

ESTIMATES COMMITTEE (1973-74)

(FIFTH LOK SABHA)

FIFTY-FOURTH REPORT

MINISTRY OF COMMERCE

[Action taken by Government on the recommendations contained in the Fourteenth Report of the Estimates Committee (Fifth Lok Sabha) on the erstwhile Ministry of Foreign Trade—Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs]



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(1973-74)

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† Elected w.e.f. 29th November, 1973 *vice* Shrimati Jyotsna Chanda died.

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11. Shri P. Ganga Reddy.
12. Ch. Sadhu Ram.
13. Shri P. A. Saminathan.
14. Shri Awadesh Chandra Singh.
15. Shri M. G. Uikey.

INTRODUCTION

1. The Chairman of the Estimates Committee, having been authorised by the Committee, present this Fifty-fourth Report of the Estimates Committee on Action Taken by Government on the recommendations contained in the Fourteenth Report of the Estimates Committee (Fifth Lok Sabha) on the erstwhile Ministry of Foreign Trade (now Ministry of Commerce)—Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs.

2. The Fourteenth Report was presented to the Lok Sabha on the 28th April, 1972. Government furnished their replies indicating the action taken on the recommendations contained in this Report between the 15th November, 1972 and 23rd December, 1972. The replies were examined by the Study Group 'F' of the Estimates Committee at their sitting held on the 13th December, 1973. The Draft Report was adopted by the Committee on the 20th March, 1974.

3. The Report has been divided into the following Chapters:—

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Fourteenth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix III. It would be observed therefrom that out of 204 recommendations made in the Report, 166 recommendations, *i.e.*, about 81 per cent have been accepted by Government, and the Committee do not desire to pursue 27 recommendations, *i.e.*, about 13 per cent in view of Government's reply. The replies of Government to 5 recommendations, *i.e.*, about 3 per cent have not been accepted by the Committee. Final replies of Government in respect of 6 recommendations, *i.e.*, 3 per cent are still awaited.

NEW DELHI;

R. K. SINHA,

April 10, 1974.

Chairman,

Chaitra 20, 1896

Estimates Committee.

CHAPTER 1

REPORT

Working Groups (Serial Nos. 7, 19 & 20, Para Nos. 2.30, 3.24 & 3.30)

The Estimates Committee, in paras 2.30, 3.24 and 3.30 of their Report (1971-72) on Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs had referred to the high hopes generated by the Export Policy Resolution introduced in Lok Sabha in 1970 which had indicated areas for intensive export development and also identified, in general terms, the difficulties and handicaps facing the export effort. The Committee were disappointed to note that the inter-ministerial working groups, which were set up by the Ministry of Foreign Trade in 1970 to go in details into the question of concrete measures for stepping up export of 20 promising product lines, had not finalised their reports. The Committee found no justification in such a lackadissical approach to a problem which brooked no delay. They felt that the Working Groups should have functioned with greater sense of urgency and brought out long ago a detailed plan for action. The Committee had, therefore, strongly stressed the need for finalisation of these reports taking note of the latest developments without delay and had suggested that Government should lay down time bound programme for submission of reports and for taking decisions thereon so that action along the desired lines could be processed atleast during the remaining two years of the Fourth Plan.

2. Noting the recommendation of the Committee, Government had in their reply furnished to the Committee in November, 1972 stated that every effort was being made to expedite submission of the reports by the inter-ministerial working groups. According to the latest information furnished by Government it has been stated that out of 12 Working Groups, it was decided that Working Groups on Aluminium Metal and Aluminium Metal Manufacturers (Working Groups C. 1 and F. 2) need not function because there was no prospect of export of these items due to shortage of raw material.

3. Out of the remaining ten Working Groups which are functioning, the following five groups are stated to have already submitted their reports:—

- | | |
|-----------------------|--|
| 1. Working Group 'A' | Pig-Iron, Mild Steel, Tool Alloy and Special Steel. |
| 2. Working Group 'D' | Metallurgical equipment, Small and cutting tools, Metal cutting machines, Chemicals and Fertiliser Plants. |
| 3. Working Group C.2 | Plastic resins and manufactures. |
| 4. Working Group 'E' | Automobile ancillaries. |
| 5. Working Group F. 1 | Ferrous castings and forgings. |

Working Group H—(Processed Foods) has submitted only an interim report.

4. The Report of the Working Group F1 (Ferrous castings and Forgings) is stated to have been considered in an inter-ministerial meeting held on 26th October, 1973. In this meeting the problems relating to availability of Pig-Iron, Scrap and Power were considered and the concerned Ministries were requested to take necessary action to expedite decision at their ends so as to help in the implementation of the recommendations of the Working Groups.

5. The Committee have been informed that the reports of the remaining four Working Groups which have submitted reports are being examined.

6. It has also been stated that reminders for expediting the reports by the remaining five Working Groups (B, G, H, I & J) have been issued.

7. The Committee are distressed to note that out of the ten Working Groups appointed as early as 1970, five Working Groups viz., B, G, H, I and J have not yet submitted their Reports even after a lapse of more than three years. Five other Groups viz., A, C, D, E and F.1 have submitted their Reports but these Reports are still being examined and no tangible action has been taken in implementation of these Reports.

8. The Committee would like to point out that the constitution of these Groups followed the Export Policy Resolution introduced in Lok Sabha in 1970 wherein it was envisaged that in each of the broad lines of production such as agriculture, horticulture, sericulture, forestry, fisheries, minerals, textiles, chemicals and engineering industries, electronics etc., the products having long term export potential would be identified with greater precision and special measures and programmes would be under-

taken to secure their development and improvement. At the same time, attention and assistance would also be provided for consolidating the position acquired in overseas markets by our traditional products and for identifying in these sectors, new areas of growth and production adaptation. Based on this, production programmes of various export products, both agricultural and industrial products were to be designed so as to secure steady increase in export surpluses for items having export potential. It hardly needs to be pointed out that the identification of the 20 items was intended to be only an initial step in this direction to be followed by a coverage of wider range of products. This, in the opinion of the Committee, was an essential basic approach which, if followed faithfully, could have placed our export effort on a sound and scientific footing and could have substantially benefited the economy of the country as a whole. Even though the targets have been achieved, it must have been presumably with a considerable strain on the home consumption in the absence of any concerted efforts in the direction of generating export surpluses in the fields where a considerable export potential exists.

9. The Committee take a serious view of the situation and strongly urge that the whole matter may be re-examined at the highest level and urgent steps taken to ensure early submission of the Reports of those Working Groups which have not yet submitted their reports and to ensure expeditious follow-up action in implementation of the reports of the Working Groups which have already submitted their reports.

10. The Committee would also like to be apprised of the circumstances leading to undue delay in submission of these Reports.

Marketing Development Fund (Serial No. 173, Para No. 9.14)

11. In para 9.14 of their 14th Report, the Estimates Committee had noted that the Marketing Development Fund has rendered valuable assistance to trade and industry from the day of its inception. The Committee had, however, stressed the need for critical review by Government of the performance of Marketing Development Fund in this developmental phase so that Marketing Development Fund subserved the objectives for which it had been set up.

12. Government have stated that 'the Marketing Development Fund was established to stimulate and diversify export trade and to develop the marketing of Indian products and commodities in foreign countries. The operation of the Fund is based on a critical examination of the proposals that come before the Marketing Development Fund Committee. Export Promotion Councils are encouraged to come up for assistance from the Fund with fresh proposals in the field of marketing. Rigidity of approach is scrupulously avoided in dealing with new ideas and fields. The administration of the Fund is marked by a degree of flexibility which ade-

quately subserves the objectives of the Fund'. Government, therefore, feel that a separate review as suggested by the Committee, may not be necessary.

13. Even though the operation of the Marketing Development Fund is based on a critical examination of the individual proposals that come before the Marketing Development Fund Committee, the Committee feel that a critical overall review periodically may be of great advantage in the interest of better utilisation of funds and for a more effective achievement of the objectives for which the Fund has been established. With this end in view, the Committee would reiterate the need for a critical overall review by Government of the Marketing Development Fund.

Footwear Industry (Serial No. 120, Para No. 5.106)

14. In para 5.106 of their 14th Report, the Estimates Committee had recommended that export oriented small scale units in the footwear industry should be encouraged and helped in regard to mechanisation to enable them to produce goods of standard quality footwear. The Committee had also urged the desirability of setting up cooperatives for export of footwear.

15. Government stated in their reply submitted in November, 1972 that every effort is being made to mechanise small scale units, so as to impart standardisation and thereby bringing about improvement in quality of footwear. In regard to setting up of cooperatives, the Committee were informed that a Committee set up by the Ministry of Foreign Trade under the Chairmanship of Dr. A. Seetharamaiah, Deputy Director-General Technical Development has *inter-alia* gone into the question of setting up of cooperatives for export of footwear.

16. The Committee are surprised that the Seetharamaiah Committee, which was, inter alia, stated to be going into the question of setting up of Cooperatives for export of footwear, did not make any recommendation in this regard. The Committee would like Government to go into this matter and apprise them of the reasons for the Seetharamaiah Committee refraining from making recommendations in this respect.

Leather Goods Industry (Serial No. 121, Para No. 5.108)

17. In para 5.108 of their 14th Report, the Estimates Committee had noted the setting up of a Committee under the Development Council of Leather Goods Industry to study the extent of modernisation required by leather industry. They had hoped that the Committee would submit its report soon and Government would take necessary action to implement the recommendations of that Committee expeditiously.

*18. The Committee are surprised to note that the report of the Committee on modernisation of leather and leather goods industries set up by the Development Council for Leather and Leather Goods Industries is still awaited. The Committee desire that this Committee should be urged to submit their report without further delay so that necessary steps could be taken in the light of its report towards modernisation of the leather industry.

Implementation of Committee's Recommendations

The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendations for any reasons, the matter should be reported to the Committee with reasons for non-implementation.

The Committee also desire that further information where called for in respect of recommendations included in Chapters II and V may be intimated to the Committee expeditiously.

*At the time of factual verification Government have intimated that the Committee on Modernisation of Leather and Leather Goods Industries has since submitted its Report to the Development Council for Leather and Leather Goods Industries which was considered by the Council on 14th March, 1974. The various recommendations are now receiving the attention of the Ministries concerned.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Para 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 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 in 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 of 7 per cent per annum. The Committee hope no pains will be spared in achieving this target.

Reply of Government

Government agree with the observations of the Committee. All possible efforts are being made to achieve the export target envisaged in the Fourth Plan. For example in the interest of developing export oriented production, the application received for export oriented units for industrial licences, C. G. licences, foreign collaborations, maintenance imports of raw materials and components, and clearance (if any) with reference to MRTP Act are given priority for disposal. The imposition of export obligations wherever this is possible is an important ingredient in the processing of cases by the Licensing Committee for either setting up new capacities or for substantial expansion.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the
15-11-1972].

Recommendation (Serial No. 2, Para 1.13)

The Committee feel that the experience of the past years convincingly established 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.

Reply of Government

The Committee's observations have been noted. Export policy and export promotion measures already in operation are being continuously examined and adjusted to promote competitiveness in prices and quality of Indian goods. There are schemes to compensate exporters for non-refundable taxes and other disabilities on account of factors beyond their control. The imported input requirements of export production are met under Registered Exporters Policy. The scope of our quality control and pre-shipment inspection regulation is being continually widened and strengthened.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial No. 3, Para 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 the Government it would be possible to further narrow the gap between the 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.

Reply of Government

Government share the approach reflected in the observation made by the Committee. It may, however, be noted that the actual trade gap in 1970-71 was Rs. 99 crores.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial No. 4, Para 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.

Reply of Government

Government have noted the observations made by the Committee and is taking action along the lines indicated by them.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial Nos. 5 and 6, Paras 2.14 and 2.15)

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.

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 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.

Reply of Government

Observations of the Committee above the trend in World Trade have been noted. Government share the views of the Committee regarding the need for bridging the gap between imports and exports and for integrated and detailed planning for exports to achieve the Fourth Plan targets.

For diversification of exports, increasing efforts are being made to expand our trade, particularly with Socialist countries and countries of European Common Market. Possibilities are also being explored to increase our trade with the developing countries of Asia, Africa and Latin America. There is a growing realisation of the need for integrated and detailed export planning for diversification of our export products with due emphasis on manufactured goods and the Policy, Planning and Co-ordination Division of the Ministry is making necessary efforts in this direction.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial No. 9 in Appendix XXXVII, Para 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 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 co-ordinated 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.

Reply of Government

Government agree with the Committee's observations. However, timely analysis is hampered by the considerable time lag in the availability of export statistics. The matter of reducing the time-lag in the availability of export statistics is under review by a Committee.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Further information called for by Committee

Please state upto date information on the review made by the Committee set up to go into the question of time-lag in the availability of export statistics.

[Lok Sabha Secretariat, O.M. No. 5/24(1)-EC.II/72, dated the 29-11-1973].

Further Reply of Government

Minhas Committee appointed to examine the system of compilation of export statistics and to look into the working of the office of the DGCI&S, Calcutta have submitted an interim report to the Ministry of Commerce. With a view to ensure accuracy and to reduce the time-lag in the availability of the export statistics principal recommendations of the Committee have been as follows:—

- (i) In order to clear the back-lag and to speed up the compilation upto date export statistics in place of 6 monthly issue (Oct., 1972-March, 1973) of the Foreign Trade of India, Volume I and Volume II only two quarterly issues (Oct.-Dec., 1972 and Jan.-March, 1973) may be published by the DGCI&S. This recommendation has been accepted and implemented.
- (ii) A change in the method of compiling export statistics may be introduced with effect from 1st April, 1973. This too has been accepted and implemented.
- (iii) The recommendation for strengthening the staff both at the Custom and the DGCI&S office is still under consideration.

The system of compilation recommended by the Minhas Committee has been introduced. Recommendation regarding strengthening of staff both at the Customs and DGCI&S Office has since been accepted. Necessary action in this regard has also been initiated and is at a finalisation stage.

[Department of Foreign Trade, O.M. No. H-11013/24/73-Parl. dated 22-1-1973].

- Recommendation (Serial No. 10, Para 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.

Reply of Government

Government share the views of the Committee and are striving to achieve these objectives.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated the 15-11-1972].

Recommendation (Serial No. 11, Para 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. 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 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.

Reply of Government

Efforts are being made to achieve a higher rate of growth.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial No. 12, Para 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. 1660 crores in the current year (1971-72) and then rise to Rs. 1760 crores in 1972-73 and to 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. 8275 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.

Reply of Government

India's exports during 1971-72 at Rs. 1607 crores showed an increase of 4.6 per cent over 1970-71. This includes substantial exports (approximately Rs. 38 crores) to Bangladesh which were left out in the overall export figure of Rs. 1569 crores for 1971-72 released earlier. During the

first 3 years of the Fourth Five Year Plan the compound rate of growth of exports works out nearly to 5.8 per cent a year. Efforts are being made to achieve a higher rate of growth.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1973]

Recommendation (Serial No. 14, Para 3.10)

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

Reply of Government

According to the Liberalised Licensing Policy larger Industrial houses and foreign majority firms are expected to participate in Core and Heavy Investment Sectors but if they enter into any other fields of manufacture, they have to undertake a minimum export obligation of 60 per cent of production (in the case of new units) and 60 per cent of additional production (in the case of the existing units). If, however, they want to set up industries which are exclusively reserved for Small Scale Sector, they have to undertake a minimum export obligation of 75 per cent of their production. In all cases, it is now ensured that the balance of production for indigenous use is not too large to swamp other production.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Further Information called for by the Committee

Please state in the context of the observation of the Committee in paras 3.10 to 3.12 of the original Report as to how far the conditions laid down in the liberalised licensing policies on larger Industrial Houses and foreign majority firms have been successful in generating export surpluses envisaged in the liberalised licensing policies.

[Lok Sabha Secretariat, O.M. No. 5/24(1)-EC.II/72, dated the 29-11-1973].

Further Reply of Government

The information regarding export performance of units on whom export obligations have been imposed is being collected from different Ministries.

[Ministry of Commerce, O.M. No. H-11013/24/72-Parl., dt. 22-1-1974].

Recommendation (Serial No. 15, Para 3.11)

The Committee, however, note that Government are not able to say how many of the larger units subjected to this condition have actually established production and whether their export performance has been according to conditions that have been imposed because the modified industrial Licensing Policy has been in force only since the last 1-1/2 years or so.

Reply of Government

The Government have noted the observations made by the Estimates Committee. The matter would be pursued further in consultation with the Ministry of Industrial Development.

[Min. of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated 23-12-1972]

Further Information called for by the Committee

Please state in the context of the observations of the Committee in paras 3.10 to 3.12 of the original Report as to how far the conditions laid down in the liberalised licensing policies on larger industrial Houses and foreign majority firms have been successful in generating export surpluses envisaged in the liberalised licensing policies.

[L.S.S., O.M. No. 5/24(1)/ECII/72-Parl. dated 29-11-1973]

Further Reply of the Government

The information regarding export performance of units on whom export obligations have been imposed is being collected from different Ministries.

[Min. of Commerce, O.M. No. H-11013/24/73-Parl. dated 22-1-1974]

Recommendation (Serial No. 16, Para 3.12)

Since it is imperative to create conditions for 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.

Reply of Government

The recommendation has been noted. All the policies of Government are directed towards rapid industrial growth consistent with the socio-

economic aims of the country. The policies are subjected to review according to changing circumstances.

[Min. of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated 7-12-1972]

Further Information called for by the Committee

Please state in the context of the observation of the Committee in paras 3.10 to 3.12 of the original Report as to how far the conditions laid down in the liberalised licensing policies on larger Industrial Houses and foreign majority firms have been successful in generating export surpluses envisaged in the liberalised licensing policies.

