bringing about increased flow of India's overseas trade. This, however, predicates the need for adequate national tonnage. The shipping Corporation of India which is a member of almost all the global conferences operating on India's trade routes, and some of the other major Indian lines are being constantly persuaded to establish direct shipping links with certain countries.

3.130 However, in the view of the Government the most important point is in what manner and to what extent the initial operating losses which would be incurred by the shipping line in providing direct services on uneconomic routes can be compensated for. The Committee have been informed that this aspect is presently under the consideration of the Government of India. A sub-Committee constituted by the statutory National Shipping Board is also currently examining these issues.

3.131 It has been stated by the Ministry of Foreign Trade that the ultimate solution lies in expanding the Merchant fleet of the country. The Ministry of Shipping and Transport has been apprised by the Ministry of the present and future volume of Trade of India and they have drawn plans for the acquisition of additional tonnage.

3.132 As on the 1st September, 1971 there were 254 ships on the Indian register aggregating to 24,82,374 G.R.T. The Composition of the merchant fleet and its distribution between the Coastal and overseas sectors are as given below:—

Actual Shipping Tonnage as on 1-9-1971

COASTAL	Nos. of Ships	G.R.T.
1	2	3
1. Dry Cargo	47	1,47,702
2. Oil Tankers	5	49,083
3. Passenger-*cum*-Cargo	12	29,886
Coastal Tonnage	64	2,26,671
OVERSEAS		
1. Dry Cargo Liners	117	9,38,751
2. Dry Cargo Bulk Carriers (about 15,000 G.R.T.)	22	5,11,708
3. Dry Cargo Smaller Tramps (below 15,000 G.R.T.)	29	2,60,989
4. Ore-Oil-Bulk Carriers	10	2,72,175
5. Oil Tankers	7	2,34,924
6. Passenger-*cum*-Cargo	5	37,156
Overseas tonnage	190	22,55,703
Grand Total Coastal and Overseas	254	24,82,374

3.133 The Fourth Plan for shipping envisages a target of 4 million G.R.T. by 31.3.1974. As on 1.9.1971, 11.4 lakhs G.R.T. are firmly on order. A break up is as under:—

Coastal	Overseas						Grand total
	Liners	Tramps	Bulk carriers & others	Tankers	Passenger-cum-Cargo	Total of col. (2) to (6)	
1	2	3	4	5	6	7	8
0.33	2.28	1.98	5.66	1.08	0.25	11.15	11.48

3.134 It has been stated that after taking into account the tonnage to be scrapped between 1.9.1971 and 31.3.1974, there is a small balance of 6.03 lakh GRT yet to be acquired. Several shipping companies have already opened negotiations with the shipyards for acquiring ships against this balance. No difficulty is anticipated in attaining the Plan target.

(iii) Introduction of New Routes and strengthening of old ones

3.135 The National Councils of Applied Economic Research has in its study an India's Export Potential in selected countries recommended introduction of certain new routes and strengthening of the old ones. The Committee were informed during evidence that a sub-Committee of the national Shippers Board had been set up to go into all the questions relating to Indian shipping services with particular reference to the requirement of India's Export Trade and also taking into account the need for new promotional services. This Committee was stated to be seized of this matter and would submit its report to the National Shipping Board which would then submit it to the Ministry with its comments.

3.136 The following information has been received in this connection by the Committee from the Ministry of Foreign Trade on the basis of the data furnished by the Ministry of Shipping and Transport:—

"The sub-Committee was set up on 17th August, 1968."

"Two meetings have so far been held—first meeting on 21st January, 1970 and second on 9th October, 1970."

At the first meeting the sub-Committee considered necessary to identify in the first instance the destinations to which there were no direct shipping services from India or the existing shipping services were inadequate to meet the requirements of trade. For this purpose information regarding nature and value of cargo moving between Indian and various destinations, frequency of sailing facilities available, projections of cargo movements to various destinations and other information relevant to the issue had to be collected from the Ministry of Foreign Trade, Federation of Indian Chambers of Commerce and Industry and the All India Shippers' Council.

At the second meeting held on 9th October, 1970, the Committee considered the material furnished in February, 1970 by the Federation of Indian Chambers of Commerce and Industry and in May 1970 by the Ministry of Foreign Trade. Information from the All India Shippers' Council which was till then awaited was received from them only in December, 1970.

No further meeting of the sub-Committee could be held thereafter as due to dissolution of Lok Sabha in December 1970 Shri C.C. Desai, Chairman of the Sub-Committee ceased to be member of the Board and consequently as Chairman of the sub-Committee. The new sub-Committee will be constituted after the reconstitution of the Board the term of which expired in September, 1971.

3.137 The representative of the Ministry of Shipping and Transport informed the Committee during evidence that the sub-Committee was not functioning at present because the life of the Shipping Board had expired. The representative of the Ministry of Shipping stated that this sub-Committee which is constituted out of the Membership of the Board would have given its report by now but on account of dissolution of Lok Sabha the Chairman of the Board ceased to be a Member and later a member of Rajya Sabha on the Board also ceased to be a member, on his being elected to Lok Sabha. Certain members were elected to the Board in the last Session of Parliament, but before they could be nominated in the casual vacancies, the Board's life expired. It was, therefore, decided to reconstitute it.

3.138 The Committee note that the need and urgency for the rapid development of Indian Shipping tonnage has been recognised by the Government as an essential factor for bringing about an increased flow of India's foreign trade. They also note that a target of 4 million G.R.T. is envisaged in the 4th Plan period and that Government are confident of achieving it.

3.139 The Committee also note that the recommendations of the NCAER study on India's export Potential in selected countries for starting some new routes and strengthening of the old ones together with all the questions relating to Indian Shipping services with particular reference to the requirement of India's export trade and also taking into account the need for new promotional services are under consideration of a sub-Committee of the National Shipping Board. The Committee are, however, unhappy to note that this sub-Committee was not functioning first owing to the dissolution of Lok Sabha and later owing to the expiry of the term of the Shipping Board. The Committee are constrained to observe that due importance has not been given by Government to this matter. It is surprising that Government should have lost so much time in reconstituting the Board and the sub-Committee. This Committee, therefore, strongly recommend that the examination of this matter should now be finalised without any further delay.

(iv) Foreign Exchange requirements for purchase of Ships

3.140 It has been stated in a study of NCAER that in view of the huge capital outlay, including foreign exchange involved in ships building, proper encouragement by Government becomes absolutely essential. At present

the shipping companies get 3 per cent for purchase of ships and a development rebate of 40 per cent. The loans, however, are only rupee loans and no foreign exchange is made available. With the country's limited ship building capacity the shipping companies are obliged to acquire ships from abroad on deferred payment terms and meet the foreign exchange cost out of the earnings. It has been estimated that this has resulted in increasing the cost of ships to Indian ship-owners by about 30 per cent. Tardy response from the Shipping Development Committee to requests for loans for purchase of ships has added to the difficulties of shipping companies.

3.141 The representative of the Ministry of Finance stated during evidence:—

"So far as Shipping Development Committee is concerned, if I might mention some broad figures, then I can admit that the shoe is pinching. In the first 11 years of operation they have sanctioned 264 crores worth of loan—11 years ending March, 1969. In one year *i.e.* from April, 1970 to March, 1971 they have sanctioned 138 crores. It would mean in one year they have sanctioned almost half as much as sanctioned in a whole decade. Similarly in the matter of disbursement against sanctioned loan whereas the total for 11 years was 106 crores, the amount for only one year *i.e.* last year is as much as 37 crores. Now the difficulty comes this way. The funds sometimes are not used for the proper purpose. Some times buildings have been constructed with these loans. Even if loan is sanctioned we see that the ruppees are drawn as and when payments are to be made to foreign shipyard. I would say that there is certainly some constraint about rupee resources. But the situation in this sector is much more comfortable than in most of the other sectors required to be financed."

3.142 In editorial comment in the 'Financial Express' dated the 21st January, 1971, it has been stated that "an acute shortage of foreign exchange is the stock excuse trotted out by the authorities for the tardy acquisition of new ships. But the Government has no qualms about sitting over applications for the purchase of second-hand ships at prices favourable to us, which other countries are bidding for them even without inspection. It is deplorable that even adequate rupee resources are not being made available for the purchase of ships."

3.143 Asked to state the factual position in this regard the Ministry of Foreign Trade have furnished the following information:—

"During 1970-71 orders for acquisition of 26 vessels of 6.05 lakh G.R.T. were finalised. This was mainly possible because of the positive act of Government in releasing free foreign exchange vessels to cover down-payment, liberalising the interest rate payable on the deferred portion of the price of the vessels and also due to suppliers' credit or Inter-Governmental credit from countries like U.K., Japan and Belgium. During 1969-70 and 1970-71, new tonnages ordered were of the order of 25 vessels of 2,48,000 G.R.T. and 26 vessels of 6,05,000 G.R.T. respectively.

It may be added that the 26 vessels for 1970-71 ordered include 3 second-hand vessels. It has been ascertained that no acquisition propcsals received which conformed to the financial criteria and were complete in regard to the economic data and viability, have been left out of consideration. Regarding rupee release for the purchase of new ships, it may be stated that during 1970-71, the Shipping Development Fund Committee sanctioned loans to Indian shipping companies aggregating to Rs. 118.14 crores and this is about 50% of the total amount sanctioned during the previous 11 years. A sum of Rs. 37.40 crores was disbursed against the sanction for 1970-71 as well as the previous periods."

3.144 The matter was elucidated by the representative of the Ministry of Finance during evidence thus:—

"The point is that the total requirements of foreign exchange is so large that it is possible that occasionally somebody might not be satisfied: otherwise the picture is not at all like this. In fact a lot of foreign exchange has been made available by special efforts from a number of sources, from Japan, Germany, United Kingdom and now advanced negotiations are going on with the World Bank for something like 80 million dollars loan. In the course of other replies it has been indicated how shipping has been considerably increasing so that a lot of provision in foreign exchange had been made for ships. The main difficulty is that there is a little cartel in the world of shipping and most countries do not agree to the foreign assistance given by them to be utilised for buying ships. Often we have to find hard cash. A single ship costs almost 20 million dollars, about Rs. 15 crores and the price of ships has gone up because of the boom in shipping due to Suez crisis. Consistent with all that if you see the figures, there has been a very considerable increase in shipping. There are other questions also coming up later on the same subject. The present question is concerned more with second hand ships and asks whether there is delay or indifference. This is not a correct statement. The proposals for second hand ships are considered. The only thing is that scrutiny is made to make su re that we are not adding junk to the country's tonnage but something worthwhile. We have also to satisfy ourselves about the evaluation and very often we come across very awkward and difficult co nd tions which we cannot accept. Sometimes they say that we must have the guarantee of foreign bank. We are not willing to do anything like that. Such a thing is not good for national honour nor is it economically prudent. Once we say our banks are not good enough we are finished for every thing. We have other instances where a foreign bank is prepared to give money for buying second hand ship on the condition that we deposit rupees here in cash in the Indian branch of that bank so that they can do other business here. It is actually matters of this type which may have taken time."

3.145 Explaining the reasons for delay in di sposal of proposals for purchase of ships the representative of the Ministry o f Finance stated:—

"In the Ministry of Shipping we are following a system somewhat like this. Those who intend acquiring ships should try and get clearance

in principle from the Ministry of Shipping, as to what type of ship, what size and what type of draft etc. The parties who have got such preliminary discussions with the Ministry and who have got a letter of intent in principle are dealt with expeditiously. There may be others who never consulted the Ministry but who may have put up their own ideas about what to do. In such a case which is something like industrial licence, there may be difficulty. Otherwise there is no problem."

3.146 He agreed that all these cases should be expedited and stated that letters were expeditiously sent to the parties explaining the departure from the set procedures.

3.147 The Secretary, Ministry of Foreign Trade assured the Committee:—

"We are fully conscious of the importance of shipping to foreign trade and are on our own taking up this matter both with the Ministry of Shipping and the Cabinet Secretariat. We have pointed out that increasing freight rates are creating a big impediment in the way of exports, that shipping is too big a bottleneck and we must acquire more ships. So, this question is being considered at the highest level."

3.148 The representative of the Ministry of Finance also assured the Committee that the finances required to achieve the targets laid down in the Fourth Plan were available and that the targets would be achieved.

3.149 The Committee note that there has been an uneven sanctioning of loans for purchase of ships in the past inasmuch as Rs. 264 crores worth of loan was sanctioned during the first 11 years ending March, 1969 as against Rs. 138 crores in one year i.e. April, 1970 to March, 1971, Similarly in the matter of disbursement against sanctioned loans whereas the total for 11 years was Rs. 106 crores the amount for only one year i.e. last year is as much as Rs. 37 crores. Even though it is desirable to ensure that the loans sanctioned are utilised for the desired purpose the Committee feel that ways and means have to be found to assure regular flow of capital so as to bring about a steady and systematic development of shipping. The Committee are of the opinion that if such a course had been adopted all along, the difficulties now being faced would not have occurred at all.

3.150 As regards purchase of second-hand ships the Committee appreciate the anxiety of the Government to see that sheer junk is not added to the shipping tonnage of the country. At the same time opportunities offered have to be availed of. The Committee, therefore, suggest that the trade should be taken into confidence in these matters and efforts should be made to allay the apprehensions that may be prevailing in this regard.

(v) *Tramp Tonnage*

3.151 The Estimates Committee (1963-64) of the Third Lok Sabha in its 48th Report had noted that there was a paucity of Indian Tramp Tonnage, the total capacity being about 50,000 G.R.T. During the then current plan period, 20 tramp vessels, including bulk carriers, aggregating 2,90,534 G.R.T. had been acquired/ordered for operation in the Tramp trade. That Committee had observed that the most effective method of bringing down the Conference Lines rates was to have sufficient tramp tonnage available and had

therefore suggested that the tramps might be encouraged so that they could act as a corrective and a check to Conference System.

3.152 Accepting the recommendation of the Committee Government had stated as follows:

"The Government of India have already recognised the importance of expanding Indian shipping in tramp trades as is evident from the following statement:—

Tramp Tonnage as on	No of Tramp Ships	G.R.T.
1-4-1961	14	99,616
1-7-1964	28	3,08,400
31-3-1966 anticipated figures)	38	4,30,200

It will be seen from above that the tramp tonnage of Indian shipping Companies has increased three-fold during the last 3 years and is expected to rise four-fold during the entire Third Five-Year Plan period."

3.153 The Engineering Export Promotion Council has recommended vigorous steps towards increasing tramp tonnage.

3.154 The Committee have been informed that on the 1st September, 1971, there was on the Indian register 20 small tramp vessels (upto 15,000 tonnes G.R.T.) aggregating to 2.61 lakh G.R.T. as against 14 vessels on 0.99 lakh G.R.T. on the 1st april, 1971. As things stand at present, further 17 vessels aggregating to 1.98 lakh G.R.T. are firmly on order. This will mean a net addition of vessels likely to be scrapped in the next few years.

3.155 As for the impact of the acquisition of the above mentioned tramp tonnage on the Conference rates, it has been explained by the Ministry of Foreign Trade that tramp competition of the kinds envisaged in the recommendation of the Estimates Committee (48th Report) to bring down the Conference rates will come into conflict with basic shipping policy of avoiding wasteful competition between shipping lines.

3.156 The Committee note that there has been some increase in the tramp vessels during the decade (1961 to 1970) when the number of tramp vessels increased from 14 with 0.99 lakhs G.R.T. to 29 aggregating 2.61 lakh G.R.T. The Committee further note that another 17 vessels aggregating 1.98 lakh G.R.T. are firmly on order which would nullify the scrapping during the period. The Committee are, however, unhappy to note that the acquisition of tramps is nowhere near the targets laid even for 1966.

3.157 The Committee do not agree with the Government's view that the acquisition of tramps would result in wasteful competition between Indian Shipping lines. This, in the opinion of the Committee, could be taken care of while issuing the licences and by means of necessary regulations. On the other hand larger acquisition of shipping tonnage whether tramp or otherwise should exercise a constraint on rapidly rising conference line rates. The Committee, would, therefore, suggest that the matter should be reviewed and necessary remedial measures taken immediately.

(vi) *Freight rates*

3.158 The various studies carried out by expert bodies like UNCTAD, Indian Institute of Foreign Trade, National Council of Applied Economic Research, Operations Research Group, Baroda, have highlighted the existence of high, anomalous and discriminatory freight rates in the various Conference routes. Since the Conference tariffs have been evolved over the years on the principle of what the traffic can bear, discrimination and anomalies are inherent in the very system of Conference rate making.

3.159 It has been stated by the Engineering Export Promotion Council that:—

> "another major bottleneck in the way of developing export of engineering goods from India is the high ocean freight. The incidence of even most of the promotional rates offered by the Shipping Companies through negotiations is about 30% to 50% (on an average and in some trades like Latin American Ports it is sometimes found to be about 100% on f.o.b. value). The freight rates are not only higher in relation to f.o.b. value but also comparatively higher than those in most of the developed countries. These rates, already high as they are, also gradually increased through general increase almost every year."

3.160 Government accepted the view that Shipping freight rates happen to be the biggest stumbling block in the export of several items, particularly non-traditional ones. But the Shipping Conferences which are catering to liner trade are composed of not only national lines of exporting countries but also shipping lines, belonging to importing and third flag countries. Thus they are international in character and are not susceptible to control at the national level without attracting counter measures detrimental to exports. The Governments of developed countries whose shipping lines continue to dominate the shipping Conferences generally take the stand that Conference operation being in commercial sector, solutions have to be found at the Commercial level.

3.161 Commenting on the problem the Secretary, Ministry of Foreign Trade stated during evidence that:—

> "It is quite true that freight rates constitute a very important portion of the total cost of export and it is a sizeable proportion of the ultimate price that the consumer in the importing country has to pay. We have tried with the liner conferences and asked them to keep the freight rates at as low as a level as possible. But the difficulties are that they have been pleading that the costs are rising everywhere. If the oil costs go up, their costs go up. If the port conditions deteriorate and there are loading and unloading delays, then also their costs go up. If the wages of the dockers, as happened very recently in London, go up, if they go on strike and demand higher wages and those wages have got to be paid, then the higher wages also enter into the freight structure. Again, if the Suez canal is closed, they have to go *via* the Cape of Good Hope, and there is a

Suez surcharge. In view of all these additional costs, our rates are going up and all these rises in costs get reflected in the freight structure. It is not always possible to argue that if you increase the rate we shall walk out of the conference and we shall make our own arrangements for transporting all our goods. There, our difficulties are manifold, Our own shipping is not adequate to carry all our freight. The tramp rates are sometimes high and sometimes low, and the tramps may not be available in the quantities which we need, because they are not regular; there is a certain uncertainty about the dates of sailing when the ships would become available. So, within these limitations, we do try to get the increases reduced to the extent possible.

Recently, there was an increase threatened by the Indo-US Conference Lines, both in the east coast and the west coast and in the United Kingdom Conference Lines. In both the cases we have had discussions with them and have been able to get some reductions in the threatened increases. But it is difficult to completely eliminate the increases. As regards parity with important exporting countries, we have tried to secure the maximum reductions in those products where our growth potential is substantial. In the cases of traditional items or where we do not have many competitors, it has perhaps been possible to bear additional freight rate. But it is about the growth items like engineering goods, leather manufacture, cashew nut, sheep and marine products, etc., that we have been really worried, and we try to secure the maximum reductions."

(vii) *Discussion Formula*

3.162 It has been stated that Government is trying to tackle the problem of high and discriminatory freight rates in various ways. Through international forums such as UNCTAD, Government are trying to bring this matter into focus and seek international cooperation in freight matters. In the country several regional shippers' Councils with an apex body have been set up to deal with the Conferences. Freight investigation Bureau was also set up under the Ministry of Shipping and Transport to take up with the Conferences individual cases of excessive freight rates.

3.163 The main hurdle, however, in securing reasonable freight rate is the fact that the bulk of India's over seas trade in carried by Conferences which because of their monolithic character are not amenable to persuasion from the trade and the Government. Efforts are, however, being made to persuade the conferences to subscribe to the Disscussion Formula which envisages a sufficient advance notice, prior consultations with trade and later with the Government and maintenance of an interval of at least two years between two successive freight increases.

3.164 It has been stated by the Ministry that the two objectives *viz.* prior discussion with the shipper interests before enforcing periodical general rate hikes and giving adequate notice of general rate increase to Trade to enable the latter to make necessary adjustment in their contract etc., may be stated to have been achieved for at present

almost all the conferences engaged in India's foreign trade have accepted them in principle and do in fact invariably hold prior discussions with the shipper interest. The other important aim of the 'Discussion Formula' is stability of rates for a minimum period of 2 years. Here again, till 1969 almost all the Conferences were influenced by the "Discussion Formula" and were, by and large, following the the minimum 2 years interval between two successive general rate hikes stipulation. However, for the last 2 years, owing to abnormal increase in the cost of ship operation, the Shipping Conferences are finding it difficult to strictly adhere to this stipulation and Government's efforts are directed to contain this oscalation.

3.165 During evidence also the Committee were informed that after 1969 the rate of stability of freight for a minimum period of 2 years started eroding. Government were seriously considering how to arrest erosion. The Committee were further informed that so far only one conference had formally subscribed to the formula. The reported difficulty in subscribing to the Discussion Formula was the clause in it whereby the matter had to be referred to the Government in case and agreement was not reached between parties.

3.166 The representative of the Ministry of Foreign Trade stated during evidence that the concept of promotional rates for all the new items of export had been accepted by UNCTAD. Promotional rates for 300 cases had been obtained. The process was, however, stated to be slow.

3.167 Asked if the Government of India had succeeded in persuading the Conference lines to refrain from increasing the freight rates off and on the Secretary, Ministry of Foreign Trade replied in the negative. He stated that in case the conferences were not agreeable to refrain from effecting any *ad hoc* increases no remedy was available except asking Indian Shipping lines to walk out of the conference and have competition and rate war with others who were engaged in the same trade. With the inadequacy of shipping and the uncertainty of charter market, it was not advisable to precipitate a struggle of this kind.

(viii) *Bilateral Shipping Services*

3.168 It has been stated that where bilateral Shipping Services have been established Government is in better position to put restraints on Indian lines in the matter of freight increases.

3.169 There are now 49 liner shipping services serving the export trade of India. So far, the following 4 bilateral services have been established:—

(*i*) India — U.S.S.R.
(*ii*) India — Poland
(*iii*) India — U.A.R.
(*iv*) India — G.D.R.

In terms of percentage it will work out to be about 8 per cent.

3.170 The Committee note that high ocean freight rates are one of the major bottlenecks in the export of several items, traditional and non-traditional. The Committee also note the efforts made by the Government of India through Shippers' Councils and through the Freight Investigation Bureau by taking up cases of excessive freight rates. The Committee further note that Government's efforts in persuading the Conferences to subscribe to the discussion formula has not met with much success although most of them have accepted it in principle. The Committee are concerned to note that after 1969 there has been no stability in ocean freight rates.

3.171 The Committee would, therefore, urge Government to continue their efforts towards persuading the conferences to subscribe to the formula with a view to contain the frequent freight hikes. At the same time as already suggested efforts have also to be accelerated towards acquisition of greater shipping tonnage with a view to achieve maximum possible self-sufficiency to cater to the foreign trade.

3.172 The Committee note in particular that where bilateral shipping services have been established Government are in a more comfortable position in putting restraints on Indian lines in the matter of freight increases. Since, however, only a small percentage of foreign trade is at present carried by these bilateral services, the Committee would recommend that efforts should be made to multiply the number of bilateral shipping services to achieve even better results.

G. Simplification of Administrative Procedure

(i) *Simplifications*

3.173 Exporters have for long time been complaining of cumbersome procedures and multiplying of documents involved in the execution of export transactions. Indian Institute of Foreign Trade has made a comprehensive study of export procedures and documents under the sponsorship of USAID with the approval of Government. A statement giving the summary of the main recommendations made by the Indian Institute of Foreign Trade may be seen at Appendix IX.

(ii) *Export Import Licences*

3.174 The Import-Export Trade Control Organisation headed by the Chief Controller of Imports and Exports is responsible for the execution of most of the import and export policies formulated by the Ministry.

3.175 It has been stated that the functions relating to import and export licensing of Iron and Steel Controllers' Organisation have been entrusted to the office of the Chief Controller of Imports and Exports with effect from 1st April, 1969 on the recommendation of the Study Team on the Iron and Steel Controllers' Organisation under the Chairmanship of R. K. Khadilkar, M.P. The reasons for which transfer was prompted are stated to be :—

(i) Transfer of licensing work with regard to the few items of iron and steel licensed by the Iron and Steel Controller would lead to better coordination at all levels, *i.e.* the level of the applicant, that

of sponsoring authorities, of licensing offices and in the matter of statistics.

(*ii*) The procedure followed by CCI&E in announcing import policies is well systematised with the result that CCI&E is able to adhere to prescribe time table in the matter of announcement of policy, entertainment and processing of applications and prompt policy or procedure becomes necessary. Further, transfer of work will enable the Government to announce policy of all items at the same time resulting in considerable simplification and reduction of work all around.

(*iii*) With its wider network of licensing offices, CCI&E could give better clientele satisfaction.

(*iv*) The working system in CCI&E's organisation in processing import application is much more systematised, codified and leaves little discretionary powers with junior officers. The Redbook, the Handbook of Rules and Procedure on annual basis and general licensing instructions issued from time to time are regular features well known to trade/licensing officers. Compared to this the procedure followed by Iron and Steel Controller is *ad hoc*.

(*v*) There is better supervision and distribution of responsibility at different levels in CCI&E Organisation.

(*vi*) Transfer will lead to better matching of imports of steel and non-steel items by the same industrial unit. Again, transfer will allow convertibility from Steel to non-steel items and *vice-versa* under the flexibility allowed under the policy.

(*vii*) The transfer will result in economy.

3.176 It has been stated that the advantages envisaged by the Study Team as indicated at S. Nos. (ii), (iv) and (v) in the preceding paragraphs have been achieved by the transfer of licensing work of iron and steel items to CCI&E's Organisation. The advantage at Sl. No. (i) has also been partly achieved.

3.177 For administrative reasons, a maximum period of three years was fixed for complete merger of iron and steel control licensing offices with the respective offices in the CCI&E's Organisation. This period will expire on 1-4-1972 and proposals for merger have already been submitted to Government. After the merger, it will also be possible to achieve the remaining advantages referred to earlier.

3.178 It has been stated by the Ministry that the performance of the officers dealing with iron and steel licensing has also improved since their transfer to the CCI&E's Organisation. The following statistics have been furnished by the Ministry :—

Licensing period	Receipts	Disposal	Pending
1	2	3	4
1968-69	11842	1760	10082(85.13%)
1969-70	7330	2443	4887(66.67%)
1970-71	10453	4230	6223(59.53%)

3.179 It was stated by the Minister of Foreign Trade during discussion on Demands for Grants that Government "had undertaken studies of different types of licensing, identified the factors that led to the delay in disposal and have tried to eliminate them". "The CCI&E Organisation is going to have a firm time table for processing the licences both for exports and imports".

3.180 Asked to state the factors that have been impending disposal of applications for licences and action taken to remedy the situation the Ministry of Foreign Trade have stated :—

> "The factors which are generally responsible for slow rate of disposal of applications for licence are (i) requirements of policy and procedure which necessitate scrutiny of prescribed documents, (ii) defects in the import applications and (iii) increase in the work load on account of a rise in exports and industrial development without corresponding increase in staff. The procedures for licensing are kept under constant review. Also, case studies are carried out to identify the points at which the delays occur. The licensing procedures are accordingly modified as far as possible to reduce the time taken in disposal."

3.181 Simplifications in procedures introduced during 1971-72 in order to expedite issue of licenses are indicated in Appendix X.

Time-Table

3.182 A time limit of 30 days has been fixed for disposal of applications for raw materials, components and spares received from Actual Users and Registered Exporters, and the time limit of 60 days has been fixed for disposal of the applications for machinery. These time limits pertain to the applications when they are complete in all respects.

3.183 It has been stated that in actual practice the average time taken in final disposal of the applications for import licenses for raw materials and components from Registered Exporters and Actual Users was 29 and 43 days respectively after completion of deficiencies. The average is based on a sample of cases for 1970-71 dealt with by the Office of the Joint Chief Controller of Imports and Exports, Central Licensing Area, New Delhi, which is one of the major offices dealing with such cases. In the case of applications for Capital Goods, it has not been possible to adhere to the time limit fixed for disposal. Efforts are, however, being made to reduce the overall time taken in disposal. Apart from the various steps indicated earlier changes have also been made in the advertisement procedure so as to speed up scrutiny of items from indigenous angle. These are :—

(*i*) A provision has been made in the Import Trade Control Handbook of Rules and Procedure, 1971 that import applications will be liable to be rejected in cases where the applicants fail to advertise complete specifications of the machinery sought to be imported.

(*ii*) It has been decided that cases in which there is no response to the advertisement may be cleared by the D.G.T.D. from indigenous angle without asking the applicants to approach indigenous manufacturers.

(*iii*) In order to avoid delays in the publication of advertisements, it has been provided that advertisements can be given either in the Indian Trade Journal or in the Indian Export Service Bulletin, and that advertisement charges can be paid either to the Manager of the Publications, New Delhi or in cash at the Government of India Book Depot, Calcutta.

3.184 A statement showing the number of applications received from Registered Exporters during 1966-67 to 1970-71 (as on 30-9-1971) is given below :—

	No. of Applications for import licenses	No. of Applications for cash assistance	Total
1	2	3	4
(i) Received	10,7773	37718	145491
(ii) Not finally disposed of on 30-9-1971 .	1641	365	2006

3.185 It has been stated that out of 2,006 pending applications 159 were more than a year old on 30-9-1971. A statement showing the year-wise break up of these cases and the reasons for the pendency is gi en below :—

Applications from Registered Exporters pending for more than one year on 30-9-1971

Year	No. of pending Cases			Reasons for Pendency
	Licences	Cash assistance	Total	
1	2	3	4	5
1966-67	2	—	2	(i) Division of quota between the partners not settled. =1 (ii) Application received late from A.I.H.B. and also incomplete. =1
1967-68 .	14	—	14	(i) Parties under abeyance/investigation =9 (ii) Division of quota between the partners not settled. =4 (iii) Application received late from A.I.H.B. and also incomplete =1
1968-69 .	15	—	15	(i) Export obligation =2 (ii) Abeyance/investigation (in three cases abeyance has since been lifted and cases are under consideration) =10 (iii) Division of quota between the partners not settled. =2 (iv) Import of machinery awaiting clearance from Headquarters/ DGTD. =1

1	2	3	4	5	
1969-70 .	64	22	86	(i) Parties under abeyance/investigation (In five cases abeyance has since been lifted and cases are under consideration).	=35
				(ii) Export obligations.	=31
				(iii) Deficiencies in applications	=16
				(iv) Classification of export product not settled.	=4
1970-71	21	21	42	(i) Parties under abeyance (In one case, the abeyance has been lifted and case is under consideration).	=9
				(ii) Deficiencies in applications or clarifications necessary from other authorities.	=18
				(iii) Classification of export product not settled.	=2
				(iv) Exports to UAR under STC's contracts certificate of export awaited.	=4
				(v) Export obligation.	=9

3.186 Referring to the 16 cases where there are deficiencies in applications the Secretary stated during evidence that he was not clear as to why in a period of over 1 year it should not have been possible to get the deficiencies removed. The Secretary also admitted that in regard to the 4 cases relating to classification of export products the Ministry of Foreign Trade could not be absolved of the responsibility for delay.

3.187 The Committee note that as yet only a few of the advantages by the transfer of the work from the office of the Iron and Steel Controller to that of the Chief Controller of Imports and Exports have materialised. The Committee would stress that every effort should be made to see that the real objective in transferring the work to the Chief Controller of Imports and Exports viz. prompter disposal of applications and grant of import licences is achieved.

3.188 The Committee, however, note that although the disposal of applications for import licences has improved to an extent with the changing of the responsibility a lot more needs to be done as the percentage of pending applications was still quite large during 1969-70 and 1970-71. Some of the applications were pending for more than one year.

3.189 The factors generally responsible for slow rate of disposal of applications for licences are stated to be (i) requirements of policy and procedure which necessitate scrutiny of prescribed documents, (ii) defects in import applications and (iii) increase in the work load on account of a rise in exports and industrial development without corresponding increase in staff.

3.190 Whereas the simplifications of procedures suggested by the Indian Institute of Foreign Trade will help minimising the time involved in disposal, the Committee suggest the process of simplification of procedure should be done on a continuous basis and the documents involved should be reduced to minimum possible.

3.191 Efforts should also be made to pursue the defective applications with the applicants through telex and other modern means to avoid delays.

3.192 The Committee also note that while the average time taken in disposal of applications has been within the stipulated period of 30 days in case of registered exporters it has not been possible to adhere to the time table in case of Actual Users and for import of machinery. The Committee feel that it should be the aim not only to adhere to the time limit prescribed but also to bring it down so as to be able to dispose of the same within a week of its receipt.

(iii) *Advance Licences*

3.193 It has been represented to the Committee that instances are not lacking when letters of credit have expired and export orders cancelled because necessary inputs for manufacture of export product are not available in sufficient quantity. Schemes of advance licensing, on account and imprest licensing have been introduced with the objective of supplying raw materials to the exporting industry on advance basis. However, exporters invariably complain of delay in getting the supplies of raw materials under these schemes. The procedure for issue of advance licences is considerably complicated. On an average it takes about four to five months before an applicant can get an advance licence. There does not seem to be a set policy for the receipt of applications. These are either received by the regional offices or by the Ministry of Foreign Trade or by the D.G.T.D. or directly the C.C.I. & E.

3.194 Ultimately all the applications are placed before the Advance Licensing Committee of the C.C.I. & E. It has been observed that despite the recommendations made by the Advance Licensing Committee, licenses could not be granted by the regional offices on finding subsequently that either the applicant was ineligible for getting a licence or the letter of credit had expired. Since the issue of an advance licence takes such a long time, letter of credit expires, extension of which is not easy. Thus the work of the Advance Licensing Committee and the C.C.I. & E. becomes futile, the exporter does not get the benefit of the scheme and the importer gets disillusioned.

3.195 The Secretary, Ministry of Foreign Trade explained the position as follows:—

> "In order to obviate the difficulty of cross referencing or making references to several Ministries, there is now an Advance Licensing Committee under the Chairmanship of the C.C.I. & E. It meets periodically, as and when necessary to deal with these applications. Discussions across the table expedite decisions. The delay that occurs is very often due to the fact that either the application is

incomplete or necessary documents required are missing. Without these, it is not possible to take a decision on the applications. This is the main cause of delay. Otherwise, in cases of urgency, even when the Committee is not meeting, decisions are taken in the organisation of the Chief Controller and subsequently put up to the Committee for *ex post facto* approval. There are instructions to the licensing authority that they must issue the advance licences within 15 days of communication of decision of the Advance Licensing Committee. Decentralisation of the work of issue of advance licences was done on 17-9-71. Special case studies have also been taken up to find out the reasons causing delay and at what stage. As soon as these studies are completed, the work connected with the modification of procedure will be taken in hand."

3.196 The procedure as it obtains at present as explained by the Chief Controller of Imports and Exports during evidences is as follows:—

"The process of the applications, as it takes place, is somewhat like this. The applicant has to send his application to the C.C.I. & E. He usually sends a copy of it to the regional officers, who is in Bombay, in this case. It comes to the headquarters and it goes straight to the advance licensing committee which has representatives of the D.G.T.D. and others concerned. Clearance is given straight across the table. Before it is placed before the advance licening Committee, certain basic factors are to be checked. These are mentioned in the Red Book. If the person has filed the treasury challan, he must have the export order with the letter of credit. These are the main requirements. If there is any deficiency in this respect, a reference back to the applicant has to be made, and that means delay. Assuming that all the documents are complete, it comes to the advance licensing committee and it is cleared in that committee, and then the authorisation is issued to the regional office.

The regional office has to check certain other factors. It has to check whether there has been a previous default in his export obligation. The advance licences is not issued unless the previous obligation has been duly discharged. That takes sometimes a little time.

Secondly, he has to check the antecedents of the person. Thirdly, a photostat copy of the export order of the applicant has to be obtained if that is not available. These take a little time. If there are reasons to doubt the antecedents, there will again be delay until they are cleared."

3.197 During evidence the Secretary agreed to the view that the time interval between the receipt of the application by the advance licensing committee and the issue of the order from Head office to the regional office to issue the advance licence should be utilised by the regional office in making the scrutiny so that immediately on receipt of the order, the licence can be issued.

3.198 The Secretary stated that the Advance Licensing Committee would not be able to take a decision on the application until they have received the report from the regional office which may lead to delay. He informed the Committee that it takes three weeks to scrutinise all the old records. The Committee would have to wait for three weeks before they take a decision. He assured the Committee that with a view to obviate delay in ascertaining whether the previous obligation has been duly discharged by the applicant, it would be ascertained to find out if a proforma could be prescribed in which the applicant could be asked to furnish information to the Joint Chief Controller as soon as he has discharged his liability. He agreed to the suggestion that a register should be made to maintain information so that it was easy to find out immediately the exact position.

3.199. It has been represented to the Committee that there have been cases where export orders had to be cancelled because necessary inputs for the manufacture of export products were not made available in time and in sufficient quantities despite the facility of advance licensing established by Government. This is mostly due to two reasons, either the complete documents particularly about the discharge of the previous obligation of imported raw materials by effecting exports are not available, or the photostat copy of the export order and the proof of the Letter of Credit having been opened are not supplied. The Committee note that Government are carrying out special case studies to locate the reasons for delay and are taking remedial action. The Government are also considering the question of prescribing a revised proforma which would call for all the information required for processing expeditiously the applications.

The Committee would stress that Government should take remedial measures urgently so that manufacturers are enabled to obtain advance licences for essential inputs to execute the export order in time.

3.200 The Committee would like to be informed in detail of the remedial measures taken and the improvements effected.

CHAPTER IV

EXPORTS TO CERTAIN COUNTRIES

(i) *Generalised System of Preferences*

4.1 In pursuance of UNCTAD-II Resolution 2(II) passed in New Delhi in 1968 regarding the Generalised scheme of non-reciprocal, non-discriminatory preferences by developed countries in favour of exports of manufactured and semi-manufactured products of the developing countries, a Special Committee on Preferences was established. At its fourth session held in April, 1970, the Special Committee on Preferences considered the substantive documentation submitted by the industrially advanced countries, members of the OECD in November, 1969 as a basis for consultations with the developing countries. The Committee resumed further discussions on the offers in October, 1970 and reached a broad agreement on the details of the Generalised System of Preferences. Under the System of Preferences all manufactured and semi-manufactured products falling under Chapters 25-99 of the BTN (with some exceptions in the case of individual developed countries) of India and other developing countries would qualify for duty-free treatment in the markets of developed countries. The Socialist countries in East Europe have made a joint declaration, expressing their readiness to grant tariff preferences to developing countries by such countries as have customs tariffs as well as to continue expansion of their imports from the developing countries.

4.2 The Generalised System of Preferences has been introduced with effect from 1st July, 1971 by EEC, 1st August, 1971 by Japan, 1st October, 1971 by Norway and 1st January, 1972 by Sweden, Denmark, U.K., Ireland and Hungary respectively. Other developed countries are yet to implement their offers.

4.3 The Committee wanted to know whether an assessment had been made of the benefits accruing to India's exports in the market situation brought about by tariff concessions under the Generalised System of Preferences and what were the items of exports which were like to benefit from it and to what extent. In a written note furnished to the Committee, Government have stated :

> "The United Nations Conference on Trade and Development, in a preliminary study made by them, has estimated that an additional trade to the extent of about $ 1 billion (500 million in USA, $ 350 million in Continental Europe and $ 150 million in Japan) would be generated as soon as the GSP is fully implemented. So far only EEC, Japan, Norway, Sweden, Denmark, U.K., Ireland and Hungary have implemented their offer under the GSP. Other European countries are expected to follow suit shortly except in the case of USA. There are many elements which are still to be cleared. No accurate forecast of the advantages to be derived by India as a result of the GSP can, therefore, be made at this stage except that considerable benefits particularly in the field of non-traditional manufactured and semi-manufactured products falling under Chapters 25-99 of the BTN are likely to be derived as soon as the scheme is fully launched by the all developed countries, during the course of this and the next year.

Main items to benefit :

It has been stated that :

"The offers made by the developed countries applied to all the industrial semi-manufactures and manufactures exported by the developing countries with the exception of certain "sensitive" items falling under Chapters 25-99 of the BTN, like textiles (cotton), petroleum products and footwear. The EEC has not excluded any manufactured and semi-manufactured industrial products but has imposed a ceiling ranging from 20% to 50% of the imports from the developing countries in 1968 (basic quota) plus 5% of the imports from developed countries (supplementary quota). Japan has excluded a few items subject to duties of a fiscal character and has offered only 50% reduction in respect of certain "sensitive" items like textiles and leather items. In respect of duty-free items a ceiling of 50% of imports from the developing countries in 1968 (basic quota) plus 10% of the imports from the developed countries in 1969 (supplementary quota) has been prescribed."

4.4 Asked as to what were the items in which the country was lacking in capacity and what measures had been taken to increase the capacity and step up exports, it has been stated as follows :

"India is among the few developing countries which have a growing production of manufactured and semi-manufactured products covered by the Scheme and India can, therefore, be in a much better position to derive greater advantages from the lower tariffs but factors like increase in freight rates, shortage of steel and other raw materials may hamper India's efforts in exploiting the benefits of lower tariffs thrown open as a result of GSP. As these advantages will be available to all the developing countries which are nearly 100 in number, the increase in the share of trade will depend upon one's competitive ability over the other developing countries and not lack of capacity. The Government of India have set up a number of Working Groups, under Ministry of Industrial Development, on manufactured items having good export potential in the markets of the developed countries. These groups are continuously reviewing the opportunities available to India under the GSP with a view to take up appropriate follow-up action".

4.5 Regarding the steps taken to gear up the marketing efforts in the countries granting concession, it has been stated thus :

"All the Export Promotion Councils, the Federation of Indian Export Organisation, Federation of Indian Chambers of Commerce and Industry, Trade Development Authority, Development Commissioner (Small Scale Industries) and other Organisations in India have been fully apprised of the benefits that are likely to accrue to India's trade under the GSP. These Organisations are sponsoring delegations to the donor countries to establish contacts with the businessmen and other trade associations so as to make full use of the opportunities available."

4.6 Asked to state the results achieved by Government in their marketing efforts it has been explained that it is too early to assess the results.

4.7 In regard to benefits accruing to India's exports by tariff concessions under GSP, the Committee note there is scope for additional export earnings for the developing countries. In this connection the Committee take note of the fears expressed by Government that factors like increase in freight rates, shortage of steel and other raw materials may hamper India's efforts in exploiting the benefits thrown open as a result of GSP even though India can be in a better position to take advantage from lower tariffs compared with other developing countries. The Committee have dealt with these problems in a separate Chapter of this Report. So far as the share of individual developing countries in the new market situation would depend, among other things, upon the ready availability of exportable goods, the Committee hope that Government will take all necessary measures to ensure that shortages are not allowed to be developed in goods which have promising export potentiality.

(ii) *General Agreement on Tariffs and Trade*

4.8 As a result of negotiations for the tariff reductions held under the GATT, India has to maintain the duty on imports of certain products from the GATT member countries at specified levels. A large majority of such commitments were entered into by India in 1947 and with the developments of indigenous industries during the last so many years, and the changes that have taken place in the structure of the Indian Customs Tariff, such commitments particularly in the case of certain products have been causing problems for the implementation of India's tariff policy. It was, therefore, decided some time ago to negotiate in accordance with the procedures set out in the GATT for the purpose of obtaining release from the commitments in question. When these negotiations have been concluded on the basis of their results it should be possible to make adjustments in the tariffs on the relevant products as required for purposes of :

(1) protecting and developing the indigenous industries;

(2) Customs revenue; and

(3) removing anomalies in the structure of the Indian Customs Tariff.

4.9 The Committee sought elucidation as to what were the products that had been causing problems and what was the nature of these problems. The Committee also enquired as to when was the review of these tariffs made last and with what results. In a written note furnished to the Committee Government have stated thus :

"On account of revenue and protective consideration, need arose for negotiating in the forum of GATT to enable us to get release from the GATT bindings or to modify the concessions given by us. The negotiations under the GATT provisions for the withdrawal or modifications of the tariff concessions have to be carried out with the Contracting Parties having initial negotiating rights or having substantial interest in the items. We have successfully completed negotiations with the contracting Parties concerned and as a result in respect of the items listed in the Appendix we have been able to withdraw the tariff concessions or modify the concessions. The countries concerned are EEC (*vide* Appendix XI), USA (*vide* Appendix XII) and Australia (*vide* Appendix XIII).

The negotiations were completed in April, 1971 and the tariff freedom secured has been taken advantage of for revising duties on the relevant products suitably in the last Finance Act."

(iii) *India's Exports to USA/Canada*

4.10 North America comprising the U.S.A. and Canada, is the world's leading economic region and is the largest trading partner of India not only in the American region, but also in the entire world accounting for 96 per cent of India's imports from and 98 per cent of its exports to the American region and 34.7 per cent of India's total imports and 15.3 per cent of its total exports. India's trade with this region since 1961-62, has witnessed appreciable expansion, rising from Rs. 648 crores in 1961-62 to Rs. 799 crores in 1970-71 registering an increase of nearly 23 per cent.

4.11 At present India's present imports comprise, in addition to food-grains, fertilisers machinery including electrical machinery, transport equipment, chemical elements and compounds, iron and steel, copper, zinc, sulphur lead, mixed paper and paper board, raw cotton and petroleum and petroleum products.

4.12 Analysis of composition of India's exports to the region shows that the bulk of exports is made up of traditional items such as jute manufactures, cashew kernels, tea, sugar, cotton fabrics and spices which accounted for 80 per cent of India's total exports in 1961-62 and 68 per cent in 1970-71. While these items continue to predominate the country's export schedule even today for the continent, some non-traditional items such as ready-made garments, footwear, leather manufactures, fabrics of art silk, shrimps and prawns, chemical and allied products, engineering goods and ferro-manganese have been added to the export list.

4.13 The table below gives India's trade with North America from the year 1951-52 to 1970-71.

(Rs. million)

Year	Imports	Exports	Trade Balance
1	2	3	4
1951-52	3,143.7	1,486.7	—1,657.0
1952-53	2,120.8	1,254.0	—866.8
1953-54	935.5	1,039.0	+103.5
1954-55	923.8	7,067.0	+143.2
1955-56	961.4	1,011.4	+50.0
First Plan Annual Average	1,647.0	1,171.6	—475.4
1956-57	1,149.7	1,063.8	—85.9
1957-58	1,792.5	1,022.1	—770.4
1958-59	2,043.4	1,008.7	—1,034.7
1959-60	2,367.3	1,114.5	—1,252.8
1960-61	3,474.2	1,201.4	—2,272.8

1	2	3	4
Second Plan			
Annual Average	2,165.4	1,082.1	—1,083.3
1961-62	2,775.9	1,333.3	—1,442.6
1962-63	3,637.1	1,376.0	—2,261.1
1963-64	4,739.4	1,430.8	—3,308.6
1964-65	5,370.0	1,643.5	—3,726.5
1965-66	5,558.6	1,681.0	—3,877.6
Third Plan			
Annual Average	4,416.2	1,492.9	—2,923.3
1966-67	8,405.1	2,510.5	—5,894.6
1967-68	8,749.2	2,372.0	—6,377.2
1968-69	6,710.0	2,640.6	—4,069.4
1969-70	5,420.9	2,643.0	—2,777.9
1970-71	5,634.9	2,353.0	—3,281.9

4.14 An analysis of the export performance of traditional items indicates that such exports are faced with not only an inelastic demand but also competition from the developing countries of Asia and Africa which are equally keen to obtain a larger share of this market. Jute manufactures have been facing increasing competition both from Pakistan and synthetic substitutes. Similarly, tea and spices face competition from the other developing countries. As against this, the indices of quantity of semi-manufactured and manufactured items have a much better potential than the traditional exports such as crude materials, crude food-stuffs consequent on a good measure of success which India has achieved in the field of industrial technology, a fact being increasingly recognised in the USA and Canada.

4.15 This, coupled with the comparatively low labour costs in the country, places India in an advantageous position to exploit the vast marketing opportunities offered by these countries for many labour-intensive products. Among such items, mention may be made of engineering exports which have amply demonstrated India's ability to enter the highly sophisticated markets. As gains in productivity are passed on to labour in the form of increased wages, the industries in North America are becoming vulnerable to competition of imported manufactured products from countries where labour costs are lower. The changes in the pattern of North America's imports, in which manufactured goods have increased their share, indicate the bright prospects for India's engineering exports to the region. It will, therefore, be a better strategy, in the long run, to maintain the exports of traditional items and increase the exports of manufactured and engineering goods. Attempts have been made to promote the export of manufactured items in recent years. Though still comparatively small in size, these exports mark the beginning of gradual but perceptible shift from traditional to non-traditional manufactured products for which there exists immense scope. At present Indian exports of such items are limited and constituted only a fraction of their total imports. The recent imposition of 10 per cent import surcharge has, however, rendered the export of non-traditional items to the

USA difficult. Although the surcharge will not apply to 80 about per cent of India's exports, covering such items as jute textiles, cotton manufactures, mica, sugar, tea, shrimps and lobsters, it will hit hard a vital sector where India has a growth potential and where the Government is taking measures to promote sales to the USA. This sector covers engineering goods, chemicals, leather manufactures and a host of other items which at present account for about 21 per cent of India's total exports to the USA.

4.16 The table below indicates India's export to USA/Canada/South American countries during the months January-October, 1969 and 1970:

Region Countries	January-October	
	1970 (Rs. crores)	1969
1	2	3
America	210.50	233.42
(a) Canada	24.08	25.02
(b) USA	170.68	203.03
(c) Latin America	5.01	3.63
(d) Argentina	1.52	0.33
(e) Brazil	0.40	0.37
Chile	0.10	0.14
Cuba	..	0.01
Dominican Republic	0.14	0.09
Equador	0.10	2.02
Mexico	0.64	0.62
Peru	0.25	0.19
Uruguay	0.58	0.40
(f) Other American countries	1.73	1.74
Guyana	0.22	0.25
Jamaica	2.24	1.14
Netherlands Antilles	0.06	0.05
Trinidad and Tobago	0.40	0.40

It would be seen from the above that India's exports to USA, Canada, Chile, Equador etc. have been showing a declining trend. Asked as to what were the reasons for decline, the Secretary, Ministry of Foreign Trade informed the Committee during evidence that India's exports to all the countries except USA had picked up. As far the USA, the fall in export last year had almost entirely accounted for, by the fall in export of Jute Carpet backing which accounted for about 50% of Indias total exports to USA. In USA because of recession, the house building activity had shrunk a little and to that extent there was also an impact on the demand for carpet backing. During the current year the exports were picking up and they hoped to do better.

4.17 Subsequently in written note furnished to the Committee, Government have explained the position thus :

"India's Export to American Countries"

(Value Rs. crores)

Country	1969-70	1970-71
USA	238.0	207.3
Canada	26.3	28.0
Latin America	4.7	8.3
Other American countries	2.1	2.0
Total American countries	271.1	245.6

"It would be seen from the above statement that the decline in exports is only in respect of USA. This decline in exports to USA can be ascribed to various factors, internal as well as external. Since 50% of our exports to USA comprise of jute manufactures, the strike in Calcutta Jute Industry in September-October, 1970 and the dock-strike in Calcutta port in early 1970 contributed much to the decline in our jute exports. This was further aggravated by a recession in the US economy in 1970 and 1971. The recession meant less house-building and hence depressed the demand for carpet backing. Exports of jute goods have since then improved to more or less normal level. Exports to USA in 1971-72 are, therefore, likely to be much better. But again our exports to USA depend on the economic conditions there which are, at the moment not very clear. The US Government has already levied 10% additional import duty on about half of the total imports into USA in order to curb imports and to boost the US economy. It might take more steps if the position does not improve."

Surcharge on India's Export to America

4.18 The Committee enquired as to whether it was true that India's growth exports such as engineering goods, chemicals, leather manufactures and woollen carpets will be severely affected by the proposed 10 per cent surcharge levied on India's exports to the United States and how did the Government propose to meet the situation? Government in a written note furnished to the Committee have explained the position :

"For the last 15 years or so India has been having an adverse balance of trade with USA. Our exports to USA have been enough only to pay for 35% of our imports from that country. We have been making efforts to increase our exports to USA, so as to reduce the gap.

Our target for exports to USA during 1971-72 had been fixed at Rs. 255 crores and we have every hope that this target would be achieved. However, on 15th August, 1971 the US Government announced imposition of an additional import duty of 10% on most of the dutiable items which include most of the growth points in our export efforts. On the basis of 1970-71 figures 70% of our exports consisting

of raw material food items and hessian cloth are free of duty. Another 9% of our exports, mainly cotton textiles and sugar being subject to import quotas will not incur the additional duty. Thus 21% of the total exports valued at about Rs. 45 crores will be subject to additional impositions. The main items affected would be non-traditional ones like leather, footwear, engineering products, chemical products, carpets, ferro-manganese and certain handicrafts.

On our instructions, our Embassy have represented to the US Government to exempt Indian products from the additional duties on the following basis:

(a) The difficulties necessitating this measure are not the result of trade policy being followed by India.

(b) The additional duties are likely to damage our sensitive growth points thus crippling our export efforts.

(c) The additional imposition is against the general liberal trade policy being adopte by US Government towards developing countries.

US authorities have been emphasising that these impositions are purely temporary pending adjustments of monetary problems of the world. In this context they are reluctant to make any exemptions to developing countries. It is difficult to say how the position will shape in the next few weeks. But at the moment we have no alternative but to watch the situation."

4.19 The Committee note that India's exports to USA registered a decline from Rs. 238 crores in the year 1969-70 to 207.3 crores in the year 1970-71, whereas in the case of other countries viz. Canada, Latin American countries, India's exports showed a favourable trend. The decline in exports to USA have been attributed to various factors, recession in US economy in 1970 and 1971 and to dock strike in Calcutta port in early 1970. The Committee hope with the exports of jute having picked up, India's exports during the year 1971-72 will register an increase and the target of exports of Rs. 255 crores fixed for the year would be realised.

4.20 The Committee further note that the future trade pattern of India's exports to U.S.A is gradually undergoing a change i.e., semi-Manufactured and manufactured goods now hold better export potential than the traditional exports. This coupled with the comparatively low labour costs in the country, places India in an advantageous position to exploit the vast marketing opportunities offered by these countries for many labour intensive products. Among such items, mention may be made of engineering exports which have amply demonstrated India's ability to enter the highly sophisticated market. The Committee would, therefore, urge that while the exports of traditional items be maintained concerted efforts are called for to increase the exports of manufactured and engineering goods.

4.21 Keeping in view the complex and sophisticated nature of the market and fast changing consumer trends in this part of the world, the Committee

would stress the need for market research to provide necessary clues and pointers well in advance. The Committee would also stress the need for a close study of price trends, the quality of goods preferred in order to make full use of the export opportunities. The Committee would, therefore, stress the need for product development as also for adopting suitable marketing techinques. Such a strategy will not only help India in arresting falling exports to the U.S.A. and other countries in the region but would also enable it to gain a larger share of the market.

4.22 The Committee note that imposition of a 10 per cent import surcharge levied on India's expots to U.S.A. will not apply to about 80 per cent of India's exports covering such items as Jute manufactures, cotton manufacturers, mica, sugar, tea etc. Thus 20 per cent of the total exports covering non-traditional items like leather, footwear, engineering products, carpets, ferro-manganese and handicarafts are subject to additional impositions. The Committee hope that the efforts being made to secure exemption or relaxation from this additional 10 per cent levy would succeed and thus not come in the way of our continued exports to this country.

(iv) Exports to Japan

4.23 Two-way trade between India and Japan increased by about 2½ times in the last decade as it grew from a level of US $ 208.2 million in 1960 to a level of US $ 493.1 million in 1970. This gives an average annual increase of 15 per cent in the rate of growth of Indio-Japan trade in the last decade. It compares very favourabley with the rate of growth in India's overall trade during this period. However, even this high rate of growth has not been able to keep pace with the spectacular rate of increase in Japan's overall trade which has increased by a little less than 5 times during the same period i.e. from a level of US $ 8.5 billion in 1960 to US $ 38.1 billion in 1970. As a result, although Japan's share in India's total trade improved from 6 per cent in 1960 to 13 per cent in 1970, India's share of Japan's total trade declined from 2.5 per cent in 1960 to 1.2 per cent in 1970. Today Japan ranks India's fourth largest trading partner after USA, USSR and U.K. while India ranks nineteenth as Japan's trading partner.

4.24 The other significant feature of Indo-Japan trade is that it has turned from minus US $ 9 million in 1960 to plus US $287 million in favour of India in 1970. However, this large surplus is more apparent than real as it includes the element of freight for the shipment of iron ores and other Indian products which used Japanese vessels. After this element is discounted India's net surplus would be over US $ 150 million in 1970.

4.25 India's export performance was even more better than the overall trade performance, as Indian exports increased by 4½ times during the decade from a level of US $ 99.5 million in 1960 to US $ 390 million in 1960. The increase in India's exports has been even more pronounced in the last couple of years. The increase in 1969 over 1968 was of the order of 9 per cent and that in 1970 over 1969 was of the order of 21 per cent.

4.26 The NCAER in its report on India's Export Potential in twenty-six countries in Africa, Middle-East Asia and the Far East, surveyed by it

have stated that Japan alone constitutes about half the market potential of the countries surveyed. Among the steps of particular importance outlined in report were :

(a) Intensification of India's entire minerals programmes with stress on bringing in new production linked to arrangements for long terms sales and improvements in productivity with particular regard to the need for ports to accommodate ships of 100,000 DWT with fast loading facilities. Active Japanese participation in exploration and development should be considered.

(b) Negotiations with Japan at both Governmental and Industry levels and suggested to secure contracts for Indian industry to produce labour-intensive components for Japanese industry.

(c) Greater attention should be paid to the expansion of India's marine potential, especially prawn.

(d) It is suggested that there should be negotiations with Japan for possible collaboration in supplying industrial plants to third countries with India concentrating on heavier and labour-intensive equipment and Japan on more sophisticated items.

(e) Continued representations to Japan to eliminate quota restrictions detrimental to India, especially on tea and other agricultural products, are also suggested."

4.27 Regarding the question of negotiations with Japan at both Governmental level and industry level to secure contracts for Indian Industry to produce labour-intensive components for Japanese Industry, the Secretary, Ministry of Foreign Trade observed as under :

"We have created an Indo-Japanese Committee for study on economic development called Indo-Japanese Business co-ordination Committee. We also have set up a Joint Standing Committee which is going into this question. We have also had a number of delegations-Chemicals manufacturers delegations and of exporters of auto components. They have gone to Japan. There was a delegation which came here from Japan a few months back to find out the possibilities of developing in India ancillary industries which are more labour intensive. They have also submitted a report and I believe they have entered into one contract. There also a tool manufacturers' delegation which came from Japan and they are studying the possibility of establishing labour intensive components industry here. Apart from that, we have also asked the Engineering Export Promotion Council and the Indian Institute of Foreign Trade to find out the fields where we can take over the labour intensive part of the industry from Japan." The Trade Development Authority particularly went into the question of sewing machine components to find out whether we can take up the manufacture of components and supply to the sewing machine industry in Japan. They have unfortunately come up against two problems both of quality and price. They are now exploring possibities of meeting Japanese demand at competitive

prices. Apart from that, there is a hitch which, of course, is not mentioned here in the National Council of Applied Economic Research Report and that hitch is that Japan has already made fairly heavy investment in respect of a number of these labour intensive component industries in other developing countries, they have for instance, made substantial investment in sewing machine, electronics, bicycle parts and other parts in Taiwan. This limits somewhat the opportunities for India. The whole question is under very careful examination and we are exploring the possibilities with the help of TDA and the Engineering Export Promotion Council and we hope that we will be able to identify some of the industries which are labour intensive and which we can set up with profit."

Japanese Promotion Techniques

4.28 Replying to the question whether they had studied the Japanese Promotion Techniques, the Economic Adviser, Ministry of Foreign Trade, stated :

"I had an opportunity to study the techniques of export promotion in a country like Japan and they have an International Trade Council, which, I think when I studied, was presided over by the Prime Minister. Now, there is a very close co-operation between industry and Government in Japan. But, that is the product of a political system that has been evolved in Japan whereby industry has a great deal of influence with the Government. People move from industry to Government and *vice versa* very frequently. Now, the system of Government that we have in this country is not of that type. Therefore, although in our day-to-day work, we have close collaboration with industry and commerce, in activities like export promotion, it has not been possible for us to go as far as Japan in the matter".

4.29 As to what would be the effect on exports, if India adopted the Japanese system, the Economic Adviser, Ministry of Foreign Trade stated that it was difficult for him to speculate the effects of a different administrative and political system.

4.30 A written note furnished to the Committee indicating Government's follow up action on the Report of National Council of Applied Economic Research is given at Appendix XIV.

4.31 The Committee note that trade between India and Japan increased by 2½ times in the last decade giving an average annual increase of 15 per cent in the rate of growth of Indo-Japanese trade. This high rate of growth has, however, not been able to keep pace with the spectacular rate of increase in Japan's overall trade which has increased by about 5 times during the period 1960-1970. As a result, although Japanese share in India's total trade improved from 6 per cent in 1960 to 13 per cent in 1970, India's share of Japan's total trade declined from 2.5 per cent in 1960 to 1.2 per cent in 1970.

4.32 India's exports to Japan consist almost entirely of ores, agricultural and other primary products. One single commodity viz., iron ore accounts

for over 40 per cent of the value of India's exports to Japan. Such an over dependance on a single item in the Committee's view gives a rather fragile base to the structure of India's exports to Japan. Among other items of exports to Japan are pig iron, raw cotton, manganese ore, steel scrap, oil cakes, shrimps, tobacco leaves, handloom silk, handicrafts, black tea etc. which account for more than 4 or 5 per cent share of the total exports.

4.33 The Committee hope that the favourable climate for the growth of trade exchanges between India and Japan, which prevails at present, will be utilised fully to the mutual benefit and advantage of both the countries.

4.34 The Committee would also suggest that India should take full advantage of the increasing export opportunities for labour intensive items e.g., engineering goods, electronics hardwares etc. available with the increasing vacation of labour intensive lines of production by the developed countries including Japan etc. in favour of the developing countries.

(v) Exports to United Kingdom

4.35 The table below gives India's global exports and exports to USA, USSR, Japan and U.K. from the year 1967-68 to the year 1970-71:—

(Value in Rs. lakhs)

Destination	1967-68	1968-69	1969-70	1970-71
U.S.A.	207,43	233,48	237,96	207,34
U.S.S.R.	121,77	148,17	176,37	209,85
Japan	135,91	158,16	179,36	203,48
U.K.	229,01	201,51	165,07	170,43
Global Exports	1198,66	1354,18	1413,28	1535,16

4.36 It will be seen from the above that U.K. is no longer the largest market for India's exports. It ranks only fourth in importance following U.S.A., USSR and Japan.

4.37 The table below gives (i) India's trade with the United Kingdom from the year 1951-52 to 1970-71 and (ii) composition of India's exports to U.K. from the year 1961-62 to the year 1970-71:

(Rs. million)

Year	Imports	Exports	Trade Balance
1951-52	1,708.2	1,897.4	+189.2
1952-53	1,409.9	1,233.0	—176.9
1953-54	1,434.8	1,514.0	+79.2
1954-55	1,533.6	1,894.2	+360.6
1955-56	1,726.9	1,661.6	—65.3
First Plan annual average	1,562.7	1,640.0	+77.3

(Rs. million)

Year	Imports	Exports	Trade Balance
1956-57	2,129.2	1,818.9	—310.3
1957-58	2,269.3	1,516.2	—753.1
1958-59	1,586.3	1,642.2	+55.9
1959-60	1,943.0	1,788.5	—154.5
1960-61	2,171.5	1,724.8	—446.7
Second Plan annual average	2,019.8	1,698.1	—321.7
1961-62	2,040.5	1,609.4	—431.1
1962-63	1,855.6	1,644.6	—211.0
1963-64	1,714.6	1,636.7	—77.9
1964-65	1,636.5	1,673.0	+36.5
1965-66	1,491.1	1,464.2	—26.9
	(2,350.0)	(2,307.6)	(—42.4)
Third Plan annual average	1,747.7	1,605.6	—142.1
1966-67	1,635.0	2,024.3	+389.3
1967-68	1,626.5	2,290.5	+664.0
1968-69	1,275.0	2,015.1	+740.1
1969-70	1,025.9	1,650.7	+624.8
1970-71	1,260.3	1,704.3	+444.0

NOTE :— Figures upto 1965-66 are at pre-devaluation rates. Bracket figures for 1965-66 and those from 1966-67 are at post-devaluation rates.

COMPOSITION OF INDIA'S EXPORTS TO U.K.

(Rs. million)

Commodities	1961-62	1966-67	1970-71
Tea	739.6	829.4	648.7
Leather	163.3	189.2	156.6
Tobacco (unmanufactured)	98.5	135.5	166.2
Cotton piece goods millmade	112.9	147.3	123.5
Oilseed cake	122.7	160.4	86.6
Bullion bars	..	..	..
Textile yarn and thread	10.9	32.5	49.1
Jute manufactures	76.5	78.3	21.9
Fruits and vegetables (mainly cashew nuts and Walnuts)	19.4	37.2	27.3
Pearls, precious and semi-precious stones	Neg.	36.3	20.8
Opium crude	13.6	20.0	29.1
Iron and Steel	11.4	33.0	21.0

(Rs. million)

Commodities	1961-62	1966-67	1970-71
Woollen carpets	18.9	15.5	16.5
Bones, ivory horns etc.	8.9	16.7	13.4
Clothing except fur	0.3	2.5	14.3
Natural gums, resins, balsam and lac	5.8	11.4	14.9
Coir, carpets, mats and mattings	12.2	18.1	10.3
Mica	16.6	17.3	11.3
Spices	4.0	5.5	11.2
Others	173.9	238.2	261.6
	1,609.4	2,024.3	1,704.3

4.38 It has been stated that since 1951-52, the trade between India and U.K. has substantially declined. Between 1951-52 and 1955-56, with annual average exports from and imports into the U.K. aggregating Rs. 246 crores and Rs. 258 crores respectively, the U.K. had a trade deficit of Rs. 12 crores. However, during the Second and Third Plan periods huge imports of machinery and equipment became necessary because of increasing emphasis in India on heavy industries. This development was largely responsible for the UK's increased exports to India and hence for the UK' strade surplus during the major part of the ten-year period between 1956-57 and 1965-66. However, by 1965-66, with exports from and imports into the UK amounting to Rs. 235 crores and Rs. 231 crores, the UK had only a marginal surplus of Rs. 4 crores. Between 1966-67 and 1970-71 substantial import substitution of machinery products of various types took place in India. This resulted in a progressive decline in the exports of these products from the UK to India. By 1970-71, exports from the UK to India had declined to Rs. 126 crores. Though imports from India also declined substantially they still remained, at Rs. 170 crores, above the export level. Thus in 1970-71, the UK had a trade deficit of Rs. 44 crores.

4.39 Machinery and transport equipment even in 1970-71 accounted for 50 per cent of the UK's total exports to India. Iron and Steel accounted for one-tenth of the total exports. India's traditional goods like tea, leather goods, tobacco (unmanufactured) and cotton textiles still dominate UK's imports.

4.40 The Deputy Minister of Foreign Trade (Shri A. C. George) while replying to a question in the Lok Sabha on the 21st March, 1972, regarding adverse balance of Trade stated thus:—

"The balance of Indo-British trade upto during 1971 was against India.

The adverse balance of trade to India with U.K. was of the order of Rs. 23.32 crores during January-August, 1971, for which period the statistics are available.

The balance of trade has turned adverse because of the steep increase in imports from the U.K. on account of a more liberal policy for catering to the requirements of export oriented and other priority

industries. Efforts to increase India's exports to the U.K. have been intensified. Exports from India to U.K. during January-August, 1971 were approximately 10% more as compared with the corresponding period of the previous year. The Government hope that this trend would continue."

4.41 The Committee note that India's exports to Britain have been declining in recent years. The exports fell from Rs. 229 crores in 1967-68 to Rs. 170.43 crores in 1970-71. These exports are further likely to be affected as Britain has decided from 1st January, 1972 to deviate unilaterally from the provisions of the Commonwealth Trade Preference Act of 1939 and impose a levy of 15 per cent on imports of Indian cotton textiles. Moreover, Britain has announced that it will join the European Economic Community shortly. The Committee would like Government to analyse the reasons because of which exports to Britain have fallen in recent years and take suitable measures to sustain and improve exports particularly for engineering and other labour-intensive manufactured goods.

(vi) Exports to European Economic Community

4.42 The European Economic Community (EEC) comprising West Germany, France, Italy, Belgium, Luxembourg and Netherlands came into existence on 1st January, 1968, as a result of the Rome Treaty that aims at bringing about complete economic fusion among the member countries by the progressive removal of restrictions on the inter-regional movements of goods, services and capital. With the entry of the UK and other countries, the enlarged EEC will command nearly 33 per cent of the world trade.

4.43 The EEC is an important trading partner of India not only in terms of trade with Western Europe but also in terms of her trade with the world. The community accounts at present for 54 per cent of India's imports from and nearly 33 per cent of its exports to West Europe, and 12 per cent of India's total imports and 7 per cent of her total exports. So far as geographical distribution of India's trade with the EEC is concerned, West Germany alone accounts for 58 per cent of India's imports from and 33 per cent of India's exports to the EEC. Next in importance is Italy, followed by France. the Netherlands, Belgium and Luxembourg. During the last two decades, India's trade with the EEC has risen by about 125 per cent.

4.44 Trade expansion was fast during the period 1951-52 to 1960-61 as compared to that during 1961-62 to 1970-71. In the rising trade, imports grew very rapidly due to several reasons. First, in the process of rebuilding their war-shattered economies vigorously, the countries in the region became not only major industrial powers but also the most thrusting and aggressive sellers of capital goods in the world markets. Secondly, over the same period, India launched her ambitious development programme under the Five-Year Plans and as the programme concentrated heavily on industrialisation, it necessitated heavy imports of capital goods and industrial raw materials — which the EEC countries were in a position to supply. Thirdly, in the years prior to the foreign exchange crisis during the Second Five Year Plan period, India possessed capacity to pay for such

imports not only through her exports but also from sterling balances to her credit.

4.45 With the imports running ahead of exports, India had experienced a continuous trade deficit in varying degree with the area during the last 20 years. A pertinent feature of the trade deficit with the EEC is that the trade deficit itself has been more than India's total exports to the EEC for most of the years since 1954-55. Some reduction in the trade deficit during the last two years is more due to declining imports rather than expansion in exports, although a developing country like India cannot really afford to cut back its imports, which consist of capital goods, maintenance imports and essential raw materials.

4.46 Despite serious efforts on both the sides for a balance of trade the gap has become chronic as would be seen from the table below:

(Rs. million)

Year	Imports	Exports	Trade Balance
1951-52	834.0	450.5	—383.5
1952-53	686.0	461.1	—225.5
1953-54	839.2	336.9	—502.3
1954-55	1,019.1	478.7	—540.5
1955-56	1,188.9	560.1	—628.5
First Plan annual average	913.6	457.5	—456.1
1956-57	1,783.1	475.3	—1,307.8
1957-58	2,156.5	446.5	—1,710.0
1958-59	1,661.1	392.2	—1,268.9
1959-60	1,911.1	499.6	—1,411.5
1960-61	1,959.0	517.5	—1,441.5
Second Plan annual average	1,894.6	466.2	—1,428.4
1961-62	1,946.4	562.1	—1,384.3
1962-63	1,580.5	564.5	—1,016.0
1963-64	1,410.2	621.8	—788.4
1964-65	1,724.4	570.2	—1,154.2
1965-66	2,049.4	553.0	—1,496.4
Third Plan annual average	1,742.2	574.3	—1,167.9
1966-67	2,983.5	887.0	—2,096.5
1967-68	2,561.4	893.1	—1,668.3
1968-69	2,347.7	1,114.8	—1,232.9
1969-70	1,720.0	1,005.1	—714.9
1970-71	1,876.8	986.2	—890.6

4.47 Such a disappointing trend has caused anxiety to both the trading partners. Expansion in India's exports to the EEC is a matter of concern not only to India but also to the EEC, as it has been increasingly realised in the EEC that continuation of their exports to India hinges upon the ability of the EEC markets to buy and absorb more goods from India.

4.48 The composition of India's imports from the EEC shows that it comprises such items as are essential for the economic development of the country, keeping in view the need for import substitution at home. From the EEC, India at present imports 20 per cent of her total imports of chemical elements and compounds: 25 per cent of dyeing, tanning and colouring materials; 40 per cent of yarn and thread of synthetic fibres; 20 per cent of iron and steel; 25 per cent of manufactures of metals; 25 per cent of machinery, other than electric; 40 per cent of electrical machinery and apparatus and appliances; 20 per cent of transport equipment, and 25 per cent of professional, scientific and controlling instruments and optical goods, watches and clocks.

4.49 The composition of India's exports to the EEC shows that the bulk of exports is made up of traditional items such as tea, spices, leather, tobacco unmanufactured, hides and skins, cashew kernels, lac, jute, manufactures, coir manufactures, oil cakes, mica, iron ore, kyanite. However, the demand for these items in the EEC is either stagnant or is rising at a slow pace. Moreover, except in the case of coir yarn, India is never the principal supplier, with the result the competition from other suppliers is keen. While in the case of tea and jute, the number of such suppliers is limited, for ores, carpets, coffee, spices and oil cakes, their numbers are much larger. In the case of leather and mica, despite the multiplicity of suppliers, India has a commanding position but demand for them is stagnant.

4.50 However, while traditional items continue to predominate the country's export schedule for the EEC, some new items have been added to the export list in recent years. Among the new items, mention may be made of engineering goods, chemicals, footwear, precious and semi-precious stones and pearls, medicinal and pharmaceutical products, fresh fruits and vegetables and clothing. In several export items, the share of the EEC in their total export is quite impressive. India at present ships to the EEC 35 per cent of its total exports of rose wood; 40 per cent of kyanite; 40 per cent of bauxite; 28 per cent of gums; 30 per cent of organic chemicals; 31 per cent of sandal wood oil; 24 per cent of sheep lamb skins unfinished; 35 per cent of coir yarn; 33 per cent of silk fabrics; 45 per cent of pearls, precious and semi-precious stones; 32 per cent of works of art, collectors' pieces and antiques; and 20 per cent of jewellery and goldsmith and silversmith ware.

4.51 India's exports of engineering goods worth $4.4 million to the EEC at present are not only small compared to India's other exports but also negligible in the total EEC imports of engineering goods worth $3,500 million. However, the beginning made by the engineering exports to the EEC has demonstrated India's ability to enter the highly sophisticated and competitive markets. With the shift in production of highly sophisticated items, the scope for imports into the markets of the EEC of less sophisticated items in which industrialising India during the last two decades has built adequate capacity has increased. This is particularly true of engineering items which are labour intensive.

4.52 The introduction of the scheme of Generalised System of Preference (GSP) providing for substantial tariff reduction by the EEC on imports of manufactures and semi-manufactures from the developing countries,

including India with effect from July 1, 1971, has added new dimensions to India's new exports to the EEC. These preferences will go a long way in boosting new exports.

Indo-E.E.C. Trade

4.53 India's exports to E.E.C. during the years 1967-68 to 1970-71 are given below:

Year	Total exports (Rs. in crores)
1967-68	89.31
1968-69	111.48
1969-70	100.50
1970-71	98.62

4.54 India's exports to E.E.C. have increased from Rs. 490 million (pre-devaluation) in 1960-61 to about Rs. 1000 million (post-devaluation) in 1969-70. Similarly, India's imports from E.E.C. have increased from Rs.1950 million (pre-devaluation) in 1960-61 to Rs. 2340 million (post-devaluation) in 1968-69. In 1969-70 they declined to Rs. 1700 million. In terms of percentage share, E.E.C. accounts for about 7 per cent of India's total exports as against 10 per cent of its total imports. However, India has been persistently having a deficit trade balance with E.E.C. A pertinent feature of the Trade deficit with EEC is that the deficit itself has been more than India's total exports to E.E.C. for most of the years during sixties. In other words, imports from E.E.C. have been more than double the value of India's exports to E.E.C.

British Entry into European Economic Community

4.55 In a statement laid on the Table of the Lok Sabha on 24th May, 1967, Government had stated that "United Kingdom is also the principal market for oil-cakes, tobacco, tea, hides and skins, wool, castor oil, coir mats and mattings and woollen carpets. These products have been enjoying wide margins of preference in U.K. The European Economic Community, however, levies import duties ranging from 5% to 50% on these articles. Consequent to the British decision to join the Community, the dismantling of the British tariff on imports from the community and the extension of the community's tariff to Indian products imported into the U.K. would place India in a disadvantageous position. Besides trade in these traditional commodities, the United Kingdom provides for preferential entry for a growing range of Indian industrial products. The elimination of these preferences would also deal severe blow to our efforts to augment, through diversification, our capacity to finance purchases from abroad and also to meet our external obligations.

Impact of Britain's Entry into E.E.C.

4.56 The effects that the U.K.'s entry into the Common Market are likely to have on India's exports to Britain are mainly as follows:

(a) There may be a loss of the preference which India enjoys in the U.K. *vis-a-vis* non-Commonwealth countries;

(b) To the extent that some of the associated overseas territories or even some of the members of the EEC themselves export products which compete with Indian products, they will get duty free access within the Community which will be denied to India;

(c) Finally, to the extent a common tariff happens to be higher than the existing level of duties, even when there is no competition either from within or from without the Community, the higher price of Indian exports to the Community (including the U.K) may reduce total demand for such products within the Community.

4.57 Asked to state the measures taken to sustain India's exports in view of British entry into E.E.C. the Ministry of Foreign Trade have stated in a written note:

"The Generalised Scheme of Preferences is expected to care of problems in respect of many of the items of manufactures and semi-manufactures. This scheme has been given wide publicity and the Export Promotion Councils and other trade bodies have been asked to make full use of this scheme.

We are also taking up with the Community, the question of further improvements in the GSP offers (namely in regard to product coverage, ceilings and countrywise distribution of the ceilings).

We are also putting increasing pressure on EEC to resolve our trade problems in respect of jute and coir goods. Following our efforts, we could secure from the EEC a liberal quota for cotton textiles under bilateral agreement with them concluded last year.

We have also continued our bilateral efforts with the individual EEC Member countries for securing increased access for our products in their market and for the removal of various constraints to our trade.

In the context of the U.K.'s accession to the Community and the efforts on the part of the European countries to come closer in the matter of trade and economic relations, the need for diversification of our exports cannot be over-emphasised. It may be pointed out, in this connection, that U.K. is no longer the largest market for our exports (as would be evident from the statement for India's global exports and exports to U.K., U.S.A., Japan and U.S.S.R.). It ranks only fourth in importance following U.S.A., U.S.S.R. and Japan. Our efforts to diversify our exports will continue simultaneously with our efforts to sustain and develop our exports to the U.K. and the Community."

4.58 The Secretary, Ministry of Foreign Trade stated during evidence as follows:—

"As far as our trade with the EEC is concerned, it has been expanding though not at a fast pace. Now, we have taken definite measures. Our teams have gone out to study the markets. We have participated in fairs; we have done some market survey and studies. We have now the GSP which has come into being from

the first of July. In the E.E.C. countries while it is not a full solution of our problems, we do hope that as a result of these, manufactured and semi-manufactured goods will find a greater access to the markets of the EEC. We have also been pressing the EEC to enter into a commercial cooperation agreement with us but we have not been successful in persuading the EEC to agree to such an arrangement."

4.59 Explaining the progress made in negotiating an understanding with E.E.C. so as to cushion the fall which would result from loss of preference imports to Britain the respresentative of the Ministry stated:

"Certain factors have impeded progress. One is that the EEC has been preoccupied with problems relating to UK's entry into the EEC. They say that they really want time for other serious discussions. As a result of discussion that we have with the EEC both here and in Brussels, we have also a feeling that the European Economic Community is not really ready for entering into serious negotiations on a commercial cooperation agreement with us."

4.60 The representative of the Ministry informed the Committee further that a series of discussions had taken place with E.E.C. about the problem of jute. The offer made by EEC was not acceptable to India. But the EEC had agreed to the setting up of an informal Committee with India's Ambassador at Brussels, which could discuss problems relating to commercial cooperation agreement. Under a scheme set up in cooperation with West Germany efforts were also being made to promote marketing of certain products from India to that country. Trade Development Authority had also been asked to concentrate on this point.

4.61 The representative of the Ministry of Foreign Trade informed the Committee that when E.E.C. was formed in 1958 about 75 per cent of products from India were not allowed duty free. For example even on tea, the duty was 35 per cent and today there was no duty on tea. There was no duty on almost all the entire range of traditional products except on jute coir and tobacco and even in the U.K. except on cotton textile and tobacco, most of the items which had been free would enter the U.K. market duty free from 1st January, 1972, under their offer of General Scheme of Preferences. Five years ago the quota for cotton textiles from India to E.E.C. was 2000 tonnes. The quota now was 12000 tonnes. 90 per cent of trade both in traditional and non-traditional field except jute and coir textile and tobacco were now entering into E.E.C. absolutely duty free.

4.62 The representative, however, felt that there was still bound to be some loss as a result of the British entry into E.E.C. Although many of the manufactures and semi-manufactures from India would continue to enter the U.K. free of duty under their scheme of G.S.P., it would mean that the tariff preferences that were enjoyed previously in the U.K. under Commonwealth system of preferences would have to be shared by India with other developing countries. This might affect some of the country's export to U.K.

4.63 However, it has been represented that this piecemeal approach cannot be a substitute for a comprehensive trade treaty with the E.E.C. and India must have a trade treaty with the world's largest trading area.

4.64 Asked to state the progress made in concluding comprehensive trade treaty with E.E.C. the representative of the Ministry of Foreign Trade explained:

> "Despite their efforts Government of India have not been able to have any formal dialogue with the E.E.C. on Commercial Cooperation Agreement for which an *Aide Memoire* was submitted to the EEC Commission on the 21st September, 1970. This matter was raised when Prof. Dahrendorf Commissioner in charge of External Relations in the EEC Commission visited India in March, 1971. Minister (Foreign Trade) also raised this issue when he visited Brussels and met Prof. Dahrendorf on the 15th September, 1971. The EEC appears to be agreeable in principle for the establishment of a joint commission which would consider the *Aide Memoire* containing the elements of the C.C.A."

4.65 The intention was to conclude Commercial Cooperation Agreement with the Six before the Community gets enlarged so that some of the adverse effects following the U.K.'s accession could be mitigated. For such of the problems for which CCA will not provide a solution, it is intended to conclude another agreement (Comprehensive Trade Agreement) with the enlarged Community. This idea of Comprehensive Trade Agreement between the enlarged Community and India emanated from the first round of UK-EEC negotiations for the UK's entry into the Community during 1961—63.

4.66 As the position stands at present, the E.E.C is still in the process of finalisation of its proposals on the Government of India's request for a Commercial Cooperation Agreement with the E.E.C. for submission to the Council of Ministers.

4.67 Outlining the Comprehensive Trade Agreement the representative of the Ministry stated as follows:—

> The existing bilateral trade agreements provided for tariff, non-tariff concession and also certain other industrial collaboration and participation, technical assistance etc. All these aspcets will be put together in the agreement with the enlarged Community. We have been able to achieve some tariff solutions and the non-tariff solutions, and which we used to call "brick by brick" approach. That is if we have got a quota that will be put into a longer term basis for five years or so and that will go as an element into that Comprehensive Trade Agreement. And then the tariffs which have been suspended and which have been completely eliminated for essential oils, cashewnut, pepper and all the other items will also be included into a comprehensive trade agreement. And

thirdly, with these things, there will be no attempt to reimpose duties or impose quota restrictions. That means there will be constantly mutual consultation on periodical basis, on a joint session basis, and then we improve upon the past performance."

4.68 The Committee note that an enormous amount of trade deficit exists in India's trade with the European Economic Community. In order, therefore, to facilitate increasing trade and economic cooperation with the EEC there is the imperative need to strive for the removal of non-tariff barriers, which are still existing in the EEC in the form of import ceilings, product classification, cut-off points and quotas, all together hampering growth of India's exports to them. While doing so, there is also the need to improve India's marketing efforts to promote the sales of its products in these countries.

4.69 Although the introduction of the scheme of Generalised System of Preference in EEC will go a long way in expanding India's exports and thereby narrowing the trade gap with EEC, the Committee feel that there is a vital need for a comprehensive trade agreement with the EEC which alone can facilitate India's exports to EEC. The Committee note the efforts made by the Government of India from time to time to enter into negotiations with the EEC and hope that a favourable trade agreement with EEC will be arrived at an early opportuntiy.

(vii) Exports to East European Countries

4.70 The table below gives the figures of India's trade with the East European countries from the year 1951-52 to the year 1970-71.

(Rs. million)

Year	Imports	Exports	Trade Balance
1	2	3	4
1951-52	50.7	87.6	+36.9
1952-53	22.0	22.8	+0.8
1953-54	21.5	45.0	+23.5
1954-55	80.8	45.5	—35.3
1955-56	108.6	52.9	—55.7
First Plan annual average	56.7	50.8	—5.9
1956-57	320.9	214.8	—106.1
1957-58	381.9	242.1	—139.8
1958-59	308.0	342.4	+34.4
1959-60	354.2	490.7	+136.5
1960-61	443.1	495.5	+52.4
Second Plan annual average	361.6	357.1	—4.5
1961-62	876.2	644.3	—231.9
1962-63	1,101.3	926.8	—174.5
1963-64	1,292.6	1,089.1	—203.5
1964-65	1,449.9	1,438.8	—11.1
1965-66	1,559.9	1,565.5	+5.6

1	2	3	4
Third Plan annual average	1,256.0	1,132.9	—123.1
1966-67	2,301.4	2,256.7	—44.7
1967-68	2,222.0	2,259.4	+37.4
1968-69	3,095.7	2,665.1	—430.6
1969-70	2836.6	3,076.7	+240.1
1970-71	2,258.2	3616.6	+1358.4

4.71 A statement showing the India's trade with the East European countries (country-wise) from the year 1960-61 to 1970-71 is at Appendix XV.