Further Reply of Government

The information regarding export performance of units on whom export obligations have been imposed is being collected from different Ministries.

[Min. of Commerce, O.M. No. H-11013/24/73-Parl. dated 22-1-1974]

Comments of the Committee on Recommendation Nos. 14, 15 and 16

The Committee may be apprised of the information collected regarding the impact of export obligations imposed on larger industrial houses and foreign majority firms."

Recommendation (Serial No. 17, Para 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.

Reply of Government

The recommendation has been noted. All efforts will be made to reduce the time-lag between receipt of applications and issue of licences.

[Min. of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 7-12-1972]

Recommendation (Serial No. 18, Para 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 interest.

Reply of Government

Government have already announced its policy of full utilisation of capacity in the country in respect of 54 specified industries. 11 more industries have recently been added to the list of these 54 industries.

In this connection attention is invited to Ministry of Industrial Development Notification No. S.O. IDRA/29B/72, dated 19th February, 1972 and No. S.O. IDRA/29B/72/3, dated 25th October, 1972. The general question of action to be taken in cases of unauthorised expansion of licensed capacities is under consideration of the Ministry of Industrial Development.

[Min. of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 7-12-1972]

Recommendation (Serial No. 21, Para 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.

Reply of Government

The recommendation has been examined in consultation with the Chief Controller of Imports and Exports. Various measures have been taken to ensure expeditious issue of import licences and release of foreign exchange needed for meeting fully the requirements of raw materials. More and more items are being canalised through State agencies in order to increase progressively their role in import trade of the country. Every effort is made to ensure that imports through canalising agencies are consolidated and bulk purchases are resorted to enable the industries to obtain raw materials regularly and at reasonable prices.

During 1971-72, names of canalising agencies for certain steel items could not be indicated at the time of announcement of the import policy on the 1st May, 1971 but in 1972-73, the names of canalising agencies have been announced along with the import policy for the year on the 3rd April, 1972.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-1972].

Recommendation (Serial No. 22, Para 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.

Reply of Government

The canalising agencies have developed contacts with firms of international repute and have gained sufficient experience in the matter of procurements and distribution of raw materials and are importing more and more raw materials with increasing efficiency and are able to supply them to industries at reasonable prices. They are being assisted in this work by the Consultative Committees consisting among others, of representatives of the Actual Users. (CCI&E has been consulted).

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-72.]

Recommendation (Serial No. 23 in Appendix XXXVII, Para 3.44)

The Committee hope that there will be no delay 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 their import entitlement.

Reply of Government

Procedural delays in grant of import licences and release of foreign exchange are being cut down to the absolute minimum so that the canalising agencies are able to import raw materials of the required quality specification without delay. However, in order that export production should not suffer in the transitional period, it has been decided to allow exporters to make imports direct against their import replenishment licences on the basis of letters of authority issued to them in respect of import licences granted in favour of canalising agencies. This procedure is followed where the canalising agencies are not in a position to offer prompt supplies to the consumers.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the 15-11-72.]

Recommendation (Serial No. 24, Para 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.

Reply of Government

In terms of the provision made in the para 68 in Section I of the Import Trade Control Policy for 1972-73 period, the working of the Public Sector Agencies in regard to the procurement, pricing, distribution of imported materials and other procedures is reviewed every quarter by a Committee in the Ministry of Foreign Trade presided over by the CCI&E and consisting of E.A. (I.D.), D.C. (SSI), Director-General of Technical Development and representatives of the Department of E.A. and Ministry of Foreign Trade, as members. During 1971-72, the Committee met 14 times to review the working of the public sector agencies in regard to the procurement, pricing, distribution and other matters pertaining to canalisation.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated the
[15-11-72.]

Recommendation (Serial Nos. 25, 26, 27 and 28, Paras 3.62, 3.63, 3.64 and 3.65)

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 identified and efforts made to meet the export requirements in full.

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 that the requirements and supply would be nearly balanced if the existing plants had been able to achieve the rated capacity.

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.

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 im-

port 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.

Reply of Government

In so far as programme for import of steel is concerned, it may be mentioned that import is regulated by the Import policy provisions which are drawn up on the basis of assessed demand, indigenous availability and resultant gap in supply. The import is allowed on the basis of applications submitted by Actual Users depending upon their requirements. The import of steel cannot therefore, be done in advance, keeping particularly in view the fact that it has too many varieties, each with different specifications and it has to be imported in numerous sizes.

With regard to production planning, the remarks have been noted.

[Min. of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-1-72]

Recommendation (Serial Nos. 29 and 30, Paras 3.69 and 3.70)

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 consideration 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 Material Assistance Centre and partly through HSL so as to make it available more or less off the shelf.

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.

Reply of Government

A scheme has already been formulated for supply of imported steel to Registered Exporters during 1972-73. The import is being arranged by Hindustan Steel Limited, who have already placed import orders for 46,000 tonnes of different categories of steel [CCI&E's Public Notice No. ITC(PN)-56/72 refers].

Import by IRMAC will, however, to be restricted to the items which are not canalised for import through other Public Sector agencies and which are not covered by the Raw Materials Bank import.

[Min. of Foreign Trade, O.M. No. H-11013/3/72-Parl. dated 7-12-72]

Recommendation (Serial No. 31, Para 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 sale 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 Material Assistance Centre at prices which do not carry a heavier burden of sales and other taxes than are at present paid by the exporters.

Reply of Government

The prices of raw materials imported by the public sector agencies are fixed on the guidelines provided by the prices Review Committee set up under the Chairmanship of the Chief Controller of Imports and Exports and consisting of the Economic Adviser (Ministry of Industrial Development), Development Commissioner, Small Scale Industries, D.G.T.D. and representative of the Ministry of Finance (Department of Economic Affairs) and the Ministry of Foreign Trade as Members. It is the endeavour of the Committee to arrange supply of raw materials to exporters at as low a price as possible. High Seas delivery of the raw materials is also arranged, wherever necessary.

An Industrial Raw Materials Assistance Centre has been set up in the S.T.C. for making efficient arrangement for procurement of imported raw materials in bulk for off-the-shelf delivery to the actual users/registered exporters against their Actual User/REP licences on voluntary basis. The Centre also acts as an indenting house.

[Min. of Foreign Trade O.M. No. H-11013/3/72-Parl., dated
23-12-1972.]

Recommendation (Serial No. 34, Para 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.

Reply of Government

The recommendation is noted. The current export is already regulated on the lines suggested.

[Min. of Foreign Trade, O.M., No. H-11013/3/72-Parl., dated 7-12-1972.]

Recommendation (Serial No. 35, Para 3.87)

Even 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.

Reply of Government

Exports of prime Iron and Steel are subject to export control. Export Policy for prime Iron and Steel is formulated each year in consultation with Ministry of Steel and Mines taking into consideration the indigenous production, domestic requirements, surplus availability and existing export commitments. Categories of steel that are in short supply are not allowed for export. To the extent it is required to maintain close and friendly relations with neighbouring countries, only a few categories, where surplus capacity is available, are allowed for export subject to certain ceilings.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated the 15-11-1972.]

Recommendation (Serial No. 36 in Appendix XXXVII, Para 3.94)

The Committee note that Government have brought into force a few schemes for making essential raw materials available to 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 a number of complaints about the inadequacy of supplies of indigenous raw materials at international prices.

Reply of Government

Noted. The position is being kept under review for considering remedial action wherever feasible.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated the 23-12-1972.]

Recommendation (Serial No. 37, Para 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.

Reply of Government

Noted.

[Ministry of Foreign Trade, O.M. No. 11013/3]72-Parl., dated the
23-12-1972.]

Recommendation (Sr. Nos. 30, 40 and 41, Paras 3.100, 3.101 and 3.102)

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 1,500 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 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.

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.

The Committee hope that the purchases of copper and non-ferrous metals are made by MMTC 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 prices at which they would have been able to purchase if they had imported directly.

Reply of Government

The MMTC has entered into a long term contract with the Zambian producers for supply of copper @ 1,500 tonnes per month commencing from July, 1971 for a period of three years at producers' price without any premium for c.i.f. deliveries at Indian ports. The MMTC has also entered into a other long term contract with Peruvian producers for supply of

copper @ 1,500 tonnes per month on similar terms. The MMTC has also been buying other non-ferrous metals at the cost competitive prices in the international market.

The prices of copper, lead and nickel have shown wide fluctuation in the last two years and have declined considerably. In the case of exporting units, the MMTC had been charging only margin of 2 per cent of landed cost. From October, 1971, MMTC's service charges are 1½ per cent on c.i.f. cost for REP licences and 2½ per cent of the c.i.f. cost for AU(P) units. This has been further reduced to 1 per cent for REP licences with effect from the quarter October—December, 1972.

The procurement of non-ferrous metals and other items against free foreign exchange is invariably made by inviting global tenders, giving 21 days time for the tenderers to quote. In order to evoke maximum competition, copies of the tender notice are also sent to the various producers/suppliers (a list of which is maintained by the Corporation). The tenders are opened in the presence of representatives of tenderers. The tenders are scrutinised by the Purchase Advisory Committee of the Corporation and purchases are made on the lowest tender basis as per the specification requirements. The Corporation has in this manner been able to make its purchases of various metals at very competitive prices. A close watch is kept on the trend in prices of these metals in world markets and purchases are made at the most opportune time. There is no reasons as to why the industry should have any grievance in this regard.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 42, Para 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.

Reply of Government

The pricing policy of Government was reviewed according to the provisions of the Import Trade Control Policy by a Pricing Committee headed by CCI&E in September, 1971. *As per this review* it was decided that the service charges of the canalising agency for raw materials required for export production should be kept to the minimum. Accordingly, it was

decided that the following margins would be allowed to MMTC for the following categories of consumers:

REP Category	1½% of the c.i.f. cost.
AU (P) Category.	2½% of the c.i.f. cost.
AU Category.	5% to 10% of the c.i.f. cost.

In addition, the following charges are allowed to be added to the c.i.f. cost:—

- (a) Expenses incurred for opening L/C.
- (b) Interest for the period of voyage.
- (c) Customs duty, countervailing duty and regulatory duty.
- (d) Port, landing and clearing charges.
- (e) Godown rent and godown insurance.
- (f) Interest on blocked capital for the goods stored in godown.
- (g) Octroi Duty.

The MMTC is considering grant of a further facility for the exporters of booking their orders for non-ferrous metals on a particular day at the LME on the prevalent LME price of that day. This will enable the exporters to compete against exporters from other countries on an equal footing. The MMTC has been asked to take an early decision in the matter.

In respect of the exporting units, the service charges of MMTC have been further reduced to 1 per cent with effect from the quarter October—December, 1972.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 43 Para 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 bicycle, 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.

Reply of Government

The Government accepts in principle the recommendation of the Estimates Committee that import substitution should not be allowed to stand in the way of further technological improvements.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 23rd December, 1972].

Recommendation (Serial No. 44, Para 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.

Reply of Government

As envisaged in the Export Policy Resolution, the State Trading Corporation surveyed the West European markets early in 1970 and entered into negotiations with leading industrial and commercial houses for promoting and enhancing exports by using their buying strength. The objective was that export items covered by these arrangements should be non-traditional or difficult to sell in terms of commodities and/or areas and further that items of import would be of sufficient priority. STC has concluded such arrangements with a number of firms in Europe.

With a view to exploiting the large export potential for Indian goods in Hong Kong and the Far East, STC has set up in collaboration with trading houses of international repute, a limited company under the name and style of the State Trading Corporation (Far East) Ltd. with fifty per cent participation in capital.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 23rd December, 1972].

Recommendation (Serial No. 47 Para 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 4.00 million GRT is envisaged in the 4th Plan period and that Government are confident of achieving it.

Reply of Government

Noted. The shipping tonnage position as on 1st June 1972, is as follows:

	lakhs GRT
Operative tonnage	25.42
(—) Expected scrappings by 31-3-1974	2.15
	23.27
(+) On Order	15.14
	38.41
Target	40.00
Orders yet to be placed	1.59

Considering the tempo of acquisitions so far, it is anticipated that orders for the remaining 1.59 lakhs GRT would also be placed by 31st March, 1974. However, the Fourth Plan target also envisages that out of the targetted 40.00 lakhs GRT, 35.00 lakhs GRT would be in operation. The tonnage expected to be in operation by the end of the Fourth Plan would be about 28.75 lakhs GRT. As such, a part of the plan target, namely that there should be 35 lakhs GRT of shipping in operation may not be achieved. Even if new orders are placed now, the ships are not likely to be delivered by the end of the Fourth Plan. The only way to achieve the Fourth Plan target of 35 lakhs GRT in operation is to permit purchase of reasonably good secondhand vessels and resale contracts. This is being done to the extent possible.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 50 Para 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.

Reply of Government

Noted. In this connection the reply given under item No. 47 may also kindly be seen. Government are permitting purchase of second-hand ships if the terms are attractive and the vessel is reasonably good.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 5th November, 1972].

Recommendation (Serial No. 51 Para 3.156)

The Committee note that there has been some increase in the tramps vessels during the decade (1961—70) when the number of tramp vessels increased from 14 with 0.99 lakhs GRT to 29 aggregating to 2.61 lakhs GRT. The Committee further note that another 17 vessels aggregating 1.98 lakhs GRT 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.

Reply of Government

Noted. The Government of India had placed considerable importance in the expansion of the tramps tonnage which includes bulk carriers and OBOs. Whereas at the beginning of the Second Plan (1st April 1961) there was not a single bulk carrier and the tramp tonnage consisted of only 14 small ships of 99,616 GRT, the tramp tonnage has now crossed the one million mark and stands at 10.45 lakhs GRT (1st April, 1972).

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 52, Para 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.

Reply of Government

As stated in reply to recommendation No. 51, Government have encouraged acquisition of tramp shipping including bulk carriers and OBOs.

[Ministry of Foreign Trade, O.M., No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Sl. No. 53, Para 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 had 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.

Reply of Government

Noted.

2. The question of Government clothing itself with some statutory powers to make the Shipping Conferences, among other things, to hold meaningful discussions with shipper interests/Government before hiking up the rates is under active consideration in consultation with the Ministry of Shipping and Transport.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Further information called for by Committee

The Committee may be apprised of the latest information on the subject.

[LSS O.M. No. 5/24(1)/ECII/72, dated 29th November, 1973]

Further reply of Government

Further consideration of the issue relating to Government acquiring powers to regulate Shipping Conferences is closely linked with the formulation of a universally acceptable Code of Conduct for Liner Conferences now being handled by a Conference of Plenipotentiaries under the auspices of UNCTAD. The final session of this Conference is scheduled for March, 1974.

[Ministry of Commerce O.M. No. H-11013/24/Parl/73, dated 22nd January, 1974].

Recommendation (Serial No. 54, Para 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.

Reply of Government

Noted. Government are in agreement with Committee's observations.
[Ministry of Foreign Trade, O.M. No. H-11013/3/72, Parl., dated 15th November, 1972].

Recommendation (Serial No. 55, Para 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 increase. 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.

Reply of Government

The Government of India have always welcomed establishment of bilateral shipping services wherever feasible and/or desirable and had, as early as in April, 1956, concluded a shipping agreement with the U.S.S.R. for establishment of bilateral shipping services. Indian shipping companies now operate bilateral shipping services in the following trades:

India/U.S.S.R. (Black Sea ports).

India/Poland.

India/G.D.R.

India/U.A.R.

Efforts are made to extend bilateral shipping services to other countries consistent with our interest but the actual operation of such services depends also on the response of other parties.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 7th December, 1972].

Recommendation (Serial No. 56, Para 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 a applications and grant of import licences is achieved.

Reply of Government

Government have noted the Committee's observations.

2. The advantages envisaged in the transfer of work of iron and steel licensing to the CCI&E's organization lay in the facility of applying for import of both steel and non-steel raw materials on a single application. So that an importer is able to secure both sets of item on a single licence. The fullest advantage would accrue to him when there is at present centralised at certain places. A beginning has been made this year by transferring to the Import Control Offices at Kanpur and Srinagar the work of iron and steel licensing pertaining to the units situated in Uttar Pradesh and J & K States, respectively. There are certain administrative problems which have to be sorted out before the scheme can be fully implemented; and necessary action in this regard is already in progress.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 57 Para 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.

Reply of Government

There are two reasons which have been mainly responsible for larger number of pending cases in respect of applications for import of iron and steel. The first is that the supervisory level in the Iron and Steel Control licensing offices is inadequate to cope with the increasing work. A work study has already been conducted and a final report of the S.I.U. is awaited, the implementation of which will result in a better management and performance of these offices. Secondly, a very large number of applications for import of stainless steel had to be kept pending for quite some time on account of a policy decision that was required to be taken. Subsequently, the matter was taken to the court by the aggrieved parties. The issue has been recently sorted out and the disposal of old pending applications has already been taken up.

[Ministry of Foreign Trade O.M. No. H-11012/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 58, Para 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.

Reply of Government

These observations of the Committee reflect the position correctly. The S.I.U. is already engaged on a work study of this organisation. In addition to the staff requirements, it is also necessary to rationalise and streamline procedures in order to achieve quick disposals of applications. Constant attention is being paid to this aspect of the work in the CCI&E's Office.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 59, Para 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.

Reply of Government

Suggestion made by the Indian Institute of Foreign Trade have been implemented. The process of simplification of procedures is undertaken on a continuous basis and necessary action is taken to further simplify the procedures wherever feasible.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 60, Para 3.191)

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

Reply of Government

The licensing authorities do not have the telex facilities. In order to avoid legal complications, it appears necessary that the deficiency letter addressed to the applicant should be signed by a competent authority. The licensing authorities, however, grant interviews as freely as possible and

inform the applicants of the deficiencies in their applications at the time of interview so that the applicant need not have to wait for a formal letter from the licensing office to make up the deficiencies, where such a letter has not already been issued. So far as the use of the telex is concerned, apart from the fact that licensing authorities do not have this facility, and the applicant also may often not have it, having regard to the nature of the work involved its use would not be suitable.

[Ministry of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 61, Para 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.

Reply of Government

Every effort is made not only to adhere to the time limit prescribed for disposal of applications but also to dispose them even earlier. It is not, however, practical to achieve disposals of the applications for licences within a period of one week from the date of their receipt in the beginning of the licensing period when a large number of applications pour in together.

2. In the case of registered exporters, a modified procedure for disposal of applications has been introduced on a limited scale which, if succeeds, will enable the applicants to obtain their import replenishment licences and cash assistance within a week's time. The scheme has been undertaken on an experimental basis.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 62, Para 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.

Reply of Government

1. As a result of case studies, the procedures for the grant of advance licences have been further simplified and necessary instructions issued.

2. A new scheme has also been evolved and announced which would enable exporters to obtain advance allocation of steel required by them for the execution of export orders.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 63, Para 3.200)

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

Reply of Government

Several remedial measures were taken and improvements effected so as to enable the exporters to obtain in time their requirements of raw materials for execution of export orders. These can be broadly divided into three parts as under:—

- (i) Changes in the procedure for submission of import applications so as to expedite issue of licences.
- (ii) Changes in application form to avoid correspondence with applicants.
- (iii) Changes in method of processing the applications to expedite issue of licences.

2. Under (i) above, the following may be mentioned:—

- (a) The grant of advance licences was decentralised giving power to the Regional licensing authorities to grant advance licences in certain types of cases upto a value of Rs. 5.0 lakhs without reference to the Advance Licensing Committee at the Headquarters Office of the Chief Controller of Imports and Exports.
- (b) Even at the Headquarters in other cases, where the applicant has an export order backed by a Letter of Credit and the value

of the licence asked for is within the replenishment percentage admissible under the Registered Exporters' Policy and the items to be imported are permissible in Col. 4 of Section II of the Red Book (Vol. II), the applications may be decided without being placed before the Advance Licensing Committee.

- (c) In the case of clients of the Trade Development Authority, if the said authority finds that an application is complete in all respects and is fully covered by the existing rules, it may send the application directly to the Regional Licensing authority and that such an application need not be routed through the Headquarters Office of the CCI&E.

3. Under (ii) above, the following may be mentioned:—

- (a) The applicants have been asked to indicate in their applications, the amount of commission or discount paid or payable (at a later date by the exporter) to the foreign agent in respect of the exports covered by the application.
- (b) In the case of products, the export of which is canalised through a public sector agency, the applicants have been asked to furnish a certificate from the canalising agency concerned to the effect that the export contract has been registered with it.
- (c) Applications for advance licences can be filed only by the Registered Office in the case of Limited Companies and the Head Office in the case of other Registered Exporters.

4. Under (iii) above, the following may be mentioned:—

- (a) While checking whether an applicant has defaulted in the fulfilment of any earlier export obligation, the licensing authorities have been advised not to go into the question whether the applicant has any outstanding export obligation in respect of a C.G. licence or a licence issued to him as an associate exporter of the State Trading Corporation. The previous obligations pertaining to advance import licences for raw materials and components only have to be checked.
- (b) In cases where applications for advance licence are sent to Headquarters by the applicants, the Regional licensing authorities have been asked not to send a summary of the cases to the Headquarters and the Headquarters Office have to examine the application on the basis of the material available in the application.

- (c) The Regional licensing authorities have been asked not to verify the antecedents of the applicant from the Export Promotion Council or the State Directorate of Industries or any other Agencies. Instead they should check their own enforcement records only to see whether there is anything adverse against the applicant.
- (d) The licensing authorities have been authorised to allow revalidation of advance licences upto a period of 6 months without reference to Headquarters Office.
- (e) The licensing authorities have been authorised to allow additional import items, if such items are shown as permissible in the Red Book against the relevant export product or if they appear in the Actual User licence for the same end-product held by the applicant or these are certified as essential by the D.G.T.D. for the same end-product, provided such items are open to Actual Users under the policy in force.
- (f) The licensing authorities have been authorised to allow extension of the period for the discharge of export obligation upto a maximum of 6 months, subject to the condition that the bond and bank guarantee are suitably extended, if necessary.

[Min. of Foreign Trade, O.M. No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 64, Para 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.

Reply of Government

Government agree with the Committee's conclusions i.e. that it is necessary to take measures to ensure that shortages are not allowed to

develop in goods which have promising export potentiality. This is being brought to the notice of all Administrative Ministries concerned with export production. In the interest of expanding export-oriented production, applications of export oriented units for industrial licences, capital goods licences, foreign collaborations, maintenance imports of raw materials and components and clearance (if any) with reference to MRTP Act are given priority for disposal. The imposition of export obligations wherever possible, is an important ingredient in the processing of licences by the Licensing Committee for either setting up new capacity or for substantial expansion.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated the 15th November, 1972].

Recommendation (Serial No. 65, Para No. 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.

Reply of Government

The recommendation has been noted. Exports (including re-exports) to the USA during the period April—December, 1971 amounted to Rs. 206.95 crores, compared to Rs. 151.50 crores during April—December, 1970. Judging by this, it is expected that total exports to the USA during 1971-72 would have reached the target of Rs. 255 crores.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 66, Para No. 4.20)

The Committee further note that the future trade pattern of India's exports to USA 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 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 concerned efforts are called for to increase the exports of manufactured and engineering goods.

Reply of Government

The recommendation is noted. Government are aware of the need to pay attention to the export of non-traditional items to the USA. All possible efforts are being made in this direction. For instance, the Trade Development Authority has undertaken a Crash Plan for the export of selected products to this market, under which it is envisaged to increase the export of selected products from the present level of about Rs. 7.7 crores to about Rs. 51 crores by 1974-75. The Engineering Export Promotion Council is also taking special steps for the promotion of exports of Engineering goods to the American market and has proposed a target of Rs. 15 crores for 1972-73, as compared to exports amounting to Rs. 3.88 crores in 1970-71 and a target of Rs. 7 crores for 1971-72.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl. dated 15-11-1972].

Recommendation (Serial No. 67, Para No. 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 large share of the market.

Reply of Government

The recommendation has been noted.

Market surveys and similar studies are undertaken from time to time when the need for such studies is felt. Attention is also being paid to product development. For example, expert buyers in selected fields from the USA visited India recently, under a UNIDO assisted project, to advise manufacturers on product development. Attention to this aspect of export promotion will continue to be paid. The Trade Development Authority is paying special attention to product development for export.

As regards the study of price trends, it is felt that the foreign offices of Export Promotion Council and the offices proposed to be set up by

TDA abroad can provide market information on a continuing basis including information about price trends.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl., dated 15-11-1972].

Recommendation (Serial No. 69, Para 4.31)

The Committee note that trade between India and Japan increased by $2\frac{1}{2}$ 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—70. 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.

Reply of Government

The observation of the Committee has been noted.

The pattern and the rate of growth not only of foreign trade but of the economy in general have been very different in India and Japan. Firstly, Japan's economy is very highly export oriented. The endowment factors are such that it is necessary for Japan's economic survival to have a highly flourishing foreign trade. India, on the other hand, has been concentrating mainly on increase in agricultural production, and on import substitution in the field of industrial production. Secondly, exports are largely dependent upon the general development in the country and upon exportable surpluses. The rate of growth of G.N.P. and Industrial Production during the last decade in Japan was very much faster than that in India due to several national and international factors.

The Committee has itself appreciated the fact that India's exports to Japan were much more than the general rate of growth of India's foreign trade. Efforts will be continued to increase the two-way trade with Japan and to secure a greater share for India in Japan's overall trade.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl., dated 7-12-1972].

Recommendation (Serial No. 70, Para 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 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.

Reply of Government

The observation of the Committee has been noted. It is true that iron ore accounts for over 40 per cent of India's exports to Japan, but for that reason India's exports to Japan need not be considered over-dependent on this item, or as being structured on a fragile base. Firstly, Japan's requirements of iron ore are large and long term in nature. Secondly exports of many other items to Japan have been steadily increasing in the recent years, the foremost among them being fish and fish preparations, the exports of which have more than quadrupled in the past five years.

2. The predominance of ores and agricultural and other primary products in India's exports to Japan is not extraordinary in the context of primary products accounting for US \$ 14,349 million out of the total import of US \$18,883 million by Japan during 1970. It is noteworthy that primary commodities formed a high percentage of exports to Japan of even developed countries.

3. Japan as a market for manufactures is still rather limited and confined largely to USA, followed by Hong Kong, Taiwan and Republic of Korea, to a significant extent. However, increasing wages, labour shortage, emphasis on pollution control etc., are likely to induce Japan to take greater recourse to import of simple manufactures and labour intensive items like ancillaries, components etc. from developing countries. Efforts are being made to increase India's share in Japan's import of manufactures and commodities other than iron ore.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 7-12-1972]

Recommendation (Serial No. 71, Para 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.

Reply of Government

The recommendation of the Committee has been noted. A large number of official and trade delegations have been exchanged between the two countries during the last three years and the desirability of economic co-operation between the two countries, keeping in view the endowment factors and the complementarity of interest, has been highlighted. A

Japanese Study Group, sponsored by the Government of Japan recently visited India and had discussions with the Ministry of Foreign Trade and other Ministries. In these discussions the facilities offered for export oriented joint ventures was explained and information was given about the export insurance system, quality inspection of export goods, the facility for import of raw material and components etc. In December, 1972 the Indo-Japan Committee for Studies in economic development as well as the India-Japan Business Co-operation Committee are scheduled to meet in Delhi to consider possibilities of increasing trade and economic co-operation to the mutual benefit and advantage of both the countries.

Efforts will be continued to further trade exchanges between India and Japan.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 72, Para No. 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, hardware, etc. available with increasing vacation of labour intensive lines of production by the developed countries including Japan etc. in favour of the developing countries.

Reply of Government

The suggestion of the Committee has been noted. A number of exploratory studies have been made by agencies like Engineering Export Promotion Council, Indian Institute of Foreign Trade and the Development Commissioner, Small Scale Industries and a number of official and trade delegations have been exchanged between the two countries for identifying items with potential for export to Japan. The main focus has been on labour intensive items. Special delegations have gone to Japan to explore the market for automobiles ancillary and components, electronic components and products of the small scale sector, while Japanese interests representing machinists, hand tool manufacturers, metallurgical industries etc. have come to India to explore possibilities of import and collaboration. In November, 1972 a Japanese Study Group, sponsored by the Government of Japan, visited a number of manufacturing units in Bombay, Madras, Bangalore and Cochin and had discussions with a number of Ministries of the Government of India, including the Ministry of Foreign Trade, wherein the possibilities and facilities for collaboration for export production were also discussed. In December, 1972, meetings

of the Indo-Japan Committee for studies in economic development and the India-Japan Business Co-operation Committee are scheduled to be held in Delhi and in these meetings the increasing export opportunities for labour intensive items to Japan are expected to be discussed.

The Trade Development Authority is making efforts to bring together technically competent and commercially viable units in India and the prospective buyers in Japan for increasing exports of these items. A scheme for establishment of a functionally bonded export processing zone for electronics is also being examined.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 7-12-1972]

Recommendation (Serial No. 73, Paragraph 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.

Reply of Government

India's exports to UK during 1970-71 amounted to Rs. 17044 lakhs as compared to Rs. 16507 lakhs in 1969-70, Rs. 20151 lakhs during 1968-69 and Rs. 22901 lakhs during 1967-68 respectively. The items which have registered major declines are indicated below:—

Item	Value in Rs. lakhs			
	1967-68	1968-69	1969-70	1970-71
Tea	9981	7646	4646	6487
Cotton piecegoods . .	2460	1847	1495	1235
Tobacco unmanufactured .	2240	1951	1587	1662
Leather	1567	1865	1715	1566
Oil seeds cakes	920	711	1069	886
Coffee	60.2	26.1	11	19
Jute manufactures . . .	1002	446	407	219

The bulk of our exports to UK is made up of traditional items like tea, jute goods, cotton textiles, tobacco and oil seed cakes etc. As will be noted from the table given above, our decline in exports to UK is more or less directly the result of the fall in the export of some of these traditional items on which our main export trade with UK is based. The main reasons for the decline in respect of the major items of export have been analysed below:

Tea:—The UK is largest export outlet for the teas of India. The reasons for decline were that the London stock position at the end of 1968 was high leading to unsatisfactory prices. There was also a trend to cater more to the requirements of the internal market. However the situation changed in the subsequent years due to the corrective measures taken by the producers in reducing the stock in UK on the one hand and by limiting the global supply. The Promotional activities were also undertaken by the Tea Board which include press advertisement, store demonstration, Exhibitions, Display Boards and Joint Promotion with Department Stores in the UK market. Other measures included rebate in excise duty at the time of exports, abolition of export duty and improvements in production of tea. With these measures it is expected that the position would improve and our total exports have increased from Rs. 4646 lakhs in 1969-70 lakhs to Rs. 6467 lakhs in 1970-71.

Cotton Textiles:—India's exports have shown a large decline. The main reasons attributed for this were (a) the introduction of Import Deposit Scheme in November, 1968 by the UK Government (b) imposition of purchase tax in May, 1969 (c) Credit Squeeze in UK (d) Restrictions on borrowings by the UK Banks (e) Switch-over to synthetic substitutes by UK (f) our inability to give subsidy to the extent other countries like Pakistan and Hong Kong give (g) Levy of 15 per cent duty on import of cotton textiles by UK Government. Due to high prices of raw cotton India's textiles could not be competitive price-wise.

Several measures have been taken to overcome the situation. These included compensation for the rise in the price of raw cotton and making available adequate raw cotton (by more production and also by import) to the mills for export purposes. Steps have also been taken to modernise the mills. The situation will be watched for further measures to be considered.

Jute Manufactures:—The main stumbling block in India's exports to UK have been (a) irregularities in supplies (b) shipping freight rates (c) our uncompetitive prices (d) dollars crisis, growing danger from synthetics. Research is being intensified for production of lighter weight fabrics which could compete with synthetics. Steps have been taken to intensify jute production and stabilise prices.

Oil cakes:—The import of oil cakes showed a decline during the year. In 1969-70 it stood at Rs. 1069 lakhs whereas it came down to Rs. 886 lakhs during 1970-71. The fall in the export was due to increase in ocean freight rates (ii) withdrawal of cash subsidy on the export of decorticated cotton seeds cakes and general decline in these imports into UK.

Steps taken:—For the current year, it is not obligatory on the part of exporters of groundnut extractions to export through the Conference Lines. The question of cash subsidy on exports of cotton seed cake the second biggest item of export from this group is also under review.

Tobacco Unmanufactured:—The main reasons for the decline in export of un-manufactured Tobacco in the UK market was due to bad crop for the last two years (ii) increase in prices (iii) Manufacturers in the UK have diversified their sources of leaf supply and are becoming increasingly rigid in terms of quality standards (iv) there had been a general decline in the consumption in UK with the swing to the use of filter tipped cigarettes and (v) decline in the total imports into the U.K.

The various problems facing the industry are being looked into and measures like fixing of floor prices (b) grant of credit facilities etc., have been taken to step up export of tobacco. (c) A three member delegation of Tobacco Export Promotion Council visited UK in September/October 1971 and recommended steps to increase our export to the UK market which are under consideration.

Leather:—There had been a fall in the exports of leather owing to general decline in the imports into UK of particular categories of leather fashion changes competition from other sources/synthetics etc. With the improvement in general imports into U.K. and the steps on our side to meet the changing needs, it is expected that our exports would pick up.

Steps have been taken to safeguard India's exports interests on the decision of UK's entry into the EMC, by having continuous discussions with UK's representatives.

In engineering items (including labour intensive product) to make a thrust, products which have export potential have been identified. Further steps of identification of potential supplies, buyers, etc., are also being taken. The possibilities of securing sub-contracts, transfer of manufacturing activity to India in the fields, in which India has advantage are being explored. Efforts will be made to secure increased Indian collaboration in joint ventures and consultancy services in third countries.

Other export promotion measures include visits of sales-cum-study teams, participation in fairs/exhibitions, efforts to secure elimination reduction of duty on products of export interests to India in the EMC

(this will be specially relevant after UK's entry into the EEC) etc. A critical watch is kept on the export performance in regard to UK.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl., dated 15-11-1972].

Recommendation (Serial No. 74, Para 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 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.

Reply of the Government

The Government of India are continuing their efforts with the EEC for the removal/reduction of the existing non-tariff barriers in the Community affecting India's exports.

The multilateral trade negotiations of 1973 to be held under GATT would provide additional opportunity for us in seeking the reduction/removal of non-tariff barriers affecting our exports to EEC. Full advantage would be taken of these negotiations.

Regarding the marketing efforts to promote the sales of our products in EEC countries, it may be stated that under bilateral and other assistance programmes, suitable persons are deputed to these countries for training in marketing techniques. Integrated programmes of commercial development are in various stages of consideration which would provide for a proper link-up between business men, exporters/importers etc. of two countries. Specific sales teams are also sent to EEC countries, for the purpose of market studies and also effecting sales on the spot.

Apart from the above, other measures taken include participation in trade fair and exhibitions in these countries; organization of 'India weeks sales promotion through Department stores; inviting buying delegations from these countries etc.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated
the 15-11-1972].

Further Information called for by Committee

Please state the latest position in regard to the status of India's export trade with EEC.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72, dated 29-11-73].