4.72 It has been stated that India's trade with East European countries has witnessed spectacular expansion during the last 20 years, rising from Rs. 22 crores in 1951-52 to Rs. 588 crores in 1970-71; imports expanded from Rs. 8 crores to Rs. 226 crores, and exports from Rs. 14 crores to Rs. 362 crores. Consequently, during the period, the share of East Europe has grown in India's imports from 0.5 per cent to 17.9 per cent. Rapid expansion in India's trade with the region took place, particularly during the last decade, under the stimulus provided by the non-convertible rupee payments which India has signed with these countries since 1959.

4.73 As regards balance of trade, it may be mentioned that during the second half of the second Plan, when India had acute foreign exchange difficulty, she managed to have a surplus trade balance with the countries of this region. From a considerable trade deficit during the period 1954-55 to 1957-58, India emerged with a surplus of Rs. 5 crores (as post-devaluation rates) in 1958-59 and in the following year, it increased to Rs. 22 crores, although in 1960-61 the surplus narrowed down to Rs. 8 crores. During the subsequent years beginning with 1961-62, India had a deficit in varying degree. The position, however, has changed with favourable trade balance during the last two years.

4.74 Imports from the East European countries cover a wide range of goods including industrial raw materials and capital goods for enlarging the industrial base of the economy and for meeting the existing industrial capacity. The main import items are petroleum and petroleum products chemical elements and compounds, caustic soda, dyeing, tanning and co louring materials, rubber manufactures, paper and paper boards, newsprints, fertilisers, machinery including electrical and transport equipments, etc. In each of these items, the share of the East European countries in India's total imports has increased steadily.

4.75 As regards the composition of exports to East European countries predominantly it has been confined to traditional commodities, namely, jute manufactures, tea, tobacco unmanufactured, hides and skins, lac, raw wool, cotton textiles, vegetable oils, iron ore and mica, So far, de pite the expansion of India's trade with this region, diversification in exports has not been to a significant extent, although some non-traditional items

such as clothing, footwear, chemical elements and compounds medicinal and pharmaceutical products, rubber manufactures, woollen textiles, iron and steel and engineering goods have entered in the export trade with this region in recent years. In the Indo-Soviet Trade Agreement signed recently, it has been agreed that exports of manufactured goods will be increased from the present 44 per cent to 60 per cent of the total exports by 1975. Share of engineering goods will go up to 15 per cent. Similar trend is visible in exports of new items to other East European countries.

4.76 The table below gives percentage share of select groups of commodities in India's total exports to East European countries:

	1967-68	1968-69	1969-70
Primary commodities	54.01	53.88	52.02
Vegetable Oil (non-essential)	0.82	2.27	1.08
Chemicals, essential oil and pharmaceutical products	1.76	1.24	2.16
Leather	6.41	8.76	13.58
Rubber Products	0.41	0.64	0.71
Textile fabrics and metal manufactures	3.43	19.73	16.91
Machinery	0.83	0.78	0.94
Clothings	2.59	3.4	3.11
Footwear	1.85	1.17	0.98
Iron and Steel	1.96	3.51	2.20
Transport Equipment . . .	0.58	0.17	0.54
Others	25.30	4.45	5.77
	100.0	100.0	100.0

4.77 It would be seen from the above that primary commodities and semi-processed items such as coffee, tea, oilcakes, cashew kernel, spices, mica and raw jute constitute even now 52 % of our exports to East Europe. If textile manufactures are included, the share of this group goes to 65 per cent. This was also true of the compositions of India's exports to USSR, for primary commodities account for nearly 56 per cent of India's total exports to USSR and if textiles are also included this percentage goes upto 72.2 per cent.

4.78 Asked as to what efforts were being made to diversify the exports to the East European countries and the USSR, the Secretary, Ministry of Foreign Trade during evidence explained the position thus:—

"It is quite true that these primary commodities and semi-processed items did occupy a very substantial share of our trade with East European countries and USSR. We have tried progressively to restrict the quantities of these goods that we are supplying to these countries at certain levels. At the formulation of trade plans, there is no doubt still pressure on us to increase the quantities of these primary commodities, but we have been trying to resist it. We have also tried to persuade East European countries to take more of the

manufactured articles and provision has now been made in our trade agreements with several of these countries, for export of manufactured goods also. There is provision for export of railway wagons wire ropes, plastic injection machines, shoes, linoleum, jeeps, trucks, etc. But, unfortunately, one feature of this trade still is that though provision is made for these commodities, we are not able to sell according to the provision. The export of manufactured products are often less than the provision in the trade...."

India's Rupee Trade Agreement and Role of the Rupee Trade

4.79 Dealing with the role India's Rupee Trade Agreements and the role of rupee trade, Government in a written note furnished to the Committee have stated thus:

"So far as East European countries are concerned, India has trade in rupee currency with the following countries:

Bulgaria, Czechoslovakia, GDR, Hungary, Poland, Rumania, USSR and Yugoslavia.

By and large the trade with these countries has increased during the last decade. In 1960 the quantum of total trade with the above eight countries was Rs. 1,361.87 million while in 1969 it was Rs. 6,137.2 million and in 1970 Rs. 5,870.86 million, The exports in 1970 were the highest ever at Rs. 3,465.73 million compared with Rs. 776.71 million only in 1960.

Many non-traditional items both manufactured and semi-manufactured have been introduced in foreign markets through the East European countries. Examples of such products are railway wagons, railway components, commercial vehicles particularly tipper trucks and jeeps, wire ropes, transister radios, hand knitting machines, plastic injection moulding machines, surgical instruments, tork convertors and invertors, rayon tyre cord, shoes, synthetic laminated sheets, linoleum, thermos flasks, etc. India's trade with Rupee Payment countries has also helped in the establisation of unit prices of our export products at a higher level.

On the other hand, the range of products is not very much diversified and on both the sides of our imports and exports, the trade is limited to a few products. The share in export of our non-traditional goods is very low. Lastly there have been some cases in which some of the traditional products exported from India to these countries have found their way to General Currency Area countries."

4.80 The Committee note that India's exports to the East European countries including U.S.S.R. comprise mainly of primary commodities and semi-processed items such as coffee, tea, oil cakes, cashew kernel, spices, mica and raw jute. These constitute 52% of India's exports to East Europe and if the textile manufactures are also included, the share of this group goes upto 65 per cent. This was also true of the composition of India's exports to U.S.S.R. as primary commodities account for nearly 56 per cent of India's total exports

to U.S.S.R. and if textiles are also included this percentage goes up to 72.2 per cent.

4.81 The Committee hope that with the various steps taken by Government to diversify India's exports to East European countries and the U.S.S.R. more and more items of its non-traditional products, both manufactured and semi-manufactured *viz.*, railway wagons, commercial vehicles, surgical instruments, etc. etc. will be exported to the East European countries including U.S.S.R.

4.82 The Committee further note that the East European countries while providing good and steady expanding market for India's exports have not only enabled India to stabilise the prices of her traditional exports by reducing our dependence on the traditional markets. In the Committee's view, consequent on the industrialisation that has taken place in India during the last two decades, some adjustments are called for in the composition of India's trade with the region. For all these years the East European countries have been supplying India with machinery and equipment. But with the achievement of a certain level of industrialisation India naturally does not contemplate continuous import of such machinery. India on the other hand needs sophisticated machinery, as well as industrial raw materials like non-ferrous metals. At the same time, India even while showing her interests in the export of traditional items like Jute manufactures, tea, coffee, tobacco unmanufactured spices, oil cakes, hides and skins is concerned in promoting the sales of non-traditional items like semi-manufactured and manufactured goods, consumer durables and industrial machinery, railway wagons etc. In the Committee's view time has now come when India should seriously consider how to diversify its trade with the Eastern European countries making full use of opportunity for periodical review.

(viii) Exports to African Countries

4.83. The table below gives India's exports to the African countries:—

(Rs. lakhs)

Region/countries	April-September	
	1971	1970
1	2	3
AFRICA	6094.95	5396.97
(a) Congo (Brazzaville)	10.68	5.79
(b) Egypt (UAR)	1134.36	2093.55
(c) Ethiopia	103.87	99.90
(d) Ghana	58.00	44.63
(e) Kenya	573.88	404.81
(f) Mauritius and Dependencies	78.45	67.74
(g) Morocco	53.75	81.38
(h) Other East African countries	86.65	32.55

1	2	3
(i) Nigeria	553.40	285.93
(j) Scychelles	8.28	8.11
(k) Sierra Leone	63.52	51.50
(l) Sudan	1996.99	1280 09
(m) Tanzania, United Republic of	331.84	186.65
(n) Tunisia	21.71	55.72
(o) Uganda	182.80	101.50
(p) Zambia	265.72	178.91

(SOURCE : *DGCI&S statistics for September*, 1971)

4.84 Regarding India's exports to Africa, the Economic Adviser, Ministry of Foreign Trade informed the Committee thus:

"Our export to Africa last year increased from Rs. 88.11 crores to Rs. 139.29 crores. Now, we have been looking into these markets. There are nearly 49 countries in non-Arab Africa. Out of these, we have endeavoured to concentrate on 9 countries for our export effort. These countries are Kenya, Uganda, Tanzania, Ethiopia, Nigera, Zambia, Mauritius, Malawi and Ghana. More than 80 per cent of our exports to non-Arab Africa go to these nine countries. We, therefore, have decided to concentrate our promotional efforts in these countries. To that end we have taken a number of measures. We have concluded trade agreements with Uganda and Cameroun. We are trying to reach an agreement with countries like Ethiopia, Kenya, Ghana, Congo, Tanzania and Senegal. We are also exploring the possibilities of promoting our exports through joint ventures in these countries. 30 joint ventures projects are presently in operation in the selected non-Arab African countries in diversified fields such as engineering, chemicals, textiles and allied products. A number of applications are under consideration for establishment of more ventures in African countries. To promote exports, we have also to establish the image of this country as an exporter of sophisticated industrial products. For that purpose, we have been participating in exhibitions held in these countries. Every year we selected a few countries for purposes of participation in exhibitions. In addition, we have arranged the visits of a number of delegations. It has been our experience that personal contacts yield better results. We have been inviting the key persons from Africa and showing them our industrial complexes. We have received delegations from Uganda, Kenya and Tanzania."

4.85 The Committee are glad to note that India's exports to Africa which is a promising area registered an increase from Rs. 88.11 crores to Rs. 139.29 crores in the year 1970-71. The Committee hope that with the increasing awareness being shown by Government to step up India's exports to the non-Arab African countries notably Kenya, Uganda, Tanzania, Ethiopia, Nigeria,

Zambia, Mauritius, Malawi and Ghana, India's exports to this part of the world would show an impressive increase. In the Committee's view scope for economic relations with African countries were vast, but for achieving break a through strenuous efforts were needed. Although India's exports to the region have been dominated by three traditional items *viz.*, jute manufactures, tea and cotton, the Committee would like that the scope for exports of capital goods and light engineering products, chemicals and allied products etc. be explored by paying most assiduous attention to all factors like credit facilities, after sales service etc.

(*ix*) *Exports to neighbouring Countries*

(*a*) *Exports to Nepal*

4.86 Apart from some overseas trade with the U.K. Nepal's foreign trade has been limited to her immediate neighbours, particularly India and Tibet. India traditionally accounts for 95 per cent of Nepal's trade. The principal items of export to India from Nepal are rice, jute, timber, oilseeds, ghee, potatoes and medicinal herbs. The chief items of import from India are textiles, salt, petroleum products, kerosene, cement, iron and steel, and lead. Nearly 90 per cent of the recorded imports come from India, about 2 per cent from Tibet and 8 per cent from other countries.

4.87 The table below gives (i) India's trade with Nepal from the year 1961-62 to 1970-71 and (ii) Composition of India's exports to Nepal.

(Rs. million)

Year	Imports	Exports	Trade Balance
1961-62	35·9	91.6	+55.7
1962-63 .	42.3	43.6	+1.3
1963-64 .	53.9	116.3	+62.4
1964-65 .	72.1	166.2	+94.1
1965-66 .	74.9	196.6	+121.7
	(118.0)	(309.8)	(+191.8)
Third Plan annual average	48.7	104.7	+56.0
1966-67 .	122.0	210.0	+88.0
1967-68 .	150.8	184.0	+33.2
1968-69 .	141.2	246.5	+105.3
1969-70 .	144.0	272.8	+128.8
1970-71	94.4	241.9	+147.5

NOTE :— Figures upto 1965-66 are at pre-devaluation rates. Bracket figures for 1965-66 and those from 1966-67 are at post-devaluation rates.

Composition of India's Exports to Nepal

(Rs. million)

Commodity	1966-67	1967-68	1968-69	1969-70	1970-71
Cotton fabrics	65.5	63.2	79.4	89.6	54.8
Petroleum products	43.9	26.2	39.8	41.4	63.0
Cement	1.7	4.7	7.3	10.2	8.3
Tobacco	6.7	5.8	3.5	4.4	5.3
Medicinal and pharmaceutical products	4.5	6.5	7.0	10.0	8.4
Transport equipment	6.2	4.3	5.0	8.9	6.8
Iron ore	..	..	..	..	7.3
Machinery other than electric	3.1	4.1	7.7	6.6	6.9
Tea	4.2	4.9	5.9	6.3	4.9
Iron and Steel	3.4	2.3	3.0	6.2	6.5
Metal manufactures	1.7	2.4	5.3	6.0	3.7
Paper and paper board	2.8	3.5	4.5	5.9	5.3
Electrical machinery	3.0	4.1	8.0	5.5	5.6
Footwear	3.1	2.9	5.2	4.2	2.9
Textile yarn and thread	1.2	3.0	4.2	4.2	2.4
Spices	2.9	3.1	3.3	3.6	3.6
Others	56.1	43.0	57.4	59.6	46.2
Total	210.0	184.0	246.5	272.8	241.9

4.88 It would be seen from the above that Nepal has been continuously having an unfavourable balance of trade with India. Nepal's exports to India have increased from Rs. 359 lakhs in 1961-62 (at post-devaluation rates) to Rs. 14 crores in 1969-70 and Nepal's imports from India have also substantially gone up from Rs. 916 lakhs in 1961-62 to Rs. 27 crores in 1969-70. As a result the trade deficit of Nepal has gone up from Rs. 557 lakhs (at post-devaluation rates) in 1961-62 to Rs. 15 crores in 1970-71. The peak in Indo-Nepal trade was reached in 1965-66 when Nepal exported to India goods worth Rs. 12 crores while its imports from India amounted to Rs. 31 crores, resulting in a trade deficit for Nepal of Rs. 19 crores.

4.89 A five-year Trade and Transit Treaty was signed with India on August 13, 1971. The new treaty is significant for the agreement on the use of overland route and measures for prevention of deflection of trade, the two controversial issues which had bogged down the finalisation of a fresh treaty after the earlier one had expired. According to this treaty, each country will prohibit re-export of each other's products. Exports of products made mainly from raw materials of other countries will be prohibited. Similarly, export of goods based on imported material in excess of 50 per cent of the ex-factory value is prohibited. Transport of goods between Calcutta and Nepal by road is now provided.

India's Aid to Nepal

4.90 There are no two countries in the world which are more close to each other than India and Nepal. In spite of the economic problems which India itself has been facing, it has assisted Nepal, with expertise, men and money since 1951. Up to March, 1971, India's total economic assistance to Nepal amounted to Rs. 90 crores. This was more than 50 per cent of the total aid received by Nepal during the last 20 years.

4.91 Two major road links—the 73 mile link between Raxaul and Kathmandu and the 125 mile link between western Nepal and the Uttar Pradesh border, are the major road projects financed by India. A third is being built in collaboration with the UK, USSR and the US.

4.92 The Trisuli and two other projects at Pokhra and Sundarijal are the power ventures financed by India. The Trisuli hydro-electric project is by far the most important one for Nepal and can meet the entire power requirements of the Kathmandu Valley. A large number of irrigation projects, research laboratories, educational institutions, health centres, industrial estates etc., have been set up with the help of Indian economic assistance. In fact, there is hardly a sphere of economic activity of Nepal in which India economic assistance has not penetrated.

4.93 The Committee note the role India is playing in the economic development of Nepal. With the growth and diversification of industrialisation in India and the rapid economic development of Nepal, the Committee hope that volume of Indo-Nepalese trade would expand rapidly in the years to come.

(*b*) *Exports to Ceylon*

4.94 The tables below give (i) the India's trade with Ceylon from the year 1951-52 to the year 1970-71 and (ii) composition of India's exports to Ceylon for the years 1961-62, 1966-67 and 1970-71:

(Rs. million)

Year	Imports	Exports	Trade Balance
1951-52	56.0	168.1	+112.1
1952-53	42.9	200.7	+157.8
1953-54	50.9	185.3	+134.4
1954-55	75.1	188.2	+113.1
1955-56	94.1	205.4	+111.3
First Plan annual average	63.8	189.5	+125.7
1956-57	79.1	180.1	+101.0
1957-58	53.3	175.1	+121.8
1958-59	49.7	201.2	+151.5
1959-60	53.0	222.6	+169.6

Year	Import	Exports	Trade Balanc
1960-61	41.3	184.3	+143.0
Second Plan annual average	55.2	192.7	+137.5
1961-62	45.0	170.3	+125.3
1962-63	81.8	134.2	+52.4
1963-64	59.3	191.6	+132.3
1964-65	56.5	144.3	+87.4
1965-66	40.2	128.5	+88.3
	(63.4)	(202.5)	(+139.1)
Third Plan annual average	56.6	153.8	+97.2
1966-67	27.2	185.0	+157.8
1967-68	33.3	149.3	+116.0
1968-69	19.6	333.6	+214.0
1969-70	28.6	256.5	+227.9
1970-71	29.5	318.2	+288.7

NOTE :— Figures upto 1965-66 are at pre-devaluation rates. Bracket figures for 1965-66 and those from 1966-67 are at post-devaluation rates.

Composition of India's Exports to Ceylon

(Rs. million

Commodities	1961-62	1966-67	1970-71
Cereal and cereal preparations	0.1	10.6	21.8
Transport equipment	0.2	2.3	42.5
Fruits and vegetable	24.5	26.4	33.7
Cotton yarn and thread	9.2	16.4	32.9
Machinery other than electric	1.4	4.2	14.2
Cotton fabrics	39.2	24.0	6.2
Iron and Steel	..	5.0	21.1
Fish	9.5	16.7	15.7
Petroleum products	2.1	..	..
Others	84.1	79.4	130.1
Total	170.3	185.0	318.2

4.95 It has been stated that ever since 1950-51 Ceylon's exports to India have been smaller than its imports from India. Because of substantial decline in export from Ceylon to India and increase in its imports, Ceylon's trade deficit with India has risen. Exports from Ceylon to India have declined from Rs. 9 crores in 1951-52 (post devaluation rates) to Rs. 3 crores in 1970-71. But imports from India have risen from Rs. 26 crores to Rs. 32 crores. Thus, the deficit has risen from Rs. 18 crores in 1951-52 to Rs. 29 crores in 1970-71.

4.96 Ceylon imports from India largely traditional products, textile machinery, iron and steel items and petroleum products. Because of the limited range of products which Ceylon is able to export to India, trade with India has been mostly a one way traffic. Ceylon's exports to India consist of copra, crude rubber and natural graphite.

4.97 Indian firms are collaborating with Ceylon for establishing several joint ventures in Ceylon. Some of the major joint ventures which are in operation in Ceylon since May, 1971, are the manufacture of sewing machines, electro-static tea leaves/stalk separator, glass pvc leather cloth, trucks, mica, room collers, air conditioners and pharmaceuticals.

4.98 The Committee note that India's exports to Ceylon which have risen from Rs. 17 crores in 1961-62 to Rs. 31 crores in 1970-71. The increase has been most marked in transport equipment, cotton yarn and thread, iron and steel, fish etc. The Committee would like Government to encourage exports particularly of manufactured goods to Ceylon.

The Committee welcome also the collaboration of Indian firms for establishing joint ventures in Ceylon in the field of manufacture of sewing machines, clocks, trucks, air conditioners, pharmaceuticals etc. and have no doubt that these would prove mutually beneficial.

(*c*) *Exports to Burma*

4.99 India has been having an adverse balance of trade with Burma during the last few years; but during 1969-70, India had a favourable balance of trade when Indian exports to Burma exceeded for the first time the imports by Rs. 7 million. India's total export to Burma during this period was worth Rs. 208.2 million as against the imports of Rs. 201.5 million. The figures for 1970-71 are expected to be in India's favour.

4.100 The following figures illustrate the pattern of India's trade with Burma.

(Value in Rs. million)

Year	Exports to Burma	Imports from Burma
1964-65	64.1	103.00
1965-66	36.0	93.8
1966-67	37.4	402.5
1967-68	38.2	92.4
1968-69	97	165.1
1969-70	208.5	201.5
1970-71	140.3	96.4

4.101 During the year 1969-70, the increased export to Burma was mainly due to India's high export of cotton yarn and textile which occupied the top place among exported items and accounted for about Rs. 140 million. Another major item of export was coal which accounted for nearly Rs. 13 million. Railway track material also occupied important place in our export to Burma. Against this, rice continued to be the main item of import from Burma. India imported 170,000 tonnes, in 1969-70 and 127,000

tons in 1970-71. India's other imports from Burma included gems, pearls, other precious stones and minerals such as lead, wolf romite etc.

Indo-Burmese Trade Agreement

4.102 A Trade Agreement was signed between the two countries in May, 1970. Alongwith the Agreement, detailed Minutes were also signed. Both the countries have agreed to accord the 'Most Favoured Nation' treatment to each other in their economic and commercial relations. They have also expressed a desire to further increase and expand their trade in way which is mutually beneficial to both of them.

4.103 The Committee would stress the need for further increase and expansion of Indo-Burmese trade. India could achieve this by participating in all the Burmese tenders issued by the Purchasing Authority and by offering most competitive and attractive offers both quality and firm-wise.

(*d*) *Exports to Bangla Desh*

4.104 With a low level of industrial activity and growing developmental and maintenance requirements, Bangla Desh has all along been heavily dependent on imports from various sources, more particularly the western wing of the erstwhile Pakistan. In 1969-70, as much as 48 percent of its requirements were procured from there.

4.105 Major items, which have figure prominently in the import list of Bangla Desh in recent years, are: coal, cotton, fabrics, rubber goods, cotton yarn and thread, bidi leaves, medicines and pharmaceuticals, iron and steel, limestone, bamboo and cane, glassware and textile and tea machineries. Some other items which have found their way into Bangla Desh market, are: oilseeds, raw cotton, tobacco, foodgrains and cement. A quick assessment of the imediate requirements of the new Republic indicates that there is a pressing demand for foodgrains, sugar, cotton textiles, kerosene, soaps, tyres and tubes, drugs and medicines, agricultural implements, hardware and sanitary fittings. In exchange, Bangla Desh can offer to the overseas markets fish, betelnuts, spices, and wood and timber among primary products and tea, jute goods, paper and paper board, matches and leather goods among the manufactured products.

4.106 An idea of the foreign trade of Bangla Desh can be had from Table given below-:—

Foreign Trade of Bangla Desh

(In million rupees)

Year	Imports	Exports	Balance of Trade
1960-61	1,840	1,623	—217
1964-65	2,577	1,805	—772
1968-69	3,235	2,411	—825
1969-70	3,480	2,586	—894

4.107. In 1960-61, the total trade turnover of Bangla Desh was Rs. 3,463 million, of which its imports accounted for Rs. 1,840 million and its exports, Rs. 1,623 million. The corresponding figure for 1969-70 was Rs. 6,066 million: imports, Rs. 3,480 million; and exports, Rs. 2,586 million. It will also be seen from Table above that Bangla Desh has consistently been having a deficit balance of trade during the past few years. This was due mainly to heavy imports of capital goods and intermediate products and, to a lesser extent, essential consumer goods. During the period, 1960-61 to 1969-70, while imports into Bangla Desh grew at a compound rate of 7 per cent per annum, exports rose by 5 per cent. During the same period, its exports to Pakistan rose by 12 per cent and imports by 7 per cent per annum. Imports from other sources registered an 8 per cent annual growth, while exports grew only by 3 per cent annually.

4.108. The Committee welcome the conclusion of the Trade Agreement between India and Bangla Desh which aims at the expansion and promotion of trade between the two countries on the basis of mutual advantage. The Committee hope that with the emergence of Bangla Desh as a sovereign Independent republic and with the signing of indo-Bangla Desh Trade Treaty the trade between the two countries would expand considerably to the mutual advantage of both particularly when the economies of both India and Bangla Desh are largely complementary.

(*x*) *Exports to Latin America*

4.109. The table below gives India's exports to Latin America during the years 1969-70 and 1970-71 (from April to February):—

(Rupees in lakhs)

Countries	Export from April to March	
	1970-71	1969-70
Latin America		
Argentina	334	70
Bolivia	18	34
Brazil	83	43
Chile	21	16
Columbia	4	6
Costa Rica	54	2
Cuba	16	1
Dominican Republic	15	16
Eccuador	14	19
El Salvador	Negl.	Negl.
Guatemala	2	2
Haiti	Negl.	6
Honduras, British	4	8
Mexico	98	79

1	2	3
Nicaragua	Negl.	Negl.
Panama Canal Zone	2	4
Panama Republic	35	59
Paraguay	8	13
Peru	48	22
Uruguay	60	43
Venezuela	14	22
Total of Latin American Countries	831	469

4.110 During discussion on Demand for Grants of the Ministry of Foreign Trade held in the Lok Sabha on the 5th July, 1971 it was stated that export trade of India with Latin America was extremely small and that whole of this market was largely being neglected. Asked as to what ways and means had been adopted to step up exports to Latin America and the extent of success achieved, the Secretary, Ministry of Foreign Trade explained to the Committee during evidence that India's trade with the whole of Latin America was very low, but there were some inherent difficulties in expanding the trade. At one time, they were selling substantial quantities of jute goods to Latin America but the use of jute in those countries had been affected by growth of bulk handling. There had also been growth of jute industry in these countries. Explaining the point further, the Secretary, Ministry of Foreign Trade stated that India's problem in expanding trade with Latin America was lack of shipping facilities and the high fraight rates they had to pay. These factors rendered them uncompetitive in Latin America apart from the fact that they could export their products to other countries which were much nearer. They could not compete with Japan or Australia or even Europe because the freight rates from India were much higher than from those countries.

4.111 To a question whether Shipping Corporation of India was doing something in the matter, the Secretary, Ministry of Foreign Trade stated that:—

"They have the limitation in the sense that the tonnage at their disposal is limited. They must make the best use of their tonnage, they like to operate in areas where their ships will not go empty and where there is cargo both ways so that they earn better dividends. The route to Latin America would not be as paying for them as other routes. We have suggested to the SCI to operate on some more other routes but it is in the judgement of the Shipping Corporation it would be losing proposition to run at this stage a shipping service to Latin America and in fact, I believe, there is no direct line from India to Latin America. So it is a problem of lack of shipping space and high freight rates. Moreover, economies of Latin American countries are developing economies and a number of them are at the same stage of development as ours. So they are often producing the same kind of goods that we are producing and as a result of the scope for exchange of goods is somewhat limited. We have,

however, made new and fresh efforts and we have been able to export some non-traditional items like telephone equipment to Brazil and cables and steel rolls to Argentina. We have taken up this matter in right earnest. We have asked the STC to make a study of the possibility of expanding the trade to Latin America. We have also asked the STC to see what they can do in this respect. The S.T.C. Chairman is proceeding to the U.S.A. and to Latin America to find out what can be done."

4.112 The Committee were informed that India's exports to Latin America previously was more or less Jute only. It was only recently they had started exporting the engineering goods like telephone equipment, cables and steel rollers.

4.113 Subsequently in written note furnished to the Committee Government have explained the position as follows:—

"Exports to Latin America have been rather from the very beginning due to Geographical and Historical factors. 90% of our exports were accounted for by Jute goods used for packing purposes. Due to technological advances all over the world use of jute goods as a packing materials is going down. Apart from that various South American countries notably Brazil and Peru have started cultivation of jute and set up jute mills. Not only they have become self-sufficient but also they are exporting jute goods to neighbouring countries. Exports of jute goods from India were bound to fall because of these developments. Unless exports of new products such as engineering goods are developed, exports are not likely to pick-up. We have been trying to probe this market for new products but there are difficulties such as shortage of shipping, high freight rates, long delivery times and lack of information of Indian products in these countries. To a small extent we have succeeded in entering these markets. Indian telephone equipment were exported to Brazil, cables and steel rails were exported to Argentina and so on. The exports to Latin American countries during the last four or five years are as follows:—

(Rupees lakhs)

Year	Imports	Exports
1966-67	1535	954
1967-68	1386	545
1968-69	1815	365
1969-70	1079	469
1970-71	1428	831

It would be seen that exports reached the lowest point in 1968-69. There has been a recovery after that year and now the exports are more than double of the level in 1968-69.

Indian Institute of Foreign Trade has been asked to make a survey of important countries in this region and identify the commodities likely to find a good market in Latin America and recommend specific steps required to be taken for promoting their exports. This report is expected to be available by December, 1971. Further steps, for promotion of exports to this region will be taken up after receipt of this report."

4.114 The Committee note that India's exports to Latin America after having touched a figure of Rs. 954 lakhs in the year 1966-67, declined to Rs. 545 lakhs in the year 1967-68 and reached the lowest point of Rs. 365 lakhs in the year 1968-69. The Committee are glad to note that in the year 1970-71 India's exports to Latin America recovered to Rs. 831 lakhs.

4.115 The Committee hope that the survey being undertaken by the Indian Institute of Foreign Trade of important countries in the region will be able to identify the commodities likely to find a good market in Latin America. It need hardly be stressed that matual trade and economic co-operation between India and Latin America would be mutually advantageous to both the countries in the long run.

4.116 The Committee further consider that Latin America was a promosing area and there was a scope for developing long term export/import trade particularly for manufatured and non-traditional goods. The Committee would, therefore, stress the need for a close follow up action in respect of countries in the Latin America, which show promise for increased exports.

(xi) *Joint Industrial Ventures*

4.117 The Government have so far approved 126 industrial joint ventures for setting up abroad. Out of which 28 have gone into production, 61 are under implementation and 37 have been abandoned due to one reason or the other.

4.118 A statement showing the details of the projects under production, under implementation and those abandoned is at Appendix XVI.

4.119 It has been stated that the establishment of joint ventures abroad has helped in increased exports of capital goods, raw materials, semi-processed manufactures, spare parts, components, technical know-how etc., and in continuous earning of foreign exchange, from the export of these items, Indian entrepreneurs have reported the export of capital goods, raw materials, components etc. valued at Rs. 37 (465 million on cash payment, in addition to the export of these items valued at Rs. 145.35 million permitted against equity participation. Out of 28 projects which have gone into production only 14 started production prior to 1969 and the rest of the projects started production only recently, after 1969.

4.120 It has been stated that India's exports of many items are bound to suffer once industries to produce them are set up in developing countries. To guard against loss of India's foreign exchange earning entirely in respect

of such items, it is very necessary to encourage Indian joint ventures in such countries, which will ensure a firm foothold for demand of Indian goods on a permanent basis. While scruitinising the proposals for setting up joint ventures abroad, it is ensured that Indian exports to that part of the world is not adversely affected.

4.121 Regarding the total amount of earnings that would accrue to India as a result of joint ventures, the Secretary, Ministry of Forign Trade informed the Committee thus during evidence :—

"We have gone into this field as a promotional effort for selling our machinery, components and raw materials. We cannot afford to export capital on a large scale. So, whatever machinery we give becomes a part of equity and that is how our equity participation takes place. So, we have really used these joint ventures in order to promote the export for our machinery. We have invested about Rs. 14.5 crores in equity. As a result of this, we have also made additional cash sales of components and materials and other things amounting to about Rs. 3.7 crores. We also give technical know-how. So far, the dividends and other earnings repatriated amount to about Rs. 1 crore. About technical knowhow, royalty and managerial fees, we have got so far Rs. 5.7 million.

The earnings appear rather small because the ventures have gone into production only recently, 14 of them after 1968-69 and 14 only very recently."

4.122 To a question whether joint ventures had been started in hard currency areas, the representative of Ministry of Foreign Trade stated thus :—

"One is already in operation in Ireland for making tufted carpet yarns, one in U.K. for asbestos cement products, two in West Germany—one for oil engines and another for those clips and one in Canada for manufacturing hardboards."

Overseas Investment Corporation

4.123 It had been represented to the Committee that "while the opportunities are expanding, and Indian industry is obtaining orders for turn-key projects etc., the financing and other facilities, as operative at present, constitute a weakness in the current effort...According to the Government guidelines on the participation in joint ventures overseas, no financial investment is permitted and this, particularly in developing nations, constitutes a significant weakness. Government's concern for conserving scarce capital resources for utilisation within the country is understood and appreciated but, at the same time, it needs to be noted that the returns from such ventures in the form of dividend and other fees could be substantial over a period of years and there should be a net surplus.

4.124 In this connection it had been suggested that "to strengthen the drive towards joint overseas ventures, package deal exports and turn-key projects, an Overseas Investment Corporation should be set up to support the many efforts which are being made."

4.125 Giving the Government reaction to the proposal, it has been stated in a written note furnished to the Committee that:—

"We are encouraging setting up of industrial joint ventures abroad as a measure of export promotion to promote export of our capital goods, components, raw materials, technical know-how etc. While due to stringent foreign exchange position, cash participation is not generally allowed, Government have been considering requests for capitalisation of technical know-how fees and approving of the same to the extent considered necessary. In addition, small amounts in cash are also permitted to be remitted, towards meeting preliminary expenses.

Our industrial joint ventures are still in a preliminary stage and even those which have gone into production, have not yet passed through the teething stage.

In view of these facts it is rather too early to think of the setting up of an Overseas Investment Corporation for looking after our joint ventures."

4.126 Touching upon the above aspect the Secretary, Ministry of Foreign Trade informed the Committee during evidence that here the problem was really of capital investment abroad and it would be appreciated that India was not really in a position for capital exports yet.

4.127 The Committee note that out of the 126 industrial joint ventures approved for setting up abroad, 28 have gone into production, 61 are under various stages of implementation and 37 have been abandoned due to various reasons. It is heartening to note that the establishment of joint ventures abroad have helped India to increase exports of capital goods raw materials, semi-processed manufacturers, spare parts, components, technical know-how etc. and in continuous earning of foreign exchange from the export of these items. The Committee hope that Government would continue to extend necessary facilities for the establishment of Joint Ventures abroad.

4.128 In the Committee's view, the Joint Ventures hold a promising field and it was possible to enlarge our area of participation.

CHAPTER V

EXPORTS OF SOME IMPORTANT COMMODITIES

(*i*) *General*

5.1 The following table gives figures of exports of some important commodities from the year 1960-61 to the year 1968-69 :—

TABLE 1 : Exports of Principal Commodities during the Third Plan and 1966-67 to 1970-71.

(in crores of rupees)

S. No.	Commodity	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	in post devaluation rupees					
								1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
1		2	3	4	5	6	7	8	9	10	11	12	13
1.	Oil cakes	14.3	17.3	31.1	35.4	39.8	34.4	54.6	50.0	45.5	49.5	41.5	55.4
2.	Tobacco—unmanufactured	14.6	14.0	18.0	21.1	24.4	19.6	30.8	21.5	34.9	33.2	32.7	31.4
3.	Spices of which	16.6	17.5	13.8	16.0	16.7	23.1	36.4	29.1	27.2	25.1	34.5	38.8
	Pepper, black	8.5	8.1	6.5	5.8	6.8	11.1	17.5	12.7	13.1	9.7	16.2	15.3
4.	Vegetable oils—non-essential	8.5	5.8	13.2	19.9	7.1	4.1	6.4	2.8	4.0	11.7	5.0	7.0
5.	Sugar	2.4	14.6	16.9	26.0	21.2	11.3	16.5	16.1	16.0	10.1	8.6	27.6
6.	Fruits & vegetables of which	26.0	25.5	26.7	30.1	36.7	34.8	54.8	59.0	52.3	76.4	76.0	69.4
	Cashew kernels	18.9	19.2	19.3	21.4	29.0	27.4	43.1	45.5	43.0	60.9	57.4	52.1
7.	Cotton raw	8.7	14.3	12.2	12.1	10.6	9.7	15.3	11.8	14.8	11.1	14.7	14.0
8.	Fish	4.6	3.9	4.0	5.7	6.8	6.8	10.7	17.5	18.0	22.2	30.8	30.5
9.	Tea	123.6	122.6	129.8	123.4	124.6	114.8	180.9	158.4	180.2	156.5	124.5	148.3
10.	Coffee	7.2	9.0	7.6	8.3	13.4	13.0	20.4	15.8	18.2	18.0	19.6	25.1
11.	Iron ore	17.0	35.4	35.3	36.4	37.4	42.1	66.3	70.2	74.8	88.4	94.6	117.3
12.	Manganese ore	14.0	10.7	8.0	8.4	13.1	11.0	17.4	14.2	11.1	13.5	11.1	14.0
13.	Mica	10.1	9.7	10.3	9.2	9.7	11.3	17.8	14.2	15.0	13.5	15.2	15.6
14.	Cotton piece goods	57.6	48.3	48.2	54.3	57.6	55.2	97.4	63.7	65.4	70.5	69.7	75.9

(i) Mill made . .	52.8	43.3	41.5	47.5	48.0	46.9	74.3	56.3	59.6	65.5	62.4	68.1
(ii) Handloom . .	4.8	5.0	6.7	6.8	9.6	8.3	13.1	7.4	5.8	5.0	7.3	7.8
15. Jute manufactures . .	135.2	145.9	149.5	155.2	168.2	182.9	288.0	249.5	234.1	218.0	206.7	190.4
16. Coir yarn and manufactures . . .	8.7	11.2	12.0	11.7	11.3	10.5	16.6	14.9	12.8	13.9	13.4	13.0
17. Leather and leather manufactures excluding footwear . .	24.8	25.3	22.7	26.2	27.5	28.5	44.8	62.1	53.5	78.0	90.0	75.9
18. Footwear . .	3.1	2.4	2.8	3.6	4.2	5.3	8.2	8.7.	9.1	9.1	9.0	11.3
19. Iron and steel . .	5.5	4.0	1.0	1.0	4.4	8.3	13.1	23.7	51.9	74.5	77.2	79.2
20. Chemicals and allied products . . .	3.4	3.7	3.9	4.0	7.0	9.1	14.4	10.9	11.9	17.5	22.2	29.4
21. Handicrafts . . .	9.7	19.3	21.5	24.0	25.4	27.8	43.8	38.6	49.0	69.0	73.3	69.9
22. Total	660.2	679.7	713.6	793.2	816.3	805.6	1268.91	1156.58	1198.7	1357.9	1413.3	1535.2

Note—The figures for 1965-66 and April-May 1966 are in post-devaluation rupees *i.e.* after escalation by 57.5%. Because of the change in the system of compilation of export statistics adopted in November, 1970, the export figures for 1970-71 are not strictly comparable to the figures for the earlier years,

Source : Customs data except for Handicrafts in the Third Plan.

5.2 It would be seen from the above that exports during the year 1966-67 aggregate to Rs. 1,157 crores ($1,588 million) which were lower by 8 per cent than exports during 1965-66. In the subsequent two years exports rose to Rs. 1199 crores and Rs 1360 crores respectively. The trends in exports of principal commodities during these three years are shown in table given above.

5.3 The decline in exports in 1966-67 was mainly due to drought condition and the consequent supply constraints on exports of agricultural commodities and agriculture-based products, namely, raw cotton, oilcakes, tobacco, spices, tea, coffee, cotton piecegoods and jute manufacturers. Other contributory factors were the temporary dislocation of trade caused by devaluation, depressed demand conditions in the world market and the time taken by trade in adjusting itself to the new export promotion measures. Commodities not affected by domestic supply limitations such as leather and leather manufactures, fish and fish products, iron ore and iron and steel recorded increase in exports.

5.4 Exports, amounting to Rs. 1199 crores in 1967-68, recorded a growth rate of 3.6 per cent in contrast with a decline of 8 per cent in preceding year. A good harvest eased the supply constraint and led to an expansion in exports of tobacco, raw cotton, coffee, mill-made cotton textiles and jute manufactures. There was a marked increase in exports of tea, iron and steel, engineering goods, iron ore and handicrafts.

5.5 Exports recorded a striking increase in 1968-69. At Rs. 1360 crores, they represented an all time-high and showed a rise of as much as 13.5 per cent over the previous year. The bulk of this expansion was accounted for by substantial increase in a number of non-traditional items such as engineer-goods, iron and steel, iron ore and chemicals and allied products. Among other items which showed increases were handicrafts, leather and leather manufactures, fruits and vegetables, oilcakes and cotton piecegoods. However, the other two principal export items, tea and jute manufactures, recorded a substantial decline in export value. The expansion in exports of non-traditional items was partly due to the slack in home demand and to the export promotion measures. Exports in 1969-70, amounted to Rs. 1,413 crores showing an increase of nearly 4.1 per cent over the previous year. During the year 1970-71, as a whole exports totalled Rs. 1535* crores, recording an increase of Rs. 122 crores or 8.6 per cent over the preceding year.

(ii) *Principal Traditional Commodities*

5.6 There has been a significant change in the commodity composition and directional pattern of exports during the Third Plan. The share of three principal traditional commodities, tea, cotton textiles and jute manufactures decline from 48 per cent to 44 per cent, whereas exports of a number of non-traditional items such as engineering goods, iron and steel iron ore and chemicals and allied products have registered an increase.

*According to Customs data.

(a) *Tea*

5.7 India ranks a the biggest producers of tea in the world. The following table shows the production of tea and area under tea in India in relation to some of the other leading tea producing countries :—

Year	Country	Area	Production
		(Area in hectares and production in tonnes)	
	India		
1958 .		326,357	325,225
1961 .		331,229	354,397
1965 .		341,762	366,374
1966 .		345,256	375,983
1967 .		347,653	384,759
1968 .		351,065	393,588
1969 .		353,359	421,819
1970 .		354,133	428,150
1971 .		N.A.	N.A
	Ceylon		
1958		231,765	187,404
1961		237,712	206,492
1965		240,508	228,236
1966		241,372	222,312
1967		242,331	220,742
1968		241,795	224,803
1969		241,401	219,693
1970		241,799	212,210
1971		N.A.	N.A,
	Kenya		
1958		13,510	11,421
1961		17,756	12,641
1965		24,755	19,823
1966		27,339	25,418
1967		30,077	22,811
1968		33,561	29,762
1969		36,524	36,060
1970		39,428	41,077
1971		N.A.	N.A.
	Major tea producing countries.		
1958		716,006	623,831
1961		737,179	679,344
1965		767,447	726,492
1966		776,241	743.696
1967		..	702,866
1968		..	733,614
1969			
1970			
1971			

The figures included in this Table are taken from tea statistics 1968 and 1969. Ministry of Foreign Trade have, however at the time of factual verification stated that it is not known which of the Tea producing countries have been included, in the absence of which this informtion cannot be furnished by the Ministry of Foreign Trade.

It would be seen that India accounts for nearly 50 per cent of the area under tea as well as production of tea amongst the major tea producing countries.

5.8 The following table shows the value of tea exported from India between 1963 and 1970 :—

Year	Quantity in thousand Kgs.	Value (Rs. in crores)
1963	223,542	132.37
1964	210,523	124.90
1965	199,365	114.97
1966	179,205	137.52
1967	213,676	189.04
1968	208,440	166.48
1969	168,709	120.54
1970	208,430	148.82

5.9 It would be seen from the above that there has been a sharp decline both in volume and the value of tea exports in 1969 as compared to 1968. In the year 1970 the value of tea exports fell by over Rs. 40 crores from the year 1967. Tea exports from India have declined from 213.7 m. kg. in 1967 to 208.4 m. kg. in 1968 and to only 168.7 m. kg. in 1969. The value of tea exported has also shown a steady decline from Rs. 189.0 crores in 1967 to Rs. 166.5 crores in 1968 and Rs. 120.5 crores in 1969. What is particularly disturbing is that this fall in export earnings is not merely a reflection of the smaller quantity exported each year but also shows a declining unit value which has fallen from 8.85 per kg. in 1967 to Rs. 7.99 per kg. in 1968 and Rs. 7.14 per kg. in 1969. No doubt, the serious setback to Indian tea exports during 1969 is a matter of great concern. During the year 1970, there was an over all increase of 39.7 m. kg. in exports. Total exports of tea from India in 1970 were 208.4 m. kgs as against 168.7 m. kgs. exported in 1969. Total port earnings were also higher at Rs. 148.8 crores compared to 120.5 crores in 1969. The unit value realised, however, remained at Rs. 7.14 per kg. the same as in the previous year.

5.10 The table below gives the exports of tea by major destinations during the years 1959, 1961 and 1965—68 :

Countries	1959	1961	1963	1965	1966	1967	1968	1969	1970
U.K.	127,594	123,211	135,590	140,197	87,243	116,145	102,030	59,883	95,582
USSR . . .	24,404	11,874	16,583	26,175	16,943	20,079	22,367	24,996	28,044
U.S.A. . . .	11,706	15,611	17,083	17,977	18,821	16,370	8,946	14,260	11,586
U.S.A. .	10,679	10,766	10,087	7,787	7,346	8,211	8,618	7,678	7,053
East Europe	280	205	1,123	1,022	1,088	385	281	621	671
Other Europe	254	559	462	769	1,197	1,469	1,345	1,095	1,497
Canada . . .	7,239	6,373	5,342	4,779	4,112	3,879	4,059	3,195	3,194
Australia	2,877	1,876	3,623	4,321	5,282	5,714	6,630	3,900	3,684
All Countries including Countries above.	213,677	206,292	223,542	199,365	179,204	213,676	280,440	168,709	200,155

5.11 The following conclusions emerge out of foregoing data :

(*i*) over the last decade the quantum of tea exports have been progressively falling. The result was that in the year 1970 the value of exports fell by over Rs. 40 crores over the year 1967.

(*ii*) Exports to countries like U.K., U.S.A. Canada and U.A.R. had in 1968 fallen to levels which were far far below that they were in 1959.

(*iii*) The fall in exports has been particularly pronounced in respect of U.K. which is the biggest market for Indian tea.

5.12 The Committee desired to know as to what precise measures had been taken by Government to evolve a purposeful and global strategy for promotion of India Tea abroad and arrest the coontinuing decline of exports of India's Tea abroad. Government in a written note furnished to the Committee have stated:-

"In order to make India tea competitive in the world market and also to provide some built-in-incentives for production of larger quantity of better quality tea for exports, Government of India have introduced some radical and far-reaching changes in the tax structure on tea in the Budget for 1970-71. The most imporant changes are the total abolition of export duty on tea with effect from 1.3.1970 and enhancement of rates of zonal excise duty on tea production with the introduction of the rebate of excise duty on exports from 15.4.70 rebate is granted at the export points to the export of 30% of the F.A.S. value in excess of Rs. 5.25 per Kg. for bulk tea subject to a maximum of 75 paise per kg. As a result of these measures the export of tea have increased in 1970-71 as compared to exports in 1969-70.

Some of the more important steps taken to augment tea exports are :—

(1) Replanting subsidy scheme [at the rate of Rs. 3,500/-* per hectare for gardens in the plains and Rs. 5000/- per hectare for gardens in the hills] for helping the industry in carrying out replantation of old tea areas to increase quantity, reduce cost and improve quality;

(2) Promotional measures for Indian tea through the offices of the Tea Board functioning in London, Brussels, New York, Cairo and Sydney and Tea Centres established at London, Cairo and Melbourne;

(3) Promotion of special packs of Indian tea in selected markets abroad with the cooperation of the local blenders/packers;

(4) Advertisements through appropriate media of publicity in countries abroad;

(5) Participation in Trade Fairs and Exhibitions;

(6) Exchange visits of traders and tea export to promote the interest of tea; and

(7) Generic promotion of tea in the overseas markets for increasing consumption of tea through membership in Tea Councils function-

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From 1-1-72, the rates have been increased to Rs. 4000/- per Hectare for Gardens in the Plains and Rs. 5000/- per Hectare for Gardens in the Hills.

ing in various countries abroad in collaboration with tea producing countries and the local trade.

International measures to stabilise tea prices have also been under discussion under the auspices of F.A.O. A Consultative Committee on tea has been formed to evolve regulatory measures to give effect to the decision, agreed upon by the tea exporting countries in 1969-70 for the withdrawal of 90 million lbs. of tea from the estimated world exports in 1970 and study further measures necessary to stabilise tea prices."

5.13 Although India is the leading producer of tea in the world and next to jute, tea has been its biggest foreign exchange earner, the Committee are distressed to note that Indian tea has been progressively losing ground in most of the world markets. Further, over the years the volume as well as the unit value of tea exports have been showing a declining trend.

The Committee note that Government have taken a number of steps like replanting subsidy scheme, establishment of promotional tea centres abroad, generic promotion of tea, participation in trade fairs and exhibitions, promotion of special packs of Indian tea in selected markets abroad, etc. The Committee are forced to the conclusion that these measures have not obviously brought about the desired improvement in the export of tea. The only country where we have been able to increase our exports are U.S.S.R. and Australia while we have been losing ground in most of the other countries. The Committee have dealt with the subject in greater detail in a separate report on Tea Board but they would like to take this opportunity to reiterate that Government/ Tea Board should pay continuous attention to this industry which has been earning valuable foreign exchange for the country so as to ensure that exports are not only sustained but also enhanced.

Per unit value of Tea Exports

5.14 The Committee desired to know the reasons why India was getting less unit value of tea exports and what measures had Government taken to secure more unit value in collaboration with other tea exporting countries. In a written note furnished to the Committee the Ministry have stated that there had been a continuous fall in the price of tea in the main marketing centres all over the world. It had been a cause of worry not only to India but other tea exporting countries. This had resulted in a lower unit value for the export of Indian tea. The following statement indicated the trend in unit value of tea exports from India and Ceylon from 1964 to 1970 :—

(Rs. per kg.)

Exports from	1964	1965	1966	1967	1968	1969	1970	1971
India .	5.93	5.77	7.67 (5.52)	8.85 (5.62)	7.99 (5.07)	7.14 (4.54)	7.14 (4.54)	7.54 (4.8)
Ceylon .	5.53	3.39	5.12	4.90	5.56 (4.63)	5.27 (4.39)	N.A.	N.A.

Figures in brackets refer to price in pre-devaluation terms of the respective currency.

This showed that although India had been getting lower unit value for her tea exports, her unit value was better than her main rival Ceylon. The Kenyan tea was of late, fetching better unit price mainly because they were

newer planting and uniform in quality throughout the year. In India, on the other hand, high quality teas from North India were confined to the second flush, *i e* August-September.

5.15 As regards the measures taken to secure more unit value it has been stated that international measures to stabilise tea prices had been under discussion under the auspices of the F.A.O. A Consultative Committee on Tea had been formed to evolve regulatory measures to give effect to the decision agreed by Tea Exporting countries in 1969 for the withdrawal of 90 million lbs. of tea from the estimated world exports in 1970 and study further measures necessary to stabilise tea prices. In the second session of the Consultative Committee held in April, 1970, it was decided that the export quantity for 1971 should be the same as for 1970 with a provision for an increase of not more than 10,000 tonnes, should market conditions justify it. Further, at the meeting of the Exporters' Group held in April, 1971 in Rome, it was agreed that there should be a quota period for 15 months from 1st January, 1971 to 31st March, 1972, the quota for which would be discussed at the review session in September*, 1971. The meeting agreed that the global quota for 1971 should be of the order of 595 thousand tonnes the figures agreed upon at Mauritius for 1970.

5.16 The Committee note that India as well as Ceylon have been fetching low unit value for the tea exports. The Committee feel that if the international agreement under the aegis of Food and Agricultural Organisation are worked in a spirit of understanding, it should be possible to devise suitable measures to reverse this trend and obtain higher unit value for our tea exports. The Committee need hardly point out that India is very fortunately situated in respect of tea as we have uniform quality of tea in South India while the high fragrance tea is contributed during the second flush season by the gardens situated in North Eastern India. It should be possible, therefore, to fetch higher unit value by judicious marketing abroad. The Comimttee expect that Government and Tea Board would take concerted steps to see that by judicious marketing and understanding with other countries we obtain maximum unit value for our tea exports.

Export of Instant Tea

5.17 The table below gives the figures of annual export of Instant Tea from India from 1966 to 1970 :—

Year	Quantity (in Kg.)	Total Export Value (In Rs.)	Unit value (in Rs.)
1966	13,608	5,35,771	39.37
1967	51,638	17,63,141	34.14
1968	60,397	19,38,037	32.09
1969	1,97,672	65,17,957	32.97
1970	3,18,724	1,05,00,454	32.95
1971	N.A,	N.A.	N.A.

*At the time of the factual verification of the Report the Ministry of Foreign Trade have stated thus:

"In the review session in September, 1971 a decision was taken about the global quota for 15 month period, considering the level of exports in 1970 and the first part & 1971 together with the recent levels in prices and the trend of prices which might be expected during the remainder of the quota period. The global quota for exports of black tea from the countries in the schedule to the Mauritius agreement was estimated at 727.6 thousand tonnes making allowance for shortfall of 14.8 thousand tonnes or total of 742.4 thousand tonnes. The joint quota for India & Ceylon during this period is 506.0 thousand tonnes."

5.18 Asked what concrete measures had been taken to sustain and step up India's export of Instant Tea, the Ministry have in a written note furnished to the Committee stated :—

"The main market for instant tea is USA. A proposal for introduction of 100% Indian tea mix by M/s Boston Tea Co., USA has been received from the Tea Board which is under consideration of Government. The proposal envisages continued store demonstrations for a period of 20 weeks which provide a good impact and assure a high rate of turnover of product from supermarket shelves. The introduction of 100% Indian Tea Mix is meaningful promotion of Indian Tea aimed at consumer level and a sum of US $50,000 is estimated to be incurred during 1971-72.

Exports of instant tea to USA are meeting with some difficulties. Import of balancing equipment is being considered. Export of Instant tea to USA is undertaken by M/s Tata Finlay and to UK and continent by M/s Food Specialities of India.

The Board is also rendering financial assistance towards research schemes for production of instant tea of acceptable qualities and grades.

Cash assistance for export of instant tea will be considered on merits if the FOB price ex. India is not fully realised through sales. This is being examined by the Tea Board.

5.19 The Committee note the marked increase in export of Instant tea from Rs. 5.35 lakhs in 1966 to Rs. 10.5 lakhs in 1970, particularly to the United States. The Committee feel that as consumers especially those in advanced countries are thinking more and more of instant products, our country which has already got experience and standing in the field of export of India tea, should be able to enlarge its exports by intensified efforts. The Committee have no doubt that Government would give all the facility required for increasing production and export of instant tea and that no effort would be spared to improve the quality of instant tea so as to make it a distinctive product cherished and sought out all over the world.

(*b*) *Cotton Textiles.*

5.20 The table below gives the export figures of various items of cotton textiles during the years 1966 to 1970:—

Month	1966 Rs.	1967 Rs.	1968 Rs.	1969 Rs.	1970 Rs.	1971 Rs.
January	510.6	681.0	677.7	915.3	1300.00	1266.2
February	488.2	751.2	772.8	703.4	804.20	719.1
March	657.4	738.3	733.9	786.1	1018.00	947.00
April	463.8	650.3	607.9	994.3	804.20	628.00
May	615.7	494.2	859.3	809.0	959.70	737.4
June	571.2	709.4	659.5	809.2	946.40	802.9
July	330.4	476.3	816.7	814.6	857.30	862.9
August	641.4	579.4	950.1	749.5	1044.50	804.9*
September	869.1	1048.3	651.6	896.3	734.30	826.6*
October	715.2	831.0	835.1	898.9	822.50	841.2*
November	492.2	481.3	1129.0	944.4	976.00	1032.2*
December	703.8	780.6	811.3	1125.8	895.30	1035.8*
G. Total	7059.0	8221.3	9504.9	10446.8	11162.40	10448.5*

*Provisional

5.21 It is evident from the above that the exports of various items of cotton textiles during 1968, 1969 and 1970 have shown an improvement. Similarly exports during the month of January, February, March and August, 1970 have been the highest since 1966 month-wise as well as quarter-wise. Exports during January-March, 1970 at Rs. 31.22 crores were higher than exports during January-March 1969 by 25%. Exports during April-March 1970 at Rs. 111.64 crores were higher than exports of Rs. 97.25 crores during April-March, 1969 by about 15%. A development of significance has been that Indian taxtiles have made an entry into West European markets which had hitherto remained rather unpenetrable. Another development of significance has been that exports of cotton yarn during 1968 and 1969 are the highest during the last several years. This has to be viewed against the background that world trade export in cotton textiles had remained static around 800,000 tons for the last 60 years and the fact that all countries are endeavouring to set up their own textile industries. India's share in the world cotton piece good also, which constitutes the bulk of the exports has been of the order of:

1964	6%
1965	9.8%
1966	7.3%
1967	7.6%
1968	11.5%
1969	7.6%
1970	7.8%
1971	N.A.

5.22 It has been stated that consequent upon the devaluation of the Rupee in June, 1966, all export incentive schemes were withdrawn. In cases of exports of cotton textile the cash value of incentives available under the pre-devaluation export incentive scheme mounted, in certain cases, to over 90% of the *f.o.b.* value whereas, the Rupee benefit of devaluation came to 57½% only.

5.23 In August, 1966, an import replenishment scheme for the import of permissible dyes and chemicals upto 5% (now increased to 6½%) of the *f.o.b.* value of the exports of cotton textiles (other than grey) was announced. Later on, import replenishment scheme for the import of embellishments, machinery, items etc. upto 7½% (now increased to 9%) of the *f.o.b.* value of exports of ready made garments was also announced. In addition, the following steps are stated to have been taken to increase exports of cotton textiles.

(a) Reduction in customs duties on cotton textiles have been secured from the USA, EEC, Japan, Austria and Nordic countries. These reductions range between 7% and 30% of the existing tariffs.

(b) Bilateral arrangements have been entered into with EEC countries and UK and USA under which higher export quotas for cotton textiles have been secured.

(c) Securing quotas from countries like EEC.

(d) Preference in the matter of allocation of foreign cotton which had been surrendered by other allottee mills.

(e) Earmarking of a specific quantity of global cotton for allocation to mills manufacturing and exporting fine and superfine categories of cloth.

(f) Payments of royalties in respect of use of the trade mark 'Sanforized' being linked up with export of Sanforized' cloth. Registered users of the trade mark the cloth from other mills for purpose of export.

5.24 In spite of these measures, it was noticed that there was no reversal in the export trends. Both the Government and the Industry felt greatly concerned at this and as a reusult of the discussion held, the Indian Cotton Mills Federation with Government's approval introduced a self financing scheme for the grant of cash assistance with effect from 1st September, 1967, on a voluntary basis providing for port assistance selectively in terms of areas and items of export. The requisite funds have been raised by the Federation by collecting a premium on imported cotton. There has been a drawback reimbursement in respect of excise on exported cotton textiles. By way of reimbursement of non-refundable taxes, Government have been giving to the I.C.M.F. a grant out of M.D.F. at a rate of 5% on the F.O.B value of the exports of cotton textiles with effect from 1.4.1968.

5.25 Asked what measures had been taken by Government to improve the competitiveness of exports of cotton textiles in the international market, the Ministry have in a written note furnished to the Committee stated:—

"In order to maintain the upward trend in the export of cotton textiles, efforts have already been made to facilitate larger imports of raw cotton. To offset the adverse effect of UK's proposed tariff imposition, India is seeking directional change in export of these items. Some of the export promotion measures taken in this regard are as follows:

(1) The export incentive scheme being operated by the C.M.F. is being readjusted for exports made from 1st April, 1971 onwards.

(2) Provision of Raw Cotton: Raw Cotton is being provided at international price for export of superfine textiles and the feasibility of extending its facilitiy for other selected varieties is under examination. Polyster entitlements are also given in relation to the use of the material in terry-cotton manufacturers.

(3) Modernisation: It has been decided to permit import of certain items of sophisticated textile machinery in case of mills exporting 20% or more of their production. A scheme has been evolved for grant of soft loans to exporting mills; details of the scheme are expected to be annuounced shortly.

(4) Exporting mills have also been permitted higher stock limits in respect of cotton. These limits are for 2½ months, 3½ months

and 4½ months consumption for mills exporting 10%, 20% and 25% of their production respectively.

(5) A scheme is in operation to increase raw cotton production.

(6) The export function incentives, distance premium, freight differential etc. will continue as hithertofore."

5.26 Asked whether the Ministry of Agriculture had formulated the perspective plan with a view to achieve self-sufficiency in cotton particularly long staple cotton, the Ministry have in a written note furnished to the Committee stated that detailed plan for the development of cotton during the Fourth Plan had already been drawn up. It aimed at achieving self-sufficiency in the production of cotton particularly long staple cotton. It has been stated by the Ministry that the cotton production target for the Fourth plan (1973-74) is 80 lakhs bales. To achieve this target the following steps are being taken by the Ministry:

(i) Maximised production of cotton under State and Centrally Sponsored Scheme,

(ii) Implementation of the new Intensive Cotton District Programme.

(iii) Extension of area under the high yielding variety Hybrid-4.

(iv) Development of cotton under new irrigation projects.

(v) Extension of cotton in rice fallows; and

(vi) Organisation of large scale ground/aerial spraying on campaign basis.

5.27 During Evidence, representative of Ministry of Foreign Trade informed the Committee that the National Council of Applied Economic Research had made certain recommendations with regard to textiles. The recommendations were that price reduction should be considered for capturing large market for Far East; there should be concerted effort to improve the productivity and widen and modernise their range of quality. The other recommendation was that there should be greater use of man-made fibres.

5.28 Regarding the question of moderning the mills the representative of the Ministry stated that they had liberalised the import of sophisticated machinery and that they were also sanctioning soft loans to enable the mills to modernise and improve their productivity and reduce the cost of products. The main difficulty had been the availability of cotton. Cotton prices in India had gone up during the recent past and production had not come up as expected. They were, however, allowing the exporting mills, the use of imported cotton so that they could export materials at competitive prices.

5.29 Regarding the question of steep fall in export of cotton textiles during the year, the representative of the Ministry stated that during the year 1970-71, they had exported textiles including handloom worth Rs. 115.17 crores. Mills had also been allowed to modernise. They were importing cotton and giving it to the exporting mills to use that cotton and export materials. They were also supplying synthetic polyster fibre so that they could also enter the market for blended fubrics.

5.30 The representative of the Ministry further informed the Committee that with the setting up of Cotton Corporation of India, a public sector undertaking, last year, all the imports of cotton were being canalised through the Cotton Corporation of India.

5.31 Replying to the question as to what were the requirements of mills, the representative stated that there was an import of 11 lakh bales during the last year and the indigenous production was 52 lakh bales and the consumption figure was 67 lakh bales. They had also a carry over of 10 lakh bales from the previous year.

5.32 To a question as to how it was that there was a complaint of shortage of raw materials the representative of the Ministry atated thus:

"There is shortage of raw material because the imports were authorised in December and January and by the time the imports materialised, the indigenous prices of cotton had gone up. We were taking certain measures to arrest the rise in prices and those measures did produce some impact on the prices and the prices started falling in February, 1971. But we also increased the production of controlled cloth."

5.33 Replying to the point why there was a feeling or complaint from the textile mills, that there was shortage of supply of cotton to them, the representative of the Ministry of Foreign Trade clarified the position as under :—

"That is partly correct. The position is that until almost the beginning of December, our estimates of indigenous production were quite high, and it was on that basis that we had drawn up an import programme of about 10 lakh bales. We thought at one time that indigenous production would be about 62 lakh bales. However estimates had to be reduced to 57 lakh bales and then it came down to 52 lakh bales in December. Then, we went to the Ministry of Finance and asked them to give us more money for importing more cotton. It was at that time that the prices began to rise, because there was shortage and supplies in adequate quantities did not seem to be forthcoming immediately. We could not make up that shortfall of 10 lakh bales, considering the foreign exchange available, we are trying to do the best that we can, but there has been a shortage of cotton last year. The failure was not ours in that sense. Mainly it was due to the fact that the crop production was 10 lakh bales less than anticipated, and even if we pushed up the imports, they could certainly not have covered the entire shortfall of 10 lakh bales."

5.34 Asked what was the commission which the Cotton Corporation of India charged from the industry for handling its cotton, the representative of the Ministry of Foreign Trade stated:—

"The Cotton Corporation was started with the main function of arranging the entire import of cotton and other fabrics authorised by Government, that is bulk purchase and bulk shipment so that they can buy cheaper and render service to the industry. The Corporation charges 2.5%, which has been the charge made by the private importers

to mills in the past; they are not charging anything extra for the services rendered to mills."

The Corporation also buys in the domestic market long staple cotton to encourage its production".

5.35 The Committee note that cotton textiles has been one of the most important traditional exports from India. It would appear from the statistics of exports that these have been continuously rising after devaluation of the rupee in 1966. The Committee, however, feel that devaluation could have been exploited to greater use in making the exports of textiles self-supporting and sustaining if timely measures had been taken to modernise the machinery in order to meet export requirements.

5.36 Another great handicap of the textiles industry has been the dependence on import of long staple cotton for manufacture of finer varieties of textiles. The Committee note that Government have belatedly taken some steps to make available imported cotton on priority basis and at competitive prices to such of the cotton mills as are engaged in exports. The Committee would like Government to take special interest in making available in time the full requirements of cotton for meeting the export orders. The Committee feel that since textile is a labour intensive industry and Japan which was one of the keen competitors in this line is switching over more and more to sophisticated industries, an opportunity may well be available for stepping up exports of textiles to sophisticated markets particularly to countries of European Economic Community. The Committee would like Government to intensify their efforts for reaching bilaterial and other agreements with these countries in order to secure maximum quota for export of textiles.

5.37 The Committee need hardly point out that all over the world there is a distinct trend for man-made fibres and the Committee feel that our country which has more than a century old experience of manufacture of textiles should be able to put this new opportunity to full use in the interest of stepping up exports. The Committee would, therefore, like Government to take well-coordinated and concerted measures with a view to encourage the manufacture of man made fabrics for export.

5.38 The Committee note that export of textiles to Britain which is one of our most important and traditional markets has been seriously affected by the imposition of 10% surcharge on such imports.

5.39 The Committee feel that since textiles is one industry where a developing country can effect the exports to developed countries, continuous efforts should be made to get its import allowed duty free or with the minimum duty, in developed countries.

5.40 The Committee consider that the cotton textile industry cannot be established on sound and stable basis unless it achieves self-reliance in the matter of production of requisite quality of staple cotton within the country.

(c) Man-made Textiles

5.41 The table below gives the export figures of man-made fibre fabrics (Rayon and Synthetic) from the year 1961 to 1971:—

Year	Quantity in million metres	Value in Rs. in crores
1961	67.3	6.33
1962	83.8	9.11
1963	90.5	10.25
1964	73.0	8.26
1965	38.5	4.37
1966 (January-May)	26.3	2.67
1966 (June-December)	14.6	1.78
1967	4.1	1.00
1968	15.4	3.03
1969	15.6	3.36
1970	13.6	4.00
1971 (January-June)	11.4	3.38

5.42 It would be seen from the above that the export trade of man-made textiles was of the tune of 90 million metres in 1963. It slumped to 4 million metres in 1967 and have revived upto 11.4 million metres (January-June, 1971). The Committee wanted to know as to what were the reasons which had contributed to the steep fall and subsequent revival of export trade in man-made fibres. In a written note furnished to the Committee, the Ministry have stated:—

"The fall in exports from 1963 to 1966 (pre-devaluation) period was attributable to the following factors.

(i) Political disturbances in some of the importing countries such as Iran, Iraq, Singapore, France and Pakistan.

(ii) increasing competition from highly industralised countries such as Japan.

(iii) continuing import restrictions in some countries such as Nigeria, Canada, U.S.A and the emrergence of indigenous industries in some developing countries like Iran, Iraq, Afghanistan.

The reason for steep fall in imports in 1967 was that with devaluation the incentive scheme was withdrawn. The pre-devaluation export incentive was given in the form of import of synthetic yarn at the rate of 70% of the f.o.b. value of exports or the international price of that kind of fabric whichever was less. The import licence was issued to the exporters direct. This

scheme wax suspended in June, 1966. The post devaluation export incentive which was brought into effect in March, 1967 does not allow import of yarn by the exporters. The yarn is now imported by the S.T.C."

5.43 The following measures are stated to have been taken to increase and sustain exports in man-made fibre textiles which were in the increasing demand throughout the world:

(1) Provision exists for cash assistance in the form of STC's trade losses upto 25% in individual cases for export of fabrics made out of cellulosic fibres/yarns (rayon filament as well as spun and acetate) and 10% on nylon fabrics.

(2) Provision for import under the registered exporters policy as replenishment in the ratio of 1:1.2 for nylon fabrics and 1:1.3 for nylon garments. Separate schemes have been announced for terrycot fabrics providing supply of polyster fibre upto prescribed percentages. Viscose filament yarn is also available at a concessional rate against exports. Provision for replenishment of dyes and chemicals also exists.

(3) Provision has also been made in the registered exporters policy for import of acrylic fibre to be given as replenishment in the ratio of 1:1.30 and acetate polyster filament yarn in the ratio of 1:1.2

(4) Against export of dyed, printed or embroidered woven or knitted nylon fabrics or running length (excluding made-ups and garments) pure or mixed with cellulosic filament or spun yarn excluding tafetta and lining material falling under S. Nos. V. 1 (a), V. 1 (b) and X.1.1 of Section II of Volume II of the current Red Book, the entire nylon replenishment entitlement in terms of value can be converted into polyster filament yarn provided:

(a) the unit f.o.b. realisation is higher than Rs. 5.50 per square metre in case of embroidered fabrics and Rs. 3.50 per square metre in case of the nylon fabrics; and

(b) the export of such high unit value itmes is not less than Rs. one lakh during the financial year 1971-72 as a whole or Rs. 25,000/- in any quarter or Rs. 50,000/- in any two quarters.

It has also been decided that against export of circular knitted nylon articles, the entire nylon replenishment entitlement in terms of value can be converted into polyster filament provided the f.o.b. realisation of such article is not less than Rs. 38.50 per kg.

(5) At present drawback of excise duties is allowed on exported fabrics. The rate of drawback is fixed on average realisation of duties on the total availability of the yarn in the country (both imported as well as indigenously produced). On this basis the exporter is not allowed full drawback of import duties paid by him. A proposal is now under consideration to change this basis and to evolve a procedure by which the exporter is allowed to drawback of duties paid by him on the yarn contained in the fabric.

(6) A Committee is being formed under the Chairmanship of the Additional Textile Commissioner with representative of the STC and the Silk and Rayon Textiles Export Promotion Council to determine the specific role which each organisation has to play for generating the exports of art silk fabrics."

5.44 The Committee have been informed that the export trade of man-made textiles was of the order of Rs. 10.25 crores in the year 1963 and that it fell to Rs. 1.00 crore in 1967 and revived to Rs. 3.38 crores during the period January to June, 1971. In terms of quanity it was of the tune of 90 million metres in 1963. It slumped to 4 million metres in 1967 and have revived upto 11.4 million metres during the period January to June, 1971.

The Committee have been informed that the pre-devaluation export incentive scheme, which was withdrawn in 1967, was given in the form of import of synthetic yarn at the rate of 70 per cent of the f.o.b. value of exports or the international price of that kind of fabric whichever was less. The import licence was issued to the exporters direct. This scheme was suspended in June, 1966. This was the reason for steep fall in imports in 1967. The post devaluation export incentive which was brought into effect in March, 1967 does not allow import of yarn by the exporters and the yarn is now imported by the STC.

5.45 The Committee are of the view that concerted efforts have to be made to develop indigenous capacity for manufacture of synthetic yarn to sustain and develop exports of man-made textiles from the country in the long run and till such a capacity has been built up in the country. Government may ensure that adequate imported sysnthetic yarn is available for the manufacture of exportable synthetic fabrics.

(d) Ready Made Garments

5.46 The table below gives the exports of ready made garments from India from the year 1967-68 to the year 1969-70:—

(Rs. Million)

Fibre Fabric	1967-68	1968-69	1969-70*	1970-71	1971-72
Cotton	26.8	33.00	51.5	86.0	**120.0
Man-made	1.7	14.2	16.9	8.0	5.7
Wool	2.7	10.5	6.6	4.9	3.5
Silk	1.0	2.3	2.7	4.7	6.5
Total	32.2	60.0	77.7	104.4	135.7

*Estimated.

**Provisional.

5.47 It would be seen from the above that the exports of ready-made garments from India have shown a significant increase during the last four years. From Rs. 21.5 million in 1966-67 the export increased to Rs. 78 million in 1969-70. It has been stated that this new item in the export list of India holds out promise of being able to achieve the export level of Rs. 200 million in the next four-five years.

5.48 The garment industry in India comprises about 1,000 units with an estimated production of Rs. 800 million. The major centres of garment production are Bombay, Madras, Delhi and Calcutta. Bombay with about 400 units, accounts for 70 per cent of the production and 80 per cent of the exports. Ready-made garments are at present exported to over 50 countries in the regions of West Asia, South-East Asia, West Africa, North America and Eastern Europe main markets being USSR, USA, UK and Malaysia. USSR alone accounts for 36 per cent of the total exports of ready-made garments from India.

5.49 The main problems of the exports of ready-made garments as highlighted in a recent survey of India's Export Potential of Textiles and Made-up Garments by the Economic and Scientific Research Foundation under the USAID sponsorship are outlined in th following paragraphs:—

(i) The survey has revealed that there is idle capacity in the industry and the idle capacity, on single shift basis alone, works out to 32 per cent for large, 46 per cent for medium and 64 per cent for small-scale units. Rising prices of fabrics, non-availability of machinery, equipment and embellishments, and shortage of skilled labour are some of the impediments responsible for this large under-utilisation of the capacity.

(ii) *Need for diversification:* Of the wide range and variety of items like shirts, pyjama suits, trousers, jeans, shorts, coats, dressing gowns, neckties, cravats, scarves, brassieres, house coats, blouses, slacks, skirts, nighties, children wear, uniforms and industrial clothing manufactured by the ready-made garments industry, shirts still continue to be the largest single item of production and export.

(iii) *Samples and Designs:* While some of the manufacturers/exporters develop their own designs, the industry mainly depends on consumer preferences and fashions in vogue or on the new styles developed by overseas manufacturers. These are procured either through foreign magazines, catalogues, literature or samples of garments.

(iv) *Quality and Standards:* Formulation and application of standards in the case of ready-made garments have so far been limited to cover packaging and labelling requirements. Nevertheless the industry is getting more and more quality conscious and has thorough arrangements for piece-by-piece checking of ready-made garments produced by it. On account of the peculiar characteristics of the industry especially the rapidity changing fashions and styles not only of the garments but also of embellishments, it may not perhaps be feasible to subject all operations of garment production to quality control and standardisation. However, materials like yarn, sewing thread, colours, texture and fabric that go into the production of

ready-made garments can be brought within the purview of quality control and standardisation.

(v) *Cost Reduction:* Like any other commodity price factor is a paramount importance in the case of ready-made garments in international markets where competition is quite intense. To some extent, Indian ready-made garments have become competitive after devaluation. There is nonetheless enormous scope for cost reduction by reorienting and organising production on modern lines with the use of automatic stitching and ancillary machines.

(vi) *Rising Cost of Fabrics:* To a considerable extent, the rising cost of fabrics contributes to the high cost of production of ready-made garments, especially when the cost of fabrics represents 60 to 70 per cent of the total cost of the garments. Prices of cotton fabrics in India are higher by about 20 to 30 per cent and those of woollen fabrics by 15 per cent than international prices. The prices of synthetic fabrics are as high as three to four times the international prices.

(vii) *Machinery and Equipment:* Import restrictions and time-consuming procedures involved in the procurement of machinery and equipment from abroad act as disincentives in the modernisation effort of the industry.

(viii) *Embellishments:* Embellishments including trimmings manufactured indigenously do not meet the requirements of the exporting units because these are not very much liked by the foreign buyers of ready-made garments. At the same time, the provision to import embellishment-trimmings, zips, elastics, labels etc. under the import embellishments of the varieties and designs acceptable in overseas markets can go a long way in helping the industry in its export effort. In fact, the possibility of foreign collaboration in this field can be explored by the Industry.

(ix) *Skilled labour:* Due to the shortage of trained labour, manufacturing units in the industry often employ raw hands and train them for a considerably long period till they are in a position to acquire the requisite skill. This practice, to a great extent, impairs industrial efficiency.

(x) *Import Replenishment:* Currently, import of polyster buttons is allowed under the import replenishment scheme against export of shirts, trousers and jeans only. Since buttons are used also in other garments including pyjamas, suits, bush shirts, sports shirts, frocks, blouses and baby suits, the import replenishment benefit should be extended against the exports of all ready-made garments as well.

(xi) *Refund of Handloom Cess:* While handloom cess at the rate of 1.9 paise per metre is refunded on piecegoods exports, the benefit of such a refund is not allowed on the export of ready-made garments. This anomaly needs to be removed. In the interest of imparting competitiveness to the Indian ready-made garments it is desirable to allow refund of cess on their exports as well.

(xii) *Packaging:* Packaging of ready-made garments has a great scope for improvement in relation to quality of materials, cost, printing etc. to match it with the standards of countries like Japan, Hong Kong and U.S.A.

(xiii) *Trade Fairs and Exhibitions:* Quite often, the results of the display of Indian ready-made garments in the various trade fairs and exhibitions in overseas countries are not made available to the industry.

(xiv) *Trade Delegations and Market Information:* Adequate importance needs to be given to getting marketing intelligence and information about conditions in countries abroad.

5.50 The Committee have been informed that the exports of ready-made garments have increased from Rs. 2.15 crores in 1966-67 to Rs. 7.8 crores in 1969-70 and that there is a promise of being able to achieve the export level of this item of Rs. 20 crores in the next four-five years. The recent survey of India's export potential of textiles and man-made garments by the Economic and Scientific Research Foundation under the US AID sponsorship has revealed that there is an idle capacity in the industry and the idle capacity of single shift basis alone works out to 32 per cent for large, 46 per cent for medium and 64 per cent for small scale units.

5.51 Of the wide range and varieties of items like shirts, pyjamas, suits, trousers, jeans, shorts, coats, dressing gowns, neckties, cravats, scarves, brassieres house-coats, blouses, slacks, skirts, nighties, children wears, uniforms and industrial clothings manufactured by the ready-made garments industry, shirts still continue to be the largest single item of production and export. On account of increasing demand for industrial clothings and children wears in overseas markets there is imperative need to bring about diversification in production so as to include items which promise great potential for export expansion.

5.52 Factors like availability of comparatively cheap labour and developing skills on the supply side, and everchanging fashions in clothes coupled with high purchasing capacity of the affluent countries on the demand side, provide the scope and opportunity to the ready-made garments industry to exploit the expanding potential of its exports. In the opinion of the Committee with a view to realise higher export earnings, efforts need to be mobilised to achieve increased and diversified production of ready-made garments in accordance with high standards of quality acceptable in international markets by encouraging distinctive and imaginative fashioning and tailoring industry in India and by continuous study of tastes of foreign markets.

5.53 The Committee note that embellishments including trimmings manufactured indigenously do not meet the requirements of the exporting units because these are not very much liked by the foreign buyers of ready-made garments. It has also been pointed out in USAID Survey on the subject that the import entitlement scheme for these articles is inadequate. If trimmings and embellishments are required of reasonable value and percentage as compared to exports and these are not indigenously available the Committee are sure Government would examine allowing import without delay.

(*e*) *Jute Manufactures*

5.54 Raw jute is the main raw material used in the manufacture of jute products. Exports of jute goods from India have suffered a serious set back in recent years. From a level of 7.51 lakh tonnes in 1967-68, exports declined to 5.69 lakh tonnes in 1969-70 and to 5.61 lakh tonnes in 1970-71. Production of jute goods in 1969-70 amounted only to 10.35 lakh tonnes as against 10.89 lakh tonnes in 1968-69 and 12.45 lakh tonnes in 1967-68. Various factors contributed to this set back, the more important of which are the following:

(i) Exceptionally poor jute crop in the 1968-69 season and consequent shortage of goods resulting in a sharp rise in prices which continued through the next season (1969-70) and even in (1970-71);

(ii) failure of production to reach normal levels for various reasons;

(iii) rapid expansion of jute industry in Pakistan and increasing competition from that source where export of jute goods is being heavily subsidised through the operation of export bonus voucher scheme;

(iv) heavy inroads by bulk handling and synthetic packaging materials into jute goods markets;

(v) emergence of jute mill industries in many consuming countries of Middle East, South East Asia and Africa;

(vi) temporary set back in export of carpet backing cloth in recent months as a result of recessionary conditions in the US market; and

(vii) prolonged strike (22nd May to 26 July, 1970) by bargemen at Calcutta which virtually paralysed the entire jute export trade.

5.55 It has been stated that in order to promote production and exports of jute goods, Government had been taking various measures from time to time. Of these measures the following need special mention:

(i) Efforts were being made to achieve qualitative and quantitative self-sufficiency in raw jute production by adoption of improved methods of cultivation. For the 1970-71 season a combined target of 81 lakh bales was fixed for jute and mesta production. There was, however, a long spell of drought in the jute belts, particularly in South Bengal during the months of April and May, 1970 and this affected sowing very severely. The industry and trade circles put the current season's jute and mesta crop between 62 and 65 lakh bales. The position had recently been reviewed in the context of prospects of the new crop. All efforts were being made to make an adequate supply of fibre available to the industry;

(ii) soft loans were being given to jute mills through the IFC to finance modernisation and diversification of the industry; modernisation of mill machinery had been practically completed at the spinning stage. So far loans totalling Rs. 513 lakhs had been sanctioned to 14 mills;

(iii) research and export promotion activities of the industry were being assisted by Government through grant-in-aid from the MDF;

(iv) higher development rebate had been provided to the industry by including it in the V Schedule to the Income Tax Act;

(v) export duties on certain categories of jute goods had been reduced while on certain others the duty abolished altogether;

(vi) efforts were being made to utilise the available capacity in full and also to step up production of standard goods by utilising to the extent possible spinning and broadloom capacity rendered surplus as a result of cut in production of carpet backing;

(vii) necessary assistance had been offered to the mills to enable them quickly to rectify their machinery imbalances and thus to increase their production;

(viii) the jute Corporation had been set up. The Corporation envisaged to undertake.

(i) Price support operations,

(ii) commercial purchase operations,

(iii) import and export of raw jutes,

(iv) operation of buffer stock,

(v) disposal of raw jute,

(vi) processing and other ancillary functions.

5.56 It has been stated that the question of stepping up India's exports of jute goods was under constant review of Government. The latest indications were that the demand for carpet backing in the US market was reviving and this would help recovery of both production and export of carpet backing to normal levels in the near future. Since carpet backing and decorative fabrics hold out the promise of long term growth, expansion of their production would be receiving special attention.

Research and Development in Jute

5.57 As regards steps taken by Government to encourage research and development of new export items by the jute industry in India, Government have in a written note furnished to the Committee stated:

"In order to expand the market for jute decoratives and increase the unit value, two processes for special bleaching of jute fabric have been made available in the last 5 years, as a result of extensive research. The first process was developed by the Fabrics Research Laboratory (Boston) under the sponsorship of the Indian jute industry. Patent rights for this process are held by Nu JUTE Inc., a subsidiary of the Indian Jute Industries' Research Association. An even better process, which is at the same time cheaper, was invented by the IJIRA scientists in 1967. The latter process not only diminishes the yellowing tendency but also removes the surface hairs and gives a clean fabric. These processes are being increasingly used by jute mills in the manufacture of jute decorative fabrics for export. A scheme for promotion of these fabrics in the USA has also been approved

by Government for assistance from the Marketing Development Fund. Exports of jute decoratives in 1971 would come to about 2200 tonnes at unit value of Rs. 6500-7500 per tonne.

Further research on new uses for jute are expected to be undertaken by the IJIRA as soon as the Pilot Project under installation goes into full activity.

A research project undertaken by IJIRA for proving the absence of carcinogens (cancer producing germs) in the jute batching oil used in the manufacture of hessians exported to the USA, has proved to the satisfaction of the US Food and Drug Administration that the migration of oil of 700 F final boiling point from burlap into shelled peanuts did not appear to present any health hazard. US regulations were amended to permit the packing of shelled peanuts in burlap bags. The project which had been entrusted by IJIRA to ESSO Research and Engineering Co., USA was financially assisted by Government from the Marketing Development Fund."

5.58 The Committee desired to know as to what concrete measures had been taken by Government to arrest the declining trend in jute manufactures. Government in a written note furnished to the Committee have stated:

"With a view to arresting the declining trend in jute manufactures, export duties on various items of jute goods have been reduced, export duty on carpet backing was reduced from Rs. 600 to Rs. 300 per ton from 10.12.1969 Export duty on jute canvas, tarpaulins, webbings and manufactures thereof were reduced from Rs. 500 per tonne to Rs. 200 per tonne from 1.3.1970. In order to meet the increased demand for jute goods resulting from the disruption of supplies from East Bengal, measures have been taken to increase production to the level of 11,000 tonnes per month.

Loan assistance is being given to jute mills through the I.F.C. for modernisation, diversification and rationalisation. The IFC has so far sanctioned loans totalling 601-75 lakhs out of which disbursement to the extent of Rs. 288.33 lakhs have been made. Import for a total amount of Rs. 1.2 crores worth of machinery was allowed during 1970 to the extent the indigenous manufactures could not supply these machines."