Further reply of Government

Exports of agricultural products (BTN Chapters 1—24) account for about 23 per cent of our total exports to the original Six members of the Community. Out of this some 15 per cent have been accorded the duty-free entry. In the industrial sector (BTN Chapters 25—99), practically all items (except jute and coir products) have been entering Community duty-free on account of either the MFN rates themselves being zero or the items being covered under the Generalised Scheme of Preferences (GSP). It may, however, be added that under the Community's GSP duty-free entry is subject to ceilings. The ceilings were not found adequate in the past in regard to cotton and silk textiles.

The Government of India are continuing their efforts to obtain further liberalisation in the Community's markets for all her traditional and non-traditional export items.

[Ministry of Commerce O.M. No. H-11013/24/73-Parl. dated 22nd January, 1974]

Recommendation (Serial No. 75, para 4.69)

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 opportunity.

Reply of the Government

The Ministry of Foreign Trade is pursuing with the EEC the question of a trade agreement with them.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated the 6th June, 1972].

Further Information called for by Committee

Please state the latest position of a trade agreement with EEC.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72, dated 29-11-73].

Further reply of Government

The Commercial Co-operation Agreement with the European Economic Community was signed on 17th December, 1973.

[Ministry of Commerce Office Memorandum No. H-11013/24/73- Parl., dated the 22nd January, 1974].

Recommendation (Serial No. 76, Para 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 per cent 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 upto 72.2 per cent.

Reply of Government

This is a statement of facts.

Efforts are being made continuously both with U.S.S.R. and the East European countries to export our non-traditional Engineering goods. Some moderate success has been achieved during the course of 1972.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72- Parl., dated 15-11-1972].

Recommendation (Serial No. 77, Para 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.

Reply of Government

Trade between India and East European countries including U.S.S.R. is carried on the basis of bilateral trade and payments Agreements concluded with these countries from time to time. While negotiating the Annual Trade Protocols with these countries, efforts are made to peg the quantum of traditional exports to the existing level and to increase and introduce non-traditional, manufactured and semi-manufactured goods in our export plans.

Government have noted the conclusions contained in this para and taken special steps in 1972 to promote export of non-traditional goods. Concrete examples are the export of house-hold rubber gloves, Aluminium kitchen utensils, leather hand-bags, surgical scissors, safety razors, telescopic aeriels, forgings and castings to Poland, Sause Pan, surgical instruments, Bee-hive wax to Bulgaria, Tyres and tubes, fluorescent tubes, Pressure lanterns, synthetic hosiery and spares and forgings and castings to Czechoslovakia, tooth brushes, shaving cream and Dental cream to Hungary, Petrol metering and dispensing Pumps, Pulling and lifting Machines, linoleum, PVC Gum Boots etc. to U.S.S.R.

Lists of new non-traditional items to be introduced into each one of the East European countries have been prepared and forwarded to the Indian Embassies in the East European countries and are being discussed with them. A Market survey of Poland by the Indian Institute of Foreign Trade to identify new non-traditional products which can be introduced into Poland has been agreed to. If this survey is successful, similar surveys in Czechoslovakia and Bulgaria are likely to be made.

In view of the various steps, as briefly outlined above, taken by the Government, export of non-traditional items to the East European countries including U.S.S.R. is expected to go up significantly.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 78, Para 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 need 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.

Reply of Government

In addition to the long-term bilateral Trade Agreements entered into with East European countries, detailed negotiations are held every year to negotiate and finalise the list of goods to be exchanged between India and these countries. During these negotiations, the need for restructuring the pattern of India's imports and exports in keeping with the changing economic requirements of India is kept in view and every effort is made to diversify the commodity pattern of trade.

The main steps taken in this direction are as follows:—

Imports.

Efforts are being made to decrease the imports of conventional machinery like tractors, construction and Earth moving equipment, machine tools etc., which are being produced indigenously. Simultaneously, we are trying to get increased quantities of non-ferrous metals, fertilisers and other Industrial raw materials.

Exports

1. Introduction of new non-traditional items and increasing the provisions for export of non-traditional items already appearing in the Trade Protocols.

2. Exploration of new avenues for exports by means of conversion deals in which the raw materials supplied by East European countries will be processed and manufactured and exported back to them, e.g., proposals like cotton-conversion deal, steel versus fasteners deal with U.S.S.R.

3. Efforts are being made to identify areas of collaboration for joint Marketing in third countries.

4. Indian firms/Public Sector organisations and Export Promotion Councils are encouraged to participate in Fairs and Exhibitions held in these countries from time to time. Sales-cum-study teams and market surveys are being arranged to study export prospects in these countries.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 79, Para 4.85)

The Committee are glad to note that India's exports to Africa which is a promising area registered an increase from Rs. 88.1 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 item viz., jute manufactures, tea and cotton, the Committee should 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."

Reply of Government

It has always been the endeavour of this Ministry not only to increase exports of traditional items to Africa but also those of the non-traditional goods. All possible measures are being taken for this purpose. It would be heartening to note that the export of engineering goods to Africa during 1970-71 was 17 per cent higher than in 1969-70. During April—September, 1971, the increase was 32 per cent higher than the corresponding period in 1970. Assiduous attention has, therefore, been paid to increase exports to Africa including non-Arab African countries.

2. In the field of international trade, sale of capital goods on deferred credit is becoming an important feature. Government have established institutional credit facilities which enable the exporter to offer credit terms to the overseas buyer. The period of export credit depends upon the nature of the goods. In deserving cases credit upto ten years and in exceptional cases, upto 12-13 years is allowed. The Export Credit and Guarantee Corporation offers insurance cover to the Indian exporter against commercial and political risks which are of importance particularly in respect of exports, the proceeds of which would be received over a period of time.

3. With regard to after-sales service etc. the need for such a service has always been impressed upon the Indian exporters.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972].

Recommendation (Serial No. 80, Para 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.

Reply of Government

Government also share the hope that Indo-Nepalese trade would expand rapidly in the years to come.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972].

Recommendation (Serial No. 81, Para 4.98)

The Committee note that India's exports to Ceylon have risen from Rs. 17 crores in 1961-62 to Rs. 31 crores in 1970-71. The in-

crease 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.

Reply of Government

Government would no doubt concentrate on encouraging exports of manufactured goods. It needs to be brought out, however, that Ceylon has been experiencing difficulties in balance-of-payments position with the result that the scope for imports into Ceylon are somewhat limited. The Government of India extended a line of credit of Rs. 20 million in 1966 to enable Ceylon to make purchases of cotton textiles, dried fish and chillies from India. Since then the Government of India have extended 3 further credits of Rs. 50 million each in 1967, 1968 and 1971 to enable them to make purchases of machinery and equipments from India.

2. An Indo-Ceylon Joint Committee on Economic Co-operation has been constituted to strengthen trade and economic relations between the two countries. The Indo-Ceylon Joint Sub-Committee on Industry has also identified certain industries which offered scope for being set up in Ceylon. Feasibility studies on some of these industries have been prepared by Indian consultants and remitted to Government of Ceylon for their consideration.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 82, Para 4-103)

The Committee would stress the need for future 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.

Reply of Government

The recommendation is noted. It will be the endeavour to participate in as many Burmese tenders as possible consistent with our capability for supplying competitive quality products.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 7-12-1972.]

Recommendation (Serial No. 83, Para 4.108)

The Committee welcome the conclusion of the Trade Agreement between India and Bangladesh 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 Bangladesh as a sovereign Independent Republic and with the signing of Indo-Bangladesh 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 Bangladesh are largely complementary.

Reply of Government

Ministry of Foreign Trade agree with the Committee's observations.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated
15-11-1972.]

Recommendation (Serial No. 84, Para 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.

Reply of Government

The position of exports during 1971-72 shows further improvement. Exports during the first eight months, i.e., April-November, 1971 to Latin America were valued at Rs. 9.14 crores against Rs. 8.31 crores during the whole year of 1970-71. Exports during the whole of 1971-72 are therefore likely to be better than the level achieved in 1970-71.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated
15-11-1972.]

Recommendation (Serial No. 85, Para 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-ordination between India and Latin America would be mutually advantageous to both the countries in the long-run.

Reply of Government

The Indian Institute of Foreign Trade has completed its study and identified certain items of potential export. Besides, Trade Delegation of the Public Sector Organisations toured certain important countries namely Argentina, Brazil, Chile, Mexico, Peru, Venezuela and Colombia and also identified items for export to as well as import from these countries.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 86, Para 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 Latin America, which show promise for increased exports.

Reply of Government

Necessary follow-up action has been taken M.M.T.C. has concluded a long-term contract for import of 54,000 tonnes of copper from Peru. The possibility for import of lead is being explored. Opportunities for some joint ventures are also being explored.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 87, Para 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.

Reply of Government

Government have noted the observations of the Committee and confirm that necessary facilities would continue to be extended.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 88, Para 4.128)

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

Reply of Government

It is the policy of the Government to encourage the setting up of industrial joint ventures in various fields in developed and developing countries, and Government hope that the opportunities in this field will be availed of to an increasing extent by the parties concerned.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 89, Para No. 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.

Reply of Government

The recommendation has been noted.

The Government and the Tea Board are paying continuous attention to the tea industry to increase the production of tea in the country to meet the growing internal requirements and to make available adequate quantities for export so as not only to sustain the foreign exchange earnings but to enhance them considerably.

Government have recently liberalised the quantum of loan allowed to the planters under the Plantation Finance Scheme and the quantum of

subsidy given to them under the Replanting Subsidy Scheme. Further liberalisation has been allowed inasmuch as replanting subsidy scheme has been extended to replacement planting and the restriction as regards the age limit of bushes has been dispensed with. These measures are expected to go a long way to provide necessary finance in increasing tea production in the shortest period possible.

Consequent on the abolition of export duty on tea with effect from 1st March, 1970, and the introduction of an ad hoc rebate of excise duty on exports depending on price of tea, tea exports have picked up during 1970 and 1971 over the exports in 1969. The unit value of exports has also increased from Rs. 7.14 per kg. in 1969 to Rs. 7.54 per kg. in 1971. It may thus be seen that the situation is under constant review of Government.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 90, Para No. 5.16)

The Committee note that India as well as Ceylon have been fetching low unit value for the tea exports. The Committee feels that if the international agreements under the aegis of Food and Agricultural Organisation are worked in a spirit of understanding, it would 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 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.

Reply of Government

In South India good quality teas come from Nilgiris with other parts producing only plainer varieties and the second flush teas in North India account for only 20 per cent of the total produce from that area. In Darjeeling, the high quality is of the first flush unlike the second flush in Assam. But almost all of this first flush from Darjeeling is already being exported.

The prices at which any country can sell its teas in foreign markets depend on the inter-action of supply and demand. Consequent on an increased supply of tea in world market over the demand, there has been a

decline in tea prices. Several measures are being taken by the tea exporting countries under the aegis of the F.A.O. to stabilise the tea prices in the world market so that the producers are enabled to get a remunerative price for their teas.

The short term measures taken in the F.A.O. forum has partly contributed to the increase in the unit value of Indian tea exported during the years 1970 and 1971. It is agreed that a long-term arrangement by the tea exporting countries under the aegis of the F.A.O. would help in obtaining a better unit value for our teas. In fact, the Inter-Governmental Group on tea, under F.A.O. of which India is a member is working towards that end.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 91, Para No. 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 instant 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.

Reply of Government

Instant Tea

Export of instant tea has increased from Rs. 5.36 lakhs in 1966 to Rs. 105.0 lakhs in 1970. The unit value of instant tea export is Rs. 33. The exports are mainly to U.S.A. and U.K.

Instant tea is manufactured in India by M/s. Tata Finlay and Food Specialities. The entire production is meant for exports. Any assistance required by the manufacturers e.g. import of machinery etc. is afforded to them.

Instant tea is free from excise duty when exported. A proposal for giving promotional assistance for introducing and marketing Indian Instant tea in U.S.A. by a reputed tea packing firm there is under consideration.

Packaged tea

The export of packaged teas in consumer packs upto 1 kg. has increased from Rs. 2.42 crores in 1967 to Rs. 3.65 crores in 1970. A Tea Trading Corporation has been set up in the Public Sector for furthering the exports of package tea. It is hoped that Corporation's efforts will lead to a satisfactory increase in the exports of packaged tea.

Packaged tea is also treated as a non-traditional item of export. Consequently, facilities available to export houses for export of non-traditional items by way of bulk allotment of foreign exchange for business tours abroad are available for exporters of packaged tea also.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 1st Sept., -1972]

Recommendation (Serial No. 92, Para 3.35)

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 exports requirements.

Reply of Government

Before devaluation, exports of cotton textiles were moving with the support of import entitlements for machinery, dyes and chemicals and cotton, the cash equivalent of which, in some cases, was as high as 95 per cent of the f.o.b. value of exports. The benefit of devaluation was limited to only 57.5 per cent. After the devaluation, therefore, it was still not possible to sustain and develop cotton textile exports without support of cash assistance or import replenishment. A scheme for such assistance had to be, therefore, adopted even after devaluation.

Timely and adequate steps towards modernisation would no doubt improve the economies of production and consequently that of export trade. Modernisation of this industry is, however, a gigantic problem and it is estimated that even a modest programme of modernisation would involve a huge outlay of Rs. 180 crores. More recent estimates place this requirement at over Rs. 600 crores. The progress of the industry towards modernisation suffers from many constraints, some of which are:—

1. On account of low profitability and minimal capital formation, the industry suffers from scarcity of financial resources.

2. The criteria laid for eligibility of bank finances makes it difficult for the mills to secure loans. Mills which are in a bad shape and need modernisation and financial assistance are particularly at a disadvantage.
3. The range of indigenous production of textile machinery is limited. Sophisticated items of machinery which are essential for the production of export cloth still need to be imported.

The unsufficiency of foreign exchange acts as a serious limitation on import of textile machinery. Actually, import statistics of cotton textile machinery are not published separately, but the overall imports of textile machinery over the past years would illustrate the position :

								Rs. in lakhs
1965-66	.	.	.	.	.	.	.	1620.01
1966-67	.	.	.	.	.	.	.	1639.96
1967-68	.	.	.	.	.	.	.	1412.53
1968-69	.	.	.	.	.	.	.	611.12
1969-70	.	.	.	.	.	.	.	363.50
1970-71	.	.	.	.	.	.	.	334.55

It would be of interest to mention that after taking into account the optimum levels of domestic production of textile machinery, the requirements of imported machinery would have to be of the level of Rs. 25 crores per annum.

4. Large scale modernisation will lead to a reduction in the labour content. It is one of our objectives that modernisation should not be, as far as possible, done at the expense of the labour employed in the mills.

Efforts have been made to meet the most pressing of requirements of imported textile machinery of sophisticated types. Thirteen of such items have been identified. The applications for import of these items aggregated to Rs. 16.22 crores of which priority export in mills alone account for about Rs. 7 crores. It has been possible only very recently to obtain this amount from Department of Economic Affairs. Simultaneously, an effort is being made to reappraise the structure of textile machinery-making industry with a view to up-dating and expanding its production capacity. A scheme for soft loans to be advanced by the Industrial Finance Corporation for the modernisation of export-oriented units has also been formulated.

[Ministry of Foreign Trade O.M. No. H-11013/3/3/72-Parl.,
dated 23-12-1972.]

Recommendations (Serial Nos. 93, 95 and 96, Paras 5.36, 5.38 and 5.39)

Another great handicap of the textile industry has been the dependence on import of long staple cotton for manufacture of finer varieties 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 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 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 bilateral and other agreements with these countries in order to secure maximum quota for export of textiles.

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 per cent surcharge on such imports.

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.

Reply of Government

Foreign cotton, some-time in admixture with indigenous cotton, goes into production of only fine and superfine textiles and export of textiles in these categories constitute only a small percentage of the total exports. Exports of textiles are not recorded in the publications of the DGCI&S categorywise. However, on the basis of the data collected from the mills, 3739 LS—5.

categorywise break-up of deliveries of mill-made cloth for exports made by the mills is indicated below:—

(all figures in million metres)

Year	Coarse	Lower Medium	Higher Medium	Fine	Superfine
1965	166	225	76	14	59
1966	146	177	57	18	60
1967	121	195	54	13	46
1968	123	192	80	18	60
1969	116	135	80	12	46
1970	88	144	91	11	61
1971	93	132	88	14	53

The production delivered for export in fine and superfine categories have hovered around 17 per cent of the total deliveries for export.

It is also difficult to make an accurate assessment of the foreign cotton actually used in the manufacture of cloth delivered for export by mills as well as supplied by the decentralised sector. However, on the basis of certain assumptions, the Textile Commissioner has made a broad assessment of the break-up of the cotton content of textile exports which is indicated below:—

In lakh bales

Year	Indian cotton	Foreign Cotton	Total
1965-66	5.52	0.43	5.95
1966-67	5.12	0.34	5.46
1967-68	5.91	0.38	6.29
1968-69	6.60	0.42	7.02
1969-70	6.16	0.57	6.73
1970-71	5.06	0.48	5.54

Import of cotton is programmed to cover the gap between domestic production and the requirements. The cotton import figures for the last few years are given below:

Cotton Year (September-August)	In lakh bales	
	Quantity	
1965-66	.	5.27
1966-67	.	7.82
1967-68	.	7.78
1968-69	.	4.30
1969-70	.	9.11
1970-71	.	6.49

It will be seen that the overall import has been much more than the cotton requirements for export-production. Allocations of foreign cotton are offered to all cotton textile mills and, therefore, the mills should be able to take care of their export-production programmes involving use of foreign cotton. In addition, specific quantities of foreign cotton to be imported have been earmarked every year for allocation to mills to enable them to execute firm export orders.

In the light of the position set out above, Government are of the firm view that mills do not face any genuine difficulty in the execution of export orders for want of foreign cotton. Special attention will continue to be paid to this requirement.

Government are fully aware of the need and prospects of developing textile exports to sophisticated markets like EEC Countries USA and UK and have made strenuous efforts to develop exports in this direction. Exports to all these countries are regulated by annual quotas. The statement attached as Appendix I would show the export performance against the quotas over the years. The position in respect of USA is highly satisfactory. Exports to EEC countries fall short of the quotas, but this has to be viewed against the highly sophisticated requirements of high quality cloth wanted by these countries at competitive prices. The Cotton Textiles Export Promotion Council is making efforts to maximise exports to these countries through bulk deals.

So far as U.K. is concerned, the market as a whole has become highly resistant to imports of cotton textiles from all sources. At the back of it is the agitational attitude of the local textile industry. Further, the import of non-cotton textiles is replacing the cotton textiles imported into U.K. However, concentrated efforts are being made to maximise exports per-

mance against the quota for U.K. During the year 1972, the Indian Cotton Mills Federation has apportioned specific export obligation to all mills for this market. In addition, sales teams representing the trade and industry have been visiting U.K. to secure bulk orders. As a result, the export trend to U.K. has shown improvement over the recent months.

The need for securing higher export quotas for these areas is well-known and Government have been making efforts in that direction in the past and will continue to pursue this objective in future. Meanwhile, continual efforts are being made to secure softening of tariff and non-tariff barriers.

The following countries have made available GSP facilities for cotton textiles exports with effect from the dates indicated against each.

E.E.C.	1.7.71
Japan	1.8.71
Norway	1.10.71
Denmark	1.1.72

Efforts are also being made to eliminate or minimise the snags in the way of exploitation of GSP benefits that can accrue to India under this system.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl.
dated 23-12-1972.]

Recommendation (Serial No. 94, Para 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.

Reply of Government

A tentative target of production for Man-Made Fibre fabrics to be achieved by the end of Fourth Plan period is 1500 million metres. Against this target, production during the year 1971 touched 1010 million metres. Actual exports during the past three years moved as under:—

	(Rs. in crores)
1969-70	3.58
1970-71	5.24
1971-72	7.48

Increase in our export of man-made fabrics depends upon:

- (i) Availability of synthetic yarn to the exporting units at International prices.
- (ii) Modernization of our art silk industry to enable it to produce sophisticated fabrics at competitive prices.

To achieve (i) above the Ministry of Petroleum and Chemicals has been taking steps to set up new units for the manufacture of nylon yarn and polyester fibre which are the basic raw materials for exportable fabrics. The progress of production made in this field during the last three years is given below:—

	(Figures in 000' tonnes)		
	1970	1971	1972
Nylon yarn	9.3	10.4	12.0
Polyester fibre	5.33	5.50	6.5
Polyester filament yarn . . . . .	..	0.6	1.2

It is expected that production of synthetic fibres/yarns at the end of the Fourth Plan will be of the order of 38,000 to 40,000 tonnes.

As regards (ii), the weaving sector has been pressing for the import and installation of crimping/texturising machines, warp knitting machines and raschel knitting machines. Since these machines are not available indigenously this Ministry has permitted import of these machines as permissible under the Import Trade Control Policy for 1972-73 to the exporting units.

Special mention in this connection may also be made of a new export promotion scheme known as High Unit Nylon Goods Export Schemes which has been introduced in January, 1971. Under this scheme exporters of nylon fabrics have been allowed to import polyester filament yarn equal to the value of nylon replenishment admissible to them provided f.o.b. value of export is as under:—

- (i) Embroidered Nylon Fabrics Rs. 5.50 per metre.
- (ii) Nylon fabrics (Plain) Rs. 3.50 per metre.
- (iii) Knitted fabrics Rs. 38.50 per kg.

The exports under this scheme have been as follows:—

January 1971 to March, 1972	Rs. 112 lakhs
April 1972 to September 1972	Rs. 33.64 lakhs

[Min. of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 97, Para 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.

Reply of Government

Government agree with the observation made by the Committee. Ministry of Agriculture have evolved programmes for intensive cotton cultivation involving an expenditure of about Rs. 14 crores during the last three years of the Fourth Plan. The main features of the scheme are:—

- (i) Six districts have been covered in irrigated areas in different States;
- (ii) As regards non-irrigated areas, approximately 1.40 lakh hectares spread over seven districts in different States would be covered;

Further, with a view to encouraging production of long-staple cotton like Hybrid-4, MCU-4 and 5, Gujarat-67 Sujata and Sea Islands Andrews, these varieties have been exempted from the stock limits.

The production targets in relation to the intensive cotton production programme are:—

Year	Addl. production lakhs bales
1971-72	5.4
1972-73	6.2
1973-74	7.00

The cotton crop during the year 1971-72, was higher than the preceding year's crop by over 10 lakh bales which reflects the increasing self-reliance in respect of domestic cotton supplies.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial Nos. 98 and 99, Para 5.44 and 5.45)

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 dur-

ing the period January to June, 1971. In terms of quantity it was of the tune of 90 million metres in 1963. It slumped to 4 million metres in 1967 but revived upto 11.4 million metres in 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 export or the international price of that kind of fabrics whichever was less. The import licence was issued to the exporters direct. This scheme was suspended in June, 1966. It accounted for the steep fall in exports 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 State Trading Corporation.

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 capacity has been built up in the country. Government may ensure that adequate imported synthetic yarn is available for the export of manufactured synthetic fabrics.

Reply of Government

Observations of the Committee have been noted.

Concerted efforts are being made to develop indigenous capacity for the manufacture of synthetic yarn. It is estimated that the availability of man-made fibre yarn in 1974 will be of the following order:—

Cellulosic fibre/yarn	120,000 tonnes
Non-cellulosic fibre/yarn	56,000 tonnes

Till such time as the capacity outlined above is built up, import of man-made fibre yarn is being allowed on replenishment basis under the Registered Exporters Scheme as outlined in the Import Trade Control. Import of man-made fibre yarn is canalised through the State Trading Corporation. They imported 1,415 tonnes of nylon yarn in 1971 for use of actual users and exporters. They are also being directed to import three thousand tonnes of nylon yarn in 1972.

[Min. of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial Nos. 100, 101, 102 and 103, Para No- 5.50, 5.51, 5.52, 5.53 and 5.135)

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 in 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.

Of the wide range and varieties of items like shirts, pyjamas, suits, trousers, jeans, shorts, coats, 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.

Factors like availability of comparatively cheap labour and developing skills on the supply side, and overchanging 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.

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 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.

Recommendation (Serial No. 129, Para 5.53)

One of the promising products for export are ready-made garments made from our rich handlooms. The Committee feel that if the tastes of 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.

Reply of Government

There are a large number of units manufacturing garments and excepting six or seven big units, they are all small scale establishments. Garment making in India is of comparatively recent origin and demand on a national scale is yet to catch up. In the field of garments, designs and fashions are subjected to fast changes and, therefore, it is highly important for the manufacturing industry to keep abreast of these changes and to adjust its production programmes to the latest fashions and designs. Garments, however, constitute growth points to textile exports and efforts are concentrated in developing this sector. Some of the export promotion measures taken by the Government are listed below:—

- (i) Replenishment import by way of embellishments and trimmings, as well as dyes and chemicals is allowed to the extent of 9 per cent of the export of ready-made garments. In addition, genuine requirements even in excess of this limit is allowed in deserving cases.
- (ii) Assistance is made available by the Indian Cotton Mills' Federation on garment exports from out of its export promotion fund.
- (iii) Import of cloth within a specified value is allowed under the Registered Exporters' Policy for sample production.
- (iv) Import of synthetics of any type and selective import of cotton cloth, are permissible for export production of garments against firm export orders under the supervision of Customs.
- (v) In order to develop an integrated strategy and programme for garment exports, the promotional work of export of all types of garments without fibre distinctions has been entrusted to one Council, namely, Cotton Textiles Export Promotion Council.
- (vi) Garment is one of the selected items being studied by TDA which has already undertaken market studies in USA.
- (vii) Foreign collaborations for developing garments exports are considered and normally allowed on basis of a specific rate of

royalty on export of garments. This enables the Indian manufacturers to update and diversify the production of garments of latest fashions and designs.

There is a good potential of handloom garment exports. The figures for handloom garments given below illustrate the growth in garment export trade:—

Year	value of export (Rs. crores)
1969-70	1.20
1970-71	3.57
1971-72	6.89

Concentrated efforts are made to develop handloom garment exports. However, quota restoration in case of some of the importing countries act as a constraint. U.S.A. brought cotton handloom garments within the quota arrangements for cotton textiles exports from India to that country. The quota levels have been outstripped and Government of India succeeded in securing an increase but not to the extent required to take care of the growing demand of Indian Handloom garments in USA. However, additional exports of handloom garments were also arranged by diversion of a portion of mill made quota.

Regarding the idle capacity, mentioned in para 5.50, a specific reference has been made to the Textile Commissioner to collect the information and to suggest remedial measures. It may be added that the garments units, large and small, are not registered under the IDR Act or any other Control Order. Only very few are highly sophisticated units and their capacity, to the best of our knowledge, is not idle. The Garment Manufacturers Association did make a representation in 1971 wherein they urged that the Excise duty imposed on garments should be done away with. The Ministry of Finance did not accept this representation. It does appear that if the excise duty can be reduced, the industry would get a fillip. It may, however, be mentioned that many smaller units are not equipped with sophisticated machinery and are only large tailor shops. They cannot cater to the public requirements of ready-made garments which have a heavy slant on fashions and fashions keep in changing.

[Min. of Foreign Trade O.M. No H 11013/3/72-Parl., dated 23rd December, 1972]

Further information called for by Committee

Findings of the Textile Commissioner regarding idle capacity in the ready garments industry, measures suggested by him in this regard and action taken thereon may be communicated to the Committee.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72,
dated 29th November, 1973]

Further Reply of Government

The number of units manufacturing ready-made garments at the end of December, 1972 exceeds 2,000 in the country. Most of the units may be classified as tailoring establishments having regard to the fact that the machinery installed is of indigenous origin operated by man-power the number of workers in each do not exceed 20. The Director of Industries of the States are the sponsoring authority for import of equipment for small scale ready-made garment units having installed machinery and equipment of a value less than 7.5 lakhs. The number of units whose machinery and equipment exceed Rs. 7.5 lakhs of only 7, as registered with the office of the Textile Commissioner. It is not therefore, feasible to assess with any reasonable degree of accuracy the idle capacity of all the units in existence in the country. However, the units which have regular establishments for the manufacture of ready-made garments are registered with the Clothing Manufacturers' Association of India and these number about 450. Out of the 450 units, 50 to 60 units are considered as big units employing more than 50 workers, about 200 units are of medium size employing between 20 and 50 workers and the balance 200 units are employing less than 20 workers. Out of the 250 units (big and medium size units) nearly 150 units are engaged primarily in export production.

According to the Clothing Manufacturers' Association of India most of the larger units are export-oriented, exporting the bulk of their production. Many of the medium sized units have also diverted their production to exports. It is pertinent to point out in this connection that the export of ready-made garments which was of the value of Rs. 5 crores five years back has now reached the level of Rs. 30 crores. Many new units have also come up for catering to the export markets. Thus, according to the Clothing Manufacturers' Association, there is presently no idle capacity with big and medium size units. However, in their opinion there may be a certain amount of idle capacity with some of the smaller units producing ready-made garments mainly for internal consumption. The reason they attribute for this situation is the 10 per cent ad valorem excise duty applicable to all ready-made garments produced with the help of power, for the domestic market.

According to the provisions contained in para 172 of the Import Control Trade Policy Hand Book of Rules and Procedure, applications

from Garment Making units for the import of spares and machines for replacement or for expansion purposes and for setting up new units are considered by the Joint Chief Controller of Imports and Exports, Bombay, on the basis of the recommendations made by the Textile Commissioner. As a matter of policy, applications for the issue of licences for increasing the capacity of the existing units or for setting up new units are recommended by the Office of the Textile Commissioner only where it is established that the import of additional machinery is required to meet export requirements and in that event an export obligation is being imposed. Therefore, in the case of units engaged in the production of ready-made garments for exports, the question of idle capacity does not generally arise.

[Deptt. of Foreign Trade No. H-11013/24/73-Parl.,
dated 22nd January, 1974].

Recommendation (Serial No. 104, Para 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 export 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 of foreign markets.
4. Export Promotion activities should be undertaken on a systematic and sustained basis.

Reply of Government

Government accepts this recommendation, and action is already being taken in these directions. Grant-in-aid continues to be given to Indian Jute Industries Research Association on a regular basis from C.S.I.R. and for specific export oriented projects from the Marketing Development Fund. Further in order to promote intensive research and export Promotion activities on a systematic and regular basis, a proposal is also being

considered to generate funds through a levy on jute mills. Modernisation/diversification of jute mills is also being assisted through grant of soft loans by IFC.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 7th December, 1972]

Recommendation (Serial Nos. 105, Para 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 qualities 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.

Reply of Government

Government accepts this recommendation.

The Ministry of Agriculture have requested the State Governments concerned to implement the suggestion regarding provision of irrigation and other facilities for retting.

The Jute Corporation will, as far as possible, make purchases directly from the growers through viable Co-operative Societies.

Provision exists in the Indo-Bangladesh Trade Agreement for import of jute worth Rs. 750 lakhs. Imports are being arranged through JCI/STC.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 7th December, 1972]

Recommendation (Serial No. 106 Para 5.62)

The Committee note that the Industrial Finance Corporation has sanctioned loans totalling Rs. 601.75 lakhs for modernisation machinery out of which disbursements to the extent of Rs. 288.33 lakhs have been made so far. The Committee would like Government/IFC 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 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.

Reply of Government

Government accept this recommendation. It will however, be for the mills to take initiative to apply to the IFC for loans. All efforts are being made to increase indigenous manufacture of machinery Imports are also considered to the extent indigenous manufacture is inadequate to meet requirements.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 7th December, 1972]

Recommendation (Serial No. 107, Para 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.

Reply of Government

Government accepts this recommendation. Substantial progress has been made in the installation and commissioning of machinery and equipment. Experimental work is already started. A little more than 80 per cent of the project is complete. 94.3 per cent would be complete by 31st March, 1973 and entire project by 31st March, 1974.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl. dated 7th December, 1972]

Recommendation (Serial No. 108, Para 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.

Reply of Government

Government accepts this recommendation. In order to augment resources for export promotion (and research) Government have under consideration a proposal to generate funds through a levy on jute mills.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 7th December, 1972]

Recommendation (Serial No. 109, Para 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.

Reply of Government

Government accept this recommendation. It is essential that jute goods should be competitive *vis-a-vis* synthetics and products of Bangladesh. Talks have already been initiated with Bangladesh to evolve a common jute policy.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 7th December, 1972]

Recommendation (Serial No. 110, Para 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 the 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.

Reply of Government

Exports of engineering goods during 1971-72 were of the order of Rs 125 crores against the target of Rs. 165 crores. The main reason for shortfall was acute shortage of raw materials, viz. steel materials. The other reasons were complete dislocation of shipping facilities emanating from Indian sub-continent due to Indo-Pakistan war, fluctuations in international monetary market, and payment difficulties in trade between Indian and ARE. This year adequate steps have been taken for uninterrupted supplies of raw materials for export production. These include, bulk imports of steel materials through, Hindustan Steel Limited as per requirements estimated by the Engineering Export Promotion Council for distribution to engineering fabricators. The State Trading Corporation (Industrial Raw Material Assistance Centre) also import and stock non-canalised items of other raw materials for off-the shelf supply to exporters against surrender of REP/AU licences. All efforts are being made to achieve the target of Rs. 250 crores for 1973-74.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 15th November, 1972]

Recommendation (Serial No. 111, Para 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.

Reply of Government

The Government and the Engineering Export Promotion Council have recognised the scope of pushing sales of less complicated but labour intensive items to advanced countries, especially to Japan, U.K., U.S.A. With a view to achieve this end, Trade Development Authority has been set up.

The Trade Development Authority has undertaken selective export development of industrial products for both short-term and long-term prospects of growth to selected markets. Trade Development Authority

has already identified certain technically competent and commercially viable production units in the country in small, medium and large scale sectors and it assists them in expansion of export oriented production facilities and in undertaking product development/adaptation and help in raising the technological level of export products. In its initial phase of operation, Trade Development Authority has selected following products groups for export to developed world comprising U.S.A., Canada, West Europe including U.K., and Japan:—

- (i) Electronic equipment and components;
- (ii) Sewing machines and components;
- (iii) Bicycles and bicycle components particularly for sports and racing models;
- (iv) Automobile ancillaries;
- (v) Industrial fasteners;
- (vi) Ferrous castings and forgings for industrial application;
- (vii) Stainless Steel cutlery.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl. dated
15th November, 1972]

Recommendation (Serial No. 112 Para 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.

Reply of Government

The Government periodically reviews the pattern of export production of engineering goods with a view to overcome raw material difficulties faced by exporting units and take prompt remedial measures.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl. dated
15th November, 1972]

Recommendation (SL No. 113, Para 5.85)

The Committee note that at present for export of iron ore four different Ministries/Departments are involved viz., the Department of Mines, 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.

Reply of Government

The Government accept the recommendation. To evolve integrated iron ore export programmes, the Government has already appointed two inter-Ministerial Committees, namely (i) Iron Ore Export (Project) Committee and (ii) Committee of Secretaries on Iron Ore Exports. These are standing Committees with representation from the concerned Ministries/Departments and have gone a long way in achieving co-ordination in the formulation and implementation of policies.

2. Taking into account the manifold ramification, seemingly limitless potential or foreign exchange, increasing internal demand for iron ore for our ambitious steel programme and complex infrastructural requirements of iron ore, Government has recently decided to set up an "Iron Ore Board" as a Central co-ordinating development agency to collate and orchestrate the various facts and factors and ensure optimum development. The proposed Iron Ore Board will act as the Central Policy Planning and Development Agency on all aspects of growth and development of Iron Ore. It will prepare perspective plans for the development of iron ore resources and ensure effective implementation, optimum growth and utilisation, including those of the fines. The Board is also charged with the task of ensuring a balanced development of the iron ore deposits having regard to export potential and the indigenous requirements. The Board will also ensure co-ordinated creation of infra-structure for iron ore mining and development through a constant liaison with agencies like Railways, Ports, State Governments, Financing Institutions etc.