Government have further stated:

"Certain measures were under the active consideration of Government to meet the competition from Pakistan in the field of jute goods exports. Further consideration of these measures was, however, deferred in view of the turmoil in East Bengal and the consequent disruption in supplies of jute goods to world markets from that region. There is at present virtually no competition from Pakistan and Government as well as the industry in India are taking all necessary measures to meet the increased demand for jute goods from importing countries. The declining trend has been reversed. Exports of jute goods from India during the period April-August, 1971 valued at approximately Rs. 109.43 crores, as compared to

159,600 tonnes valued at Rs. 51.68 crores in the same period of 1970 and 251,400 tonnes valued at Rs. 94.58 crores in 1969."

Establishment of Jute Corporation

5.59 Government have set up a Jute Corporation in the public sector to implement the raw jute price support policy to ensure a fair return to growers to purchase raw jute for building a buffer stock and to import and export jute.

The Committee wanted to know as to how far the Corporation had been able to realise its aims and objects and how far it had contributed to the stepping of India's exports of jute products. Government in a note furnished to the Committee have stated thus:

"The Jute Corporation of India has commenced internal purchase operations only very recently, and it is too early to make an assessment as to how far it has been able to realise its aims and objects.* The Corporation has not yet taken over the export of raw jute, nor has it started operations in export of jute goods. It has not yet made any contribution to the stepping up of exports of jute goods."

5.60 The Committee note that export of jute has declined from 7.51 lakhs tonnes in 1967-68 to 5.69 lakh tonnes in 1969-70 and 5.61 lakh tonnes in 1970-71. The Committee also note that during the current year there has been an increase in exports in jute broadly owing to un-settled conditions in our neighbouring State. The Committee feel that if the exports of jute are to be placed on a firm basis, it is absolutely essential that the following measures should be implemented in letter and spirit:—

1. **Supplies of raw jute of requisite quality and quantity should be assured.**
2. **Jute mills may be modernised with a view to rationalise and diversify their production.**
3. **Research activities may be intensified so as to provide fitting answer to the substitutes which are increasingly coming into use in foreign markets.**
4. **Export promotion activities should be undertaken on a systematic and sustained basis.**

5.61 As far as the availability of the requisite quality and quantity of jute are concerned, the Committee would like to emphasise that the Jute Corporation which has been set up should provide necessary price support to the farmer so as to encourage him to grow jute in greater quantities and improve its quality by using high yielding seeds and applying other agricultural inputs. The Committee would also like to stress that the Indian Council of Agricultural Research should intensify its research and extension activities in the jute growing States e.g. Bengal, Bihar, Orissa, Andhra Pradesh, etc. It should also be impressed on the State Governments to provide irrigation and other facilities required for retting raw jute. The Committee cannot too strongly emphasise that the Jute Corporation should make purchase directly from the farmer so that he derives the maximum benefit of Government's price support policy and feels encouraged in increasing the production of jute and improving its quality. It

*At the time of factual verification it has been stated by the Ministry of Foreign Trade:

"It has since been decided to entrust the Jute Corporation of India with the export of one lakh bales of raw jute. The Corporation have already completed shipment of the bulk of the quantity of this allocation. (Position as on 7-4-72).."

should also be possible for the jute Corporation to arrange for better quality of jute from the neighbouring State as per the needs of the jute mills.

Modernisation

5.62 The Committee note that the Industrial Finance Corporation has sanctioned loans totalling Rs. 601.75 lakhs for modernisation of machinery out of which disbursements to the extent of Rs. 288.33 lakhs have been made so far. The Committee would like Government/I.F.C. to look into the matter so as to ensure that the funds required by the jute mills for modernisation in fact reach them without delay. The Committee note that Government have also allowed import of machinery worth Rs. 1.2 crores to the extent that it was not indigenously available. The Committee would like Government to intensify the efforts for the manufacture of machinery indigenously failing which they may allow imports in time so that the modernisation programme of jute mills is not delayed.

Intensification of research

5.63 The Committee note that a Pilot Project is being set up under Indian Jute Industries Research Association with Government assistance in order to find new uses for jute. The Committee would like this pilot project to be put into operation quickly so that as a result of research new uses can be found for jute. The Committee need hardly emphasise that there should be continuous research by the industry to find new acceptable uses for jute so as to sustain and improve the exports.

5.64 The Committee note that the Marketing Development Fund are supporting export promotion programme of jute. The Committee feel that since the present is the crucial time for the jute industry, judicious use should be made of the facilities and funds available under the Marketing Development Fund to establish long term contacts with overseas buyers.

5.65 The Committee need hardly point out that presently the jute industry has a great opportunity to improve upon its export performance and they have no doubt that Government would encourage the industry through the Jute Commissioner and the Jute Corporation to increase their share of exports on long term basis.

(iii) Non-Traditional Commodities

(a) Engineering Goods

5.66 During the last fifteen years engineering industry has been the most rapidly growing sector of world production and trade. World export of engineering products amounted to more than 64 billion (Rs. 48,000 crores) in 1967 their share in world export of all commodities rose from 20 per cent in 1955 to 30 per cent in 1967 and their share in world exports of manufactured products from 42 to 47 per cent. While the annual rate of growth between 1955 and 1967 in the case of primary commodities was 4.9 per cent which is exceptionally high.

5.67 The acceleration of international trade in engineering products has brought about significant changes in the geographical pattern as would be seen from the table below:

Network of World Trade in Engineering Products, 1955, 1960 and 1966
(Million Dollars F.O.B. and Percentages of the World total)*

Destination		World		Industrial areas		Developing areas		Australia, New Zealand and S. Africa		Eastern trading areas	
Origin	Year	Value	%	Value	%	Value	%	Value	%	Value	%
World† . . .	1955	19,110	100.0	8,070	42.2	6,120	32.0	1,320	6.9	2,180	11.4
	1960	31,100	100.0	15,140	48.7	8,860	28.5	1,650	5.3	4,020	12.9
	1966	57,790	100.0	33,030	57.2	13,280	23.0	2,700	4.7	6,730	11.6
Industrial areas .	1955	16,740	87.6	7,930	41.5	5,860	30.7	1,285	6.7	290	1.5
	1960	27,015	86.9	14,870	47.8	8,320	26.8	1,610	5.2	830	2.7
	1966	50,720	87.8	32,380	56.0	11,830	20.5	2,610	4.5	1,920	3.3
Developing areas .	1955	125	0.7	23	0.1	92	0.5	4	..	1	..
	1960	190	0.6	47	0.2	135	0.4	3	..	3	..
	1966	500	0.9	175	0.3	300	0.5	9	..	4	..
Australia, New Zea-	1955	100	0.5	10	0.1	63	0.3	28	0.1	..	..
land & South Africa	1960	155	0.5	19	0.1	93	0.3	38	0.1	..	..
	1966	310	0.5	56	0.1	185	0.3	70	0.1	..	..
Eastern Trading area	1955	2,145	11.2	110	0.5	95	0.5	2	..	1,890	9.9
	1960	3,740	12.0	200	0.6	310	1.0	4	..	3,180	10.2
	1966	6,260	10.8	420	0.7	965	1.7	4	..	4,800	8.3

*International Trade 1967 (GATT), p. 35

†Including exports to unspecified destinations.

5.68 It would be seen from the table above that net work of world trade in engineering products indicated the following characteristics:—

(a) Industrial countries continue to account for nearly 88 per cent of the world export of engineering goods.

(b) Share of developing countries, Eastern trading areas and Australia and New Zealand has remained almost at the same level, except that developing countries' share has marginally increased from 7 per cent to 9 per cent.

(c) There has been a sharp increase in the relative importance of trade among industrial countries, accompanied by a decline in the relative importance of exports from industrial countries to developing countries.

(d) Exports from Eastern trading areas have increased to developing countries but overall import of developing countries has declined.

(e) Developed countries supplied nearly, 96 per cent of developing countries' imports in 1955 which declined to 89 per cent in 1966.

5.69 According to the survey made by GATT (International Trade 1967) engineering production in developing countries grew at more than 10 per cent for year between 1955 and 1966, but it still remains small in absolute volume and its share in the world total does not exceed 2 per cent.

5.70 A silent but significant shift has taken place in the export of India's engineering products in the course of last one decade. As was expected, in the initial stages, India's engineering goods exports were confined mainly to simple consumer products such as builder's hardware, sanitary castings, aluminium utensils, steel trunks and other simple manufactures. With the progress in industrialisation and the confidence which the industry gained, more and more of capital goods, industrial plant and machinery and heavy equipment started moving. An idea of the remarkable change which has taken place even in the course of the last five years can be had from table below:

	1964-65*		1969-70		1970-71
	Value (Rs. in crores)	Percentage to total	Value (Rs. in crores)	Percentage to total	
Total Engineering Exports	26.47	100	106.37	100	116.59
A. Industrial & Agricultural Machinery.					
(1) International combustion engines .	0.65		2.57		2.73
(2) Electric motors, transformers, switchgears etc.	0.09		2.49		3.32
(3) Electrical apparatus and accessories .	0.43		0.98		0.89
(4) Equipment for distributing electricity :					
(i) Wires and cables . .	0.93		11.21		11.39
(ii) transmission line towers .	0.54		2.95		2.86

	1964-65*		1969-70		1970-71
	Value (Rs. in crores)	Percentage to total	Value (Rs. in crores)	Percentage to total	
(5) Agricultural tractors, implements etc..	0.09		0.60		0.64
(6) Machine tools	0.26		2.95		2.79
(7) Cutting tools and hand tools etc. .	0.39		2.67		4.38
(8) Jute, textile and knitting machinery	0.77		7.00		5.94
(9) Food Processing Machinery . .	0.52		0.69		0.13
(10) Sugar Mill machinery . . .	0.12		0.30		0.18
(11) Pumps and centrifuges . . .	0.26		0.43		0.66
(12) Heating and cooling equipment .	0.06		0.79		0.61
(13) Structural fabrication mechanical handling equipment . . .	0.11		1.90		2.66
(14) Hoisting and lifting machinery	..		0.64		0.65
(15) Ball and roller bearings . .	..		0.12		0.21
(16) Excavators . .	..		0.65		0.49
	5.22	19	38.94	38	40.83
B. Research-Intensive Equipment .					
(1) Office machinery data processing .			1.96		1.82
(2) Telephonic and telegraphic equipment	0.12		0.99		0.42
(3) Electronic components (including gramophone records) . . .	0.48		2.11		2.51
(4) Scientific instrument . . .	0.03		0.45		0.53
C. Consumer Durables					
(1) Sewing machine . . .	0.74		0.86		0.14
(2) Batteries & accumulators .	0.74		1.76		2.17
(3) Electric fans	1.55		2.15		1.44
(4) Bicycles and parts	1.25		4.66		6.91
(5) Electric lamps	0.15		0.51		0.63
(6) Typewriters	0.07		0.05		0.01
	4.50	17	9.99	9	16.58
D. Automobiles and Parts . . .	1.73	6	14.31	13	21.27
E. Heavy Transport Equipment :					
(1) Railway Vehicles—Wagons and coaches	0.06		0.52		2.11
(2) Track and signalling materials . .	0.88		0.79		1.65
(3) Fasteners	0.09		0.82		1.22
	1.03	4	2.13	2	26.25
F. Miscellaneous Manufactures of Ferrous and Non-Ferrous Metals . . .	13.36	51	35.49	33	32.93

*1964-65 figures are in post-devaluation.

5.71. It would be seen from the above that in line with the trend in export of some of the developing countries referred to, export of industrial and agricultural machinery, heavy transport equipment and automobile parts has been gradually increasing. Export of consumer durables, although still the largest, has proportionately gone down. Excepting for batteries and accumulators and bicycles and their parts, export of consumer durables like sewing machines, electric fans has remained almost stagnant. In the case of research-intensive equipment, significant progress has no doubt been made in the field of data processing equipment, telephone and telegraphic equipments and electronic components, but the progress is far below the progress achieved by other developing countries like Hong Kong.

5.72 A significant shift has also taken place in the direction of export inasmuch as the share of countries in Asia and Africa has been gradually going down and more and more exports are taking place to countries in Europe, North America, Australia and New Zealand. The following table gives the comparative position during 1964-65 and 1969-70:

Regions	1964-65		1969-70	
	Value (Rs. in lakhs)	Percentage to total	Value (Rs. in lakhs)	Percentage to total
(1) South East Asia	1,049.61	41	2,471.62	23
(2) West Asia	694.39	26	2,347.91	22
(3) Africa	439.92	16	2,947.84	28
(4) East Europe	89.11	3.4	1,066.77	10
(5) West Europe	194.69	7	913.46	9
(6) North and Central America	99.88	3.7	525.44	5
(7) South America	8.59	0.5	48.95	0.5
(8) West Indies	7.18		13.85	
(9) Oceanic Islands	31.80	1.2	70.34	0.5
(10) Australia	32.22	1.2	230.47	2
Total	2,647.39	100	10,636.65	100

5.73 The countries in Asia and Africa still account for three-fourths of the total export. While, therefore, trying to cultivate the developed markets of Europe and America, India have not to lose sight of the markets in Asia and Africa. These countries are no doubt having foreign exchange problems but there is vast scope for expansion because there is still a wide gap which needs to be filled in. In spite of all the efforts made by developing countries and the discussions in international gatherings like UNCTAD, they have not been able to persuade the developed countries to provide them the necessary wherewithal to improve their economic condition. Possibilities have, therefore, to be explored about mutual cooperation among the developing countries themselves. India may not be in a position to

offer very highly sophisticated equipment but at the same time she has made considerable progress in various fields of economic activities and has developed sufficient technical competence which would provide an alternative source of meeting their requirements.

5.74 The table below gives the figures of exports of Engineering goods from the year 1956-57 to 1969-70:

(Value in lakh rupees)

Year	Rs.
1956-57	537. 53
1957-58	619.25
1958-59	614.83
1959-60	792.74
1960-61	1054.95
1961-62	1231.16
1962-63	1484.28
1963-64	2113.45
1964-65	2647.40
1965-6	2976.67
1966-67	3113.72
1967-68	4147.66
1968-69	9497.30
1969-70	10636.64
1970-71	11647.00

5.75 Details of commodity-wise exports of Indian Engineering Goods during the period 1956-57 to 1969-70 are given at Appendix XVII*

5.76 In this connection it has been stated that the Engineering Export Promotion Council had fixed a target of Rs. 110 crores for 1969-70 which is to be stepped upto Rs. 250 crores by 1973-74 as under:

Year	Rs. in crores
1969-70	110
1970-71	140
1971-72	165
1972-73	210
1973-74	250

5.77. It has been stated that an increase of nearly 128 per cent in 5 years will, no doubt, be a creditable achievement. By 1973-74, the engineering industry may have the privilege of occupying number one position in the list of India's export.

*Not attached. See *Changing Horizons*, by Shri R. K. Singh pp. 89-95.

5.78 The export targets for the years 1969-70 to 1973-74 (the period covered by Fourth Plan) in respect of the Engineering Goods is as follows:

Product	Year	Value
Engineering Goods . . .	1968-69 (Actuals)	85.0
	1969-70	110.0
	1970-71	140.0
	1971-72	165.0
	1972-73	210.0
	1973-74	250.0
	Total during Fourth Plan	875.0

5.79 The Committee note that an all time record of exports of engineering goods of the value of Rs. 95 crores during the year 1968-69 which touched an export figure of Rs. 106.37 crores in the year 1969-70 and Rs. 116-47 crores in the year 1970-71 was achieved. In Committee's view the performance of engineering industry in the field of exports in the year 1970-71 although somewhat behind the Fourth Plan targets of Rs. 140 crores was quite creditable both from the point of view of income in absolute terms over 1967-68 (when they were of the value of Rs. 42 crores only) and coverage of the new items and territories. The Committee hope that no efforts will be spared by the Government in this field so that the export targets of Rs. 250 crores by 1973-74 of engineering goods fixed by the Export Promotion Council and envisaged in the Fourth Plan will not only be realised but would be exceeded.

5.80 The Committee feel that India is very fortunately placed both geographically and technologically amongst the developing countries for undertaking manufacture of engineering goods for export. Our Country has already gained valuable experience and acquired technology and know-how for undertaking manufacture of engineering goods. With the rising costs and advancement of technology in developed countries in Western Europe, Japan, U.S.A., etc., there is a promising opening for supply of engineering goods, which are relatively less complicated but labour intensive, to these advanced countries.

5.81 The Committee feel that if the engineering industry is assured supply of raw materials, particularly of iron and steel in adequate quantities of at and international prices, it would enable the engineering industry to utilise their installed capacity more fully and compete in the international market for supply of engineering goods. The Committee have no doubt that if India can build up a reputation for dependable quality, guaranteed service and reliable schedule of delivery of engineering goods, the exports in this promising line can be greatly increased. The Committee would like Government to keep a close watch on the progress made by the engineering industry in forging ahead in exports so as to extend every reasonable facility to them to overcome difficulties in the interest of increasing exports and earning valuable foreign exchange.

(*b*) *Iron Ore*

5.82 The table below gives the quantity and value of exports of iron ore during the year 1966-67 to 1970-71:

(Value Rs. lakhs Post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% to total exports	% increase or decrease from previous year
Iron Ore	Mill tonne	1966-67	13.3	7019	6.1	—5.9
		1967-68	13.7	7477	6.2	—3.0
		1968-69	15.7	8840	6.5	+18.2
		*1969-70	16.5	9462	6.7	+7.0
		1970-71	21.2	11728	7.6	+23.9

5.83. Giving the figures of exports of the Iron Ore during the Fourth Plan period, Government have stated thus:

"During the first two years of the Fourth Five Year Plan, *viz.* 1969-70 and 1970-71 the quantity and value of exports of Iron ore was as follows :

	Quantity (in million tonnes)	Value (Rs. crores)
*1969-70	17.694	100.45
1970-71	20.816	115.24 (Provisional)

For the current year (1971-72) the target fixed for the export of iron ore is Rs. 135 crores. For the remaining two years of the Fourth Five Year Plan the exports are projected as under :

1972-73	Rs. 136 crores
1973-74	Rs. 145 crores

As regards the Fifth Five Year Plan, no definite targets have been fixed so far but the following exports capacity for iron ore has been

*At the time of factual verification the Ministry of Foreign Trade have stated.

"The figures pertaining to export of iron ore during the years 1969-70 & 1970-71 as given in paras 5.82 and 5.83 do not tally for the reasons that the source from which these statistics have been collected are different. The figures indicated in para 5.82 are on the basis of Monthly Statistics of the Foreign Trade of India published by the Director General of Commercial Intelligence & Statistics, Calcutta. These statistics are based on declarations made by exporters as subsequently checked by customs officials and do not pertain to actual shipments from the country.

The figures furnished by this Ministry and included in para 5.83 of the draft report were based on information obtained from the MMTC. Export of iron ore is canalised through MMTC except that iron ore of Goan Origin can be shipped by Private Shippers as well. The MMTC collects statistics of exports on actual shipments which truly would represent exports out of the country. MMTC's figures have therefore normally been taken as indicative of actual exports. The final figures of export of iron ore for 1970-71 are given above."

generally thought to be feasible on the assumption of an appropriate expansion of mining and transport infrastructure:

	Quantity (in million tonnes)
1974-75	30
1975-76	34
1976-77	37
1977-78	42
1978-79	56

(Value cannot be estimated now since it will depend on the international prices for iron ore obtaining during these years)."

5.84 The Committee desired to know as to what measures had been taken to promote export of iron ore on long term basis keeping in view the keen competition which was being offered in this field by Australia and some countries in Africa and South America. In a written note furnished to the Committee Government have stated as follows:

"Various Ministries are concerned with different aspects relating to the long-term plans for export of iron ore. The Department of Mines, is concerned with the development of mining capacity while the Ministry of Shipping and Transport is concerned with the development of ports for the handling of the projected volume of exports. The Ministry of Railways is concerned with the provision of rail transport requirements. The primary responsibility of the Ministry of Foreign Trade is in the field of finding markets for iron ore in the face of increasing competition from other iron ore producing countries such as Australia etc. Various steps taken by the above Ministries with a view to fulfil the long-term plans for the iron ore exports are briefly indicated below:

(1) *Department of Mines/MMTC*

(a) *Bailadila*—Deposit No. 14 has been producing ore for the last 4-5 years. Deposit No. 5 is being opened up for exploitation.

(b) *Kiriburu*—will produce ore for export only upto 72/73. Thereafter the production will be used for feeding Bokaro Steel.

(c) *Donimalai*—exploitation is in progress and production of ore is expected to commence from 1974. Feasibility report for pelletisation plant is ready and is under examination.

(d) *Kudremukh*—Detailed Project Report has been received and is under examination by the Department of Mines.

(e) *Daitari and Malangtoli*—The Daitari Mines of the Orissa Mining Corporation is already in production. As regards Malangtoli preliminary survey has been completed by the Geological Survey of India and further steps are being taken to exploit the deposit. Other deposits are in various stages of study/survey.

(2) *Ministry of Shipping and Transport*

A number of port development schemes are in various stages of implementation. The various projects are:

(i) *Haldia:* Construction of mechanised ore loading berth is in progress.

(ii) *Madras Outer Harbour:* Deep draft ore loading berth is under construction. The projected ore loading capacity is 5 million tonnes.

(iii) *Vizag Outer Harbour:* Mechanical ore handling facilities are under construction. The port is expected to accommodate vessels initially upto 100,000 DWT and later vessels upto 1,50,000 DWT.

(iv) *Marmugao:* Capital dredging and construction of mechanical ore handling facility are in progress to accommodate vessels upto 60,000 DWT initially.

(v) *Paradip :* Draft is being improved to accommodate vessels upto 60,000 DWT. The number of Bucket-wheel Reclaimers installed at the port is being raised from 2 to 3.

(*3*) *Ministry of Railways*

The Cuttack-Paradeep railway link would enable the rail movement of Barajamda ore to Paradeep port is under construction and it is expected to be ready in December, 1972. Brajamda is also being connected by rail to Haldia. Steps are also being taken by Railways to increase the capacity including rolling stock of existing railway links carrying ore traffic.

(*4*) *Ministry of Foreign Trade/MMTC*

The MMTC have concluded a number of long--term contracts particularly with Japan for the supply of iron ore. The Corporation is continuing its efforts to locate new markets and to enter into more long-term agreements with a view to fulfil the targets for export of iron ore in the coming years.

5.85 The Committee note that at present for export of iron ore four different Ministries/Departments are involved viz., the Department of Mining, Railway Board, Department of Transport and Shipping and MMTC/Ministry of Foreign Trade. It is obvious that unless there is integrated time bound programme for development of export potential, it would not be possible to secure long term orders for export of iron ore in larger quantities. Besides, it is absolutely imperative that the cost of handling and transport are reduced to the minimum by availing of the latest mechanical improvements such as installation of mechanised are handling plants at ports, deepening of harbours to accommodate larger iron ore carrying tankers and efficient internal transport. Government may also explore the possibility of exporting iron ore after pelletisation to fetch higher price.

5.86 Another important factor to be kept in view is the requirement of iron ore for our own steel plants so that this vital mineral resource is first and foremost made available to our own steel plants. The Committee would, therefore, suggest that there should be a standing Working Group to draw up a well thought out plan for increasing exports of iron ore and for continuously reviewing it in order to take timely action to overcome difficulties.

5.87 The Committee feel that as Japan and other countries are going in for manufacture of iron and steel on ever larger scale, there is great scope for improving our exports of iron ore provided our rates, quality and delivery schedule are competitive with Australia and other countries which have developed iron ore resources for export in a big way.

(c) *Leather & Leather Manufactures* :

5.88 Leather industry in India is one century old. India ranks as the largest single livestock-holder in the world, possessing about 200 million heads of cattle, which is about one-third of the global cattle population and about 80 per cent more than that in USA. India has been exporting leather for the last hundred years. The items exported include : E.I. tanned leather, chrome tanned, unfinished leather, finished leather, footwear and leather goods. The industry's export earnings at present account for 7 per cent of India's total exports. However, exports of finished leather and leather goods constitute only 10 per cent of the industrys' total export's

5.89 Export targets for the years 1969-70 to 1973-74 (the period covered by Fourth Plan) in respect of leather and leather manufactures (excluding footwear) have been as follow :—

(Value Rs. crores)

Products	1968-69 (Actuals)	1969-70	1970-71	1971-72	1972-73	1973-74	Total Fourth Plan
Leather & Leather manufactures (excl. footwear)	73.0	68.8	76.0	83.0	89.5	96.0	413.3

5.90 The table below gives the export figures of leather and leather manufactures excluding footwear.

(Value in Rs. lakhs post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% to total exports	% increase or decrease from previous year
Leather & Leather manufactures excl. footwear	Value	1966-67	Mill. Kg.	6213	5.4	+38.6
		1967-68	Kg.	5345	4.5	—13.8
		1968-69	Kg.	7267	5.3	+36.0
		1969-70	Kg.	8154	5.8	+12.2
		1970-71	Kg.	7218	4.7	—11.5
(a) E.I. Tanned	Mill. Kg.	1966-67	16.7	4400	3.8	+83.9
		1967-68	14.9	3481	2.9	+20.9
		1968-69	21.9	4953	3.6	+42.3
		1969-70	19.6	4976	3.5	+0.4
		1970-71	19.6	4475	2.9	—10.1
(b) Chrome Tanned	Mill. Kg.	1966-67	6.2	1363	1.2	
		1967-68	7.0	1325	1.1	+2.8
		1968-69	10.9	1810	1.3	+36.6
		1969-70	13.2	2720	1.7	+50.2
		1970-71	13.8	2450	1.6	—9.9
(c) Finished Leather	,,	1966-67	1.0	406	0.4	+7.4
		1967-68	0.9	509	0.4	+25.3
		1968-69	0.7	163	0.1	—68.0
		1969-70	0.7	213	0.2	+30.6
		1970-71	0.7	154	0.1	—27.7

5.91 It has been stated that during 1970, exports of leather and manufactures thereof excluding footwear declined to Rs. 70.4 crores from Rs. 81.6 crores during 1969 i.e. by Rs. 11.2 crores or 13.7 per cent. Most of the decline related to E.I. tanned hides and skins and finished leather. The unit prices realised from the export of E.I. tanned hides and skins was also lower. The reasons for the decline as given by the Leather Export Promotion Council are (i) the change in fashion from glace kid to wetlook appearance in the European Markets, (ii) credit restrictions in the U.K. and U.S.A. and deflationary measures taken in West Europe and (iii) the decline in prices due to fall in demand in the importing countries. Among the important buyers, exports to the U.K. E.C.M. (Italy, France, West Germany) and to some European countries, namely, Czechoslovakia and East Germany, showed a considerable fall. U.K.'s total imports of leather and leather manufactures were nearly 15 per cent lower during January-September, 1970 than in the corresponding period of 1969. This adversely affected the imports of U.K. from all the important sources of supply including those from India, the only exception being Ireland.

5.92 Replying to the point raised by the Committee as to what measures had been taken to step up the exports of leather and leather manufactures, Government have in a written note furnished to the Committee stated:

"(a) In order to increase the unit value realisation, export of raw hides and skins have been almost completely banned for exports except quota for goat skins which has also been progressively reduced and by the year 1973-74 the exports under this item are also likely to be stopped altogether.

(b) Import of raw hides and skins is placed on O.G.L. This helps in augmenting the supplies of raw hides and skins in the country and reduced the pressure on consumption of superior quality skins leading to their release for export.

(c) Import of wattle bark, wattle extract, and other tanning bark are also placed on O.G.L.

(d) Leather industry has been categorised as one of the priority industries and it has, therefore, been eligible for priority treatment in the matter of allocation of its requirements from preferred sources.

(e) For meeting the scarce materials of imported origin, import replenishment has been allowed at 15% in case of leather goods and leather footwear.

(f) The scheme of draw-back on duty on export of leather and leather products have been rationalised and the present general rate is 4.5% on leather footwear and 10% on leather goods.

(g) Leather footwear and components thereof and finished leather and leather goods have been given cash assistance w.e.f. 1-2-71 at the rate of 50% of air freight paid but limited to 10% FOB and 15% FOB respectively.

Every effort is made by the Ministry of Foreign Trade to expeditiously examine the proposals received through the Leather

Export Promotion Council for Finished Leather & Leather Manufactures, Kanpur. The Ministry of Industry (DGTD), Ministry of Finance, etc. are also consulted to sort out their problems and to meet their requirements as far as possible."

5.93 The Committee note that the exports of leather manufactures including footwear had grown considerably between 1967 and 1969, but these slumped during the year 1970. The Committee hope that with the initiation of various measures by Government, exports of lather manufactures and footwear would pick up and the leather export targets for the Fourth Five Year Plan of Rs. 413.3 crores and Rs. 87.5 crores respectively would be realised. In this connection the Committee would also stress the need for a planned export strategy. In the Committee's view not only adequate and stable supplies of raw hides and skins as well as tanning materials would be essential but competitiveness in quality in relation to consumer preferences abroad was also of crucial importance. The Committee would also commend the creation of necessary infrastructure facilities for enlarging domestic production as well as modernising the tanning industry so that exports of leather and leather manufactures are stepped up.

Raw Material for Leather Industry

5.94 One of the problems facing the leather industry was stated to be shortage of vegetable tanning materials. It had been represented that there was no organised effort to procure the indigenous tanning materials such as Wattle Bark. It had also been represented that there was also shortage of other raw materials such as basic chrome crystals, chemicals, and finishing auxiliaries, dyes and fat liquors and casein.

5.95 It has been stated that Government have taken the following steps to overcome the above difficulties:

"Indigenously tanning materials such as wattle bark etc. are being collected and used to the extent possible. However, to remove the shortage particularly in the export field, the item is placed on O.G.L. for imports.

Every effort is being made to indigenously make available chrome crystals, chemicals and finishing auxiliaries, dyes and fat liquors and casein. At the same time the import of the scarce items are allowed liberally to meet the export orders."

5.96 The Committee are surprised to note that in the past serious attention had not been given to finding a solution to the problems facing the leather industry. They, however, are glad to note that efforts are being made now in collecting tanning materials such as wattle bark etc. indigenously and permission is also being given to exporters for importing it .

5.97 The Committee further note that besides permitting the import of chrome crystals, chemicals and finishing auxiliaries, dyes and fat liquors and casein to meet the export orders, every effort is being made at the same time to make these scarce items available indigenously.

Leather Footwear Industry

5.98 Besides leather, Indian leather footwear industry had made commendable progress during the last decade. Its progress can be gauged not only by the increase in the production of footwear but also by its increasing contribution to India's foreign exchange earnings. Production of footwear covers indigenous as well as western types and machine-made and hand-made shoes. The production of leather footwear—both western type and indigenous type — in India has increased nearly twofold during the last decade.

5.99 Exports of leather footwear have risen sharply in recent years, reaching a record level of Rs. 90 million in 1969-70. Exports are directed to more than 60 markets. The leading markets are USA, Canada, UK, USSR, Saudi Arabia, Kuwait, Trinidad, Bahrein, Islands and Sudan, accounting for nearly 70 per cent of India's total exports of leather footwear. Leather Division of the State Trading Corporation, which is wholly export-oriented, has made commendable contribution to increase in exports of leather footwear, mainly to USSR. The establishment of an export-oriented footwear factory recently at Madhavaram, Madras, with Italian collaboration is yet another step to improve India's footwear exports. The unit is designed to manufacture continental-style footwear for exports to Italy and other West European countries.

5.100 Though exports have steadily increased during the last decade, India's share in some of the important foreign markets like USA, Canada, West Germany and Belgium continues to be very small because of stiff competition from countries like Italy, France and Japan.

5.101 The table below gives the export targets for the year 1967-70 to 1973-74 (the period covered by Fourth Plan) in respect of footwear as follows:

Product	Year	Value (Rs. crores)
Footwear	1968-69 (Actuals)	9.0
	1969-70	12.5
	1970-71	15.0
	1971-72	17.5
	1972-73	20.0
	1973-74	22.5
	Total during Fourth Plan	87.5

5.102 The table below gives the figures of exports of footwear from the year 1966-67 to 1970-71:

Product	Year	Mill. pairs	Value	% to total exports	% increase or decrease from previous year
Footwear .	1966-67	11.5	878	0.8	+6.2
	1967-68	11.0	916	0.8	+4.3
	1968-69	13.0	918	0.7	+0.2
	1969-70	12.4	901	0.6	-1.9
	1970-71	13.0	1125	0.7	+24.9

5.103 Regarding footwear industry, it has been pointed out in a recent study made by the Indian Institute of Foreign Trade that since production takes place in widely scattered units, it becomes difficult when bulk orders are received from abroad to procure footwear in the required quantity and quality.

5.104 The Committee wanted to know how it was proposed to meet this problem. It has been stated by the Ministry that this was a general problem wherever export units were in the small scale sector. The solution for this was to allow a few large scale mechanised units to meet world export requirements. Further export oriented small scale units should be mechanised to produce standard goods of quality and the excise duty might be abolished on the exports covered by small scale units.

5.105 The Committee note that the problems faced by the leather manufacturers and especially the footwear industry are varied and many.. Indian products face severe competition from the highly sophisticated leather goods of the industrialised countries. In the Committee's view maintaining high quality was the only way to meet the competition. The leather used for manufacturing leather goods including footwear should, therefore, be highly processed. The availability of raw material of guaranteed quality to the footwear industry should be ensured either by importing the necessary machinery and spare parts for processing leather. The Committee would also stress that a close watch should be kept on the frequent changing designs. The Committee consider that if measures like market research, publicity, study-cum-sales tours organising and taking part in trade fairs and exhibitions are taken, there is no doubt that India will be able to achieve the footwear export targets envisaged in the Fourth Five Year Plan.

5.106 The Committee considers that the manufacture of footwear was eminently suited to Small Scale Industry. They, therefore, hope that export-oriented small scale units would be encouraged and helped in regard to mechanisation to enable them to produce goods of standard quality. The Committee would also urge the desirability of setting up cooperatives for export of footwear.

Mechanisation and Modernisation of Leather Industry

5.107 As regards measures taken for mechanisation and modernisation of the leather industry with a view to increasing exports, the Ministry have in a written note furnished to the Committee stated:

> "For units primarily engaged in exports, imports of machinery, chemicals etc. are liberally allowed under the Registered Exporters Policy so as to enable them to manufacture goods of exact specification required by foreign countries. Recently under Development Council of Leather and Leather Goods Industry a Committee has been set up to study the extent of modernisation required by Leather Industry. On receipt of the recommendation of this Committee necessary action would be taken in the matter."

5.108 The Committee note that a committee has been set up recently under Development Council of Leather Goods Industry to study the extent of modernisation required by leather industry. They hope that the committee will submit its report soon and Government will take necessary action to implement the recommendations of the committee expeditiously.

(d) Cashew Kernel

5.109 The table below gives the quantity and value of exports of Cashew Kernel from the year 1966-67 to 1970-71:

(Value in Rs. lakhs post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% to total exports	% increase or decrease from previous year
Cashew Kernel	000 tonne	1966-67	50.0	4552	3.9	+5.4
		1967-68	51.0	4303	3.6	—5.4
		1968-69	63.7	6093	4.5	+41.5
		1969-70	60.6	5742	4.1	—0.6
		1970-71	50.3	5207	3.4	—9.3

5.110 The export targets for the Fourth Five Year Plan in respect of Cashew Kernel are given in the table below:

(Value in Rs. crores)

Name of the Commodity	Plan year	Targets of exports fixed during the year
Cashew Kernel	1968-69	61.0
	1969-70	60.0
	1970-71	61.0
	1971-72	62.0
	1972-73	67.0
	1973-74	73.0
	Total during Fourth Plan	323.0

5.111 It has been stated that export earnings from cashew kernels declined to Rs. 52 crores during the year 1970-71 from 57.4 crores during 1969 on account of lower off-take by USSR and the USA-India's main markets. The unit price realisation was, however, higher. In the United States market, India was now facing keen competition from Mozambique and Brazil (the principal growing countries) who had lately stepped up their own processing activity. Since Indian cashew industry largely depeneded upon the imported raw nuts, adequately and timely supply of quality nuts was an important factor in promoting exports. During the year 1970-71 there had been some difficulty in obtaining supplies of raw nuts from the East African countries, but with the setting up of the Cashew Corporation, it was expected that the requirements of the industry particularly for export production would be adequately met.

5.112 The Committee note that the exports of cashew kernel have been showing a declining trend after having reached an export figure of Rs. 57.4 crores in 1969-70, it came down to 52 crores in the year 1970-71. It is disappointing that the targets of exports fixed in the Fourth Five Year Plan have not been realised during the first three years of the Plan period. The Committee, however, hope that with the setting up of Cashew Corporation of India the requirements of the industry particularly for export production would be adequately met and targets of export of cashew kernel stipulated in the Fourth Five Year Plan would be realised. The Committee would also stress the need for production of raw nuts, since the indigenous production of raw cashew nuts is not sufficient to meet India's export of Kernels.

(e) Gems & Jewellery

5.113 The table below gives the value of exports of Pearls and precious stones and semi-precious from the years 1966-67 to 1970-71:

(Value Rs. lakhs Post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% to total exports	% increase or decrease from previous year
Pearls and Precious and semi-precious stones	Value	1966-67	—	2313	2.0	—10.5
		1967-68	—	3037	2.5	+31.3
		1968-69	—	4476	3.3	+47.3
		1969-70	—	4388	3.1	—2.0
		1970-71	—	4188	2.7	—4.5

The export targets fixed for Gems and Jewellery during the Fourth Plan period have been listed in the table below:

Name of the Commodity	Year	Exports during the year (Rs. crores)
Pearls and Precious and semi-precious stones . .	1968-69	45.0
	1969-70	45.0
	1970-71	55.0
	1971-72	65.0
	1972-73	80.0
	1973-74	100.0
	Total during the Fourth Plan	345.0

5.114 It has been stated that after registering a continuous rise in the last few years, exports of these items suffered a set-back during the year 1970. Export earnings from these items stood at Rs. 40 crores as against Rs. 46.4 crores during 1969. The main reason of the fall was the relatively dull world trade in these items. India's exports to Belgium and USA declined considerably as a result of credit squeeze in USA and adverse market conditions at the important trading centres.

5.115 The Committee need hardly point out that India with its centuries old tradition of fine craftsmanship in Jewellery has promising export potentialities. The Committee would, therefore, recommend that necessary steps should be taken to step up exports of jewellery so as to earn valuable foreign exchange and also provide more employment opportunities in this labour intensive industry.

The Committee further note that export of gems and Jewellery items prior to the year 1966-67 was stagnated to Rs. 10 to 11 crores per annum. During the year 1966-67, the total exports were of the order of Rs. 23 crores, in 1967-68. Rs. 30 crores, and in 1970-71 Rs. 42 crores. The main reason for setback during the year 1970-71 being a relatively dull world trade in these items. The Committee would, therefore urge that efforts should be made to encourage the exports of Pearls, Precious Stones and Semi-Precious Stones so that the targets of Rs. 100 crores for the year 1973-74, fixed in the Fourth Five Year Plan may be realised.

(f) Chemicals and Allied Products

5.116 The table below gives the quantity and value of exports of Chemicals and Allied Products (excluding essential oils) during the years 1966-67 to 1970-71:

(Value Rs. lakhs Post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% to total export	% increase or decrease from previous year
Chemicals and Allied Products (excluding essential oils)	Value	1966-67	—	1987	0.9	—24.5
		1967-68	—	1185	1.0	—9.7
		1968-69	—	1751	1.3	—47.8
		1969-70	—	2219	1.6	—26.7
		1970-71	—	2936	1.9	—32.3

5.117 The export targets for the Fourth Five Year Plan in respect of Chemicals and Allied Products are given in the table below:

(Value in Rs. crores)

Name of the Commodity	Year	Exports during the year
Chemicals and Allied Products	1968-69	36.7
	1969-70	41.7
	1970-71	49.6
	1971-72	55.7
	1972-73	62.1
	1973-74	69.8
	Total during the Fourth Plan	378.9

5.118 The Committee note that though there has been increase in export of chemicals and allied products during the Fourth Plan, it has been far less as compared to the targets envisaged in the Plan. In fact, the performance is about 50% of the target. This underlines the need for detailed analysis of the reasons which are depressing our exports in chemicals and allied products where India has already established a large base. The Committee would like Government to take remedial measures without further delay so as to achieve the export targets before the end of the Plan. The Committee need hardly point out that Government should encourage fuller utilisation of the installed capacity and development of new capacity for meeting the export requirements and also grant necessary facilities to the industry by way of raw materials or machinery required for manufacture. The Committee feel that chemical and allied products offer a particularly promising field as petro-chemical base in this country has been largely established and is being continuously expanded.

(*g*) *Tobacco*

5.119 Production of tobacco for the Fourth Plan period is estimated at 450 million kg. including 168 million kg. of Virginia type against the base level of 350 million kg. In order to achieve this target, it is proposed to develop the exportable type of tobacco on about 28,000 hectares in the light soil areas in Andhra Pradesh, Mysore, Gujarat and Tamil Nadu, and undertake intensive development programme on 125,000 hectares of Virginia tobacco and supply essential inputs. Training facilities for the curers are also proposed to be strengthened.

5.120 The table below shows the export figures of quantity and value of Tobacco (unmanufactured) from the year 1966-67 to 1970-71:

(Value Rs. lakhs Post-devaluation)

Name of the Commodity	Unit	Year	Qty.	Value	% the total exports	% increase or decrease from previous year
Tobacco (Unmanu-	000	1966-67	37.4	2152	1.9	—30.2
factured)	tonne	1967-68	55.4	3485	2.9	61.9
		1968-69	52.7	3316	2.4	—4.8
		1969-70	54.3	3271	2.3	—1.4
		1970-71	47.5	3140	2.0	—4.0

5.121 The export targets fixed for Tobacco (unmanufactured) during the Fourth Five Year Plan are given in the table below :

(Value Rs. crores)

Name of the Commodity	Year	Value
Tobacco (Unmanufactured)	1968-69	33.0
	1969-70	30.0
	1970-71	30.0
	1971-72	31.0
	1972-73	32.0
	1973-74	33.0
	Total during Fourth Plan period	156.0

5.122 It has been represented to the Committee that due to lack of planned production wide fluctuations in tobacco production were being evidenced year after year. The Committee desired to know why it has not been possible to plan the production of tobacco in accordance with the export needs. In a written note furnished to the Committee, it has been stated :

"Tobacco is mainly an agricultural crop. Production of tobacco in India is dependent on various natural factors such as climatic conditions, soil etc. The grades of tobacco largely depend upon weather conditions, storing and processing facilities. Out of our total production sometimes higher grades for which there is demand in international markets are more and sometimes less and medium and lower grades of tobacco are available in larger quantities. Due to unforeseen climatic conditions it is difficult to plan the production or harvesting of tobacco in accordance with the export needs in different World Markets. However, production, of tobacco is mainly the concern of the Ministry of Agriculture and that Ministry are taking necessary steps to increase production of exportable varieties of tobacco."

5.123 The Tobacco Export Promotion Council in a memorandum submitted to the Committee have listed the following different aspects concerning tobacco export trade :

(*i*) Production of quality tobacco should be stepped up.

(*ii*) Statutory grading of tobacco at farmer's level should be introduced so that growers may get adequate returns for their produce.

(*iii*) Buffer Stock Scheme for Unmanufactured Tobacco, especially Flue-cured Virginia in the first instance should be introduced to protect the interest of growers, merchants and exporters alike.

(*iv*) Planned production and organised marketing should be brought into force.

(*v*) Indian Tobacco should be made more competitive in the face of fierce international competition from many of the emerging countries such as South Korea, Thailand, Philippines, Taiwan, Pakistan, etc. who have considerably stepped up their production. Removal of Export Duty on unmanufactured tobacco will go a long way towards the realisation of this objective.

(*vi*) More and more trade delegations/study teams should be sponsored by the Council for which immediate clearance should be given by the Government.

(*vii*) Market Survey for tobacco and tobacco products must be conducted in different regions.

(*viii*) Active participation in international fairs/exhibitions not only by sending samples of tobacco and tobacco products but also by deputing representatives to these exhibitions is very necessary.

5.124 The Committee hope that Government would bear in mind the points brought forth by the Tobacco Export Promotion Council, while formulating its policies covering tobacco export trade.

5.125. The Committee note that the exports of Tobacco after having reached an export figure of Rs. 34.85 crores in 1967-68 have been showing a declining trend from year to year. The export of tobacco in the year 1970-71 was of the order of Rs. 31.40 crores. In order, therefore, to sustain and step up India's exports of tobacco, there was thus in the Committee's view a need for integrated package plan to improve output and quality. The Committee would also urge that effort should be made to step up export of manufactured Indian cigarettes and cigars of distinctive flavour and exotic quality. The Committee hope that Government would take suitable steps to implement the recommendations of the Tobacco Study Team which had recently visited West European Countries including U.K. to study and explore new markets.

Setting up of Tobacco Board

5.126. Asked whether the question of setting up Tobacco Board to provide for a centralised agency to deal with matters like production, marketing, export etc. of tobacco had been taken up with the Ministry of Agriculture and if so with what results, the Ministry of Foreign Trade have in a written note furnished to the Committee stated :

"The question of formation of Tobacco Board had been taken up with the Ministry of Agriculture several times but that Ministry is not in favour of the proposal.

While the problems of tobacco industry are many sided, there are 5 different independent organisations looking after or exercising control over the movement, production, research, extension, quality control and export promotion of tobacco. Three Central Ministries are involved in this institutional arrangement. While Central Excise falls under the purview of the Ministry of Finance, research and quality control are being looked after by the Ministry of Agriculture, Export Promotion and price control are under the Ministry of Foreign Trade and tobacco extension work is being looked after by the Department of Agriculture in different States. The problems of tobacco whether of development of export promotion are closely inter-related and, therefore, need a co-ordinated and integrated approach which, in the present context of institutional set up, is difficult.

Due to persistent demand from the growers, Government, of Andhra Pradesh, as well as large number of MPs both in Parliament and Consultative Committee meetings, this question was again revived and it was re-considered with the Secretary, Ministry of Agriculture, in January, 1971.

The Ministry of Agriculture are of the view that in the case of tobacco, the bulk of the production was for domestic use and only small quantities were being exported. Moreover, there being such a large number of farmers cultivating tobacco and agriculture being a state subject, the setting up of a Tobacco Board would not improve matters. There was, therefore, absolutely no case for a central agency to be created either under one Ministry or the other for handling tobacco problems. With regard to stepping up the production for export requirements as suggested by this Ministry, it was stated

that this could be done by activising the Tobacco Development Council if necessary by enlarging the scope of its functions. It was also made clear that research had to remain with ICAR and actual production with the State Governments.

This Ministry still feels that unless an Organisation which can deal with the problems of production, grading, marketing and export in a compact manner is set up, it will be difficult to regulate production and exports to the best advantage. Tobacco is such a commodity where the problem of consumption in the domestic market needs to be regulated if full advantage is to be taken for earning the maximum foreign exchange. In a large number of importing and exporting countries, the tobacco trade is in the hands of either the Government or a monopoly organisation. It is, therefore, all the more necessary that we should also have such an organisation in the country so as to be able to effectively deal with monopolies.

In response to the desire expressed by Honourable Members of Parliament Minister of Foreign Trade has decided to take up this matter again with the Agriculture Minister and this question is under active consideration."

5.127. In reply to Unstarred Question No. 921, dated the March 21, 1972, the Deputy Minister of Foreign Trade stated in the Lok Sabha that the U.S. Agency for International Development has recommended to Government to set up a Tobacco Corporation in the public sector to give a boost to the export of tobacco. He added the report had, however, not been finalised yet.

5.128. The Committee note that the problems of tobacco industry are many sided and there are different independent organisations looking after or exercising control over the movement, production, research, extension, quality control and export promotion of tobacco. Since the problems of tobacco are closely inter-related there is definitely a need for a co-ordinated and integrated approach. The Committee would, therefore, suggest that in order that production and exports of tobacco are regulated to the best advantage, Government may consider the desirability of establishing an organisation which could deal with the problem of production grading, marketing and export in an integrated manner.

(h) *Mica*

5.129. India is responsible for 70 per cent of world's production of mica. 95 per cent of Indian mica is exported. The table below gives the quantity and value of export of mica from the year 1966-67 to 1970-71 :

(Rs. in lakhs Post-devaluation)

Year	Quantity in mill. kg.	Value
1966-67	18.6	1419
1967-68	22.9	1504
1968-69	20.8	1346
1969-70	24.0	1522
1970-71	26.7	1556

5.130. Export targets for the years 1969-70 to 1973-74 (the period covered by Fourth Plan) in respect of Mica are as follows :—

Year	Export targets fixed (Value Rs. lakhs)
1968-69	14.0
1969-70	14.0
1970-71	16.8
1971-72	17.5
1972-73	18.1
1973-74	18.7
Total during Fourth Plan	87.3

5.131. The Committee desired to know whether it was a fact that the exports of mica had been stagnant. Government in a written note furnished to the Committee have stated:

"It is a fact that exports of mica have been stagnant. Some mica is also reported to have been exported through Nepal to third countries.

A Mica Advisory Committee was set up in April, 1970 to prepare a development programme for mica industry and to recommend steps necessary for promoting exports of mica and mica products. The Committee has submitted their report and made a number of recommendations for promoting exports; including revision/removal of export duty on mica and mica products. These recommendations are under active consideration."

5.132. The Committee note that although India is the formost country in the world so far as mica production is concerned the export of mica have been somewhat stagnant. Against the export targets of Rs. 16.8 crores for the year 1970-71 set out in the Fourth Five Year Plan, the exports of mica during this year could reach only Rs. 15.56 crores. The Committee note that mica was being mined by a large number of owners and there was a cut throat competition going on amongst them thereby bringing down the price. The Committee would, therefore, urge that Government might consider the desirability of setting up cooperatives for exports. Government might also regulate export floor prices if necessary. The Committee would also urge that the recommendations of the Mica Advisory Committee, which was set up to prepare a development programme for mica industry, should be implemented soon with a view to promote exports of mica and mica products.

(*i*) *Handicrafts*

5.133. The table below gives the figures of exports of Handicrafts during the year 1960-61 to 1968-69 :

	(Rs. crores)
1960-61	9.7
1961-62	19.3
1962-63	21.5
1963-64	24.0
1964-65	25.4
1965-66	27.8

	(in post devaluation rupee)
1965-66	43.8
1966-67	40.1
1967-68	54.3
1968-69	75.2

It has been stated that :

"The exports of handicrafts excluding gem and jewellery but including woollen carpets, rugs and druggest, art metalwares, wood wares, hand printed textiles, imitation jewellery etc., have gone up from Rs. 2523.59 lakhs during 1968-69 to Rs. 4044.99 lakhs during 1969-70, thereby showing an increase of 38.35 per cent. Among the items of other handicrafts, exports of hand printed textiles, imitation jewellery, shawls and scarves have considerably increased. In order to take full advantage of duty free quota of $5 million for certain hand-made products announced by the European Economic Community, various effective programmes were launched and a close watch was kept over the exports to these countries. With the object of expanding the existing markets for handicrafts in foreign countries as well as to explore new ones, the All India Handicrafts Board sponsored various sales-cum-study teams. A study team headed by Chairman, All India Handicrafts Board, visited Japan in the middle of the previous year. The team made a study of production and designing aspects of Japanese handicrafts industries as also the scope of strengthening export of Indian handicrafts to Japan. Besides another study-cum-sales team consisting of 4 non-official exporters visited E.E.C. countries. Another sales-cum-study team visited Japan in early July, 1970. Handicrafts exporters of Kashmir visited Bahrein, Kuwait, Beirut, Rome, Milan, Zurich, Frankfurt, Hamburg, Stockholm, London, Brussels, Amsterdam, Paris, New York, San Franscisco, Tokyo and Osaka. The Board also launched a new programme for popularising hand-printed textiles in foreign countries by sending a *tie* and *die* demonstration team in various centres of West Europe. The team gave actual demonstration of *tie* and *die* technique of printing before sophisticated audience in the West. The programme also envisaged the study of the preferences of foreign consumers, their requirements in terms of motifs, colour schemes, usage etc. The team visited Paris, Amsterdam, Rotterdam, Hague and Stockholm."

5.134 The Committee feel that India has a unique advantage because of its rich tradition and skill of hundreds of years to back its handicrafts for exports. In fact, each of the States in India has a distinct handicraft tradition and its products can well make a favourable impression in the export market. The Committee are of the view that there is need for studying closely the tastes of the people in foreign countries and to suitably modify our motifs and designs or handicrafts in order to capture their imagination. The Committee also feel that in order to provide maximum benefit to the craftsmen, a direct approach should be established between him and the Export Corporation. There should

also be arrangement for feeding the craftsman with significant information about tastes and preferences of foreign buyers so that he can suitably modify his handicrafts without delay to derive maximum benefit from the changed trend.

5.135 One of the promising products for export are ready-made garments made from our rich handloom. The Committee feel that if the tastes for these garments in foreign countries are studied mediculously and purposefully, it should be possible to improve upon our exports of ready-made garments made from handlooms.

(j) Marine Products

5.136 With a vast coastline extending over 5,000 km. and a fishable potential of 11 to 13.7 million tonnes, India can surpass some of the leading maritime countries of the world if only its marine fishery resources are systematically exploited. At present, India occupies seventh place in the world fish landings, its annual marine fish catch being about one million tonnes. In the absence of proper infrastructural facilities, India currently harvests only a small proportion of the rich potential, mainly from inshore belt, while deep sea and offshore areas beyond territorial waters are fished by USSR, Japan, South Korea and other countries.

5.137 Fishing activity is mostly concentrated on the west coast, particularly in and around Cochin, which accounts for three-quarters of marine fish catch.

The east coast, equally rich in fishery wealth, remains almost untapped. Although marine fish landings have shown an upward trend from 684,000 tonnes in 1961 to 933,000 in 1968, annual growth rate (4.6 per cent) during the period has been rather insignificant. The major factor responsible for the slow growth of India's fish production has been under exploitation of the rich potential of Indian seas, owing among other factors, to small size of fishing fleet which consists of largely indigenous craft (94,000) and small mechanised boats (76,000) inadequacy of landing and berthing facilities, and non-availability of large fishing vessels capable of deep sea and high sea operations.

5.138 The importance of the processing sector of the marine products industry, notably relating to freezing and canning of shrimp, lobster tails and froglegs, with an eye on export trade, cannot be over-emphasised. Currently, the processing sector, however, has the following characteristics :—

(a) Heavy concentration of processing capacity in Kerala (85 per cent), rest being dispersed in other maritime states;

(b) large in-built unutilised capacity, utilised capacity being 19 per cent for freezing and 25 per cent for canning, affecting relative profitability and competitiveness of Indian seafood industry;

(c) Heavy reliance on shrimp processing other high unit value items like tuna, pomfrets, carb meat and sardines having received inadequate attention;

(d) use of traditional block processing as against modern methods like IQF and breaded shrimp adopted by the competing countries, resulting in lower unit value realisation to the extent of 10 to 15 cents per lb. for comparable grades from competing countries;

(e) application of inadequate and partial quality control and pre-shipment inspection system; and

(f) existence of a large number of fair weather merchant-exporters, who offer unhealthy competition to the established processors/exporters and distort the image of Indian products.

Export Prospects

5.139 Despite inadequate exploitation of the available fishery potential and traditional methods of processing, exports of Indian seafood industry have registered an impressive rise in recent years (1961-68) annual growth rate being 14.9 per cent against the world growth rate of 8.2 per cent. Compared to the exports of India's marine products amounting to Rs. 41 million in 1961, exports in 1969 were of the order of Rs. 331 million. The bulk of marine products is at present exported to five principal markets, namely, USA. Japan, Ceylon, UK and France. Export products mostly consist of frozen shrimp, lobster, tails, frozen froglegs, canned shrimp and dried prawns. Exports of items like prawn pickles, frozen fish, beche-de-mer, cuttle fish, shrimp power, turtle meat and fish oil are negligible.

5.140 A comprehensive survey of India's Export potential of Marine Products conducted recently by the Indian Institute of Foreign Trade under the aegis of USAID reveals that the present level of export performance can be substantially improved upon by systematic exploitation of the rich potential of Indian seas, especially when the world demand for seafood products is fast increasing. According to the survey estimates, exports can be stepped up from Rs. 247 million in 1968-69 to Rs. 609 million by 1973-74 and Rs. 1,180 million by 1978-79. To achieve this level of export performance, it is essential to strengthen the supply base by mobilising and intensifying efforts in the areas of deep sea and offshore fishing and effect improvements in the processing methods and marketing mechanism.

Measures to step up production

(*i*) Introduction of Large Vessels : To augment production, the Survey considers necessary to commission 398 large vessels including 60 imported ones, in the selected centres on both the coasts of India ranging from 17.5 m to 27.3 m (330 by 1973-74 and 68 by 1978-79).

(*ii*) Joint Ventures : For exploiting deep sea fisheries like shrimp, lobsters and tuna, which have considerable potential but lack necessary investment resources and technical know-how, joint ventures with leading maritime countries can play an important role.

5.141 In order to effect economies of scale in deep sea fishing operations it is also desirable to subsidise vessels, allow import of marine diesel engines and supply duty-free oil, as is the practice in other countries.

5.142 The various measures suggested by the Survey to increase the foreign exchange earnings of Marine products have been indicated in the Appendix XVIII.

5.143 Asked whether the recommendations put forward by the Indian Institute of Foreign Trade consequent on the Survey carried out on the export potential of marine products of India had been examined by Government and whether any comprehensive plan had been formulated, in the light of the Report, the Ministry have in a written note furnished to the Committee stated :

"The recommendations put forward by the Indian Institute of Foreign Trade in the Survey Report on India's export potential on Marine Products has been examined and action has already been initiated on some of the recommendations like import of trawlers, foreign collaboration, shipping space, changes in the import policy for registered exporters etc. One of the major recommendations of the Survey *viz.*, the proposal for the formation of the Marine Products Export Development Authority has been submitted for Cabinet's approval. It is proposed that the Authority, as and when formed, will also take further action on the recommendations made by the Survey Report, besides other functions."

5.144 The main recommendations contained in the Survey Report of Indian Institute of Foreign Trade together with the precise follow up action taken thereon are given at Appendix XIX.

5.145 The Committee note that a comprehensive survey of India's export potential of marine products has been conducted recently by the Indian institute of Foreign Trade under the aegis of USAID. According to the survey exports can be stepped up from Rs. 24.7 crores in 1968-69 to Rs. 60.9 crores by 1973-74 and Rs. 118 crores by 1978-79. To achieve this level of export performance, the Committee agree, it is essential to strengthen the supply base by mobilising and intensifying efforts in the areas of deep sea and off-shore fishing and effecting improvement in the processing methods of market mechanism. The Committee notice that there is a wide gap between the present level of India's export of marine products and exports anticipated in the survey estimates. They would, therefore, suggest that the present level of export performance should be substantially improved upon by systematic exploitation of the rich potential of Indian seas especially when the world demand for sea food products is fast increasing.

5.146 The Committee are of the view that in order to effect economy of scales in deep sea fishing operations, it is desirable to subsidise vessel, allow import of marine diesel engines Trawlers of requisite size and supply duty free oil as is the practice in other countries.

5.147 The Committee note that India has a great potentiality of exports of Marine Products with a vast coastline extending over 5,000 Kms. The Committee would stress the need for development and for the exploitation of potential of eastern coast and Andaman and Nicobar Islands and Lacadive and Minicoy Islands. The Committee would also urge that early setting up of the Marine Product Export Development Authority be taken by Government.

(k) Electronics

5.148 Indian electronics industry comprising such items as entertainment, defence and communication equipment is of recent origin. On the eve of the Independence there was hardly any production of electronics, It was only in the Fifties that a beginning was made with the establishment of Indian Telephone Industries and Bharat Electronics in the public sector. Some units were set up to produce radios. Most of the bigger units both in public and private sectors have been established with foreign collaboration or assistance.

5.149 To ensure steady growth of the industry, the Union Government appointed the Electronics Committee, headed by Dr. Homi Bhabha, in 1963, to survey the existing units and outline a programme for industry's development. The Committee made a deep study and put up a comprehensive set of proposals for the development of electronics in the country. It estimated that over a ten-year period, 1966-1975, the production of all items of electronics equipment should reach Rs. 16,500 million. It also envisaged an annual production of Rs. 3,000 million worth of equipment, Rs. 840 million of components and Rs. 280 million worth of materials in 1975. In order to achieve these targets, the country needed an investment of about Rs. 1,700 million.

5.150 Electronics industry has witnessed spectacular progress both in production and exports during the last few years. Its production increase from Rs. 265 million in 1964-65 to Rs. 850 million in 1968-69 and to Rs. 1,350 million in 1969-70. Production worth Rs. 1,800 million in 1970-71 is expected to rise to as much as Rs. 5,000 million in 1974-75 and Rs. 19,000 million in 1979-80. With a small beginning a few years ago, exports surged ahead to Rs. 50 million in 1969-70 from Rs. 0.3 million in 1966-67. With nearly Rs. 75 million exports in 1970-71 for the first time during the last decade, electronics exports as the trend indicates are likely to reach the level of Rs. 400 million in 1974-75 and Rs. 2,000 million in 1979-80.

5.151 A note regarding the progress of Electronics is at Appendix XX.

5.152 A National Conference on Electronics was held in Bombay from 24th to 28th March, 1970 to take stock of electronics Industry in the country. This Conference being the first of its kind had an added importance because it collected together all the authorities concerned with research development and manufacture of Electronics. The ex-Chairman of the Electronics Committee in his opening remarks at the National Conference of Electronics had observed in March, 1970 that "Electronics is the one industry where this country can make a big break through as Japan did domestically and in exports." In reply to a question as to what concrete steps had been taken by Government to step up India's exports in the Electronics industry, Government in a written note furnished to the Committee stated:

"In order that the Electronic items like any other items manufactured in this country are exported, the following requirements need to be met:

(i) Their quality is of international standard.

(ii) The prices are competitive.

While with the increased emphasis on research and development, the quality of indigenous electronic items is improving the following steps have been taken to make the prices competitive in the internationals market:

(a) Cash incentives.

(b) Rationalisation of the items to be allowed to registered exporters for import entitlements.

(c) Duty drawback payments on *ad hoc* basis urgently.

As a result of the above measures, the export of electronic items which was only a few lakhs of rupees a few years back has crossed the level of Rs. 5 crores during 1970-71.

5.153 In order to make further break-throughs the following steps have also been taken:

(a) The foreign collaboration proposals involving guaranteed exports commitments are processed expeditiously.

(b) The Government have recently established Trade Development Authority who have been made responsible for the development of production and exports of electronic items alongwith other products. The role of Trade Development Authority in regard to Electronic Industry is indicated in Appendix XXI.

(c) A team of 13 persons including Government Officials and those from the private and public sector has been sponsored by TDA and EC for making an on the spot study assessment of export potentialities in various countries of the world (Appendix XXII), to this note gives a broad idea of the aims of the Team's foreign tour. The team has left and will be back by the end of October, 1972.

(d) The Trade Development Authority in close collaboration with the Deptt. of Electronics and Maharashtra small Industrial Development Corporation is setting up an electronic estate, like a free trade zone near Bombay, Santacruz Airport for manufacture and export of electronic items.

5.154. It has been stated that the comprehensive foreign market survey being undertaken by the team would enable the Electronics Commission, the Ministry of Foreign Trade and the Trade Development Authority to focus attention on the essentials of an exports drive in this highly specialised field. The export potential which would possibly be developed through the bonded facility may soon be of the order of Rs. 10 crores per annum. Further, the export for electronic items produced outside the bonded facility are likely to increase susbstantially as a result of the delegation's visit.

5.155 The Committee note that the first coordinated effort to assess the country's requirements in respect of electronics equipments and components was made by the Bhabha Committee who had assessed that the annual production of electronics items in the country which was Rs. 26.5 crores in 1964-65, had to be stepped upto Rs. 300 crores per annum by 1975-76 and the production of components from Rs. 4 crores in 1964-65 to Rs. 84 crores per annum in

1975-76. Subsequently as a result of review undertaken the overall assessement of production for the 10 year period has been fixed at Rs. 1550 crores. It is commendable that the targets of production of electronics item and components envisaged in the Bhabha Committee Report would not only be realised but would be exceeded.

5.156 The Committee are also glad to note that T.D.A. has chosen Electronic equipment and components as one of the sixteen products for export development to developed countries. They further note that T.D.A. has enrolled 37 clients in electronic group and has been assisting them in finding out export markets and providings them with necessary inputs for export production.

5.157 The Committee further note that a comprehensive market survey in this field is being undertaken by a delegation sponsored by the TDA and Electronics Commission for making an on the spot study and assessment of export possibilities in various countries of the world.

5.158 The Committee need hardly emphasise that in this age of electronics the development of the electronics industry has a great future. Being labour intensive this industry carries great employment potential for this country. For many years wage levels of technically qualified personnel will be India's main asset on which it could capitalise. As a result of the rising wage spiral, the Japanese have come to a situation where they would like to vacate the field of simpler technology in electronics. A similar position is developing in U.K. and West Germany. India as an important developing country stands in a unique position of taking a big share of the business. The committee hope that no efforts will be spared in making full use of the opportunities now available in this field.

Research and Developments in Electronics

5.159 Attention of the representatives of the Ministry of Foreign Trade was drawn to a Foreign Trade Bulletin wherein it had been stated that "in the rapidly developing technology of electronics in India, research and development had not played the corresponding role. Plans and policies relating to research and development had not come up to the standard required of the national perspective."

5.160 The Committee wanted to know as to what measures had been taken to intensify research and development programme in electronics in the interest of increased production and exports. In a written note furnished to the Committee, it has been stated :—

"The research and development expenditure in electronics was about Rs. 8.00 crores during 1970-71 against production of about Rs. 175 crores. This falls short of the trend in the other countries in the world. There is thus need for increased expenditure/emphasis in this regard. One of the important tasks before the Electronics Commission is that of ensuring that research and development of the appropriate type is carried out where the returns (short-term and long-term) will be maximum and full support, financial and otherwise, made available for this. An important further step is to ensure that the results of research are properly utilised for indus-

trial production which would help in increasing exports. It is hoped that it will be possible to ensure this through the various steps being taken by the Electronics Commission. In the budget of the Department of Electronics for the financial year 1971-72 a sum of Rs. 1 crore has been indicated for expenditure on various schemes of research and development: this is the amount that has been available to the erstwhile Department of Defence Supplies/ Electronics in the recent past for this purpose. A steep increase under this head would be necessary after the Electronics Commission has carried out appropriate studies and decided on programmes of activity. The Electronics Commission in its meeting held on 29th June, 1971 dealt with the matter in detail. The Commission decided to initiate to define important areas immediately and where substantial R & D effort should be built up. It was their view to concentrate on area with maximum possible pay off. In the industrial licences being issued to the firms in organized sector, one of the conditions prescribed is that adequate research and development facilities should be set up in each unit. This has also helped to give a boost to Research and Development in the private sector."

5.161 The Committee expect that with the creation of Electronics Commission a well coordinated and integrated programme for research and development would be evolved and implemented. They note the formulation of perspective plan for research and development for 10-15 years. The Committee would, however, suggest that this Plan should be reviewed every year in the light of performance and demand projection with particular reference to exports.

(*l*) *Forest Products*

5.162 The table below gives the annual value of exports of major/minor forest products from the year 1965-66 to 1969-70:

I. Major Forest Products

(Thousand Rupees)

Particulars	1965-66	1966-67	1967-68	1968-69	1969-70
Wood, Lumber and Cork . . .	19,077	31,644	43,376	44,949	68,979
Pulp and Waste Paper	324	27	13	59	5,195
Wood and Cork Manufs (Excl. furniture) .	981	2,125	2,689	4,511	9,390
Paper, Paper-board and manufacture thereof . .	12,033	18,638	28,354	73,817	48,799
Wood furniture and fixtures (Excl. artware) . . .	394	1,379	740	1,483	1,340
Total Major Forest Products . .	32,809	53,813	75,172	1,24,819	1,33,703

5.163 II. *Minor Forest Products* (Thousand Rupees)

Particulars	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Plants and parts of plants for use in dyeing and tanning whether ground or not . . .	8,242	6,488	10,521	5,055	7,159	5,132
Natural Gums, resins, balsamo and lac and lac products .	72,194	76,933	73,936	80,985	90,348	103,194
Vegetable materials for planting etc. .	1,890	606	717	504	388	736
Plants, seeds, flowers and parts of plants (mainly for use in medicines for perfumery) . .	36,891	44,312	36,205	43,539	40,730	55,541
Important wild animals not for food .	2,088	3,666	4,093	3,506	3,507	3,198
TOTAL MAJOR AND MINOR FOREST PRODUCTS . . .	1,53,927	1,85,592	2,00,428	2,58,342	2,75,651	

5.164 Touching upon the need for exploitation of export potential of India's forest produce the Export Policy Resolution 1970, had envisaged thus:—

> "India's forest resources have not yet been fully harnessed for the purpose of exports. Apart from shellac, gums and other resins, there is scope for increasing the export of timber and processed plywood/veneers and minor forest produce. The export potential of our forest produce will be exploited more fully. Similar steps will be taken in regard to livestock, hides and skins, and the processing industries based on them."

5.165 In reply to a question as to what precise steps had been taken by Government to harness the forest resources of the country for the purposes of exports in pursuance of the Export Policy Resolution, 1970, the Ministry have in a written note furnished to the Committee stated:—

> "India has a very vast forest and in addition to the export of timber in various forms a variety of other minor forest produce as well as wild life production are being exported. The Ministry had recently made a detailed study in consultation with the Ministry of Agriculture as well as the Forest Department of the State Governments in an effort to identify the species which are available in abundance

in the country for which export markets need to be found. Certain varieties of timber which have a ready export market are in short supply in the country and, therefore, on their exports various types of restrictions have been imposed. We are examining to what extent we can substitute these species by fast growing species which can be found in abundance in the country.

A number of minor forest produce like myrobalam and some oil-seeds, considerable work has been done by the Agriculture Ministry and the State Governments concerned. In some cases the State Governments have set up organisations in the public sector for undertaking collection of minor forest produce as well as enter export field. The Ministry of Foreign Trade maintains a close liaison with all these agencies.

The International Trade Centre, Geneva recently organised a seminar on timber exports. Two representatives from India participated. This seminar was also aimed at locating new markets and new species for exports.

The International Trade Centre is also considering a proposal to set up an international organisation for promoting the exports of timber and wood from the developing countries. We are closely associated with the consideration of the scheme."

5.166 In the post evidence replies Government have stated that the Report of the proceedings of the Seminar were still awaited. As regards the proposal of international trade Centre to set up an international organisation for promoting the exports of timber and wood for developing countries Government have stated that the matter was still under consideration of U.N.D.P. in consultation with other international bodies and interested Governments and as such it was not possible to indicate exactly as to when the setting up of the international organisation for promotion of exports was likely to materialise.

5.167 As India has very vast forests the Committee are of the view that in addition to the export of timber in various forms, a variety of other minor forest produce as well as wild life production in sufficient quantity can be exported. Although the export earnings of both major and minor forest products increased from Rs. 1,53,927 in 1965-66 to Rs. 2,75,651 in 1969-70, the Committee feel that India's forest resources have not been fully exploited and harnessed for the purposes of exports. The Committee, therefore, commend the appointment of an Export Committee by Government with representatives of various interests to go into the question of exports of forest products so that concerted measures could be taken to exploit fully the export potential of India's forest produce.

5.168 The Committee would stress the need for intensified efforts to implement plan for development of forests. They would also stress the need for exploring the possibility of export of furniture and other manufactured products based on forests.

(*m*) *Rice*

5.169 The Table below gives the export figures of rice from the year 1966-67 to 1970-71:—

Year	Quantity in M.T.	Value in Rs. Lakhs
1966-67	2632	36.61
1967-68	3882	58.63
1968-69	6766	128.58
1969-70	14639	258.74
1970-71	32768	503.16

5.170 The Ministry have stated that no statistics are maintained in the Director General of Commercial Intelligence and Statistics Publications for various varieties of rice exported. The figures given in the table above represented the export of rice as a whole. In the case of basmati rice it has been stated that the total production of "Basmati" Rice during 1970-71 was 90,000 tonnes as against 1,25,000 tonnes during 1969-70. It has been stated by the Ministry that State Trading Corporation of India through which the export of rice was being canalised had been asked to step up its efforts to export rice during the year 1971-72, although the exports were likely to result in a loss.

5.171 In reply to a question as to whether Government had any plans to change the crop pattern in India with a view to increase exports of rice it has been stated that it has been brought to the notice of Ministry of Foreign Trade recently by the Department of Agriculture that Sabarmati variety of rice, which gives a yield of over 6 tonnes per hectare and has a grain very similar to basmati rice could be developed for exports. Currently this is under consideration of that Ministry.

5.172 The Committee note that the export of rice has not been significant, from a level of 2632 M.T. in 1966-67 exports rose to 32768 M.T. in the year 1970-71. The Committee would, therefore, urge that Government should step up its efforts to export rice in the years to come. Simultaneously Government may consider development of the cultivation of Sabarmati variety of rice, which is understood to yield over 6 tonnes per hectare and has a grain very similar to basmati rice.

5.173 The Committee note that Basmati a high flavoured rice was a unique quality of India and had an international reputation. In the Committee's view with the green revolution in India, there was a tremendous potentiality of export of basmati rice. The Committee would, therefore, suggest the building up of contact for export of agricultural products.

(n) Bananas

5.174 The table below gives the export figures of Bananas from the year 1966-67 to 1970-71:—

Year	Bananas
	(Value in Rs. lakhs.)
1966-67	37.13
1967-68	20.28
1968-69	51.44
1969-70	37.28
1970-71	37.46

5.175 The Committee desired to know what technical problems were involved due to which the export of Bananas had not made much headway. Government in a written note furnished to the Committee have stated thus:—

"In order to increase the production of bananas for export purposes a Centrally Sponsored Scheme has been approved by the Ministry of Agriculture and target of 16,000 hectares in various states for production of bananas has been revised to 12,000 hectares. At present, production is neither organised nor adequate to support an export trade of even 10,000 tonnes of bananas per year. Experience has shown that foreign countries will not enter into negotiations in bananas trade without being convinced of India's strength in production. Production should, therefore, be built up in the course of the 4th Five Year Plan at least to support at the end of the Plan an annual export trade of one lakh tonnes of bananas which would earn an estimated foreign exchange of Rs. 7 crores. There is need to launch production scheme for bananas in the Fourth Plan so as to work towards this quantum of export trade. It is considered that all-together 16,000 hectares have to be brought under bananas of the Dwarf Cavendish variety in a phased programme by the end of the Fourth Plan. Of this the estimated requirement of export to Japan is estimated at 50,000 tonnes. This will mean development of half the production target on the eastern coast near ports, for which about 8,000 hectares would be required to be developed, banana production therefore, will be organised around selected ports, *e.g.* Calcutta, Paradip, Visakhapatnam, Madras and Tuticorin in the East Coast to cater to the Japanese market and Cochin, Mangalore, Goa and Bombay on the West Coast. Now due to late sanction of the scheme a total

area of 12,000 hectares has to be distributed among the following States as below:—

Area Phased Under The Scheme

State	1st Year	2nd Year	3rd Year	Total
1. Maharashtra	500	500	500	1500
2. Gujarat	500	500	500	1500
3. Mysore	500	500	500	1500
4. Andhra Pradesh	625	625	625	1875
5. West Bengal	250	250	250	750
6. Orissa	250	250	250	750
7. Kerala	125	125	125	375
8. Tamil Nadu	1000	1000	1000	3000
9. Goa	250	259	250	750
	4000	4000	4000	12000

It is important that certain areas of Government lands come under direct management by the Banana and Fruit Development Corporation which is also a Government Corporation established for the purpose of developing new area for banana production with terms of understanding with the Government of India. These areas may be brought under direct management for production so as to control the inflationery trends in prices of bananas which would adversely affect export trade and prevent stabilisation of export trade. During the period of inflationery prices, the production from such areas would be available at cost and this would assist in keeping the export trade, continuous and stabilised. They would also serve as demonstration of commercial banana plantations of large scale type with all improved methods of cultivation. It is proposed that the Banana Development Corporation may develop 4,000 hectares of banana plantations for the purpose of direct cultivation in one of the Southern States.

It is estimated that 50,000 tonnes of bananas can be exported to Japan market from India."

5.176. In another note furnished to the Committee, the Government have stated that the Ministry of Agriculture was concentrating on the production of exportable varieties of Bananas to meet the requirements of Japanese market which was easier to reach. As regards export to U.K. it has been stated that the question of exports to U.K. would arise only when enough exportable surplus had been generated.

5.177. The Committee note that export of Banana has not made much headway during all these years. After having touched an export figure of Rs. 51.44 lakhs in the year 1968-69, it came down to Rs. 37.28 lakhs in 1969-70 and was at Rs. 37.46 lakhs in the year 1970-71. The Committee hope that with the various measures under way, the production of exportable varieties of Bananas would be built up in the course of the 4th Five Year Plan period

so as to support at the end of the plan an annual export trade of one lakh tonnes of bananas. The Japanese market which is easier to reach, is expected to take 50,000 tonnes of bananas. The Committee would also urge the generation of enough exportable surplus in due course of time to cater to the needs of export markets to U.K. etc.

5.178. The Committee also take note of the setting up of the Banana and Fruit Development Corporation in the public sector for the purpose of developing new areas of banana production. The Committee also take note of the fact that the Banana and Fruit Development Corporation proposed to develope 4,000 hectres of banana plantations for the purpose of direct cultivation in one of the Southern States. There areas were to be brought under direct management of the Corporation for production, so as to control the inflationery trends in prices of bananas which would adversely affect export trade and present stabilisation of export trade. The Committee would urge the need for setting up of Pilot farms, where potentiality of development of bananas for export could be demonstrated. The Committee would also stress the need for intensification of research efforts so that Banana could reach export market in good shape. The Committee would also suggest that Corporation should also pay due attention to export of other fruits, mangoes, lichis, etc.

(o) *Vanaspati*

5.179. The licensed capacity of the vanaspati industry is presently over 15 lakh tonnes/year and the installed capacity over 10 lakh tonnes/ year. A few more licences are also stated to be under issue. As against this, the internal demand is of the order of 6 to 6.5 lakh tonnes/year, which is expected to rise to 7.5 lakh tonnes/year by 1973-74.

5.180 Exports during the past three years have been as follows:—

	Quantity (Tonnes)	Value Rs. '000')
1968-69	505	1842
1969-70	204	774
1970-71	112	529
1971 (April only)	60	343

5.181. It has been stated that in order to encourage exports of Vanaspati, a scheme of replenishment had been introduced under which one tonne of cheaper oils could be imported against one tonne of vanaspati exported, subject to the condition that the value of the oil imported does not exceed 60% of the f.o.b. value of exports. There was a limited demand for vanaspati, in the world, the main demand being from Indian residents abroad. No specific market survey had been conducted for this commodity so far.

5.182. The Committee note that the licensed capacity of Vanaspati industry is presently over 15 lakh tonnes/year and the installed capacity is over 10 lakh tonnes/year. As against this, the internal demand is of the order of 6 to 6.5 lakh tonnes/year which was expected to rise to 7.5 lakh tonnes/year by 1973-74. The Committee, would therefore urge that the surplus capacity

should be used for manufacture of Vanaspati or refining oil, for exports. The Committee would also stress the need for building up vegetable oil production which was a prerequisite condition for sustained exports.

(p) *Oil Cakes/Cottonseed Oil Cakes Extraction*

World Exports of Oilcakes:

5.183. According to the findings of the USAID sponsored Survey of India's Export Potential of Oilcakes, a study conducted jointly by the Department of Economics, University of Bombay, and the Operations Research Group, Sarabhai Management Corporation, world exports of oilcakes have practically doubled during the Sixties, increasing from 11.48 million tonnes in 1960 to 21 million tonees in 1969. Almost half of the total world exports is accounted for by soyabean oilcake, which increased from 4.98 million tonnes in 1960 to 10.4 million tonnes in 1969. The share of U.S.A. one of the major importers of oilcakes and seeds, is 52.8 per cent of the total global exports. India's share in the total world exports fell from 4.6 per cent in 1960 to a mere 3.7 per cent in 1969, though quantitatively its exports rose from 4.6 lakhs tonnes in 1960 to 7.05 lakh tonnes in 1969. India's exports slumped sharply from 9.48 lakh tonnes valued at Rs. 606 million in 1964-65 to 7.46 lakh tonnes and 7.05 lakh tonnes valued at Rs. 454.7 million and Rs. 414.8 million in 1967-68 and 1969.70 respectively. About 90 per cent of India's export earnings from oilcakes are accounted for by groundnut cake. High freight rates and availability of better quality cakes from Nigeria reduced West Europe's share of India's exports from 84 per cent in 1960-61 to 28 per cent in 1969-70. During the same period, exports to East European countries increased seven-fold and now account for nearly 60 per cent of our trade. Increased off take by East European countries has been possible due to bilateral trade agreements and deployment of accumulateed rupee funds for increased imports from India.

Structure of Indian Oilcake economy

5.184. Oilseeds are processed in India both in the organised and unorganised sectors. In 1966, there were about 200,000 to 300,000 "ghanis", crushing 10 per cent of the total oilseeds processed. In the organised sector, there are 13,000 oil mills. Since 1955, the solvent extraction process, which is more efficient and leaves less than 1 per cent oil content in the oilcake, has grown somewhat rapidly. There are at present 93 units in operation with a total capacity of about 2.1 million tonnes of oilcakes/Bran per annum. Only 50 per cent of the capacity is at present utilised. Almost three-fourths of the capacity utilised is for processing groundnut cake.

Groundnut and Cottonseed cakes

5.185. According to the Survey Report, of the total availability of oilcakes, about 50 per cent is accounted for by groundnut cake. In 1967-68, 8.80 lakh tonnes out of a total production of 18.29 lakh tonnes cake was exported. By 1975-76, production is estimated at 74-75 lakh tonnes and exports at 12.10 lakh tonnes. Foreign exchange earnings from the export of groundnut cake can be increased from Rs. 327 million in 1969-70 to Rs. 528 million in

1970, Rs. 600 million in 1972, Rs. 666 million in 1974 and Rs. 726 million in 1976. Exports of cottonseed cake can be increased from Rs. 47 million in 1969-70 to Rs. 200 million in 1976. Thus groundnut and cottonseed cake and meal between themselves can earn Rs. 926 million by 1976.

Economics of Oilcake Exports

5.186. The prices of oilseeds in India have shown a continuous upward movement. The All India wholesale index for oilseeds rose from 101.5 in 1962 to 197.2 in 1969, registering a rise of 94 per cent. The world price for oilcakes, however, increased only marginally. For example, the price of groundnut expeller (Ngerian) at European ports increased from $98 per tonne in 1960 to $106.60 per tonne in 1968. With increased projected world demand for oilcakes, prices are not likely to show any decline: in all probability, the upward trend of prices is expected to remain steady upto 1975. An adverse factor in the horizon is the consumption of urea-a high protein synthetic- in animal feed which, because of its relatively low cost, might slacken the demand and depress the prices of oilcakes.

5.187. On the basis of Cost Return Estimations for solvent extraction units processing cottonseed in early December, 1968, the Survey Report shows a loss of approximately 30 per cent of the total realisation from export. Even if the actual loss be somewhat less, the Report recommends increase in the rate of cash assistance from the present 12.5 per cent to 20 per cent. This would mean an additional subsidy of Rs. 40 million and additional foreign exchange earning of Rs. 120 million, besides increasing the edible oil supplies.

5.188. According to the Survey Report the competitiveness of the industry will improve a good deal by increase in production by the solvent extraction process, as such increased production will lower (a) the cost of processing and (b) the cost of export marketing, because *inter alia* the manufacturers can make use of Charters more easily and thus save on freight.

5.189. The Economic Adviser to the Ministry of Foreign Trade stated during evidence:—

> "The country is no doubt making an effort to increase the supply of cottonseed oil by crushing more of cottonseed that presently is not crushed and is fed to animals in the villages. But much more could be done in this matter. Crushing more of cottonseed would not reduce supply of animal feed because that need could be met equally effectively by cottonseed oilcake. At the same time by increasing the country's supply of vegetable oils, it would enable us to divert larger quantities of higher priced groundnut oil for export purposes."

5.190. He stated that there are vast reserves of cottonseed which goes waste, and if all of it is crushed into oil, the available supplies of vegetable oils in this country would make this country self-reliant with regard to its immediate needs.

5.191. It has been stated by the Ministry that export incentives on decorticated cottonseed cakes/extractions admissible prior to devaluation of Rupee were withdrawn in its wake, along with all other export incentive schemes. It was, however, felt that exports of decorticated cottonseed cakes/extractions continued to suffer a loss inspite of the devaluation. To compensate the exporters for this loss, cash assistance on exports of decorticated cottonseed expellers and extractions at the rate of 20% and 25% respectively was introduced in January, 1967 and was subsequently made effective respectively from the 6th June, 1966 (the date of devaluation). This rate was subsequently reduced to 15% and than 12½% till it was finally withdrawn with effect from 1st April, 1971. In addition to the cash assistance that was being given to cottonseed crushing industry an excise duty rebate of Rs. 75 per tonne on the use of cottonseed oil in the vanaspati industry has also been available to them. This was raised to Rs. 100 in 1971. The Ministry have recommended to raise the excise rebate to Rs. 150 per tonne.

5.192. Extracts from a representation received on behalf of the Cottonseed Crushing industry are reproduced below:—

(1) The current production of cottonseeed in the country is approx. 18 lakh tonnes out of which hardly 40% (about 8 lakh tonnes) is crushed and an equal quantity is wastefully utilised as cattlefeed. If that can be crushed by the factories in a scientific manner, it would release vast quantities of cottonseed oil and decorticated cottonseed cake/extrcation. The latter are decidedly better as cattlefeed than cottonseed itself, because they are richer in protein content, and will improve the health of the cattle.