3. As regards reducing cost of handling and transport to the minimum by availing of the latest mechanical improvement, it is stated that a num-

ber of projects for development of deep draft ports with mechanised ore handling plants and additional rail transport etc., have been taken in hand. However, high capital costs of such projects lead to increased handling charges. The Board will, no doubt, tackle this problem as well.

4. The Government is conscious of the need to promote exports of iron ore after pelletisation in preference to iron ore because of the higher unit value realisation. Constant endeavours in this direction will be made, keeping in view the pelletisation characteristics of iron ore from different regions, availability of capital investment involved, selection of processing methods suitable for export market etc. It may be added that two proposals for setting up plants for pelletisation—one each in public and private sector are already under examination.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 15th November, 1972]

Recommendation (Sl. No. 114, Para 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.

Reply of Government

The Government accept the recommendation. As a matter of fact, the Government has been conscious of this need and constituted on the 25th May, 1970, a "Committee on Coordination of the programme of Export of iron ore with requirements of the Steel Industry" in the then Ministry of Steel and Heavy Engineering. The Committee was charged with the task of drawing up long term plan for exports, keeping in view the requirements of iron ore for Indian Steel Plants. The Committee submitted its draft interim Report in September, 1971.

2. Realising the need for a permanent body to look after the interests of exports as well as requirements of Indian Steel Mills, it has been decided to constitute an Iron Ore Board. The Board shall be a non-commercial, non-profit making organisation. The principal function of the Board is to take such steps as are necessary to increase export commensurate with resources and the internal needs. The Board will ensure a balanced development of iron ore deposits having regard to the export potential and the needs of the Indian Steel Industry. The Board, MMTC and the

Ministry of Foreign Trade will, no doubt, continuously review the export programmes *vis-a-vis* the internal demands in order to take timely action to overcome the difficulties, if any.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated the 15th November, 1972]

Recommendation (Sl. No. 115, Para 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.

Reply of Government

The Government accept the recommendation. Competitiveness of price has to take into account a number of factors such as size range in which ore is supplied, the size of the vessels by which it is shipped and loading rates at the ports. Japan, which presently accounts for about 80 per cent of our exports, wants ore with a close collaboration preferably of 6-30 mm. size and wants the ore to be loaded in carries of over 60,000 DWT with loading rates of over 30,000 tons per day. Our standards in all these respects are, as yet, below these expectations. On the East Coast, fully mechanised port facilities exist at Paradeep and Visakapatnam while Madras has semi-mechanised facilities. Exports, therefore, have been on the increase through these ports. On the West Coast a miniature ore handling plant functions at Goa. Exports through all other ports are by manual operations. The ore, we export, needs crushing by the importing steel mills involving extra cost by them. None of our ports handling the export of ore are capable of handling 60,000 tonnes as yet. Again, our highest contractual loading rate is 10,000 tonnes per day, whereas Australia and Brazil, our main competitors in this line can handle 1,00,000 tonnes with a loading rate of 40,000 tonnes and in some cases 80,000 tonnes. Keeping in view these limitations, the Government has still to strive to improve exports of iron ore at competitive prices, even at the cost of subsidy in the form of refund of export duty. It is agreed that despite the above enumerated internal constraints in the fields of transportation, mechanisation, pelletisation, poor port handling facilities etc. efforts should be made to overcome the constraints and capture larger share of Japanese market. The target for export of iron ore to Japan during Fifth Five Year Plan has been fixed at 31.5 million tonnes by 1978-79 as against the target of 18 million tonnes during 1972-73.

[Ministry of Foreign Trade O.M. No. H. 11013/3/72-Parl., dated 15th November, 1972.]

Recommendation (S. No. 116, Para. 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 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.

Reply of Government

The Government have taken note of the above observations and suggestions of the Committee for taking necessary action. The Ministry of Foreign Trade has already set up a Committee under the Chairmanship of Dr. A. Seetharamiah, Deputy Director General of Technical Development to suggest ways and means to create necessary infrastructure and suggest measures for an export strategy so that exports of leather footwear and leather manufactures can be expanded and diversified.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November 1972.]

Further information called for by Committee

The Committee may be Apprised of the recommendations of the Committee appointed under Chairmanship of Dr. A. Seetharamiah, Deputy Director General of Technical Development in regard to creation of necessary infrastructure and to suggest measures for an exports strategy for expansion and diversification of leather footwear and leather manufactures and action initiated in pursuance thereof.

[Lok Sabha Secretariat O. M. No. 5/24/(1)/ECII/72, dated 29-11-1973.]

Further Reply of Government

A Statement showing the recommendations of the Committee appointed under the Chairmanship of Dr. A. Seetharamiah, in regard to creation of

necessary infrastructure and to suggest measures for an export strategy for expansion and diversification of leather footwear and leather manufactures and action initiated in pursuance thereof is attached herewith. (Appendix II).

[Department of Foreign Trade O. M. No. H-11013/24/73-Parl., dated 22-1-1974.]

Recommendation (S. No. 117, Para. 5.96)

The Committee further note that besides permitting the import of 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.

Reply of Government

Efforts are being continued to collect tanning materials such as wattle bark, etc. Government is also keeping the import of wattle bark, and bark for tanning on an OGL basis.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (S. No. 118, Para. 5.97)

The Committee further note that besides permitting the import of chrome crystals, chemicals and finishing auxiliaries dyes and fat liquors and casoin to meet the export orders, every effort is being made at the same time to make these scarce items available indigenously.

Reply of Government

Efforts are being continued to manufacture chemicals and dyes indigenously on a large scale. At the same time, their import is also allowed to registered exporters.

[Ministry of Foreign Trade O.M. No. 11013/3/72-Parl., dated 15-11-1972.]

Recommendation (S. No. 119, Para. 5.105)

The Committee note that the problems faced by the leather manufactures 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.

Reply of Government

Government is fully conscious of the importance of these recommendations. The Research and Development Cell of the Export Promotion Council for Finished Leather and Leather Manufacturers, Kanpur, the Research and Development Cell of the State Trading Corporation of India Ltd., and the Research and Development Cells established by the private organisations like Batas are keeping a close watch on the changes in fashion of leather footwear abroad and are bringing out new designs and patterns so that high quality footwear of latest design and fashion is produced for sophisticated markets. Further, Government is allowing assistance from Market Development Fund for market research, publicity, study-cum-sales teams, trade fairs and exhibitions for the expansion and diversification of the exports of leather footwear.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation No. 122 in Appendix XXXVII, Para. No. 5.112

The Committee note that the exports of cashew kernels 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.

Reply of Government

Recommendation has been noted.

After decline to Rs. 52 crores in 1970-71, exports of cashew kernels in 1971-72 have shown a welcome upward trend. Exports in 1971-72

amounted to 6083 tonnes valued at Rs. 61.73 crores. Cashew Corporation of India has successfully maintained imports of raw cashew kernels at levels better than during the precanalisation period. With the development of cashew processing industry in several countries in Africa it is getting more difficult to substantially increase the imports of raw cashewnuts to feed our cashew processing industry. Ministry of Agriculture has formulated Centrally Sponsored Schemes to increase indigenous production of raw cashewnuts by bringing in more acreage under cashew plantings and by introducing the requisite scientific practices.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 123, Para. 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 Gem 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 set back 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.

Reply of Government

The following steps among others have been taken to step up and diversify exports of Gem and Jewellery:—

- (i) In 1970, a three member official delegation was sponsored by the Ministry of Foreign Trade to West European countries to study the market for diamonds in Western Europe and cutting and polishing industry.
- (ii) With the approval of the Ministry of Foreign Trade the Gem & Jewellery Export Promotion Council sent a study-cum-sales team in April-May 1972 for export promotion of Gem & Jewellery items to U.S.A. and West Europe.

- (iii) The Gem & Jewellery Export Promotion Council has set up a Gem Testing laboratory at Jaipur to assist the exporters of precious stones.

It is, however, pointed out that the target of Rs. 100 crores for the year 1973-74 fixed in the Fourth Five Year Plan relates to the head "Handicraft" which includes carpets, druggets, Gem and Jewellery and other crafts such as art matelware and hand printed textiles and not for Gem and jewellery alone.

The export statistics of Handicrafts including Gem and Jewellery during the last six years is furnished below:—

<i>Year</i>	<i>Exports in crores of Rs.</i>
1966-67	40.10
1967-68	54.34
1968-69	75.24
1969-70	83.29
1970-71	80.30
1971-72	90.52

It will be seen that the exports of Handicrafts including Gem and Jewellery have been gradually increasing and it is hoped that the target of Rs. 100 corers fixed for Handicrafts as a whole including Gem and Jewellery will be realised by 1973-74.

[Ministry of Foreign Trade O. M. No. H. 11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 124, Para. 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 per cent 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 manufac-

ture. The Committee feel that chemicals and allied products offer a particularly promising field as petro-chemicals base in this country has been largely established and is being continuously expanded.

Reply of Government

Government have taken note of the observations made by the Committee and are taking necessary steps on the lines suggested by them. A comprehensive review of the export performance of Chemicals and Allied products for the Fourth Plan period has been taken and a Task Force has been established to examine and study the problems of the exports of chemicals and allied products and to fulfil the targets for export for these items.

[Ministry of Foreign Trade O. M. No. H. 11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Sl. No. 125, Para. 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.

Reply of Government

The recommendation has been noted. Tobacco Export Promotion Council's proposals for participation in exhibitions, market survey and trade delegations etc. are duly considered when received. Ministry of Agriculture who look after production of Tobacco have undertaken Centrally Sponsored Schemes to increase quality production of exportable varieties of PCV tobacco. Till 1971-72, an area of 22,309 hectares was covered for production of light-soil tobacco which yielded 15 million kgs. of virginia tobacco. During the 5th Five Year Plan, it is proposed to cover an additional area of 50,000 hectares which is expected to give an an additional yield of 35 million kgs. of low-nicotine tobacco grown on light-soils. As a first step towards synthesising the production and exports, a decision has been taken to set up a statutory Tobacco Marketing Board in respect of VFC tobacco—the main variety of tobacco being exported presently. The question of Buffer stocks of Tobacco and statutory grading of tobacco at farmer's level etc. would be pursued further within the frame work of the Tobacco Marketing Board. The question of removal/reduction of export duty on tobacco has been kept under a constant review. The Government is not in favour of making any changes at present.

[Ministry of Foreign Trade O. M. No. H. 11013/3/72-Parl., dated 15-11-1972.]

Recommendation No. 125-A in Appendix XXXVII, Para. 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 exoitic quality. The Committee hope that Government would take suitable steps to implement the recommendations of Tobacco Study Team which had recently visited West European Countries including U.K. to study and explore new markets.

Reply of Government

The recommendation has been noted. Exports of unmanufactured tobacco during 1971-72 amounted to 57 million kgs. valued at Rs. 42 crores as compared to 47 million kgs. valued at Rs. 31 crores during 1970-71. There has thus, been a distinct improvement during 1971-72 compared to the preceding year. Ministry of Agriculture have undertaken several Central Sponsored Schemes to improve quality and increase production of exportable variety of tobacco. To synthesise systematically production and exports, the Government have decided to set up a Tobacco Marketing Board for FCV tobacco which is the main exportable variety of unmanufactured tobacco from India.

Export of Cigarettes and Cigars

Cigarettes.—Despite the very stiff global competition in respect of export of cigarettes, there had been encouraging progress during 1971-72 in respect of Indian export. During the year the exports of cigarettes from India were of the order of Rs. 157 lakh as compared to exports worth Rs. 29,000/- in 1970-71. Tobacco Export Promotion Council are taking steps for promotion of exports of cigarettes in cooperation with the manufacturers in India.

Cigars.—Exports of cigars is negligible. Export Potential of Indian Cigars is restricted due to following reasons:—

- (i) Wrapper tobacco grown in India does not come up to international standards.
- (ii) Non-mechanisation of Indian cigar industry.

- (iii) Inadequate domestic and overseas demand due to high prices of cigars produced.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl., dated 15-11-1972.]

Further information called for by the Committee.

“The Committee may also be apprised of the steps taken in implementation of the recommendations of the Tobacco Study Team”.

[Lok Sabha Secretariat O.M. No. 5/24/(1)/ECII/72, dated
29-11-1973.]

Further Reply of Government

The following steps have been taken for implementing the recommendations of the Tobacco Study Team:—

RECOMMENDATION NO. 1—Emergence of Thai land, South Korea, Philippines and Brazil etc. as strong competitors as a result of sanctions imposed against Rhodesia.

The Government were fully aware of the danger posed to Indian exports of tobacco by other countries like Thailand, South Korea, Philippines and Brazil. The export of f.c.v. tobacco from some of these countries is of light fluffy variety with nicotine content of less than 0.5 per cent. To meet the changing pattern of demand in the international market, Agriculture Ministry is laying a greater emphasis now on production of f.c.v. tobacco with less tar and nicotine content. All out efforts were made to increase our exports of tobacco and a record level of 94 million kgs. valued at Rs. 61 crores was reached in 1972-73. A study team is proposed to be sent to the countries of Japan, Philippines, Thailand and South Korea to study production patterns and marketing techniques with a view to improve upon our present level of production and exports.

RECOMMENDATION NO. 2.—India should be in a position to supply quality tobacco and its image as the supplier of cheap low grades should be corrected.

About 50 per cent of our normal production of f.c.v. tobacco is exported. There is a premium and a keen demand for our high grades of f.c.v. tobacco from countries of Western Europe, U.K. and Japan. The prices obtained for these high grades are generally higher than the minimum export prices. The demand for medium and low grades is mainly from Russia, East European countries etc. and the exports are normally made at minimum export prices. In the last 2—3 years, efforts have been made

to take up cultivation of high grade tobacco in light soil areas in Andhra Pradesh, Karnataka. The production in the Fifth Plan is further being re-oriented to meet the changing patterns of demand in the international market.

RECOMMENDATION NO. 3.—*Adverse effect of U.K.'s entry into EEC on India's Tobacco export trade—need for obtaining concessions from EEC.*

Our High Commission in London and the Embassy in Brussels have taken-up with the concerned authorities the question of obtaining Customs duty free quotas or other concessions for Indian tobacco in the light of our past export to U.K. So far, no favourable response to our requests has been received. Negotiations are still continuing.

RECOMMENDATION NO. 4.—*The start made in explaining the potential in India to produce and supply different varieties of Tobacco should be sustained by Annual visits.*

A four-member Tobacco Delegation visited Eastern Europe in September—October 1972, with a view to promote exports of Indian Tobacco to Socialist countries in Eastern Europe. Two Tobacco Study Teams are likely to visit Africa and South East Asia in the near future to explore possibilities of augmenting India's Tobacco exports to these areas and to explain the potential in India to produce and supply different varieties of tobacco.

Ministry of Agriculture were requested to initiate action on the Tobacco Study Team's recommendations No. 5 to 8. The Ministry of Agriculture have reported as under:—

RECOMMENDATION NO. 5.—*Development of light soil tobacco.*

The Development Programme for the production of FCV tobacco in light soils is already in progress under the centrally sponsored scheme. It will be possible to cover an area of 32 thousand hectares by the end of the Fourth Five Year Plan. The production from the light soils during 1971-72 was around 16 mn. kilogrammes. It is proposed to continue this programme during the Fifth Five Year Plan period with a tentative target of 40,000 hectares.

RECOMMENDATION NO. 6.—*Consciousness about nekeesticide residues.*

This matter has already been considered by this Ministry. The concerned State Governments have been advised through the Directorate of Tobacco Development, Madras, to avoid the use of organic chlorine compound on Tobacco, as these compounds leave long lasting residual

effects on tobacco leaf. In addition, the Indian Council of Agricultural Research, who are primarily concerned with research in Agriculture, have also agreed to further strengthen the research work on this aspect.

RECOMMENDATION NO. 7.—High chloride Tobacco.

The question of discouraging the cultivation of FCV Tobacco in saline and low lying areas is already receiving the attention of the Ministry of Agriculture and all possible measures are being taken in this direction.

RECOMMENDATION NO. 8.—Low Nicotine Tobacco in India.

The Nicotine content in Tobacco leaf could be manipulated to some extent through soil management, fertilizer application and other agro-nomic techniques. Further reduction in nicotine content will be possible only through breeding of low nicotine varieties. The Indian Council of Agriculture Research have already taken up some projects for the breeding of low nicotine content varieties. The Tobacco Board, when set-up is expected to pay greater attention to this problem.

[Ministry of Commerce Department of Foreign Trade O.M. No. H.11013/24/73-Parl., dated 22-1-1974.]

Recommendation (Serial No. 126 Para. No. 5.128)

The Committee note that the problems of tobacco industry are many sided and there are different independent organisations looking after or experiencing 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 of 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.

Reply of Government

As a first step towards implementation of this suggestion the Government have decided to set up Tobacco Marketing Board for VFC tobacco. The Board will ensure that all the requirements of production and marketing of FCV tobacco take place in such a way as to promote systematic growth of the tobacco export industry in India.

[Ministry of Foreign Trade O.M. No. H-11013/3/72 Parl., dated 15-11-1972]

Recommendation (Serial No. 127 Para 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 recommendation 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.