(2) Linters are basic raw material for the manufacture of pulp. India annually imports over Rs. 2 crores worth of wood pulp to meet the requirements of its rayon industry. Scientific development of cottonseed crushing industry by diverting the seed, now used as cattlefeed, for crushing pruposes would pave their way for import substitution of wood pulp by indigenous manufacture of linter pulp and stop the drain of valuable exchange on import of soyabean oil.

(3) This can be achieved if the market for the major/larger finished products, like decorticated cottonseed cake, is developed. There is no internal demand presently for decorticated cottonseed cake/extraction, while there exists a very good export market in U.K., and East and West Eupopean countries.

(4) Since the prices of cottonseed in India are at least 2 to 3 times higher than the international prices, Government in the past had rightly sought to bridge this lack of parity in raw matterials prices (cottonseed), by granting cash assistance on exports of decorticated cottonseed cake/extraction. The decreased rate of inadequate assistance was 12½% in case of extraction and 7½% in case of expeller cake on the f.o.b. value of exports. Even this assistance was withdrawn from 1st April 1971 on grounds of marginal increase in the rate of excise rebate on use of cottonseed oil in vanaspati from Rs. 75/- a metric tonne to Rs. 100/- a metric tonne. The

argument behind this measure was that a higher rate of excise rebate would generate enough demand for cotton-seed oil and the better oil prices resulting therefrom will more than offset the loss of cash assistance on exports of decorticated cotton seed cake/extraction.

(5) The experience of this industry since the introduction of this measure has unfortunately not borne out these expectations. The exports have fallen steeply, and for the period January to August, 1971 were only 42,600 tonnes, against 81,000 tonnes for the corresponding period in 1970. But even this does not convey fully the extent of the damage done to exports because the industry had, long before the withdrawal of incentive on 1-4-71, entered into forward commitments on the expectation that incentive would continue, and honoured those commitments even after its withdrawal. The exports of 20.566 tonnes during the period April/June, 1971 though below the exports of 30,353 tonnes during April/June, 1971 could have been lower still but for the forward commitments. The real fall is evident in July/August/September, 1971. The exports for these three months are 3,562 tonnes 1,184 tonnes and 10,010 tonnes respectively, against 10,278 tonnes, 7,509 tonnes and 13,354 tonnes during corresponding months in 1970. With the exports becoming unremunerative crushing was affected and the production of cottonseed oil in the organised sector fell down correspondingly. According to the latest figures available the vanaspati industry consumed 24,627 tonnes of cottonseed oil during January/April. 1971 as compared to 39,711 tonnes during January April, 1970. The figures for subsequent months in 1971 will show a steeper fall. The shortfall in production of cottonseed oil in the organised sector has not been made good by increase in production of cottonseed oil in the unorganised sector.

(6) A study of cottonseed oil and groundnut oil prices, before and after the announcement of the above measure, has conclusively proved that the cottonseed crusher has not derived any benefit at all by the increase in the rate of excise rebate. The gap between the prices of groundnut oil and cottonseed oil has actually widened instead of narrowing down after the announcement of the measure, and except during off-season months, will continue to be so.

(7) Our industry which has invested a few crores of rupees for scientific crushing of cottonseed necessary for exports of cake/extractions by importing equipments has become now idle investment which is a national loss. Potentialities of the entire cottonseed production being crushed has been retarded and the cottonseed continues to be fed to cattle, thus creating still more shortage of edible oils in the country.

(8) Recently, the Government have allowed development assistance to a traditional item, namely, groundnut extractions against their exports with retrospective effect from 1-1-1971, apart from freigh subsidy of Rs. 20/- per ton on exports during the year 1971 vid

their Notification No. 12 (10)/70-EAC, dated the 20th August, 1971 which amounts to an assistance of over Rs. 2 crores while in case of our industry, which has recently developed and which have invested crores of rupees by importing special type of equipments for processing of cottonseed and are manufacturing exportable item i.e. decorticated cottonseed cake-extractions for export to Continents and East European countries the cash assistance which was being allowed was about Rs. 50 lakhs and that too has since been withdrawn.

5.193. The Committee have been informed that the cash assistance for the financial year 1969-70 was given on the basis of the recommendations of a Sub-Committee of the Board of Trade, which included members of both the Trade and Government.

5.194. Asked if the reduction of cash incentive had led to a fall in exports and consequent loss in Foregin exchange the Ministry of Foreign Trade stated :—

"The foreign exchange earned by a commodity is not solely dependent on the cash assistance on its exports, but depends to a very large extent on many other imponderables like the demand in other countries, the international price trend, the internal prices, crop prospects and production in India and other producing countries, ocean freight rates etc. It is, therefore, not possible to compute exactly how much foreign exchange loss, if any, was due to the reduction in the quantum of cash assistance on exports during 1969-70. A more objective perspective can be obtained by comparing the exports in terms of quantity. According to the export statistics furnished by the All India Cottonseed Crushers Association, Bombay, who administered the Cash Assistance Scheme, exports during the calendar years 1967, 1968 and 1969 by their members were of the order of 1.34, 1.16 and 1.05 lakh tonnes respectively. The decline in exports during 1969, therefore, can in no way be termed as precipitous but only a part of a trend which was evident even when the cash assistance was available. According to the same source, again, exports in terms of value during 1969 came down to Rs. 5.05 crores from Rs. 5.51 crores in 1968, a fall of only Rs. 0.46 crores, and not Rs. 3 crores."

5.195. Explaining the rationable behind the decision the Ministry has stated that:—

"The Cottonseed crushing industry was required to be encouraged and not only the exports of the cake which is only a bye-product. If there is larger export of Cottonseed cake from the country, the consumption of some other oilcakes in the domestic market will increase and *vice versa*. The entire oil economy and the exports oil has to be viewed in its totality. It is immaterial for the country whether one variety of oil cake is exported in larger quantity or the other as long as the total exports show an increase. As we are really interested in developing our own dairy and poultry industry, it is only the surplus cake which is exported. The local arket is not deprived of this commodity."

5.196. It has been stated further that since this industry had continued to enjoy export incentives for nearly a decade, it was time that it stood in its own legs.

5.197. As regards honouring forward commitments in view of the withdrawal of cash assistance the Ministry of Foreign Trade have expressed the view that since cash assistance is announced for a specific period its continuance beyond the stipulated date cannot automatically be taken for granted. Thus in the view of the Ministry, the export trade had no reason to believe that cash assistance would be continued beyond the 31st March, 1971 as a matter of course and this aspect was no doubt taken into consideration while entering into forward commitments.

5.198. The Committee are not convinced with the reasons advanced by the Ministry for withdrawal of cash assistance viz., the Cottonseed Crushing industry was required to be encouraged and not only the export of cake which is only a bye-product and that domestic dairy and poultry had to be developed and further that this industry has continued to enjoy export incentives for nearly a decade, it time, it stood on its own legs.

5.199. In the view of the Committee it is important to see whether or not the reduction in incentives has led to the same conditions in the industry which Government had sought to eliminate by granting cash assistance initially, namely, the losses suffered by export of the commodity and its competitiveness in the markets abroad.

5.200. Secondly the Committee do not feel that Government could achieve the object of developing the cottonseed crushing industry by discouraging the export of its bye-product, that is,. oilcakes. Conversely decortication will augment the supply of oil by utilising fully the existing output of oilseeds especially cottonseed.

5.201. It can also be argued that it is not sufficient that the overall export of oilseeds was increasing. It has also to be seen that the cottonseed crushing industry which is comparatively new and has invested good amounts is not ignored completely or rendered idle to a great extent. The Committee also feel that it would beworth while to put a reasonable restraint on domestic consumptions where export was likely to suffer.

5.202. Besides there are other good reasons to see that the cottonseed crushing industry was developed, such as, scientific development of cottonseed crushing industry by diverting the seed, now used as cattlefeed, for crushing purposes would pave the way for import substitution of wood pulp by indigenous manufacture of linter pulp and stop the drain of valuable exchange on import of soyabean oil.

5.203. There is no internal demand presently for decorticated cottonseed cake-extraction, while there exists a very good export market in U.K., and East and West European countries.

5.204. The Committee would, therefore, suggest that the matter should be examined by the Government again in the light of the facts given above and in the light of the findings of the USAID sponsored survey of India's Export potential of oilcakes.

CHAPTER VI

ROLE OF PUBLIC SECTOR CORPORATIONS

6.1. There are 9 public sector undertakings under the administrative control of the Ministry of Foreign Trade. The table below gives the year of establishment of these undertakings and the total investment made and the profit/loss made in each of the undertaking :

Name of the Undertaking	Year of in Corporation	Total investment made i.e. capital employed (Rs. in lakhs)	Profit/loss during 1970-71
1. State Trading Corporation of India, New Delhi	1956	1842.2	519.00
2. The Minerals and Metals Trading Corporation of India, New Delhi	1963	1680.89	194.10
3. The Handicraft and Handlooms Export Corporation, New Delhi (Subsidiary of STC) .	1958	274.3	124.25
4. The Indian Motion Pictures Export Corporation, Bombay	1963	45.1	3.8
5. The Cashew Corporation of India, New Delhi (Subsidiary of STC)	1970	250.0	24.99
6. The Export Credit and Guarantee Corporation Ltd., Bombay	1957	100.00	Corporation functions on no profit no loss basis.
7. The National Textile Corporation, New Delhi	1968	320.0	9.2
8. The Cotton Corporation of India, Bombay	1970	500.00	N. A.
9. The Jute Corporation of India, Calcutta.	1971	75.0	

6.2. In a written note furnished to the Committee, Government have stated that the contribution of the public sector undertakings in the promotion and diversification of export trade have been as follows:

I. The State Trading Corporation of India

"Exports handled by the STC in the last three years and their export budget for 1971-72 were as follows:—

Year	Value of Exports
	Rs. crores
1968-69	48.46
1969-70	55.15
1970-71	70.58
1971-72 (Budget)	90.00

These export consist of canalised and non-canalised items. A statement showing exports of canalised items is given in the Appendix XXIII The role of the STC in handling exports of canalised items is mainly promotional in character. These items were canalised either because their exports were falling and an organised effort to find new markets was necessary or because earning from their export were declining because of unhealthy competition amongst the exporters in the country or where it was desirable to mop up profits accuring on exports on account of wide gap between internal and international prices etc. Export of canalised items increased from Rs. 27.06 crores in 1969-70 to Rs. 34.17 crores in 1970-71.

In the case of non-canalised items the approach of the Corporation for developing exports has been in three directions :

(a) A catalytic role for promoting exports as in the case of fresh fruits, vegetables and cut roses.

(b) Forming consortia of manufacturers specialising in different lines namely, railway wagons, taxtiles machinery.

(c) To provide support to traditional items as in the case of jute, coffee, coir, cotton textile etc.

The following table shows the exports of a few non-canalised items and the projections for 1971-72 :

	1968-69	1969-70	1970-71	1971-72 (Projection)
Jute goods	466	826	1040	2340
Railway wagons	941	70	6	1000
Textile machinery		512	516	286
Plywood		..	89	40
Heavy Engg. products . .	..	135	138	144

Nearly 65% of the exports handled by the Corporation comprise non-traditional items.

The share of traditional and non-traditional items in STC's total export is shown below :

	1968-69	1969-70	1970-71	1971-72 (Projections)
Total exports	4846	5515	7058	9000
Traditional items	1738	2103	2474	2910
% to total . .	(35.9)	(38.1)	(35.1)	(32.3)
Non-traditional items	3108	3412	4584	6090
% to total	(64.1)	(61.9)	(64.9)	(67.7)

More than half of STC's exports originate from small scale sector. Aware of its special role to assist the small scale sector STC had with conscious efforts cultivated its products so as to raise their share to 50.2% of its total exports.

As regards diversification of exports it has consisted of product diversification and destinational diversification. Product diversification resulted in increase in export items from 47 in 1964-65 to 140 by 1971-72. The Corporation diversified into exporting coffee, worth Rs. 1.5 crores which was timely in view of the country's surplus coffee production. The Corporation was able to secure a very large order worth over Rs. 1.1 crore for mango juice, it was able to get together all the manufacturers and thus obviate *interse* competition. The Corporation is intending to enter into the export of tea, spices etc. STC is trying to create markets for 'Difficult-to-sell' items like plywood veneers, shoe components, rayon

tyre cord, etc. Another aspect of STC's export is to move into areas wherever traditional exports have been slipping, such as jute goods to reactiviate lost markets. Today our main markets for jute manufactures are South America, Australia, Africa and ECM countries.

It is with the sustained efforts of the Corporation that molasses export could be diversified to West Europe and Romania, Alcohol to Switzerland, cement and clinker to Persian Gulf countries, Kenya and Ceylon.

Not only has the composition of product-mix of the Corporation's export undergone far-reaching changes, the direction of its exports has also altered significantly. Efforts have been made to increase trade with developing countries, particularly with South East Asian countries and Latin America. The services of State Trading Agencies in African countries are being utilised to increase export trade and for expanding our trade with Western Europe Special Trading Arrangements are being used as a technique.

Two more subsidiaries to the Corporation, Cashew Corporation of India and Projects and Equipment Corporation of India came into being on August 19th, 1971 and April 21st 1971, respectively, the former specialising in the import of raw cashew nuts and the latter to specialise in larger ventures and trunkey projects concentrating in the field of railway systems, public utilities industrial plants and projects, castings, forgings, ancillary equipment etc."

II. Minerals & Metals Trading Corporation of India

6.3. The Minerals and Metals Trading Corporation has been playing an increasingly significant role in promoting the export trade of the country. The following table will show the export turn over of the Corporation in the last three years:

Year	Turn-over (Rs. crores)	Percentage increase over previous year
1968-69	80	13%
1969-70	91	14%
1970-71	105	15%

As will be seen from the above table, exports of the Corporation have been growing at a rate faster than the country's general growth rate of 7% envisaged in the Fourth Plan period. Not only has the Corporation's exports been increasing over the years in absolute terms, but its share in the country's total exports has also been steadily on the increase.

Alongwith the significant growth in the volume of export trade the Corporation has been successful in making several break-throughs in locating new foreign markets in respect of the commodities handled by it. A brief account of the new markets located by MMTC is given below :

(*i*) In the case of iron ore the Corporation succeeded in export of 20,000 tonnes, valued at Rs. 2.2 million to Spain for the first time in 1969-70. It is of interest to note that Spain is itself a net exporter of iron ore.

(*ii*) In 1970-71, the Corporation has, for the first time, entered the Bulgarian Iron Ore market with an export order for one lakh tonnes.

(*iii*) More recently, the Corporation has for the first time concluded a contract for supply of 1.2 lakh tonnes of iron ore to Taiwan.

(*iv*) In the case of *Manganese ore* the Corporation located new market in Romania in 1969-70 and exported 19,000 tonnes valued at Rs. 3.5 million that year. Other new markets explored for this commodity are UAR, Norway and North Korea. 45,000 tonnes of manganese ore, valued at Rs. 5.1 million were exported to Norway for the first time in the last three years in 1969-70.

(*v*) Corporation's efforts at finding new markets for export of *ferro-manganese* have been particularly successful. No less than a *dozen countries* have begun importing Indian ferro-manganese. In 1968-69, the new markets located were Holland, Iran , Malyasia, Newzealand, Peru, Philippines, Sweden, Turkey and the UK. A total quantity of over 31,371 tonnes of ferro-manganese valued at approx. Rs. 1.97 crores were exported to these countries during that year. In 1969-70, the Corporation exported nearly 15,818 tonnes valued at Rs. 1.12 crores to five more new markets namely, Burma, Romania, Thailand, Venezuela and Yugoslavia.

(*vi*) Similarly, for the first time the Corporation was able to export a sizeable quantity of non-coking coal to Nigeria and West Germany. Other new markets explored by the Corporation for export of coal are Japan, Singapore, Hongkong and Ethopia.

III. Handicrafts and Handlooms Export Corporation of India Ltd.

6.4. The Handicrafts and Handlooms exports Corporation of India Ltd. is a fully owned subsidiary of the State Trading Corporation of India.

The Corporation undertakes export of Indian handicrafts and Handlooms from India, In addition to direct export from India, the Corporation also undertake retail sale of these items through its chain of sona shops operating in New York, Boston, Paris and Nairobi. Export Promotion and Trade Development Schemes are also under taken by the Corporation for the general benefit of the export trade of the country as a whole.

"The Corporation's general trade policy in the field of exports is designed (*a*) to create new markets, (*b*) to expand traditional markets and (*c*) to introduce new products suitable to contemporary consumers' demand abroad.

The export earnings of the Corporation have increased from Rs. 135.61 in 1968-69 to Rs. 223.53 lakhs in 1969-70 and to Rs. 351.10 lakhs in 1970-71. The target for exports for the current year is Rs. 4.13 crores and the projection for the next year is Rs. 6.60 crores.

One of the major achievements of the Corporation, is the success achieved in the field of product development. The Corporation is a pace setter in this field. Development of Fashion Ready-to-wear as an export item is an important achievement of the Corporation. In this field the Corporation collaborated with M. Pierre Cardin of Paris and Madame Panae-Hori in Japan. Similarly in the field of Costume Jewellery, the Collaboration with Madame Jeanne Pearl of Paris has been very well received. Some exquisite costume jewellery has been designed by Madame Pearl purely out of Indian elements selected from different parts of the country.

The Carpets Warehousing Depot was established in 1965 at Humbarg for boosting exports of hand-knitted carpets to West Germany. The Carpets Warehousing Depot at Humbarg assists the Consortium members in (*a*) booking direct wholesale order on their behalf and in (*b*) receiving the goods of Consortium members, storing them in the warehouse and selling them on behalf of the members at prices quoted by the members themselves.

The direct sales of the Depot rose from Rs. 2.63 lakhs in 1965-66 to Rs. 52.70 lakhs in 1970-71."

IV. The Cashew Corporation of India Ltd., New Delhi

6.5. The Corporation has been able to arrange import of raw cashew nuts economically by eliminating intermediaries, by arranging economies in freight and regulating out flow of foreign exchange phased imports. The Corporation is also giving attention to the problems of export of cashew kernels.

V. The Indian Motion Pictures Export Corporation, Bombay

6.6. The Indian Motion Pictures Export Corporation Ltd., is a subsidiary of the State Trading Corporation.

"Exports of cinematographic films handled by the IMPEC in the last three years resulted in the foreign exchange earnings as under :

	Lakhs of Rs.
1968-69	32.40
1969-70	32.37
1970-71	47.04

Cinematographic films are a traditional item exported mainly to U.K., South East Asia, Middle East, Iran, Afghanistan and East African countries. Exports of films to these countries increased from Rs. 4.35 crores during 1969-70 to Rs. 5.86 crores in 1970-71.

These countries are, however gradually imposing restrictions on the import of films in view of their own foreign exchange difficulties and are canalising imports on reciprocal basis and encouraging internal production of their own films. In view of these developments the Corporation has entered upon a rapid and diversified programme of capturing non-traditional markets where Indian films have not yet been introduced. The greatest handicap in capturing the non-traditional markets is the wide gap in tastes and preference of foreign audiences and Indian cinemagoers. Despite this the Corporation has made efforts to make a dent on these non-traditional markets. During 1970-71, the Corporation sold 5 pictures to the USSR at a total cost of Rs. 20.60 lakhs out of which Rs. 15 lakhs was for 'Mera Naam Joker', a record price for any Indian film for a single territory. The Corporation also sold 10 films for a total royalty of Rs. 12.40 lakhs for the territories of Peru, Equador and Bolivia has also been negotiated. The Corporation is thus making serious efforts to diversify the exports of cinematographic films to non-traditional markets".

VI. The Export Credit & Guarantee Corporation, Bombay

6.7. The Export Credit and Guarantee Corporation (ECGC) seeks to promote India's export trade through export credit insurance. Its export risks insurance policies protect Indian exporters against certain commercial and political risks involved in exporting on credit terms and its financial guarantees enable banks to provide liberal finance facilities to the export sector.

The business of the Corporation registered considerable progress during the period January-September, 1970. At the end of September, 1970, 3208 exporters were insuring their exports with ECGC as against 2682 at the end total value of risk covered during the period i.e., shipment covered under policies and advances covered under financial guarantees, amounted to Rs. 194.38 crores as compared to Rs. 183.32 crores during the corresponding period of 1969. Detailed working of ECGC has been dealt with in Chapter X of this Report.

VII. The Cotton Corporation of India, Bombay

6.8. The Cotton Corporation of India Ltd., was set up as a public sector agency with headquarters at Bombay. The import of cotton has been canalised through the Corporation as from the 15th September, 1970. From that date, the practice of issuing import licences to user mills has been discontinued. The import licences are now issued in the name of the Corporation with an endorsement in the favour of user mills. To ensure the smooth import of cotton, freedom has been allowed to the mills to make use of the services of their existing associates or agents. Wherever mills want the Corporation to render this service, the Corporation will do so.

The Corporation made efforts to book orders for mills and to establish direct contacts with exporters abroad. By the end of January, 1971 the

Corporation had issued 831 subsidiary licences covering 1,60,175 bales of Sudan cotton, 862 subsidiary licences covering 1,70,995 bales of UAR cotton, 204 subsidiary licences covering 20,280 bales of Ameriacn cotton and 340 subsidiary licences covering 50,394 bales of Global cotton.

In respect of domestic cotton, the Corporation will buy cotton for state-managed mills and will also provide as an agency to enterprising growers of extra long staple length to ensure a ready buyer to them at remunerative prices. Detailed problems of production and exports of cotton have been dealt with in Chapter *V* of this Report.

VIII. National Textile Corporation, New Delhi

6.9. The National Textile Corporation Limited was set up in April, 1968. Broadly, the functions that have been entrusted to the National Textile Corporation are as follows :—

(1) to examine reports submitted by Authorised Controllers of mills which had already been taken over by Government under the Industries (Development and Regulation) Act, and to make recommendations to Government with regard to their long term future in terms of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967;

(2) to manage the mills that may be acquired under the Cotton Textiles Companies Act, 1967, and to attend to their renovation and rehabilitation;

(3) The National Textile Corporation is presently considering the question of setting up an export-oriented mill in public sector *vide* para 6.9 (iv) above.

(4) The National Textile Corporation Directors are also appointed members of Investigation Committees appointed by Government under the Industries (Development and Regulation) Act to look into the affairs of sick mills.

(5) The Corporation, which has the necessary expertise, has also been giving advice to Government in various other matters connected with the cotton textile industry.

(6) With a view to ensuring that the mills taken over by Government under the Industries (Development and Regulation) Act, do not continue to incur losses in their working, the National Textile Corporation has evolved schemes of priority modernisation of machinery and rationalisation of labour force. The scheme for priority modernisation involves an outlay of Rs. 3.90 crores; and the schemes for the rationalisation of labour force, about Rs. 1.35 crores. The Corporation is at present actively engaged in taking steps to implement them.

(7) The Corporation has so far made available to the mills under Authorised Controllers loans for working capital and renovation of machinery amounting to about Rs. 1.30 crores.

(8) The Corporation has been authoriesd by Government to purchase cotton required by the mills under Authorised Controllers and supply to them on a no-profit-no-loss basis. The Corporation has made available funds to the tune of Rs. 2.13 crores under the scheme. Purchases of cotton under the scheme during the cotton season ending 31st August, 1970 amounted to over 76,000 bales costing about Rs. 7.06 crores. The scheme has been extended to the current season with a few minor adjustments, and during this season, the purchases made so far amounted to about 44,000 bales valued at about Rs. 3.51 crores.

(9) A scheme for the modernisation of 2 mills which have specific potentiality for export has been sanctioned by Government at the instance of the National Textile Corporation at a cost of Rs. 12.16 lakhs. This modernisation is expected to help increase the exports of these mills.

(10) The Technical and Financial Directorates of the Corporation are being strengthened so that it will be able not only to study the numerous technical/financial problems arising in the growing number of Government managed mills and find timely solutions for them, but also make available its expertise to the private sector, to an increasing extent, on payment of appropriate fees.

(11) The Corporation has also been examining the feasibility of putting up a polyster plant for the manufacture of polyster yarn/cloth in consultation with the Ministry of Petroleum and Chemicals. The possibility of assisting in the setting up of textile mills in other countries with the technical expertise at the Corporation's disposal is also being explored.

6.10. The Committee note that the functions of the National Textile Corporation *inter-alia* include (*i*) setting up of new mills especially export oriented mills, (*ii*) modernisation of machinery and rationalisation of labour force of the textile mills taken over by Government on a priority basis. The Committee also note that in purchase of its objects the National Textile Corporation has evolved a scheme for modernisation of two mills, which have specific potentiality for export, and the same has been sanctioned by Government at a cost of Rs. 12.16 lakhs. The Committee further note that the efforts of the Corporation for putting up a polyster plant for the manufacture of polyster yarn/cloth and for the setting up of textile mills in other countries with the technical expertise of the Corporation is being explored. The Committee hope that the Corporation will be able to realise its aims and objects in a greater measure in the course of time.

IX. The Jute Corporation of India, Limited

6.11. Government have set up a Jute Corporation in the public sector to implement the raw jute price support policy to ensure a fair return to growers to purchase raw jute for building a buffer stock and to import and export jute. It has been stated that the Jute Corporation of India have

commenced internal purchase operations only recently. The Corporation has also not yet taken over the export of raw jute, nor has it started operations in export of jute goods. The problems of jute production and exports have been dealt with in Chapter *V* of this Report.

Performance of Public Sector Corporations

6.12. It has been stated that performance of the Public Sector Corporations was constantly being reviewed and corrective measures were taken immediately, wherever necessary. So there were no deficiencies, handicaps or shortcomings in the performances of those Corporations and Government was fully satisfied with their performance.

6.13. A perusal of the Annual Report 1969-70, on the working of the Industrial and Commercial Undertakings of the Central Government shows that exports generated by the Public Sector Corporations during the year 1969-70 were as follows :—

"Exports from the manufacturing and mining undertakings amounted to Rs. 84.64 crores during 1969-70 as against Rs. 69.35 crores in the previous year. Hindustan Steel accounted for Rs. 45.56 crores (Rs. 41.55 in 1968-69) of this total amount. The value of exports of Iron ore to Japan by the National Mineral Development Corporation through M.M.T.C. was Rs. 29.34 crores (Rs. 22.26 crores in 1968-69). Among other exports were petroleum products exported by Indian Oil Corporation (Rs. 3.36 crores) Machine Tools and wrist watches by Hindustan Machine Tools Ltd. (Rs. 1.11 crores) and Telephone Exchange Equipment etc. exported by the Indian Telephone Industries Ltd. (Rs. 0.90 crores). The Madras Refineries which started production during the year also entered the export market and exported Naptha and F. Oil etc. to the tune of Rs. 1.74 crores. Rare Earth Chemicals, Ilmenite, Zircon etc. exported by Indian Rare Earth Ltd. (Rs. 1.39 crores).

In addition to actual exports by manufacturing concerns Foreign Exchange is also earned from services rendered by some undertakings. The total value of Foreign Exchange earned from services rendered during 1969-70 was Rs. 85.24 crores as against Rs. 72.46 crores in the previous year. Of the sum of Rs. 85.24 crores indicated above the earnings by the Air Corporations accounted for Rs. 54.84 crores, Shipping Companies Rs. 28.94 crores and other ship repairs and air craft overhauls Rs. 1.82 crores.

The exports canalised through the trading undertakings amounted to Rs. 148.60 crores in 1969-70 as against Rs. 130.43 crores in 1968-69."

6.14. The Committee are glad to note that the exports generated by manufacturing and mining undertakings in Public Sector have registered an upward trend and that it amounted to Rs. 84.64 crores during 1969-70 as against Rs. 69.35 crores in the previous year. The Committee hope that the institutional framework for export promotion in the public sector would be further strengthened so that it could play an increasing role in the export trade.

The Committee further hope that with the substantial expansion of the public sector in the industrial field notably metallurgy, engineering and chemicals, exports from the public sector enterprise would further increase progressively.

Canalisation of Exports and Imports Through State Trading Agencies

6.15. The table below gives the exports canalised through Trading Concerns :—

Amount in Rs. lakhs

Sl. No.	Details of Foreign exchange earnings.	1968-69	1969-70	1970-71
1.	State Trading Corporation of India Ltd.	4,846	5,515	7,058
2.	Minerals & Metals Trading Corporation of India Ltd.	8,015	9,094	10,518
3.	Indian Motion Pictures Export Corporation Ltd.	32	32	47
4.	Handicrafts and Handloom Export Corporation Ltd.	136	224	315
		13,029	14,865	17,974

6.16. A statement showing the list of items canalised for exports through State Agencies is at Appendix *XXV**.

6.17. Explaining the role of trading agencies especially STC and MMTC in the canalisation of export trade of the country, Government have in a written note furnished to the Committee stated thus :—

"The role assigned to the State agencies in canalisation of export trade is to secure the best prices from foreign buyers by organising a steady source of supply from producers and exporters in the country with a view to ensure the export of various goods conforming to qualify specifications and delivery schedules. The S.T.C. has also been assisting the small exporters by exploring for them export possibilities of their products to various countries helping them with credit facilities, in product development and in packing and shipment of their goods. Some of the items of small entrepreneurs include fresh fruit and vegetables, roses, drugs and pharmaceuticals, cycles, parts, stoves, spectacle frames and sports goods.

The M.M.T.C. has maximised export of iron ore and manganese ore by assisting in rationalisation of rail transport for movement of these ores from mines to the ports of shipment and securing best prices from foreign buyers by bargaining from a position of strength."

6.18. Giving the effect of canalisation on the export trade of the country it has been stated:—

"In the field of exports, the policy followed has been one of a phased expansion of the role of State Trading agencies, in which the existing

commercial channels in respect of the more important traditional products like jute manufacture, tea and textiles have been permitted to continue for the time being, subject to the guidelines formulated by Government. The State Trading agencies themselves have to develop further experience and skill in handling problems of exports and in the case of some commodities new State agencies have to be set up. The approach has been one of the progressive increase in the role of the Public Sector in the export trade consistent with the need to maximise exports. In certain areas like iron ore and ferro-manganese, canalisation of exports has resulted in better organisation in the field of export production and consequential growth in foreign exchange earnings. In other fields like woollen knitwears and leather the potentialities of the small scale sector have been brought into effective use.

The various commodity divisions of the Ministry of Foreign Trade are engaged in a continuous survey, in consultation with other Ministries and authorities, for locating new products that are suitable for canalised exports."

6.19. To a question as to what were the new export markets developed by STC/MMTC, it has been stated that exports made by the STC of various items to new destinations were as follows :—

Item	Destination
1. Thermos flasks	Beirut and Nigeria
2. Cuff Links	Czechoslovakia
3. Gramophone records	Hungary
4. Plywood	UAR
5. Non-lethal equipment	UK, Jordan, Iraq & Nigeria
6. Hand tools	USSR
7. Aluminium Conductors	USSR
8. Mango Juice	USSR
9. Fresh Fruits	West European countries & Kuwait.
10. Pressure Lanterns	GDR
11. Gas mantles	Ceylon
12. HRC Fuses & fuse carriers	Nigeria
13. Alphanso Mangoes	Hong Kong
14. Surgical gloves	USSR
15. Plastic Combs and popcorn machines	Hungary

Canalisation of Imports

6.20. A statement showing the list of items the import of which is canalised through STC, MMTC and other Public Sector Agencies is given at Appendix *XXVI*.

6.21. The Committee desired to know as to what were the criteria followed in deciding to put a particular items of imports on a canalisation list and as to what had been the effect of canalisation on the export trade of the country. In a written note furnished to the Committee the Ministry have stated :—

"The criteria followed in deciding canalisation of import of a particular commodity may be summarised as under :—

(i) Economies in the prices and transport arrangements through collective bargaining and bulk purchases.

(ii) Mopping up of profits of speculative items and of items with high margins of profit.

(iii) Effective utilisation of foreign exchange resources available with the Government.

(iv) Providing better service to actual users and consumers, particularly small industries ; and

(v) Extending the role of state agencies where they have acquired special expertise and knowledge.

The effect of canalisation of import through state agencies has resulted in savings in foreign exchange on imports on account of bulk purchases and also an account of savings in ocean freight on account of bulk shipments and in supply of raw materials to consumers in the country at reasonable rates.

Other advantages are stated to be —

(a) import and distribution in a planned and phased manner.

(b) long term supply arrangements,

(c) Self generation of foreign exchange through special link arrangements (e. g. tool and alloy steel from Austria against export of non-traditional goods).

(d) equitable distribution in India through associations/consortion,

6.22. In view of addition of more items of import to the list of canalised items it was suggested by the Federation of Indian Chambers of Commerce and Industry that appropriate consultation procedures should be evolved so that State Agnecies make supplies at reasonable prices and avoid occasional gluts and shortages. Asked what steps had been taken in this direction, the Ministry have in a written note furnished to the Committee stated :—

"The State agencies have set up Advisory Committee for the commodities or groups of commodities whose import is canalised through

them. The specifications, import prices, time of delivery etc. are decided upon in consultation with these Committees. This has been helpful to a considerable extent in arranging regular supplies of raw materials of the right quality and at reasonable prices."

6.23. Giving his views on the progressive canalisation of exports through Governments Agencies from the short term and long term point of view, the Secretary General, Federation of Indian Exports Organisation stated during evidence thus :

"Canalisation, in terms of the possibilities of escalation of exports has to be cautiously attempted, because export is not only an institutional transaction, but it presupposes some expertise. Indian exporters have developed this expertise over a long period of time, and they have not acquired it in the administrative staff college or any other institution, but by pure self-study and observation. In case we attempt canalisation of the major sector of our experts, my fear is that we would not be able to get the personal infrastructure necessary to meet the challenge. The managerial class in India, according to me, is just in the process of incubation. We have got very few competent managers, and export needs managing of the transaction. Untill a specialised cadre is built up exclusively for this field, we should go slow with this canalisation. This is as far as the functional success that is anticipated out of canalisation is concerned. But in case there are bulk imports or bulk exports, there is no better alternative : the transactions may not be so difficult or bad. If instead of ten persons trying to export at a time, if there is one channel, probably there is economic viability. These are also items where entrepreneurial talents or efforts are not needed. In my opinion we should go slow and we should be selective and we should build up adequate managerial talent before it is escalated."

6.24. Asked if more and more canalisation and monopolisation would be conductive to a competing export market or it would be otherwise, the Director General of National Council of Applied Economic Research (Shri S. Bhoothalingam) stated during evidence :

"Canalisation could be justified and be beneficial only in areas where two tests can be met. The first is that the organisation must be equipped to work and actually work in such a manner that bulk purchases are made economically taking advantage of favourable changes in the world market. The second is that the final user must get his material at least as cheaply and as quickly as he might have if allowed to import himself. Neither of these tests is likely to be met unless the organisation sensitively forecasts on the basis—purchases on scap so to say. At present our state trading organisations are neither equipping nor permitted to follow this policy. On these tests, therefore, I must say that the advantage of canalisation has so far not been demonstrated. I am toying with an idea which might work and which might be described as canalisation-without monopoly, though it may apparently seem a contradiction. The idea is that in selected commodities the State Trading Corporation should be required and enabled to meet these tests.

It should not have a monopoly and imports by others should not be barred. But the State Trading Corporation may be given initially an import licence for a substantial part of the country's requirements. As and when the imported article is sold to users the S. T. C, should be given replenishment licences. This would enable the organisation to buy forward, taking advantage of favourable conditions in the world markets and as expertise is gained and efficiency improved, the internal user will get his material on time and at reasonable prices.

Now if in this situation the STS performs adequately, no man would even want to import directly if he can really get the stuff off the shelf. This would be a positive test of efficiency and if they are not able to perform this function, no one is seriously damaged. Because I am quite sure in the present economic conditions wise people would even prefer to pay more than undergo the torture of procuring import licences and importing direct."

6.25. The President, Federation of Indian Chambers of Commerce and Industry (Shri D. C. Kothari), while giving his evidence before the Committee stated that the present policy of the Government of canalising more and more raw materials through State agencies was not the best approach if the aim was to find the most effective and quickest foreign exchange saving method of getting raw-materials at cheaper prices "because the import and export trade is a life-time job. There are so many nuances involved in the various exports and imports of various commodities. It also required dealing with hundred and thousands of merchants and exporters and importers abroad. It was not as if it was buying from or selling to Central agencies. Except in the case of East European countries, the dealings were with private sector. The witness added, "And our administration with the best will in the world cannot acquire the expertise over night".

6.26. The witness further stated that it was difficult to determine if the canalisation of imports or exports was giving the best of the bargain because there was no yardstick to measure the same in the present situation. If the private sector was also allowed alongwith the State Trading Corporation then the performance of the two could be compared. He, therefore, suggested that 25% of the imports should be allowed to the private sector and 75% to the State Trading Corporation or any other public sector agency. The same could be applied even in export sector.

6.27. The Committee note that the following points emerge out of the representations made and the evidence given by the non-official organisations before the Committee concerning the canalisation :

(i) Canalisation should be cautiously attempted ;

(ii) The process of canalisation should be gradual and selective ;

(iii) When canalisation of major sector of exports is attempted, it should be seen that personnal infrastructure necessary to meet the challenge is there ;

(iv) Building of specialised cadre and managerial talent for the export field ;

(v) Organisation must be equipped to make bulk purchased at most opporturne time and economically ;

(vi) Final user must get his material of reliable, consistent quality as cheaply and as quickly as if he was allowed to import himself ;

(vii) As and when imported article is sold to the use by STC it should be given replenishment licenses.

6.28. The Committee have been assured that the effect of canalisation of imports through State Agencies have resulted in savings in foreign exchange on imports on account of bulk purchases and also on account of savings in ocean freight by availing of bulk shipments and in the supply of raw materials to consumers in the country at reasonable rates. The Committee note that Advisory Committees have been set up for the commodities or groups of commodities where import has been canalised. The Committee would stress the need for full and timely consultations with these Committees so that it could be helpful in arranging regular supplies of raw materials of the right quality at reasonable prices and in time to the consumers. The Committee would also stress that the difficulties expressed by industry, particularly in the intial period, should be promptly looked into and their genuine difficulties redressed without delay in the interest of sustaining production.

6.29. The Committee note that exports canalised through the State Trading Agencies have been registering an increase from year to year. Exports of canalised items increased from Rs. 13.04 crores in 1968-69 to Rs. 14.86 crores in 1969-70 and to Rs. 75.4 crores in 1970-71. They further note the role of STC in assisting the small exporters by exploring for them export possibilities of their products (which include fresh fruit and vegetables, roses, drugs and pharmaceuticals, cycle parts, stoves, spectacle frames and sport goods to various countries. The Committee are glad to note that in fields like woollen kitwears and leather the potentialities of the small scale sector have been brought into effective use by the State-Trading Agencies.

6.30. The Committee note the role of MMTC in maximising exports of iron ore and manganese ore by assisting in rationalisation of rail transport for movement of these ores from mines to the ports of shipment and securing best prices from foreign buyers, and hope MMTC will make a significant contribution in this regard and also contribute in the drive of exports of various new items to new destinations.

CHAPTER VII

ORGANISATIONAL MACHINERY FOR EXPORT PROMOTION

7.1 The Ministry of Foreign Trade is the primary Government agency responsible for export promotion policies and directing export promotion efforts. It is assisted by a number of executive/advisory agencies functioning under it. These bodies are mainly in the category of attached/subordinate offices, Trade Promotion Institutions, Public Sector Corporations, Commodity Boards or Registered Societies.

(*i*) *Board of Trade*

7.2 The Board of Trade originally constituted in May, 1962, has at present 33 Members and is presided over by the Minister of Foreign Trade. The Secretary, Ministry of Foreign Trade is the Executive vice-Chairman of the Board. Other members of the Board include Members of Parliament, representatives of Commercial and Industrial Organisations, Public Sector Trading Organisations, representatives of the Reserve Bank of India and other non-officials and officials.

7.3 The Board concerns itself mainly with problems and policies relating to the development of the country's Foreign Trade and makes recommendations to Government from time to time, with particular reference to :—

(i) expansion of production bearing on import savings and export earnings ;

(ii) product development and adaptation with a view to the expantion of overseas sales ;

(iii) improvements in export marketing mechanism and media, including the extension of State Trading ; and

(iv) provision of commercial services for the benefit of the commercial community with special regard to export programme.

7.4 The headquarters of the Board is at New Delhi and it generally meets once every quarter subject to the directions of the Minister, Foreign Trade.

7.5 It has been stated that from January, 1968 to January, 1971. the Board has met five times and 70-75% of the members usually attended the meetings.

7.6 Some of the important subjects discussed by the Board are given in Appendix *XXIV*.

7.7 The Committee note that the Board of Trade being an apex body concerns itself with policies and problems relating to the development of the country's Foreign Trade, advises Government on problems of production, exports, imports, rationalisation, improvements in export marketing, the promotion and development of exports institutions including the STC and MMTC, export houses, exhibitions and Trade Fairs. The committee are surprised that such an apex body should have met only five times during the last three years from January, 1968 to January, 1971.

7.8 The Committee would like to draw the attention of Government to the 4th and 5th meetings of the Board of Trade held on 15th December, 1969 and 22nd January, 1971 wherein serious concern was expressed by some of the Members for not holding meetings of the Board of Trade frequently. The Minister of Foreign Trade assured the Members that the Board of Trade would in future hold at least 2 meetings a year, if not more. The Committee consider that if the Board of Trade meets once a quarter, as it is expected to, it will be able to focus attention on issues of current importance and thus help Government to initiate timely action.

(ii) Advisory Council on Trade

7.9 The Export-Import Advisory Council whose term expired on 31st December, 1967, was replaced by the Advisory Council on Trade with effect from Ist January, 1968. It was reconstituted for a period of two years with effect from Ist January, 1970.

7.10 The Minister of Foreign Trade is the Chairman and the Deputy Minister is the Deputy Chairman of the Advisory Council on Trade. The Council consists of 120 members excluding Minister of Foreign Trade and Deputy Minister. Members of Parliament, representatives of commercial and induttrial organisations, public sector trading organisations, commodity, boards, Export Promotion Councils, rescarch and development organisations, Reserve Bank of India and other non-officials and officials are represented in the Council. The Council normally meets twice a year.

Functions.

7.11 The functions of the Advisory Council on Trade are as follows :—

(i) To review the performance of the country's economy in its commercial aspects.

(ii) To consider :

(a) the problems relating to the expansion of exports ;

(b) the problems relating to the regulation of imports ;

(c) the operation of Import and Export Trade Controls ;

(d) the working of commercial services, with particular reference to export marketing and export assistance ; and

(e) the organisation and expansion of the export sector of the economy.

Number of meetings held

7.12 The Table below indicates the number of meetings the Advisory Council on Trade held during the last five years :—

Year	No. of meetings held
1966	2
1967	1
1968	1
1969	1
1970	1
1971	1
1972	—

*No meeting of the Advisory Council on Trade has taken place during the year 1972 (todate). The term of the Advisory Council on Trade has expired on 31-12-1971 and the question of its reconstitution has already been taken up.

7.13 The Committee note that the Advisory Council on Trade provides representation to Members of Parliament, commercial and industrial organisations, public sector trading organisations, Commodity Boards, research and development organisations etc. Its functions are to review the country's economy in its commercial aspects, to consider problems of expansion of exports, problems relating to regulation of imports etc. etc.

7.14 The Committee do not feel happy that such an important and representative body should have been called to meet only once during each of the last four years, when the country has been experiencing new problems and challenges both in the field of exports and imports. The Committee would like Government to ensure that the meetings of this representative body are called at least once in six months to enable Government to take counsel with them and initiate suitable action in the light of difficulties experienced by trade and public.

(iii) Zonal Export-Import Advisory Committees

7.15 There are 4 Zonal Export Import Advisory Committees with Headquarters at Bombay, Calcutta, Madras and New Delhi respectively.

7.16 The Chairman of each of the Zonal Committee is a prominent non-official and Vice-Chairman is the Joint Chief Controller of Imports and Exports at the Headquarters of the respective Zonal Committee. The other members of the Committee comprise both officials and non-officials. The non-officials generally consist of representatives of Commercial and Industrial Organisations of the particular Zone.

7.17 The terms of reference of each of the Zonal Committee are given at Appendix *XXV*.

Each of the Zonal Committee are scheduled to meet three times in a year after an interval of four months each.

7.18 To a question as to what was the agency for achieving coordination, between the Export-Import Advisoy Committees, the Government have in the post-evidence replies stated that each Zonal Committee discusses in its meetings, the problems pertaining to the respective region. The coordination in regard to the action taken on the recommendations of the Zonal Committees was the responsibility of the concerned Ministries/Departments of the Government of India.

7.19 As to whether the functions of the Board of Trade, Advisory Council on Trade and Zonal Export-Import Advisory Committees were not overlapping resulting in duplication of effort, the Ministry of Foreign Trade have in a written note stated that while the Advisory Council on Trade reviews matters relating to the operation of import and export trade control policies and procedures and export assistance, the Board of Trade concerns itself with policies and problems relating to export production, product development and adaptation for expansion of overseas sales and extension of State trading. The Zonal Export-Import Advisory Committees on the other hand are primarily concerned with the local procedural problems experienced by importers and exporters in their respective areas. It is, however, possible that the same subject might come on the agenda of these bodies but the function of each is differenet and distinct.

7.20 The Committee find that the Ministry of Foreign Trade have already got a super-structure for consultations at the level of the Board of Trade, Advisory Council on Trade and zonal Export-Import Advisory Committees. The Committee need hardly stress that the utility of these Advisory Committees would be realised to the extent that these function actively and bring to notice the problems of those engaged in import or export, or export production and the sympathetic consideration which the Government extend to these difficulties with a view to resolve them in the interest of larger exports. In short, there should be effective consultation between Government and the exporters with a view to maximise the national effort for export.

(*iv*) *Export Promotion Councils*

7.21 The proposal for the formation of Export Promotion Councils was first mooted in India at the meeting of the Export Advisory Council held on the 29th November, 1953. A beginning was made with the formation of the Cotton Textiles Export Promotion Council in October, 1954. Since then 18 Export Promotion Councils have been set up for specified commodities with a view to securing active association of producers and exporters in the country's drive for export promotion. The names of the 18 Export Promotion Councils are indicated in Appendix *XXVI*.

7.22 These Councils have been registered as non-profit organisations under Section 25 of the Indian Companies Act. The Councils are composed of the members of the trade and industry pertaining to the commodity for which the Council has been formed. Nominees of the State Governments

and the concerned Ministries of the Central Government serve on the Committees of Administration of these Councils. The Councils are financed by Government grants-in-aid and subscription and contributions from the members of the Councils. The Government grants are provided from the Central revenues. The approval of the Central Government is necessary for the budget estimates of the Councils. The Councils perform both Advisory and Executive functions.

7.23 The objects for which these Councils have been created include the undertaking of market studies, sending out trade delegations to foreign countries, conducting propaganda regularly and continuously, propagating useful information and communicating with Chambers of Commerce and other public bodies for promotion and advancement of the export of specified items. Their functions also cover such promotional activities as maintenance of liason with appropriate agencies for quality control, settlement of trade disputes, enunciation of just and equitable principles to govern the trade in specified commodities, participation in trade fairs and the like. Necessarily they provide the organisational base for the export effort. The flexibility that exists in the objects set for the Council enables them to inculcate a proper sense of discipline among exporters. The Council also bring about a certain degree of group thinking in the export effort and shape the conduct of exporters with the requisite degree of business ethics.

7.24 It has been stated that during the last 15 years, India has built up in the international community an image for exports of non-traditional industrial products, as well as in terms of price and quality and is beginning to occupy its rightful place in the international comity of trading countries. The success achieved by Indian exporters in locating new markets and maintaining regular exports to these markets, is, no doubt due, in good parts to the vigorous efforts of the Export Promotion Councils, who have been sponsoring outward and inward delegations regularly for promoting exports.

7.25 The Councils perform the following functions for finding new markets and giving new ideas : —

(i) Undertaking market studies in individual foreign countries on regular as well as *ad hoc* basis ;

(ii) Furnishing foreign market intelligence ;

(iii) Putting potential overseas buyers in touch with members ;

(iv) Assisting product development ;

(v) Sending out delegations, sales-*cum*-study teams and inviting foreign delegations.

7.26 In pursuance of the recommendations of the Estimates Committee contained in its Forty-Eighth Report (Third Lok Sabha) on the Ministry of International Trade, Government of India appointed in 1964, a Committee (known as Prabhu Mehta Committee) for reviewing the work of the Export Promotion Councils. The Committee submitted its report in 1965 and the major recommendations in that report were accepted by the Government.

The Estimates Committee had also recommended that the working of Export Promotion Councils should be reviewed after every five years. In pursuance of this decision and the sentiments expressed in the meeting of the Board of Trade held on 22nd January, 1971, the Government appointed another Committee under the Chairmanship of Shri Bhagwan Singh, their Additional Secretary in the Ministry of Foreign Trade, on the 8th February, 1971 to review the working of Export Promotion Councils.

7.27 The terms of reference of the Committee were as follows :—

1. To review the services extended by export Promotion Councils to their registered exporters in terms of their functions, (a) at home and (b) overseas, with specific reference to inquiries received from foreign buyers.
2. To review the constitutional framework and administrative apparatus obtaining in Export Promotion Councils and to recommend revised criteria of eligibility for M. D. F. support.
3. To review the lines of communication and relationships between EPCs and various Departments of Government.
4. To determine the role of EPCs *vis-a-vis* Trade Development Authority and Federation of Indian Export Organisations.
5. To determine the extent to which the EPCs can be invested with professionalisation in their management cadre and to suggest the responsibilities of the professional management *vis-a-vis* the elected office bearers.
6. To determine the need to strengthen the financial status of EPCs and suggest the norms that should govern (a) the size and quality of the organisational set-up both in India and abroad, and (b) the sharing of various elements of expenditure between Government and members of Councils.

7.28 In its Report recently submitted to the Government, the Committee has examined the various aspect of the functioning of the Councils and made detailed recommendations for effecting improvements in the constitutional machinery, administrative machinery, financial structure etc. of the Export Promotion Councils. The problems of some of the Councils in regard to product coverage have been dealt with, and the relationship of the Federation of Indian Export Organisations and the Trade Development Authority has been defined. The area of small enterprises and their role in relation to EP Councils has also been covered in the Report.

7.29 Viewed from the objectives and expectations of Government and the exporting community during the early fifties when the Export Promotion Councils began coming into existence, that Committee were of the view that they have fulfilled a felt need for creating an export consciousness in the industry and trade and in projecting with a fair measure of success, India's image as a country that can supply quality goods at competitive prices, even in nontraditional lines, *e. g.* industrial products. The Committee had made approximately 27 recommendations ; important ones are summarised and given in Appendix *XXVII*.

7.30 It has been stated that the recommendations made in the Report of the Review Committee are being examined in consultation with the concerned authorities.

7.31 The Committee are glad to note that in pursuance of the recommendations contained in their 48th Report (3rd Lok Sabha) on the then Ministry of International Trade, Government had appointed Committees in 1964 and again in 1971 to review the working of Export Promotion Councils under the Chairmanship of Shri Prabhu Mehta and Shri Bhagwan Singh respectively. It is understood that the Review Committee has examined the various aspects of the functioning of the Export Promotion Councils and has made detailed recommendations for effecting improvements in their constitutional and administrative machinery, financial structure etc. The problems of some of the Councils in regard to product coverage have also been dealt with in the Report, and relationship of the Federation of Indian Export Organisations and the Trade Development Authority has also been defined. The Report has also covered the area of small enterprises and their role in relation to the Export Promotion Councils. The Committee hope that the recommendation of the review committee will be examined expeditiously and implemented by Government. The Committee would also urge that the system of review of the working of the Export Promotion Councils at least once in every two years should now become a recurring feature, as recommended by the review committee.

7.32 The Committee would also stress that the small scale and medium scale industries be encouraged to play their rightful role in the export field. In this connection the Committee would stress that export performance for deciding small scale members should be defined for each Export Promotion Council and there should be specific allocation in the budgets of the Councils for the activities relating to the small enterprises. In this connection the Committee would commend the establishment of cell in the Ministry of Foreign Trade which in coordination with the organisation of the D.G.(S.S.I.) should pursue actively the programmes and activities of the Export Promotion Councils and other export organisations on the requirements of the small scale enterprises. For examining in detail the product coverage aspects in respect of the Export Promotion Councils, the Committee would commend the early implementation of the recommendations of the Review Committee in this regard.

Mica Export Promotion Council

7.33 It is noted that Mica Export Promotion Council which was set up with the primary object to support, protect, maintain and promote the exports of mica, has ceased to function. In a written note furnished to the Committee Government have stated that for quite some time, the Council had been faced with serious difficulties in the appropriate discharge of its responsibilities towards the trade and in the matter of promotion of export. The major handicap faced by the Council had been the constant resort to litigation by the warring factions amongst its members. The Council has become ineffective and unable to serve the object for which it was formed. Keeping in view the prevailing situation the then Minister of Commerce had directed that the Mica Export Promotion Council be dissolved.

7.34 The Committee have been informed that an *ad hoc* Advisory Committee to review the position of the mica industry and submit a report for placing it on a stable basis was set up in April, 1970. The Committee was expected to submit its Report shortly.*

7.35 The Committee understand that India is responsible for 80 per cent of world's production of Mica and 95 per cent of the Indian mica is exported. The role of mica in the export trade of the country cannot thus be minimised. The Committee hope that the advisory committee set up to review the position of mica industry will submit its report soon and Government will take decision on the recommendations of the Committee expeditiously so that the mica industry may be placed on a stable basis, and the country may be able to earn foreign exchange by exporting mica in sufficient quantity and at a good price.

(v) *Other Advisory Bodies*

7.36 Besides the bodies listed above, the Ministry of Foreign Trade have also a number of advisory agencies functioning under its control.

Office of the Chief Controller of Imports and Exports, New Delhi

7.37 The Import-Export Trade Control Organisation, headed by the Chief Controller, is responsible for the execution of the import and export policies formulated by the Ministry. Import and Export licensing of iron and steel and ferro-alloys is also looked after by this Organisation. The Chief Controller of Imports and Exports has subordinate offices located at Ahmedabad, Amritsar, Bangalore, Bombay, Calcutta, Ernakulam, Hyderabad, Kanpur, Madras, New Delhi, New Kandla, Panaji (Goa) Pondicherry, Rajkot, Shillong, Srinagar and Visakhapatnam.

Office of the Textile Commissioner, Bombay

7.38 The Textile Commissioner, with headquarters at Bombay, is in charge of the development and regulation of all textile industries other than jute and coir. He is also responsible for the development of the textile machinery industry in the country.

Office of the Jute Commissioner, Calcutta

7.39 The Jute Commissioner looks after the development of the jute industry in India. The development of jute mill machinery industry and sponsoring import licence applications for machinery and components are also under his charge. Jute Commissioner also performs the functions of the Controller for the administration of the Jute Textile (Control) Order, 1956.

All India Handicrafts Board, New Delhi

7.40 The Board advises the Government on measures to be taken for the development and exports of handicrafts and assists the State Governments in planning and executing development schemes.

*At the time of actual verification of the Report Ministry of Foreign Trade have stated that the Committee submitted its Report in August, 1970.

All India Handloom Board, Bombay

7.41 This Board advises the Government generally on problems of the handloom industry, examines development schemes and makes recommendations for financial assistance.

Department of Commercial Intelligence and Statistics, Calcutta

7.42 This Department is the primary agency for compilation and dissemination of statistical information and commercial intelligence. Its major publications are: Indian Trade Journal (Weekly); Monthly Statistics of Foreign Trade of India; Customs and Excise Revenue Statement of the Indian Union, Indian Customs and Central Excise Tariff; Statistics of Coastal Trade of India; Accounts relating to the Inland (Rail and Riverborne) Trade of India; the Directory of Exporters of Indian Produce and Manufacturers; Handbook of Commercial Information and Statistics of Foreign and Coastal Cargo Movement of India. The Department maintains a Commercial Library and a Reading Room. In addition, it helps in the settlement of commercial disputes and provides Indian businessman visiting abroad with letters of introduction to the Indian Commercial Representatives concerned.

Development Commissioner, Kandla Free Trade Zone Gandhidham

7.43 The Office of the Development Commissioner is responsible for the implementation and supervision of the scheme for the establishment of a Free Trade Zone and for advising the Ministry on the selection and setting up of export-oriented industrial units in the Zone.

Export Inspection Council, Calcutta

7.44 The Export Inspection Council is a statutory body set up under the Export (Quality Control and Inspection) Act, 1963, to adopt measures for the introduction and enforcement of quality control and compulsory preshipment inspection of various exportable commodities.

Commodity Boards

7.45 There are six Commodity Boards under the administrative control of the Ministry of Foreign Trade dealing with tea, coffee, rubber, cardamom, coir and silk. These Boards are statutory bodies and are responsible for production, development and export of respective commodities.

Indian Institute of Packaging, Bombay

7.46 This institute located at Bombay is registered under the Societies Registration Act. It functions with the help and participation of the Government of India, trade and industry, universities and research centres. The main aims of the Institute are:—

(*i*) to undertake research on raw materials for the packaging industry;

(*ii*) to keep India in step with the international developments in the field of packaging;

(*iii*) to organise training programmes on packaging techonology;

(*iv*) to stimulate consciousness of the need for good packaging; and

(*v*) to organise consultancy services for the industry.

7.47 The activities of the Institute are financed jointly by its own funds and by Government grant and supplemented with assistance from suitable foreign agencies approved by Government.

Indian Council of Trade Fairs and Exhibitions, Bombay

7.48 The main object of this Council, which is an autonomous body, is to promote and organise participation in industrial and trade fairs abroad and to intensify visual commercial publicity for the purpose of export promotion. The functions of the Council and those of the Directorate of Exhibitions of the Ministry are complementary.

The Indian Council of Arbitration

7.49 The Indian Council of Arbitration was set up in 1965 under the Societies Registration Act with its Headquarters at New Delhi. Its main object is to promote arbitration as a means of setting commercial disputes and to popularise arbitration among the traders particularly those engaged in international trade.

Trade Development Authority

7.50 The concept of the Trade Development Authority was mooted sometime in January, 1970 and a Working Group under the Chairmanship of Shri P.L. Tandon, Chairman, State Trading Corporation of India, prepared a blue print for giving shape to it in the form of organisational structure. After Government approved of the blue print and in pursuance of one of the objectives of the Export Policy Resolution of Parliament, the Trade Development Authority was regitered on the 24th July, 1970 under the administrative control of the Ministry of Foreign Trade. It was formally inaugurated by the Minister of Foreign Trade on the 18th February, 1971.

7.51 The primary objective of the Authority is to induce and organise entrepreneurs, largely in the medium and small scale, to develop their individual export capabilities. The authority provides package assistance in a personalised form to individual exporters carrying them from the stage of intention to export, through collection and collation of information, product development, market research and analysis, export finance and assistance, and assists in securing and implementing export orders. The type of assistance which is provided by the Authority is as follows :—

(1) Information (production, trade and commercial).

(2) Market Research and Analysis.

(3) Promotion and nourishment of merchandising contacts including provision of advice on.

(*a*) products and packaging.

(*b*) advertisement and sales promotion.

(*c*) financial support and

(*d*) party rating.

(4) Production stimulation and expansion, including setting up of export-oriented joint ventures and sub-contracting.

(5) Product research and development.

(6) Policy, evaluation and advice.

Current operations

7.52 In the initial phase of operation, the T.D.A. has selected the following product groups (which cover about 100 specific products listed in Appendix XXVIII) for development of export to the developed world, comprising U.S.A., Canada Western Europe including U.K. and Japan:

(*a*) Electronic equipment and components

(*b*) Sewing machines and components.

(*c*) Bicycles and bicycles components particularly for sports and racing models.

(*d*) Automobile ancillaries.

(*e*) Industrial fasteners.

(*f*) Ferrous castings and forgins for Industrial application.

(*g*) Stainless steel cutlery.

(*h*) Selected plastic mouldings and extrusions.

(*i*) Canned fruits and juices.

(*j*) Wooden furniture including dimension stocks for CKD furniture.

(*k*) Leather garments.

(*l*) Readymade garments.

(*m*) Woollen knitwear.

(*n*) Imitation jewellery.

(*o*) Toys of all types.

(*p*) Sports goods.

7.53 It has been stated that the selection of product groups has been made on the basis of the country's endowment and other factors. The current international trade in the product range has been estimated at Rs. 2,250 crores per annum and the bulk of the trade is with the developed world. India's present exports of these products to the target markets are only Rs. 6 crores per annum; they are also confined to a very limited range of specifications and a few Indian companies. Prospects for the export of these items to the target markets are, however, stated to be very bright and it is within the range of possibility to realise a minimum value of Rs. 50 crores worth of these exports annually to these markets in the course of the next

three years. It has further been stated that this will, however, need serious and sustained efforts to translate the potential into actual exports by enlarging their quantum, character and composition. In the process, many new items hitherto not exported to the developed countries would figure prominently.

7.54 The Committee desired to know as to how far the functions of T.D.A. were different from other export agencies and those of the Export Promotion Councils. The Ministry have in a written note stated that the basic reason behind the establishment of Trade Development Authority was the appreciation of the need for India to move with the times and to organise an agency which could provide all the information and services to the exporting community under one roof. The need for such services had been recognised by advanced countries which have set up sophisticated agencies for providing a package of services to exporters. A Working Group was set up by the Ministry of Foreign Trade to consider and report on the question of setting up such an agency in India. The Working Group recommended that a Trade Development Authority may be set up for providing a package of services to exporters.

7.55 It has further been stated that the store house concept and the micro-approach distinguished the Trade Development Authority from other Export promotion agencies such as Export Promotion Councils. The T.D.A. was an umbrella organisation, being organised to provide a wide variety of services to the exporting community. Its main divisions at present were the Merchandising Division, Information Division and Research and Analysis Division. The Information Division collected and stored all types of information of interest and use to exporters and made it available to the Merchandising Division and the exporting community. The Research and Analysis Division apart from coordinating research relating to foreign trade being undertaken from time to time, also took up micro-studies with reference to products and individual units taken up by the T.D.A. in its programme.

7.56 It has been stated that in setting up the T.D.A., Government had fully recognised the need to ensure that there was no duplication of functions as between the Trade Development Authority and Export Promotion Councils etc. Therefore, the T.D.A. had been initially set up only for undertaking such functions as clearly exclude duplication of effort. For example, though Export Promotion Councils did collect some information on the trade relating to the products under their purview, systematic collection and storage for ready retrieval of the vast variety of information on all trade matters had not been undertaken by such agencies. For instance, full information on tenders issued in different countries was not always available, resulting in Indian exporters losing such export opportunities. Information relating to up-to-date trends in commodity composition and direction of world trade was not readily available with any organisation. Similarly, no organisation made a systematic and regular effort to collect data on the trends of the main economic indicators in various countries so as to study their impact on Indian trade. There were similar information gaps regarding tariffs, customs, quota and other import restrictions in other countries, commodity prices abroad, foreign importers and agents, advertisements media and costs etc. Though Export Promotion Councils might

be collecting some information with reference to their commodities, there was a need for scientific, processing of such information and its storage, so that the information could be esasily retrieved and made use of when required. The T.D.A. was developing its Information Division on modern scientific lines and would fill this gap. Where necessary and possible, it would, of course, take advantage of the information available from Export Promotion Councils and other organisations.

7.57 The Merchandising Division of the T.D.A. would work in close co-operation with the Information Division and the Research and Analysis Division. There was no organisation in India where merchandising and micro-analysis were integrated in as purposeful a manner as is envisaged in the case of T.D.A.

7.58 It has been emphasised that the T.D.A. had essentially been conceived as a 'guide' or consultant to the exporter. In advising/assisting him, it might use existing Export Promotion Organisations, but it would be doing so in a well-coordinated manner, from the organisation/department of Government to another, so that the exporter was able to effectively utilise all existing facilities. This type of 'guide' action was absent in their export promotion effort.

7.59 The functions of Export Promotion Councils were more general and thus could not be compared with those of the T.D.A.

7.60 Dealing with the point raised by the Committee as to how it was ensured that there was no duplication of functions between the T.D.A. and other export promotion agencies in the field, Government have in another note furnished to the Committee stated thus:—

> "....while the Export Promotion Councils deal with the problems and prospects of export on a generic plane, T.D.A. deals only with specifics. However, in order to prevent and over-lapping of effort, coordination between the Councils and T.D.A. has been accomplished by inducting some of the Chairman of the Councils in T.D.A.'s Steering Committee and also by maintaining a constant liaison between the two in day-to-day functioning. The services of the Councils are utilised by the T.D.A. wherever they are effective and supplemented by T.D.A. in directions not traversed by the Councils. For example, the project sponsored by T.D.A. of a bonded processing and warehousing facility in electronics is unique. Cultivation by T.D.A. of the large department stores of the world and major industrial buyers—a step more likely to produce results—is another instance. In the information and research and analysis functions of T.D.A., there is no comparable activity in any of the Councils. Moreover, T.D.A. is the only organisation which provides package assistance to deserving export-worthy units in regard to all inputs into export production and marketing. It will be noted that it is also the only organisation which helps expand/create capacity for export. The pre-investment studies/project reports undertaken by T.D.A. for export capacity creation have not been attempted by any of the Export Promotion Councils so far."

Development of individual export capacities by Medium and Small Scale Entrepreneurs

7.61 To a question as to how the recently set up of T.D.A. would induce and organise medium and small entrepreneurs to develop their individual export capacities, Government have stated that in its initial phase of operation, the Trade Development Authority had chosen items for export development which were amenable to production in the middle and small scale sectors and, in fact, a very large number of firms in these sectors were currently engaged in their production. Many of these firms were producing parts, components and accessories of end product equipment, several of them being labour intensive. With the increasing vacation of labour intensive lines of production by the developed countries in favour of developing countries and the growth of international subcontracting by multinational firms, opportunities were now coming to India for organising exports of the products and ancillaries of the middle and small scale sectors of industry.

7.62 As a first priority, the T.D.A. had already embarked on a total survey of all production units operating in the selected product range in the middle and small scale sectors of industry with reference to capacity and production facilities, export worthiness, exportability criteria, inherent or potential inplant quality control, needs of additional equipment, raw material inputs and problems arising therefrom, contribution to manufacture of original equipment and related factors. This survey had already generated a mass data which was now being cross checked by the T.D.A. by field investigation, both by itself and through its 'consultants'. In the product fields selected by the T.D.A., well over 300 potential middle and small scale units had already been identified and their selection with regard to export competence, inherent or capable of being developed, was now under process.

7.63 Further a number of potential buyers in Japan, West Europe and the U.S.A. for the specific products of the medium and small scale sectors of industry in the range chosen by the T.D.A. had already been located. The process of locating further buyers on a more comprehensive scale would be helped by T.D.A.'s programmes of inviting foreign buyers' missions to India from Japan, West Europe and the U.S.A. in the fields of plastics, processed goods, sewing, machine components, bicycle components, automobile ancillaries, electronic components, canned fruits and juices, selected handicrafts and consumer goods. These buyers' delegations would be put in touch by the T.D.A. with the selected middle and small scale units for developing the latters' export capabilities. In addition, the T.D.A. would be bringing from Japan teams of production engineers to visit these units and guide them in regard to product adaptation and development for export.

7.64 The creation of the T.D.A. had thus generated export-consciousness in the middle and small scale sectors of industry, as evidenced by the many requests that the T.D.A. was receiving for guidance and assistance. The T. D. A. was developing a package plan of servicing, with regard to inputs into export production and marketing; this was particularly designed to meet the requirements of middle and small scale entrepreneurs as distinct from large industrial houses which had the organisation and resources to pursue their objectives. Under this plan, the T.D.A. would

seek to provide for expeditious Government clearance of expansion or creation of new capacity with export orientation.

7.65 During evidence the representative of the Ministry of Foreign Trade has stated that the T.D.A. is a specialised institution. Its approach is selective. It selects a number of industries or a group of products for export purposes where they think that the quality of Indian products is good and the country can efficiently complete with other countries in non-traditional items and they also select the markets where the potential is high. They also assist the industry in procuring raw material and capital equipments for the production of requisite quantities of these goods. They also put the units which are capable of producing quality goods in touch with the buyers in the foreign market in selected countries. Thus T.D.A. is doing work in respect of a restricted number of commodities in a limited number of countries. The representative of the Ministry further stated that Trade Development Authority had no conflict or clash with Inter-Ministerial Groups. Their functions are different. The Groups are there for estimating the additional capacity needed for export purposes. The purpose of the Inter-Ministerial Groups is really to work for those industries where the export potential is high, where the capacity does not match with the requirement of exports, where it is possible to see that additional capacity can be set up for purpose of export.

7.66 The Committee feel that the functions of the T.D.A., Inter-Ministerial Groups and Export Promotion Councils are not free from over-lapping and avoidable duplication. Since these are Government sponsored and Government aided organisations, the Committee see no reason why Government should not most critically examine the role, functions and actual working of each of these organisations and ensure that there is no duplication or overlapping of functions between them in the interest of economy and greater efficiency of export effort. In the Committee's view the only justification for TDA is that it would provide umbrella services and increase the exports from middle and small scale sector engaged in labour intensive industries from Rs. 6 crores at present to Rs. 50 crores in a period of three years. Government should keep a critical watch over the activities of T.D.A. and ensure that the accent is on rendering meaningful service to small and medium units in the selected industries to reach well defined export targets. The Committee would also stress that overlapping and duplication of functions particularly in the matter of data collection and collation of information should be avoided.

7.67 The Committee note that with the increasing vacation of labour intensive lines of production by the developed countries in favour of developing countries and the growth of international sub-contracting by multinational firms, opportunities were now coming to India for organising exports of the products and ancillaries of the middle and small scale sectors of industry also. The Committee would commend that Government should ensure that T.D.A. concentrate their efforts on this area also and keep them informed through periodical returns of concrete achievements. The Committee would also like this to be mentioned specifically in the Annual Report of Trade Development Authority which may be laid on the Table of the Parliament. TDA in short should have a performance budget so that Parliament and public are able to appreciate the results achieved in terms of increased exports commensurate

with the money spent from the public exchequer and that there is no unnecessary duplication in administrative machinery.

7.68 The Committee also suggest that all Government sponsored and aided export organisations should have a performance budget.

Indian Institute of Foreign Trade

7.69 Indian Institute of Foreign Trade is an autonomous organisation registered under the Societies Registration Act. It was set up in 1963 for developing programmes of training, research and market studies. It started its operations in 1964. The chief executive organ of the Institute is its Governing Body. This body consists of the Chairman, appointed by Government, the Vice-Chairman elected by the Governing Body from its Member, the Director General of the Indian Institute of Foreign Trade, five persons nominated by the Central Government and nine persons elected by the members of the Institute. In addition, the Governing body can co-opt not more than five persons of outstanding achievements and distinction in the fields of Economics, Commerce, Business Administration and Foreign Trade as members of the Governing Body.

Organisation and Staff

7.70 The Director General is the principal Executive Officer of the Institute. He is responsible for the proper administration of the Institute under the direction and guidance of the Governing Body. The Institute is organised in three Divisions, namely (i) Training and General Research Division, (ii) Marketing Research Division and (iii) Administration Division.

Activities

7.71 The principal activities of the Institute fall under the following four broad heads :—

(i) Training of personnel in modern techniques of international trade;

(ii) Organising research in problems of foreign trade;

(iii) Organisation of marketing research, area surveys, commodity surveys and market surveys; and

(iv) Dissemination of information arising from its activities relating to research and market studies etc.

7.72 The Institute has conducted 73 training programmes at Delhi and several other industrial and commercial centres in India with a total participation of about 2100 executives drawn from the enterprises of trade and industry, Government and Semi-Government Organisations, institutions etc. It has been stated that the utility and effectiveness of the progress and activities of the Institute have come to be recognised by international agencies and the other co-developing countries of Asia, Africa and Latin America as evinced by their very encouraging response to the different training programmes of the Institute, nominees of several countries of Asia, Africa and Latin America have participated under special fellowship schemes of

the Government of India. So far 74 foreigners from (a) Nepal, (b) Ceylon, (c) Mauritius, (d) Phillippines, (e) Indonesia, (f) Peru, (g) Cuba, (h) Turkey, (i) Nigeria, (j) Ghana, (k) Kenya, (l) UAR, (m) Sudan, (n) Congo, (o) Iran and (p) Iraq, (q) Chile, (r) Colombia, (s) Cyprus, (t) Fiji, (u) South Korea, (v) Malaysia, (w) Southern Yemen, (x) Suriman, (y) Syria, (z) Tanzania, (aa) Zambia,(bb) Venezula, (cc) Afghanistan, (dd) Thailand, (ee) Switzerland, (ff) Switzerland, (gg) Singapore and (hh) Sierra Leone have participated in the various training programmes of the Institute.

7.73 Similarly, IIFT has conducted 20 market surveys in different parts of the world. It has been stated that market surveys are undertaken in foreign countries as assignments from various export organisations such as Export Promotion Councils, Commodity Boards, Ministry of Foreign Trade, USAID etc. These surveys are mainly directed towards providing specific guidelines to Government and Industry to accelerate the export effort of the products under survey.

7.74 The Institute has also completed 31 commodity studies. It has also undertaken State Export Potential Surveys covering nine States namely, Andhra Pradesh, Tamil Nadu, Mysore, Maharashtra, Orissa, Bihar and Haryana, Madhya Pradesh and Kerala. Besides this, the Institute has organised 30 seminars in relation to products trading regions and other subjects of current interest in which over 2,500 persons have participated.

7.75 It has been stated that the recommendations made in the various reports brought out by the Institute are action-oriented. The reports *inter alia* cover the following aspects :—

(a) organisation of production for exports including modifications necessary for meeting overseas demand;

(b) creation of necessary infrastructure for organising production in right quantities and of proper qualities;

(c) organisation of adequate production finance;

(d) establishment of institutions, excluding for production for exports and export marketing;

(e) marketing strategies required for tapping the available potential;

(f) distributional techniques for overseas markets;

(g) investment programmes.

7.76 The Committee consider the establishment of the Indian Institute of Foreign Trade as a step in the right direction. The Committee would, however, stress that the Institute should concentrate on training and such studies on organisational aspects for export effort which are not being undertaken by any other Government sponsored/aided agency. The Committee are not averse to the Institute being given concrete assignments, including export potential surveys so as to sustain its intimate contact with export field, but the accent should be on training and avoidance of duplication. The overlapping of functions about information and market surveys with the Trade Development Authority, the Export Promotion Councils and other agencies in the field should be avoided.

N.B.—Information provided in paras 7.72, 7.73 and 7.74 covers the period ending March, 1972.

CHAPTER VIII

EXPORT INCENTIVES

8.1 The incentives and facilities currently available to exporters are detailed below :—

1. Exporters can obtain imported raw materials and components required for export production under the Import Policy for Registered Exporters. This policy, it has been stated, has now been made more liberal and the procedures have been simplified for quick disposal of applications. More importance is being given to ensuring continuous supply of raw materials and components for export production. The system of "On account" import licences, introduced last year, is being continued this year for the benefit of established registered manufacturer-exporters having a minimum export performance of Rs. 10 lakhs (FOB) or more during 1969-70 under the Registered Exporters Policy. The facility of grant of advance and imprest licences is being continued. Those who have shown an export performance of 10% or more over their previous years performance, will get additional benefit in the shape of non-adjustment of 50% of the "On account" or "Imprest" Licence.

2. In the case of registered export contracts, the exporters will continue to have the same levels of assistance as were available to them on the date of the contract. The qualifying delivery period for such contracts reduced last year, from twelve months to six months, is being maintained this year. Further, in the case of public tender contracts of foreign governments and public utilities, there will be no minimum delivery period and the crucial date for determining the level of assistance will be the date of the tender instead of the date of contract.

3. Industrial units in the priority sector exporting 10 per cent or more of their production are granted preferred sources of supply and facilities for further expansion of their export production. Greater privileges in the matter of sources of supply will continue to be accorded during 1971-72 to those units which export 25 per cent or more of their production. Units in the non-priority sector having a similar export performance are to be treated the same way as priority units and will also be eligible for receiving the same facilities.

4. Compensatory support is allowed on exports of selected products to develop marketing competence and to neutralise the disadvantages inherent in the present stage of development of the economy and the various State and local taxes and levies not refunded. Additional support allowed on certain specified export commodities on achieving higher levels of exports unit-wise was merged with effect from 1st April, 1970 with the normal compensatory support without any such condition.

5. Request for additional assistance needed by exporter to tender for and secure export contracts of high value *i.e.* of a value of not less than Rs. 50 lakhs each, is considered on merits on case to case basis.

6. Priority is given to supply of indigenous raw materials, like prime iron and steel needed for export production.

7. Important indigenous raw materials, like iron and steel for engineering industry and some raw materials for the plastic industry are made available for export production at international price.

8. Credit, both pre-shipment and post-shipment is made available to exporters at a concessional rate not exceeding 7%. Other facilities like guarantees by Export Credit and Guarantee Corporation and subsidy to lending banks through the Reserve Bank of India to enable exporters to secure advances from banks readily, are provided.

9. The Export Credit and Guarantee Corporation (ECGC) has reduced by 12½% its premium rates applicable to exports made on credit terms exceeding 180 days. The ECGC has also abolished the procedure of classifiation of goods for charging premium rates and is now charging lower rates in all cases. The E.C.G.C. also provides enhanced cover under some of its financial guarantees designed to facilitate packing credit advances.

10. The time limit for receipt of payment against exports of industrial machinery has been raised from 5 to 7 years, to be extended up to 10 years in special cases. Insurance cover and guarantee from the Export Credit and Guarantee Corporation are also available for such extended periods.

11. The Industrial Development Bank of India, had announced a Scheme in December, 1968, under which the Bank would be prepared in appropriate cases, to enter into participation arrangements with approved commercial banks providing term finance and guarantee facilities to industrial concerns exporting capital and engineering goods and services on deferred credit basis.

12. Foreign exchange requirements for import of capital goods and equipment required by export-oriented units are met on a preferential basis.

13. Foreign collaboration in the case of primarily export-oriented units will be accorded special consideration. The existing agreements providing for restraints on export franchise, will also be suitably revised when due for renewal. Constraints of foreign collaboration in trading activities may also, wherever deemed necessary, be relaxed, provided that such collaboration is intended exclusively for exports.

14. Drawback of Customs and Central Excise Duties is allowed on exports of various products. The procedure has been simplified and every effort is made to dispose of claims as quickly as possible.

15. Tax payers other than foreign companies, incurring expenditure for the development of export markets will be allowed deductions of $1\frac{1}{3}$ time such expenditure. The items of such expenditure include overseas publicity, offices abroad, submission of tenders etc.

16. Tax exemption is allowed on income received by Indian Companies from foreign firms for supply of technical know-how and such services.

17. Concessional railway freight is allowed on the movement of a large number of export products from centres of production to the ports of shipment.

18. Export Houses recognised by the Government of India have been made eligible to obtain grant-in-aid for an increasing range of activities that promote marketing efficiency and overseas market research. The scale of assistance has also been liberalised. The new scheme of "Merchandising Export Houses" to facilitate import of raw material for export production through Export Houses introduced during 1969-70 has been made more broad-based. The scheme which was hitherto applicable to the merchandising 'Export Houses' has been extended to the manufacturing Export Houses also subject to certain conditions. For certain import benefits, the exports of non-traditional products other than those specified will also be taken into account for granting eligiblity to export houses. The provisions regarding grant of initial import licences to eligible Export Houses to enable them to build up ready stocks of imported materials have been liberalised. The exports of items covered by two additional products groups, namely, ready-made garments and natural silk fabrics and made up articles thereof, will also be taken into account in determining the eligibility for an 'Export House', and for determining the value of the initial import licence to be given to an Export House. Additionally, supplementary (initial) licences will be issued to eligible Export Houses which increase their exports by more than 10 per cent over the exports of the preceding year, in proportion to the increase in exports recorded.

19. Exporters having outstanding export performance are eligible for awards by the Government of India. Work relating to product development, exploration of difficult new markets, significant contribution in the export field etc., are taken into account for the grant of Awards and certificate of Merit.

20. A separate organisation known as the Trade Development Authority has been established. The function of this Authority is to promote selective and intensive export development of products with growth potential by technically competent and commercially viable units to the developed countries, through provision of a package or services in the fields of export production and marketing. The products and the markets to which the TDA's programme is directed are new and highly sensitive to performance of contracts according to the schedule of delivery. The products chosen by the T.D.A.

include parts, components and accessories which go into the production assembly and any delay or default in shipment would hold up production lines abroad, resulting ultimately in loss of business. A package plan for servicing the requirements of TDA's clientele has been approved. According to this, simplified procedures have been evolved for processing applications duly recommended by the T.D.A. for advance licences. The T.D.A. has also been recognised as a sponsoring authority for recommending applications for import of capital equipment and new toolings for balancing/modernisation/expansion/creation of capacity. In order to meet the urgent requirements of these clients for import of samples, drawings, technical literature and initial small lots of raw materials, components, samples toolings and test equipment for product development, a special allocation of foreign exchange has been placed at the disposal of the T.D.A.

8.2 The Committee wanted to know if assessment (qualitative as well as quantitative) had been made periodically by the Ministry of Foreign Trade with a view to find out as to what extent the various export promotion incentives were helping in increasing the exports (commodity-wise) during the last 5 years and at what intervals and through which machinery the assessment had been made. It has been stated by the Ministry that since after abolition of the erstwhile Export Promotion Schemes consequent on devaluation of the rupee on the 6th June, 1966 and the ushering in of new export promotion measures in the shape of Import Policy for Registered exporters and cash compensatory support on the 16th August, 1966, assessment/review of the existing incentives is made every year before amending the policy for the next year. The purpose of replenishment licensing is to replace to the manufacturer the single import content of the exported product from the cheapest source. While considering the question of insertion of a new item, or change in percentage of any existing item, or deletion thereof, technical assessment of the quantum of import content and the ratio which its *c.i.f.* value bears to the *f.o.b.* realisation on export is made in consultation with the technical advisers of the Government. Further, as replenishment licensing involves out-go of foreign exchange, concurrence of Ministry of Finance (Department of Economic Affairs) is essential. Similarly, at the time of assessment of the grant of cash compensatory support and the fixation of its level, the technical authorities, the Ministry of Finance (Department of Expenditure) are consulted as they have to satisfy themselves both regarding the necessity of such support in the case of particular product and the reasonableness of the rate at which it is to be paid. The Export Promotion Councils, when suggesting the inclusion of a new item for replenishment licensing and cash compensatory support have to furnish data in regard to the import content of the product, its value, the cost of production of the finished product, and the f.o.b. realisation of its export. All this data is checked and assessed carefully before deciding on the necessity and quantum of replenishment and/or cash compensatory support to be granted.

8.3 The statements at Appendix XXIX give commodity-wise break-up of figures of assisted exports during the last five years (1967-68 to 1970-71). It is claimed on the basis of these figures that exports of almost all the commodities which are covered by the Import Policy for Registered Exporters

and Cash Compensatory Support have been showing rising trend year after year.

8.4 Through the Import Policy, the Government replenishes a certain percentage of exports by allowing import of certain essential raw materials, components and/or machinery which are actually used in the manufacture of the export product or/are needed for its further development. Cash compensatory support is allowed on export of certain selected products to compensate the losses that will accrue to exporters as a result of uncompetitive prices of our products in international markets due to various reasons like lack of economies of scale, non-refundable State and local taxes and levies etc., and to neutralise the dis-advantages inherent in the present stage of our economy and due to certain high import duties in other countries. In addition to these, certain other incentives are rendered to the exporting community in a variety of ways, *e.g.* :

(1) Duty Drawback and Excise Rebate.

(2) Shipping freight reduction in certain cases.

(3) Railway freight concession of certain items.

(4) Credit facilities at concessional rates from banks.

(5) E.C.G.C. insurance cover etc. etc.

8.5 It has been stated by the Ministry that the assessment/review of the existing incentives is made by the Departments concerned as and when called for.

8.6 It has been stated further that Government is keeping itself constantly in touch with the trade through various forums such as Board of Trade, Advisory Council on Trade at Headquarters and at various places, Export Promotion Councils, Federation of Indian Export Organisations, Indian Institute of Foreign Trade, etc. etc. Moreover, before and after announcement of the new policy every year, consultations are held with trade at various centres and suggestions made and views expressed in these forums are kept in view in adopting suitable new or amended measures.

8.7 The Ministry of Foreign Trade believe that the Exporters have been availing of the incentives and facilities provided in full measure and this is reflected in the continuing rise in the volume and value of India's exports over the past years and in the growing variety of the goods exported.

8.8 The representative of the Ministry of Foreign Trade stated during evidence that on the whole the areas where these incentives had been given, the exports had moved at a pretty fast rate as for example the engineering products and the chemical and allied products which are main beneficiaries of these schemes.

8.9 Government also believe that by and large the exporters are satisfied with the incentives and facilities provided to them but, with the changing patterns of export trade variations in foreign demand for Indian goods,

alterations in freight structures and prices and availability of raw materials-indigenous as well imported, the exporting community, individually and through Export Promotion Councils and Associations of trade and industry represent to Government from time to time for changes in the incentives and facilities already given and also suggest additions. Government on their own also keep under review the existing policies governing the grant of incentives and facilities to exporters and make suitable amendments as required. For this purpose contacts are maintained with trade and industry through the Board of Trade, the Central Trade Advisory Council and its zonal committees, the Export Promotion Councils and such bodies as the F.I.E.O., the A.I.M.O., the F.I.C.C.I. etc.

8.10 Asked to state what export assistance measures have been taken with a view to reduce the time-gap between the receipt of the claim by the concerned offices and the grant of benefits claimed, it has been stated by the Ministry of Foreign Trade that certain important steps have been taken this year (1970) to reduce the time lag between the receipt of application for import replenishment licences and its final disposal by the licensing authorities. Notable among these are:—

(i) F.O.B. value of exports is the sole criterion for calculating the exporters entitlement for import replenishment licence and cash assistance where admissible. The banks were not certifying the *f.o.b.* value in the bank certificate previously. The actual calculation of the *f.o.b.* value, therefore, was being done in the licensing offices, which was time consuming. The banks have now been persuaded to certify the *f.o.b.* value of exports in Indian rupees. This has saved the time that was being taken in the licensing offices in calculating the *f.o.b.* value. This has also eliminated correspondence with the exporters on the question of f.o.b. value of exports;

(ii) In the case of exports which do not qualify for grant of cash assistance, scrutiny of the applications has been split up into two stages :—

(a) Preliminary scrutiny; and

(b) detailed scrutiny.

The import licences can now be issued on the basis of preliminary scrutiny which is done with reference to the statement of exports duly certified by a Chartered Accounant. The detailed scrutiny of the export documents, etc., is done after the issue of the licence and if there is any difference in the value granted at the preliminary scrutiny stage and finally determined at the stage of detailed scrutiny, the adjustment is made against future entitlement; and

(iii) A provision has been introduced in the policy for automatic import of permissible items against valid AU licences, without specific endorsement of such items in the replenishment licences. This has curtailed the time that was being taken by the licensing authorities in scrutiny of the items applied for on the strength of AU licences.

8.11 It has been stated by the Ministry that the main reason for delay in finalisation of claims is that a large percentage of applications received from the exporters are deficient in one respect or the other or some essential requirement of the prescribed procedure has not been fulfilled. The deficiencies continue to persist inspite of several educative measures adopted by Government like issuing "hints to exporters", advice given by the Export Promotion Councils to exporters, discussions at the Regional Advisory Committee meetings and in personal discussions with trade representatives and individual exporters. This has also been borne out by a recent study made by the Indian Institute of Foreign Trade. The time lag in the disposal of applications can be considerably reduced if the exporters take all precautions to submit their applications complete in all respects and duly supported by the prescribed documents.

(iv) The procedure to ensure quicker disposal of drawback claims has been streamlined on the basis of the recommendations made by the Drawback Enquiry Committee. The steps taken are working satisfactorily.

8.12 Asked if it was possible to fix a time schedule at various levels for the grant of such export benefits to the applicants it has been stated by the Ministry that :—

"It is not possible to fix the time schedule at various levels as a number of agencies are concerned with the exporters' claim for replenishment licences and cash assistance like certification of export documents by the exporter's bank, the custom authorities in authentication of shipping bills, the State Directors of Industries, the Director General of Technical Development in certifying the essentiality and indigenous availability of import items applied for and the licensing offices in finalising the applications and issuing licences or disbursing cash assistance."

8.13 The Committee note that assessment/review of the existing incentives is made by the Departments concerned as and when called for. They further note that the Ministry of Foreign Trade believe that the exporters have been availing of all the incentives and facilities provided in full measure and this is reflected in the continuing rise in the volume and value of India's exports over the past years and in the growing varieties of the goods exported. The Committee suggest that assessments/reviews may be made at least once in every six months by the Ministry of Foreign Trade with a view to find out as to what extent the various export promotion incentives were helping in increasing the exports qualitatively as well as quantitatively.

Centralised Administration of Incentives and Assistance Scheme

8.14 It is seen that Assistance is rendered to the exporting community in a variety of ways *e.g.*,

(i) Grant of licences under the Registered Exporters Policy.

(ii) Cash Compensatory Support.

(iii) Duty Drawback and Excise Rebate.

(iv) Freight Subsidy in certain cases.

(v) Railway Freight Concession.

(vi) Credit facilities at concessional rates from banks.

(vii) E.C.G.C. insurance cover etc. etc.

8.15 It has been represented to the Committee that "much delay and frustration in export could be eliminated if a single agency could be set up with full authority to administer all the relevant incentives and assistance schemes with which exporters are involved. At present, in obtaining incentives against exports, and in expediting payments, a single exporter may need to deal with a variety of agencies, such as the Export Promotion Councils, the Ministry of Foreign Trade, the Ministry of Finance, Banks etc.

8.16 Asked if Government had considered the suggestion of setting up a single agency to administer all incentive and assistance schemes and if so, with what results, the Ministry of Foreign Trade have stated as follows :

"As the funds from which these various forms of assistance are financed are administered by different Ministries with their own audit and by banks and financial institutions, it is not possible to entrust the function of providing all the facilities to a single agency. However, the question of entrusting the administration of as many of these schemes as possible to a single agency has been under the consideration of Government. One proposal under consideration has been to entrust the disbursement of the cash compensatory support to the Customs who disburse duty drawback. Another proposal has been to entrust the disbursement of cash compensatory support to the nationalised banks. The proposal for the payment of cash compensatory support through banks has been examined by the Foreign Exchange Dealers' Association and their recommendations, with the views of the Reserve Bank and the Ministry of Finance, are now being examined by the Ministry of Foreign Trade and the Chief Controller of Imports and Exports. Indian Institute of Foreign Trade is being asked to study the question of aligning the RICT classifications with the classifications for REP and Cash assistance so that problems of classifications for purposes of assistance will become easier to solve."

8.17 The Committee note that to obtain incentives and other assistance the exporters have to deal with a number of agencies at present resulting in much labour and loss of time. The Committee also note that the question of entrusting administration of as many of these schemes as possible to a single authority and the proposal of payment of cash compensatory support through banks are under consideration of the Government. The Committee hope that early accord would be reached in regard to disbursement of cash compensatory support through Banks. They hope that implementation of the proposal will go a long way in removing much of the hardship being faced at present by exporters in this regard.

The Committee further hope that no effort will be spared in bringing as many of these functions under one single authority, the aim being to centralise the administration of the incentive schemes under one authority.

Determination of new items for Export Benefits

8.18 It has been represented to the Committee that "the recommendations of the representatives of Export Promotion Councils for inclusion of additional items which have substantial export potential were not readily agreed to for inclusion in the policy for the benefit of replenishment assistance etc. consequently losing initiative to competitors. The present procedure of getting the clearance from Finance is a time consuming procedure and the exporters are deprived of the benefit of their export efforts."

8.19 It has been stated by the Ministry of Foreign Trade that the purpose of replenishment licensing being to replace to the manufacturer the single import content of the exported product, it requires a technical assessment of the quantum of the import content and the ratio which its value bears to the f.o.b. realisation against the export of the product. Consultation with the technical advisers of Government is, therefore, essential. Further, as a replenishment licensing involved out-go of foreign exchange, concurrence of the Ministry of Finance (Department of Economic Affairs) is essential and a scrutiny by them cannot be avoided. Similarly, the grant of cash compensatory support and the fixation of its percentage has inevitably to be done in consultation with technical authorities, the Ministry of Finance (Department of Expenditure) who have to satisfy themselves both regarding the necessity of such support in the case of a particular product and the reasonableness of the rate at which it is to be paid. The suggestion in the representation made to the Committee that clearance from the Ministry of Finance may be avoided is impracticable. What is important is that the process of consultation may be made quicker and it is the constant endeavour of Government to make this process as expeditious as possible.

8.20 The Ministry have stated further that the Export Promotion Councils, when suggesting the inclusion of a new item for replenishment licensing and cash compensatory support, have to furnish data in regard to the import content of the product, its value, the cost of production of the finished product, and the f.o.b. realisation on its export. All this data has to be checked and considered carefully before deciding on the necessity and quantum of replenishment and/or cash compensatory support to be granted. Quite often difficulties and delays occur in taking decisions because of inadequacy and inaccuracy of the data furnished. There are also occasions when the Cost Accounts Branch of the Ministry of Finance have not only to check the data with reference to the papers available but have to make a study involving investigations at the production centres. Lot of delays can be reduced or eliminated if the interested manufacturers supply full and accurate data to the Councils and the Councils carry out the verification effectively and submit realistic recommendations to Government.

8.21 During evidence the representative of the Ministry of Foreign Trade explained the position thus :—

"There has been practically no delay in announcing the new import replenishment rates or inclusion of new items for import under

the red book. Obviously some time is required to find out details about cost of the goods exported and the f.o.b. realisation in cases of cash assistance. In fact, in such cases, certain time is taken. There is no avoidable delay in our consideration. For import percentage, there is no delay at all and within a fortnight, all recommendations coming from the Councils or from individual exporters are considered and efforts are made to announce new changes as soon as possible. But in some cases there is a time lag to find out whether the data as submitted by the Councils are correct or not."

8.22 The Committee agree that consultation with the technical advisers is essential for assessment of the quantum of import content and the ratio which its value bears to the f.o.b. realisation against the export of the product. Scrutiny in the Ministry of Finance is also required in view of the foreign exchange involvement and to gauge the necessity of cash support. Since the time factor has a vital bearing on exports it should be ensured that wherever Government are satisfied that inclusion of additional items for assistance is in the interest of the export effort, the same should be processed and finalised without delay. The Committee would also stress that cash and other financial support should not be continued on indefinite basis but withdrawn judiciously as soon as the products are able to hold their own in the export market.

CHAPTER IX

MARKETING DEVELOPMENT FUND

9.1 The Marketing Development Fund was established in 1963-64 by a resolution of the Government dated the 5th July, 1963. The objective for which this Fund is intended to be utilised is to develop market for Indian products and commodities in foreign countries. The expenditure incurred on schemes and projects for the development of markets for Indian products and commodities is re-imbursable either wholly or partly on certain conditions.

9.2 The following promotional activities are covered for assistance from the Fund in terms of the Government Resolution :—

(a) Market Research, Commodity Research, Area Surveys and Research Programmes;

(b) Export Publicity and Dissemination of Information;

(c) Participation in Trade Fairs and Exhibitions;

(d) Trade Delegations and Study Teams;

(e) Establishment of offices and Branches in countries abroad;

(f) Grants-in-aid to Export Promotion Councils and other organisations for the development of export and the promotion of foreign trade;

(g) Quality Control and Pre-shipment Inspection;

(h) Export Assistance for exportable commodities including transport assistance;

(i) Export Risks Insurance; and

(j) Any other scheme which is calculated genrally to promote the development of markets for Indian products and commodities abroad.

9.3 The Fund is administered by a Committee composed of three Secretaries as follows :—

(i) Secretary, Ministry of Finance, Department of Expenditure.

(ii) Secretary, Ministry of Finance, Department of Economic Affairs.

(iii) Secretary, Ministry of Foreign Trade.

The above Committee has appointed two sub-Committees for its assistance.

Budget Provision earmarked for Marketing Development Fund

9.4 The table below gives the analysis of estimates and actual expenditure, out of the Marketing Development Fund during the last five years :—

(Rupees in lakhs)

Year	Original Budget Estimates	Revised Estimates	Actual Expenditure
1967-68	1759-00	2268-00	2364.00
1968-69	4000-00	3400-00	3254-00
1969-70	4400-00	4235-00	4159-00
1970-71	4005-00	4180-00	4083-00
1971-72	4991-00	5435.00	3164-00 (up to October 1971 only).

9.5 The break up of expenditure for these years giving the names of agencies together with the amount to whom the assistance was given from the Marketing Development Fund is given at Appendix XXX.

9.6 In reply to a question as to what criteria was followed in giving assistance out of Marketing Development Fund, it has been stated by Government that Marketing Development Fund is utilised for giving:

"(i) Cash Assistance on the exports of various commodities;

(ii) Subsidy to Commercial Banks for advancing loans at low interest for export purposes; and

(iii) Grants-in-aid and contribution to Export Development Organisations and other approved organisations.

(i) *Cash Assistance on the exports of various commodities :*

The major portion of the fund is expended on schemes of compensatory support for the non-traditional and industrial products, particularly those with potential for growth on the basis of a broad judgement as to the need for assistance due to lack of economies of scale inherent in nascent industries and factors like incidence of non-refundable taxes and levies all of which affect their competitiveness in international markets. Though the main responsibility for the task of further improving their competitive ability naturally rests with producing units Government had decided to provide the necessary assistance to build up efficient production and also, in the meanwhile, endeavour to compensate exports for the temporary handicaps that stem from transitional difficulties inherent in a developing economy and to

alleviate the disadvantages arising from our domestic fiscal policies of tariff barriers in importing countries. The scheme for grant of cash assistance against export of selected products was introduced in 1966 after the change in the par value of the rupee. In order to encourage export orientation of production, the investor must have the assurance that export policies shall be reasonably stable and that production for exports would be advantageous to the producer. To this end, export policies should enjoy a degree of stability. As such though levels of assistance are kept under watch, changes are not made ordinarily except to take account of changes affecting the competitiveness of our export products. The rates of compensatory support at present generally vary between 3% to 25% of f.o.b. export value.

(ii) *Subsidy to Commercial Banks for advancing loans for export purposes:*

The Export Credit Scheme is for assistance to be rendered towards interest charges on export finances provided by the banks. So far Reserve Bank of India's bank rate policy, the maximum interest chargeable by Commercial Banks in respect of pre-shipment and postshipment finances to exporters will be 7% and subsidy ranging upto 1½% per annum will be available to eligible institutions from the fund.

(iii) *Grants-in-aid and contribution to Export Development Organisations and other approved organisations :*

Assistance from the Marketing Development Fund is permissible to :—

1. Approved Organisations like the Export Promotion Councils, Organisations of Trade and Industries of non-commercial character and specially recognised as approved organisations;

2. Recognised Export Houses; and

3. Export oriented firms in cases where their schemes for export effort are sponsored by approved organisations. In the case of Export Promotion Councils, assistance is allowed for their establishment expenses as also their promotional efforts. In this category of organisations some other organisations are included *viz.*, Federation of Indian Export Organisation, Indian Institute of Packaging, Indian Institute of Foreign Trade, National Institute of Design, Tade Development Authority and the Indian Council of Trade Fairs and Exhibitions. In their cases while assistance for establishment expenses is permissible at varying rates of matching contribution by the institutions in regard to their promotional efforts the same rates of assistance are allowed as applicable to export efforts under the Code of Grants-in-aid. Assistance to these Institutions is determined on the basis of their budget and programme of work submitted by them each year and

approved by the Competent Committee of the M.F.D. The other Approved Organisations Recognised Export Houses and individual exporting firms are not allowed grants from the Marketing Development Fund for establishment expenses while their schemes for export efforts are allowed assistance at specific rates indicated in the Code of Grants-in-aid when such schemes have been approved by the Competent Committee of the Marketing Development Fund."

9.7 In reply to a question as to how it was ensured that there was no abuse by the Export Houses etc. of Government assistance through the Marketing Development Fund, it has been stated by the Ministry that :

"The Export Houses send their development plans to the Ministry and they are examined in detail in the Export Assistance Directorate. The detailed proposals are then submitted for consideration to the Marketing Development Fund Committee and on the basis of the detailed discussions, the Committee takes decisions regarding schemes submitted. Assistance from Marketing Development Fund is given in re-imbursment of the expenditure already incurred on these approved schemes, on the basis of statement of expenditure duly certified by their chartered Accountants furnished by the Export Houses in support of their claims. These statements of accounts are re-checked in the Ministry with reference to the terms of approved schemes by Marketing Development Fund Committee before grants are realised. Further, the grantee institutions are asked to keep separate accounts for those approved schemes, and also to keep their accounts open for a test check by the Comptroller and Auditor General, at his discretion."

9.8 The Committee wanted to know whether the Government had made any assessment of achievements of the fund in building up of exports, it has been stated by the Ministry that:

"Although no specific review of the role of the Marketing Development Fund had so far been acarried out, but the projects and schemes on which assistance was given from the Fund were constantly reviewed and a regular watch was kept on the utilisation of the amounts.

In the year 1968, in order to develop capacity, resources, competence and specialisation in the field of export marketing, strict standards were adopted for recognition of Export Houses, and more liberal facilities were extended to them as indicated below :

(a) Previously, while granting recognition to an export house export performance of Rs. 10 lakhs per annum was generally taken to account. In the year 1968, stricter standards were laid down with the result that an export house having a sizeable export turn over, not less than Rs. 25 lakhs of non-traditional products or Rs. 2 crores of traditional products per annum is now eligible for recognition as an export house.

(*b*) Some of the facilities that were liberalised for export houses were:

(*i*) To meet from M.D.F. 60% of the total expenditure incurred in conducting a market study abroad;

(*ii*) To meet 50% of the total expenditure on schemes of exploration of new markets;

(*iii*) Assistance from M.D.F. for brand publicity including advertisements of the brands;

(*iv*) To meet 25% of the total expenditure for a period of three years, for opening of warehouses and/or after sales service installations; and

(*v*) To grant assistance upto 50% of expenses for schemes of research and product development.

9.9 In September, 1969, the scheme was further liberalised and it was decided that the fund may be utilised also for export assistance on local sales made against exchange, resulting in foreign exchange accrual to the country.

9.10 In November, 1970 the facilities were further liberalised for granting assistance also for setting up show-rooms in India by Export Houses for display of products for the benefit of foreign buyers and other exporting interests.

9.11 It has been stated that normally it takes 6 to 8 weeks for the final disposal of an application for grants from the Marketing Development Fund. The applicants are, however, not informed of the reasons where their applications for grants out of the Fund are rejected, unless the Marketing Development Fund Committee decides to give specific reasons to the applicant.

9.12 The Committee desired to know as to what was the precise impact of grants from the Marketing Development Fund on exports. In particular how had the marketing Development Fund helped in stepping up exports of non-traditional commodities particularly engineering goods, chemicals, plastics, electronics, etc. and/or to new countries. In a written note furnished to the Committee, Government have explained the position thus:

"The major portion of the Marketing Development Fund is expended on Schemes of compensatory support for the non-traditional and industrial products, particularly those with potential for growth, on the basis of a broad judgment as to the need for assistance due to lack of economies of scale inherent in nascent industries and factors like incidence for non-refundable taxes and levies all of which affect their competitiveness in international markets. The scheme for grant of cash assistance against export of selected products was introduced in June, 1966 after the change in the par value of the rupee.

In order to secure increase in the exports of some specified non-traditional commodities, levels of assistance are kept under constant watch and are reviewed from time to time keeping in view the requirements and export strategy. The rates of compensatory support at present generally vary between 3 per cent to 25 per cent of f.o.b export value.

Product Promotion Assistance covers compensatory support for the export of Engineering goods, chemicals Allied Products like plastics, papers products, Sport goods, processed food items.

Commodity Development Assistance covers export of Iron and Steel, Ferrous Scrap, Ferro-manganese, Manganese Ore, Iron Ore and Groundnut Cake extractions.

It is worthwhile mentioning that in the year 1968-69 several new schemes, as mentioned below, were introduced which are also financed from the "Fund":—

(*a*) The Scheduled Banks have been required to extend cash credit to exporters at concessional rate of interest not exceeding 6% (now raised to 7%) in consideration of which they are eligible for a subsidy of 1½% per annum from the Government. The scheme is administered by the Reserve Bank of India, Bombay, on behalf of the Government.

(*b*) The Government have also decided that packing credit advances made by State/Central Banks to co-operative spinning mills etc., should also be covered by the export credit (Interest Subsidy) Scheme, 1968, as in the case of commercial banks. It has also been decided to extend this scheme for covering the advance paid by way of registration fee in respect of the contract provided it forms a fraction of the total contract value.

(*c*) The cash assistance at a flat rate of 5% on all exports of cotton textiles is paid to the Indian Cotton Mills Federation.

(*d*) There is a provision of re-imbursement of losses incurred by the MMTC on account of export of Iron Ore and Manganese ore upto a maximum of 90% (since reduced to 80%) of the export duty paid limited to the actual losses.

The impact of the compensatory support on the exports may be seen by way of an illustration in the Appendix XXXI."

9.13 Regarding the shortcomings noticed as a result of review by Government of the performance of and measures taken to improve the administration of fund, Government have stated the position thus:

"Marketing Development Fund has rendered valuable assistance to trade and industry from the day of its inception. Government has constituted standing Committee a Committee under the Chairmanship of Secretary, Ministry of Foreign Trade, and two other Members,

Secretary of the Ministry of Finance (Department of Expenditure) and Secretary, Ministry of Finance (Department of Economic Affairs). This Committee has delegated its powers to other two-Sub-Committees and have considered several proposals for helping trade and industry. Every care is taken to see that the proposal submitted to the Marketing Development Fund is expeditiously disposed of and various forms of assistance which are available with Marketing Development Fund to the Eexport Organisations including Export Promotion Councils and other organisations of industry and trade as well as individual exporters are given in time".

9.14 The Committee note that Marketing Development Fund has rendered valuable assistance to trade and industry from the day of its inception. The Committee would, however, stress the need for critical review by Government of the performance of M.D.F. in this developmental phase so that Marketing Development Fund subserves the objectives with which it had been set up.

The Committee further note that the assistance from Marketing Development Fund is given in re-imbursement of the expenditure already incurred on the approved schemes, on the basis of statement of expenditure furnished by the Export Houses in support of their claims and duly certified by their charatered Accountants. The Committee expect that in the interest of giving impetus to the export, the Marketing Development Fund Committee will ensure that applications for grants are disposed of expeditiously. The Committee would also urge that where the applications for grants from the Marketing Development Fund are rejected, the applicants should be informed of the reason of rejection of the application.

CHAPTER X

EXPORT CREDIT AND CREDIT INSURANCE FACILITIES FOR EXPORTS

(*i*) *Export Credit and Finance*

10.1 The international market has become quite competitive. As each nation tries to push up its exports, the buyer has gained the role of being in a position to dictate terms. It often becomes necessary for the exporter to offer attractive terms of payment to his buyer and to sustain and enlarge his market by allowing his buyer credit terms, at least to the extent allowed by his competitors abroad.

10.2 If the exporter has to allow credit terms to the overseas buyers it would mean that the exporter's finance would get locked up till the proceeds are realised. In order that the exporter's activity may not get crippled in this process, the exporter has to seek export credit from his bankers by way of discounting facilities.

10.3 Further, even when an order is received for execution the exporter may not have sufficient funds to manufacture the goods for supply. In order to purchase and process the material for executing the order, the exporter is obliged to seek packing credit facility from his bankers even during the pre-shipment stage.

10.4 Credit is, therefore, important in foreign trade. Its importance increases as a country exports more and more of manufactured products and capital goods. Even in traditional items, credit has a crucial role to play in the context of export promotion.

10.5. In industrial countries like U.S.A., France, Italy, Germany, Japan and U.K., export credit has received significant attention; and in many countries specialised institutions like the import-Export Banks and Export Credit Guarantee Organisations have been set up to buttress the efforts of commercial banks. There are also provisions for making export credit available at favourable rates of interest. In India too, considerable thought has been given to the supply and cost of export finance.

10.6 In India, the export trade has now been recognised as a priority sector for provision of credit and measures have been taken by Government and the Reserve Bank of India from time to time to ensure that credit facilities are avilable to exporters at reasonable rates of interest. During the last few years, the following committees were set up by the Government of India to go into the question of supply and cost of Export Finance:—

(*i*) The Kapoor Committee on 'Credit for the Exporters'.

(*ii*) The Mathrani Committee on 'Export Finance'.
(*iii*) The Chablani Committee on 'Cost of Export Credit'.
(*iv*) The Joshi Committee on 'Export Credit and Finance'.

10.7 The main recommendations of these Committees and the action taken on them is briefly indicated at Appendix XXXII. The important steps taken by Government in pursuance of these recommendation for enabling the Indian exporters to obtain finance easily and at cheaper rates of interest are summarised below :—

*"(*i*) The Reserve Bank of India has advised the Commercial Banks not to charge interest more than 6% on packing credit advances (both at pre-shipment and post-shipment stages) from the exporters. Banks are eligible to claim in interest subsidy at 1½% against such advances from the Reserve Bank of India. Reserve Bank of India provides refinance, irrespective of a bank's net liquidity ratio at bank rate in respect of such advances. This facility is available to both manufacturer—exporter—as well as merchant—exporters.

(*ii*) The Industrial Development Bank of India (IDBI) has increased the time limit for realisation of sale proceeds of exports upto 7 years in deserving cases and 10 years in exceptionally deserving cases of exports of goods specified.

(*iii*) *Scheme for refinancing of medium term exports*: The maximum period of export credit for not more than 5 years under the scheme has been extended to 7 years in deserving cases in respect of capital or engineering goods and upto 10 years in exceptionally deserving cases. This facility has been extended to cover finance for the overall cost of construction projects executed by Indian concerns abroad where the bulk of the construction contracts constitute equipment, material and services etc. of Indian origin.

(*iv*) *Scheme for rediscounting of bills of exchange/promissory notes arising out of sales of indigenous machinery on deferred payment basis*: With a view to widening the range of assistance for financing capital equipment in agricultural and small industries as well as meeting capital needs where requirements of capital goods can be obtained from indigenous sources, the minimum amount of transaction covering a set of bills/promissory notes representing the deferred payment sale of machinery eligible for rediscounting facilities has been abolished in the case of agricultural implements and in the case of other machinery reduced from Rs. 50,000 to Rs. 10,000; further, the maximum limit of Rs. 25 lakhs prescribed under the scheme in respect of rediscounting of bills/promissory notes relating to any single purchaser, over a year, has been raised to Rs. 50 lakhs.

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*At the time of factual verification the Ministry of Foreign Trade has stated thus :—

"A reference has been made to the concessional rate of interest applicable on advances made by banks to the exporters for pre-shipment and post-shipment credits, in para. 10.7 of the Reeport and also in appendices appearing at pages 682 and 685 under the head "action taken". However, the Reserve Bank of India *vide* its directive dated 16.4.71, raised the ceiling of 6 per cent per annum earlier prescribed for packing credits and post-shipment credits for exports to 7 per cent per annum. This enhancement does not, however, apply to credits provided to exporters on deferred payment terms for which the ceiling continues to be 6 per cent per annum."

(*v*) *Rate of rediscounting*: In view of the extension of the facilities under the scheme to cover deferred credits granted for a period of more than 5 years, upto 7 years, a rate of 5% per annum is charged for rediscounting bills/promissory notes having an unexpired usance of more than 60 months.

(*vi*) Banks have been advised that exporters who do not have letters of credit or firm export orders in their own names, such as suppliers to M.M.T.C. or S.T.C. through whom certain exports are channelised may be given packing credits provided they produce a letter from M.M.T.C. or S.T.C. that a position of order has been allotted to them and M.M.T.C. or S.T.C. does not wish to seek for a packing credit in respect of such portion. The same facility is given to subcontractors supplying goods for exports under a consortium arrangements. The cases of commodities, which are exported on a consignment basis, *e.g.* tea, packing credit granted on the basis of past experience in regard to the proportion of exports to the total out-put of the exporting unit concerned are treated as eligible for concession.

(*vii*) *Scheme for direct financial assistance to exporters in participation with approved Commercial Banks*: In view of the large amounts and credit period involved in the execution of export orders for supply of capital and engineering goods on deferred payment terms, the need for augmenting the facilities available to exporters in securing term credit for financing export has been felt. It has, therefore, been decided to introduce a scheme under which the Industrial Development Bank of India, in appropriate cases, is prepared to enter into participation arrangements with approved commercial Banks for providing them finance and guarantee facilities to industrial concerns exporting capital and engineering goods and services on deferred credit basis. The participating banks act as IDBI's agent under an *inter se* agreement to look after the operational aspects of the transactions both during the pre-shipment and post-shipment stages. On its portion of the export finance. IDBI charges rate of 4½% per annum. The participating banks have the discretion to charge its own rate of interest subject of course to the ceiling rate prescribed by the RBI in respect of export credits. The average cost of funds to the exporters thus come to be reduced, improving his competitive capacity in the international market."

10.8 The National Council of Applied Economic Research had submitted a report of the Study Group on "Export Strategy for India". A Working Group was constituted to examine and report on the recommendations relating to the export credit and finance in the above report. The Working Group noted that financial institutions such as the Industrial Finance Corporation and Industrial Development Bank of India are already treating on a priority basis export-oriented industries as well as to export-oriented units in an industry. The I.D.B.I. for example gives prior attention to request for assistance from exporting units and has relaxed several of its procedures and norms relating to financial issues while dealing with such applications. The working Group

also noted that the Export Credit Policy of the Reserve Bank of India reflects the urgency of export promotion and exports in the last several years have been given preferential treatment in the operation of credit policy. The Reserve Bank has taken care to insulate the export sector from any general credit restrictions that may be imposed from time to time. In the operation of selective credit terms also export finance is exempted from the margin and ceiling restrictions. Again, in calculating the operational norm of credit, deposit ratio of bank, the total of export credit is excluded. Similarly in calculating the total of unsecured advance and guarantees of a bank, also such advances and guarantee arising out of export transactions are excluded. The requirement that scheduled Commercial Banks should obtain prior authorisation before sanctioning any fresh credit limit of Rs. 1 crore or more to a single party on secured and unsecured basis, has also been waived in respect of export credit.

10.9 The Committee note that Government have shown keen awareness of credit needs of the exporters. As attractive terms of finance for exports are most vital and essential in stepping up the country's exports, the Committee would suggest that the question of availability of export credit and finance should be continuously reviewed by the Economic Wing of the Ministry of Foreign Trade in consultation with exporters and financial institutions. In the Committee's view there is greater need for long term credit allocations for exports of capital intensive goods and package deals for setting up plants in other countries. The Committee would also emphasise the need for greater credit facilities for exports by medium and small scale sector.

Establishment of Export Bank

10.10 A suggestion was received by the Estimates Committee that an Export-Import Bank should be set up to finance exports involving the supply of Consultancy Services know-how and plant, machinery and equipment for period exceeding 10 years at concessional rates of interest to enable Indian Exports to offer long term deferred credits to foreign buyers on competitive rates. The Committee enquired whether such a proposal had been examined and if so what was the decision taken in the matter. Government have, in a written note, furnished to the Committee stated thus :—

> "The suggestion for the setting up of an Export Bank is already being examined by Government in consultation with the Reserve Bank of India. This question is also being examined by the Banking Commission which is expected to submit its report by the end of December, 1971. It will, in the circumstances, take some time before Government formulate their views on the establishment of an Export Bank and its functions."

10.11 The Committee note that the question of the establishment of Export Bank is being examined by the Banking Commission and Government in consultation with the Reserve Bank of India. The Committee hope that Government would be able to formulate its views on the establishment of an Export Bank at an early date.

Introduction of Buyer's Credit System

10.12 It has been represented to the Committee that "with the increasing emphasis on large scale exports, there is need to introduce a system of buyer's

credits as has been done by many other competitor countries. The advantage of this system lies in assuring payments to the supplier in reasonable time, while the risk of non-payment is taken over by the Banker, who is granted the necessary cover by the Export Credit Agencies and the buyer's Bankers. This scheme needs to be introduced urgently and could, of course, be implemented by the proposed Overseas Investment Corporation."

10.13 Asked as to what was the reaction of Government to this suggestion, the Ministry have in written note furnished to the Committee stated:—

"The Industrial Development Bank of India (IDBI) has set up a working group comprising of the I.D.B.I., representatives of banks dealing in foreign exchange and the Export Credit and Guarantee Corporation to examine in detail the suggestions for offering Buyers' Credit. The Working Group is examining the matter in all its aspects and is expected to submit its recommendations to the I.D.B.I. when it will be considered further."

10.14 The Committee note that a Working Group comprising the I.D.B.I., representatives of banks dealing with foreign exchange and the Export Credit and Guarantee Corporation has been set up to go into the question of introduction of system of buyer's credit as is being done by other competitive countries in the world. The Committee expect Government to take expeditious decision after the Report of Working Group on the subject is submitted to them.

(*ii*) *Export Credit Insurance*

10.15 It is generally recognised that selling abroad is more risky than selling within the country. Apart from the difficulty of obtaining reliable credit information on distant buyers and legal redress in foreign countries in the event of default, the risks arising from political upheavels such as war, civil war and transfer difficulties are real and significant in export business. In the developed countries, it has been found necessary to devise facilities which protect exporters against credit risks. In their anxiety to promote exports, governments in these countries have taken active part in instituting export credit insurance facilities. The chief advantage of credit insurance is that it enables exporters to sell on deferred credit terms without at the same time having the necessity to shoulder credit risks. In addition, credit insurance policies enhance the bank ability of the export credit instruments. These policies and the direct guarantees, which protect banks against credit risks, help exporters in obtaining finance from banks and other finance institutions.

10.16 Export credit insurance facilities are available in most of countries. In the U.K. and Japan, such facilities are provided by their respective government departments, *viz.,* Export Credit Guarantee Department of the Board of Trade (ECGD) and the Ministry of International Trade and Industry (MITI). In France, a mixed joint stock company, "Compagnie francaise D'assurance pourle commerce exterieur", underwrites for its own account commercial risks in respect of short-term transactions and for the account of the government non-commercial risks on all export transactions and

commercial risks on medium—and long term export credits. In India, export credit insurance facilities are provided by Export Credit and Guarantee Corporation (ECGC) an organisation set up by the Government.

10.17 It has been stated that the main object of the Export Credit and Guarantee Corporation in India is to facilitate the growth of India's export trade by providing export credit insurance and guarantee facilities. It issues policies to Indian exporters to protect them against losses which may be caused by certain commercial and political risks which are beyond their control. In the event of the exporter suffering losses due to any one of the risks insured, the Corporation makes good 90 per cent of the exporter's loss. Thus protected against losses involved in shipping goods to overseas buyers on credit terms, the exporters are enabled to compete more effectively in the world markets and secure more orders by conceding credit terms wherever necessary.

10.18 The ECGC in India also issues guarantees to commercial banks in India to safeguard them against losses involved in extending credit facilities to Indian exporters. As a result of these guarantees, the exporters are enabled to obtain more liberal credit facilities from the banks, a factor of vital importance for export promotion.

10.19 The Committee desired to know as to what contribution had been made by the ECGC in boosting India's Export Trade. Government in a written note furnished to the Committee have stated thus:

> "The Corporation is one of the several institutions set up by the Government of India for promoting the export trade of the country. It will be difficult to assess the contribution specifically made by the Corporation. However, the steadily increasing business of the Corporation, under both the policies and guarantees, is a clear indication of the usefulness of the service rendered by the Corporation to the exporting community. At the end of July, 1971, 3528 exporters were holding ECGC policies; the value of shipments covered under the policies during the year 1970 came to Rs. 110.28 crores. Exporters were able to get credit facilities from the commercial banks to the extent of Rs. 207.39 crores during the year."

10.20 During evidence the Committee drew the attention of the representative of the Export Credit and Guarantee Corporation to the Report of the Indian Institute of Foreign Trade, wherein it had been pointed out that the utilisation of the services of the ECGC by the exporters were far from satisfactory. The value of the shipment covered by ECGC policies on percentage of total exports was only 5.4% and as percentage of insurable exports it was only 15%. Asked how the Government proposed to meet the situation, the Chairman of the Export Credit Guarantee Corporation stated during evidence:

> "....This year the business of the Corporation has increased by 19 to 20 per cent as you would have seen from the annual report published by the Corporation. Not all the exports going out of the country would need ECGC cover. The exporte under letters of credit

form the bulk of the foreign trade of the country. 55% is covered under letters of credit. So this 55% will not need ECGC cover unless it be for political reasons only in regard to countries which exporters feel are not politically stable or they would like to have the cover of the ECGC. So, what we are left with is the balance 45%. Out of the balance 45% quite a large volume of exports of tea and jute go from house to house and these exports obviously cannot be covered by the ECGC under its charter and the exporters also would not need ECGC cover. But presently the trend has been for engineering goods to go out of this country in an increasing volume. This engineering goods would need ECGC cover and this is why the business of the Corporation has been rising steadily. In fact, there has been a very big spurt in the business of the Corporation this year.

Further we have also been popularising this cover through the banks because all exporters have some kind of banking facility and by this way of persuading the banks to seek the ECGC cover for the exporters and explaining the advantages accruing to the exporters we have been able to increase the volume of business cover of the ECGC. Last year we had 29 large volume contracts amounting to about Rs. 30 crores. This year, even within the first eight months, we have exceeded this figure of Rs. 30 crores in large volume contracts. So the trend is distinctly visible of the business of the corporation picking up and increasing by leaps and bounds...."

"....The majority of the policies which we have issued is for the small exporters because it is these exporters who need the support of the Corporation to take advance facilities from the banks and to have their bills discounted by the banks. In the case of medium exports, in fact, the exporters do require this cover because they have to wait for a long period running upto 3 or 4 years for the proceeds to come into the country. In packing credit we cover upto 90% for small exporters and upto 75% for larger exporters. So, it is a preference shown to the small exporters....."

10.21 Regarding the publicity campaign, to make the ECGC coverage popular, the Chairman, ECGC stated:

"....We have started a campaign of publicity in the papers. We have adopted a symbol which we are trying to popularise. We have written letters to the exporters individually. There are only 20,000 of them in this country and we hope to reach every one of them. We are also popularising the ECGC cover through all the commercial banks and the foreign banks....."

10.22 Comparing the coverage of exports of Export Credit Insurance Corporation in foreign countries *vis-a-vis* ECGC India, the Chairman, ECGC explained the position as follows:

"....In Australia, Belgium, Canada and Denmark, Export Credit Insurance Corporations cover extends to only 5% of exports. In respect of Export Credit Insurance Corporations of West Germany,

Italy, Netherlands and Switzerland, it is 5 to 10% and only in the UK the share of ECGC is 1/3rd that is 30-35%. But that is the oldest organisation. We are new in the field. We know before long, our Corporation will be able to achieve 30-35 per cent coverage. We are quite confident of that....."

10.23 Asked whether the performance of the Corporation in ensuring exports to various countries had been keeping pace with the economic development of the country, the Ministry have in a written note stated:

"The value of risks covered by the Corporation has been rising from Rs. 7.0 crores in the year 1960 to Rs. 22.3 crores in 1965 and to Rs. 110.3 crores in the year 1970. At present the Corporation is covering around 7 per cent of the country's total export trade. But a sizable part does not need export credit insurance cover *e.g.*, exports made against letters of credit, shipments effected from house to house and the export trade in traditional items in respect of which Indian exporters are dealing with well-known parties over a long period of years. It is estimated that the Corporation is at present covering around 20 per cent of the insurable exports."

10.24 The Committee are glad to note that the value of exports insured with the Corporation has risen from Rs. 7.0 crores in 1960 to Rs. 110.3 crores in the year 1970. Nevertheless they consider that there is a room for considerable improvement in the business of the Corporation. The example of Export Credit and Guarantee Department in U.K. which provides insurance cover to 30-35% of the export trade, should serve as a guide for the ECGC in India to step up its activities. The Committee have no doubt that with the increase in the country's exports the ECGC will also be able to attract larger business by quality of service.

10.25 As publicity is essential for any insurance business, the Committee suggest that greater stress should be laid on increased publicity, so that it reaches the small and medium exporters. They would also stress the need for maintaining the quality of service; promptness in attending to enquiries and expeditious settlement of claims.

CHAPTER XI

QUALITY CONTROL AND PRE-SHIPMENT INSPECTION

11.1 The increasing emphasis on quality control is a characteristic of modern industrial development; in export trade, this aspect is of paramount importance. The concept of quality control does not apply only to finished product but this operation has to be carried out in various stages of production, starting from raw materials to designing, production, personnel efficiency and final production and finish of the product.

11.2 With the growth of industrialization tailor made products have yielded to mass production. In this changing situation, institutional vigilance on the quality of production and standardization to the extent possible is inescapable for the health of the industry and the interests of the consumers. Because of the vast industrial expansion, India has to gear up her export efforts, in order to be able to earn foreign exchange for importing necessary machinery and equipment. The Committee have been informed that it is realised that only on the basis of the quality of her exports, India would be able to sustain her traditional markets and develop new markets. The need for building quality into the production, therefore, becomes imperative to win over the international market. And, quality control and preshipment inspections become the vital pivots for the sound development of the countries export trade.

Enactment of Export (Quality Control and Pre-Shipment Inspection) Act

11.3 It was in this context that Export (Quality Control and Pre-shipment Inspection) Act, 1963, which came into force with effect from 1st January, 1964 was enacted. By this legislation, the Government has unified and brought about a methodical and systematic policy for quality control measures.

11.4 The Export (Quality Control and Pre-Shipment Inspection) Act, 1963 empowers the Government to notify commodities which shall be subjected to quality control or inspection or both prior to their shipment. It also provides for the establishment of the Export Inspection Council to advise the Government in regard to measures to be taken for quality control and pre-shipment inspection of exportable commodities, such as framing of standard specifications for the commodities which are brought under the scheme, details of quality control and inspection methods and other related matters. The Council has as its members eminent technologists and representatives of trade and industry. It draws upon the technical know-how of the various agencies in the country in the fields of grading, standardisation and inspection. The Council frames the standards and specifications for the commodities which are brought under the compulsory quality control and pre-shipment inspection. The actual inspection is, however,

carried out by the Export Inspection Agencies. Export Inspection Council has been made responsible for the efficient working of the Export Inspection Agencies both Governmental and Private. The Council periodically checks the working of these agencies to see that they are working within the framework of the rules and regulations laid down by Government for the inspection of individual commodities; that there is proper co-ordination between the Agencies; and that the testing of the products is being done according to the standards laid down.

11.5 As regards the measures adopted for the introduction and enforcement of quality control and compulsory pre-shipment inspection of the various export commodities, the Government have in written information furnished to the Committee stated that since the enforcement of this act, considerable progress had been made by the Council in the field of compulsory quality control and pre-shipment inspection by extending its coverage to various new commodities. At the same time, steps had been taken to streamline the Export Inspection Council's procedures to maximise efficient performance at various tiers of the inspection system and the institutional facilities for testing the products had been enlarged. Plans had also been prepared for setting up of a comprehensive modern testing facility with United Nations International Development assistance. Efforts had also been continued to give wide publicity in the foreign countries to the schemes. It has been claimed that these measures had generated a deep-rooted quality consciousness in the Indian exporters who had come to realise that only on the basis of quality of exports India would be able to sustain her traditional markets and develop new markets in the context of the competitive world market. The intensification of these measures had resulted in not only indirectly helping in increasing the volume of exports but also rise in the unit value of the commodities, above all, there had been a substantial decline in the number of complaints recorded by Director-General on Commercial Intelligence and Statistics on quality of Indian goods.

11.6 Elaborating the point further it has been stated by the Ministry, that while planning and formulating pre-shipment inspection schemes the following basic needs had been carefully determined and suitably provided for :

(i) Basis of inspection *i.e.* specifications;
(ii) Testing facilities;
(iii) Organisational facilities for inspection; and
(iv) Procedural details *vis-a-vis* current trade practices.

"**Basis of Inspection** : In almost all the products where pre-shipment inspection had been introduced, care had been taken to accept the buyers requirements wherever known as the basis of inspection except in cases where safety or health hazards were involved. In the case of latter certain minimum specifications were also prescribed. In many cases where the buyers requirements were known through approved samples, the inspection was done on the basis of that sample. This broad approach had been found practical and had helped in maintaining the initiative of the exporter to the maximum extent.

Testing facilities : Adequate laboratory and testing facilities had been made available at the place of inspection. The services of the leading testing houses, laboratories and institution were also utilised where available. Before a new commodity was brought under the purview of the pre-shipment inspection scheme, it was ensured that facilities for testing were available at the place of inspection, where it was found economical the facilities available in the manufacturing units were also utilised.

With a view to making available adequate testing facilities and to further augment the existing facilities modern sophisticated testing equipment for export inspection a pilot test house was proposed to be set up with assistance from UNIDO programme.

Organisational facilities : There were 31 inspection agencies both governmental and private recognised under the Act, to carry out testing and inspection work of the notified commodities. While recognising these inspection agencies every care was taken to see that they had necessary technical ability and competence, equipments and experienced staff in carrying out the inspection work. Apart from these, 5 Export Inspection Agencies had been set up by Government at Bombay, Calcutta, Cochin, Delhi and Madras, under the direct administrative and technical control of the Export Inspection Council. These Agencies were equipped with necessary laboratories and testing facilities and competent technical staff for carrying out day-to-day pre-shipment inspection work and had inspection units and sub-offices at the important centres of production to render prompt and efficient service.

Procedural details : The procedural details of the pre-shipment inspection schemes which had been introduced till date had been worked out in close collaboration and in consultation with the representatives of the industry and trade. While preparing these detailed procedures, the existing trade practices had been taken into consideration and the concerned Government departments, including the Customs authorities, consulted. The general procedures for inspection had, thereafter, been notified in the form of inspection Rules under the Export (Quality Control and Inspection) Act for receiving comments from the public.

Appellate panels had also been set up for each commodity or group of commodities which had been brought under compulsory pre-shipment inspection schemes, so that any person who was aggrieved by the refusal of an Agency to give a certificate of export worthiness for his products, could appeal to the panel and get his grievances redressed.

11.7 In reply to a question as to what were the main commodities which were subject to inspection by the Export Inspection Council, Government have furnished a list showing the names of commodities etc. which had

been brought within the purview of compulsory quality control and pre-shipment inspection schemes (*vide* Appendix XXXVI)*.

11.8 It has been stated by the Ministry that the following criteria for extending the provisions of the Export (Quality Control and Inspection) Act, 1963 were kept in view :

(*i*) **Export Potential :**

In selecting goods to be covered under the aforesaid Act, the most important criterion was to see the export performance, volume and the possibility of increase if quality regulations were enforced. Where the volume of export of a particular commodity was large and a possibility of increasing it still furhter, the introduction of quality measures helped the Indian trade to offer better quality goods at the same price and openly compete with the goods of other countries.

(*ii*) **Persistent complaints :**

In some cases, there were persistent complaints from the foreign buyers on quality. Here, with a view to improve the quality of such goods, statutory regulations were enforced thereby prohibiting the export of sub-standard goods.

(*iii*) **Statutory regulations enforced by the buying countries :**

In some cases, the foreign buyers imposed statutory regulations for the import of certain commodities. Such regulations provided that the goods up to a particular standard would be allowed entry in their country and below that standard, the goods would not be allowed entry. Such cases were common in USA/Canada etc. In order to meet these requirements, statutory regulations on quality standards had been laid down.

(*iv*) **Export Policy Resolution, 1970 :**

The Export Policy Resolution, 1970 which required that the provisions of Export (Quality Control and Inspection) Act, 1963 be extended to other commodities which fell presently out of the purview of the aforesaid Act with a view to strengthen, expand and intensify the policy of compulsory quality control and pre-shipment inspection."

Publicity :

11.9 It had been stated that in order to keep the foreign buyer abreast of the various measures that Government had taken up for safeguarding consumers interest, the tempo of publicising the various quality control measures had been taken. During 1970-71, besides the monthly news letter service, the Export Inspection Council had brought out illustrated brochures which were distributed abroad through India's I.G.T. Rs. In addition, various Trade Fairs and Exhibitions including Expo' 70 (Osaka) were utilised to publicise quality control and pre-shipment inspection measures.

* Not attached

The broadcasting media was also utilised to keep the general public in India posted with these measures. Besides this the Council in close collaboration with various Associations and Institutious *e.g.* Indian Engineering Association, Indian Standard Institution, etc. organised seminars on quality control for engineering and chemical goods to promote quality consciousness.

11.10 The Committee need hardly stress that a country can sustain her traditional markets and develop new markets if it ensures that her exports are of dependable and proven quality. Although the Export (Quality Control and Inspection) Act was enacted in the year 1963, the Committee feel that there is still imperative need for building quality into the production and thereby win the esteem of the international market. The Committee, therefore, suggest that all such measures should be taken to generate deep rooted quality consciousness in Indian exporters who should be made to realise that only on the basis of quality of exports India would be able to sustain her traditional markets and develop new markets in the competitive world. The Committee would stress that the quality control should not only apply to finished products but quality consciousness should be carried out in the various stages of production starting from raw materials to designing, production, personnel efficiency and the finish of the product.

11.11 The Committee would also stress the need for eliminating duplication of inspection and achieving coordination with customs and the exporters. The Committee consider that Quality Control measures should inspire confidence of the importers by understanding their requirements and prompt investigation of complanits and would urge the need for deterrent action in case of defaults.

11.12 The Committee note that the Export Inspection Council has been made responsible for the efficient working of the Export Inspection Agencies both governmental and private. The Committee stress that steps should be taken to streamline the Export Inspection Councils' procedures to maximise efficient performance at various tiers of the inspection system and enlarging the institutional facilities for testing the products. The Committee hope that Government will also ensure that adequate laboratory and testing facilities are made available at the places of inspection. To achieve these, the Committee would urge the expeditious setting up of the Pilot Test House with assistance from UNIDO programme so that the existing facilities for export inspections are further augmented.

11.13 The Committee feel that it is not enough that the quality of exports is good but the importers must also be aware that the exports of India are of standard quality. They, therefore, stress that no efforts should be spared to give wide publicity in foreign countries to the measures taken to ensure that only standard quality goods are exported from India.

CHAPTER XII

COMMERCIAL PUBLICITY, EXHIBITIONS AND TRADE FAIRS

A. Commercial Publicity

12.1 Commercial Publicity has a distinct and vital role in any export promotion programme. In the recent years, demand patterns in export markets have changed. Conditions have become more competitive. Export promotion through publicity has become an important field of activity. The traditional publicity practices or the media cannot fully meet the requirements of sophisticated world marketing today. Publicity techniques have to change and commercial publicity has become a specialised activity.

12.2 Export publicity has two aspects (i) external publicity for presenting abroad the image of industrial and modern India thereby stimulating interest in various export commodities and products of the country and (ii) internal publicity for disseminating commercial information and creating export consciousness in the country.

12.3 There are various organisations which undertake export publicity. These organisations include (i) Directorate of Commercial Publicity, (ii) Directorate of Exhibitions, (iii) Director-General, Commercial Intelligence and Statistics, (iv) Export Promotion Councils and Commodity Boards, (v) Indian Trade Missions and ISI posts (Information Service of Indian Posts) abroad, (vi) trade Associations and Export Houses, (vii) Individual entrepreneurs.

(*i*) *External Publicity*

12.4 It has been stated by the Ministry that several media are being utilised by the Directorate of Commercial Publicity to create an awareness abroad of growing industrial and export capabilities and development of technical know-how expertise in the country. The publicity efforts comprise the utilisation of various media such as publications, press, films, radio and television etc. Some details of publicity done abroad are given at Appendix XXXIV.

(*ii*) *Internal Publicity*

12.5 Journals and bulletins, reports and market surveys, radio and films are utilised for dissemination of commercial information and for aiding and promoting exports efforts within the country.

(*a*) *Publications*

The monthly JOURNAL OF INDUSTRY AND TRADE is the principal medium of internal publicity. This journal seeks to furnish

information regarding industrial, mineral and agricultural production, product development and research, quality control measures, India's trade with different countries, trade prospects and market opportunities, government regulations regarding trade and tariff, important changes in the foreign countries in the economic sphere affecting international trade prospects, trade agreements and economic relations etc. The journal also carries as a regular feature statistics of industrial production and foreign trade and also statements of industrial licences and collaboration arrangements. Besides, each issue carries articles devoted to important current topics focusing attention on a particular industry or group of industries or trade with a particular region. During the year 1970-71, it has been stated that the scope of the journal was considerably enlarged so as to serve adequately the needs of businessmen, administrators and also students by providing the economic data and information in a classified order.

While the Journal of Industry and Trade provides information of relatively general nature, items of specific interest to exporters are published in the Ministry of Foreign Trade weekly entitled INDIAN EXPORT SERVICE BULLETIN. The Bulletin reaches the subscribers and other recipients by Saturday every week, the day of its publication and carries vital information on the global tender invitations issued by different purchasing authorities in foreign countries and also enquiries for specific Indian products. It also carries gists of market information and other information of interest to exporters such as trade channels, foreign exchange rates and the like. Tender notices from as many as 30 countries are published regularly in the Bulletin.

During the year 1970-71 a separate section in the INDIAN EXPORT SERVICE BULLETIN has been started for publication of the notices to indigenous manufacturers. This is to enable the importers of capital goods, machines tools etc. to advertise their requirements.

The Hindi monthly journal UDYOG VYAPAR PATRIKA revived in January, 1970, features articles on industry, foreign trade planning and economic development. The Journal also gives comprehensive industrial, commercial and licensing information export promotion news and market surveys reports.

The Directorate of Commercial Publicity also publishes Economic and Commercial Reports highlighting the trade and economic conditions of various countries indicating also the prospects for improving India's exports. During the year 1970-71 twelve such reports were published. The Directorate also issued seven Directories of Importers of Indian products in various markets.

Another series of informative publication for Indian exporters is the market survey reports for specific commodities of manufactures in specific countries. To help Indian exporters visiting foreign countries,

the Directorate of Commercial Publicity issued Hints to Businessmen visiting foreign countries.

(*b*) *Radio and TV Publicity*

The Ministry of Foreign Trade has also been continuing its weekly broadcast EXPORT FRONT from Ahmedabad, Bombay, Calcutta, Delhi and Madras stations of All India Radio. This five minute broadcast was intended to give information to Indian exporters on export opportunities and market prospects, export performance, tender notices and trade enquires.

A documentary film WHY EXPORT emphasising the need for creating export surplus in the country was also completed during the year 1970-71.

12.6 Asked if a review of the Journals and other periodicals issued by the Ministry of Foreign Trade, Export Promotion Councils, Commodity Boards had been carried out in pursuance of the recommendation of the Standing Export Publicity Advisory Committee in 1967 and the extent to which these publications had been rationalised, it was stated in a written note furnished to the Committee :

"Under the directions of the Committee of Economic Secretaries a Working Group on Commercial Publicity has been set up in the Ministry to make a quick appraisal of the existing publicity programmes and to give suggestions for streamling it. This question is being examined by the Group.

Some improvements have already been made. The publications are now brought out on time and circulated so as to reach recipients on the publication date. In the contents of the journals there has been a diversification of subjects so as to include a large variety of our export products and the many facets of the commodities. The mailing lists have been revised to ensure that they reach the right targets."

12.7 The Working Group set up on the 6th May, 1971 under the Chairmanship of Joint Secretary, Ministry of Foreign Trade, in its report submitted to Government have *inter alia* made the following recommendations:

"(1) Proper selection of media from the point of maximum coverage for limited funds. For example, repetitive advertising in certain economic journals (English, French, Spainish and Arabic) having multi-national circulation.

(2) A more intensive multi-media publicity campaign in a few selected markets having greater potentialities.

(3) Utilisation of occasions like setting up of Indian exhibitions or participation in trade fairs to mount a full-fledged publicity campaign for period of 2 to 3 months before, during and after an exhibition. Even after the exhibition is over, the impact should remain.

(4) A broad-based Committee comprising representatives of Directorate of Commercial Publicity, Export Promotion Councils, manufacturers and exporters may be set up for undertaking a detailed study of the requirements, media and the market for evolving a long-term comprehensive publicity programme.

(5) An immediate cutting down of less productive activities by the Directorate of Commercial Publicity, Export Promotion Councils, Commodity Boards etc.

(6) There should be only 4 journals *viz.*, (i) Weekly, INDIAN EXPORT SERVICE BULLETIN with its supplements. (ii) Weekly, ECONOMIC AND COMMERCIAL NEWS (iii) a multi-coloured illustrated prestigeous journal and (iv) UDYOG VYAPAR PATRIKA (Hindi) which should be issued centrally by the Directorate.

(7) The illustrated English journal may also be published in French, Spainish and Arabic.

(8) A series of well-produced pamphlets and folders should be brought out for wide distribution abroad. While the Directorate should bring out P.R. pamphlets aiming at image building, Export Promotion Councils should publish pamphlets and folders containing detailed technical information.

(9) Two types of brochures should be brought out for distribution during exhibitions and trade fairs: (i) 'Throw-away' leaflets for general distribution and (ii) one brochure intended for sophisticated visitors on the above occasion.

(10) The entire overseas advertising for export promotion involving all Export Promotion Councils, Commodity Boards, Corporations, etc., should be urgently co-ordinated into a systematic national campaign by the Directorate.

(11) Supplements by themselves are not the best method of publicity and are particularly ineffective in relation to the limited resources available for commercial publicity. Export Promotion Councils and other agencies should therefore be discouraged to concentrate on Supplements.

(12) For TV publicity, full use should be made of exchange programmes through which Indian films can be shown on foreign TV circuits without payment. For this purpose only such films as can be classified in various exhange categories should be produced.

(13) There should be an effective Economic Cell' in the All India Radio on the lines of their 'Agricultural Cell' for projecting the economic development of India and potentialities for export.

(14) The Directorate should develop a programme for two types of documentary films for external publicity; (i) a series of films of various export products which are used for special audience such as importers and tradears abroad; and (ii) films for general audiences abroad giving information on the range of commodities and products produced in India. To ensure speedy completion and high quality

of films, special arrangements should be made with the Films Division to accord top priority for these jobs.

(15) Early steps should be taken to strengthen the Directorate by developing suitable expertise in the areas of publicity, planning, script writing, production and photography, etc."

12.8 It has been stated that the Working Group has examined the recommendations made by the Indian Council of Applied Economic Research in its Report 'Export Strategy for India', Report of the Standing Export Publicity Advisory Committee, Report of the Indian Institute of Foreign Trade (Reorganisation Plan—February, 1971), Report of UNIDO Mission to India concerning export production and promotion. In making recommendations the Group has drawn freely from these Reports wherever considered necessary and practicable. The Group has also examined publicity activities of the various organisations such as the Federation of Indian Export Organisations, Export Promotion Councils and the Commodity Boards. The Publicity material issued by these organisations has also been examined.

12.9 It has been stated that the recommendations made in the above Report are under examination in the Ministry of Foreign Trade and steps are being taken to expedite Government decisions thereon in consultation with the other Ministries.

12.10 The Committee are surprised to note that review of the journals and other periodicals issued by the Ministry of Foreign Trade, Export Promotion Councils, Commodity Boards has not been carried out so far in spite of the recommendation to this effect of the Standing Export Publicity Advisory Committee in 1967. Instead the Government belatedly thought it advisable to set up a Working Group on Commercial Publicity in the Ministry of Foreign Trade to make a quick appraisal of the existing publicity programmes and to give suggestions for streamlining it.

12.11 The Committee note that this Working Group set up by Government on Commercial Publicity has since submitted its report in February 1972 and has made several recommendations covering various aspects of export Publicity *viz.*, Publicity Strategy ; publicity programme, rationalisation of journals and other periodicals, advertising and the role of television and radio in creating consciousness among the people about the importance of economic development and role of exports. The Committee hope that Government would give due considerations to the recommendations contained in the Report of the Working Group and take decisions thereon expeditiously.

12.12 The Standing Export Publicity Advisory Committee was appointed by Government in October, 1966. Its members are drawn from Government and private organisations dealing with publicity as well as exports in the various media and advertising consultancy. Functions of the Standing Export Publicity Advisory Committee as enunciated in the Resolution were to provide guidance for the effective implementation of the programmes in regard to:

(i) Coverage and presentation of material :

(ii) Media of publicity ; and

(iii) Toning and improving the standards.

12.13 The interim report of the Committee was submitted in December, 1967. Its principal recommendations related to the organisation of internal publicity for creating export consciousness within the country, particularly among the trade and industry, and external publicity for projecting image of modernising and industrialising India highlighting her capacity and competence to supply industrial products of quality and required specifications.

12.14 It has been stated that the recommendations of the Committee have been examined and most of them have been either implemented or are being processed. Action taken by Government on some of the recommendations is as follows :

"(i) The recommendation relating to production of documentary films is being implemented to the extent possible by incorporating suitable programmes of the Films Division.

(ii) The Committee's recommendation relating to utilisation of the medium of radio to the fullest extent is being implemented.

(iii) The Committee's recommendation regarding instituting awards for outstanding exporters has since been implemented. The first set of such awards were given in 1969 while the second set of awards are likely to be awarded this year.

(iv) Various Export Promotion Councils, Commodity Boards have been requested to impress upon their members to issue catalogues of their products in foreign languages for distribution abroad.

(v) The Committee's recommendation regarding incurring of expenditure on commercial publicity are being followed inasmuch as the Directorate of Commercial Publicity continues to undertake general publicity. Marketing Development Fund is, however, available to the organisations/enterprises engaged in export activities for brand publicity/specific publicity for the industry.

(vi) In pursuance of the recommendations of the Administrative Reforms Commission, the Directorate of Commercial Publicity is taking suitable steps to effectively co-ordinate the publicity programmes of the various Export Promotion Council/Commodity Boards.

(vii) The Committee's recommendation relating to setting up of export information services, for formulating an export policy declaration, utilising services of specialised public relation organisations abroad, and setting apart one per cent of export earnings for commercial publicity are under consideration of the Government."

12.15 The Committee note that the Standing Export Publicity Advisory Committee in its report submitted to Government, has made several recommendations which *inter alia* include production of documentary films on Exports,

greater utilisation of medium of radio for export publicity; Institution of awards for outstanding exporters ; co-ordination of publicity programmes of various Export Promotion Councils/Commodity Boards ; setting up of export information services for formulating export policy declaration and setting apart one per cent of export earnings for commercial publicity etc. The Committee would urge that those recommendations which have already been accepted by Government should be implemented fully without any delay.

B. Exhibitions and Trade Fairs

12.16 Fairs and Exhibitions have come to be regarded as an unavoidable adjunct of the trade publicity which are being increasingly exploited in advanced countries with great success. The utility and usefulness of India's participation in fairs/exhibitions abroad is now being increasingly recognised. Besides projecting the image of resurgent India, this medium is also making signal contribution to the expansion of country's foreign trade.

12.17 The two agencies primarily responsible for holding trade fairs and exhibitions are the Directorate of Exhibitions, which is functioning as a part of the Ministry of Foreign Trade and the Indian Council of Trade Fairs and Exhibitions, Bombay, which is a registered society. Broadly those fairs and exhibitions which are designed to build the image of the country, to portray economic development in India, to attract and develop interest in Indian products and build through visual means industrial and commercial co-operation with the rest of the world, are conducted by the Directorate of Exhibitions. The remaining Exhibitions *viz.*, those in which the trading elements predominate are handled by the Indian Council of Trade Fairs and Exhibitions.

12.18 During the year 1968-69, 1969-70 and 1970-71, the Ministry of Foreign Trade arranged participation in the following international Exhibitions Fairs :—

1968-69

1. Milan International Fair, Milan '68.
2. Budapest International Fair, Budapest '68.
3. Exclusive Indian Exhibition Prague, '68.
4. Izmir International Fair, Izmir, '68.
5. Kabul International Exhibitions, Kabul, '68.
6. Levant International Fair, Bari.
7. Cairo International Trade Fair, Cairo.
8. Indian Exhibition Colombo, '69.
9. Small Scale Industries Exhibition Addis-Ababa, '69.
10. Tripoli International Trade Fair, Tripoli, '69.

1969-70

1. Milan International Trade Fair, Milan, '69.
2. Brussels International Trade Fair, Brussels '69.

3. Kinshasa International Fair, Kinshasa.
4. D-Jakarta International Fair, D-Jakarta, '69.
5. Izmir International Fair, Izmir, '69.
6. Newzealand International Trade Fair, Auckland, '69.
7. Levant International Fair, Bari, '69.
8. Plovdiv International Fair, Plovdiv, '69.
9. Royal Agricultural Show, Nairobi, '69.
10. Somalia International Fair, Mogadishis, '69.
11. Pacific International Trade Fair, Lima, '69.

Special Events

12. Second Asian International Trade Fair, Tehran.

1970-71

1. Barcelona International Fair, Barcelona.
2. Poznan International Fair, Poznan.
3. D-Jakarta International Fair, D-Jakatra.
4. Indian Exhibition, Kualalumpur.
5. Indian Exhibition, Singapore.
6. Bagota International Fair, Bagaota.
7. Izmir International Fair, Izmir.
8. St. Brik's International Fair, Stockholm.
9. Vienna International Fair, Vienna.
10. Indian Exhibition Suva (Fiji).
11. State Fair of Oklahoma.
12. Tripoli International Fair, Tripoli.
13. Utracht Spring Fair, Utracht.
14. Leipzig International Fair Leipzig.

Special Events

15. Expo' 70 Osaka (Japan).

12.19. In a written note furnished to the Committee , Government have stated that the total expenditure incurred on these exhibitions/fairs during the years 1968-69, 1969-70 and 1970-71 was of the order of Rs. 37.87 lakhs, Rs. 37.06 and Rs. 2.49 crores respectively.

International Fairs organised by the Indian Council of Trade Fairs and Exhibitions

12.20. The following international fairs were organised by the Indian Council of Trade Fairs and Exhibitions during the year 1968-69, 1969-70 and 1970-71 :—

1968-69

1. Baghdad Fair, 1968.
2. Zagreb Fair, 1968.

3. Frankfurt Fair, 1969.
4. London Exhibition, 1969.
5. Berlin Fair, 1968.
6. Leipzig Fair, 1969.

1969-70

1. Zagreb Fair, 1969.
2. Berlin Fair, 1969.
3. Sydney Fair, 1969.
4. Frankfurt Fair, 1970.
5. Leipzig Spring Fair, 1970.

1970-71

1. Milan Fair, 1970.
2. Cairo Fair, 1970.
3. Dar-es-Salaam Fair, 1970.
4. Zagreb Fair, 1970.
5. Berlin Fair, 1970.
6. Texas Fair, 1970.
7. Damascus Fair, 1970.
8. Bucharest Fair, 1970.
9. Frankfurt Fair, 1971.
10. Ghans Fair, 1971.
11. London Exhibition, 1971.

12.21 The Committee have been informed that the expenditure incurred by the Indian Council of Trade Fairs and Exhibitions on exhibitions/fairs during the years 1968-69, 1969-70 and 1970-71 was of the order of Rs. 12.66 lakhs, Rs. 18.48 lakhs and Rs. 28.55 lakhs respectively.

12.22 Apart from arranging India's participation in the above-mentioned exhibitions etc. by the Directorate of Exhibitions and the Indian Council of Trade Fairs and Exhibitions, Bombay the various Export Promotion Councils and Commodity Boards also organised participation in the Commodity Fairs/Exhibitions.

12.23 During the years 1968-69, 1969-70 and 1970-71 the Ministry of Foreign Trade also extended facilities for organising trade and commercial exhibitions in India at national and international levels and also made arrangements for organisation of exhibitions by foreign countries through their missions in India.

12.24 The Ministry of Foreign Trade have also been maintaining permanent exhibitions of export products at Calcutta and Madras. The proposal for setting up such a unit at Bombay was stated to be under consideration. It has been stated that the revival of permanent exhibitions at Delhi which was closed due to a fire accident in 1968, might be considered

after the closure of Third International Asian Trade Fair which was being hosted by India in 1972, under auspices of the United Nations.

12.25 The Committee desired to know how far within the constraints of the financial resources, the results achieved by participation in exhibitions/fairs abroad were commensurate with the expenditure involved. The Secretary, Ministry of Foreign Trade stated during evidence that:—

"It was really not possible to evaluate the impact of exhibitions or fairs. They had a certain amount of sale at the fair or the exhibition. In addition there was a long term effect in that these exhibitions might induce importers to place larger orders with Indian parties in the long run. It was very difficult to separate the increase in exports due to exhibitions and fairs from the increase induced by other factors. They could not say that the exhibitions had not produced any results, even though it was difficult for them to assess precisely the impact of an exhibition, I may add that this question is already under consideration in the Ministry."

12.26 Asked whether the Government should have a second look into the question of holding exhibitions/fairs, the secretary, Ministry of Foreign Trade stated thus:—

"I do not think that we have really been succeessful in arranging these fairs or exhibitions or show-rooms as satisfactorily as we should have done it. I admit this. As a matter of fact, this has been causing me concern. I have set up a group to go into this question of the utility and the efficiency with which our participation in these fairs and exhibitions takes place and to suggest what can be done to improve upon our best performance. Unfortunately, I have not received so far the report of the group. But I can assure you that I am very much conscious that much more needs to be done to improve our participation in the fairs and the exhibitions."

12.27 Regarding the utility and usefulness of India's participation in the various exhibitions and fairs, Government have furnished the following note:

"The purpose of India's participation in these fairs is manifold. Firstly, in regions and countries where India's industrial progress and economic development are yet to be recognised, our participation serves to bring to the notice of the Government, the people in general, the trading community and the industrialists in particular, the technological advance, the industrial skill, the scientific progress we have achieved in recent years. The wide range of industrial and agricultural products which the country is now in a position tc export, are displayed in these fairs and exhibitions, which bear the testimony of our economic development. This helps to create interest amongst the prospective buyers in these countries and widen the scope of our export in hitherto unexplored markets.

Secondly, in areas where we have established our trade contacts, our participation helps to further strengthen those contacts for increased exports.

It will, however, be appreciated that participation in foreign exhibitions and fairs, is an export promotion measure, result of which can only be measured on a long term basis. However, as is evident from the increasing number of enquiries and larger number of on the spot sales that our participation is yielding the desired dividend."

12.28 The Federation of Indian Export Organisation has made the following suggestions to the Committee in regard to the holding of exhibitions and trade fairs:—

"A detailed examination is needed about certain traditional projections being undertaken like "exhibitions" abroad. It is a matter for consideration whether any innovation should be introduced in these exhibitions, as these traditional projections are not conforming to the international standards required for expansion of trade. Perhaps a vigorous persuasion of the industrialists to take part in such exhibitions, if necessary, as a pre-condition to get export benefits, has to be thought of, so that the exhibitions will represent a projection of the industrial image of India.

It is also worthwhile considering whether "India Weeks" should be organised in greater numbers, particularly in countries where the industrial developments of India is not known to the extent necessary.

Identification of items that have export potential in a particular country should be thoroughly investigated and after such investigation in shopping list prepared, and exhibitions and product publicity should be oriented in such a manner that a particular categories of items are projected in depth and in varieties in a particular exhibition or any promotional venture *e.g.*, in UK it would be worthwhile to have an exhibition of machine tools, which could be repeatedly shifted in other sophisticated countries. It is understood that a machine tool exhibition is in the offing in Hannover but the Indian participation in this exhibition could be extended to all the other European countries. This suggestion is only a pointer to the need of such itemised exhibitions of Indian products having possibilities of exports in the countries concerned.

It is also for consideration whether consumer-oriented exhibitions should be organised. For example, the consumer sectors should be 'medical and hospital requirements from India', 'home and hotel requirements from India', 'building and construction requirements from India', so that these exhibitions will serve as projections of a multi-commodity nature, tailored to meet the needs of a specific consuming sector. This would be an introduction of a new pattern. Prior to the execution of such exhibition projects, it would be necessary to have consumer oriented directories where the manufacturers and exporters of such items are identified."

"The general consensus of the trade and industry is that in the exhibitions held at present, the following are the major shortcomings:

(i) The exhibition reflects more an Indian of handicrafts and handlooms rather than an industrial India.

(ii) There have been numerous complaints that our displays are arranged in a haphazard fashion and that the goods are sometimes not displayed at all, or even if displayed, they are put up at an eleventh hour in a shoddy fashion."

12.29 The President, Federation of Indian Chambers of Commerce and Industry in his evidence before the Committee on the 19th November, 1970 observed as follows:

".....the main problems in participation in exhibitions abroad were

(i) lack of advance planning on the part of Government resulting in inadequate notice to exporters and (ii) the lessons gained from the exhibitions were not disseminated to or discussed with the Industry."

12.30 Regarding the complaint of late decisions taken by Government for participating in trade fairs and exhibitions abroad, the Director General. National Council of Applied Economic Research in his evidence before the Committee on the 18th November, 1970 observed as follows :—

"xx xx In some of the countries, say Indonesia, Singapore and Malaysia, we did come across cases wherein those countries announced that they are going to have trade fairs and Indian Ambassadors of course wrote to Government of India that we should participate. The whole difficulty is that it took a very long time to decide and then in haste certain goods were sent without knowing as to whether these were the goods which were the right ones and the people who were sent there were the right type of people. In some countries they are very successful, but in some countries because of these difficulties like delay and late sanctioning, they make rather a very poor impression on Indian participation. Now all that what can be said is that a decision should be taken sufficiently early so that there is good preparation and our goods reach there in time and there is proper selection of men."

12.31 The working group constituted on the 4th May, 1971 under the Chairmanship of Joint Secretary, Ministry of Foreign Trade to review the principles and procedure relating to India's participation in International Exhibitions/Fairs abroad 'with a view to suggesting where and in what directions modifications may be made to organise, purposeful, more effective and result-oriented participations in exhibitions in its report submitted to Government have *inter alia* made the following recommendations:

"I. (a) To afford ample time to the trade and industry for planning considerably ahead, perspective planning and budget allocation on a three years basis has been recommended. The exhibition programme framed for three years should be finally reviewed on an annual basis before the end of July every year.

(b) The Missions abroad while intimating proposals for participations should furnish detailed information regarding character, type, business turnover, attendance, countries participating,

market prospects of Indian goods, product knowledge and technical specifications of products suggested for display.

(c) For selecting events for participation, a Standing Committee consisting of the representatives of the Ministry of Foreign Trade, Ministry of Finance (Deptt. of Economic Affairs), Ministry of External Affairs, Indian Council of Trade Fairs and Exhibitions, Federation of Indian Chamber of Commerce and Industry, Indian Institute of Foreign Trade, All India Manufacturers Organisation and Federation of Indian Exporters Organisations be constituted.

II. Principles and rationale in allocation of selected events in the exhibition programme between the Directorate of Exhibitions and the Indian Council of Trade Fairs and Exhibitions vis-a-vis their administrative and operational resources.

The fairs with predominant trading element and financial viability, in pursuance of Government decision on ARC's recommendation, should be allocated to the Indian Council of Trade Fairs and Exhibitions, unless administrative limitations or dearth of expertise or overoccupation of Council or the over-riding need for introducing a sense of competition warrants exceptions.

III. Selection of items for display at Exhibitions/Fairs abroad.

(a) To enable the participation firms to contribute right type of products, the organizing agency should circulate to the trade and industry the market prospects and the technical specifications of the goods required by that market.

(b) To safeguard against the shipment of sub-standard goods for display in participations, the Export Inspection Council may be associated for pre-shipment inspection of the exhibits at convenient centres.

IV. Ways and means to generate enthusiastic response from the industry and trade for participation in exhibitions/fairs abroad.

(a) The grant from the market development fund to the Export Promotion Councils should be enhanced from 75 per cent to 90 per cent of their expenditure of market development.

(b) The Ministry of Foreign Trade should recommend to the Ministry of Finance that the expenditure incurred on participation in an exhibition should be included in the 'Market Development Allowance' for purposes of income tax rebate.

(c) To encourage the trade and industry to participate in exhibitions of exploratory character, no space charges should be levied.

(d) To avoid delays, the Indian Council of Trade Fairs and Exhibitions should be authorised to make recommendations for the release of foreign exchange direct to the Reserve Bank of India in respect of the Fairs in their charge.

V. Setting up of machinery for evaluating immediate and long term results of participation in Fairs/Exhibitions abroad and for organising follow up action.

The organizing agency should be strengthened and adequately staffed to collect the results percolating from the trade enquiries and prolonged negotiations over a period of time and for preparing evaluation report on participations.

VI. Co-ordination of all efforts connected with participation in Fairs/Exhibitions abroad under the overall charge of the Director of India Pavilion.

Officers who may have to discharge responsibilities as Directors India Pavilion effectively may be given an orientation course."

12.32. It has been stated that the recommendations made in the Report are under examination in the Ministry of Foreign Trade and steps have been taken to expedite Government decisions thereon in consultation with other Ministries.

12.33 The Committee note that exhibitions and trade fairs constitute a very powerful and effective means of projecting a country's industrial image and developing and diversifying trade among various countries. By attracting buyers and sellers from different parts of the world, they not only strengthen the already established trade links, but also create new channels and possibilities for the growth of economic relations. The role of exhibitions and trade fairs in stepping up the country's exports cannot be minimised. While the Committee appreciate that it is rather difficult to assess, precisely the impact of exhibitions and trade fairs, they would stress that a suitable machinery be set up for evaluating immediate and long term results of participation in Fairs/Exhibitions abroad and for organising follow up action.

12.34 The Committee note that the Working Group on India's participation in international fairs and exhibitions abroad has since submitted its report to Government in February, 1972 and has made several recommendations therein covering various aspects of holding of fairs and exhibitions *viz.*, criteria and methodology for drawing up exhibitions programmes, constitution of Standing Committee representing various interests for formulating the programme; perspective planning and Budget allocation, annual review; selection of items for display at the exhibitions; compilation of information of products etc. etc. The Committee hope that the recommendations of the Working Group will be examined and implemented by Government expeditiously.

CHAPTER XIII

INDIAN MISSIONS ABROAD

(*i*) *Organisation and Functions*

13.1 Promotion of economic and commercial relations with countries with whom India has diplomatic relations is an integral part of the work of every Indian Mission abroad. However, where the level of trade between India and the country concerned is significant separate Indian Commercial Wings have been opened as part of the Indian Diplomatic Missions. During the last 20 years, the scope of India's global economic and commercial relations have widened and deepened considerably. Apart from destinational diversification of India's trade, there has been a significant change in the product pattern also particularly with regard to non-traditional items of export. Economic and Commercial relations with newly independent developing countries have also assumed special significance. All these have led to the opening of new commercial missions abroad. For example, the number of commercial offices abroad was 25 in 1950 and this increased to 41 in 1961, to 50 in 1966 and to 56 at present. A list of locations where commercial representatives are posted is at Appendix XXXV. It would be noticed that out of the 56 commercial representatives, 12 are in the South and East Asia and Australia region, 12 in West Asia and North Africa, 16 in Europe, 9 in Africa South of Sahara, 5 in the North American continent and 2 in the South American continent including the Caribbean.

13.2 While the expenditure of the Diplomatic Missions is borne by the budget of the Ministry of External Affairs, the expenditure on the commercial Missions is borne by the budget of the Ministry of Foreign Trade. In certain cases new Missions have been opened under the control of the Ministry of Foreign Trade since in these places, at present, the commercial work is predominant. Examples are the Missions opened in Tunis (Tunisia), Amman (Jordan), Caracas (Venezuala) and Lima (Peru). In these cases, the Head of the Mission (the Ambassador of India to these countries) is resident in a different country—Morocco, Lebanon, Brazil and Chile respectively.

13.3 In certain other cases, additional offices have bee n opened in places other than the capital which are commercially and econo mically important while the Embassy or High Commission of India is situa ted in the capital, the other cities are usually covered by Consulates or Consulates General. For example, there are two Consulates General in Frankfurt and Hamburg in the Federal Republic of Germany while the Embassy of India to the Federal Republic is situated in Bonn. Likewise, there is a separate Deputy High Commissioner's Office in Sydney while the High Commission of India to Australia is situated in Canberra. In the United States commercial wings operate in New York and San Fransisco in addition to the Embassy of India, which is in Washington.

13.4 There is one other specialised Mission under the administrative control of the Ministry of Foreign Trade. This the office of the Resident Representative of India to UNCTAD and GATT in Geneva. This deals with international trade policy matters coming under the purview of these two international trade organisations.

13.5 All commercial representatives function under the administrative control and supervision of the concerned Head of the Mission. In 1968, all Heads of Missions were addressed by the Ministry of External Affairs asking them to pay greater and more personal attention to economic matters.

Functions of the Commercial Officer

13.6 Commercial officers perform a variety of functions, the more important ones among them being:—

(i) advising and assisting the Head of the Mission on broad issues of trade, industry and finance, and in particular commercial and economic questions requiring attention. The Head of the Mission, even though he may not be a commercial representative, has overall responsibility of the functioning of the Commercial Section of the Mission and the Commercial Representative functions under his guidance and control;

(ii) assisting the Ministry of Foreign Trade in formulating its economic and trade policies;

(iii) assisting the business community, trade associations, Chambers of Commerce, Statutory Bodies, Export Promotion Councils, Commodity Boards, etc. by answering their trade enquiries, providing assistance to the visiting Indian businessmen and trade Delegations etc., conducting market surveys, procurement of samples, settlement of trade disputes, obtaining tender forms and supplying them to India;

(iv) Miscellaneous functions like organising exhibitions, giving commercial publicity, liaison with commercial institutions, diplomatic colleagues and Indian commercial community.

13.7 The Ministry have in a written note furnished to the Committee stated that in addition to the despatches that the Heads of Missions may send from time to time on subjects including economic matters, Commercial Representatives abroad were required to submit the following kinds of reports*:—

"I. Monthly Report on Economic and Commercial Conditions in two parts :—

(a) Part I of the Report should be factual and should not include confidential matter. The emphasis should be on promotion of exports from India.

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*At the time of factual verification the Ministry of Foreign Trade have stated thus:—

"The question of the Monthly letter referred to in this para is under review at the moment. Pending a decision no monthly letters are being sent as the old system was considered totally inadequate and discontinued. A new system of feed-back of Commercial information to Missions abroad will be devised and made operative soon."

(b) Part II report should be in the form of a confidential D.O. letter addressed to Secretary, Ministry of Foreign Trade by name and should be a personal assessment of events by the Commercial Representative.

II. Half-yearly Report.

III. Annual Report.

The submission of the reports described above in no way limits the freedom of Commercial Representatives to furnish more frequent reports on subjects which necessitate separate despatches. Matters of immediate interest to Government which cannot await the monthly report are to be reported or in exceptional cases by telegrams."

Staffing Pattern

13.8 It has been stated by the Ministry that the opening of commercial wings in Indian Diplomatic Missions depends on the importance of the country concerned in relation to India's export effort. Likewise, the staffing pattern for each mission is also determined keeping in view the work involved with particular reference to the potential for growth of Indian exports. By and large, most commercial offices are headed by an Officer of the rank of First Secretary. There are 33 such offices. In the case of 13 offices, officers of the rank of Second Secretary head the commercial wing; in three cases officer of the rank of Third Secretary and in the remaining two cases officers of the rank of Registrar head the commercial wing.

Level of Representation

13.9 In certain countries where volume of trade and the scope and depth of India's economic relations are significantly more important, the level of representation is higher. For example, in the case of the United Kingdom, the commercial and economic wing is headed by a Minister (Economic); in the case of Moscow also, the head of the economic and commercial wing is of the rank of Minister. In Cairo and Brussel there are Officers of Counsellor's rank—Overseeing Commercial work. In the case of Washington, though the Minister (Economic) is borne on the budget of Ministry of Finance (Deptt. of Economic Affairs), he is in-charge of all commercial and economic work.

Appointments to posts in Indian Missions

13.10 All appointments to posts in Indian Missions abroad including commercial posts are made by the appropriate Establishment Board of the Ministry of External Affairs, such as the Foreign Service Board and the Senior and Junior Establishment Board which also provide for representatives from the Ministry of Foreign Trade at appropriate level. By and large the Officers and staff posted to the commercial offices abroad belong to the two branches 'A' and 'B' of the Indian Foreign Service. Whenever a clear need for posting officers with specialised knowledge not currently available in the Foreign Service is established, officers from other services like the Indian Administrative Service, the Indian Economic Service and other Central Services are also appointed.

13.11 On the role of Indian Trade Missions abroad a leading export organisation has made the following suggestion to the Committee :—

"Their role is perfunctory. For Indian Trade Missions to be really effective we suggest that there should be a separate Trade Commissioner's Service on the pattern followed by the Governments of Australia and Canada."

13.12 The Federation of Indian Exports Organisation has made the following suggestions to the Committee in this regard:—

"The Federation does not agree with the opinion expressed by the Export Houses that the assistance rendered by the Indian Trade Missions abroad is perfunctory. It may be that one or two Missions may not be functioning very effectively, but in general the Missions abroad try their best to ensure that maximum assistance is rendered by them. It is, however, true that in the case of actual trading or trade promotion—since such personnel are normally drawn from the IFS or IAS—they find it difficult to understand and resolve economic problems. The suggestion of the Export Houses that there should be a separate Trade Commissioner (Service) is good. In the first instance, the personnel for this service could be drawn from existing export organisations and export promotional institutions. This would ensure specialised attention to commercial problems and activities."

13.13 The Federation of Indian Chambers of Commerce and Industry have given the following suggestion to the Committee:—

"The general impression continues that the Indian Trade Missions abroad can render better assistance to businessmen going abroad. The personnel must have better prior training in India. He should develop proper contacts with merchants in the country where he is posted, must have enough knowledge of the potential of the market and of the specialised problems of dealing with it. Apart from the quality and the attitude of the Commercial Secretaries, a system has to develop under which they can be made less desk-bound than is the case at present. Some proposals in this regard were considered at the "Seminar of Export Research" jointly sponsord by National Council of Applied Economic Research and Indian Institute of Foreign Trade with the co-operation of USAID (April, 1970) where suggestions were put forward for revision of the Manual of Instructions. One of the suggestions that, instead of writing detailed annual reports and giving data about the country concerned, a system would be built in the Ministry of Foreign Trade where such information will be gathered together on a uniform pattern for different countries. If this happens the trade representatives can be easily asked to concentrate attention on market potential, tenders issued in those countries and other trade promotional measures. The Federation would also like to suggest the need for recruiting trade representatives from the ranks of export houses and the like. A proper system of feed-back has to be built so that the Indian trade representatives abroad are fully familiar with the

recent economic and commercial developments in the country, as well as of the detailed changes in the system of industrial licensing and changes in trade policies and procedures".

13.14 It has been stated by the Ministry that with a wide variety of functions which the commercial representative is expected to perform it was possible that there might be occasions where the Indian exporter might have felt that adequate service had not been rendered but there had been no general complaints that the functioning of the Missions were perfunctory.

13.15 The Committee have been informed that steps were being taken to revise the Manual of Instructions to the Commercial representatives in order to streamline their functioning, the main emphasis was to be on a lesser number of but more purposeful, reports from the Commercial representatives so that they were free to devote more of their time to export promotion work. They were also being called upon to enlarge the area of their contacts with the business community in the country of their posting.

13.16 It has been further stated that in many cases the commercial representatives have been handicapped from rendering useful service to the visiting Indian Exporters because of inadequate notice of the visit and insufficient knowledge of the purpose. The visiting Indian businessmen often would not keep up their appointments fixed through Indian Missions and would not care to give notice of the change in their programme. Steps were, therefore, being taken to inform Indian exporters of the nature of the functions performed by the Indian Commercial Representatives and the kind of assistance they were expected to render to the exporters.

Feed-back of India's Trade Representatives abroad

13.17 In reply to a question as to what was the existing mechanism for feeding back of Indian Trade representatives so that they are full familiar with the recent economic and commercial developments in the country as well as detailed changes in the system of industrial licensing and changes in the trade policies and procedures, it has been stated by the Ministry in a written note that the present system for keeping India's commercial officers abroad familiar with the latest development in India was as follows:

"(i) Bharat Darshan Tours and briefings in the Ministry before foreign postings.