Reply of Government

Exports of mica have been stagnant and production has been declining during the last decade. A Committee, named, Mica Advisory Committee was set up in April, 1970, to prepare a development programme for mica industry and to recommend steps necessary for promoting export of mica and mica products. The Committee has made a number of recommendations in this behalf. In pursuance of a few of these recommendations, a survey of export potential of mica has already been undertaken under US AID programme. A Delegation was sent to the important consuming countries namely. USA, UK, France and Japan. Export duty leviable on fabricated mica has been reduced from 40 percent *ad val* to 10 percent w.e.f. 1-5-1972 & export duty leviable on mica powder has been abolished from the same date with a view to encourage exports of fabricated/manufactured products ready for end use. As regards lower grade mica, the competition from synthetic is increasing in intensity and measures to sustain our exports are being reviewed constantly.

Further, in pursuance of the policy of the Government to increase the role of State agencies in the export trade of the country, export of processed mica other than fabricated mica, micanite & mica powder has been canalised through the Minerals and Metals Trading Corporation with effect from the 24th January, 1972. This would eliminate unhealthy trade practices and enable a promotional effort being made on an all India basis.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated
15-11-1972.]

Recommendation (Serial No. 128, Para. 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 handicrafts 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.

Reply of Government

The All India Handicrafts Board sends Sales/Study Teams of exporters to important countries of the world so as to enable them to find out tastes and requirements of the foreign buyers as well as to transact on the spot business. The following Sales/Study Teams have been sent so far:—

- (1) Study Team to Japan and Hong Kong to study the potential for the exports of the Indian hand knitted carpets, the techniques developed by Japan for designing production and export of their handicrafts as well as to promote sales of Indian handicrafts and carpets. The team consisted of Shri S.K. Guha, Development Commissioner for Handicrafts. 6th July 1970 to 20th July, 1970.

- (2) Study Team to Japan to make detailed study of the Japanese market for Indian Handicrafts and a detailed study from technical angle of the production techniques and design development of Japanese handicrafts Industries. From 30th May, 1970 to 16th June, 1970.

The team consisted of the Chairman and Director of Handicrafts from All India Handicrafts Board, a Deputy Secretary from the Ministry of Foreign Trade.

- (3) Demonstration of Tie and Dye Techniques for promotion of exports to France, Holland and Sweden. From 17th Oct., 1970 to 12th Nov., 1970.

The Team consisted of 2 Tie & Dye craftsmen and Assistant Director (Textiles) of the All India Handicrafts Board.

- (4) Sales-cum-Study Team to E.E.C. countries consisting of 4 handicrafts exporters. May, 1971.

- (5) Sales Team of Kashmir Handicrafts Exporters to Europe and America. From 25th May, 1970 to 12th July, 1970.

- (6) One man Sales Team for Carpets to America and Latin America. May-June, 1972.

2. More Sales-cum-Study Teams will continue to be sent to foreign countries in future. Possibilities of deputing Indian designers abroad to study the changing tastes of foreign buyers and consumers are also being explored.

3. Whatever information is gathered by our Sales/Study Teams about tastes and preferences of foreign buyers, as also the information received from our Commercial Representatives on the subject, is made full use of and is also disseminated to the craftsmen.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated
15th November, 1972].

Recommendation Serial No. 130, Para. 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 effective 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.

Reply of Government

The Government agree with the suggestion that the present level of export performance could be substantially improved upon by systematic exploitation of the rich potential of Indian seas. This could be done mainly by pressing into service a fleet of coastal and deep sea fishing trawlers. The question of obtaining additional trawlers is presently under earnest examination of the Government.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-
Parl., dated 15th November, 1972].

Further Information called for by Committee

Up-to-date information on the subject may please be furnished to the Committee.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII, dated 29th November, 1973].

Further Reply of Government

The Government have already announced the scheme of import of 50 additional trawlers in June, 1973. The applications from the various parties are received by the Ministry of Agriculture and a Committee of Secretaries is examining the cases to make allotments for import of fishing trawlers by the parties.

[Ministry of Commerce O.M. No. 11013/24/73-Parl., dated 22nd January, 1974].

Recommendation (Serial No. 131, Para. 5.146)

The Committee are of the view that in order to effect economy of scales of 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.

Reply of Government

Ministry of Agriculture has already a scheme of subsidising fishing vessels. Government is seized of the question of import of capital machineries/goods required by the fishing industry. The scheme of allowing duty free diesel oil to the fishing industry linked with exports has been agreed to in principle and the procedure to implement the scheme is being worked out in consultation with the various concerned departments.

[Ministry of Foreign Trade Office Memorandum No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 132, Para. 5.147)

The Committee note that India has a great potentiality of exporters 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 Marine Products Export Development Authority be taken by Government.

Reply of Government

The Marine Products Export Development Authority has been established at Cochin with effect from 16th August, 1972, to examine *inter-alia* these and other related questions and to take further necessary action in this regard.

[Ministry of Foreign Trade Office Memorandum No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 133, Para. 5.155)

The Committee note that the first co-ordinated effort to assess the country's requirements in respect of electronic 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 components from Rs. 14 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. 1,550 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.

Reply of Government

The Department of Electronics have accepted the recommendation and are taking all possible efforts for achieving targets of production of electronics items.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 134, 135, 136, Para. 5.156, 5.157, 5.158)

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.

The Committee further note that a comprehensive market survey in this field is being undertaken by a delegation sponsored by the T.D.A. and Electronics Commission for making an on the spot study and assessment of export possibilities in various countries of the world.

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.

Reply of Government

The Trade Development Authority has been charged with the task of promoting production and marketing of electronic equipments and components on a priority basis in consultation with the Electronic Commission and it is well on the job. Export marketing opportunities and importers in foreign countries for the range of electronic equipment produced in India have been and are being identified and transmitted by the Trade Development Authority to technically competent and commercially viable production units in the country. A functional bonded export processing zone in electronics near the international airport at Santa Cruz is a major step taken by the Trade Development Authority. When the project becomes fully operational, it is designed to yield a production and export per annum of U.S. \$=50 million worth of electronic equipment and components. A number of other export oriented production projects all over the country have been and are being sponsored by the Trade Development Authority.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15th November, 1972]

Recommendation (Serial No. 137, Para. 5.161)

The Committee expect that with the creation of Electronics Commission a well co-ordinated 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.

Reply of Government

The Department of Electronics have accepted the suggestion to review every year the plan for Research and Development in the light of performance and demand projection, with particular reference to exports.

[Ministry of Foreign Trade, O.M. No. H-11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 138, Para. 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 increase Rs. 1,59,927 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.

Reply of Government

The recommendation mainly concerns the Ministry of Agriculture and the points raised are already engaging attention of that Ministry.

[Ministry of Foreign Trade Office Memorandum No. 11013/3/72-Parl., dated the 15th November, 1972].

Further information called for by the Committee

Please indicate the Action Taken by the Ministry of Agriculture so far in implementation of this recommendation in the first instance.

[Lok Sabha Secretariat, O.M. No. 5/24(1)/ECII/72, dated the 29th November, 1973].

Further Reply of Government

The Ministry of Agriculture have since constituted a Working Group to examine the problems of export of forest produce from India with the terms of reference on the lines of the recommendation of the Estimates Committee.

[Department of Foreign Trade O.M. No. H-11013/24/73-Parl., dated the 22nd January, 1974]

Recommendation (Sr. No. 139, Para. 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.

Reply of Government

These observations have been brought to the notice of Ministry of Agriculture and others concerned.

[Ministry of Foreign Trade Office Memorandum No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 140, Para. 5.172)

The Committee note that the export of rice has not been significant. From a level of 2,632 M.T. in 1966-67 export rose to 32,768 M.T. in the year 1970-71. The Committee would, therefore, urge the 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.

Reply of Government

Government make all possible efforts to step up the export of rice (Basmati only). However its export depends on factors such as production, demand, prices internal/external and competition in foreign markets etc. Cultivation of any variety of rice concerns the Ministry of Agriculture, who have been requested to intimate the steps taken in this direction.

[Ministry of Foreign Trade Office Memorandum, No. 11013/3/72-Parl., dated 15th November, 1972].

Further information called for by Committee

Please indicate the steps taken so far by the Department of Agriculture in the direction of cultivation of exportable rice and the measure of success achieved.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72, dated 29th November, 1973].

Further reply of Government

The Ministry of Agriculture have intimated that the quality of rice of improved Sabarmati is not comparable to Basmati, although improved Sabarmati is fairly scented. Both grain fineness and cooking qualities are very inferior to Basmati. However, this variety had been included in Minikit testing programme and final view will be taken after the crop harvest and further milling and cooking quality test.

[Ministry of Commerce, O.M. No. 11013/24/73-Parl., dated the 22nd January, 1974].

Recommendation (Serial No. 141, Para 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.

Reply of Government

The observation of the Committee will be kept in view while formulating our programmes.

[Ministry of Foreign Trade Office Memorandum No. H-11013/3/72-Parl., dated 15th November, 1972]

Recommendation (Serial No. 142, Para. 5.177)

The Committee note that export of Banana has not made much headway during all these years. After having touched an export figures 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.

Reply of Government

Ministry of Agriculture have introduced in the various States the Centrally Sponsored Scheme to step up the production of exportable variety of bananas. There have been numerous difficulties in regard to these exports to Japan including those relating to quality, prices, packaging and shipping. Presently exports are being made to Gulf and some other countries in the Middle East. Exports to U.K. and other European countries are not likely till such time the Suez Canal is closed.

[Ministry of Foreign Trade Office Memorandum No. 11013/3/72-Parl., dated 15th November, 1972].

Recommendation (Serial No. 143 Para 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 for banana production. The Committee also take note of the fact that the Banana and Fruit Development Corporation pro-

posed to develop 4,000 hactres 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 trends 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 Bananas 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, lichi, etc.

Reply of Government

The recommendation concerns the Ministry of Agriculture and no action is called for on the part of this Ministry. That Ministry has been requested to take appropriate action in the matter and to intimate the same to this Ministry.

[Ministry of Foreign Trade Office memorandum No. H. 11013/3/72-
Parl. dated 15-11-1972.]

Further Information Called for by Committee

Please intimate the action taken by the Ministry of Agriculture in implementation of the recommendation.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72, dated 29-11-73]

Further Reply of Government

The Ministry of Agriculture have intimated that the one of the functions of the Banana Development Corporation is to provide guidance (technical) to the producers in the matter of scientific cultivation, transportation and handling of the fruits. The question of setting up of Pilot Farms, where potentiality of development of banana for export could be demonstrated is a part of over-all Package programme already undertaken by the Ministry of Agriculture and also proposed to be taken up by the Corporation for developing the production of banana in the selected areas for export purposes. In order to ensure that banana could reach export market in good shape, creation of adequate facilities for grading and packing is one of the functions of the Corporation and as such the suggestion of the Committee would be met with. Later on, in the light of the progress achieved in its functioning in the export of bananas, enlarging of its scope to cover other fruits could be considered.

[Ministry of Commerce Office Memorandum No. 11013/24/73-Parl.,
dated 22nd January, 1974.]

Recommendation (Serial No. 144, Para 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 lakhs 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.

Reply of Government

It is open to vanaspati factories to utilise their surplus capacity for the manufacture of vanaspati as well as refined oil for export. In view of the loss ordinarily incurred on exports of vanaspati due to uneconomical prices in foreign markets, exporters of vanaspati are presently being allowed the facility of importing an equivalent quantity of cheaper oils like soybean/sunflower/palm oil, subject to a maximum of 60 per cent of the f.o.b. value of the exports. Notwithstanding the general ban on exports of edible oils presently in force in the context of the prevailing shortfall in internal supplies, exports of vanaspati are freely permitted under this scheme. Despite these facilities, the quantity actually exported is very small, being just around one-to-two hundred tonnes per year. In view of this, substantial improvement in the export performance to the extent of bringing about full utilisation of the existing capacity of the industry does not seem practicable. Nevertheless the Ministry of Agriculture proposes to examine the feasibility of stepping up exports of vanaspati further.

So far as export of refined oil is concerned, here again, despite the general ban on exports of edible oils, limited exports of refined groundnut oil are being permitted within a specified ceiling which is reviewed from time to time.

It may be added here that, apart from the export potential which is relatively limited, the vanaspati industry is also utilising part of its surplus capacity for the production of substantial quantities of refined oil and industrial hard oil for meeting internal requirements—the current production of each of these commodities being around 50,000 tonnes per year.

As regards stepping up vegetable oil production the Ministry of Agriculture has, in conjunction with other concerned Ministries, already taken a number of steps, aimed at achieving an agronomic break-through in the production of oilseeds, the development of new crops like soybean, sun-

flower and oil palm and increased production of cottenseed, rice bran and minor seed oils.

[Ministry of Foreign Trade O.M. No. H-11013/3/72, Parl., dated 15-11-1972]

Recommendation (Serial No. 152, Para 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 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 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.

Reply of Government

At the end of October, 1972, the Government had taken over the management of 57 mills under the Industries (Development and Regulation) Act, 1951. Out of these 57 mills, the National Textile Corporation is the Authorised Controller for 18 mills and for the remaining State Textile Corporations individuals are the Authorised Controllers. However, in case of these mills also the National Textile Corporation plays a major supervisory role. As per the Sick Textile Undertakings (Taking over of Management) Ordinance, 1972 promulgated by the President, the management of 46 additional mills has been taken over by the Government of India under this Ordinance with effect from 31st October, 1972. The Central Government have appointed the National Textile Corporation as the Custodian General to have supervision and control over the affairs of these mills. In exercise of the powers delegated by the Central Government under the Ordinance, the National Textile Corporation (Custodian General) have appointed individuals as Custodian for 22 mills and the State Textile Corporation have been appointed the Custodians for the remaining mills.

Progress of Modernisation

Out of 57 mills, the management of which was taken over under the Industries (Development and Regulation) Act, 1951, the Government have so far approved the modernisation programme in respect of 46 undertakings involving a total outlay of Rs. 1789.56 lakhs. The modernisation programme of the remaining mills is also being worked out by the Corporation. This amount is to be shared by the National Textile Corporation and the State Governments/State Textile Corporations in the ratio of 51:49. The mills have already taken steps to purchase machinery worth about Rs. 775.70 lakhs.

Labour Rationalisation

Labour rationalisation scheme provides for the full payment of the retrenchment and gratuity compensation to those workers who may be voluntarily willing to go. There is no element of compulsion in it. The scheme of labour rationalisation initially covered 16 mills involving an estimated outlay of Rs. 1.35 crores. The number of mills now covered by this scheme is 23 which involves a total outlay of Rs. 1.86 crores. The scheme has made somewhat slow progress. The slow progress has been largely due to the reluctance on the part of workers and the labour unions to enter into the necessary agreements. The Corporation has so far advanced a loan of Rs. 12.84 lakhs towards this scheme to 7 mills. This has so far resulted in an annual saving of Rs. 15 lakhs approximately.

Setting up of Export oriented Spinning Mills

Now that the cotton textile industry is emerging from a period of recession on account of short cotton crops during the preceding three years, the proposal of setting up export-oriented spinning/composite mills in the public sector has been revived. The Board of Directors of the National Textile Corporation have recently approved the setting up of two export-oriented mills in the public sector and steps are being taken to prepare the feasibility report for the setting up of these mills.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl.,
dated the 23-12-1972].

Recommendation (Serial No. 153, Para 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 to the public sector

would be further strengthened so that it would 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, export from the public sector enterprises would further increase progressively.

Reply of Government

The recommendation of the Estimates Committee was brought to the notice of the various public sector undertakings in the industrial field by the Bureau of Public Enterprises. The public sector undertakings have confirmed that they had been preparing annual budget for exports and had also been making every possible effort to boost up exports of their products and of consultancy services to increase foreign exchange earnings of the country. The Bureau of Public Enterprises is keeping a watch on the implementation of the targets for export which are prepared by all public enterprises in the beginning of each year. The question of strengthening the export effort by the public sector is thus continuously under review and measures as and when necessary are taken.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl.,
dated 15-11-1972].

Further Information called for by Committee

Please indicate the decision taken and followup action taken in this direction up-to-date.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72,
dated 29-11-1973].

Further Reply of Government

Export effort by the public sector undertakings in the industrial field is being continuously strengthened. Export target are fixed annually with a view to increasing exports of various products consistent with internal requirements. The Bureau of Public Enterprises is keeping a watch on the implementation of the targets. As a result exports by the public sector undertaking increased further to Rs. 96.34 crores in the year 1970-71.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl.,
dated 22nd January, 1974].

Recommendation (Serial No. 154, Para 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 canalisations:

- (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;
- (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 licences.

Reply of Government

The points noted by the Committee are already being taken into consideration in connection with the canalisation of imports. Adequate foreign exchange ceiling in a mixed pack is provided to the canalising agencies within the availability of foreign exchange resources.

The position with regard to the different points raised above is given below:—

- (i) & (ii). It is the policy of Government to increase progressively the role of State agencies in import trade of the country. Canalisation of imports is effected gradually and only those items which are considered suitable for canalisation by the Import Policy Committee entrusted for imports to the State Agencies from year to year.
- (iii) Exports are canalised through State Agencies only when it has been ensured that it would result in maximisation of exports and the expertise required to handle the item exists in the State agency.
- (iv) The STC/MMTC are the main State Agencies through whom exports are canalised at present. These Corporations have been recruiting Managers in the "Specialist" category to equip the Corporation with personnel who can handle imports/exports efficiently.

- (v) The Corporations have foreign offices which keep them posted with day to day trends in world markets in respect of prices and supplies and the Corporations take full advantage of this intelligence to make purchases at opportune time and economically.
- (vi) Purchases of raw materials are made of required specifications and at the best prices in consultation with the consultative Committee on which Actual Users are represented and purchases are made at cheaper prices by taking advantage of the bargaining position on bulk purchasers. These prices are cheaper than could be obtained by individual consumers.
- (vii) The STC/MMTC are granted sufficient import licences to be able to make purchases wherever they are necessary.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 155, Para 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.