(ii) Monthly D.O. letters to the Missions abroad giving the information about the latest changes in import/export industrial licensing policy, trends in export trade etc.

(iii) Various journals published by Director of Commercial Publicity namely, Foreign Trade of India, Journal of Industry and Trade etc. are being supplied regularly to our Missions. These journals contain useful material on India's progress in industrial and allied fields.

(iv) There was also a system of radio transmissions to our missions abroad informing them about the latest developments. This has, however, been abandoned since January, 1971."

(ii) *Pattern in Australia and Canada*

13.18 It has been stated that Australia and Canada have a separate Trade Service, under the control of the Department of Trade and Industry. Officers posted to Australian or Candadian Trade Offices are drawn from this Trade Service which is independent of the regular diplomatic service of those countries.

13.19 However, in most other countries, the system adopted is that of an integrated diplomatic service, the members of which are expected to serve in any capacity—political, chancery, trade and economic, information or consular—in the diplomatic Missions abroad. For example, in the case of the United Kingdom there is one diplomatic service manning all the posts, except specialised ones, in all British Missions abroad, whether in foreign or in Commonwealth countries. Most developing countries also follow an integrated diplomatic service system.

13.20 Pillai Committee constituted by the Minister of External Affairs to review the working of the Indian Foreign Service also examined the question of continuing the integrated system and recommended that economic and commercial functions should be considered as essential and indispensable part of the work of the Foreign Service and that all such work abroad should be handled by officers belonging to a single Foreign Service cadre. The need for a reasonable degree of specialisations in one or more of the aspects of the functions of Foreign Officers has been recognised.

13.21 Asked whether it could not be desirable to adopt the system similar to that followed by Australia and Canada, the Ministry of Foreign Trade have in a note furnished to the Committee stated that :

"When the Indian Foreign Service was formed the Cabinet had decided for a unified cadre for political, economic and other work to be done by our Missions abroad. Pillai Committee had also recommended the continuance of unified cadre.

As compared with the volume of trade which more advanced countries of the world have to handle, India's global trade has so far been small. Viewed in this context the present system has been found to be by and large satisfactory. However, with the continuing emphasis by the Government on rapid expansion, and diversification of our exports as well as Commercial relations with the foreign countries, the complexities of the operations involved therein and the high degree of professional competence required to tackle them, it would be conducive to promotion of foreign trade and commercial relations both on bilateral and multilateral level, if only suitably trained officers are posted abroad and their services are available for this work on long-term basis.

...Effort is being made to introduce the necessary changes within the framework of the existing Indian Foreign Service. If this experiment does not, however, produce the desired results, the question of creating a separate service say Indian Commercial Service will be taken up."

13.22 Touching upon the role of foreign service officers in economic and commercial functions, the Secretary, Ministry of Foreign Trade stated during evidence, the need for specialisation in respect of Commercial and Trade work which was being done in the Missions abroad had been recognised. He stated that:

"The need for specialisation has been recognised by the Pillai Committee and the Ministry of External Affairs have accepted the recommendations of the Committee. We have also taken up with them the need for specialised training and knowledge of the officers who are posted to Commercial Mission. As a first step, all the D.F.S. officers are now given a six weeks training course of foreign trade before they go abroad. They are also attached to the Ministry of Foreign Trade for some weeks. Although it is admittedly inadequate, but the beginnings have been made of giving them the basic ideas about the commercial work abroad and then as I have explained we try to keep those officers who have shown promise and who do good work on the commercial side; we try to keep them for longer period so that their service, knowledge and experience is available to us."

13.23 Regarding the need for improvement in Commercial Sectors of the Missions abroad, the Secretary stated:

"We entirely agree that there is need for a great deal of improvement in the services rendered by commercial sections of our Missions abroad. As you said, they are changed from one job to another, and with this change in the nature of duties, the specialisation is not acquired, they are not really well-equipped to deal with the kind of commercial work which they have to do but we are trying to remedy this as far as possible. The other thing is, they do not have the facilities for doing the kind of commercial work. There , we are trying to provide the facilities to the extent possible; they are not adequately staffed... If it is not possible to get the kind of service from our commercial Missions abroad which the exporting community needs, we might have to consider the question of a separate service; at present our attempt is to see to train up these officers and improve the staffing and improve the career of service that they should give to the business community.

13.24 On the question whether there should be one unified service or that there should be separate service for trade and commercial functions, the Secretary, Ministry of Foreign Trade stated:

"This is a very serious problem. We have been thinking about it. We have not yet been able to find a satisfactory solution. Pillai Committee recommended that there should be one service. That might be called foreign sercvice proper. We have a small number of posts abroad. The service has to be run on general lines which requires that the tenure of officer at a particular place may be three years. We may find that three years is not adequate for him to acquire the necessary expertise to deal with our problems. Then we would like to bring to the Ministry here an officer who has shown promise on the commercial side, give him further opportunities for doing commercial and trade work and send back to another commercial wing abroad. This may not always be possible. These matters

are under discussion with the Ministry of External Affairs so as to organise a system in which we can get a kind of competent officers who have acquired necessary experience in trade and commercial matters whom we can keep for a reasonable period. We may also be able to provide for them the facilities which are necessary for their handling work with competence."

13.25 He further stated:

"Government had already taken a decision when the Indian Foreign Service was constituted that there should be a unified service. That this Service should look after political, economic and all other external matters. There are a number of other countries which have similar arrangements. Canada and Australia both have a separate cadre for their trade service outside but in UK it is the same service. So, once a decision having been taken we have to have very good grounds before we ask for a change in the decision and that the system at present is not capable of delivering the goods. As I have explained, at present we are engaged in the exercise of improving the performance of the officers at present working in the Commercial Wings of the Missions abroad. If we find that in spite of our efforts we are not able to get the kind of service which is desired, then we might think in terms of a separate trade service."

13.26 The Additional Secretary, Ministry of Foreign Trade expressed the following view in this connection:

"....Our Foreign Service was constituted about 24 years ago and it was then considered that it should supervise all foreign relations, including economic. And, for the last 15 years the main emphasis has been that the Ambassadors and other officers should do commercial work. We have no other political axe to grind except to sell our products, and this is what we have been-doing for the last 15 years. In most places the Embassies have done very good work.

As far as the recommendations of the Pillai Committee are concerned, this Commission included people from all walks of life and Shri Raghavan Pillai himself had a very good background. These recommendations were also considered and accepted by the Cabinet. The Report was also considered in Parliament at one stage and whatever decision we have taken in regard to a unified service has great merit. Except for Canada and Australia, even in UK they have merged the foreign services tinto one. They had been operating as separate services but it was considered undesirable from the economic point of view. That countty has a much bigger role to play but they found it was not useful to them to have a separate service. These days, even economic approaches assume a political angle. No economic discussion can be confined to the economic field alone; politics comes in. Unless an officer has the necessary political background, he will cut a very sorry figure abroad. I personally feel, in spite of whatever you have said about the foreign service, they have worked wonderfully well in the past 24 years.

They have performed very difficult tasks under very difficult conditions not knowing the languages, not knowing the history etc. Few people in India know the names of all the countries in the world, but a foreign service officer is supposed to know not only that but the languages, their peculiar conditions, the customs, the various pulls within a country (every country has different interests). And these Officers have to go and operate there under such difficult conditions. I may assure you—even as you have said that in some places they have not functioned well—that in some places they have functioned extremely well."

13.27 The Secretary, Ministry of Foreign Trade, however, added:

"I may admit that I would slightly differ.... In many of the developed countries, their trade patterns are set, their problems are much less complex than the problmes of developing countries. It is in this context that our foreign Missions have to function. They have to provide more services than the entrepreneurs in other countries which are more developed required because, in the more developed countries, firstly the flow of information is much greater and secondly, the facilities for obtaining information are greater. The entrepreneurs themselves are well informed about the stage of different markets. I think that what is important is that our Missions abroad should lay more and more emphasis on commercial work and it has to flow from the top downwards. It is only when the Ambassador himself takes interest in the work that lower down also there will be the same spirit and the same amount of interest taken in that work.

I just wanted to mention that it is difficult for us really to accept either the pattern of Canada or Australia or to adopt the pattern of the newly formed and unified foreign service in UK. I think we have a system already in existence where the foreign service functions as a unified service and we should really try to make the best use of it before we decide that it is not capable of serving our purposes."

13.28 Asked since when this feeling of concern prevailed in the Ministry of Foreign Trade, the Secretary stated that:

"It is not that one day we suddently became dissatisfied or that we got up on the morning of, say the 31st October, and discovered that we were dissatisfied. It is a feeling that grows as you see and watch the progress of work; and then you try to take steps to remedy the situation. It is a continuing effort. It is difficult to say precisely that at such and such a stage we became dissatiasfied... we have, even now, in some commercial Missions abroad, some first rate officers in our foreign service who must be a credit to any commercial organisation anywhere. I would be able to pick out at least two dozen such officers who would be excellent assets to a foreign trade service So, it is not that we are fully dissatisfied with the performance of work of the officers of the foreign service. There are exceptions also. There are people who are outstanding. If there has been a failing in the structure of the service at present constituted, perhaps

it is not because of the officers we have. And that is why an attempt is being made all the time to see what can be done to improve it in several directions."

13.29 In the United Kingdom the Prime Minister of UK appointed a Committee under the Chairmanship of Lord Plowden to review the purpose, structure and operation of the services responsible for representing the interests of the United Kingdom Government overseas both in commonwealth and in foreign countries. Similarly another Review Committee on overseas representation (1968-69) was appointed under the Chairmanship of Sir Val Duncan. These Committees submitted their Reports in 1964 and 1969. In Canada, a Royal Commission on Government Organisation was appointed in the year 1963. A summary of the main recommendations contained in these Reports, which are relevant to the subject under examination, are given in Appendices XXXVI.

13.30 The Committee note that Indian Foreign Service is meant to cover all aspects of functioning abroad including commercial, foreign trade, economic, political, financial matters etc. The Committee understand that save Australia and Canada most other countries have one integrated foreign service to look after all these interests. The Committee consider that for a developing country like India, foreign trade, commercial and economic matters are of crucial importance. The Committee suggest that the training course for officers of Indian Foreign Service should be suitably amplified in consultation with the Ministry of Foreign Trade/Institute of Foreign Trade to provide a deeper understanding of our country's industrial and commercial base and the imperative necessity for stepping up exports on a sustained basis.

13.31 The Committee also feel that the officers of the Foreign Service should be inducted in the Ministry of Foreign Trade in the formative years of their service say after they have put in 3/5 years of service abroad and gathered adequate background to realise the context in which they have to function. In the Ministry of Foreign Trade, the Foreign Service Officers should be given adequate opportunities to gather first-hand experience of mechanism, working and problems of foreign trade. These officers should be encouraged to pick up the language of trade and industry which would help them to establish better rapport with the importers and industrialists in the foreign countries as well as in India. The Committee also need hardly point out that these officers should be given an intensive course in the language of the foreign country where they are intended to be posted so that they can transact business more effectively. These officers should thereafter be posted in accordance with a carefully thought out plan, (details of which should be worked out in close conjunction with the Ministry of Foreign Trade) to regions/countries where their intensive training and experience in problems of foreign trade would prove a distinct asset. The Committee expect Government to closely associate the Ministry of Foreign Trade in the posting of officers for commercial and trade work in missions abroad so that officers who have the requisite academic background, aptitude, training and experience are posted to these sensitive posts which demand a high professional standard.

13.32 The Committee consider that the Head of our Missions abroad should give a purposeful lead in matters of trade. It should be the special responsibility of the Head of the Mission to see that the commercial and trade

wings under him achieve the objective of finding larger and greater opportunities for Indian exports particularly of non-traditional, semi-manufactured and manufactured goods.

13.33 The Head of the Mission should in particular keep his eyes and ears open for any significant developments and trends which have a bearing on exports so that the timely transmission of information to our Government/ industry at home may help in making the best of export opportunities. The Committee consider that Government should at the highest level impress on the Heads of the Missions that their export performance will receive as much weightage as their diplomatic skill in evaluating their overall performance. The Committee have no doubt that senior officials of the Ministry of Foreign Trade would be closely associated in evaluating the performance and achievement of officers working on foreign trade and commercial assignments abroad.

13.34 Another suggestion which the Committee would like to commend is that budget for Trade and Commercial missions abroad should be performance oriented so that it is possible to relate the expenditure on the mission to export performance. The Committee feel that every effort should be made to introduce this kind of financial accountability so as to bring home to all concerned their responsibility for achiving greater exports.

13.35 The Committee consider that there should be greater inter-change of officers between the Ministry of External Affairs and Foreign Trade at all levels so that there is continuous and close co-ordination and understanding of problems of foreign trade both at the policy making and field levels. In fact career planning of officers charged with diplomatic assignment should be so done that before an officer comes to be appointed as head of mission of a country, where India has large foreign trade interest, he has to his credit experience of working and successfully tackling problems of foreign trade at lower echelons of service.

13.36 The Committee expect the Heads of Missions, Commercial/Trade Representatives to spare no efforts in helping the exporters from India to find the desired openings and in exploring ways and means of stepping up exports.

13.37 The Committee also feel convinced that if representation is given to officers drawn from Foreign, Trade exporting organisations etc. in our commercial and trade offices abroad, these lateral entries would bring in the much desired professional skill and knowledge in these sensitive assignments and would help in no small measure to win and sustain the confidence of Indian exporters. There is also no reason why promising officers with commercial and foreign trade experience and of proven merit should not in due course be accepted as an integral part of Indian Foreign Service. The Committee need hardly point out that experience and first-hand knowledge gained by officers of Foreign Trade and export organisations in assignments abroad should be considered an additional qualification for higher responsibility and promotion in their own parent cadre.

13.38 The Committee would also impress on the Ministry of Foreign Trade the need for spelling out its export targets in terms of commodities and countries in greater detail so that effort by our Missions abroad may be intensified in the desired directions. The Committee have no doubt that while fixing up the targets Government would ensure that the countries in our neighbourhood

receive special attention for building up trade relationships which are mutually beneficial and satisfactory.

13.39 The Committee would stress that once targets in terms of countries, commodities etc. have been fixed the requisite inputs which would help to step up export effort should be made available on priority basis.

13.40 Considering that foreign trade, economic and commercial matters are a vital constitutent of foreign policy, the Committee stress that there should be effective co-ordination at all levels between Government Departments and agencies concerned. The need for cohesive thinking is indicated the most at the highest policy making level. The Committee note that Government have recently established a Foreign Policy Planning Committee and would suggest that that Committee should also address itself to the strategy of export and the follow-up action required to back it so that policies both abroad and at home are purposefully guided to achieve the planned goal of exports paying for all imports.

(III) *Market Surveys*

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

13.42 It was represented to the Committee that owing to lack of funds and suitably qualified staff in India's Trade Missions abroad, survesy carried out by the Missions were necessarily sketchy especially so when compared to the surveys carried out under the USAID programme. Asked how the situation was proposed to be remedied, Government have in a written note furnished to the Committee stated thus:

> "It is recognised that the financial and technical resources available to our Missions abroad need to be strengthened. It is expected that the TDA would also play an active role in conducting market surveys for products and countries assisgned to it for promotional work. As regards technical resources, including availability of skilled personnel, the Indian Institutes of Business Management in the country are helping, through their training programmes, to increase the reservoir of technical skills available in the country."

13.43 It is imperative in the interest of promotion of country's foreign trade that the market surveys are not only upto the minute but cover all aspects of significance to Indian exporters. The Committee consider that Government should critically appraise without delay the methodology and scope of export surveys in consultation with export organisations, Indian Institiute of Foreign Trade, Trade Development Authority etc. so as to identify the areas calling for improvement. Government should thereafter take concerted measures to ensure that export surveys are undertaken according to a well thought out, coordinated and purposeful plan which would serve to focus attention on concrete export potentialities. While the Committee are not averse to additional ex-

penditure being incurred, if it is absolutely essnential, in the interest of improving the quality and usefulness of survey reports, they cannot stress too strongly the need for avoiding any duplication of effort and of ensuring that the surveys serve not an academic but the pragmatic objective of locating newer markets for our export goods. It is important that our commercial and trade representatives are not so over-burdened with paper work that it does not leave them adequate time to undertake active field work for export promotion.

(iv) *Availability of Statistical Data with Indian Trade Missions abroad*

13.44. Asked whether it was a fact that commercial statistical data available with Indian Trade Missions abroad did not reflect the current marketing commercial secne and what remedial measures had been adopted to set the matter right, Government have in a written note furnished to the Committee stated thus:—

"Our Trade Missions abroad are expected to keep up-to-date statistical data about economic and commercial activities in the countries they are posted. The scope of the data required to be kept is explained in chapters IV and V of the Manual of Instructions to Commercial Representatives abroad. The Commercial Representatives try to collect the requisite data and keep it up-to-date but there are certain handicaps in achieving this object:

(a) It is only in a few developed countries *e.g.*, USA, Japan, UK, West Germany etc. that the publication of commercial statistics is practically up-to-date. In other countries publication of statistics is generally out of date sometimes by a year. The Commercial Representatives have no alternative source of information and have to depend upon guess work or unauthorised newspapers reports.

(b) Even in case of developed countries all commercial statistics are not readily available. An exporter may desire to have information on a particular product statistics in respect of which are either not published separately or are available only in specialised publications. Collection of such specialised data could form a part of a market survey on the product but not the part of general services which our Commercial Representatives can provide. It must be kept in view that the staff in our Commercial Missions is generally very limited and non-technical in its training.

A study has since been made about the collection of economic and commercial data in respect of foreign countries through our trade missions. A proposal to streamline the system for collection and dissemination of this data is under the active consideration of the Ministry of Foreign Trade."

13.45. The Committee note that Government have undertaken recently a study about the collection of economic and commercial data in respect of foreign countries through India's Trade Missions abroad. The Committee stress that there should be an efficient machinery for digestion of informa-

tion which the Ministry of Foreign Trade receive from our foreign missions abroad and from other agencies so that it is put to effective use in reviewing and moulding our policies in the interest of sustaining and increasing exports. The Committee would also suggest that the Ministry of Foreign Trade should encourage trade and industry to draw upon its store of information in the interest of timely action to avail of export opportunities.

13.46. The Committee would suggest that the Ministry of Foreign Trade should consult leading exporting organisations, Indian Institute of Foreign Trade, Trade Development Authority etc. with a view to streamline the collection and efficient dissemination of information having bearing on foreign trade.

13.47. The Committee would further suggest that collection and dissemination of information should be kept under continuous review so that necessary improvements in the light of felt needs may be made without avoidable delay.

CHAPTER XIV

CONCLUSION

14.1. External trade is an important variable in the economic equation of a country. By providing the wherewithal for financing the import needs of a country, the rate of expansion in exports determines to a large extent the pace of its economic progress. Of course, export expansion will not automatically guarantee economic growth unless accompanied by complementary policies conducive to growth. It is, therefore, heartening to note that the role of exports in achieving a quicker pace of economic development of the country is now being increasingly recognised. With the adoption of various institutional, fiscal and other measures and with the broadening and strengthening of the institutional framework for promoting exports, the exports will play an important role in the country's economic development.

14.2. It is also welcome that India's foreign trade policy has been reviewed in the context of the objectives, strategy and priority of the Fourth Five Year Plan. It is hoped that no pains will be spared in achieving the targets of compound growth rate of expansion at 7 per cent per annum, envisaged in the Fourth Five Year Plan.

14.3. India's adverse Balance of Trade has narrowed down from Rs. 479.5 crores in 1960-61 to Rs. 134 crores in 1970-71. With the various measures taken by Government it should be possible to further narrow the gap between exports and imports so that the exports pay for imports. It should at the same time be ensured that the industry in the country is not denied its essential import requirements so that the installed capacities are utilised fully.

14.4. The share of India in world trade has come down from 1.2 per cent in 1961 to 0.7 per cent in 1969. Nearly 90 per cent of the increase in World Trade is due to expansion of trade in manufactured products and industrialised countries amongst themselves account for over 80 per cent of the trade leaving only less than 20 per cent to be shared by developing countries. India has continued to rely heavily on exports of primary products such as jute goods, tea and cotton textiles which constitute nearly 30 per cent of India's export earnings. The Committee would like Government to extend every facility to these three traditional export earners to maintain and improve their share in exports. The Committee feel that there is also need for diversification of India's exports with a view to increase exports of manufactured and non-traditional goods. India has now a wide and growing industrial base. India is also geographically well-situated. Now that Japan is switching over to the manufacture of more and more sophisticated goods, India should utilise the opportunity to develop its exports of manufactured goods, particularly to developing countries.

14.5. High hopes were generated at the time the Export Policy Resolution was introduced in the Lok Sabha. It was a comprehensive statement which

broadly indicated the areas for intensive export development and also identified, in general terms, the difficulties and handicaps facing the export effort. It is, however, disappointing to note that the Inter-Ministerial Working Groups which were set up by the Ministry of Foreign Trade in 1970 to go in detail into the question of concrete measures for stepping up exports to twenty promising product lines have not yet finalised their reports. There is, therefore, the need for finalisation of these Reports, taking note of the latest developments without delay. Government should lay down a time-bound programme not only for submission of Reports, but for taking decisions thereon, so that action along the desired lines can be processed at least during the remaining two years of the plan. A comprehensive annual statement showing the progress made in implementation of the Export Policy Resolution should be laid on the Table of the House so that the Members are apprised of the progress made in concrete terms and there is opportunity for discussion, identification of areas of weakness and constructive suggestions for effecting improvement.

14.6. The Ministry of Foreign Trade have set up an Export Planning Section to closely watch the performance, analyse the reasons for any shortfall and take remedial action. The mechanism and machinery for review should be improved in the light of experience gathered so as to subserve this objective.

14.7. The Fourth Five Year Plan (April, 1969 to March, 1974) visualises India's export to reach a level of around Rs. 1900 crores in 1973-74 and adopts a compound rate of growth of 7 percent on the basis of which exports during the plan period as a whole are expected to aggregate Rs. 8300 crores. As against these targets, the exports in 1969-70 amounted to Rs. 1413.21 crores, compared with Rs. 1357.87 crores in 1968-69. Similarly, during the year 1970-71, as a whole, exports totalled Rs. 1535 crores, recording an increase of Rs. 122 crores or 8.6 per cent over the preceding year. The overall increase during the first two years (1969-70 and 1970-71) of the Fourth Plan period would be Rs. 177 crores i.e. 6.35 per cent on an average. The rate of growth in export during the period thus has been below the 7 per cent Compound rate of target envisaged for the Fourth Plan. The reassessment of export prospects for the remainder of the Plan period as given in the Mid-term Plan appraisal indicates that exports may amount to Rs. 1660 crores in the year (1971-72) and then rise to Rs. 1760 crores in 1972-73 and Rs. 1907 crores in 1973-74. On this basis growth rate in exports would work out at 8.1 per cent in 1971-72, 6 per cent in 1972-73 and 8.4 per cent in 1973-74. Over the period of the Fourth Plan as a whole, the export earnings are now placed at a total of Rs. 8273 crores as compared to an estimate of Rs. 8300 crores given in the Fourth Plan document thus showing a shortfall of Rs. 25 crores in exports.

14.8. According to the Director General of Commercial Intelligence and Statistics data overall export earnings during 1970-71, rose to Rs. 1,535 crores an increase of more than 8 per cent over the exports recorded in 1969-70. However according to the Reserve Bank data, the exports in the year 1970-71, amounted to Rs. 1403 crores. There is a discrepancy of Rs. 132 crores between the two figures. Since, however, there was a change in the method of compilation in November, 1970, a comparison between the performance in the two years is vitiated. The Committee welcome the timely statement of the Minister of Foreign Trade in both of Parliament on the 14th March, 1972 on the subject

of discrepancy between the data compiled by D.G.C.I. & S. and that compiled by the Reserve Bank of India. The High Powered Committee presided over by Dr. B. S. Minhas, Member, Planning Commission to review the working of the office of D.G.C.I. & S. and make Ordy-Row an assessment of the new method of compilation of export statistics should submit its report early, so that the manner of compilation of statistics is placed on a sound basis.

14.9. It is imperative to create conditions for a rapid growth in industrial production with a view to generate surpluses for exports. With this end in view Government may review the various measures taken by them to create climate for rapid growth of production and generation of surpluses for exports. It is noted that in a number of cases excess capacity has already been created in export-oriented industries over and above the licensed capacities. It is also understood that the whole matter in regard to regularising such capacities is under consideration of the Government. Since capacities have already been built and in the present situation it would not be desirable to let them remain idle, Government may, therefore, examine all such cases sympathetically in the larger interests.

14.10. The raw materials position is worsening and in spite of release of foreign exchange for imports there are delays in the issue of licences, allocation of credit and obtaining quotations and deliveries. There have been representations that this crisis has been compounded by canalisation if imports of raw materials on a wider scale. For the transitional period the exporters may, therefore, be allowed to make imports direct so that export production does not suffer. All raw materials should be supplied to the exporters off the shelf at international prices or by licensing timely imports.

14.11. There has been a substantial gap between the demand and supply of steel during 1968-69, 1969-70 and 1970-71 for export fabrication. The gap has been continuously on the increase. Also, the production of steel within the country has not kept pace with the requirements particularly for exports. This situation causes concern, particularly when the requirements and supply would be nearly balanced if the existing plants had been able to achieve the rated capacity. Government should draw up a well defined production and import plan to meet in full the requirements of steel during the next ten to fifteen years. All possible avenues should be explored to enhance the production of iron and steel and Government should import more steel to bridge the gap between actual requirements and indigenous production.

14.12. It is surprising that in spite of the fact that a number of studies have identified the various problems in regard to overseas transport and freight structure in India's export trade nothing tangible has been achieved so far. The necessary follow up action should be taken up forthwith so that the known bottlenecks which impede growth in the export of such items are overcome in the shortest possible time.

14.13. It is disappointing to note that the Sub-committee of the National Shipping Board which was considering all the questions relating to Indian Shipping Services with particular reference to the requirements of India's export trade had ceased to function owing to the dissolution of the Fourth Lok

Sabha (in December, 1970). This leaves an impression on the Committee that due attention has not been given by Government to this matter and so much time should not have been lost in reconstituting the Board and the Committee.

14.14. In the matter of freights the position is more comfortable where bilateral shipping services have been established. Efforts should be made to multiply the number of bilateral services.

14.15. The trade pattern of India's export to the USA is gradually undergoing a change i.e., semi-manufactured and manufactured goods now hold better export potential than the traditional exports. This coupled with the comparatively low labour costs in the country, places India in an advantageous position to exploit the vast marketing opportunities offered by that country for many labour intensive products. Concerted efforts are called for to increase the exports of manufactured and engineering goods. Keeping in view the complex and sophisticated nature of the market and the fast changing consumer trends in this part of the world, there is need for product development as also for adopting suitable marketing techniques.

14.16. It is observed that the rate of growth of India's exports to Japan has not kept pace with the spectacular rate of increase in Japan's overall trade which has increased nearly 5 fold during the period 1960—70.

14.17 India's exports to Japan consist almost entirely of ores, agricultural and other primary products, one single commodity viz., iron ore accounts for over 40 per cent of the value of India's exports to Japan. Such an over dependence on a single item constitutes rather a fragile base to the structure of India's exports to Japan.

14.18. In the case of Britain the share of British trade in India, which has been declining ever since Indian independence, is likely to be reduced further with Britain's entry into the EEC. Similarly in the case of E.E.C. an enormous amount of trade deficit exists. In order, therefore, to facilitate trade and economic cooperation with the EEC there is imperative need to strive for the removal of non-tariff barriers, which are still existing in the EEC in the form of import ceilings, product classification, cut-off points and quotas, hampering growth of India's exports to them. Although the introduction of the scheme of Generalised System of Preference in E.E.C. may go some way in expanding India's exports and thereby narrowing the trade gap with E.E.C., it can be no substitute for a comprehensive trade agreement with the E.E.C. which alone can facilitate India's exports on assured basis to E.E.C.

14.19. It is hoped that with the various steps taken by Govenment to diversify India's exports to East European countries and the USSR more and more items of our non-traditional products, both manufacured and semi-manufactured, like railway wagons, commercial vehicles, surgical instruments etc. will be exported to the East European countries and the USSR.

14.20. Latin America is a promising area and there is scope for developing long term export-import trade particularly for manufactured and non-traditional goods like electronics, electrical and engineering goods.

14.21. It is hoped that the trade with the neighbouring countries Nepal, Ceylon, Burma and Bangla Desh would continue to expand considerably to the mutual advantage of each other.

14.22. With the increasing awareness being shown by Government to step up India's export to the African countries notably Kenya, Uganda, Tanzania, Ethiopia, Nigeria, Zambia, Mauritius, Malawi and Ghana, India's exports to this part of the world should show an impressive increase. Although India's exports to the region have been dominated by three traditional items viz. jute manufactures, tea and cotton textiles, the scope for exports of capital goods and light engineering products, chemicals and allied products etc., should be explored by paying most assiduous attention to all factors like credit facilities, after sales service etc.

14.23. The establishment of joint ventures abroad have helped India to increase exports of capital goods raw materials, semi-processed manufactures spare parts, components, technical know-how etc. and in earning of foreign exchange from the export of these items. Government should continue to extend necessary facilities for the establishment of Joint Ventures abroad.

14.24. A significant change in the commodity composition and directional pattern of exports has taken place during the Third Plan. The share of three principal commodities, Tea, cotton textiles and jute declined from 48 per cent to 44 per cent, whereas the export of a number of non-traditional items such as engineering goods, iron and steel, iron ore and chemicals and allied products have registered an increase.

(i) TEA

In regard to tea exports one is forced to the conclusion that various measures taken by Government have not brought about the desired improvement. Government/Tea Board should pay continuous attention to this industry which has been earning valuable foreign exchange for the country. In particular, the Committee would like Tea Board/(Government to give encouragement for the manufacture of instant tea and package tea in the interest of earning greater per unit value.

(ii) COTTON TEXTILES

The Cotton textile industry cannot be established on sound and stable basis unless it achieves self-reliance in the matter of production of requisite quantity and quality of cotton within the country. The textile industry needs also to be modernised. Exports of readymade garments and manmade fibres need also to be expanded.

(iii) JUTE MANUFACTURES

If the exports of jute are to be placed on a firm basis, it is absolutely essential to ensure supplies of raw jute of requisite quality and quantity; Jute Mills should be modernised with a view to rationalise and diversify their production; Research activities should be intensified; Export

promotion activities should be undertaken on a systematic and sustained basis.

(iv) ENGINEERING GOODS

If the engineering industry is assured supply of raw materials, particularly of iron and steel in adequate quantities and at international prices, it would enable the engineering industry to utilise their installed capacity more fully and compete in the international market for supply of engineering goods. The Committee cannot, therefore, too strongly stress the need for making available essential raw materials to the engineering export industry on assured basis and at competitive rates.

(v) IRON ORE

Formulation of an integrated time-bound programme for development of export potential is essential to secure long-term orders for export of iron ore in larger quantities. At the same time, the requirement of iron ore for our own steel plants has to be kept in view so that this vital mineral resource is, first and foremost, made available to our own steel plants. The Committee consider that India is geographically well placed for exporting iorn ore to Japan. The Committee are of the view that if an integrated programme for mining, transport and shipping of iron ore to Japan is drawn up and efficiently executed there is no reason why India should not be able to capture ever larger share in exports to that country.

(iv) CHEMICALS AND ALLIED PRODUCTS

Export of chemicals and allied products during the Fourth Plan has been far less as compared to the targets envisaged in the Plan. This underlines the need for detailed analysis of the reasons which are depressing our exports in chemicals and allied products where India has already established a large base.

(vii) MARINE PRODUCTS

India has a great potentiallity of exports of Marine Products with a vast coastline extending over 5,000 Kms. There is, therefore, need for development and exploitation of potential of eastern and western coast and Andaman and Nicobar Islands and Lacadive and Minicoy Islands. In order to effect economy of scales in deep sea fishing operations, it was desirable to subsidise vessels allow import of marine diesel engines and trawlers of requisite size.

14.25. The Committee have been assured that the effect of canalisation of imports through State Agencies have resulted in savings in foreign exchange on imports on account of bulk purchases and also on account of saving in ocean freight by availing of bulk shipment and in the supply of raw materials to consumers in the country at reasonable rates. It is noted that Advisory Committees have been set up for the commodities or groups of commodities where import has been canalised. There is need for full and timely consultations with there Committees so that it could be helpful in arranging regular supplies of raw materials of the right quality at reasonable prices and in time to the consumers. The difficulties expressed by industry,

particularly in the initial period, should be promptly looked into and their genuine difficulties redressed without delay in the interest of sustaining production.

14.26. The Ministry of Foreign Trade have got a super-structure for consultations at the level of the Board of Trade, Advisory Council on Trade and Zonal Export-Import Advisory Committees. The utility of there Advisory Committee would be realised to the extent these functions actively and bring to notice the problems of those engaged in import or export, or export production and the sympathetic considerations which the Government extend to these difficulties, with a view to resolve them in the interests of larger exports.

14.27. The system of review of the working of the Export Promotion Councils at least once in every two years should now become a recurring feature, as recommended by the review committee.

14.28. The functions of the T.D.A., Inter-Ministerial Groups and Export Promotion Councils are not free from overlapping and avoidable duplication. Overlapping and duplication of functions particularly in the matter of data collection and collation of information between these agencies should be avoided.

14.29. With the increasing vacation of labour intensive lines of production by the developed countries in favour of developing countries and the growth of international subcontracting by multinational firms, opportunities are now coming to India for organising exports of the products and ancillaries of the middle and small scale sectors of industry also. Government should ensure that Trade Development Authority concentrate their efforts on this area also and keep them informed through periodical returns of concrete achievements. This may also be specifically mentioned in the Annual Report of TDA which may be laid on the Table of the Parliament.

14.30. The Establishment of the Indian Institute of Foreign Trade is a step in the right direction. The Institute should concentrate on training and such studies on organisational aspects for export effort which are not being undertaken by any other Government sponsored/aided agency. The overlopping of functions about information and market surveys with the Trade Development Authority, the Export Promotion Council, and other agencies in the field should, however, be avoided.

14.31. The Marketing Development Fund has rendered valuable assistance to trade and Industry from the day of its inception. There is, however, need for critical review by Government of the performance of M.D.F. in this developmental phase so that Marketing Development Fund subserves the objectives with which it had been set up.

14.32. Government have shown keen awareness of credit needs of the exporters. There is the need for greater credit facilities for exports by medium and small scale sector.

14.33. The country can sustain for traditional markets and develop new markets if it ensures that her exports are of dependable and proven quality. All such measures should, therefore, be taken to generate deep rooted quality

consciousness in Indian exporters who should be made to realise that only on the basis of quality of exports India would be able to sustain her traditional markets and develop new market in the competitive world.

14.34. The Working Group set up by Government on Commercial Publicity on its report submitted to Government has made several recommendations covering various aspects of export Publicity. It is hoped that Government would give due considerations to the recommendations contained in the Report of the Working Group and take decisions thereon expeditiously.

14.35. Exhibitions and trade fairs constitute a very powerful and effective means of projecting a country's industrial image and developing and diversifying trade amongst various countries. The role of exhibitions and trade fairs in stepping up the country's exports cannot be minimised. While it is rather difficult to assess, precisely the impact of exhibitions and trade fairs, a suitable machinery should be set up for evaluating immediate and long term results of participation in Fairs/Exhibitions abroad and for organising follow up action.

14.36. The Indian Foreign Services is meant to cover all aspects of functioning abroad including commercial, foreign trade, economic, political financial matters etc. Therefore, for a developing country like India, foreign trade, commercial and economic matters are of crucial importance.

(i) The training course for officers of Indian Foreign Service should be suitably amplified in consultation with the Ministry of Foreign Trade/Institute of Foreign Trade.

(ii) I.F.S. officers should be inducted in the Ministry of Foreign Trade in the formative years of their service to give adequate opportunities to gather first hand experience of mechanism and problems of foreign trade.

(iii) These Officers should be encouraged to pick up the language of trade and industry. The Head of our Missions abroad should give a purposeful lead in the matters of trade. It should be the special responsibility of the Head of the Missions to see that the commercial and trade wings under them achieve the objective of finding larger and greater opportunities for Indian exports particularly of non-traditional semi-manufactured and manufactured goods.

14.37. There should be greater interchange of officers between the Ministry of External Affairs and Foreign Trade at all levels so that there is continuous and close coordination and understanding of problems of foreign trade both in the field and at the policy making levels.

NEW DELHI
April 18, 1972
Chaitra 29 1894 (Saka)

KAMAL NATH TEWARI,
Chairman
Estimates Committee

APPENDIX I

(*Vide* para 1.30)

MINISTRY OF FOREIGN TRADE

ORGANISATIONAL CHART

Minister — **Deputy Minister**

Special Secretary — **Secretary** — **Addl. Secretary**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Internatinoal Policy division UNCTAD and International Groupings International Tariffs Indian Tariffs	*Trade Policy Planning and coordination Division* Export Policy, Planning and Coordination Economic & Statistical Advice Import & Export Control Technical Assistance State Trading & Barter Deals Overseas Investments	*Export Services Division* Export Assistance Marketing Development Fund Export Production Export Inspection Enemy Property Transport Kandla Free Trade Zone Commercial Publicity Exhibitions	*Foreign Trade Territorial division* East Asia ECAFE & National Unit South Asia West Asia & North Africa Africa North America South America West Europe East Europe and Socialist Countries	*Export Industries division* Cotton Textile Industry Silk Industry Woollen Textile Industry Synthetic Fibre Industry Handlooms and Powerlooms Jute Industry Coir Industry Handicrafts Tea Coffee Rubber Cardamom	*Export Products Division* Minerals & Fuels Engineering items Chemicals & Applied Products Agricultural Products Marine Products Mica	*Personnel & General Administration Division* Establishment Cash Welfare Hindi Protocol General Services Career Management Public Relations Vigilance Parliament Trade Commissioners	*Finance Division* Internal Finance Budget & Accounts Organisation & Methods Work Study Exhibitions Accounts

APPENDIX II

(*Vide* Para 2.27)

Growth of World Trade by Region

(Average annual percentage increase/decrease)

Region	Exports		Imports	
	1960-65	1965-70	1960-65	1965-70
Developed Market economies .	+13.3	+16.3	+12.9	+16.3
(a) North America .	+6.9	+13.9	+10.0	+17.8
(b) Western Europe	+34.8	+1.0	+39.1	—0.2
(c) Japan . .	+19.3	+28.4	+13.9	+29.6
Centrally planned economies .	—11.3	+11.6	—10.0	+8.6
Developing countries	—4.5	+12.4	—3.2	+12.9
(a) Latin America . .	+5.7	+8.3	—1.3	+12.2
(b) Other West Hemisphere	—1.8	+6.5	+11.6	+10.3
(c) Middle East .	+13.6	+16.7	—3.2	+15.7
(d) Other Africa . .	+3.9	+14.3	+5.0	+11.0
(e) Other Asia . .	—6.8	+14.3	+0.4	+14.2
(f) Miscellaneous	—18.4	+10.1	—10.9	+10.8
World as a whole .	+4.8	+15.4	+5.6	+15.4

Source : Direction of Trade, A Supplement to International Financial Statistics, Annuals : 1958-62, 1964-68, and 1966-70.

Note : World as a whole includes Centrally planned economies.

APPENDIX III

(*Vide* para 2.3)

Share of World Exports by Major Areas

	In percentage			Percentage Change	
	1950	1960	1968	1950-60	1960-68
Developed countries	60.8	67.9	70.9	+11.5	+4.3
Developing Countries . .	31.2	21.7	18.4	—31.3	—17.9
Developing countries excl. oil exporters . . .	24.4	16.5	13.4	—32.4	—10.4
Centrally planned economies .	8.0	10.5	10.7	+27.3	+1.8

Source:—Foreign Trade Review Vol. V, No. 4, p. 414.

APPENDIX IV

(*Vide* para 2.13)

Projected pattern of Estimates of Exports by Major Groups: 1968-69 to 1980-81

(Rs. crores)

Sl. No.	Group of commodity	1968-69	1973-74	1978-79	1980-81	Annual rate of growth (%) 1968-69 to 1980-81
(0)	(1)	(2)	(3)	(4)	(5)	(6)
1.	Agriculture and allied products	450	605	850	958	6.5
2.	Tea	156	170	185	190	1.7
3.	Marine products	23	48	98	116	14.4
4.	All other products	271	387	567	652	7.6
5.	Minerals	132	203	273	316	7.6
6.	Iron ore	88	155	215	252	9.2
7.	Other minerals	44	48	58	64	3.2
8.	Manufacturers	704	1010	1429	1639	7.3
9.	Cotton textiles and jute manufactures	289	333	367	380	2.3
10.	Engineering goods including metals	67	190	360	400	16.1
11.	All other manufactures	348	487	702	859	7.8
12.	Other exports—unspecified	74	82	98	107	3.1
13.	Total—all exports	1360	1900	2650	3020	6.9

Source:—Fourth Plan, pp. 43-44.

APPENDIX V

(*Vide* para 2.20)

Statement referred to in reply to part (a) of Unstarred Question No. 3072 *for answer in the Lok Sabha on* 2.12.1970.

Export Targets.*for the Fourth Five Year Plan

(in Rs. crores)

Sl. No.	Products	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Total Fourth Plan
1	2	3	4	5	6	7	8	9
1.	Jute manufactures	218.0	230.0	250.0	260.0	270.0	280.0	1290.0
2.	Tea	157.0	153.2	151.0	153.0	156.0	158.0	771.2
3.	Cotton Textiles (mill-made)	96.0	103.0	109.0	111.0	116.0	120.0	559.0
4.	Iron ore	88.0	97.0	98.0	105.0	116.0	145.0	561.0
5.	Manganese Ore	13.5	11.4	11.8	12.3	12.8	13.3	61.6
6.	Leather & Leather manufacturers (excl. footwear)	73.0	68.8	76.0	83.0	89.5	96.0	413.3
7.	Footwear	9.0	12.5	15.0	17.5	20.0	22.5	87.5
8.	Hides & skins (raw and tanned)	5.0	5.0	4.0	2.0	1.0	—	12.0
9.	Cashew kernels	61.0	60.0	61.0	62.0	67.0	73.0	323.0
10.	Cilcakes	50.0	47.0	48.0	49.0	50.0	50.0	244.0
11.	Tobacco (unmanufactured)	33.0	30.0	30.0	31.0	32.0	33.0	156.0
12.	Coffee	18.0	21.0	22.0	23.0	24.0	25.0	115.0
13.	Black pepper	10.0	10.0	10.0	10.0	10.0	10.0	50.0
14.	Raw cotton	11.0	14.0	15.0	15.0	15.0	15.0	74.0

1	2	3	4	5	6	7	8	9
15.	Mica	14.0	16.0	16.8	17.5	18.1	18.7	87.3
16.	Coir yarn & mafrs..	14.0	14.0	15.0	16.0	16.0	17.0	78.0
17.	Engineering Goods.	85.0	110.0	140.0	165.0	210.0	250.0	875.0
18.	Iron & Steel	70.0	80.0	85.0	90.0	95.0	100.0	450.0
19.	Chem. & allied products	36.7	41.7	49.6	55.7	62.1	69.8	378.9
20.	Fish & fish products	23.0	21.0	27.0	34.0	39.0	45.0	166.0
21.	Gems & Jewellery	45.0	45.0	55.0	65.0	80.0	100.0	345.0
	TOTAL	1130.2	1190.8	1289.2	1377.0	1499.5	1641.3	6997.3

*Lok Sabha USQ No. 3072 dated 2.12.1970.

APPENDIX VI

(*Vide* para 3.16)

Industries where excess capacity has been created

Engineering Items

Items	Export Figures (In lakh rupees)			Export Target (In lakh Rupees)		
	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Bolts and Nuts	48.57	44.26	67.37	75.00	90.00	130.00
Screws . .	43.08	31.31	45.51	60.00	70.00	90.00
Collapsible Tubes .	Figures not available			No export target fixed.		
RP Seals/RS closures	11.97	16.48	20.34	35+25.00	25.00	40.00
Tin Containers .	28.65	46.16	50.10	7.00	100.00	200.00
Switch Gears (All Types) .	29.42	46.3	69.65	200.00	250.00	300.00
Motor Starter & Contactors	20.71	64.51	109.54	60.00	90.00	110.00
House Service Meters .	7.37	14.57	9.18	700.00	900.00	1000.00
Motor Cycles	0.47	2.96	1.28			
Scooters/3 wheelers and Auto Rickshaws	15.79	40.25	85.72	Export targets not fixed		
Single Cylinder Pumps etc. (No separate figure for Individual items available—Automobile parts & components figures given) . . .	332.35	517.84	703.14		-do-	
Air compressors	15.79	40.25	85.72		-do-	

Industries where excess capacity has been created

Agriculture Items

Beer

Past Export Figures

	Liter	Value (Rs.)	Export Target
(1) 1968-69.	9,529	14,165	
(2) 1969-70. . . .	4,928	12,619	No target fixed
(3) 1970-71.	2,424	10,870	

Industries where excess capacity has been created

(Rs. in '000) Target for

Items	1968-69	1969-70	1970-71	1971-72
1. Glass & Glassware . .	14,610.00	21,380.00	19,210.00	Not fixed separately
2. Rubber & Canvas Footwear	20,672.3	21,906.5	22,015.4	
3. Drugs, Pharmaceuticals & Fine Chemicals (excluding medical castor oil)	50,690.7	71,571.2	90,336.2	N.A.
4. Streptomycin . .	N.A.	N.A.	N.A.	N.A.
5. I.N.H. . .	N.A.	N.A.	N.A.	
6. Vit. B_{12} . .	918.2	358.3	127.8	
7. Chlorpropanide . .	N.A.	N.A.	N.A.	
8. Diethyl Carbamamine Citrate	N.A.	N.A.	N.A.	
9. E-I. vegetable tanned hides	67,317	61,779	57,052	N.A.
10. Footwear . . .	71,037	70,335	1,00,000	1,50,000

APPENDIX VII

(*Vide* para 3.27)

List of products selected for Working Group 'J'

Mechanical Engineering:—

1. Diesel Engines upto 10 H.P.—Both Vertical & Horizontal.
2. Pump Sets.
3. Sugar Cane Crushers.
4. Espresso Coffee Machines.
5. Duplicators—Hand & Power operated.
6. Low Price General Prupose Machine Tools.
7. Textile Machinery Parts & Accessories.
8. Agricultural Implements Including Tools.
9. Hosiery & Knitting Machines.
10. Steel Conduits.
11. Sanitary Iron Castings Including Manhole Covers & Pipes.
12. Hand Tools.
13. Ferrous Hollow ware & Hardware.
14. Fire Extinguishers.
15. Stainless Steel Cutlery.
16. Bicycles & Bicycle Parts.
17. Scientific Instruments.
18. Surgical Instruments & Equipment.
19. Clocks & Timepieces & Parts.
20. Stranded Wire for Telegraph Posts.
21. Electrical Transmission Hardware.

Electrical & Electronic Engineering:—

1. Electric Motors.
2. Switch Gear.
3. L.T. Insulators.
4. Domestic Electrical Appliances.
5. H.T. Furnaces.
6. Electrical Light Fittings & Wiring Accessories.
7. Electrical Measuring Instruments.
8. Radio Receivers, Public Address Equipment & Components.

Chemical Engineering :-

1. Storage Batteries & Components.
2. Plastic Mouldings & Extrusions.
3. Vegetable & Fruit Preserves— Canned or otherwise.
4. Paper conversions, such as Ice-Cream Cups, Drinking Cups, Tumblers, etc.
5. Rubber Mouldings.
6. Agarbatties & Dhoop.
7. Bifocal Blanks & Lenses, Microscope Slides, etc.

Miscellaneous:—

1. Toys of All Description.
2. Fasteners.
3. Pencils & Ball Point Pens including Woodens Salts, Lead Slips etc.
4. Spectacle Frames.
5. Costume Jewellery, Including Glass Beads.
6. Hosiery & Knitwear.
7. Gas Mantles.
8. Readymade Garments.
9. Umbrella, Umbrella Tubes, Handles, Sticks & Frames.
10. Stationery, Greeting Cards, Invitation Cards, etc.
11. Leather and Leather Products.

APPENDIX VIII

(*Vide* para 3.27)

Select list of Small Industry Products for concentration by Working Group 'J'

Reserved products:-

1. Automobile ancillaries.
2. Steel fasteners like bolts, nuts, rivets, wood screws, machine screws and wire nails.
3. Steel wire products like wire mesh, weld mesh, and barbed wire umbrella ribs.
4. L. T. insulators.
5. Electrical light fittings and wiring accessories.
6. Plastic mouldings and extrusions.
7. Paper conversions.
8. Spectacle frames.
9. Leather & footwear.
10. PVC footwear.
11. Pencils and ball point pens (Excepting Pencils which is not reserved).

Non-reserved Products:-

1. Stationary diesel engines of upto 5 HP.
2. Bicycle components.
3. Sewing machine components.
4. Gray iron castings particularly for sanitary applications.
5. Hand tools.
6. Surgical instruments.
7. General purpose machine tools and machine tool accessories.
8. L. T. switch gear.
9. Transisterised radio receivers, public address equipment and electronic components.
10. Agarbatties.
11. Imitation jewellery.
12. Hosiery and knitwear.
13. Readymade garments.
14. Leather garments.

APPENDIX IX

(*Vide* para 3.173)

Summary of the main recommendations made by the Indian Institute of Foreign Trade and the decisions of Government thereon

Recommendation No.	Nature of recommendation	Government's decision
(1)	(2)	(3)
1.	R.E.P. applications should be staggered by fixing different last date for exporters having shipments in the last month of the quarter.	Accepted and implemented.
2.	Import licences/cash to regular exporters may be given after a preliminary scrutiny only with reference to the statement of exports certified by a Chartered Accountant. The detailed scrutiny should be done after the licence and cash assistance have been granted. The difference, if any, between the value claim and the value admitted finally may be adjusted against future entitlements. This system should be introduced at least on a trial basis.	Accepted and implemented on trial basis in so far as applications relating to grant of import requirement licences under the Import Policy for Registered Exporters are concerned.
3.	R.E.P. licences should be made valid for import of items appearing invalid. All licences held by the licensee, by automatic arrangement at the Customs end, subject to certain conditions, on the same lines as licences for non-steel items have been made valid for import of steel items and *vice-versa* under para 85 of the ITCH Book.	Accepted and implemented by introducing a provision for automatic import on the basis of valid AU licence held by the licensee.
4.	Parts 'A' and 'B' of application form may be merged.	Accepted and implemented by introducing a revised application form in the Hand Book of Rules and Procedure, 1970.
5.	The distinction between "Original" and "duplicate" bank certificate may	The suggestion for introduction of two colours for

(1)	(2)	(3)
	be dropped, or the words "original" should be printed or it should have a different colour.	different copies of the bank certificate form has not been accepted, because it is felt that small exporters will find it difficult to get the forms printed in different colours. However, the word "original" would be marked in the bank certificate by a rubber stamp.
6.	Application form should have a column for IVC number of the previous year also.	This has been accepted and implemented.
7.	Application fee may be accepted by bank draft and also in lump sum for the whole year.	This has been accepted in principle but the detailed procedure in this behalf is being finalised in consultation with different authorities.
8.	Stamped receipt for cash assistance should be attached to application by perforated arrangement.	Accepted.
9.	There should be a common proforma of the statement of exports for claiming licence and cash assistance.	Accepted and implemented.
10.	Proforma of shipping bill and shipping endorsement thereon should be standardised.	The suggestion is being examined in consultation with the Central Board of Excise and Customs.
11.	EP Registration certificates should be re-issued on revised forms.	Accepted and implemented.
12.	Column 4 in the Red Book (Volume II) should be completed in respect of all export items.	This has been accepted in principle and efforts are constantly being made to complete column 4 items in the case of as many export products as possible.
13.	Head office and branches should be allowed to apply separately in respect of their exports.	Accepted and implemented.
14.	Cash assistance should not get delayed for want of funds at the end of financial year.	Agreed in principle.

(1)	(2)	(3)
15.	The period of delay for imposing cut should be counted from the date of deficiency letter issued to the applicant as in the case of established importers and not from the date of the application. The rate of cut should also be uniform for each month of delay.	Accepted and implemented. The entire procedure for imposition of cuts in the case of delayed/deficient applications has been rationalised.
16.	Check sheet used by licensing sections should be revised.	This has been accepted and implemented.
17.	In respect of certain types of cases, powers should be delegated to port offices for dealing with applications for advance licences.	Not accepted. At present, all the applications relating to the advance licences are considered by a Committee in the Office of the CCI&E which consists of the representatatives of the Department of Economic Affairs, Ministry of Foreign Trade, D.G.T.D., DC(SSI) and other concerned Departments which examine all aspects, including technical and financial, of advance licences at one point of time. In case the work is decentralised, it will cause greater delays as the port licensing authorities will be required to make reference to the headquarters' office in getting clearance of items of import, which may be considered essential for manufacture of the products to be exported which are not covered by column 4. Steps have, however, been taken to accelerate the pace of disposal of advance licensing applications and the time for final disposal of advance licence applications has been greatly reduced. A circumstance

(1)	(2)	(3)
		which often leads to delays in finalisation of these applications is that a substantial portion of the applications is either deficient in one respect of the other or some essential requirement of the prescribed procedure has not been fulfilled.
18.	Procedure for grant of additional cash assistance should be simplified.	Accepted in principle. The suggestion is being considered further.
19.	Public Notices and instructions should be issued in a simple language.	Noted.
20.	Clear instructions may be issued for grant of cash assistance in cases where exporters obtained advance import licences or made exports on deferred payment basis.	Recommendation accepted. Necessary instructions have also been issued.
21.	The number of "audits" of E.P. Sections may be reduced.	Noted.
22.	There should be a single agency for rendering export assistance.	Noted.

APPENDIX X

(*vide* para 3.181)

I. CHANGES IN THE PROCEDURE FOR SUBMISSION OF IMPORT APPLICATIONS

(*a*) "Priority units can apply for "repeat" licences for spare parts, without having to approach the sponsoring authorities and without having to furnish particulars of machinery.

(*b*) The non-priority units in the large scale sector can apply for raw materail licences on annual basis. (This procedure was already in force for small scale units).

(*c*) For emergency import of spare parts, the Engineer's certificate has been dispensed with.

(*d*) Like other exporters, the exporters of gem and jewellery can also apply for licences direct and not through the Export Promotion Council.

(*e*) Time for submission of import applications by exporters has been extended from 2 to 3 months.

II. CHANGES IN APPLICATION FORMS

(*a*) Actual users and Registered Exporters will be required to indicate separately the value in respect of canalised items.

(*b*) Imports of machinery will be required to furnish attested or photostat copies of industrial licence or letter of intent. Both these measures will serve to prevent unnecessary correspondents and waste of time.

III. CHANGES IN METHODS OF PROCESSING THE APPLICATIONS

(*a*) Import licences for raw materials, components and spares issued to actual users and exporters will be made valid for 18 months, instead of 12 months, for import from general currency and rupee payment areas.

(*b*) The modes of financing for issuing import licences to small scale units for raw materials, components and spares will be simpler than before.

(*c*) On the expiry of IVC Number, the importers will be given licences without IVC Number for one year, as interim relief.

(*d*) C.G. Committee's procedure has been dispensed with in respect of machinery imports upto 12000/- in values.

(*e*) Check sheet has been circulated for guidance of small scale units applying for import of raw materials, components and spares.

(*f*) Indigenous clearance of D.G.T.D. will be treated as valid for one year from the date of C.G. Committee's clearance.

(*g*) The value of actual certified consumption of raw materials and components in the case of SSI priority units will be accepted by the licensing authorities upto a specified limit without entering into any further correspondence.

(*h*) Elegibility of priority units with reference to the value of earlier outstanding licences will be determined by taking the position as on the date of application and not on the date on which the licence is to issue.

(*i*) In order to avoid duplication of work between the D.G.T.D. and the C.C.I. & E., the checks undertaken by the D.G.T.D. will not be re-checked by the licensing authority. These measures will help in expediting the issue of licences by avoiding correspondence and cross references to other Departments at various stages of processing.

IV. EXEMPTION FROM IMPORT LICENCES

(*a*) Hospitals and medcial institutions have been allowed to import without licences their essential requirements of small value.

(*b*) Individuals have been allowed to import without licences for their own use, spare parts of agricultural tractors, drugs and medicines, technical and scientific book and artists materials, upto specified value limits and life saving equipment.

APPENDIX XI

(*Vide* Para 4.9)

Results of the Negotiations with the Commission of the European Communities under Article XXVIII for the Modification or withdrawal of concessions in the Schedule of India

A. CONCESSIONS TO BE WITHDRAWN

Tariff Item No.	Description of Products	Rate of Duty bound in Existing Schedule
Ex. 28	Chemicals, the following	10% ad. val.
	1. Para nitraniline	
	2. Amino azo benzene hydrechloride	
	3. Sulphanilic acid	
	4. Benzidine di-hydrechloride	
	5. (a) Sodium naphtionate (b) Napthionic acid	
	6. Nevile and inther's acid	
	7. Rhoduline acid	
	8. J. acid urea	
	9. Para amino acetanilide	
	10. Dinitro chlorobenzene	
	11. Meta phenylene diamin	
	12. Gamma acid	
	13. Meta toluylene diamine	
	14. Chicago acid	
	15. H. acid	
	16. G. salt	
	17. Laurent acid	
46(6)	Staple fibre (excluding yarn) . .	25% ad. val.
Ex. 72 & 72(3)	Paper making machinery and component parts	10% ad. val.
72(24)	Machines for the carding, spinning and washing of wool	10% ad. val..

B. CONCESSIONS TO BE MODIFIED :

Tariff Item No.	Description of Product	Rate of Duty	
		Bound in existing schedule	To be bound
Ex. 72	Machine specially designed for bleaching and weaving cotton textiles . .	10% ad. val.	35% ad. val.

APPENDIX XII

(*Vide* Para 4.9)

Results of Negotiations with the Government of the United States of America under Article XXVIII for the modification or withdrawal of concessions in the Schedule of India

CHANGES IN SCHEDULE XII—INDIA

A. CONCESSIONS TO BE WITHDRAWN

India Customs Tariff Item No.	Description of Product	Rates of Duty bound in Existing Schedule.
64(2)	Copper, unwrought	Free
Ex. 68(1)	Zinc, unwrought, including cakes, ingots, tiles (other than boiler tiles) hard or soft slabs and plates, dust dross and ashes	Free
Ex. 72 and Ex. 72(3)	Agricultural tractors and parts thereof	Free
Ex. 72 & Ex. 72(3)	Earth shifting machinery and parts thereof . . .	15 % ad. val.

B. CONCESSIONS TO BE MODIFIED

Tariff Item No.	Description of Product	Rate of Duty	
		Bound in Existing Schedule	to be bound
Ex. 72 and Ex. 72(3)	Machinery specially designed for bleaching and weaving cotton textiles . . .	10%	35%
Ex. 72 and Ex. 72(3)	Paper making machinery and components thereof	10%	40%

APPENDIX XIII

(*Vide* Para 4.9)

Results of the Negotiations with Australia under Article XXVIII for the Modification or withdrawal of concessions in the schedule of India

CONCESSIONS TO BE WITHDRAWN

Tariff Item No.	Description of Product	Rate of Duty bound in Existing Schedule
46(2)	Wool raw and wool tops	Free
67(3)	Lead, Pig	Free
68(1)	Zinc, unwrought	Free

APPENDIX XIV

(*Vide* Para 4.30)

Note furnished to the Estimate Committee indicating follow up action on the report of National Council of Applied Economic Research regarding Exports to Japan

"Immediately after iron ore exports were canalised in 1957, the need for bringing in arrangements for long-term sales linked with large scale production was adequately recognised. In the late 1950 it was realised that the market for iron ore, specially in Japan, would rapidly expand and with India's abundant reserves this presented a big export opportunity. It was also realised that for a rapid growth of iron ore export, it was necessary to invest on large scale integrated projects comprising of mechanised mining, development of transport infra-structure and modern ports equipped to handle large size vessels with high loading rates. The Japanese also realised that their growing iron ore requirements could not be met by *ad hoc* or short-term purchases and it was advisable for them also to enter into long-term agreements to assure uniform supplies of ore.

The first large-size integrated scheme to be taken up was the development of Kiriburu Mine, together with necessary infra-structure facilities and port development, backed by a long-term agreement for export of 2 million tonnes of iron ore per annum over a period of 10 years to the Japanese Steel Mills, signed in 1958. Soon after this, the development understanding with the Japanese buyers, the Bailadila agreement for development of a large-size mechanised mine based on Deposit 14 in the Bailadila range was signed with the Japanese in 1960 for the export of a total quantity of 60 million tonnes over a period of 15 years through the Vizag Port. These major integrated export oriented schemes were taken up with the active association of and financial assistance from Japanese sources.

The next stage of development in this direction was the development of another major mine in the Bailadila range, viz. Deposit No. 5 for a production of 4 million tonnes of Lump Ore per annum, primarily, for export to Japan, together with the development of a major port at Vizag (Outer Harbour) to handle large-size vessels and a throughout capacity of 10 million tonnes in the first stage with provision for further increase in capacity at a later stage. The Japanese Steel Mills have been actively associated with the development of this integrated project also.

Apart from the above mentioned export schemes based on long-term agreements with the Japanese, in the case of the Kudremukh Project, the Japanese Steel Mills, through the MON Group (representing three major iron ore trading companies of Japan) have been actively participating from the exploratory stage itself and, together with the Maroona Co. and NMDC,

have prepared the techno-economic feasibility report and finally the Detailed Project Report, which is under consideration of Government at present. The project envisages Japanese participation, in production as well as marketing.

Apart from participation by the Japanese, efforts have also been made to maintain the closest possible liaison with the Japanese Steel Mills in technical matters pertaining to iron ore exports. Thus during the negotiations for a long-term contract with Japan based on Bailadila ore in April, 1970, our Delegation took the opportunity of arriving at an understanding with the Japanese Steel Mills to send out a technical team (which visited India during November/December, 1970) to advise on the best manner for the treatment of Bailadiala fines and the precise form in which they could be sold and similarly the best form in which Barajamada/Daitari ore could be most economically supplied to meet the technical requirements of the Japanese Steel Mills.

As a matter of long range policy, therefore, the possibility of Japanese participation in iron ore exports from India has and will continue to be given due recognition; for the expansion and diversification of iron ore exports consistent with the national interest."

As regards production of labour intensive components for Japanese industry and negotiations with Japan for possible collaboration in supplying industrial plants to third countries, the Government have stated the position as follows:

"With a view to take full advantage of the increasing export opportunities for labour intensive items provided by the shortage of labour and spiralling wages in Japan a number of exploratory studies were made during 1969 and 1970 by agencies like Engineering Export Promotion Council, Indian Institute of Foreign Trade and the Development Commissioner, Small Scale Industries for identifying items that could be exported to Japan. A Japanese team led by Mr. Tishio Doko, President of the Tokyo Shibaura Electric Co. visited India during March, 1969 and had discussions with Government and trade on export of labour intensive items to Japan. On the basis of these studies, it was found that the following sectors of the Japanese industry hold out promise for export of components and parts and finished items from India:

1. Automobile Industry;
2. Electronics Industry;
3. Machinery and Equipment Industries;
4. Hand and Small Tools;
5. Consumer Durable Industries.

The desirability of both the countries taking advantage of the complementarity of interests and endowment factors was highlighted in the discussions held by our Prime Minister during her visit to Japan in June, 1969. This, followed by discussions at official level by Secretary, Foreign Trade during his visit to Japan in December, 1969 and May 1970 has succeeded

in creating an awareness in Japan of the industrial developments in India and her ability to supply labour intensive items, components and spares to meet the requirements of Japan.

The Japanese market being extremely sensitive to product specifications, delivery schedules and prices, it was felt that in order to take full advantage of the export potential to Japan, Indian entrepreneurs should develop appropriate orientation suited to the requirements of Japan. To achieve this objective, the Trade Development Authority has been entrusted with the job of identifying technically competent and commercial viable units in India in each of the items having export potential to Japan, assessing their export capability and assisting them in undertaking product development and design to suit the Japanese specifications. The Trade Development Authority is making continuous efforts to identify the Japanese buyers with whom negotiations could be started for conclusion of contracts on a product by product basis. It is also exploring expansion of existing capacity and creation of new capacity in selected products with long range export growth prospects to Japan.

A two-men delegation from the office of the Development Commissioner, Small Scale Industries visited Japan in 1970 and collected enquiries from Japanese parties for the products of small scale industries. Out of more than 100 counter samples of Indian manufactures sent to Japan, 15 samples of items covering ancillaries, and components of automobile, sewing machine and bicycle industries, hides and skins, and consumer durables, have been approved. The Development Commissioner, Small Scale Industries is also considering a proposal to set up Display and Demonstration Centre in Osaka for keeping liaison with the Japanese industrialists and interesting them in labour intensive items of India, rotational displays, participation in Trade Fairs and Exhibitions etc.

In the last meeting of the Indo-Japan Businessmen Co-operation Committee, which is an association of Indian and Japanese businessmen constituted for creating better mutual awareness of the economies of the two countries and developing areas of cooperation in industry and trade, held in Kyoto in September, 1970, it was decided to set up a Joint Standing Committee charged with the task of studying continually the fields in which two-way trade could be developed, markets could be explored in third countries on a joint basis and joint ventures established, sponsoring teams of marketing and technical experts for specific items and studying problems needed to be overcome in order to develop trade exchanges in them and acting as a Clearing House of information for businessmen of the two countries.

Pursuant to this meeting, a delegation of Chemical Manufacturers from Japan visited India in November—December, 1970, to study the investment climate in India. This was followed by the visit of a delegation of Indian Exporters of auto-components in Japan in January, 1971. A delegation of M/s Mitsubishis of Japan visited India in April, 1971 to study the investment climate in India for establishing joint ventures with export possibilities not only to Japan but also to third countries. In the course of their visit, the delegation signed a collaboration agreement with an Indian firm for the manufacture of Ossein in India for export to Japan.

A delegation of All Japan Machinists and Hand-tool Manufacturers Association visited India in July, 1971 and had discussions with STC and manufacturers of hand-tools. The members of the delegation have shown interest in a variety of Indian hand-tools and substantial orders are expected from them.

A study team of manufacturers of chemicals in India visited Japan in September, 1971, and discussed the scope for collaboration between the countries for manufacture/export of number of products having high labour content.

A delegation of Electronics Interests of India sponsored by the Trade Development Authority, which has recently visited Japan, explored the possibility of establishing an Industrial complex in Bombay for manufacture and export of electronic components to Japan.

More exchanges of visits of this nature are expected in future also.

It will thus be observed that a good deal of effort has been made by both Government and Trade representatives to meet the import requirements of Japan and of third countries in association with Japan, consistent with the industrial capability of India. This is a continuing effort and will be pursued."

Expansion of India's Marine potential.

"Japan is now the second largest buyer of India's marine products after U.S.A. Our exports of marine products to Japan has been increasing as will be seen from the table below:

Year	Value in Rs. crores
1968-69	4.68
1969-70	9.41
1970-71	11.93

Japan has been concentrating more on the bigger sizes prawns, but has shown willingness to import small sizes also. To export the small variety in sizeable quantity to Japan, India will have to face severe competition, from Thailand, China and Malaysia.

The main difficulty in the way of increasing exports is that of production. Efforts are being made to procure mechanised trawlers for deep sea-fishing and supply of freezing equipment to the trade.

The Japanese market for marine products is being cultivated continually by contacts established by individual exporters as well as trade delegations and study teams. A delegation of the Marine Products Export Promotion Council visited Japan during February-March, 1971, followed by another Trade Delegation of Indian exporters under the Market Orientation Tour Programme sponsored by U.S. AID in August, 1971."

Elimination of Quota Restrictions:

"Consequent on the effort made by India and other developing countries, Japan liberalised on June 30, 1971 the import of 20 items which included black tea, oilcake and articles of apparel of leather which are of interest to India. A further 20 items have been liberalised since the end of September, 1971."

APPENDIX XV

(*Vide* para 4.71)

Statement showing the figures of India's trade with East European (Rupee Payment) countries from 1960-61 to 1970-71

(Value in Rs. lakhs)

Countries	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
1	2	3	4	5	6	7	8	9	10	11	12
East European Countries (Rupee Payment)											
Imports	4431	8762	11013	12926	14499	15599	23015	22220	30957	28366	22582
Exports	4955	6443	9268	10891	14388	15655	22567	22594	26651	30767	36166
Balance of Trade	+524	-2319	—1745	—2035	—111	+56	—448	+374	—4306	+2401	+13584
Bulgaria											
Imports	54	96	237	374	241	400	434	193	993	879	1545
Exports	19	89	170	282	303	219	474	397	725	665	958
Balance of Trade	—35	-7	-67	-92	+62	—181	+40	+204	—268	—214	—587
Czechoslovakia											
Imports	876	1502	1971	1733	1983	2115	3350	2734	3527	2302	2020
Exports	730	872	1155	1616	1592	1582	2855	2917	3177	3009	2946
Balance of Trade	—146	—630	—816	—117	—391	—533	—495	+183	—350	+707	+926

1	2	3	4	5	6	7	8	9	10	11	12
German Dem. Rep.											
Imports . .	331	564	782	980	893	1304	2091	2157	2052	2443	1846
Exports . .	329	455	849	1009	1292	1373	1939	2031	1984	2003	2456
Balance of Trade .	—2	—109	+67	+29	+399	+69	—152	—126	—68	—440	+610
Hungary											
Imports . .	202	561	296	665	693	760	1328	1179	1398	1723	1495
Exports . .	137	476	643	606	825	693	1134	1282	1005	940	1323
Balance of Trade	—65	—85	+347	—59	+132	—67	—194	+103	—393	—783	—172
Poland											
Imports . .	442	916	813	1054	1538	1367	1787	2378	2183	2356	2799
Exports . .	387	451	1159	966	1117	912	1350	2201	2488	2134	2212
Balance of Trade .	—55	—465	+346	—88	—421	—455	—437	—177	+305	—222	—585
Rumania											
Imports .	495	383	261	185	177	215	421	459	744	912	1658
Exports .	139	261	338	275	317	451	587	422	550	980	1370
Balance of Trade	—356	—122	+77	+90	+140	+236	+166	—37	—194	+68	—288
U.S.S.R											
Imports . .	1587	3994	5864	6846	7877	8253	11380	11122	19170	17133	10468
Exports . .	2881	3221	3825	5210	7792	9297	12337	12179	14831	17637	20985
Balance of Trade .	+1294	—773	—2039	—1636	—85	+1044	+957	+1057	—4339	+504	+10517

Yugoslavia											
Imports .	444	746	789	1089	1097	1185	2224	1998	889	618	751
Exports .	333	618	1129	927	1850	1128	1890	1165	1890	3399	3918
Balance of Trade .	−111	−128	+340	−162	+53	−57	−334	−833	+1001	+2781	+3167

Note: Exports includes re-exports.

APPENDIX XVI

(*Vide* para 4.118)

Joint Industrial Ventures approved to be set up abroad with Indian collaboration upto 1-10-1971.

S. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
1	2	3	4	5
		ETHIOPIA		
1.	Textiles .	M/s. Birla Bors., Calcutta.	1959	The Mill has started production in 1960 and Eth. $ 24,09,526 in 1968, Rs. 454.198 in 1969 were repatriated to India.
2.	Soap Factory.	M/s. Bombay Soap Factory, Bombay.	8.2.65	The company started production in April, 1969.
3.	Woollen Textile Mill.	M/s. Duncan Bros., Calcutta.	16.6.65	The company started production in Jan, 68. Equipments valued at Rs. 14,782/- exported from India over and above their equity. But the mill is closed down at present on account of certain financial troubles and also difficulties in the disposal of the goods produced.
4.	Plastic processing.	-do-	4.8.65	Abandoned.
5.	Clock Assembly	-do-	8.11.65	Abandoned
6.	Subscribing to the share capital of M/s. Fibre Share Co.	M/s. Birla Brothers (P) Ltd., Calcutta.	26.10.67	The Indian firm remitted dividend amounting to E $ 15.000 to India in addition to

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	of Ethiopia.			additional export of machinery valued at Rs. 3.00 lakhs on cash payment. The Indian firm, after obtaining approval of Govt. of India, has since sold out their entire shares holding and the amount of about Rs. 6.00 lakhs repatriated to India.
7.	Razor blade .	M/s. H. L. Malhotra, calcutta.	1.6.63	Abandoned.
8.	Malt House .	M/s. Mohan Meakin Breweries, Ghaziabad.	16.9.69	Abandoned.
9.	Aluminium Sheet Rolling Mill	M/s. Hooseini Metal Rolling Works, Bombay.	16.9.69	The party is awaiting certain concessions from the Govt. of Ethiopia for import of raw material for the proposed project.
		GHANA		
1.	Manufacture of small wheel type agricultural tractors.	M/s. Escorts International, Faridabad.	25.8.67	The company "Agricultural Engineers Ltd., Accra" has been formed. Machinery etc. are being exported from India.
		KENYA		
1	Textiles .	Shri R.M. Goculdas, Bombay.	26.9.54	The company "Kisumu Cotton Mills Ltd., Kenya" started production in 1965. Machinery, equipment & raw materials valued at approx. Rs. 1.8 crore have been exported from India over and above their equity participation and the

1	2	3	4	5
				amount has been remitted to India.
2.	Gripe water .	M/s. K.T. Dongre & Co., Bombay	16.2.66	The company started production in Oct. 1967. They have repatriated K. Shs. 10,000 as royalty upto Dec., 1969.
3.	Pharmaceutical	M/s. Karamchand Premchand, Ahmedabad.	9.3.66	Abandoned.
4.	Printing inks & allied products	Mr. N.L. Contractor, Bombay.	24.5.66	The Indian firm has not so far been able to find out a suitable collaborator. Efforts continuing.
5.	Woollen Textile	M/s. Raymond Woollen Bombay	25.3.66	The company started production in 1969. Machinery components valued at Rs. 1.5 lakhs have been exported from India over and above their equity participation and the amount repatriated to India. In addition Rs. 18,270 has been earned by the Indian firm and Managing Agency Commission upto June, 1970.
6.	Fluorescent Fixtures & accessories	M/s. premier-Lighting Industries, Bombay.	14.4.66	Abandoned.
7.	Light Engg. complex	M/s. H.L. Malhotra & sons, Calcutta	12.7.66	The company has started production in Sept., 1967 and started earning profit from 1969, after some initial losses which are being adjusted from the profits now earned.

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8.	Cork Factory	M/s. Indian Cork Mills, Bombay.	7.1.67	The company started production in March 1967. The company has exported raw material worth Rs. 1.00 lakh. So far company has not earned any profit.
9.	Paper & pulp project	M/s. Orient Paper Mills, New Delhi.	16.4.68	The company has been registered and the project is under implementation.
10.	Scooter assembly	M/s. Automobile Products of India, Bombay.	9.2.71	Approval issued only on 9.2.71. Negotiations are in progress.
		LIBYA		
1.	Pipes	M/s. Indian Hume Pipe Co., Bombay	16.9.63	The factory went into production in April 1966 and was running under loss.
2.	Asbestos Cement products	M/s. Birla Bors., Calcutta.	25.3.68	Abandoned.
		MAURITIUS		
1.	Mosaic Tiles & Rolling Shutters	M/s. Sidharath Jasubhai, Ahmedabad.	14.2.69	The company started production in July 1969 and royalty of Rs. 13,000 was earned upto Feb. 71 out of which Rs. 9,000 has already been repatriated to India. Machinery & raw material valued at Rs. 47,000 exported so far over and above equity participation and amount repatriated to India.
2.	Rubber Industry	M/s. Swastik Rubber, Bombay	6.11.69	Factory building nearing completion. Machinery etc. expected to be despatched during 1971.

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3.	Flour Mill	M/s. Vissanji Sons, Bombay.	23.2.70	Abandoned.
4.	Canning Industry	M/s. Ayurved Sevashram, Udaipur.	20.4.70	Factory site acquired. So of the machinery already exported for installation.
5.	Hotel Project	M/s. United Agencies, Bombay.	21.3.70	Approved in principle only. The party has now come up for final approval of the Govt. Application is being processed.
6.	Cement Plant	M/s. K.C.P. Ltd., Madras.	21.7.71	Approval in principle issued only on 21.7.71.
7.	Textiles	M/s. Orkay Group, Bombay.	9.2.71	Approval issued only on 9.2.71.
8.	Textiles	M/s. Subhash Silk Mills, Bombay.	21.7.71	Approval issued only on 21.7.71.
		NIGERIA		
1.	Engg. goods	M/s. Birla Bros., Calcutta.	26.9.63	The factory commenced production in 1966 but due to Civil War it had to be closed down. The company has since resumed production activities. Upto 31.3.71 machinery & components etc. valued at over £ 100,000 (Rs. 21,00,000) have been exported over and above equity and amount repatriated to India.
2.	Textiles	-do-	7.10.63	The new company "Indo-Nigerian Industries Ltd." was incorporated in Nigeria in 1964. Due to political disturbances substantial progress could

1	2	3	4	5
				not be made in the implementation. Efforts are being made to revive the scheme.
3.	Solvent Extraction Plant	M/s. Birla Bros., Calcutta.	7.11.64	The company "Zaria Oil Mill Ltd." was formed in July and started production in 1968. The company has not earned any profit so far. Apart from equity participation, spare parts etc. valued at £ 100,000 (Rs. 21,00,000) exported from India on cash payment.
4.	Palm Kernel Crushing Plant	-do-	27.11.64	Abandoned.
5.	Razor blade factory	M/s. H.L. Malhotra & sons, Calcutta.	2.1.65	Production started in 1970.
6.	Pencil factory.	M/s. Standard Pencil, Madras.	14.12.64	Abandoned.
7.	Textiles	M/s. T. Maneklal Mfg. Co., Bombay.	11.9.70	Negotiations in progress.
8.	Room airconditioners	M/s. Turner Hoare & Co., Bombay.	21.10.70	The company "AMIL" has been incorporated. Factory building completed. Some machinery & equipment installed.
9.	Cycle tyres & tubes	M/s. Industrial Construction Co., Calcutta.	10.3.71	Approval in principle issued only on 10.3.71.
10.	Scooter assembly	M/s. Automobile Products, Bombay.	13.5.71	Approval in principle issued only on 13.5.71.
		MOROCCO		
1.	Cork Factory	M/s. Indian Cork Mills, Bombay.	3.2.70	The preliminary arrangements for setting up

1	2	3	4	5
				the company are being made. Negotiations are in progress and finalisation is expected soon.
		TANZANIA		
1.	Pharmaceutical	Mrs. Sarla Somani, Bombay.	2-11-65	No progress report has been received from the party.
2.	Re-rolling Mill	M/s. Mukand Iron Works, Bombay.	20.1.67	Abandoned.
		TOGO		
1.	Radio Assembly	M/s. Semi Conductors, Bombay.	30.5.69	The party is still in search of a partner.
2.	Enamelwares	M/s. Hind Enamel Works, Bombay.	8.4.70	Abandoned.
		UGANDA		
1.	Sugar	M/s. Walchandnagar Industries, Poona.	7.11.69	The company incorporated in 1969. Construction is in progress. The production is expected to commence from November 1973.
2.	Jute Mill	M/s. Birla Bros. Calcutta.,	7.3.69	The company started production recently. Plant & equipment valued at Rs. 10 lakhs have been exported in addition to Indian equity participation and the amount repatriated to India. Besides export earnings from raw material, savings of about 40 Indian technicians employed in the project have also been repatriated to India.

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		ZAMBIA		
1.	Construction company	Shri R.M. Goculdas, Bombay.	3.1.68	Abandoned.
2.	Enamelware	M/s. Bengal Enamel Works, Calcutta.	16.10.64	Abandoned.
3.	Re-refining used lubricants	Shri N.V. Desai, Bombay.	1.5.68	Abandoned.
		CEYLON		
1.	Sewing machines	M/s. Jay Engg. Works, Calcutta.	1961	Started production in sept. 1961. Rs. 4.37 lakhs have been repatriated to India as dividend upto 68-69. Components & raw material valued at Rs. 84 lakhs have been exported from India and the amount remitted to India.
2.	Electro-static Tea leaves/ stalk separator machines.	M/s. General Industries, Calcutta.	30.7.65	Abandoned.
3.	Glass factory	M/s. Swastik Glass works, Chandrapur.	28.1.67	Production started in 1969.
4.	PVC Leather Cloth	M/s. Bhor Industries, Bombay.	5.10.67	Production commenced. Machinery & equipment valued at Rs. 15000 exported from India over and above Indian equity participation. No dividend declared so far.
5.	Trucks	M/s. Ashok Leyland Ltd., Madras.	April, 67	The company incorporated in April, 68. No further progress due to uncertain political situation in Ceylon.
6.	Mica Mining	M/s. Krishna Mining Co.,	7.2.69	Negotiations between the Indian party and the

1	2	3	4	5
		Gudur.		foreign party underway.
7.	Room coolers, airconditioners etc.	M/s. Electronics Ltd., New Delhi.	7.2.69	The company "International Electronics Ltd." formed in March, 69. No further progress due to uncertain political situation in Ceylon.
8.	Pharmaceutical	M/s. Themis Pharmaceutical.	5.2.69	The company "Kapadia Themis Drugs" registered in April, 71.
9.	AAC/ACSR conductors	M/s. Mysore Wires & Industries, Bangalore.	19.3.68	Abandoned.
10.	Filters etc. .	M/s. Fritz & Singh, N. Delhi.	24.3.69	Abandoned.
11.	Textile Mill .	M/s. Birla Bros., Calcutta.	2.4.69	Abandoned.
12.	Bobbins, shuttles steel reeds	M/s. Metro Wood Engg. Ahmedabad.	11.9.70	No progress due to uncertain political situation in Ceylon.
13.	Electric motors & Pumps	M/s. Kirloskar Electric Co., Bangalore.	11.9.70	-do-
		IRAN		
1.	Non-ferrous semis	M/s. Kamani Metal & alloys, Bombay.	9.3.64	Abandoned.
2.	Spare-parts automotive components.	M/s. Mahindra & Mahindra, Bombay.	7-11-66	Production commenced. Components and raw materials valued at Rs. 6800 exported from India over and above the Indian equity.
3.	Trailer Industry	-do-	Jan. 64	Permission withdrawn.

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4.	Electric motors & transformers	M/s. Electric Construction. Calcutta.	8-2-65	The negotiations are in progress and the approval of the Iranian Govt. is awaited.
5.	Hose pipes	M/s. Cosmos India Rubber, Bombay.	7-8-65	Abandoned.
6.	Modern Repair/Service Station	M/s. South India Automobiles, Madras.	13-5-71	Approval issued only on 13-5-71.
		IRAQ		
1.	Soft drinks	M/s. Parle Bottling, Bombay.	18-9-67	Abandoned.
		LEBANON		
1.	Pesticidal Formulation	Dr. A. Sarup, Calcutta.	27-7-67	Abandoned.
		YEMEN ARAB REPUBLIC		
1.	Builders hardware	M/s. Hindustan Tool Industries, Bombay.	21-1-71	The project is under implementation and the production is expected to start during 1971.
		SAUDI ARABIA		
1.	Refrigerators, Airconditioners, air coollers, etc.	M/s. Birla Bros. Calcutta.	7-1-65	Abandoned.
2.	Asbestos Cement Products Plant	-do-	25-6-65	In abeyance.
3.	Vanaspati Plant	M/s. Ahmed Comerbyoy, Bombay.	14-10-65	The party is still in search of a partner.
4.	Transistor Assembly	M/s. United Agencies, Bombay.	21-2-70	Negotiations in progress.
		AFGHANISTAN		
1.	Sewing thread balls	M/s. Darbar Co., Delhi.	20-6-68	No progress report has been received from the party.

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2.	Bicycles	M/s. Pearl Cycle Industries, New Delhi.	20-3-69	Abandoned.
		INDONESIA		
1.	Rubber products	M/s. Cosros India Rubber, Bombay.	15.5.68	Abandoned.
		MALAYSIA		
1.	Steel furniture	M/s. Godrej & Boyce, Bombay.	30-8-65	Started production in May 1968. Furniture components worth Rs. 770,000 have been exported from India over and above Indian equity. The party has also earned royalty of Rs. 15641 in 1969.
2.	Zinc-oxide	M/s. Inter-Trade Corpn., Visakhapatnam.	28-5-66	Abandoned.
3.	Cotton-Textile	M/s. Birla Bros., Calcutta.	9-10-64	The Company was formed in May 1966 and the project is under implementation.
4.	Glass bottles	M/s. Jg. Glass Industries, Poona.	March,68	The Company "Jg (Malasia) Containers Sendirian Berhad, Kuala Lumpur" formed. Factory site purchased. Construction is expected to start soon.
5.	AAC/ACSR & PVC Insulated conductors	M/s. The Indian Aluminium Cables Ltd., New Delhi.	15-11-68	Factory site acquired. Building under construction.
6.	Precision tools & gauge mfg. unit.	M/s. Gupta Machine Tools, Calcutta.	25-11-68	The company "Malaysian Gauge & Tools Sendirian Berhad" started production recently. Machinery, equipment & raw

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				materials valued at Rs. 4.47 lakhs approx. exported from India over and above Indian equity holding.
7.	Electric fans & sewing machines	M/s. Jay Engg. Works, Calcutta.	1-1-69	Under implementation.
8.	Confectionary	M/s. Parrys Confectionary, Madras.	18-3-69	The company incorporated in March, 70 under the name "Parrys Confectionary (Malaysia) Senidrian Berhad" has started production recently.
9.	Mikreme, hair oils, Talcum powder	M/s. Dabur (P) Ltd., Calcutta.	15-4-69	Due to labour trouble & lock out of their factory in Calcutta no progress in the implementation of the project has been made.
10.	Electric motors pumps, diesel engines	M/s. Kirloskar Electric Co., Bangalore.	9-6-69	The company "M/s. Indo-Malaysian Engg. Co. (Sdn) Berhad" formed in Oct, 70 and the project is under implementation.
11.	Cosmetics & pharmaceuticals	M/s. Sir G. C. Narang (Cosmetics) Industries, Delhi.	7-10-69	The company "Barkath Pharma (Sdn) Berhad" has been formed. Machinery etc., installed.
12.	Enamelled copper wire & electrical accessories.	M/s. Ajit Industries, Bombay.	7-11-69	The companyi ncorporated in Sept. 70. Factory building nearing completion. Machinery etc. expected to be despatched from India soon.

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13.	Automotive & allied remote control & speedometers cables.	M/s. Southern Industrial Corpn. Madras.	29-6-70	Under implementation.
14.	Safety glass.	M/s. Hindustan Safety Glass, Calcutta.	21-1-71	-do-
15.	Steel foundry.	M/s. Mukand Iron & Steel Bombay.	21-1-71	Approval granted on.y in principle. Negotiations in progress.
16.	Time & Automobile chains.	M/s. L. G. Balakrishnan & Bros., Coimbatore.	9-2-71	Under implementation.
17.	Cycle & Industrial chain.	M/s. Murugappa & Sons, Madras.	20-2-71	-do-
18.	Vanaspati soap etc.	M/s. Tata Oil Mills, Bombay.	11-3-71	Approval granted only in principle. Negotiations in progress.
19.	Pistons components.	M/s. India Pistons Ltd Madras.	12-5-71	Approval issued only on 12-5-71.
20.	Air Compressor Hydraulic jackhoists etc.	M/s. Hydraulics Pneumatic (India) (P) Ltd. Delhi.	14-5-71	Approval issued only on 14-5-71.
21.	Palm Oil Fractionating plant	M/s. Berar Oil Industries, Bombay	28-7-71	Approval issued only in principle.
		SINGAPORE		
1.	Flourescent fixtures etc.	Mr. Ishwar Parekh, Bombay	10-1-67	Abandoned.
2.	Welding Electrodes.	M/s. M.S. Alloy Electrodes, Bombay.	20-2-69	Under implementation.
3.	Elec. fans & sewing machines.	M/s. Jay Engg. Works, Calcutta.	28-10-69	-do-
4.	Automobile accessories.	M/s. Teksons (P) Ltd. Bombay.	1-7-70	The company formed on 22.7.70. Construction of building almost

1	2	3	4	5
				completed & plant & machinery installed. Trial production started recently.
		FIJI		
1.	Flour Mill.	M/s. Wallace Flour Mills, Bombay.	12-5-71	Approval issued only on 12-5-71.
		THAILAND		
1.	Steel Mill.	M/s. Sacha Exporters & Investors, Bombay.	24-6-69	No progress report has been received so far from the firm.
2.	Synthetic fibre spg. unit.	M/s. Birla Bros. Calcutta.	7-3-69	The "Indo-Thai Synthetic Co. Ltd.," is under production since Nov., 1970.
3.	Newsprint Mill	M/s. Kuljian Corpn. (I) Ltd. Calcutta.	8-7-69	Abandoned.
		PHILIPPINES		
1.	Diesel Engines.	M/s. Kirloskar Oil Engines, Poona.	6.1.70	The company incorporated in Feb, 70. Project under implementation.
		AUSTRALIA		
1.	Carbon & Graphite products.	M/s. Graphite India Ltd., Calcutta.	21.7.71	Approved in principle
		JAPAN		
1.	Single Spindle Automatic Lathe Assembly.	M/s. Traub (India) Ltd., Poona.	7.5.71	Approved in principle only.
		IRELAND		
1.	Nylon Bristles.	M/s. Garware Plastics (P) Ltd., Bombay.	7.10.66	Abandoned.

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2.	Tufted Carpet.	M/s. Mafatlal Gagalbhai, Bombay.	4.3.68	Production started in January, 1971.
		N. IRELAND		
1.	Asbestos Cement Products.	M/s. Birla Bros. Calcutta.	7.11.64	Abandoned.
2.	Light Engg. goods.	-do-	7.11.64	Abandoned.
		UNITED KINGDOM		
1.	Asbestos Cement Products.	M/s. Birla Bros. Calcutta.	24.6.65	The company "Gleno Asbestos Ltd." was incorporated in 1965 Production started. No dividend declared so far.
		CANADA		
1.	Hardboard	M/s. Anil Hardboards Ltd. Bombay.	23.7.65	The project is under production since April, 67. The firm has earned towards technical know-how fee Rs. 20 lakhs app. upto 1969-70, out of this Rs. 4,17,690 repatriated to India. Besides, raw material valued at Rs. 7 lakhs exported and amount remitted to India.
2.	Starch liquid glucose.	M/s. Century Chemicals, Bombay.	7.12.68	Abandoned.
3.	Textiles	M/s. T. Manekkal Mfg. Ltd., Bombay.	11.9.70	Negotiations in progress.
4.	Magnet wires	M/s. Indo-American Electricals, Calcutta.	10.8.71	Approved only recently.

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		U.S.A.		
1.	Hardboard.	M/s. Anil Hardboards, Ltd. Bombay.	7.12.66	The company formed in 1969. A revised approval issued on 21.3.70. The project is under-implementation.
		COLUMBIA		
1.	Twist Drills.	M/s. Indian Tool Manufacturers, Bombay.	4.8.65	No progress report had been received from the firm.
		GRENEDA		
1.	Canning unit.	M/s. Rai & Sons (P) Ltd., New Delhi.	5.6.68	Abandoned.
		TRINIDAD		
1.	Canning unit.	M/s. Rai & Sons (P) Ltd., New Delhi.	9.11.68	Abandoned.
		WEST GERMANY		
1.	Rice milling machines & Oil engines, etc.	M/s. Kirloskar Oil Engines (P) Ltd., Poona.	—	The project is in production. The company has remitted to India foreign exchange for Rs. 5.73 lakhs by way of dividend and Rs. 21.8 lakhs by additional export of components.
2.	Hose-clips.	Shri N. Krishnan, Bangalore.	17.6.70	Shri Krishnan has purchased the already existing hose-clips factory in W. Germany and a new Pvt. Ltd. company has been formed to manage the factory. Steps are being taken to set up the parallel unit in India. A condition stipulated in our approval letter.

APPENDIX XVIII

(*vide para* 5.142)

Measures to step up foreign exchange earnings of Marine Products suggested by the Survey of India's Export Potential of Marine Products conducted by the Institute of Foreign Trade.

(i) To increase unit value realisation and exchange earnings, it is essential for the industry to switch over from traditional block processing of shrimp to IQF processing in view of the consumer's preference for the latter. For instance, on the basis of 1969 exports of shrimp in block form, 50 per cent of which could have been shipped in IQF form, India would have earned additional foreign exchange worth Rs. 22.50 million. An equal amount could have been realised additionally in foreign exchange by proper grading of the product.

(*ii*) *Product Development and Diversification*: There is also need to introduce mechanisation at various stages of processing such as beheading, grading, sorting and peeling, which are at present carried out manually. Besides, there is considerable scope to increase the range of speciality products like shrimp extracts, prawns, tuna, mackerel and sardine pastes, fish flakes, fish soup-mix and scrab concentrates which offer prospects for export.

(*iii*) *Compulsory In-plant Inspection*: Yet another step to enhance the unit value realisation relates to the introduction of comprehensive in-plant inspection system in India, including becteriological standards for all fishery products, sterility tests for canned goods and hygienic standards for peeling sheds and processing units, on the pattern of other supply countries like South Korea, Mexico, Canada, Japan, Norway and UK.

(*iv*) *Packing Standards* : Keeping in view the requirement of the major importing countries, it is essential to lay down and enforce standards for packing and packaging materials. It is also desirable to allow import of cans of right type such as aluminium "ring pull" cans, popular international markets, and packaging material with requisite specifications and quality till these are fabricated indigenously at economical cost.

(*v*) *Group Marketing*: A suitable code of conduct needs to be enforced through agencies like the Seafood Exporters' Association of India and the Marine Products Export Promotion Council to check the multiplicity of merchant-exporters who do not have stake in the industry and offer unhealthy competition to the established exporters. With a view to projecting a bright image of Indian products, there

is an urgent need to explore the possibility of promoting a few common brand names.

(*vi*) *Shipping Facilities and Freight Rates*: Excepting Cochin and Bombay, other ports are not adequately covered by sailing with reefer space. It is necessary to provide sailings at these ports on a selective basis by offereing sufficient cargo to serve as minimum inducement.

It is equally important to formulate specific tariff rates for frozen marine products instead of the existing refrigerated cargo NOE (not otherwise enumerated) rates, which are on the high side. Besides, it is unfair to impose uniform rates on all items of marine products like shrimp' lobster tails and froglegs, irrespective of their sizes and price realisation in the export markets.

(*vii*) *Exports Assistance*: The present export replenishment policy, allowing importation in large quantities of items like stainless steel and fishing hooks, not required to that extent for shrimp fisheries and reportedly being misused by their unauthorised sale in the open market, needs to be reviewed. Instead of these items, imports of items like marine diesel engines, marine hardware, nylon, plate freezers, graders, peelers , IQF machinery and other processing equipment required for improvement, diversification and expansion of fishery industry should be permitted.

(*viii*) *Other Development Measures* : With a view to undertaking the programme of rapid development of Indian fisheries, necessary finance will have to be arranged from governmental and other financial institutions on easy and deferred payment terms, as is the case in other countries like Canada; Hong Kong, Ireland, USA and UK.

Tax Relief Measure : The Government of India should also consider other relief measures and incentives to attract additional investment into the fishing industry. These may take the shape of relief on income-tax for foreign technicians and on fees for technical services, tax holiday for new industrial undertakings, issue of guarantee on behalf of fishing units to the foreign suppliers of machinery and equipment and exemption of import duties on plant, equipment and inventory requisites to fishery enterprises in India.

(*ix*) *Organisational Set-up:* There is no organisation at present directly involved in the development of the marine products industry in relation to production, processing and export marketing. The numerous problems faced by Indian industry arise mainly from lack of a central agency vested with adequate authority and with necessary organisation for its all-round, co-ordinated and balanced development. The experience of other maritime countries corroborates the utility and need of such an export development agency in India for the marine products industry.

APPENDIX XIX

(*Vide* para 5.144)

Main recommendations of the Survey of India's Exports Potential of marine products conducted by the Indian Institute of Foreign Trade.

(1) Introduction of 298 large deep sea fishing vessels and 31,55,36 feet vessels. Of these deep sea fishing vessels it was recommended to import 60 deep sea fishing vessels in the first two years.	The question of import of fishing vessels outside the present scheme of import of 30 trawlers is to be considered by the Secretaries' Committee. A note was prepared in the Ministry of Foreign Trade on the subject.
(2) The Government of India should subsidise larger fishing vessels built in the country.	The Ministry of Agriculture have already a scheme permitting subsidy for indigenous fishing vessels.
(3) Joint Venture (Foreign Collaboration) arrangements on product-sharing basis, facilitating acceleration of the programme of deep sea fishing with the improved types of vessels, designs and techniques.	The guidelines for foreign collaboration were discussed by the Foreign Investment Board. About 8 collaboration schemes are under consideration by the Board. The scheme is yet to be cleared pening a policy decision on import of trawlers and employment of foreign technicians.
(4) Supply of diesel oil at Bonded rates to fishing vessels.	At the instance of the Ministry of Foreign Trade and the Ministry of Agriculture, the Ministry of Finance have agreed, in principle, to study diesel oil on duty free basis to all fishing vessels but linked up with exports. The Ministry of Finance desired to have a Central Agency for implementing the scheme and also to prevent the possible misuse of this facility. The proposed Marine Products Export Development Authority is considered as the most suitable Central Agency for implementing this scheme.

(5) Development of fishing harbours.	Ministry of Agriculture is the Ministry concerned with development of offshore facilities and are providing finances for this purpose. That Ministry has been reminded about the need for development of fishing harbours on priority basis in selected centres.
(6) Import of marine diesel engines above 60 HP on a quota basis.	The Ministry of Industrial Development has been addressed to consider the possibility of allowing import of marine diesel engines for the export oriented industries.
(7) Man-power requirement for deep sea fishing vessels.	The Ministry of Agriculture have taken up the question of arranging for manpower by training in the Central Institute of Fisheries Operatives. The Ministry of Foreign Trade have indicated to the Secretary Defence the possibility of utilising de-commissioned Naval Personnel after providing them training in fishing for a limited period in these Institutes.
(8) Regulated development of processing facilities.	This calls for specific laying down of standards and specifications for items of equipment for handling and processing from the time of catch to shipment, registration of processing plants, assess standards of equality of indigenous processing equipment and recommend measures for improvement, introduction of new and sophisticated types of equipment for improved processing methods, to prescribe and enforce lay out of processing plants. The above functions can be effectively implemented with the organised development contemplated by the proposed Marine Products Export Development Authority for balanced development in different regions of these products.
(9) Product development and diversification of marine products for exports.	Steps have been taken for importing certain items of equipment by import under the REP scheme but the need for developing large scale

		production limited to specified makes have to be organised effectively by the Central Agency.
(10)	Compulsory in-plant inspection	At present quality control is effected only in the final stages of processing for export. It is necessary to have quality control on the raw material from the time it is caught in the fishing boat to the stage of shipment. This require standardisation of the various processes of handling, distribution and processing, enforcement of norms and standards for in-plant inspection and laying down of standards for various export items of different products. Even though steps are being taken to evolve procedures, the implementation will be effectively done by the proposed agency for organised development.
(11)	Group marketing under limited brands . . .	Group marketing will depend on provision of certain facilities for market intelligence, market promotion and facilities for bulk exports and improved marketing practices. Marine products have been brought under Export Trade Control Order and the items—frozen canned shrimp and fish products—are allowed only on firm orders/contracts with prefixed prices. The necessary agency for market intelligence, advertising and promotion measures are proposed in the programme of the Central Agency.
(12)	Packing standards	Standards are being worked out by the Marine Products Export Promotion Council in consultation with Indian Standards Institution and manufacture of packing material. Tinplates required for sardines are being permitted to be imported under the REP scheme. Card boards, labels and ploythene bags are permitted to be imported to those who are engaged in exports

		to specified importers with their brand names.
(13)	Shipping facilities and freight rates	In close consultation with the Ministry of Transport, and the Conference Lines, the position relating to shipment to U.K. and Europe is now eased. However, the position with regard to shipment to Japan is yet to be sorted out on regular basis. Steps are being taken by the Ministry of Foreign Trade in consultation with the Ministry of Transport. With regard to freight rates, the matter has been brought to the notice of Ministry of Transport. The subject is proposed to be discussed by the D. G. Shipping Freight Investigation Bureau and the Conference lines.
(14)	Export Assistance . .	Export assistance with regard to the items of equipment required for use of the industry is provided under the REP scheme for import of selected items for improvement of the products. But certain difficulties are experinced in the export of canned goods in view of the high cost of tin containers and the packing medium.
(15)	Export promotion measures calling for strengthening export effort in major markets in USA, UK and Japan and Continent through publicity, advertising, Trade Fairs & Exhibitions	Participation in Trade Fairs and Exhibitions to a limited extent is now undertaken through the Marine Products Export Promotion Council, but there is difficulty in organising market intelligence and export promotion in a big way and is expected to be undertaken by the proposed Authority for the benefit of the industry as a whole.
(16)	Financial assistance, tax relief and incentives. Certain recommendations have been made by the study with regard to supply of duty free oil, issue of guarantee for the machinery and streamlining the assistance and provision of tax relief and incentives . .	Steps have been taken in items like supply of duty free diesel oil, but the industry is yet to know the specific lines of relief measures available in the production side. One of the functions of the proposed Marine Products Export Development Authority is to organise financial assistance, identify fields in which the relief and subsidy is

indicated for the export industry and to act as an executive agency for relief and subsidy schemes as may be entrusted to the Authority.

(17) Establishment of Marine Products Export Development Authority . . . .

The Note for the Cabinet for the setting up of the Marine Products Export Development Authority was sent to the Cabinet Secretariat on 26th April, 1971 and was approved in principle by the Cabinet at its meeting held on 22nd October 1971 and the draft Bill in respect of this proposal is under submission for Cabinet's approval.

The Marine Products Export Development Authority is a Statutory body delegated with powers to undertake suitable measures for development of the Marine Products export industry with emphasis on exports. The Authority will be responsible for organisation, coordination, regulation and growth of this export industry. It will also be responsible for off-shore and deep sea fishing.

APPENDIX XX

(*Vide* para 5.151)

Note regarding progress of electronics—extracts taken from the 3rd report of Committee on Public Undertakings (5th L.S.) on Bharat Electronics Limited, Bangalore

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"Total Production of Electronics

Items :—

The Bhabha Committee had visualised that the production of electronics equipment which stood at Rs. 26.5. crores in 1964-65 should increase to Rs.300 crores per annum in 1975-76 and the production of components from Rs. 4 crores in 1964-65 to Rs. 84 crores per annum in 1975-76. To achieve the targets envisaged by the Bhabha Committee the overall production of electronics equipment had roughly to be doubled every three years. On this criterion the annual production should have increased by 1970-71 to Rs. 114 crores for equipment and Rs. 25 crores for components. As against these figures, the actual production of equipment and components has been Rs. 138 crores and Rs. 37 crores respectively in 1970-71. The Bhabha Committee had visualised slightly more than four-fold increase in the production of equipment and more then six-fold in the production of equipment and more than six-fold in the production of components in the six year period. The actual production has been more than five times in the case of equipment and nine times in the case of components. The sector-wise production is discussed further below:

Entertainment Equipment :—

The Bhabha Committee had visualised a total production of Rs. 450 crores of entertainment equipment over a 10 year period from 1966 to 1976 and an annual production of Rs. 73 crores to be attained by 1975. As against the anticipated production of Rs. 73 crores in 1975, production has already crossed this figure and was of the order of Rs. 80 crores in the year 1970-71. Since the prices of entertainment equipment have fallen by about 30 per cent since the Bhabha Committees recommendations, the actual production in 1970-71 in physical terms in even more than Rs. 80 crores in terms of 1966 prices on which the Bhabha Committee figures were based.

Defence and telecommunications equipment :—

In so far as Defence and Telecommunications requirements of the various Government Departments are concerned, they were to be met, by and large, by production in the public sector undertakings, viz. Bharat Electronics Ltd., and Hindustan Aeronautics Ltd., under the Ministry of Defence and Indian Telephone Industries under the Ministry of Communications. The Bhabha

Committee had envisaged that Defence would need equipment, accessories and spares of the value of Rs. 729 crores over a period of 10 years from 1966 to 1975. This estimate was based on projections given by the users to the Bhabha Committee which had not been subjected to any financial or other scrutiny. Subsequently, these requirements have been reviewed and are likely to be of the order of Rs. 375 to 400 crores for the period 1966 to 1975. The defence ministry has been reviewing the requirments from year to year and on the basis of this review they have been planning the production in the Bharat Electronics Limited and Hindustan Aeronautics Limited. By and large, these requirements have been met by indigenous production Imports have been resorted to only in the case of very urgent requirements or where quantities are so small that it is not economically feasible to undertake indigenous production. It might be pointed out that production of Defence and other professional equipment by Bharat Electronics Limited and Hindustan Aeronautics Limited, which was of the order of Rs. 6.60 crores in 1965-66 has increased to over Rs. 30 crores in 1970-71 . With the reduced requirements of Defence as now determined this rate of growth would be adequate to met almost all the Defence requirements from indigenous production. In the telecommunications field, however, production in the Indian Telephone Industries increased from Rs. 3 crores in 1965-66 to only Rs. 6 crores in 1970-71. Their production is expected to increase to Rs. 20 crores per annum from 1974-75. The production of the Indian Telephone Industries has not been adequate to meet the total requirements of telecommunications equipment and imports have had to be resorted to from time to time. However, in order to meet the total requirements in future, a new factory is being set up at Naini in Uttar Pradesh by the Ministry of Communications. There may, however, be need for establishing more factories for meeting the total requirements and this is being investigated.

Other Equipments :—

In the field of Computors, Industrial Heating equipment, Process Control Equipment, Railway Signalling Equipment, Test Equipment and Nuclear Electronics equipment, the production has also been established and it is increasing so that the total requirements of the country can be met.

Electronics Components :—

The Bhabha Committee had laid the greatest stress on the development of electronic components and has called components as the crux of the electronics industry. As stated earlier, the Bhabha Committee had visualised an annual production of components of the value of Rs. 84 crores by 1975. Production in 1970-71 was of the order of Rs. 37 crores as compared to the Bhabha Committee target of Rs. 25 crores. It is anticipated that the production in 1975 would be of the order of Rs. 140 crores as against Rs. 84 crores envisaged by the Bhabha Committee. Since the prices of components have fallen by almost 30 per cent from what they were in 1966, the present production of Rs. 37 crores is even more in physical terms based on 1966 prices.

Though initially efforts were made to establish prodution of the common types of electronics components like Relays, Connectors, Television Picture Tubes, Professional Grade Switches, Capacitors, Registors, Condensers, etc. Production has also been established of some types of Microwave components.

APPENDIX XXI

(*Vide* para 5.153)

Role of T.D.A. in regard to electronic industry

Electronic equipment and components is one of the sixteen product groups chosen by TDA for export development to developed countries. TDA has already enrolled thirty-seven clients in electronic group and has been assisting them in finding out export markets, providing them with necessary inputs for export production etc. TDA has also sponsored a few export oriented proposals among which the Santacruz Airport Electronics Project is prominent. Under this project about hundred export oriented industries will be established.

Airport Electronics Project

TDA's pioneering project for a bonded processing and warehousing facility for export of assemblies and sub-assemblies of electronic equipment and individual components has been already cleared by the Electronics Commission. The project is based on a similar processing facility established in the vicinity of Kausang Airport in Taiwan. Both import of raw materials and export of finished products would be by air-freight. Self-contained in every respect, with individual processing and testing lines varyign production and marketing tie-ups but common servicing facilities, it is expected to generate an annual net earning of $5 million foreign exchage. A hundred acres piece of land for the project has already been acquired near Santacruz, Airport and MSSIDC will be developing the site which has been approved by the TDA and the Electronics Commission. It has been decided that the development of the site etc. would be completed lates by the middle of November, 1971. Simultaneously, MSSIDC would begin immediate consultation with architect, civil engineer and other experts of existing leading Electronics units in the country with a view to preparing detailed blue-print for standard factory units to be established in the bonded facility and have such provisional blue-prints ready by the middle of November, 1971.

A thirteen member delegation has already left for Taiwan, South Korea, Hong Kong and Puerto Rica for a close study of bonded processing and warehousing zones in those countries before establishing our own airport electronics project. They will also visit Japan, Europe and USA for establishing long-term buying contracts, for pin-point selection of components and sub-assemblies to be processed at the Santa Cruz facility and for selecting processing and testing equipment for it.

On return of the delegation to India massive data would be available for planning and implementing details lay-outs for the bonded facility at Santa

Cruz based on the experience gained during the tour. Information would also then be available as regards the types and specification of the electronic components, sub-assemblies, the processing of which would be undertaken in the Santa Cruz Zone. The provisional blue-prints which will be kept ready by MSSIDC would be finalised in the light of the delegation's overseas experience; detailed lay-outs of the individual factory units and the in-project facilities would be the finalised for enabling MSSIDC to complete the construction by June, 1972. The period between June, 1972 and October, 1972 will be utilised for the installation of the plant, equipment and tooling in at least a few of the factories and commencement of trial production for export.

When established this Project will promote collective functioning among small scale units in the interest of stepping up exports.

TDA has also invited an Electronics Buyers Delegation from U.K. This delegation is expected to visit India in the beginning of 1972.

APPENDIX XXII

(*Vide* Para 5.153)

Objectives of the Delegation—Bonded facilities project—Export promotion in Electronics

The delegation would tour the bonded zones in the different countries, for an in-depth and on-the-spot study of facilities. The delegation would also visit Japan, USA and West Europe for further exploring other export prospects. USAID has agreed to meet the round-the-world air journey expenses of the team and their per diem costs in USA.

Besides studying the operational features of the bonded zones, the delegation while in Japan, USA and Western Europe, will determine the specific electronic components, assemblies and sub-assemblies that could be processed profitably firms collaborating where necessary in defined areas of production and evaluate the technologies and processes to be adopted. In addition, the delegation would explore the prospects for markets in Japan, West Europe and USA for Indian exports of electronics components and equipment currently under manufacture from existing or expanded facilities of the various electronic firms operating in the country. They will also make study of the technological and market factors influencing international trade in Electronics.

The state-owned Maharashtra Small Scale Industries Development Corporation is taking steps to acquire about 100 acres of land near Santa Cruz Airport at Bombay for siting the project. As a major portion of the import of raw materials and export of finished components and sub-assemblies would be by air-freight, it would be advantageous to have the facility near an international airport; and the site chosen has been approved by expert opinion, having regard to the concentration of the electronics industry in the Bombay-Poona belt and the availability in this area of infra-structure and technical skills in this specified field. It is expected that after the return of the delegation, sufficient information would be available for planning the setting up of bonded facility in India.

The comprehensive foreign market survey being undertaken by the team would enable the Electronics Commission, the Ministry of Foreign Trade and the Trade Development Authority to focus attention on the essentials of an export drive in this highly specialised field. The export potential which could possibly be developed through the bonded facility may soon be of the order of Rs. 10 crores per annum. Further, the export for electronic items produced outside the bonded facility are likely to increase substantially as a result of the delegation's visit.

APPENDIX XXIII

(*Vide* Para 6.2)

LIST OF ITEMS WHOSE IMPORT/EXPORT IS CANALISED THROUGH STATE AGENCIES

List of items canalised for imports through State Trading Corporation of India Ltd.

1. Raw manila hemp (fibre)
2. Raw sisal fibre.
3. Graphite electrodes.
4. Graphite anodes.
5. Sodium nitrate
6. Aniline oil.
7. Benzidine dihyrochloride.
8. Napthionic acid/Sodium Napthionate.
9. Hops.
10. Copra.
11. Gum Arabic.
12. Mutton tallow.
13. Soyabean oil.
14. Palm oil.
15. Sulphadimidine (Sulphamethazine).
16. Amido pyrine.
17. Analgin.
18. Phenobarbitone.
19. Piperazine and its salts.
20. Thiamine Mononitrate and Hydrochloride (Vitamin B1).
21. Riboflavine (Vitamin B2) and Riboflavine 5-phosphate sodium.
22. Folic Acid.
23. Chloramphenicol powder, Chloramphenicol palmitate and Chloramphenicol succinate.
24. Streptomycine sulphate.
25. Sulphathiazole.
26. Sulphadiazine.
27. Tetracycline base and Tetracycline hydrochloride.

28. Erythromycine, its salts and esters.
29. Iodine.
30 35 mm raw stock (whether black or white or colour) excluding sound negative
31 Graphite.
32. Peppermint oil.
33. Synthetic rubber.
34. Nylon yarn and thread other than industrial nylon yarn.
35. Polyster filament yarn.
36. X-Ray films.
37. Empty hard gelatine capsules.
38. Ammonium nitrate technical grade.
39. Cresylic acid.
40. Formic acid
41. Dodecyl benzene.
42. Pentaerythritol.
43. Tartaric acid.
44. Meta aminophenol.
45. Urea (chemical grade).
46. Cyno pyridine.
47. Endrin (insecticide).
48. Octanol/Iso-octanol/2-Ethylhexanol
49. Phthalic anhydride.
50. Vinyl chloride.
51. Nitrocellulose chips/Nitrocellulose other than 15-20 second viscosity.
52. Caprolactum.
53. D.M.T.
54. Beta napthol.
55. Sodium Borate.
56. Citronella oil.
57. Potassium chloride (industrial grade).
58. Methanol technical.
59. Citric acid.
60. Dioctyl phthalate.
61. Pyridine base and pyridine technical.
62. Soda ash.
63. Titanium dioxide.
64. Lithopone.
65. Sodium Nitrate.
66. Corkwood.
67. Rayon grade wood pulp.

68. Raw wool.
69. Cellulose acetate flakes.
70. Cellulose acetate sheets/films.
71. Cellulose acetate butyrate and cellulose acetate propionate.
72. Cellulose nitrate sheets and flakes.
73. Melamine pure.
74. Acrylic resins.
75. Fluorspar (acid grade).
76. Cryolite.
77. All synthetic non-cellulose fibres including polyster fibre.
78. Polypropylene.
79. Nylon moulding powder.

LIST OF ITEMS CANALISED FOR IMPORT THOUGH M.M.T.C

1. Lead Ingot, Pig & Scrap.
2. Zinc or Spelter unwrought in the form of ingot Cakes, tiles and slabs.
3. Zinc granulations and dust.
4. Aluminium (EC Grade)
5. Platinum.
6. Palladium.
7. Refractories & refractory material.
8. Mercury.
9. High grade maganese ore.
10. Antimony ore.
11. Tungsten ore.
12. Non-processed elemental/non-refined recovered sulphur.
13. Rock phosphate, Mineral phosphate.
14. Muriate of Potash (Potassium chloride other than industrial grade).
15. Sulphate of Potash.
16. Sulphate of Amonia.
17. Urea (fertilizer grade).

Iron & Steel and Ferro-alloy items :

18. Ferro-Molybdenum.
19. Ferro-tungsten.
20. Ferro-vannadium.
21. Ferro-Silicon.
22. Stainless steel sheets, plates and strips in cut length or in coils.
23. Heavy melting scrap and sponge iron, metallised iron ore and pellets for electric arc furnaces.
24. Non-ferrous metals, namely Tin, Copper and Nickel.
25. All mild steel and high carbon steels semis, including ingots, blooms, slabs and billets.
26. Cold rolled grain oriented electrical steel sheets.

List of Items the Import of which is canalised through other state trading Agencies

Cashew Corporation of India Ltd.
Cashewnuts.

Cotton Corporation of India Ltd., Bombay
Raw cotton.

Indian Dairy Corporation
Skimmed milk powder.

Central Silk Board.
Raw silk.

Hindustan Steel Limited

1. Refractories & refractory meterial.
2. Tin plate for manufacture of open top sanitary cans.
3. All mild steel, high carbon and alloy steel (other than stainless steel) wire rods in coils.
4. All mild steel sheets, strips and skelp in coils, both hot rolled or cold rolled.
5. B.P. Sheets in cut lengths (Hot rolled and cold rolled) for manufacture of drums, barrelts and steel furniture.

Indian Oil Corporation
Base lubricating oils.

Metal Scrap Trading Corporation
Heavy melting scrap and sponge iron, metallised iron ore and pellets for electric arc furnace.

APPENDIX XXIV

(*Vide* Para 7.6)

Important Subjects Discussed by the Board of Trade

(i) Suggestion for more frequent meetings of the Board of Trade.

(ii) Inadequate production of cash crops.

(iii) Release of foreign exchange for coal industry.

(iv) Supply of raw materials at international prices.

(v) Export targets.

(vi) Creation of special cell in the Ministry of Foreign Trade to review the production of exportable commodities.

(vii) Subsidy for Exports.

(viii) Steel for Engineering Industry.

(ix) Consortium talks with Ceylon.

(x) Export of Maize, Rice, Pulses etc. books and printing materials.

(xi) Exports of fresh fruits, flowers and vegetables.

(xii) Formation of Business Groups.

(xiii) Role of STC and MMTC.

(xiv) Export of Goods and Diamonds.

(xv) Computerisation of Export and Import Trade Statistics.

(xvi) Working Group on Export Production.

(xvii) Revitalisation of Export Promotion Councils.

(xviii) Export Planning for 10% to achieve growth rate of 7%.

(xix) Expeditious realisation of subsidy and drawbacks.

(xx) Industrial licences.

APPENDIX XXV

(*Vide* Para 7.17)

The terms of reference of the Zonal Committees

(a) To consider difficulties, if any, experienced by trade and industry in the operation of the prevailing import and export policies and procedures, including disbursement of cash assistance to exporters, and to suggest measures for improvement;

(b) To consider difficulties experienced by exporters in the matter of customs clearance, shipping, credit, insurance and export inspection, and to suggest measures for removal of such difficulties; and

(c) To suggest improvements in the methods of working and public relations of the Import and Export Trade Control Organisation and other Government departments concerned with trade and industry.

APPENDIX XXVI

(*Vide* Para 7.21)

Export Promotion Councils

1. Cashew Export Promotion Council, Cochin.
2. Chemicals and Allied Products Export Promotion Council, Calcutta.
3. Cotton Textiles Export Promotion Council, Bombay.
4. Engineering Export Promotion Council, Calcutta.
5. Leather Export Promotion Council, Madras.
6. Marine Products Export Promotion Council, Cochin.
7. Plastic and Linoleum Export Promotion Council, Bombay.
8. Shellac Export Promotion Council, Calcutta.
9. Silk and Rayon Export Promotion Council, Bombay.
10. Spices Export Promotion Council, Cochin.
11. Sports Goods Export Promotion Council, New Delhi.
12. Processed Foods Export Promotion Council, Madras.
13. Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council, Bombay.
14. Export Promotion Council for Finished Leather and Leather Manufactures, Kanpur.
15. Wool and Woollen Export Promotion Council, Bombay.
16. Handloom Export Promotion Council, Madras.
17. Gem and Jewellery Export Promotion Council, Bombay.
18. Tobacco Export Promotion Council, Madras.

APPENDIX XXVII

(*Vide* Para 7.29)

Some of the important recommendations of the Committee (Headed by Shri Bhagwan Singh, Additional Secy., Ministry of Foreign Trade) appointed by Government to review the working of the Export Promotion Councils

1. Some of deficiencies in the working of the Councils are inherent in the environment in which they function. A system of review of the working of E.P.Cs must now be a recurring feature, at least once in every two years.

2. There should be two types of memberships, *viz.* ordinary and associate in each Council. Exporters with a good performance in export trade should be allowed to become ordinary members. Clienatele of T.D.A. be given an option to become associate members.

3. The Constitutional structure of the E.P.Cs. for the small scale enterprises should be as follows:—

   (a) Membership fee should be half;

   (b) A representative of FASSI should be included in each Panel as well as in the working Committee of Administration;

   (c) Export Performance for deciding small scale members should be defined for each Council.

4. It is necessary that the selection procedures in respect of the posts of Executive Director, Commodity Officers and territorial officers, as well as for other important posts in the Councils and their foreign offices, should be so prescribed that persons of real proven competence are selected for manning these posts.

5. The Committee has recommended greater availability of assistance for the code activities of export promotion from the M.D.F., so that the activities in these fields are not hampered on account of inadequate availability of funds. From some of the activities like inviting foreign delegations and market studies etc, provision from M.D.F. has been recommended to the extent of 90% instead of the existing rate of 75%. Such enhancement from M.D.F. provision has been recommended for a number of activities as well as for appointment of correspondents abroad.

6. There should be specific allocation in the budgets of the Councils for the activities related to the small enterprises.

7. In view of the enormous potential that is increasingly opening up in the exports of engineering goods, there should be fulfleged E.P.C. at Bombay known as 'Heavy Machinery & Transport Equipment

EPC' for dealing with the items which have a larger base at Bombay comparatively than Calcutta. The Regional Offices of the existing EEPC at Calcutta should serve both the Calcutta Council and the Bombay Council. The role of Foreign offices should also be the same. There should be a Coordinating Committee with representatives of both the Councils, for transacting coordination amongst their activities. The Coordinating Committee should have 3 members from both the Councils, under a Chairman, who should, in alternative years, be the Chairman of the respective Councils.

8. In respect of engineering goods, the clientele of T.D.A. should not be required to become the members of the Engg. E.P.C. In respect of other items, the clientele should be required to continue to be the members of the respective Councils, otherwise, there is a possibility of liquidation of such Councils.

9. Greater responsibility should be given to the FIEO and its areas of operation should be more clearly defined, so that it can play the role of providing assistance and coordination to the PECs and other export organisations in the fields of publicity, dissemination of information, determination of programmes of the EPCs.

10. It is desirable that a Cell should be established in the appropriate Division of the Ministry of Foreign Trade which, in coordination with organisation of the DC(SSI), should pursue actively the programmes and activities of the EPCs and other export organisations on the requirements of the small scale enterprises. There should be suitable representation of small scale enterprises in the delegations and study teams which are sponsored abroad by the EPCs and specific teams composed only of the small enterprises should be sent abroad for exploring the opportunities of manufacturing components and accessories for their requirements of export markets in the context of the rising opportunities in the field of labour intensive manufacturers.

11. It is necessary that in the Councils, particularly in the larger Councils, specialisation should be developed in respect of the requirements of various territories of the world markets; for instance, there is need for establishing territorial desks in the Councils like the Engineering E.P.C.

12. For examining, in detail, the product coverage aspects in respect of the Export Promotion Councils, other than the Engineering Export Promotion Councils, the Committee has made the following observations:—

(a) In the existing allocation of product groups between E.P.Cs of Chemicals and Allied Products, Basic Chemicals, Pharmaceuticals, there are certain products for which the concerned manufacturers and exporters have at present to approach more than one Council. This problem may be entrusted to a group comprising Chairman of the Three Councils and the concerned

commodity officers to strengthen out this matter and facilitate the issue of requisite notification by the Government.

(b) To examine the suggestions that there is justification for merging together the EPCs of Leather and Leather Manufactures and that such merger will help to generate a greater degree of efforts on the part of the industry to develop more and more manufactures, the Committee has recommended to refer this issue to a small group comprising the Chairman and Secretaries of two Councils and the concerned commodity officers in the Ministry, to be constituted by the Government for making recommendations.

(c) A group consisting of the representatives of the organisations like the Cardamom Board and Spices Export Promotion Council and Cashew Corporation and Processed Foods E.P. Council and the concerned commodity officer, officers in the Ministry of Foreign Trade be constituted to examine the scope of bringing together these product groups.

APPENDIX XXVIII

(*Vide* Para 7.52)

List of specific items chosen for Export Development in the First Phase of TDA's Operation

GROUP I — ELECTRONIC EQUIPMENT AND COMPONENTS

1. Transistorised radio receivers.
2. Black and white TV sets.
3. Electronic desk calculators.
4. Electronic instruments, all types.
5. Printed circuits.
6. Hybrid circuits.
7. Integrated circuits.
8. Dynamic speakers.
9. Gang condensers.
10. Ceramic capacitors.
11. Reed relays.
12. Rod antenna.
13. Electronic Switches, all types.
14. TV tuners.
15. Tantalum capacitors.
16. Semi conductors and diodes.
17. Electronic kits for numerical control machine tools.

GROUP II—SEWING MACHINES AND COMPONENTS

1. Complete sewing machines, domestic straight stitch, zig zag, industrial and heavy duty types.
2. Shuttle hooks.
3. Arms and beds.
4. Bobbin cases.
5. Face plates.
6. Presser foot and bar.

GROUP III—BICYCLES AND BICYCLE COMPONENTS

1. Complete bicycles, roadsters, sports light roadsters, high risers, folders and racing types.

2. Bicycle chain wheels.
3. Bicycle chain wheels cranks.
4. Hubs and hub parts including three-speed hubs and coaster brakes.
5. Free wheels.
6. Spokes and nipples.
7. Bicycle tube valves.
8. Bicycle rims including Endrick and Wastric rims.
9. Dynamo lighting sets.

GROUP IV—AUTOMOBILE ANCILLARIES

1. Pistons, piston rings and gudgeon pins.
2. Cylinder liners.
3. Fuel injection equipment.
4. Inlet and exhaust valves.
5. Crank shafts and connecting rods.
6. Shock absorbers.
7. All electrical equipment for automobiles.
8. Aluminium mouldings, trimmings and window channels for passenger cars.
9. Crowns and pinions.

GROUP V—INDUSTRIAL FASTNERS

1. Bolts, nuts and rivets.
2. Wire nails.

GROUP VI—FERROUS CASTING AND FORGINGS FOR INDUSTRIAL APPLICATION.

1. Grey iron castings.
2. High duty and alloy iron castings.
3. Malleable castings.
4. Mechanite castings.
5. Spheroidal graphite iron castings.
6. Carbon steel castings
7. Alloy steel castings.
8. Carbon steel forgings.
9. Alloy Steel forgings.

GROUP VII—STAINLESS STEEL CUTLERY

1. Forks, spoons and knives, partly or wholly of stainless steel.
2. Stainless steel tableware (*e.g.* egg. cups) other than utensils.

GROUP VIII—THERMOPLASTIC AND THERMO SETTING PLASTIC GOODS.

1. High density polyethylene woven sacks with or without liners.
2. Expanded vinyl.
3. PVC sheetings and films.
4. ABS moulded goods.
5. Urea formaldehyde, phenol formaldehyde and melamin mouldings.
6. Dyes, tools and moulds for plastic processings.

GROUP IX—CANNED FRUIT AND JUICES

1. Canned mango.
2. Canned pine-apple.
3. Canned grape-fruit.

GROUP X—WOODEN FURNITURE INCLUDING DIMENSION STOCKS FOR CKD FURNITURE

1. Selected woodware.

GROUP XI—LEATHER GARMENTS.

GROUP XII—SELECTED CONSUMER GOODS.

1. Readymade Garments.
2. Woollen knitwear.

GROUP XIII—HANDICRAFTS.

1. Imitation jewellery.
2. Toys.

GROUP XIV— SPORTS GOODS.

APPENDIX XXIX

(*Vide* Para 8.3)

Import Licences issued schemewise to registered Exporters during 1966-67 *to* 1970-71

(Value in Rs. Crores)

Name of the Export Product/Scheme	1966-67		1967-68		1968-69		1969-70		1970-71	
	Value of import Licence	F.O.B. value of Exports	Value of Import Licence	F.O.B. value of exports	Value of Import Licence	F.O.B. value of exports	Value of of Import Licence	F.O.B. Value of exports	Value of Import Licence	F.O.B. Value of exports
1	2	3	4	5	6	7	8	9	10	11
A. Engineering goods	0.77		9.10		14.69	57.70	25.99	97.40	30.17	108.09
B. Chemicals &,Allied Products . .	1.67		4.71		4.92	23.33	8.36	36.36	11.20	43.72
C. Plastics . .	0.18		0.67		0.64	1.78	1.31	5.50	2.00	7.51
D. Leather & Leather goods and other animal products .	0.09		2.23		4.23	48.41	4.04	94.25	4.49	92.63
E. Sports Goods .	0.01		0.17		0.16	1.02	0.21	1.41	0.25	1·46
F. Fish & Fish Products . .	0.20		0.78		1.14	21.48	2.50	39.42	2.24	30.74
G. Processed Foods	0.06		0.70		0.61	4.87	0.95	9.65	0.96	10.91
H. Handicrafts	..		0.23		0.85	2.22	2.68	9.50	3.75	14.71

I. Cashew Kernals	0.06		0.48		1.49	54.75	1.56	55.45	2.37	92.58
J. Tobacco & Tobacco Products .	0.06	..	0.35		0.12	5.17	0.31	11.51	0.71	38.17
K. Woollen Carpets Rugs & Druggets .	0.06		0.50	..	0.27	5.01	0.06	1.47	0.06	1.23
L. Woollen Textiles Hosiery & mixed fabrics	1.32		3.64	...	2.54	7.99	0.01	0.19	0.10	1.07
M. Coir products .	0.05		0.18		0.22	4.38	0.27	5.23	0.24	4.67
N. Cotton Textiles .	0.42		1.34		1.71	32.34	3.52	70.78	3.85	66.65
O. Ready made Garments (other than Natural silk) .	0.08	..	0.81		0.20	2.34	0.49	6.53	0.59	12.87
P. Natural Silk Fabrics Garments .	0.10		0.62		1.28	5.44	4.53	10.93	4.29	23.57
Q. Stainless Steel Products . .	..		0.03		0.41	0.79	0.49	1.27	0.52	0.83
R. Ship Repairing .	Neg.		0.10		0.11	0.61	0.09	0.54	0.06	0.31
S. Gem & Jewellery .	3.75		15.69		25.65	38.33	28.26	40.58	26.35	39.81
SS. Gem & Jewellery-sales to Foreign Tourists* . .		..				..			0.03	0.17
T. Cinematograph films (exposed) .			0.08		0.15	0.35	0.22	0.63	0.31	1.05
U. Natural Fibre Products* . .	..	..	..	..	..	..	0.03	0.07	0.67	0.16

*Some of Schemes were introduced from 1969-70 or 1970-71 only.

APPENDIX XXXIX (Contd.)

1	2	3	4	5	6	7	8	9	10	11
V. Non-Cellullose Products* . .			..	..		..	..	..	0.02	0.42
W. Cellulose Products*			..	..		..	0.02	0.34	0.06	1.42
X. Blended Products from mixture of cotton cellulosic fibre of yarn/nylon polyester fibre* *	..	..	..	..	..	..	0.02	0.46	0.05	1.21
TOTAL .	+8.96	..	+42.87	..	61.39	318.31	85.92	499.47	94.74	595.96

Note: 1. Figures of FOB value of exports prior to 1968-69 are not available.

2. Figures for 1966-67 are for the period 1-11-1966 to 31-3-1967 only. Figures for earlier period of 1966-67 are not available.

3. +Include figures for "Paper and paper industry including books, journals and periodicals" which have been reported for the years 1966-67 and 1967-68 only and are as under:—

Year	Value of Import Licence issued	Year	Value of Import Licence issued
1966-67	0.08	1967-68	0.46

4. There have been slight changes in the nomenclature of export products/groups over the years.

5. *Some of the Schemes were introduced from 1969-70 or 1970-71 only.

APPENDIX XXX

(*Vide* Para 9.5)

(Rupees in lakhs)

Name of the Scheme	1967-68	1968-69	1969-70	1970-71	1971-72 (Up to Oct. 71)
(i) Cash assistance for export of products as per schemes prior to devaluation viz. 6-6-66 . .	21-00				
(ii) Cash assistance for export of products such as Engineering, Plastic, Sports goods, chemicals & allied products, paper products, woollen carpets, processed food & jute etc. . . .	2178-00	1357-00	1648-00	684-00	1087-00
(iii) Cash assistance on Prime Iron and Steel, Iron & Steel scrap, decorticated cotton seeds/cakes, groundnut cake extractions, Ferro-manganese, Iron Ore, Manganese Ore, Coir Products.					
(iv) Cash assistance on export of Cotton textiles to Indian Cotton Mills Federation . . .		335-00	520-00	550-00	258-00
(v) Subsidy on export credit development Scheme through Reserve Bank of India, Bombay .		138-00	341-00	370-00	196-00
(vi) Grants-in-aid to various export Promotion Councils	165-00	139-00	67-00	79-00	45-00
(vii) Grants-in-aid to other organisations, recognised Export Houses, Export Oriented firms, for their projects and schemes for the development of export trade of their country . . .			67-00	108-00	176-00
TOTAL	2364-00	3254-00	4159-00	4083-00	3164-00

APPENDIX XXXI

(*Vide* Para 9.12)

Illustrative List of groups of Export items which have been receiving the benefit of export Assistance: showing the rise in exports from 1968-69 to 1970-71 i.e. the latest year from which complete figures are available.

(Value in lakhs)

S. No.	Item	1968-69 value of exports	1970-71 value of exports	Excess of col. 4 over col. 3
1	2	3	4	5
1.	Engineering goods	6929.00	11659.00	68%
2.	Plastic & Linoleum Products . .	619.00	875.00	41%
3.	Chemicals & Allied Products . .	3812	5461	43%
4.	Processed food items . . .	257	1342.00	422%
5.	Sports goods	120	176	47%
6.	Groundnut Cake extractions . .	4196.00	4536.00	8%
7.	Irone Ore	8960	11544.00	29%
8.	Manganese Ore	1186	1390.00	17%
9.	Ferro-Manganese	407	842.00	107%

NOTE : Exports of engineering goods have shown considerable increase from Rs. 6929 lakhs in 1968-69 to Rs. 11659 lakhs in 1970-71. The increase was noticeable in the countries of Asia and Africa particularly Malaysia (including Singapore), Thailand, Formosa, Nigeria, Tanzania, Uganda, Zambia, Iraq, Saudi Arabia, Jordon.

APPENDIX XXXII

(*Vide* para 10.7)

Report of Study Group on credit facilities for exporters (Kapur Committee) 1960

Recommendations	*Action taken*
1. The Reserve Bank Act should be amended to extend the period of export bills eligible for rediscounting with, or grant of advances by, the Reserve Bank upto 180 days, and to extend loans against Usance export bills on the security of promissory notes of scheduled banks.	The Reserve Bank of India Act was amended in 1962 to enable the Reserve Bank to provide refinance to schedule commercial banks and State Cooprative banks against their declaration to the effect that they hold bills of exchange arising out of export of goods from India. The Reserve Bank was also empowered to provide refinance against bills with a maturity not exceeding 180 days, as against 90 days earlier, by adding a new sub-section viz., 3A to Section 17 of the Reserve Bank Act.
2. The Reserve Bank should exempt Usance bills and packing credits from the purview of its control measures in respect of the volume and cost of scheduled bank credit.	The Reserve Bank has already exempted export Usance bills and packing credits from the purview of its credit control measures, both selective and genral.
3. The Foreign Exchange Regulation Rules, 1952, should be relaxed in suitable cases to grant credit facilities to importers abroad upto a priod of 5 years.	Suitable action has been taken by the Reserve Bank to allow Indian Exporters to grant foreign buyers credits upto a period of 5 years to facilitate export of engineering and capital goods from India.
4. The agreement governing the working of the Refinance Corportion should be modified so as to enable it to grant export credit for medium term periods.	The agreement with the U.S. authorities governing the working of the Refinance Corporation was revised so as to enable the Corporation to grant refinance to banks in India against export credits granted by them. Such refinance could relate to export bills with a maturity of up to 5 years. This facility, as

Recommendations	*Action Taken*
	liberalised from time to time, is being continued even after the Refinance Corporation was transformed into the Industrial Development Bank of India.
5. The State Bank of India Act should be amended to permit the grant of export credit for medium periods.	The State Bank of India Act was amended in 1962. The amendment enabled the bank to provide medium term credit to exporters. The subsidiaries of the State Bank were also permitted to extend such credits. In 1964, the State Bank of India Act was further amended to provide for the granting of export credits up to 10 years.
6. The Export Risks Insurance Corporation should be permitted to cover pre-shipment risks on advances made by private organisations other than banks.	The Corporation, now known as the Export Credit and Guarantee Corporation (ECGC), has started covering risks in respect of pre-shipment advances made by private organisations other than banks.

Report of the Study Group of Export Finance (Mathrani Committee) 1963

1. As the experience of Export Risks Insurance Corporation in regard to its packing credit policy has been satisfactory, the present limit of 50% may be increased to 66-2/3%.	This recommendation was implemented by the Export Risks Insurance Corporation in 1963.
2. The Reserve Bank should obtain periodically information on packing credit advanced by banks and exercise its moral suation with them to follow a more liberal policy.	This recommendation has been implemented by the Reserve Bank and to-day export credits enjoy a preferential treatment.
3. A scheme of guaratee should be evolved on the basis of which banks could finance the difference between what they would normally lend on the basis of export bills and the domestic value of the goods.	The Export Credit Guarantee Corporation introduced in 1964 a guarantee by name "Export Finance Guarantee" to cover advances made by banks in excess of the f.o.b. value of the goods exported. Under this guarantee, banks can make advances to exporters against their entitlements to cash assistance and drawback

Recommendations	*Action Taken*
	of duties subject to a maximum of 50% of the f.o.b. value of the goods.
The Reserve Bank should give additional borrowing facilities to the banks to enable them to finance transactions arising from the price gap.	Advances made by banks to exporters at the pre-shipment stage against their entitlement to cash assistance and drawback of duties under the Export Production Finance Guarantee of the ECGC have been made eligible to refinance from the Reserve Bank.
4. As banks do not readily provide Performance Guarantees required to be furnished by exporters some arrangement needs to be made to enable the insurance companies to provide suitable guarantees.	ECGC introduced in 1967 a guarantee by name, "Export Performance Guarantee" which seeks to protect the banks against losses arising from issuing performance guarantees on behalf of exporters. On the strength of this guarantee, banks adopt a liberal policy in issuing performance guarantees required to be furnished by exporters to overseas buyers or to Government departments and other agencies in India.
5. Introduction of a scheme on the lines of "Import—Export Stabilisation Fund" suggested by the Mudaliar Committee will be an important measure of export promotion.	Government of India accepted the recommendation and introduced in 1964 a scheme known as "Revolving Foreign Exchange Credits for Exporters". The Scheme is being operated by the Export Credit and Guarantee Corporation.
6. When Government decided to grant Government to Government credit under its techno-economic co-operation & agreements to other developing countries, it may be an advantage to have an agency other than the Government itself, to handle the procedural and administrative matters relating to disbursement and recovery of credits.	Having regard to our balance of payments position, it has not been possible to grant credits to other developing countries on any large scale. So far such credits were granted only to two countries, namely, Indonesia and Ceylon. The question of having a separate agency to handle such credits has thus not been felt so far.
7. The Reserve Bank should examine the structure of rates charged by banks on export bills and fix a ceiling in respect	*Recommendations No. 7 to 10:* Action has been taken on all these recommendations. A series of steps have been taken since the

Recommendations	*Action Taken*
of the discount element of the Rupee, Sterling and Dollar usance bills at such level as are competitive with similar rates abroad.	Committee submitted its report in 1963. As a result, we have in India to-day an export credit system under which the export sector receives preferential treatment in regard to supply and cost of credit.
8. On the analogy of its preferential rates on advances for agriculture and small-scale industries, the Reserve Bank may consider the feasibility of making available short term pre-shipment export finance to the banks, say, 1 1/2% below its Bank rate.	In regard to the cost of export credit, the first step was taken by the Reserve Bank in March 1963 with the introduction of the Rupee Export Bills Scheme. Under this scheme irrespective of the cost of borrowing for other purposes, banks were allowed to borrow from Reserve Bank at Bank rate on condition that they should not charge the exporters more than 1 1/2% above the Bank rate. The Bank Rate at that time was 4 1/2%, which was raised to 5% in September 1964 and further to 6% in February 1965. In August 1967 the Reserve Bank brought about a substantial reduction in the cost of export credit granted by banks. The Reserve Bank announced that banks could get refinance from it irrespective of their net liquidity ratio, at a preferential rate of 4 1/2% in respect of packing credit advances for exports of engineering and metallurgical products and at Bank Rate in respect of packing credit advances for other products and also in respect of post-shipment credits. At the same time, the Reserve Bank stipulated that whether or not the banks availed of refinance facility from Reserve Bank, they should not charge more than 6% on packing credits to exporters of engineering and metallurgical products and 8% in respect of other packing credit advances and post-shipment credits. The ceiling rate on packing credits for other exporters and post-shipment credit was subsequently reduced from 8% to 7 1/2% at the end of January
9. A similar policy (as at 8 above) could be followed in respect of post-shipment export credits.	
10. The preferential rates should be applicable to all the non-traditional items and such other items as Government finds to be deserving of assistance in this form.	

Recommendations	*Action Taken*
	1968 and further to 6% in March 1968 when the Bank Rate was reduced from 6% to 5%. In order to compensate the banks to some extent for the loss in their income, Government introduced the Export Interest Subsidy Scheme under which banks are entitled to get as subsidy from Government an amount equivalent to 1½ % on the export credits granted by them. Thus the ceiling rate on export credit was unified at 6% for both pre-shipments and post-shipment credits. Consequent on the increase in Bank Rate from 5% to 6% in January, 1971, the ceiling rate on export credits was raised from 6% to 7% in April 1971. The rate of Interest subsidy continues.
11. Steps should be taken by Government to provide suitable pre-shipment inspection and grading facilities to items sent on consignment basis like Tea, mica and mineral ores to enable the banks to make advances against their export.	The pattern of trade in those commodities has undergone considerable change. Sales on consignment basis have almost been replaced by sales on credit terms. Bank finance is made readily available for these exports.
12. The Refinance Corporation should so regulate its rate that funds should become available to Indian exporters at not more than 6% for exports going on medium and long term credits.	The Industrial Development Bank of India (formerly Refinance Corporation) provides refinance to commercial banks for export credits granted for a period exceeding 6 months at 4 1/2%. The banks are required to charge the exporters not more than 6%. The cost of credit to exporters can be lower than 6% when the IDBI provides the finance to the exporter jointly with eligible commercial banks. Under this scheme introduced in December 1965 the IDBI enters into participation arrangement with the commercial banks to provide term finance and guarantee facilities to industrial concerns in both public and private sectors for capital and engineering goods

Recommendations	*Action Taken*
	and services on deferred terms of payment. The IDBI charges 4 1/2% on its portion; the participating bank charges not more than 6%.
13. Further efforts should be made to enlarge the facilities available from the Refinance Corporation so that its resources may be utilised to the extent possible for promotion of exports.	The IDBI and the commercial banks are to-day in a position to finance every export position for which financial assistance is sought provided the export propositions are reasonably sound.
14. A new institution which may be called Export Credit and Guarantee Corporation may be set up to provide export credit insurance and guarantee Risks Insurance Corporation may be merged in the new institution.	In pursuance of this rcommendation, the Export Risks Insurance Corporation was transformed into the Export Credit and Guarantee Corporation in January 1964 to discharge the functions as recommended by the Committee.

The Working Party on Cost of Export Credit (Chablani Committee) 1964

1. The present Export Bill Scheme which enables banks to obtain refinance from the Reserve Bank against Rupee Usance bills at Bank Rate, should be placed on a permanent footing. The stipulation regarding the ceiling rate to be charged to exporters should apply to all Rupee Usance Bills irrespective of whether or not a bank obtains refinance from the Reserve Bank.	*Recommendations Nos. 1 to 8* : These recommedations have been implemented. From the replies furnished to items 7 to 10 of the Mathrani Committee it will be seen that export credits enjoy a high priority. The commercial banks provide both pre-shipment and post-shipment credits for terms up to 180 days at a rate of interest not exceeding 7% per annum.
2. The Rupee export Bill scheme should cover Usance Bills drawn in other currencies also.	The Reserve Bank of India provides refinance for export credits at Bank Rate to a commercial bank irrespective of its net liquidity ratio, up to an amount equal to 10% of the annual average of export credit in 1970. The RBI also provides additional refinance at a concessional rate of 4½% up to an amount equal to 10% of the annual average of export credit. Thus the commercial banks are now in a
3. Pre-shipment export finance should be brought within the purview of the Reserve Bank's concessional scheme for export finance.	
4. A scheme analogous to that in operation in respect of advances to small-scale industries and co-	

Recommendations	*Action Taken*
operatives which provided an additional quota at a concessional rate not on the basis of banks actual lending but on the basis of the increase in banks' lending, may be formulated by the Reserve Bank.	position to obtain refinance from the Reserve Bank against their short term export credits at the Bank Rate and at a rate lower than the Bank Rate for a certain portion of the credits granted by them.
5. Export finance found through methods other than by purchase or discount of bills should also be covered by the concessional scheme of refinance.	
6. The ceiling rate on the Usance factor in the exchange rate for all export bills up to 6 months should be fixed at 1% above the Bank Rate.	
7. The ceiling rate on pre-shipment export credit should be fixed at 1½% above the Bank Rate.	
8. The Reserve Bank should provide, at the Bank Rate, refinance to banks against the collateral of Usance export bills and the increase in the pre-shipment export credit with reference to a base period.	
9. The ceiling rate on post-shipment credit for medium and long term export transactions should be 1% above the rate at which refinance is provided by the IDBI; for pre-shipment credit it should be fixed at 1½% above the refinance rate of the IDBI.	Under the present arrangements, the IDBI provides refinance at 4½% and the banks are not permitted to charge more than 6% on both pre-shipment and post-shipment credits granted for medium and long term.
10. Reserve Bank should make it explicit to banks that the directives pertaining to clean advances do not apply to the extensions of credit to the exports.	The Reserve Bank has granted exemption in respect of export credits for the purpose of the norm relating to credit/deposit ratio and the ratio of unsecured credit and guarantees to the total credits and guarantees given by the bank.
	The Reserve Bank has also exempted export credits from the Credit

Recommendations	*Action Taken*
	Authorisation Scheme under which banks are required to obtain Reserve Banks' prior approval before sanctioning any credit limit of Rs.1 crore or more to any single party.
11. The Credit Guarantee Scheme of the Government of India, which covers credits granted by banks to small-scale industries, should cover credits granted by banks to small exporters.	As the arrangements that have been made to provide export credits are very liberal the difficulties that were experienced by small exporters have been considerably lessened. As such advances to small exporters have not been made eligible for cover under the credit Guarantee Scheme.
12. Reserve Bank should provide refinance not only against the value of export bills but also against amounts advanced by banks in excess of the f.o.b. value but covered under ECGC guarantee.	The Reserve Bank has issued suitable instructions to the commercial banks.
13. It will be an advantage if an understanding could be reached among the commercial banks to the effect that they should advise their clients to take ECGC cover; the ECGC, on its part, should consider to what extednt its premium rates can be reduced.	ECGC has since reduced its premium rates for its policies as well as guarantees. The premium rates applicable to policies were reduced by about 10 %in the year 1966. Again, the rates applicable to exports made on medium and long term credits were reduced by about 12½% in the year 1969. As far as the financial guarantees are concerned the rates have been substantially reduced over the years.
Report of the Working Group On Export Credit & Finance (Joshi Committee) 1966	
1. The reasons for the reluctance of banks to make advances to exporters by getting the ECGC policy assigned in their favour may be investigated by the ECGC and, if necessary, its terms and conditions revised.	ECGC has taken action to persuade the banks to make post-shipment finance available on a liberal basis to exporters on the strength of assignment of its policies. As a result, the quantum of finance made available by banks in this way has increased from Rs. 6.1 crores in the year 1966 to Rs. 10.56 crores in 1967, Rs. 16.76 crores in 1968, Rs. 35.44 crores in 1969 and Rs. 36.01 crores in 1970.

Recommendations	*Action Taken*
2. ECGC may start making available supplementary finance to augment the availability of credit to the exporter.	As the exporters are dealing with the commercial banks for all their credit requirements ECGC introduce the Export Production Finance Guarantee to enable and encourage the banks to make advances to exporters against their entitlement to cash assistance and drawback of duties even from the date of contract. Thus the exporters have been placed in a position to obtain the supplementary credit facilities which the Committee recommended the ECGC to provide.
3. In order to issue policies quickly, ECGC may consider whether it could not rely on the registration of Export Promotion Councils instead of waiting for bank report on the exporter.	ECGC has accepted this recommendation and now is not holding up the issue of policies for want of bank report on the exporter. It is sufficient if the exporter is registered with any Export Promotion Council.
4. Under its policies, the ECGC should consider covering the loss of interest also, particularly in cases where the policy has been assigned to the bank.	As the policy is designed to cover the amount which is due to the exporter from the foreign buyer, it was not found possible to cover the loss of interest under the policy. However, where the bank takes out a post-shipment export credit guarantee from the ECGC to cover the amount advanced by it to the exporter, ECGC would pay claim on the amount advanced plus accrued interest.
5. ECGC should curtail the period of waiting and apply its mind to discover ways and means for expeditious settlement of claims.	ECGC has taken steps to expedite settlement of claims.
6. ECGC should raise its indemnity to banks under its financial guarantees from 66-2/3% to 75% or 80%.	The ECGC's cover under its packing credit guarantee which accounts for more than 80% of the Corporation's business under all the guarantees taken together, has been raised from 66-2/3% to 75% in respect of banks which agree to cover all their pre-shipment advances under the guarantees.
7. The Reserve Bank could consider extending its credit insurance scheme which they operate	The credit guarantee scheme covers advances made by banks to small scale industries not only for their

Recommendations	*Action Taken*
in respect of small scale industries to the field of export finance.	domestic requirements but also for export purposes. The scheme, however, does not extend to exporters as satisfactory arrangements have been developed for provision of adequate credit facilities to exporters. Besides, ECGC is in a position to cover advances made by banks to exporters.
8. Reserve Bank should examine whether the procedures involved in refinance of packing credits could not be simplified as in the case of Rupee Export Bill Scheme.	The Reserve Bank has since simplified the procedures.
9. The Scheme for refinance of packing credits should, on the anology of export bill scheme, be open all the year round.	The scheme is now open all the year round.
10. The ECGC should so gear its packing credit and post-shipment guarantees and scale down its premia rates as would meet the needs of the situations, especially in regard to the financing of marginal and second line exporters.	ECGC has since introduced a special packing credit guarantee under which it covers 90% of the loss in respect of advances made by banks to small merchant exporters as against the cover of 66-2/3% to 75% under the normal packing credit guarantee. In order to give better support to banks in financing high value contracts for export of heavy engineering goods, the ECGC had increased its cover under the post-shipment export credit guarantee from 66-2/3% to 80% in respect of advances of Rs. 2 crores or more for any single contract.
11. The period of refinance for medium term credits should be raised from the present 5 years limit to 7 years wherever necessary.	This has been done. In fact the IDBI is now granting credits even beyond 10 years in suitable cases.
12. The establishment of some kind of an institution to provide medium and long term export credit appears to be essential.	The present arrangement under which the IDBI and the commercial banks provide medium and long term export credits are found adequate for our present needs. In order to make the procedures simple and quick, the applications for medium and long term export credits are

Recommendation	*Action taken*
	now cleared at one point by a committee composed of representatives of Reserve Bank, IDBI, the Commercial Bank concerned and the ECGC. The larger question of whether it is necessary to establish an export Bank is engaging the attention of the Government.
13. The Bank should fix a ceiling rate on their export credit business by offering a substantial rebate and recompense themselves by charging a somewhat higher rate on their domestic business.	A ceiling rate for export credits, much below the rate applicable to advances for other purposes, has already come into force.

APPENDIX XXXIV

(*vide* Para 12.4)

Details of Publicity being undertaken by the Ministry of Foreign Trade (Directorate of Commercial Publicity) abroad.

(*i*) Publications

The Directorate of Commercial Publicity issues a monthly Journal 'Foreign Trade of India' a quarterly 'India exports' and a weekly 'Economic and Commercial News'. Besides this the publicity' is undertaken by the Directorate of Commercial Publicity through overseas pamphlets and special supplements in selected foreign news papers and Journals.

Each issue of FOREIGN TRADE OF INDIA is devoted to particular industry or group of industries with export slant or particular sphere of economic activity.

The subjects covered in this journal during the year 1970-71 were Plastics Industry, Agro-Industries, Leather and Leather Manufacturers, India's Railways, Indian Economy Today, Films, Marine Products. Quality Control and Standardisation and Electrical Equipment. A special issue on South East Asia was also brought out to coincide with the Indian Exhibitions in Kuala Lumpur and Singapore.

The quarterly INDIA EXPORTS designed to generate interest in India's exportable commodities or manufactures acts as direct selling aid. Besides two or three features on commodities or manufactures, it also contains large number of brand advertisements. Copies of this publication are distributed to leading industrial and commercial organisations. Chambers of Commerce, Departmental stores and various consumer organisations in foreign countries.

Containing spotnews on export performance and potential, international co-operation and trade agreements, industrial and economic progress. scientific and technological developments and special features, the weekly ECONOMIC AND COMMERCIAL NEWS is intended for limited distribution to the Indian Missions abroad and not for general circulation. During the year it was considered necessary to reorient and readjust the coverage of this bulletin and also enlarge its scope so as to sufficiently equip the Indian Missions to conduct economic publicity at their end. Besides utilising the material in the bulletins published by them, some of the Missions get features published in the local press also.

(*ii*) Press Publicity

Leading newspapers abroad were encouraged to bring out special supplements on India projecting the country's economic and industrial development. Special supplements on India were sponsored in DIE WELT. Hamburg, NEW YORK JOURNAL OF COMMERCE, New York,

FINANCIAL TIMES, London and DAILY NEWS and AL RAI AL AAM of Kuwait. In addition the Directorate extended assistance in bringing out special supplements of DIE PRESS, Vienna, AMBASSADOR, London and Saudi Arabian newspapers.

The Directorate of Commercial Publicity assisted the Directorate of Exhibitions in bringing out publicity material like pamphlets, special supplements etc. in connection with India's participation in International Fairs and Exhibitions and organisation of wholly Indian Exhibitions.

(*iii*) Radio TV Publicity

All India Radio (External Services Division) continued its weekly broadcast on India's manufactures and exportable commodities under the MADE IN INDIA series. These broadcasts highlighting the growth and export potential of Indian industries were beamed to selected countries or regions. Besides English, these broadcasts were arranged in the particular languages of these countries or regions. Keeping in view the requirements of overseas audience, attempts have been made to change the style and presentation of material so that the broadcasts are more conversational than narrative. The Directorate is also instrumental in arranging for interviews with experts in trade and industry for overseas broadcasts.

In the field of documentary films an experimental film on textiles has been completed during the year 1970-71. The Directorate also extended assistance to Export Promotion Councils and Commodity Boards to produce films for export publicity.

APPENDIX XXXV

(*Vide* para 13.1)

Statement Showing the location of Commercial offices of Indian Missions abroad.

S.No.	Country	Name of Offices and Station
1	2	3
	Asia East	
1.	Burma	Embassy of India, Rangoon.
2.	Hong Kong	Commission of India, Hong Kong.
3.	Indonesia	Embassy of India, Djakarta.
4.	Japan	Embassy of India, Tokyo.
5.	Phillipines	Embassy of India, Manila.
6.	Malaysia	Embassy of India, Kaula Lampur.
	Asia South	
7.	Ceylon	High Commission of India, Colombo.
8.	Iran	Embassy of India, Tehran.
9.	Nepal	Embassy of India, Kathmandu.
10.	Bangla Desh	Embassy of India, Dacca.
11.	Thailand	Embassy of India, Bangkok.
	Asia West	
12.	Iraq	Embassy of India, Baghdad.
13.	Jordan	Embassy of India, Amman.
14.	Lebanon	Embassy of India, Beirut.
15.	Republic of Southern Yemen	Embassy of India, Aden.
16.	Saudi Arabia	Embassy of India, Jeddah.
17.	Syria	Embassy of India, Damascus.
18	Algeria	Embassy of India, Algiers.
19.	Libya	Embassy of India, Tripoli.
20.	Morocco	Embassy of India, Rebat.
21.	Sudan	Embassy of India, Kartoum.
22.	Tunisia	Embassy of India, Tunis.
23.	United Arab Republic	Embassy of India, Cairo.

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24. Ethiopia	Embassy of India Addis Ababa.
25. Ghana	High Commission of India, Accra.
26. Kenya	High Commission of India, Nairobi.
27. Mauritius	High Commission of India, Port Louis.
28. Nigeria	High Commission of India, Lagos.
29. Senegal	Embassy of India, Dakar.
30. Tanzania	High Commission of India, Dar-es-Salaam.
31. Uganda	High Commission of India, Kampala.
32. Zambia	High Commision of India, Lusaka.
West Europe	
33. Belgium	*Embassy of India, Brussels.*
34. Federal Republic of Germany	*Embassy of India, Bonn.*
35. -do-	Consulate General of India, Frankfurt.
36. -do-	Consulate General of India, Hamburg.
37. France	Embassy of India, Paris.
38. Italy	Embassy of India, Rome.
39. Sweden	Embassy of India, Stockholm.
40. Switzerland	Embassy of India, Berne.
41. -do-	Office of the Resident Representative of India for GATT and UN World Trade Conference, Geneva.
42. U.K.	High Commission of India, London.
East Europe	
43. Czechoslovakia	Embassy of India, Prague.
44. Hungary	Embassy of India Budapest.
45. Poland	Embassy of India, Warsaw.
46. Rumania	Embassy of India, Bucharest.
47. U.S.S.R.	Embassy of India, Moscow.
48. Yougoslavia	Embassy of India, Belgrade.
Canada	
49. Canada	High Commission of India, Ottawa.
50. -do-	Trade Commission of India Vancouver.
North America	
51. U.S.A.	Consulate General of India, New York.

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52.	U.S.A.	Consulate General of India, San-Francisco.
53.	-do-	Embassy of India, Washington.
	South America	
54.	Peru	Embassy of India, Lima.
55.	Venezuela	Embassy of India, Caracas.
56.	Australia.	Deputy High Commission of India, Sydney.

APPENDIX XXXVI

(*Vide* para 13.29)

Extracts from the Report of Lord Plowden Committee (1964) *on Representational Services Overseas appointed by the Prime Minister of U.K. under the Chairmanship of Lord Plowden* (1962-63).

CHAPTER SEVEN

Conclusion

*** *** ***

605 (c) A unified Service should be created to take in the duties, personnel and posts of the present Foreign Service, Commonwealth Service and Trade Commission Service. Separate Foreign and Commonwealth Relations Offices in White Hall would be retained. (paras 44-45)

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(*j*) Secondments between the Diplomatic Service and Home Departments, particularly the Board of Trade, should be encouraged. (Paras 59-62)

*** *** ***

(*u*) Economic and commercial work should be regarded as a first charge on the resources of the Diplomatic Service. There should be a greater degree of selectivity in deciding work priorities in this field. There should be greater continuity of staffing at overseas posts and greater recognition of the value of locally-engaged Commercial Officers. (Paras 233-255)

*** *** ***

(*ff*) Greater expenditure of time, money and effort on training is required and the Diplomatic Service should have wider discretion in meeting its training requirements (paras 401-404). Arrangements should be made for the Diplomatic Service to share in the training facilities of the Centre for Administrative Studies (Paras 413-415). "Pre-post" training is of greatest importance: for this purpose officers selected or transfer to another post, and officers seconded to the Diplomatic Service, should be placed for a period within the responsibility of the unified Training Department (Para 418). Language training in European languages should be improved; the arrangements for training officers in "hard" languages should be extended to cover languages spoken in the Commonwealth (paras 418-428). Refresher and mid-career training should be continued; a Diplomatic Service Staff College is not practicable at present (paras 433-437).

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(*tt*) Seconded officers should have the conditions of service and allowances applicable to members of the Diplomatic Service other than the Diplomatic Service Allowance (paras 564-67). Changes should be made in the present system of First Outfit Allowances especially to help those, for example from the Board of Trade, who may go abroad for the first time on secondment in a senior representational capacity. (paras 568-573).

CHAPTER V

Commercial Policy and Economic Work

Conclusions

22(a) Economic work and the conduct of commercial policy is a large part of the substance of political work.

(b) This field produces particularly striking examples of the "New Diplomacy" — the increasing regular contact at all levels between specialists from various countries in the complicated techniques of modern life and the switch to multilateral organisations of activities which would previously have been bilateral. The task of our overseas representatives is to adapt themselves to this process, to master a wider range of subjects, and to support experts from outside the Diplomatic Service in the work of international organisations. For this purpose they will need to be kept more fully informed than hitherto.

(c) Staffing policies should take into account the increasing importance of international organisations in the implementation of economic policy.

(d) In particular we recommend that the United Kingdom Delegation to EEC should be strengthened and a cadre of officers with a special knowledge of European economic affairs built up. The degree of career specialisation implied is acceptable and indeed desirable in this case.

(e) We consider economic work and the conduct of commercial policy as basically a generalist function. We expect that within an integrated service there will be an increasing resource of officers experienced in handling economic concepts. We recommend flexibility in deciding whether commercial policy and economic work should be handled along with political or commercial work in any particular Mission.

(f) We feel that the division of responsibility for commercial policy and economic work at home might be clarified, particularly between the Foreign and Commonwealth Office and the Board of Trade. We see the role of the Foreign and Commonwealth office, whose particular expertise lies in dealing with other countries, as being one of co-ordination.

CHAPTER VI

Commercial Work

Conclusions

61(*a*) In Britain's present economic situation commercial work is the most urgent task of our overseas representatives.

(*b*) Different areas impose different requirements; according to their aptitudes the careers of commercial officials should concentrate on either the area where new export opportunities are to be won by active effort in advanced industrial countries, or in areas where this effort depends more on the traditional intergovernmental diplomatic activity, and also on responsive work to the needs of exporters. We also recommend that the shift of Britain's export promotion resources to the former areas should continue.

(*c*) The majority of Selective Posts should specialise in commercial work, and special attention will have to be paid to the quality of the commercial departments of Comprehensive Posts in growth markets.

(*d*) A survey conducted by the CBI has shown a wide use of the official services, but a need for more rapid communication and closer contact between the commercial service and exporters. There is an equal need for this between Posts and Departments at home.

(*e*) There should be greater selectivity in responsive work so as to enable more energy to be diverted to initiative work, especially in advanced industrial countries.

(*f*) We think that the study of other countries' system of export promotion should be pursued, but we consider that the balance of advantage, given the urgency of the problem, is to build on the present system. In any case the unified Diplomatic Service should be preserved.

(g) Training programmes should be expanded, with more emphasis on techniques of management and market research.

(*h*) We recommend longer periods in Post, and greater specialisation in commercial work. We fully recognise that this will inevitably mean delay in spreading commercial experience throughout the service.

(*i*) There should be more cross-fertilisation between industry and the Diplomatic Service.

(*j*) Locally-engaged staff are a valuable asset in British export promotion of which more use should be made.

(*k*) Subordinate Posts have an important potential for promoting British exports, and they should be more actively used, especially in growth markets like the United States.

(*l*) Facilities of rapid communication could be more extensively used. Greater use of telex will be necessary. The crucial point at which we believe the existing system can be improved is in the rapid retrieval of data about the capability of British firms to respond to export opportunities. Computerisation at the centre is a most important aid to securing this.

(*m*) We suggest that full use of the overseas commercial service can only be made if the export promotion complex (the "Export Department") in the Board of Trade is enlarged, and the transfers between it and the Diplomatic Service made more frequent.

(*n*) We suggest that greater weight should be given to export promotion policy, as compared with intergovernmental commercial policy work, not only in the structure of the Board of Trade, but also in that of the relevant interdepartmental Committees.

(*o*) Closer co-operation between Government and industry should continue to be encouraged by such joint activities as trade fairs, and by expanding the work of the Overseas Projects Group, particularly in the field of sending task forces overseas to deal with particular projects.

Extracts from the Report of the Royal Commission in Canada on Government Organisation — Department of External Affairs

Coordination Abroad

* * *

Inquiries made in a number of representative cities abroad revealaed serious lack of coordination between the offices of the several Canadian departments and agencies represented. The situation is characterised by waste and misuse of manpower; a reluctance to rely on the skilled resources of administrative services of other departments because of the pervasive departmental attitude of self-sufficiency; inflexible establishments, illadapted to changing workloads: and, more generally, a compartmentalisation that is wasteful and weakens Canada's representation abroad.

* * *

....Personnel of various departments, assigned to the mission, carry out a wide variety of duties, but these assignments may have no direct bearing on their particular departmental interests. All the various departmental representatives unquestioningly work under the detailed direction of the Ambassador and the arrangement works most satisfactorily.

* * *

The evidence gathered by your Commissioners leads clearly to the conclusion that, not only in London but wherever two or more departments

have offices in a foreign country, there should be senior supervision and coordination. Moreover, to be effective this task must be performed on the spot and there seems no real alternative but to place the responsibility on the Ambassador or High Commissioner....

Over fifty per cent of all Canadian employees overseas are locally engaged and serious consideration should be given to the greater use of such personnel. The experience of the Department of Trade and Commerce with locally engaged commercial assistants demonstrates that local employees can be recruited who are capable of dealing with more than routine administrative work. The advantages of an effective usage of locally engaged personnel are not to be measured in money alone; the local employee knows the language and customs of his country and can prove to be an invaluable bridge to the Canadian in a foreign environment. In addition, the local employees provide an important measure of continuity to a post staffed by Canadians rotated on tours of duty. A basic requirement for the successful use of locally engaged personnel is fairness in remuneration and other benefits. Because local employees work side by side with Canadians, major differences in such matters as pension rights have a bearing upon morale and the esteem in which the Canadian government is held as an employer by the local staffs.

The proliferation of small departmental units abroad is wasteful alike of manpower and money. Wherever practicable, in lieu of establishing or continuing an existing small office, the department concerned should seek an arrangement, whereby another department that necessarily operates an office in the locality acts as its agent. In some cases a simple agency arrangement will suffice, while in other instances specialists may need to be seconded.

APPENDIX XXXVII

Sl. No.	Reference to Para No. of the Report	Summary of Conclusions/Recommendation
1	2	3
1.	1.12	A steady increase in export earnings is dependent on the continuous development and expansion of export oriented production. As the aim of such a development should be the promotion of economic efficiency, diversification of production and better utilisation of skilled and unskilled manpower, the Committee are glad to note that, India's foreign trade policy has been reviewed in the context of the objectives, strategy and priority of the Fourth Five Year Plan. Expansion of export earnings is as crucial for financing the plan as the mobilisation of domestic resources. To achieve self-reliance and to reduce dependence on external assistance, export earnings need to be augmented. The Fourth Five Year Plan envisages the compound rate of expansion at 7 per cent per annum. The Committee hope no pains will be spared in achieving this target.
2.	1.13	The Committee feel that the experience of the past years convincingly establishes that the country has the potential for achieving a rising level of exports in the years to come. They, therefore, lay great emphasis for the adoption and implementation of appropriate policies and measures designed to promote competitiveness in price and quality of Indian exports, particularly in non-traditional commodities.
3.	1.16	The Committee note that India's adverse Balance of Trade which was just Rs. 479.5 crores in the year 1960-61 and had narrowed down to Rs. 170 crores in 1969-70 and to Rs. 134 crores in 1970-71. The Committee consider this as a welcome step and hope that with the various measures taken by Government it would be possible to further narrow the gap between exports and imports so that the exoprts pay for imports.

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		It should at the same time be ensured that the industry in the country is not denied its essential import requirements so that the installed capacities are utilised fully.
4.	1.22	The Committee are glad to note that the role of exports in achieving a quicker pace of economic development of the country is now being increasingly recognised. The Committee hope that with the adoption of various institutional, fiscal and other measures and with the broadening and strengthening of institutional framework for promoting exports, the exports will play an important role in the country's economic development.
5.	2.14	The Committee note that the share of India in World trade has come down from 1.2 per cent in 1961 to 0.7 per cent in 1969. They also note that nearly 90 per cent of the increase in World trade is due to expansion of trade in manufactured products. It is also noted that industrialised countries amongst themselves account for over 80 per cent of the trade leaving only less than 20 per cent to be shared by developing countries.
6.	2.15	Our country has continued to rely heavily on exports of primary products such as jute goods, tea and cotton textiles which constitute nearly 30 per cent of India's export earnings. The Committee feel that in the overall World context there is some scope for increasing our share in World trade in traditional or primary goods but, however, there is need, more than ever before, for diversification of our exports with a view to increase our exports of manufactured and non-traditional goods. There is also the imperative need for bridging the gap between exports and imports as Government have correctly decided to reduce our dependence on foreign assistance. The Committee stress that there should be integrated and detailed planning for exports if the targets set in the Fourth Five Year Plan are to be achieved. Our country is well-placed amongst the developing nations and also geographically well-situated. At a time when industrial development in the country is coming up and Japan is switching

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		over to the manufacture of more and more sophisticated goods, we should make full use of the opportunity to develop our exports of manufactured goods, particularly to developing countries. We should also continuously study the opportunities for stepping up our exports to more advanced countries which are in the process of "off loading" less sophisticated items which are labour-intensive and hardly viable in their state of economy. The Committee have dealt with these aspects in greater detail later in the Report.
7.	2.30	The Committee recall the high hopes which were generated at the time the Export Policy Resolution was introduced in Lok Sabha. It was a comprehensive statement which broadly indicated the areas for intensive export development and also identified, in general terms, the difficulties and handicaps facing the export effort. The Committee are, however, disappointed to note that the Inter-Ministerial Working Groups which were set up by the Ministry of Foreign Trade in 1970 to go in detail into the question of concrete measures for stepping up exports of twenty promising product lines have not yet finalised their reports. The Committee can see no justification for such a lackadaisical approach to a problem which brooks no delay. The Committee feel that the Working Groups should have functioned with a greater sense of urgency and brought out long ago a detailed plan for action. The Committee at this point of time cannot but strongly stress the need for finalisation of these Reports taking note of the latest developments without delay and suggest that Government should lay down a time-bound programme not only for submission of Reports, but for taking decisions thereon, so that action along the desired lines can be processed at least during the remaining two years of the plan.
8.	2.31	The Committee further suggest that a comprehensive annual statement showing the progress made in implementation of the Export Policy Resolution should be laid on the Table of the House so that the Members are apprised of the progress made in concrete terms and there is opportunity

1	2	3
		for discussion, identification of areas of weakness and constructive suggestions for effecting improvement.
9.	2.37	The Committee note that there is no firm trend in the increase in exports and that there has been period of anxiety in the first few months both in 1969-70 and 1970-71 when the rate of exports had in fact not gone up. This is indicative of the necessity to keep the export performance closely under review and take timely remedial measures. The Committee note that the Ministry have set up an Export Planning Section under the Economic Adviser to closely watch the performance, analyse the reasons for any short-fall and take remedial action. The Committee cannot too strongly stress the need for critical and timely analysis as the export effort is spread over a very large spectrum of Governmental activities and timely and well-coordinated action are the essence of the matter. The Committee have no doubt that the mechanism and machinery for review would be improved in the light of experience so as to subserve this objective.
10.	2.38	The Committee feel that there should be no sense of complacency in any quarter about the need for utmost effort in sustaining and improving our exports as we have to pay for larger imports (about Rs. 9,000 crores) during the Plan period which are necessary in the interest of industrial growth and production. Besides we have to become more self-reliant as Government have rightly decided not rely on foreign aid.
11.	2.41	The Committee note that the Fourth Five Year Plan (April, 1969 to March, 1974) visualises India's exports to reach a level of around Rs. 1900 crores in 1973-74 and adopts a compound rate of growth of 7 per cent on the basis of which exports during the plan period as a whole are expected to aggregate to Rs. 8300 crores. As against these targets, the Committee note that exports in 1969-70 amounted to Rs. 1413.21 crores compared with 1357.87 crores in 1968-69 showing an increase of 55.34 crores i.e. only 4.1 per cent over the previous years as against an increase of 7 per cent envisaged in the

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		Annual Plan. Similarly over the year 1970-71 as a whole exports totalled Rs. 1535 crores, recording an increase of Rs. 122 crores or 8.6 per cent over the preceding year. The overall increase during the first two years (1969-70 and 1970-71) of the Fourth Plan period would be Rs. 177 crores i.e. 6.35 per cent on average. The rate of growth in exports during the period has thus been below the 7 per cent annual target envisaged for the Fourth Plan.
12.	2.42	The re-assessment of export prospects for the remainder of the Plan period as given in the Mid-term Plan Appraisal indicates that exports may amount to Rs. 1,660 crores in the current year (1971-72) and then rise to Rs. 1,760 crores in 1972-73 and Rs. 1,907 crores in 1973-74. On this basis growth rate in exports would work out at 8.1 per cent in 1971-72, 6 per cent in 1972-73 and 8.4 per cent in 1973-74. Over the period of the Fourth Plan as a whole, the export earnings are now placed at a total of Rs. 8,275 crores as compared to an estimate of Rs. 8,300 crores given in the Fourth Plan document thus showing a shortfall of Rs. 25 crores in exports.
13.	2.44	The Committee note that according to Customs data, overall export earnings during 1970-71, rose to Rs. 1,535 crores, an increase of more than 8 per cent over the exports recorded in 1969-70. Since, however, there was a change in the method of compilation in November, 1970; a comparison between the performance in the two years is vitiated. The Committee welcome the timely statement of Minister of Foreign Trade made in in both Houses of Parliament on the 14th March, 1972 on the subject of discrepancy between the data compiled by Director-General of Commercial Intelligence and Statistics, Calcutta and that compiled by the Reserve Bank of India. The Committee note that a High Powered Committee presided over by Dr. B.S. Minhas, Member, Planning Commission has been constituted by Government to review the working of the office of Director-General of Commercial Intelligence and Statistics and make *inter-alia* an assessment of the new method of compilation of export

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		statistics adopted by Director-General of Commercial Intelligence and Statistics from November, 1970. They hope that the High Powered Committee would submit its report early, so that the manner of compilation of statistics is placed on sound basis. The Committee would, in fact like that the statistics on exports to be compiled by the Director-General of Commercial Intelligence and Statistics and the Reserve Bank of India should be on some common basis and understanding so as to obviate any confusion arising in public mind from two sets of disparate figures on the same subject.
14.	3.10	With the object of generating export surpluses the new industrial licensing policy allows expansion of industries on the specific condition that 60% to 70% of their expanded capacity is made available for export.
15.	3.11	The Committee, however, note that Government are not able to say how many of the large units subjected to this condition have actually established production and whether their export performance has been according to the conditions that have been imposed because the modified industrial licensing policy has been in force only since the last one and half years or so.
16.	3.12	Since it is imperative to create conditions for a rapid growth in industrial production with a view to generate surpluses for exports the Committee suggest that Government may review various measures taken by them to create climate for rapid growth of production and generation of surpluses for exports.
17.	3.18	The Committee are unhappy to note that delays have taken place in clearance of licences for some export-oriented industries. They, therefore, suggest that all measures should be adopted to see that the licences for such cases are cleared with utmost expedition.
18.	3.19	The Committee further note that in a number of cases excess capacity has been created in export-oriented industries over and above the licensed capacities. The Committee also understand

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		that the whole matter in regard to regularising such capacities is under consideration of the Government. The Committee suggest that since capacities have already been built and in the present situation it would not be desirable to let them remain idle. Government may, therefore, examine all such cases sympathetically in the larger interests.
19.	3.24	The Committee are of the view that conflict between domestic consumption and export may arise when there is shortfall in production. The rising domestic consumption as a result of growing national income may threaten a reduction in export surpluses and thereby jeopardise the continuity of supplies to the export markets. Since most of the products exported by India with a few exceptions, also enter into domestic consumption, increasing export surpluses can emerge only if overall production is expanded faster than the likely growth of domestic consumption. The Committee hope that all these factors will be taken into account and detailed plans would be worked out for expanding production on priority basis of exportable items.
20.	3.30	The Committee hope that the Working Groups 'J' set up by Government for export production planning on small industries' products will in particular plan the production of selected labour intensive small industries and encourage the manufacturers of such items in the country.
21.	3.42	The Committee note that the raw materials position is worsening and in spite of release of foreign exchange for imports there are delays in the issue of licences, allocation of credit and obtaining quotations and deliveries. It has been represented to the Committee that this crisis has been further compounded by canalisation of imports of raw materials on a much wider scale and that there was delay in announcement of the agencies authorised to canalise.
22.	3.43	The Committee note that there are a number of difficulties faced by canalising agencies in the initial stages when the import of an item is canalised. The canalising agencies have to obtain

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		foreign exchange allocation, collect requirements of the industry in respect of various types of specifications of the items canalised, locate sources of supplies and set up channles for distribution.
23.	3.44	The Committee hope that there will be no delays in allocating the necessary credit to these agencies. There is bound to be some delay in the import of items with complex specifications or of non-standard quality which may accentuate the raw materials shortages for the industry. The Committee suggest that in order that export production does not suffere in the transitional period because of these difficulties, exporters may be allowed to make imports direct for the duration of transitional period against their import entitlement.
24.	3.45	The Committee are glad that the Ministry of Foreign Trade have set up a Committee to review the working of public sector agencies in regard to procurement, pricing, distribution of imported materials and other materials pertaining to canalisation. They hope that this Committee will meet often, continuously review the position and submit reports to the Government regularly regarding the improvements to be made in procurement of raw materials and its distribution to the users.
25.	3.62	The Committee note that there has been a substantial gap between the demand and supply of steel during 1968-69, 1969-70 and 1970-71 for export fabrication. The gap has been continuously on the increase. The Committee also note that the production of steel within the country has not kept pace with the requirements particularly for exports and that the causes leading to low production of steel are being identified and efforts made to meet the export requirements in full.
26.	3.63	The Committee are concerned over the situation prevailing on the production side leading to huge amounts of foreign exchange being spent on import of this essential raw materials. This is particularly disappointing as it appears thad the requirements and supply would be nearly balanced if the existing plants had been able to achieve the rated capacity.

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27.	3.64	Since the Committee are examining in detail the problem of Iron and Steel in a separate Report it will suffice to say here that apart from achieving a rated capacity in steel plants as early as possible and taking all possible measures to increase the productions of iron and steel, the Committee suggest that Government should draw up a well defined production and import plan to meet in full the requirements of exporters during the next ten to fifteen years.
28.	3.65	The Committee note that licences for import of steel worth Rs. 200 crores had been issued in 1970-71 out of which some had come in 1970-71 and the remaining are coming in 1971-72. Since, however, the import of steel worth Rs. 200 crores is not going to meet the entire requirements of the engineering industries if worked to their full capacity, the Committee feel that all possible avenues should be explored to enhance the production of iron and steel indigenously and that Government should import more steel as required to bridge the gap between actual requirements and indigenous production.
29.	3.69	The Committee note that at least six months time is required from the date of indenting to the actual receipt of steel largely because of technological considerations in the steel plants and that is not possible to reduce the time lag unless sufficient supply of steel is made available in the country. The Committee also note that Government are considering a proposal of importing some material even in advance through Industrial Raw Materials Assistance Centre and partly through H. S. L. so as to make it available more or less off the shelf.
30.	3.70	The Committee are in favour of trying such a system and are hopeful that this system will go a long way in reducing the time lag and to that extent remove an impediment to export efforts.
31.	3.71	The Committee note from Government's reply that importers prefer to receive materials on the high seas for thereby they escape the incidence of sales tax. The Committee have no doubt that the Government would consider all these aspects

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		so that the raw materials are made available off the shelf or through the Industrial Raw Materials Assistance Centre at prices which do not carry a heavier burden of sales and other taxes than are at present paid by the exporters.
32.	3.75	The Committee note that import of iron and steel has recently been divided between the two agencies *viz.*, HSL and MMTC with a view to reduce load on the MMTC and with the idea that HSL would be in a position to co-ordinate the programme of production with that of import. The Committee feel that the MMTC as a trading organisation is better equipped to deal with imports and that if the job is given to a single organisation it will minimise the number of organisations whom the exporters would be required to approach. At the same time it will relieve the HSL from the additional burden of trading functions and will enable them to concentrate on production programmes. The Committee would, therefore, suggest that the whole matter may be reviewed early.
33.	3.81	The Committee note that Government propose to authorise the Industrial Raw Materials Assistance Centre to under-write the supply of raw materials and assist the industry where long term and large value contracts have been entered into. The Committee hope that this arrangement will meet the requirements of the industry in this regard and obviate the necessity of a separate consultation machinery for this purpose.
34.	3.86	The Committee note that export of various types of steel was encouraged and built up during the years of recession when the availability of steel was clearly surplus and domestic industries and export engineering industries were in no position to absorb the entire production. As the requirements for steel of domestic industries have developed and almost all categories of steel have become scarce in the country the Committee suggest measures should be taken to regulate the export of steel and to confine it only to cases where commitments have already been entered into or export of a small quantity is clearly in the interest of maintaining our relations with foreign countries.

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35.	3.87	Ever since the Fourth Plan we have been experiencing acute shortage of iron and steel and this position is bound to continue for some years. It is, therefore, of the utmost importance that export targets for iron and steel are drawn up on realistic basis after fully taking into account the internal requirements. Government should identify the products which are clearly surplus and are of high exporting value which it would be in the long term interest of the country to export.
36.	3.94	The Committee note that Government have brought into force a few schemes for making essential raw materials available to the industries. They are, however, unhappy to note that inspite of the fact that several schemes have been brought into force for this purpose, Government are still receiving number of complaints about the inadequacy of supplies of indigenous raw materials at international prices.
37.	3.95	Since there is no price control over most of the raw materials produced in the country it is difficult for Government to ensure that supplies to manufacturers are made at international prices. The Committee have been informed that this factor along with others is taken into consideration in fixing the level of compensatory support against export of industrial products.
38.	3.96	The Committee are of the view that the raw materials and other goods should be made available to the exporters at international prices and on top-priority basis, as the exporters have to compete with the suppliers all over the world. The Committee therefore, recommend that all major raw materials should be supplied off the shelf at international prices either from indigenous sources or by licencing timely imports.
39.	3.100	The Committee note that Government have recently entered into a long-term contract for the procurement of copper with the Zambian producers for supplies at the rate of 1500 tonnes per month commencing from July, 1971 at the producers' price without any premium. The Committee have been assured that this is a price at which

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		perhaps no importer would have been directly able to procure. An assurance has also been given to the Committee that the purchases of other metals have also been made from time to time at the most competitive prices in the context of the international market.
40.	3.101	The Committee note that prices of copper, nickel and lead have been falling continuously for the last one year and that the Ministry of Foreign Trade are actually charging only a margin of 2 per cent on the landed cost for export manufacturers.
41.	3.102	The Committee hope that the purchases of copper and non-ferrous metals are made by M. M. T. C. at the most competitive prices and the most opportune time with reference to the prevailing international prices so that the industry may have no grievances that they have to purchase on a higher landed cost over the price at which they would have been able to purchase if they had imported directly.
42.	3.103	The Committee note that some schemes are pending before Government to make available materials to exporters and manufacturing exporters at even more competitive prices than at present. The Committee desire that a decision in this regard may be taken expeditiously.
43.	3.107	The Committee agree that import substitution has not outlived its usefulness for the country's industrial development, rather, the industry in the country is insufficiently diversified and there are areas of sophisticated technology where a great deal of effort in this direction is required. However, the Committee feel that import substitution should not be allowed to stand in the way of further technological improvements in fields such as bicycles, sewing machines and fans where a reasonable competitiveness has been achieved but where there has been little technical change for long. The Committee, therefore, suggest that efforts should continuously be made to ensure that qualities are improved by taking to newer technology.

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44.	3.110	The Committee notice that nothing significant has been done in forging enduring relationship with procurement authorities and trading firms and organisations in various countries as envisaged in the Export Policy Resolution, 1970. They suggest that regular arrangements should be established with major trading houses as have been established by T. D. A. recently with M/s Macys and Sears-Reebuck, two major trading firms of th U. S. A.
45.	3.117	The Committee note that adequate packaging materials of modern international standards are not available to our industry. Corrugated cardboard cartons are not readily available and whatever is available is not of international standards and the price of substitute materials is high. The Committee further note that raw materials for corrugated Board i.e. kraft liner and fluting media are not indigenously manufactured and are subject to a high level of import duty at 100 % and counterveiling duties and that this renders its import unprofitable and prohibitive, The Committee recommend that Government should review the duties on packaging materials used for exports. The Committee are of the view that it is high time that in the interest of competitiveness of Indian exports Government formulate a programme for production of packaging materials at internationally competitive rates within the country and do away with dependence on import of these essential materials.
46.	3.128	The Committee note that the Ministry of Foreign Trade commissioned studies on overseas transport and freight structure in India's export trade first in 1965-66 by UNCTAD and then in 1968 with the assistance of USAID. A similar study was carried out in 1970 by the NCAER. Inspite of the fact that these studies had identified the various problems faced by exporters and had made recommendations, the Committee are surprised that nothing tangible has been achieved so far. They, therefore, urge that necessary follow-up action should be taken forthwith so that known bottle-necks which impede growth in the export of such items are overcome in the shortest possible time.

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47.	3.138	The Committee note that the need and urgency for the rapid development of Indian Shipping tonnage has been recognised by the Government as an essential factor for bringing about an increased flow of India's foreign trade. They also note that a target of 4 million G.R.T. is envisaged in the 4th Plan period and that Government are confident of achieving it.
48.	3.139	The Committee also note that the recommendations of the N.C.A.E.R. study on India's export Potential in selected countries for starting some new routes and strengthening of the old ones together with all the questions relating to Indian Shipping services with particular reference to the requirement of India's export trade and also taking into account the need for new promotional services are under consideration of a sub-Committee of the National Shipping Board. The Committee are, however, unhappy to note that this sub-Committee was not functioning first owing to the dissolution of Lok Sabha and later owing to the expiry of the term of the Shipping Board. The Committee are constrained to observe that due importance has not been given by Government to this matter. It is surprising that Government should have lost so much time in reconstituting the Board and the sub-Committee. The Committee, therefore, strongly recommend that the examination of this matter should now be finalised without any further delay.
49.	3.149	The Committee note that there has been an uneven sanctioning of loans for purchase of ships in the past inasmuch as Rs. 264 crores worth of loan was sanctioned during the first 11 years ending March, 1969 as against Rs. 138 crores in one year i.e. April, 1970 to March, 1971. Similarly in the matter of disbursement against sanctioned loans whereas the total for 11 years was Rs. 106 crores the amount for only one year i.e. last year is as much as Rs. 37 crores. Even though it is desirable to ensure that the loans sanctioned are utilised for the desired purpose the Committee feel that ways and means have to be found to assure regular flow of capital so as to bring about a steady and systematic development of shipping. The Committee are of the opinion that if such a course had been adopted all along, the difficulties now being faced would not have occurred at all.

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50.	3.150	As regards purchase of second-hand ships the Committee appreciate the anxiety of the Government to see that sheer junk is not added to the shipping tonnage of the country. At the same time opportunities offered have to be availed of. The Committee, therefore, suggest that the trade should be taken into confidence in these matters and efforts should be made to allay the aprehensions that may be prevailing in this regard.
51.	3.156	The Committee note that there has been some increase in the tramp vessels during the decade (1961 to 1970) when the number of tramp vessels increased from 14 with 0.99 lakhs G.R.T. to 29 aggregating 2.61 lakh G.R.T. The Committee further note that another 17 vessels aggregating 1.98 lakh G.R.T. are firmly on order which would nullify the scrapping during the period. The Committee are, however, unhappy to note that the acquisition of tramps is nowhere near the targets laid even for 1966.
52.	3.157	The Committee do not agree with the Government's view that the acquisition of tramps would result in wasteful competition between Indian Shipping lines. This, in the opinion of the Committee, could be taken care of while issuing the licences and by means of necessary regulations. On the other hand larger acquisition of shipping tonnage whether tramp or otherwise should exercise a constraint on rapidly rising conference line rates. The Committee, would, therefore, suggest that the matter should be reviewed and necessary remedial measures taken immediately.
53.	.170	The Committee note that high ocean freight rates are one of the major bottlenecks in the export of several items, traditional and non-traditional. The Committee also note the efforts made by the Government of India through Shippers' Councils and through the Freight Investigation Bureau by taking up cases of excessive freight rates. The Committee further note that Government's efforts in persuading the Conferences to subscribe to the discussion formula has not met with much success although most of them have accepted it in principle. The Committee are concerned to note that after 1969, there has been no stability in ocean freight rates.

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54.	3.171	The Committee would, therefore, urge Government to continue their efforts towards persuading the conferences to subscribe to the formula with a view to contain the frequent freight hikes. At the same time as already suggested efforts have also to be accelerated towards acquisition of greater shipping tonnage with a view to achieve maximum possible self-sufficiency to cater to the foreign trade.
55.	3.172	The Committee note in particular that where bilateral shipping services have been established Government are in a more comfortable position in putting restraints on Indian lines in the matter of freight increases. Since, however, only a small percentage of foreign trade is at present carried by these bilateral services, the Committee would recommend that efforts should be made to multiply the number of bilateral shipping services to achieve even better results.
56.	3.187	The Committee note that as yet only a few of the advantages by the transfer of the work from the office of the Iron and Steel Controller to that of the Chief Controller of Imports and Exports have materialised. The Committee would stress that every effort should be made to see that the real objective in transferring the work to the Chief Controller of Imports and Exports *viz.* prompter disposal of applications and grant of import licences is achieved.
57.	3.188	The Committee, however, note that although the disposal of applications for import licences had improved to an extent with the changing of the responsibility a lot more needs to be done as the percentage of pending applications was still quite large during 1969-70 and 1970-71. Some of the applications were pending for more than one year.
58.	3.189	The factors generally responsible for slow rate of disposal of applications for licences are stated to be (i) requirements of policy and procedure which necessitate scrutiny of prescribed documents, (ii) defects in import applications and (iii) increase in the work load on account of a rise in exports and industrial development without corresponding increase in staff.

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59.	3.190	Whereas the simplifications of procedures suggested by the Indian Institute of Foreign Trade will help minimising the time involved in disposal, the Committee suggest the process of simplification of procedure should be done on a continuous basis, and the documents involved should be reduced to the minimum possible.
60.	3.191	Efforts should also be made to pursue the defective applications with the applicants through telex and other modern means to avoid delays.
61.	3.192	The Committee also note that while the average time taken in disposal of applications has been within the stipulated period of 30 days in case of registered exporters it has not been possible to adhere to the time table in case of Actual Users and for import of machinery. The Committee feel that it should be the aim not only to adhere to the time-limit prescribed but also to bring it down so as to be enable to dispose of the same within a week of its receipt.
62.	3.199	It has been represented to the Committee that there have been cases where export orders had to be cancelled because necessary inputs for the manufacture of export products were not made available in time and in sufficient quantities despite the facility of advance licensing established by Government. This is mostly due to two reasons, either the complete documents particularly about the discharge of the previous obligations of imported raw materials by effecting exports are not available, or the photostat copy of the export order and the proof of the Letter of Credit having been opened are not supplied. The Committee note that Government are carrying out special case studies to locate the reasons for delay and are taking remedial action. The Government are also considering the question of prescribing a revised proforma which would call for all the information required for processing expeditiously the applications. The Committee would stress that Government should take remedial measures urgently so that manufacturers are enabled to obtain advance licences for essential inputs to execute the export order in time.

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63.	3.200	The Committee would like to be informed in detail of the remedial measures taken and the improvements effected.
64.	4.7	In regard to benefits accruing to India's exports by tariff concessions under GSP, the Committee note there is scope for additional export earnings for the developing countries. In this connection the Committee take note of the fears expressed by Government that factors like increase in freight rates, shortage of steel and other raw materials may hamper India's efforts in exploiting the benefits thrown open as a result of GSP even though India can be in a better position to take advantage from lower tariffs compared with other developing countries. The Committee have dealt with these problems in a separate Chapter of this Report. So far as the share of individual developing countries in the new market situation would depend, among other things, upon the ready availability of exportable goods, the Committee hope that Government will take all necessary measures to ensure that shortages are not allowed to develop in goods which have promising export potentiality.
65.	4.19	The Committee note that India's exports to USA registered a decline from Rs. 238 crores in the year 1969-70 to Rs. 207.3 crores in the year 1970-71, whereas in the case of other countries *viz.* Canada, Latin American countries, India's exports showed a favourable trend. The decline in exports to USA have been attributed to various factors, recession in US economy in 1970 and 1971 and to dock strike in Calcutta port in early 1970. The Committee hope with the exports of jute having picked up, India's exports during the years 1971-72 will register an increase and the target of exports of Rs. 255 crores fixed for the year would be realised.
66.	4.20	The Committee further note that the future trade pattern of India's exports to U.S.A. is gradually undergoing a change *i.e.*, semi-manufactured and manufactured goods now hold better export potential than the traditional export. This coupled with the comparatively low labour costs in

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		the country, places India in an advantageous position to exploit the vast marketing opportunities offered by these countries for many labour intensive products. Among such items, mention may be made of engineering exports which have amply demonstrated India's ability to enter the highly sophisticated market. The Committee would, therefore, urge that while the exports of traditional items be maintained concerted efforts are called for to increase the exports of manufactured and engineering goods.
67.	4.21	Keeping in view the complex and sophisticated nature of the market and fast changing consumer trends in this part of the world, the Committee would stress the need for market research to provide necessary clues and points well in advance. The Committee would also stress the need for a close study of price trends, the quality of goods preferred in order to make full use of export opportunities. The Committee would, therefore, stress the need for product development as also for marketing techniques. Such a strategy will not only help India in arresting falling exports to the U.S.A. and other countries in the region but would also enable it to gain a larger share of the market.
68.	4.22	The Committee note that imposition of a 10 per cent import surcharge levied on India's exports to U.S.A. will not apply to about 80 per cent of India's exports covering such items as Jute manufactures, cotton manufactures, mica, sugar, tea etc. Thus 20 per cent of the total exports covering non-traditional items like leather, footwear, engineering products, carpets, ferro-manganese and handicrafts are subject to additional impositions. The Committee hope that the efforts being made to secure exemption or relaxation from this additional 10 per cent levy would succeed and thus not come in the view of our continued exports to this country.
69.	4.31	The Committee note that trade between India and Japan increased by 2½ times in the last decade giving an average annual increase of 15 per cent in the rate of growth of Indo-Japanese trade. This high rate of growth has, however, not been

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		able to keep pace with the spectacular rate of increase in Japan's overall trade which has increased by about 5 times during the period 1960-1970. As a result, although Japanese share in India's total trade improved from 6 per cent in 1960 to 13 per cent in 1970, India's share of Japan's total trade declined from 2.5 per cent in 1960 to 1.2 per cent in 1970.
70.	4.32	India's exports to Japan consist almost entirely of ores, agricultural and other primary products. One single commodity *viz.*, iron ore accounts for over 40 percent of the value of India's exports to Japan. Such an over dependence on a single item in the Committee's view gives a rather fragile base to the structure of India's exports to Japan. Among other items of exports to Japan are pig iron, raw cotton, manganese ore, steel scrap, oil cakes, tobacco leaves, handloom silk, handicrafts, black tea etc. which account for more than 4 or 5 per cent share of the total exports.
71.	4.33	The Committee hope that the favourable climate for the growth of trade exchanges between India and Japan, which prevails at present will be utilised fully to the mutual benefit and advantage of both the countries.
72.	4.34	The Committee would also suggest that India should take full advantage of the increasing export opportunities for labour intensive items *e.g.*, engineering goods, electronics hardwares etc. available with the increasing vacation of labour intensive lines of production by the developed countries including Japan etc. in favour of the developing countries.
73.	4.41	The Committee note that India's exports to Britain have been declining in recent years. The exports fell from Rs. 229 crores in 1967-68 to Rs. 170.43 crores in 1970-71. These exports are further likely to be affected as Britain has decided from 1st January, 1972 to deviate unilaterally from the provisions of the Commonwealth Trade Preference Act of 1939 and impose a levy of 15 per cent on imports of Indian cotton textiles. Moreover, Britain has announced that it will join the European Economic Community shortly. The

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		Committee would like Government to analyse the reasons because of which exports to Britain have fallen in recent years and take suitable measures to sustain and improve exports particularly for engineering and other labour-intensive manufactured goods.
74.	4.68	The Committee note that an enormous amount of trade deficit exists in India's trade with the European Economic Community. In order, therefore, to facilitate increasing trade and economic cooperation with the EEC, there is the imperative need to strive for the removal of non-tariff barriers, which are still existing in the EEC in the form of import ceilings, product classification, cut-off points and quotas, all together hampering growth of India's exports to them. While doing so, there is also the need to improve India's marketing efforts to promote the sales of its products in these countries.
75.	4.69	Although the introduction of the scheme of Generalised System of Preference in EEC will go a long way in expanding India's exports and thereby narrowing the trade gap with EEC, the Committee feel that there is a vital need for a comprehensive trade agreement with the EEC which alone can facilitate India's exports to EEC. The Committee note the efforts made by the Government of India from time to time to enter into negotiations with the EEC and hope that a favouralbe trade agreement with EEC will be arrived at an early opportunity.
76.	4.80	The Committee note that India exports to the East European countries including U.S.S.R. comprise mainly of primary commodities and semi-processed items such as coffee, tea, oil cakes, cashew kernel, spices, mica and raw jute. These constitute 52% of India's exports to East Europe and if the textile manufactures are also included, the share of this group goes upto 65 per cent. This was also true of the composition of India's exports to U.S.S.R., as primary commodities account for nearly 56 per cent of India's total exports to U.S.S.R. and if textiles are also included this percentage goes up to 72.2 per cent.

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77.	4.81	The Committee hope that with the various steps taken by Government to diversify India's exports to East European countries and the U.S.S.R, more and more items of its non-traditional products, both manufactured and semi-manufactured *viz.*, railway wagons, commercial vehicles, surgical instruments etc. etc, will be exported to the East European countries including U.S.S.R.
78.	4.82	The Committee further note that the East European countries while providing good and steady expanding market for India's exports have not only enabled India to stabilise the prices of her traditional exports by reducing our dependence on the traditional markets. In the Committee's view, consequent on the industrialisation that has taken place in India during the last two decades, some adjustments are called for in the composition of India's trade with the region. For all these years the East European countries have been supplying India with machinery and equipment. But with the achievement of a certain level of industrialisation India naturally does not contemplate continuous import of such machinery. India on the other hand needs sophisticated machinery as well as industrial raw materials like non-ferrous metals. At the same time, India even while showing her interests in the export of traditional items like Jute manufactures, tea, coffee, tobacco unmanufactured, spices, oil cakes, hides and skins is concerned in promoting the sales of non-traditional items like semi-manufactured and manufactured goods, consumer durables and industrial machinery, railway wagons etc. In the Committee's view time has now come when India should seriously consider how to diversify its trade with the Eastern European countries making full use of the opportunity for periodical review.
79.	4.85	The Committee are glad to note that India's exports to Africa which is a promising area registered an increase from Rs. 88.11 crores to Rs. 139.29 crores in the year 1970-71. The Committee hope that with the increasing awareness being shown by Government to step up India's exports to the non-Arab African countries notably Kenya,

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		Uganda, Tanzania, Ethiopia, Nigeria, Zambia, Mauritius, Malawi and Ghana, India's exports to this part of the world would show an impressive increase. In the Committee's view scope for economic relations with African countries were vast, but for achieving a break through strenuous efforts were needed. Although India's exports to the region have been dominated by three traditional items *viz.*, jute manufacturers, tea and cotton, the Committee would like that the scope for exports of capital goods and light engineering products, chemicals and allied products etc. be explored by paying most assiduous attention to all factors like credit facilities after sales service etc.
80.	4.93	The Committee note the role India is playing in the economic development of Nepal. With the growth and diversification of industrialisation in India and the rapid economic development of the Nepal, the Committee hope that volume of Indo-Nepalese trade would expand rapidly in the years to come.
81.	4.98	The Committee note that India's exports to Ceylon which have risen from Rs. 17 crores in 1961-62 to Rs. 31 crores in 1970–71. The increase has been most marked in transport equipment, cotton yarn and thread, iron and steel, fish etc. The Committee would like Government to encourage exports particularly of manufactured goods to Ceylon. The Committee welcome also the collaboration of Indian firms for establishing joint ventures in Ceylon in the field of manufacture of sewing machines, clocks, trucks, air-conditioners, pharmaceuticals etc. and have no doubt that these would prove mutually beneficial.
82.	4.103	The Committee would stress the need for further increase and expansion of Indo-Burmese trade India could achieve this by participating in all the Burmese tenders issued by the Purchasing Authority and by offering most competitive and attractive offers both quality and firm-wise.
83.	4.108	The Committee welcome the conclusion of the Trade Agreement between India and Bangla Desh

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		which aims at the expansion and promotion of trade between the two countries on the basis of mutual advantage. The Committee hope that with the emergence of Bangla Desh as a sovereign Independent Republic and with the signing of Indo-Bangla Desh Trade Treaty the trade between the two countries would expand considerably to the mutual advantage of both particularly when the economies of both India and Bangla Desh are largely complementary.
84.	4.114	The Committee note that India's exports to Latin America after having touched a figure of Rs. 954 lakhs in the year 1966–67, declined to Rs. 545 lakhs in the year 1967–68 and reached the lowest point of Rs. 365 lakhs in the year 1968–69. The Committee are glad to note that in the year 1970-71 India's exports to Latin America recovered to Rs. 831 lakhs.
85.	4.115	The Committee hope that the survey being undertaken by the Indian Institute of Foreign Trade of important countries in the region will be able to identify the commodities likely to find a good market in Latin America. It need hardly be stressed that mutual trade and economic co-operation between India and Latin America would be mutually advantageous to both the countries in the long run.
86.	4.116	The Committee further consider that Latin America was a promising area and there was a scope for developing long term export/import trade particularly for manufactured and non-traditional goods. The Committee would, therefore, stress the need for a close follow up action in respect of countries in the Latin America, which show promise for increased exports.
87.	4.127	The Committee note that out of the 126 industrial joint ventures approved for setting up abroad, 28 have gone into production, 61 are under various stages of implementation and 37 have been abandoned due to various reasons. It is heartening to note that the establishment of joint ventures abroad have helped India to increase exports of capital goods, raw materials, semi-processed manufacturers, spare parts, components, tehnical

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		know-how etc. and in continuous earning of foreign exchange from the export of these items. The Committee hope that Government would continue to extend necessary facilities for the establishment of Joint Ventures abroad.
88.	4.128	In the Committee's view, the Joint Ventures hold a promising field and it was possible to enlarge our area of participation.
89.	5.13	Although India is the leading producer of tea in the world and next to Jute, tea has been its biggest foreign exchange earner, the Committee are distressed to note that Indian tea has been progressively losing ground in most of the world markets. Further, over the years the volume as well as the unit value of tea exports have been showing a declining trend. The Committee note that Government have taken a number of steps like replanting subsidy scheme, establishment of promotional tea centres abroad, generic promotion of tea, participation in trade fairs and exhibitions, promotion of special packs of Indian tea in selected markets abroad, etc. The Committee are forced to the conclusion that these measures have not obviously brought about the desired improvement in the export of tea. The only country where we have been able to increase our exports are U.S.S.R. and Australia while we have been losing ground in most of the other countries. The Committee have dealt with the subject in greater detail in a separate report on Tea Board but they would like to take this opportunity to reiterate that Government/Tea Board should pay continuous attention to this industry which has been earning valuable foreign exchange for the country so as to ensure that exports are not only sustained but also enhanced.
90.	5.16	The Committee note that India as well as Ceylon have been fetching low unit value for the tea exports. The Committee feel that if the international agreements under the aegis of Food and Agricultural Organisation are worked in a spirit of understanding, it should be possible to devise suitable measures to reverse this trend and obtain higher unit value for our tea exports. The Committee need hardly point out that India

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		is very fortunately situated in respect of tea as we have uniform quality of tea in South India while the high fragrance tea is contributed during the second flush season by the gardens situated in North Eastern India. It should be possible, therefore, to fetch higher unit value by judicious marketing abroad. The Committee expect that Government and Tea Board would take concerted steps to see that by judicious marketing and understanding with other countries we obtain maximum unit value for our tea exports.
91.	5.19	The Committee note the marked increase in export of Instant tea from Rs. 5.35 lakhs in 1966 to Rs. 10.5 lakhs in 1970, particularly to the United States. The Committee feel that as consumers especially those in advanced countries are thinking more and more of instant products, our country which has already got experience and standing in the field of export of India tea, should be able to enlarge its exports by intensified efforts. The Committee have no doubt that Government would give all the facility required for increasing production and export of instant tea and that no effort would be spared to improve the quality of instant tea so as to make it a distinctive product cherished and sought out all over the world.
92.	5.35	The Committee note that cotton textiles has been one of the most important traditional exports from India. It would appear from the statistics of exports that these have been continuously rising after devaluation of the rupee in 1966. The Committee, however, feel that devaluation could have been exploited to greater use in making the exports of textiles self-supporting and sustaning if timely measures had been taken to modernise the machinery in order to meet exports requirements.
93.	5.36	Another great handicap of the textile industry has been the dependence on import of long staple cotton for manufacture of finer varities of textile. The Committee note that Government have belatedly taken some steps to make available imported cotton on priority basis and at competitive prices to such of the cotton mills as are engaged in exports. The Committee would like

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		Government to take special interest in making available in time the full requiremets of cotton for meeting the export orders. The Committee feel that since textiles is a labour intensive industry and Japan which was one of the keen competitors in this line is switching over more and more to sophisticated industries, an opportunity may well be available for stepping up exports of textiles to sophisticated markets particularly to countries of European Economic Community. The Committee would like Government to intensify their efforts for reaching bilaterial and other agreements with these countries in order to secure maximum quota for export of textiles.
94.	5.37	The Committee need hardly point out that all over the world there is a distinct trend for man made fibres and the Committee feel that our country which has more than a century old experience of manufacture of textiles should be able to put this new opportunity to full use in the interest of stepping up exports. The Committee would, therefore, like Government to take well-coordinated and concerted measures with a view to encourage the manufacture of man made fabrics for export.
95.	5.38	The Committee note that export of textiles to Britain which is one of our most important and traditional markets has been seriously affected by the imposition of 10% surcharge on such imports.
96.	5.39	The Committee feel that since textiles is one industry where a developing country can effect the exports to developed countries, continuous efforts should be made to get its import allowed duty free or with the minimum duty, in developed countries.
97.	5.40	The Committee consider that the cotton textile industry cannot be established on sound and stable basis unless it achieves self-reliance in the matter of production of requisite quality of staple cotton within the country.
98.	5.44	The Committee have been informed that the export trade of man-made textiles was of the order of Rs. 10.25 crores in the year 1963 and that it fell to Rs. 1.00 crore in 1967 and revived to Rs. 3.38 crores during the period January to June, 1971.

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		In terms of quantity it was of the tune of 90 million metres in 1963. It slumped to 4 million metres in 1967 and have revived upto 11.4 million metres during the period January to June, 1971.
		The Committee have been informed that the pre-devaluation export incentive scheme, which was withdrawn in 1967, was given in the form of import of synthetic yarn at the rate of 70 per cent of the *f.o.b.* value of exports or the international price of that kind of fabric whichever was less. The import licence was issued to the exporters direct. This scheme was suspended in June, 1966. This was the reason for steep fall in imports in 1967. The post devaluation export incentive which was brought into effect in March, 1967 does not allow import of yarn by the exporters and the yarn is now imported by the STC.
99.	5.45	The Committee are of the view that concerted efforts have to be made to develop indigenous capacity for manufacture of synthetic yarn to sustain and develop exports of man-made textiles from the country in the long run and till such a capacity has been built up in the country Government may ensure that adequate imported synthetic yarn is available for the manufacture of exportable synthetic fabrics.
100.	5.50	The Committee have been informed that the exports of ready-made garments have increased from Rs. 2.15 crores in 1966-67 to Rs. 7.8 crores in 1969–70 and that there is a promise of being able to achieve the export level of this item of Rs. 20 crores in the next four-five years. The recent survey of India's export potential of textiles and man-made garments by the Economic and Scientific Research Foundation under the US AID sponsorship has revealed that there is an idle capacity in the industry and the idle capacity of single shift basis alone works out to 32 per cent for large, 46 per cent for medium and 64 per cent for small scale units.
101.	5.51	Of the wide range and varieties of items like shirts, pyjamas, suits, trousers, jeans, shorts, coats,

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		dressing gowns, neckties, cravats, scarves, brassieres, housecoats, blouses, slacks, shirts, nighties, children wears, uniforms and industrial clothings manufactured by the ready-made garments industry, shirts still continue to be the largest single item of production and export. On account of increasing demand for industrial clothings and children wears in overseas markets there is imperative need to bring about diversification in production so as to include items which promise great potential for export expansion.
102.	5.52	Factors like availability of comparatively cheap labour and developing skills on the supply side, and everchanging fashions in clothes coupled with high purchasing capacity of the affluent countries on the demand side, provide the scope and opportunity to the ready-made garments industry to exploit the expanding potential of its exports. In the opinion of the Committee with a view to realise higher export earnings, efforts need to be mobilised to achieve increased and diversified production of ready-made garments in accordance with high standards of quality acceptable in international markets by encouraging distinctive and imaginative fashioning and tailoring industry in India and by continuous study of tastes of foreign markets.
103.	5.53	The Committee note that embellishments including trimmings manufactured indigenously do not meet the requirements of the exporting units because these are not very much linked by the foreign buyers of readymade garments. It has also been pointed out in USAID Survey on the subject that the import entitlement scheme for these articles is inadequate. If trimmings and embellishments are required of reasonable value and percentage as compared to exports and these are not indigenously available the Committee are sure Government would examine allowing import without delay.
104.	5.60	The Committee note that export of jute has declined from 7.51 lakhs tonnes in 1967-68 to 5.69 lakh tonnes in 1969–70 and 5.61 lakh tonnes in 1970–71. The Committee also note that during the current year there has been an increase in exports in

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		jute broadly owing to un-settled conditions in our neighbouring State. The Committe feel that if the exports of jute are to be placed on a firm basis, it is absolutely essential that the following measures should be implemented in letter and spirit :—
		1. Supplies of raw jute of requisite quality and quantity should be assured.
		2. Jute mills may be modernised with a view to rationalise and diversify their production.
		3. Research activities may be intensified so as to provide fitting answer to the substitutes which are increasingly coming into use in foreign markets.
		4. Export promotion activities should be undertaken on a systematic and sustained basis.
105.	5.61	As far as the availability of the requisite quality and quantity of jute are concerned, the Committee would like to emphasise that the Jute Corporation which has been set up should provide necessary price support to the farmer so as to encourage him to grow jute in greater quantities and improve its quality by using high yielding seeds and applying other agricultural inputs. The Committee would also like to stress that the Indian Council of Agricultural Research should intensify its research and extension activities in the jute growing States *e.g.* Bengal, Bihar, Orissa, Andhra Pradesh, etc. It should also be impressed on the State Governments to provide irrigation and other facilities required for retting raw jute. The Committee cannot too strongly emphasise that the Jute Corporation should make purchase directly from the farmer so that he derives the maximum benefit of Government's price support policy and feels encouraged in increasing the production of jute and improving its quality. It should also be possible for the jute Corporation to arrange for better quality of jute from the neighbouring State as per the needs of the jute mills.
106.	5.62	The Committee note that the Industrial Finance Corporation has sanctioned loans totalling Rs. 601.75 lakhs for modernisation of machinery out

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		of which disbursements to the extent of Rs. 288.33 lakhs have been made so far. The Committee would like Government/I.F.C. to look into the matter so as to ensure that the funds required by the jute mills for modernisation in fact reach them without delay. The Committee note that Government have also allowed import of machinery worth Rs. 1.2 crores to the extent that it was not indigenously available. The Committee would like Government to intensify the efforts for the manufacture of machinery indigenously failing which they may allow imports in time so that the modernisation programme of jute mills is not delayed.
107.	5.63	The Committee note that a Pilot Project is being set up under Indian Jute Industries Research Association with Government assistance in order to find new uses for jute. The Committee would like this pilot project to be put into operation quickly so that as a result of research new uses can be found for jute. The Committee need hardly emphasise that there should be continuous research by the industry to find new acceptable uses for jute so as to sustain and improve the exports.
108.	5.64	The Committee note that the Marketing Development Fund are supporting export promotion programme of jute. The Committee feel that since the present is the crucial time for the jute industry, judicious use should be made of the facilities and funds available under the Marketing Development Fund to establish long term contacts with overseas buyers.
109.	5.65	The Committee need hardly point out that presently the jute industry has a great opportunity to improve upon its export performance and they have no doubt that Government would encourage the industry through the Jute Commissioner and the Jute Corporation to increase their share of exports on long term basis.
110.	5.79	The Committee note that an all time record of exports of engineering goods of the value of Rs. 95 crores during the year 1968–69 which touched an export figure of Rs. 106.37 crores in the year 1969–70 and Rs. 116.47 crores in the year 1970–71 was achieved. In Committees view the performance of engineering industry in the field of exports

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		in the year 1970–71 although somewhat behind the Fourth Plan targets of Rs. 140 crores was quite creditable both from the point of view of income in absolute terms over 1967–68 (when they were of the value of Rs. 42 crores only) and coverage of the new items and territories. The Committee hope that no efforts will be spared by the Government in this field so that the export targets of Rs. 250 crores by 1973–74 of engineering goods fixed by the Export Promotion Council and envisaged in the Fourth Plan will not only be realised but would be exceeded.
111.	5.80	The Committee feel that India is very fortunately placed both geographically and technologically amongst the developing countries for undertaking manufacture of engineering goods for export. Our country has already gained valuable experience and acquired technology and know-how for undertaking manufacture of engineering goods. With the rising costs and advancement of technology in developed countries in Western Europe, Japan, U.S.A., etc., there is a promising opening for supply of engineering goods, which are relatively less complicated but labour intensive, to these advanced countries.
112.	5.81	The Committee feel that if the engineering industry is assured supply of raw materials, particularly of iron and steel in adequate quantities and at international prices, it would enable the engineering industry to utilise their installed capacity more fully and compete in the international market for supply of engineering goods. The Committee have no doubt that if India can build up a reputation for dependable quality, guaranteed service and reliable schedule of delivery of engineering goods, the exports in this promising line can be greatly increased. The Committee would like Government to keep a close watch on the progress made by the engineering industry in forging ahead in exports so as to extend every reasonable facility to them to overcome difficulties in the interest of increasing exports and earning valuable foreign exchange.
113.	5.85	The Committee note that at present for export of iron ore four different Ministries/Departments are involved *viz.*, the Department of Mining,

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		Railway Board, Department of Transport and Shipping and MMTC/Ministry of Foreign Trade. It is obvious that unless there is integrated time bound programme for development of export potential, it would not be possible to secure long term orders for export of iron ore in larger quantities. Besides, it is absolutely imperative that the cost of handling and transport are reduced to the minimum by availing of the latest mechanical improvements such as installation of mechanised ore handling plants at ports, deepening of harbours to accommodate larger iron ore carrying tankers and efficient internal transport. Government may also explore the possibility of exporting iron ore after pelletisation to fetch higher price.
114.	5.86	Another important factor to be kept in view is the requirement of iron ore for our own steel plants so that this vital mineral resource is first and foremost made available to our own steel plants. The Committee would, therefore, suggest that there should be a standing Working Group to draw up a well thought out plan for increasing exports of iron ore and for continuously reviewing it in order to take timely action to overcome difficulties.
115.	5.87	The Committee feel that as Japan and other countries are going in for manufacture of iron and steel on ever larger scale, there is great scope for improving our exports of iron ore provided our rates, quality and delivery schedule are competitive with Australia and other countries which have developed iron ore resources for export in a big way.
116.	5.93	The Committee note that the exports of leather manufactures including footwear had grown considerably between 1967 and 1969, but these slumped during the year 1970. The Committee hope that with the initiation of various measures by Government, exports of leather manufactures and footwear would pick up and the leather export targets for the Fourth Five Year Plan of Rs. 413.3 crores and Rs. 87.5 crores respectively would be realised. In this connection the Committee would also stress the need for a planned export strategy. In the Committees view not only adequate and stable supplies of raw hides and skins as well as

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		tanning materials would be essential but competitiveness in quality in relation to consumer preferences abroad was also of crucial importance. The Committee would also commend the creation of necessary infrastructure facilities for enlarging domestic production as well as modernising the tanning industry so that exports of leather and leather manufactures are stepped up.
117.	5.96	The Committee are surprised to note that in the past serious attention had not been given to finding a solution to the problems facing the leather industry. They, however, are glad to note that efforts are being made now in collecting tanning materials such as wattle bark etc. indigenously and permission is also being given to exporters for importing it.
118.	5.97	The Committee further note that besides permitting the import of chrome crystals, chemicals and finishing auxiliaries, dyes and fat liquors and casein to meet the export orders, every effort is being made at the same time to make these scarce items available indigenously.
119.	5.105	The Committee note that the problems faced by the leather manufacturers and especially the footwear industry are varied and many. Indian products face severe competition from the highly sophisticated leather goods of the industrialised countries. In the Committee's view maintaining high quality was the only way to meet the competition. The leather used for manufacturing leather goods including footwear should, therefore, be highly processed. The availability of raw material of guaranteed quality to the footwar industry should be ensured either by importing the necessary machinery and spare parts for processing leather. The Committee would also stress that a close watch should be kept on the frequent changing designs. The Committee consider that if measures like market research, publicity, study-cum-sales tours organising and taking part in trade fairs and exhibitions are taken, there is no doubt that India will be able to achieve the footwear export targets envisaged in the Fourth Five Year Plan.

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120.	5.106	The Committee considers that the manufacture of footwear was eminently suited to Small Scale Industry. They therefore, hope that export oriented small scale units would be encouraged and helped in regard to mechanisation to enable them to produce goods of standard quality. The Committee would also urge the desirability of setting up cooperatives for export of footwear.
121.	5.108	The Committee note that a committee has been set up recently under Development Council of Leather Goods Industry to study the extent of modernisation required by leather industry. They hope that the committee will submit its report soon and Government will take necessary action to implement the recommendations of the committee expeditiously.
122.	5.112	The Committee note that the exports of cashew kernel have been showing a declining trend after having reached an export figure of Rs. 57.4 crores in 1969–70, it came down to 52 crores in the year 1970–71. It is disappointing that the targets of exports fixed in the Fourth Five Year Plan have not been realised during the first three years of the Plan period. The Committee, however hope that with the setting up of Cashew Corporation of India the requirements of the industry particularly for export production would be adequately met and targets of export of cashew kernel stipulated in the Fourth Five Year Plan would be realised. The Committee would also stress the need for production of raw nuts, since the indigenous production of raw cashew nuts is not sufficient to meet India's export of Kernels.
123.	5.115	The Committee need hardly point out that India with its centuries old tradition of fine craftsmanship in jewellery has promising export potentialities. The Committee would, therefore, recommend that necessary steps should be taken to step up exports of jewellery so as to earn valuable foreign exchange and also provide more employment opportunities in this labour intensive industry. The Committee further note that export of gems and Jewellery items prior to the year 1966–67 was

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		stagnated to Rs. 10 to 11 crores per annum. During the year 1966–67, the total exports were of the order of Rs. 23 crores, in 1967–68 Rs. 30 crores; and in 1970–71 Rs. 42 crores. The main reason for setback during the year 1970–71 being a relatively dull world trade in these items. The Committee would, therefore, urge that efforts should be made to encourage the exports of pearls, precious stones and semi-precious stones so that the targets of Rs. 100 crores for the year 1973–74, fixed in the Fourth Five Year Plan may be realised.
124.	5.118	The Committee note that though there has been increase in export of chemicals and allied products during the Fourth Plan, it has been far less as compared to the targets envisaged in the Plan. In fact, the performance is about 50% of the target. This underlines the need for detailed analysis of the reasons which are depressing our exports in chemicals and allied products where India has already established a large base. The Committee would like Government to take remedial measures without further delay so as to achieve the export targets before the end of the Plan. The Committee need hardly point out that Government should encourage fuller utilisation of the installed capacity and development of new capacity for meeting the export requirements and also grant necessary facilities to the industry by way of raw materials or machinery required for manufacture. The Committee feel that chemical and allied products offer a particularly promising field as petrochemical base in this country has been largely established and is being continuously expanded.
125.	5.124	The Committee hope that Government would bear in mind the points brought forth by the Tobacco Export Promotion Council, while formulating its policies covering tobacco export trade.
125-A.	5.125	The Committee note that the exports of Tobacco after having reached an export figure of Rs. 34.85 crores in 1967–68 have been showing a declining trend from year to year. The export of toabcco in the year 1970–71 was of the order of Rs. 31.40 crores. In order, therefore, to sustain and step up India's exports of tobacco, there was thus in the Committee's view a need for integrated package

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		plan to improve output and quality. The committee would also urge that effort should be made to step up export of manufactured Indian cigarettes and cigars of distinctive flavour and exotic quality. The Committee hope that Government would take suitable steps to implement the recommendations of the Tobacco Study Team which had recently visited West European Countries including U.K. to study and explore new markets.
126.	5.128	The Committee note that the problems of tobacco industry are many sided and there are different independent organisations looking after or exercising control over the movement, production, research, extension, quality control and export promotion of tobacco. Since the problems of tobacco are closely inter-related there is definitely a need for a co-ordinated and integrated approach. The Committee would, therefore, suggest that in order that production and exports of tobacco are regulated to the best advantage, Government may consider the desirability of establishing an organisation which could deal with the problem of production grading, marketing and export in an integrated manner.
127.	5.132	The Committee note that although India is the foremost country in the world so far as mica production is concerned, the export of mica have been somewhat stagnant. Against the export targets of Rs. 16.8 crores for the year 1970–71 set out in the Fourth Five Year Plan, the exports of mica during this year could reach only Rs. 15.56 crores. The Committee note that mica was being mined by a large number of owners and there was a cut throat competition going on amongst them thereby bringing down the price. The Committee would, therefore, urge that Government might consider the desirability of setting up cooperatives for exports. Government might also regulate export floor prices if necessary. The Committee would also urge that the recommendations of the Mica Advisory Committee, which was set up to prepare a development programme for mica industry, should be implemented soon with a view to promote exports of mica and mica products.
128.	5.134	The Committee feel that India has a unique advantage because of its rich tradition and skill of hundred of years to back its handicrafts for exports.

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		In fact, each of the States in India has a distinct handicraft tradition and its products can well make a favourable impression in the export market. The Committee are of the view that there is need for studying closely the tastes of the people in foreign countries and to suitably modify our motifs and designs of handicrafts in order to capture their imagination. The Committee also feel that in order to provide maximum benefit to the craftsmen, a direct approach should be established between him and the Export Corporation. There should also be arrangement for feeding the craftsmen with significant information about tastes and preferences of foreign buyers so that he can suitably modify his handicrafts without delay to derive maximum benefit from the changed trend.
129.	5.135	One of the promising products for export are ready-made garments made from our rich handlooms. The Committee feel that if the tastes for these garments in foreign countries are studied meticulously and purposefully, it should be possible to improve upon our exports of ready-made garments made from handlooms.
130.	5.145	The Committee note that a comprehensive survey of India's export potential of marine products has been conducted recently by the Indian Institute of Foreign Trade under the aegis of USAID. According to the survey exports can be stepped up from Rs. 24.7 crores in1968-69 to Rs. 60.9 crores by 1973-74 and Rs. 118 crores by 1978-79. To achieve this level of export performance, the Committee agree, it is essential to strengthen the supply base by mobilising and intensifying efforts in the areas of deep sea and off-shore fishing and effecting improvement in the processing methods of market mechanism. The Committee notice that there is a wide gap between the present level of India's export of marine products and exports anticipated in the survey estimates. They would, therefore, suggest that the present level of export performance should be substantially improved upon by systematic exploitation of the rich potential of Indian seas especially when the world demand for sea food products is fast increasing.

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131.	5.146	The Committee are of the view that in order to effect economy of scales in deep sea fishing operations, it is desirable to subsidise vessal, allow import of marine diesel engines, trawlers of requisite size and supply duty free oil as is the practice in other countries.
132.	5.147	The Committee note that India has a great potentiality of exports of Marine Products with a vast coastline extending over 5,000 Kms. The Committee would stress the need for development and for the exploitation of potential of eastern coast and Andaman and Nicobar Islands and Lacadive and Minicoy Islands. The Committee would also urge that early setting up of the Marine Product Export Development Authority be taken by Government.
133.	5.155	The Committee note that the first coordinated effort to assess the country's requirements in respect of electronics equipments and components was made by the Bhabha Committee who had assessed that the annual production of electronics items in the country which was Rs. 26.5 crores in 1964-65, had to be stepped up to Rs. 300 crores per annum by 1975-76 and the production of components from Rs. 4 crores in 1964-65 to Rs. 84 crores per annum in 1975-76. Subsequently as a result of review undertaken the overall assessment of production for the 10 year period has been fixed at Rs. 1550 crores. It is commendable that the targets of production of electronics item and components envisaged in the Bhabha Committee Report would not only be realised but would be exceeded.
134.	5.156	The Committee are also glad to note that T. D. A. has chosen Electronic equipment and components as one of the sixteen products for export development to developed countries. They further note that T. D. A. has enrolled 37 clients in electronic group and has been assisting them in finding out export markets and providing them with necessary inputs for export production.
135.	5.157	The Committee further note that a comprehensive market survey in this field is being undertaken by a delegation sponsored by the TDA and Electronics Commission for making an on the spot

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		study and assessment of export possibilities in various countries of the world.
136.	5.158	The Committee need hardly emphasise that in this age of electronics the development of the electronics industry has a great future. Being labour intensive this industry carries great employment potential for this country. For many years wage levels of technically qualified personnel will be India's main asset on which it could capitalise. As a result of the rising wage spiral, the Japanese have come to a situation where they would like to vacate the field of simpler technology in electronics. A similar position is developing in U.K. and West Germany. India as an important developing country stands in a unique position of taking a big share of the business. The Committee hope that no efforts will be spared in making full use of the opportunities now available in this field.
137.	5.161	The Committee expect that with the creation of Electronics Commission a well coordinated and integrated programme for research and development would be evolved and implemented. They note the formulation of perspective plan for research and development for 10-15 years. The Committee would, however, suggest that this Plan should be reviewed every year in the light of performance and demand projection with particular reference to exports.
138.	5.167	As India has very vast forests the Committee are of the view that in addition to the export of timber in various forms, a variety of other minor forest produce as well as wild life production in sufficient quantity can be exported. Although the export earnings of both major and minor forest products increased from Rs. 1,53,927 in 1965-66 to Rs. 2,75,651 in 1969-70, the Committee feel that India's forest resources have not been fully exploited and harnessed for the purposes of exports. The Committee, therefore, commend the appointment of an Expert Committee by Government with representatives of various interests to go into the question of exports of forest products so that concerted measures could be taken to exploit fully the export potential of India's forest produce.

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139.	5.168	The Committee would stress the need for intensified efforts to implement plan for development of forests. They would also stress the need for exploring the possibility of export of furniture and other manufactured products based on forests.
140.	5.172	The Committee note that the export of rice has not been significant. From a level of 2632 M. T. in 1966-67 exports rose to 32768 M. T. in the year 1970-71. The Committee would, therefore, urge that Government should step up its efforts to export rice in the years to come. Simultaneously Government may consider development of the cultivation of Sabarmati variety of rice, which is understood to yield over 6 tonnes per hectare and has a grain very similar to basmati rice.
141.	5.173	The Committee note that Basmati a high flavoured rice was a unique quality of India and had an international reputation. In the Committee's view with the green revolution in India, there was a tremendous potentiality of export of basmati rice. The Committee would, therefore, suggest the building up of contact for export of agricultural products.
142.	5.177	The Committee note that export of Banana has not made much headway during all these years. After having touched an export figure of Rs. 51.44 lakhs in the year 1968-69, it came down to Rs. 37.28 lakhs in 1969-70 and was at Rs. 37.46 lakhs in the year 1970-71. The Committee hope that with the various measures under way, the production of exportable varieties of Bananas would be built up in the course of the 4th Five Year Plan period so as to support at the end of the plan an annual export trade of one lakh tonnes of bananas. The Japanese market which is easier to reach, is expected to take 50,000 tonnes of bananas. The Committee would also urge the generation of enough exportable surplus in due course of time to cater to the needs of export markets to U. K. etc.
143.	5.178	The Committee also take note of the setting up of the Banana and Fruit Development Corporation in the public sector for the purpose of develop-

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		ing new areas for banana production. The Committee also take note of the fact that the Banana and Fruit Development Corporation proposed to develope 4,000 hectres of banana plantations for the purpose of direct cultivation in one of the Southern States. There areas were to be brought under direct management of the Corporation for production, so as to control the inflationary trends in prices of bananas which would adversely affect export trade and present stabilisation of export trade. The Committee would urge the need for setting up of Pilot farms, where potentiality of development of bananas for export could be demonstrated. The Committee would also stress the need for intensification of research efforts so that Banana could reach export market in good shape. The Committee would also suggest that Corporation should also pay due attention to export of other fruits, mangoes, lichis, etc.
144.	5.182	The Committee note that the licensed capacity of Vanaspati industry is presently over 15 lakh tonnes/year and the installed capacity is over 10 lakh tonnes/year. As against this, the internal demand is of the order of 6 to 6.5 lakh tonnes/year which was expected to rise to 7.5 lakh tonnes/year by 1973-74. The Committee, would therefore urge that the surplus capacity should be used for manufacture of Vanaspati or refining oil, for exports. The Committee would also stress the need for building up vegetable oil production which was a prerequisite condition for sustained exports.
145.	5.198	The Committee are not convinced with the reasons advanced by the Ministry for withdrawal of each assistance *viz.*, the Cottonseed Crushing industry was required to be encouraged and not only the export of cake which is only a bye-product and that domestic dairy and poultry had to be developed and further that this industry has continued to enjoy export incentives for nearly a decade, it is time it stood on its own legs.
146.	5.199	In the view of the Committee it is important to see whether or not the reduction in incentives has led to the same conditions in the industry which Government had sought to eliminate by granting

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		cash assistance initially, namely, the losses suffered by export of the commodity and its competitiveness in the markets abroad.
147.	5.200	Secondly the Committee do not feel that Government could achieve the object of developing the cottonseed crushing industry by discouraging the export of its by-product, that is, oilcakes. Conversely decortication will augment the supply of oil by utilising fully the existing output of oilseeds especially cottonseed.
148.	5.201	It can also be argued that it is not sufficient that the overall export of oilseeds was increasing. It has also to be seen that the cottonseed crushing industry which is comparatively new and has invested good amounts is not ignored completely or rendered idle to a great extent. The Committee also feel that it would be worthwhile to put a reasonable restraint on domestic consumptions where export was likely to suffer.
149.	5.202	Besides there are other good reasons to see that the cottonseed crushing industry was developed, such as, scientific development of cottonseed crushing industry by diverting the seed, now used as cattlefeed, for crushing purposes would pave the way for import substitution of wood pulp by indigenous manufacture of linter pulp and stop the drain of valuable exchange on import of soyabean oil.
150.	5.203	There is no internal demand presently for decorticated cottonseed cake/extraction, while there exists a very good export market in U. K., and East and West European countries.
151.	5.204	The Committee would, therefore, suggest that the matter should be examined by the Government again in the light of the facts given above and in the light of the findings of the USAID sponsored survey of India's Export potential of oilcakes.
152.	6.10	The Committee note that the functions of the National Textile Corporation *inter alia* include (i) setting up of new mills especially export oriented mills, (ii) modernisation of machinery and rationalisation of labour force of the textile mills

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		taken over by Government on a priority basis. The Committee also note that in pursuance of its objects the National Textile Corporation has evolved a scheme for modernisation of two mills, which have specific potentiality for export, and the same has been sanctioned by Government at a cost of Rs. 12.16 lakhs. The Committee further note that the efforts of the Corporation for putting up a polyester plant for the manufacture of a polyester plant for the manufacture of polyester yarn/cloth and for the setting up of textile mills in other countries with the technical expertise of the Corporation is being explored. The Committee hope that the Corporation will be able to realise its aims and objects in a greater measure in the course of time.
153.	6.14	The Committee are glad to note that the exports generated by manufacturing and mining undertakings in Public Sector have registered an upward trend and that it amounted to Rs. 84.64 crores during 1969-70 as against Rs. 69.35 crores in the previous year. The Committee hope that the Institutional framework for export promotion in the public sector would be further strengthened so that it could play an increasing role in the export trade. The Committee further hope that with the substantial expansion of the public sector in the industrial field notably metallurgy, engineering and chemicals, exports from the public sector enterprise would further increase progressively.
154.	6.27	The Committee note that the following points emerge out of the representations made and the evidence given by the non-official organisations before the Committee concerning the canalisation: (i) Canalisation should be cautiously attempted; (ii) The process of canalisation should be gradual and selective; (iii) When canalisation of major sector of exports is attempted, it should be seen that personnel infrastructure necessary to meet the challenge is there;

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		(iv) Building of specialised cadre and managerial talent for the export field;
		(v) Organisation must be equipped to make bulk purchases at most opportune time and economically;
		(vi) Final user must get his material of reliable, consistent quality as cheaply and as quickly as if he was allowed to import himself;
		(vii) As and when imported article is sold to the user by STC it should be given replenishment licenses.
155.	6.28	The Committee have been assured that the effect of canalisation of imports through State Agencies have resulted in savings in foreign exchange on imports on account of bulk purchases and also on account of savings in ocean freight by availing of bulk shipments and in the supply of raw materials to consumers in the country at reasonable rates. The Committee note that Advisory Committees have been set up for the commodities or groups of commodities where import has been canalised. The Committee would stress the need for full and timely consultations with these Committees so that it could be helpful in arranging regular supplies of raw materials of the right quality at reasonable prices and in time to the consumers. The Committee would also stress that the difficulties expressed by industry, particularly in the initial period, should be promptly looked into and their genuine difficulties redressed without delay in the interest of sustaining production.
156.	6.29	The Committee note that exports canalised through the State Trading Agencies have been registering an increase from year to year. Export of canalised items increased from Rs. 13.04 crores in 1968-69 to Rs. 14.86 crores in 1969-70 and to Rs. 57.4 crores in 1970-71. They further note the role of STC in assisting the small exporters by exploring for them export possibilities of their products (which include fresh fruit and vegetables, roses, drugs and pharmaceuticals, cycle parts,

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		stoves spectacle, frames and sport goods to various countries. The Committee are glad to note that in fields like woollen knitwears and leather the potentialities of the small scale sector have been brought into effective use by the State Trading Agencies.
157.	6.30	The Committee note the role of MMTC in maximising exports of iron ore and manganese ore by assisting in rationalisation of rail transport for movement of these ores from mines to the ports of shipment and securing best prices from foreign buyers, and hope MMTC will make a significant contribution in this regard and also contribute in the drive of exports of various new items to new destinations.
158.	7.7	The Committee note that the Board of Trade being an apex body concerns itself with policies and problems relating to the development of the country's Foreign Trade, advise Government on problems of production, exports, imports rationalisation, improvements in export marketing, the promotion and development of exports institutions including the STC and MMTC, export houses, exhibitions and Trade Fairs. The Committee are surprised that such an apex body should have met only five times during the last three years from January, 1968 to January, 1971.
159.	7.8	The Committee would like to draw the attention of Government to the 4th and 5th meetings of the Board of Trade held on 15th December, 1969 and 22nd January, 1971 wherein serious concern was expressed by some of the Members for not holding meetings of the Board of Trade frequently. The Minister of Foreign Trade assured the Members that the Board of Trade would in future hold at least 2 meetings a year, if not more. The Committee consider that if the Board of Trade meets once a quarter, as it is expected to, it will be able to focus attention on issues of current importance and thus help Government to initiate timely action.
160.	7.13	The Committee note that the Advisory Council on Trade provides representation to Members of

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		Parliament, commercial and industrial organisations, public sector trading organisations, Commodity Boards, research and development organisations etc. Its functions are to review the country's economy in its commercial aspects, to consider problems of expansion of exports, problems relating to regulation of imports etc. etc.
161.	7.14	The Committee do not feel happy that such an important and representative body should have been called to meet only once during each of the last four years, when the country has been experiencing new problems and challenges both in the field of exports and imports. The Committee would like Government to ensure that the meetings of this representatives body are called at least once in six months to enable Government to take counsel with them and initiate suitable action in the light of difficulties experienced by trade and public.
162.	7.20	The Committee find that the Ministry of Foreign Trade have already got a super-structure for consultations at the level of the Board of Trade, Advisory Council on Trade and Zonal Export-Import Advisory Committees. The Committee need hardly stress that the utility of these Advisory Committees would be realised to the extent that these functions actively and bring to notice the problems of those engaged in import or export, or export production and the sympathetic consideration which the Government extend to these difficulties, with a view to resolve them in the interest of larger exports. In short, there should be effective consultation between Government and the exporters with a view to maximise the national effort for export.
163.	7.31	The Committee are glad to note that in pursuance of the recommendations contained in their 48th Report (3rd Lok Sabha) on the then Ministry of International Trade, Government had appointed Committees in 1964 and again in 1971 to review the working of Export Promotion Councils under the Chairmanship of Shri Prabhu Mehta and Shri Bhagwan Singh respectively. It is understood

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		that the review committee has examined the various aspects of the functioning of the Export Promotion Councils and has made detailed recommendations for effecting improvements in their constitutional and administrative machinery, financial structure etc. The problems of some of the Councils in regard to product coverage have also been dealt with in the Report, and relationship of the Federation of Indian Export Organisations and the Trade Development Authority has also been defined. The Report has also covered the area of small enterprises and their role in relation to the Export Promotion Councils. The Committee hope that the recommendation of the review committee will be examined expeditiously and implemented by Government. The Committee would also urge that the system of review of the working of the Export Promotion Councils at least once in every two years should now become a recurring feature, as recommended by the review committee.
164.	7.32	The Committee would also stress that the small scale and medium scale industries be encouraged to play their rightful role in the export field. In this connection the Committee would stress that export performance for deciding small scale members should be defined for each Export Promotion Council and there should be specific allocation in the budgets of the Councils for the activities relating to the small enterprises. In this connection the Committee would commend the establishment of cell in the Ministry of Foreign Trade which in coordination with the organisation of the D.G. (S.S.I.) should pursue actively the programmes and activities of the Export Promotion Councils and other export organisations on the requirements of the small scale enterprises. For examining in detail the product coverage aspects in respect of the Export Promotion Councils, the Committee would commend the early implementation of the recommendations of the Review Committee in this regard.
165.	7.35	The Committee understand that India is responsible for 80 per cent of world's production of Mica and 95 per cent of the Indian mica is exported. The role of mica in the export trade of the country cannot thus be minimised. The Committee hope

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		that the advisory committee set up to review the position of mica industry will submit its report soon and Government will take decision on the recommendations of the Committee expeditiously so that the mica industry may be placed on a stable basis, and the country may be able to earn foreign exchange by exporting mica in sufficient quantity and at a good price.
166.	7.66	The Committee feel that the functions of the T.D.A, Inter-Ministerial Groups and Export Promotion Councils are not free from over-lapping and avoidable duplication. Since these are Government sponsored and Government aided organisations, the Committee see no reason why Government should not most critically examine the role, functions and actual working of each of these organisations and ensure that there is no duplication or over-lapping of functions between them in the interest of economy and greater efficiency of export effort. In the Committee's view the only justification for TDA is that it would provide umbrella services and increase the exports from middle and small scale sector engaged in labour intensive industries from Rs. 6 crores at present to Rs. 50 crores in a period of three years. Government should keep a critical watch over the activities of T.D.A. and ensure that the accent is on rendering meaningful service to small and medium units in the selected industries to reach well defined export targets. The Committee would also stress that overlapping and duplication of functions particularly in the matter of data collection and collation of information should be avoided.
167.	7.67	The Committee note that with the increasing vacation of labour intensive lines of production by the developed countries in favour of developing countries and the growth of international subcontracting by multinational firms, opportunities were now coming to India for organising export of the products and ancillaries of the middle and small scale sectors of industry also. The Committee would commend that Government should ensure that T.D.A. concentrate their efforts on this area also and keep them informed through periodical returns of concrete achievements. The

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		Committee would also like this to be mentioned specifically in the Annual Report of Trade Development Authority which may be laid on the Table of the Parliament. TDA in short should have a performance budget so that Parliament and public are able to appreciate the results achieved in terms of increased exports commensurate with the money spent from the public exchequer and that there is no unnecessary duplication in administrative machinery.
168.	7.68	The Committee also suggest that all Government sponsored and aided export organisations should have a performance budget.
169.	7.76	The Committee consider the establishment of the Indian Institute of Foreign Trade as a step in the right direction. The Committee would, however, stress that the Institute should concentrate on training and such studies on organisational aspects for export effort which are not being undertaken by any other Government sponsored/ aided agency. The Committee are not averse to the Institute being given concrete assignments, including export potential surveys so as to sustain its intimate contact with export field, but the accent should be on training and avoidance of duplication. The overlapping of functions about information and market surveys with the Trade Development Authority, the Export Promotion Councils and other agencies in the field should be avoided.
170.	8.13	The Committee note that assessment/review of the existing incentives is made by the Departments concerned as and when called for. They further note that the Ministry of Foreign Trade believe that the exporters have been availing of all the incentives and facilities provided in full measure and this is reflected in the continuing rise in the volume and value of India's exports over the past years and in the growing varieties of the goods exported. The Committee suggested that assessments/reviews may be made at least once in every six months by the Ministry of Foreign Trade with a view to find out as to what extent the various export promotion incentives were helping in increasing the exports qualitatively as well as quantitatively.

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171.	8.17	The Committee note that to obtain incentives and other assistance the exporters have to deal with a number of agencies at present resulting in much labour and loss of time. The Committee also note that the question of entrusting administration of as many of these schemes as possible to a single authority and the proposal of payment of cash compensatory support through banks are under consideration of the Government. The Committee hope that early accord would be reached in regard to disbursement of cash compensatory support through Banks. They hope that implementation of the proposal will go a long way in removing much of the hardship being faced at present by exporters in this regard. The Committee further hope that no effort will be spared in bringing as many of these functions under one single authority, the aim being to centralise the administration of the incentive schemes under one authority.
172.	8.22	The Committee agree that consultation with the technical advisers is essential for assessment of the quantum of import content and the ratio which its value bears to the f.o.b. realisation against the export of the product. Scrutiny in the Ministry of Finance is also required in view of the foreign exchange involvement and to gauge the necessity of cash support. Since the time factor has a vital bearing on exports it should be ensured that wherever Government are satisfied that inclusion of additional items for assistance is in the interest of the export effort, the same should be processed and finalised without delay. The Committee would also stress that cash and other financial support should not be continued on indefinite basis but withdrawn judiciously as soon as the products are able to hold their own in the export market.
173.	9.14	The Committee note that Marketing Development Fund has rendered valuable assistance to trade and industry from the day of its inception. The Committee would, however, stress the need for critical review by Government of the performance of M.D.F. in this developmental phase so that

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		marketing Development Fund subserves the objectives with which it had been set up.
174.	9.15	The Committee further note that the assistance from Marketing Development Fund is given in re-imbursement of the expenditure already incurred on the approved schemes, on the basis of statement of expenditure furnished by the Export Houses in support of their claims and duly certified by their chartered Accountants. The Committee expect that in the interest of giving impetus to the export, the Marketing Development Fund Committee will ensure that applications for grants are disposed of expeditiously. The Committee would also urge that where the applications for grants from the Marketing Development Fund are rejected, the applicants should be informed of the reason of rejection of the application.
175.	10.9	The Committee note that Government have shown keen awareness of credit needs of the exporters. As attractive terms of finance for exports are most vital and essential in stepping up the country's exports, the Committee would suggest that the question of availability of export credit and finance should be continuously reviewed by the Economic Wing of the Ministry of Foreign Trade in consultation with exporters and financial institutions. In the Committee's view there is greater need for long term credit allocations for export of capital intensive goods and package deals for setting up plants in other countries. The Committee would also emphasise the need for greater credit facilities for exports by medium and small scale sector.
176.	10.11	The Committee note that the question of the establishment of Export Bank is being examined by the Banking Commission and Government in consultation with the Reserve Bank of India. The Committee hope that Government would be able to formulate its views on the establishment of an Export Bank at an early date.
177.	10.14	The Committee note that a Working Group comprising the I.D.B.I., representatives of banks dealing with foreign exchange and the Export Credit and Guarantee Corporation has been set

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		up to go into the question of introduction of system of buyer's credit as is being done by other competitive countries in the world. The Committee expect Government to take expeditious decision after the Report of Working Group on the subject is submitted to them.
178.	10.24	The Committee are glad to note that the value of exports insured with the Corporation has risen from Rs. 7.0 crores in 1960 to Rs. 110.3 crores in the year 1970. Nevertheless they consider that there is a room for considerable improvement in the business of the Corporation. The example of Export Credit and Guarantee Department in U.K. which provides insurance cover to 30-35% of the export trade, should serve as a guide for the ECGC in India to step up its activities. The Committee have no doubt that with the increase in the country's exports the ECGC will also be able to attract larger business by quality of service.
179.	10.25	As publicity is essential for any insurance business, the Committee suggest that greater stress should be laid on increased publicity, so that it reaches the small and medium exporters. They would also stress the need for maintaining the quality of service; promptness in attending to enquiries and expeditious settlement of claims.
180.	11.10	The Committee need hardly stress that a country can sustain her traditional markets and develop new markets if it ensures that her exports are of dependable and proven quality. Although the export (Quality Control and Inspection) Act was enacted in the year 1963, the Committee feel that there is still imperative need for building quality into the production and thereby win the esteem of international market. The Committee, therefore, suggest that all such measures should be taken to generate deep rooted quality consciousness in Indian exporters who should be made to realise that only on the basis of quality of exports India would be able to sustain her traditional markets and develop new markets in the competitive world. The Committee would stress that the quality control should not only

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		apply to finished products but quality consciousness should be carried out in the various stages of production starting from raw materials to designing, production, personnel efficiency and the finish of the product.
181.	11.11	The Committee would also stress the need for eliminating duplication of inspection and achieving coordination with customs and the exporters. The Committee consider that Quality Control measures should inspire confidence of the importers by understanding their requirements and prompt investigation of complaints and would urge the need for deterrent action in case of defaults.
182.	11.12	The Committee note that the Export Inspection Council has been made responsible for the efficient working of the Export Inspection Agencies both governmental and private. The Committee stress that steps should be taken to streamline the Export Inspection Councils' procedures to maximise efficient performance at various tiers of the inspection system and enlarging the institutional facilities for testing the products. The Committee hope that Government will also ensure that adequate laboratory and testing facilities are made available at the places of inspection. To achieve these, the Committee would urge the expeditious setting up of the Pilot Test House with assistance from UNIDO programme so that the existing facilities for export inspections are further augmented.
183.	11.13	The Committee feel that it is not enough that the quality of exports is good but the importers must also be aware that the exports of India are of standard quality. They, therefore, stress that no efforts should be spared to give wide publicity in foreign countries to the measures taken to ensure that only standard quality goods are exported from India.
184.	12.10	The Committee are surprised to note that review of the journals and other periodicals issued by the Ministry of Foreign Trade, Export Promotion Councils, Commodity Boards has not been carried out so far in spite of the recommendation to this

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		effect of the Standing Export Publicity Advisory Committee in 1967. Instead the Government belatedly thought it advisable to set up a working Group on Commercial Publicity in the Ministry of Foreign Trade to make a quick appraisal of the existing publicity programmes and to give suggestions for streamlining it.
185.	12.11	The Committee note that this Working Group set up by Government on Commercial Publicity has since submitted its report in February, 1972 and has made several recommendations covering various aspects of export Publicity *viz.*, Publicity Strategy, publicity programme, rationalisation of journals and other periodicals, advertising and the role of television and radio in creating consciousness among the people about the importance of economic development and role of exports. The Committee hope that Government would give due considerations to the recommendations contained in the Report of the Working Group and take decisions thereon expeditiously.
186.	12.15	The Committee note that the Standing Export Publicity Advisory Committee in its report submitted to Government, has made several recommendations which *inter-alia* include production of documentary films on Exports, greater utilisation of medium of radio for export publicity; Institution of awards for outstanding exporters; co-ordination of publicity programmes of various Export Promotion Councils/Commodity Boards; setting up of export information services for formulating export policy declaration and setting apart one per cent of export earnings for commercial publicity etc. The Committee would urge that those recommendations which have already been accepted by Government should be implemented fully without any delay.
187.	12.33	The Committee note that exhibitions and trade fairs constitute a very powerful and effective means of projecting a country's industrial image and developing and diversifying trade among various countries. By attracting buyers and sellers from different parts of the world, they not only strengthen the already established trade links, but also create new channels and possibilities for the

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		growth of economic relations. The role of exhibitions and trade fairs in stepping up the country's exports cannot be minimised. While the Committee appreciate that it is rather difficult to assess, precisely the impact of exhibitions and trade fairs, they would stress that a suitable machinery be set up for evaluating immediate and long term results of participation in Fairs/ Exhibitions abroad and for organising follow up action.
188.	12.34	The Committee note that the Working Group on India's participation in internatonal fairs and exhibitions abroad has since submitted its report to Government in February, 1972 and has made several recommendations therein covering various aspects of holding of fairs and exhibitions *viz.*, criteria and methodology for drawing up exhibitions programmes, constitution of Standing Committee representing various interests for formulating the programme; perspective planning and Budget allocation, annual review; selection of items for display at the exhibitions; compilation of information of products etc. etc. The Committee hope that the recommendations of the Working Group will be examined and implemented by Government expeditiously.
189.	13.30	The Committee note that Indian Foreign Service is meant to cover all aspects of functioning abroad including commercial, foreign trade, economic, political, financial matters etc. The Committee understand that save Australia and Canada most other countries have one integrated foreign service to look after all these interests. The Committee consider that for a developing country like India, foreign trade, commercial and economic matters are of crucial importance. The Committee suggest that the training course for officers of Indian Foreign Service should be suitably amplified in consultation with the Ministry of Foreign Trade/Institute of Foreign Trade to provide a deeper understanding of our country's industrial and commercial base and the imperative necessity for stepping up exports on a sustained basis.
190.	13.31	The Committee also feel that the officers of the Foreign Service should be inducted in the Ministry of Foreign Trade in the formative years of their

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		service say after they have put in 3/5 years of service abroad and gathered adequate background to realise the context in which they have to function. In the Ministry of Foreign Trade, the Foreign Service Officers should be given adequate opportunities togather first-hand experience of mechanism, working and problems of foreign trade. These officers should be encouraged to pick up the language of trade and industry which would help them to establish better rapport with the importers and industrialists in the foreign countries as well as in India. The Committee also need hardly point out that these officers should be given an intensive course in the language of the foreign country where they are intended to be posted so that they can transact business more effectively. These officers should thereafter be posted in accordance with a carefully thought out plan, (details of which should be worked out in close conjunction with the Ministry of Foreign Trade) to regions/countries where their intensive training and experience in problems of foreign trade would prove a distinct asset. The Committee expect Government to closely associate the Ministry of Foreign Trade in the posting of officers for commercial and trade work in missions abroad so that officers who have the requisite academic background, aptitude, training and experience are posted to these sensitive posts which demand a high professional standard.
191.	13.32	The Committee consider that the Head of our Missions abroad should give a purposeful lead in matters of trade. It should be the special responsibility of the Head of the Mission to see that the commercial and trade wings under him achieve the objective of finding larger and greater opportunities for Indian exports particularly of non-traditional, semi-manufactured and manufactured goods.
192.	13.33	The Head of the Mission should in particular keep his eyes and years open for any significant developments and trends which have a bearing on exports so that the timely transmission of information to our Government/industry at home may help in making the best of export opportunities. The Committee consider that Government should at

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		the highest level impress on the Heads of the Missions that their export performance will receive as much weightage as their diplomatic skill in evaluating their overall performance. The Committee have no doubt that senior officials of the Ministry of Foreign Trade would be closely associated in evaluating the performance and achievement of officers working on foreign trade and commercial assignments abroad.
193.	13.34	Another suggestion which the Committee would like to commend is that budget for Trade and Commercial missions abroad should be performance oriented so that it is possible to relate the expenditure on the mission to export performance. The Committee feel that every effort should be made to introduce this kind of financial accountability so as to bring home to all concerned their responsibility for achieving greater exports.
194.	13.35	The Committee consider that there should be greater inter-change of officers between the Ministry of External Affairs and Foreign Trade at all levels so that there is continuous and close co-ordination and understanding of problems of foreign trade both at the policy making and field levels. In fact career planning of officers charged with diplomatic assignment should be so done that before an officer comes to be appointed as head of Mission of a country, where India has large foreign trade interests, he has to his credit experience of working and successfully tackling problems of foreign trade at lower echelons of service.
195.	13.36	The Committee expect the Heads of Missions, Commercial/Trade Representatives to spare no efforts in helping the exporters from India to find the desired openings and in exploring ways and means of stepping up exports.
196.	13.37	The Committee also feel convinced that if representation is given to officers drawn from Foreign Trade, exporting organisations etc. in our commercial and trade offices abroad, these lateral entries would bring in the much desired professional skill and knowledge in these sensitive assignments and would help in no small measure to win

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		and sustain the confidence of Indian exporters. There is also no reason why promising officers with commercial and foreign trade experience and of proven merit should not in due course be accepted as an integral part of Indian Foreign Service. The Committee need hardly point out that experience and first-hand knowledge gained by officers of Foreign Trade and export organisations in assignments abroad should be considered an additional qualification for higher responsibility and promotion in their own parent cadre.
197.	13.38	The Committee would also impress on the Ministry of Foreign Trade the need for spelling out its export targets in terms of commodities and countries in greater detail so that effort by our Missions abroad may be intensified in the desired directions. The Committee have no doubt that while fixing up these targets Government would ensure that the countries in our neighbourhood receive special attention for building up trade relationships which are mutually beneficial and satisfactory.
198.	13.39	The Committee would stress that once targets in terms of countries, commodities etc. have been fixed the requisite inputs which would help to step up export effort should be made available on priority basis.
199.	13.40	Considering that foreign trade, economic and commercial matters are a vital constituent of foreign policy, the Committee stress that there should be effective co-ordination at all levels between Government Departments and agencies concerned. The need for cohesive thinking is indicated the most at the highest policy making level. The Committee note that Government have recently established a Foreign Policy Planning Committee and would suggest that that Committee should also address itself to the strategy of export and the follow-up action required to back it so that policies both abroad and at home are purposefully guided to achieve the planned goal of exports paying for all imports.
200.	13.43	It is imperative in the interest of promotion of country's foreign trade that the market survey are not upto the minute but cover all aspects of

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		significance to Indian exporters. The Committee consider that Government should critically appraise without delay the methodology and scope of export surveys in consultation with export orgnaisations, Indian Institute of Foreign trade, Trade Development Authority etc. so as to identify the areas calling for improvement. Government should thereafter take concerted measures to ensure that export surveys are undertaken according to a well thought out, coordinated and purposeful plan which would served to focus attention on concrete export potentialities While the Committee are not averse to additional expenditure being incurred, if it is absolutely essential, in the interest of improving the quality and usefulness of survey reports, they cannot stress too strongly the need for avoiding any duplication of effort and of ensuring that the surveys serve not an academic but the pragmatic objective of locating newer markets for our export goods. It is important that our commercial and trade representatives are not so overburdened with paper work that it does not leave them adequate time to undertake active field work for export promotion.
201.	13.45	The Committee note that Government have undertaken recently a study about the collection of economic and commercial data in respect of foreign countries through India's Trade Missions abroad. The Committee stress that there should be an efficient machinery for digestion of information which the Ministry of Foreign Trade receive from our Foreign Missions abroad and from other agencies so that it is put to effective use in reviewing and moulding our policies in the interest of sustaining and increasing exports. The Committee would also suggest that the Ministry of Foreign Trade should encourage trade and industry to draw upon its store of information in the interest of timely action to avail of export opportunities.
202.	13.46	The Committee would suggest that the Ministry of Foreign Trade should consult leading exporting organisations, Indian Institute of Foreign Trade, Trade Development Authority etc. with a view to streamline the collection and efficient

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		dissemination of information having bearing on foreign trade.
203.	13.47	The Committee would further suggest that collection and dissemination of information should be kept under continuous review so that necessary improvements in the light of felt needs may be made without avoildable delay.

APPENDIX XXXVIII

[*Vide* Introduction]

Analysis of Conclusions/Recommendations contained in the Report

I. **Classification of Recommendations :**

A. Recommendations for improving the Organisation and Work : 1 to 165 and 167 to 203.

B. Recommendations for effecting economy : 166.

II. **Analysis of Recommendations directed towards Economy :**

Sl No.	S. No. as per Summary of Recommendations—	Particulars
	APPENDIX XXXVII	
1	2	3
1	166	Need to examine the role, functions and actual working of T.D.A., Inter-Ministerial Groups and Export Promotion Councils and to ensure that there is no duplication or overlapping of functions between them in the interest of economy and greater efficiency of export effort. Need also to avoid duplication of functions particularly in the matter of data collection and collation.

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Name of Agent	Agency No.
DELHI	
Jain Book Agency, Connaught Place, New Delhi.	11
Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
Atma Ram & Sons. Kashmere Gate, Delh-6.	9
J .M. Jaina & Brothers, Mori Gate, Delhi.	11
The Central News Agency, 23/90, Connaught Place, New Delhi.	15
The English Book Store, 7-L, Connaught Circus, New Delhi.	20
Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23
Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27
Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66

Sl. No.	Name of Agent	Agency No.
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
35.	The United Book Agency. 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
36.	Hind Book House, 82, Janpath, New Delhi.	95
37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delh-9.	96
	MANIPUR	
38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
	AGENTS IN FOREIGN COUNTRIES	
39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych. LONDON W.C.—2.	59

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