Reply of Government

The Consultative Committees for the various canalised commodities have been set up by the STC. These Committees advise the Corporation in regard to the quality specifications, etc., of the items to be imported, the sources from which such goods should be bought, etc., taking full advantage of bulk buying and bulk shipments. As a result, the State agencies are able to import more and more raw materials at the lowest rates and supply them to consumers at a reasonable price.

As regards the difficulties in initial period, the exporters are allowed to make imports direct against their import replenishment entitlements on the basis of letter of authority issued to them in respect of licences granted in favour of the canalising agencies, whenever necessary.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 156, Para 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. 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 production (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 knitwears and leather, the potentialities of the small-scale sector have been brought into effective use by the State Trading Agencies.

Reply of Government

About 50 per cent of exports made by the STC are obtained from Small Scale Sector.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 157, Para 6.30)

The Committee note the role of MMTC in maximising 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, 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.

Reply of Government

The Government fully agree with the expectations regarding the role of MMTC expressed in this recommendation. It is gratifying to note that MMTC's role in furtherance of mineral exports has been commanded. The measure of success achieved by the MMTC in rationalisation of rail transport, co-ordination of sales policy, synchronisation of infra-structure development plans through the Iron Ore Export (Project) Committee has been largely rendered possible by the degree of unified control vested in the MMTC in the field of mineral exports. In pursuance of the policy

of the Government to progressively nationalise exports, the Government has recently canalised exports of sillimanite, other than in granular form and Mica. As and when found appropriate, more minerals will be canalised for exports through MMTC. MMTC has already adopted the strategy of the mineral exports, which involves not only concentration on markets like Japan, where India has geographical advantage, but also markets in West Europe where India is at a disadvantage with a view to improving exports in future. Exploration of new markets for the export of minerals is a constant exercise. Long-term agreements for supply of sizeable quantity of iron ore have recently been concluded in the newly found markets in the Republic of South Korea and Taiwan. Internally, MMTC would continue to strive for increased production, improved inland transport, development of ports and mechanical loading facilities with a view to making Indian ore competitive in the international market.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial Nos. 160 and 161, Paras 7.13 and 7.14)

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.

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.

Reply of Government

The Government accept the recommendation of the Estimates Committee.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 162, Para 7.21)

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 Committee. The Committee need hardly stress that the utility of these Advisory Committees would be released 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 large exports. In short, there should be effective consultation between Government and the exporters with a view to maximise the national effort for export.

Reply of Government

Government have noted the recommendation of the Committee.

2. Apart from the meetings of the Board of Trade, Advisory Council on Trade and Zonal Import-Export Advisory Committees, which constitute forms for close consultation with the Trade and Industry, meetings are also periodically held by the senior officers of the Ministry of Foreign Trade and the CCI&E with the Chambers of Commerce & Industry and the other representative bodies to discuss with them the policy issues and other day-to-day problems of importers and exporters, with a view to taking appropriate measures for maximising production and export trade.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 163, Para 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.

Reply of Government

The various recommendations of the Bhagwan Singh Review Committee on Export Promotion Councils has been examined. A number of these recommendations have been accepted though with some modifications. Action has already been initiated to implement these recommendations.

The recommendations suggesting a recurring review of the working of Export Promotion Councils has been accepted with the modification that the working of Export Promotion Councils may be reviewed by a committee once in every three years. Besides, there would also be an annual appraisal of the performance of each council.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 165, Para 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 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.

Reply of Government

The Mica Advisory Committee which was set up in April, 1970, submitted its report in August, 1970. The Committee made a number of recommendations for promotion of exports of mica and mica products. The recommendations have been examined and a few of the recommendations made by the Committee have already been implemented. The others are still under consideration. As a result of the implementation of the recommendations export of mica improved in 1971-72 to Rs. 17.57 crores from Rs. 17.17 in 1970-71. Further steps are being taken to promote exports of mica and mica products with a view to achieving a substantial increase in their exports.

[Ministry of Commerce O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Further Information called for by Committee

Please state the latest position regarding implementation of the remaining recommendations of the Mica Advisory Committee.

[Lok Sabha Secretariat O. M. No. 5/24(1) ECII/72, dated 29-11-1973.]

Further Reply of Government

The recommendations made by the Mica Advisory Committee have since been implemented.

Exports of mica which were valued at Rs. 19.08 crores in 1965-66 had declined to the level of Rs. 15.5 crores in 1968-69. In 1970, this Ministry set up a Mica Advisory Committee to recommend steps for promotion of exports of mica and mica products. The Committee submitted its report in July, 1970. The Committee made recommendations pertaining to various aspects of the industry from the stage of production to exploration of export markets abroad. Some of the more important recommendations are that:—

- (i) Export duty leviable on export of mica may be reduced/abolished and floor prices increased with a view to (a) making mica mining a worth while proposition (b) to reducing f.o.b. prices of lower grades of mica to make it competitive in world markets.
- (ii) Export of fabricated mica instead of processed mica may be encouraged to earn larger foreign exchange and all possible facilities be provided for development of fabrication industries.
- (iii) Research programme in cooperation with the Central Glass and Ceramics Research Institute, Calcutta and UNIDO may be Instituted to explore new end uses for mica.

The question of reduction/abolition of export duty in the light of recommendations by Mica Advisory Committee was accordingly taken up with the Ministry of Finance (Department of Revenue). Export duty on fabricated mica was reduced from 40 per cent *ad val* to 10 per cent *ad val*. Export duty on mica powder leviable at 20 per cent *ad val* was completely removed with effect from 1st May, 1972.

Export duty on higher grades of mica was reduced from 40 per cent to 30 per cent *ad val* of medium grades from 40 per cent to 20 per cent *ad val* and of lower grades of loose splittings from 20 per cent to 15 per cent *ad val*.

With a view to boosting production of mica and consequently its exports, floor prices of mica have been revised with effect from 1st January, 1973. Thus the relief afforded by reduction of export duties on various grades of mica has been passed on to the Indian mine owners/exporters in the case of exportable grades of mica. Floor export prices have been reduced for the grade/qualities which had become uncompetitive.

Besides revision in export duties and floor prices, several other measures have also been taken by this Ministry to revive the interest of the consumers in use of mica as insulating material. The anomalies in price control regulations and application of export duties which were affecting exports have been removed. Quality control procedures have been made vigorous and procedures for export have been streamlined.

A Delegation led by a senior officer of this Ministry and representatives of trade and industry was sent to the important consuming countries to make a study of their requirements of various grades of mica in changing pattern of demand and effect sales of lower grades of mica. As regards fabricated mica, facilities have been provided to the fabrication industry in the matter of import of tools and other equipment.

Export of processed mica has been canalised through Minerals and Metals Trading Corporation with effect from 24th January, 1972 with a view to assisting the small exporters and mine-owners. The Minerals and Metals Trading Corporation is reserving 30 per cent value of foreign contracts for mica for procurement from small exporters and mineowners. 70 per cent of the contracts are distributed to the erstwhile exporters giving the regard to their exports in their traditional markets.

The complexities of mica trade are such that it needed undivided attention which the MMTC, despite its expertise in exports of minerals, was unable to give due to the already extensive responsibilities shouldered by it. It has, therefore, been decided to set up Mica Trading Corporation of India as a Subsidiary of the MMTC. The Corporation would not only establish a broad-based export trade in mica but would eliminate complete dependence on a few established exporters and at the same time would provide incentives and opportunities to the weaker section of the trade. Other functions of the Corporation would be to purchase, process, fabricate and export mica and mica products. Pending formation of the Corporation, MMTC, is continuing its purchase/export operations.

[Ministry of Commerce O. M. No. H-11013/24/73-Parl., dated 22-1-1974.]

Recommendation (Serial No. 166, Para 7.66)

The Committee feel that the functions of the TDA, 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 review 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 TDA 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.

Reply of Government

The Inter-Ministerial Working Groups are exclusively concerned with identifying product areas for a build up of capacity for export and determining the concrete measures necessary to achieve this objective. The TDA which is itself represented in the Inter-Ministerial Working Groups, generates specific proposals for expansion/creation of capacity from specific entrepreneurs in specific product areas. These proposals after approval of the Inter-Ministerial Working Groups are processed in the Industrial Licensing Committee, Capital Goods Licensing Committees and Foreign Investment Board, as the case may be. The functions of TDA and the Inter-Ministerial Working Groups are, therefore, complementary.

As between the Export Promotion Councils and the TDA, *inter se*, the former operate at the macro level while the latter operates at the micro level. The package plan of servicing of inputs into export production and marketing at a single point is unique to TDA. Projects like the Santa Cruz Export Processing Zone in electronics are also, for the present, the concern of TDA. The selective approach of TDA to products, production units and overseas buyers for intensive export promotion is, therefore, different to that of the Export Promotion Councils which deal with the problems and prospects of export in the aggregate. The TDA is intended to complement the activities of the Councils by providing additionality of services selectively. The Ministry of Foreign Trade is nevertheless aware of the need to avoid any duplication and overlapping of activities between the TDA and other organisations. The Steering Committee of the TDA, which is a high

powered body, has the Secretary of this Ministry as its Chairman. This Committee will, no doubt, keep a watch on the activities of the TDA *vis-a-vis* the activities of other E. P. organisations so that there will be complementarity and not duplication in their activities.

TDA has been working actively for promoting exports of the medium and the small scale sector. Of 297 units enrolled with TDA as on 31st March, 1972, 252 belong to the medium and small sectors of industry. Of the export contracts of Rs. 6.14 crores secured by TDA for its clients for new products and new markets, Rs. 4.94 crores went to medium and small sectors of industry. Of 29 export-oriented production projects piloted by TDA, 27 were on account of medium and small sectors of industry.

Regarding collection and collation of information, the TDA Information Centre as tentatively envisaged at present, will coordinate and supplement the existing trade information services in the country. The Centre will seek to achieve this objective through the development of an integrated information system. Under the system, the information resources of all the organisations providing trade information will be pooled at the central data bank operated by the TDA Information Centre, and appropriately exchanged through a common system to be uniformly followed by all concerned. Discussions amongst the TDA and various Export Promotion Organisations like the E.P. Councils, Commodity Boards, STC, IIFT, MMTC, etc. are in progress with a view to establish this system. At an appropriate stage Government will give full consideration to this proposal in all its bearings and will in particular satisfy itself that there is no avoidable overlapping and duplication of functions before the system becomes operational. At the moment only that part of the system is operational in the TDA as concerns the member-clients of the TDA engaged in the production and export of a selected range of products.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 167, Para 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 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 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 export commensurate with the money spent from the public exchequer and that there is no unnecessary duplication in administrative machinery.

Reply of Government

The Government accept the recommendation that, among others, the T.D.A. should concentrate its efforts on seizing opportunities for export from the middle and small sectors of industry for products and ancillaries, arising out of vacation of labour-intensive production in the developed world and international and multi-national subcontracting. In fact, TDA has already shown the necessary initiative in catalysing four transfers of industrial plant, tooling and technology from the developed world to India for export of the resultant production to the former. TDA has also established a permanent linkup with UNIDO's International Subcontracting Exchange at Vienna under which an expert from the said Exchange recently surveyed *inter alia* medium and small scale units in the country to whom subcontracting enquiries from abroad could be remitted.

The Annual Report of TDA will be placed before Parliament. TDA is also being asked to have a performance budget.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 168, Para 7-68)

The Committee also suggest that all Government sponsored and aided export organisations should have a performance budget.

Reply of Government

Noted.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 23-12-1972.]

Recommendation (Serial No. 172, Para 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. Security 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.

Reply of Government

Government are conscious of the need to eliminate delays in the fixation of replenishment percentage and cash compensatory support for new export products. Not unoften the delay is caused because the necessary statistical data is not supplied to the Government. Proforma have been devised and circulated to Export Promotion Councils which would make for speedy decisions. Cases not involving detailed examination of cost data etc. are finalised in the Inter-departmental meetings which are held at quick intervals.

The Committee's observations regarding cash compensatory support being kept under review have been noted. Government have been following this policy.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 23-12-1972.]

Recommendation (Serial No. 174, Para 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 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.

Reply of Government

The recommendation of the Committee regarding expeditious disposal of applications has been noted.

The other recommendation of the Committee relating to rejected proposals has been noted. Reasons of rejection will in future be suitably conveyed to the applicants.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 7-12-1972.]

Recommendation (Serial No. 175, Para 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 sectors.

Reply of Government

Noted.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 23-12-1972.]

Recommendation (Serial No. 177, Para 10.14)

The Committee note that a Working Group comprising the IDBI, 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 buyers' 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.

Reply of Government

The Working Group set up to examine the question of introduction of buyer's credit system in India has submitted its report. The Group has recommended such a step and based on the recommendations made by it, steps are being taken to amend the Industrial Development Bank of India Act for providing a export credit facilities on buyers' credit basis. After the IDBI Act is amended, the Export Credit and Guarantee Corporation will start providing insurance and guarantee facilities in such cases as well.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 23-12-1972.]

Further Information called for by Committee

Please state the latest position in this regard for information of the Committee.

[LSS O. M. No. 5/24(1)/72-ECII, dated 29th November, 1973.]

Further Reply of Government

The scheme of Buyer's Credit has been introduced by the IDBI and the Export Credit and Guarantee Corporation Limited, Bombay, has been authorised to issue financial guarantees in such cases as well.

[Department of Foreign Trade O.M. No. H-11013/24/73-Parl., dated
22nd January, 1974.]

Recommendation (Serial No. 178, Para 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 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 per cent 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.

Reply of Government

The Committee's observations have been noted.

2. The value of exports insured by the Export Credit and Guarantee Corporation rose from Rs. 110.3 crores in 1970 to Rs. 138.1 crores in 1971. In the first nine months of 1972, i.e., January, 1972—September 1972, the Corporation insured exports worth Rs. 136.8 crores as against Rs. 76 crores during the same period in 1971.

3. The continuous rise in the business underwritten by the Corporation over the years shows that the services of the corporation are being available of to an increasing extent. Among other things, this has become possible because the Corporation has progressively liberalised and extended the coverage of its schemes resulting in better service and to the exporters more business to the Corporation.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial No. 179, Para 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.

Reply of Government

The ECGC has been taking steps to intensify the publicity campaign and to improve the quality of service. The steady rise in the business underwritten by the Corporation over the years from Rs. 6.96 crores in 1960 to Rs. 439.49 crores in 1971 and the number of policies and guarantees issued from 324 in 1960 to 3827 in 1971 indicates the growing popularity of the Corporation.

2. Operational and Management study of the Corporation has recently been made by the Indian Institute of Management, Ahmedabad, under a programme approved by the Government. Recommendations of the Institute are being examined to further streamline the working of the Corporation.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 23rd December, 1972.]

Recommendation (Serial No. 180, Para 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 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.

Reply of Government

The Government in the Ministry of Foreign Trade has already initiated action for extending the scope of quality control and pre-shipment inspection to ensure that the quality is built into the product by the use of proper raw materials and exercising in-process quality control measures in the units manufacturing for export. Such measures are already enforced in respect of products like diesel engines, electric fans, sewing machines, small and hand tools, bicycles, automobile spares, power driven pumps, transmission line towers, steel tubes, paints and allied products and jute products. In the cashew processing units, an entomological service is being operated through which it is ensured that the Indian Cashew Kernel processing units are kept free from insect infestation and operate in hygienic conditions. Recently surveys have also been carried out for all the fish and fishery products processing units in the country with a view to examining the sanitary and hygienic conditions presently obtaining in them. Necessary recommendations have been made to the individual units in this behalf. The survey has been undertaken to ensure that the production of these units conform to the acceptable level of bacteriological requirement of the importing countries.

With a view to increasing quality consciousness in the jute industry, recently seminars were organised in collaboration with the Indian Jute Industries' Research Association at the various jute mills to devise steps for the improvement of the quality of the carpet backing, particularly with reference to the requirements of the American buyers. Seminars were also held at important manufacturing centres like Bombay, Madras, Cochin, Delhi, Calcutta etc. for the benefit of the chemical industries. Visits of U.K. Experts were also arranged to give advice to the manufac-

turing units as to how to implement and/or improve quality control system in their factories.

It is further proposed to augment the area of operation of quality control to ensure that the quality is built into the product right from the raw material stage to the finished product.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15th November, 1972.]

Recommendation (Serial No. 181, Para 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.

Reply of Government

Duplicate inspection for quality generally arises when the foreign buyers depute their own surveyors for carrying out inspection of the goods prior to shipment. In such cases, efforts are made to avoid duplicate inspection by coordinating the inspection of the Export Inspection Agency with that of the surveyors nominated by the foreign buyers. With the increased publicity of the quality control measures in force in India and the confidence of the importers in the pre-shipment inspection system being adopted, it is envisaged that the foreign buyers would gradually do away with the practice of nominating their own surveyors for the purposes of quality assessment.

In order to make the Indian goods more acceptable to the foreign buyers, action has already been initiated by the Government of India in the Ministry of Foreign Trade to obtain standard specifications of the various competing countries in respect of the commodities exported from India. For this purpose the Government is drawing upon the necessary assistance from the Indian High Commissions/Embassies abroad.

Whenever a complaint on quality is received it is promptly investigated and settled in consultation with the trade, Indian High Commission/Embassies and the related organisations.

As regards the coordination of inspection with customs, Customs generally do not open the consignment sealed by inspection agencies. Only when the customs have doubts that the consignments have been tampered with, it becomes necessary to open them.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15th November, 1973.]

Recommendation (Serial No. 182, Para 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 Council's 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.

Reply of Government

The Export Inspection Council's procedure are reviewed from time to time in the light of experience gained. With a view to providing effective supervision and coordination at various tiers of inspection system, regional offices of the Council have been set up at Cochin, Bombay and Delhi. Adequate laboratory facilities are also being made available for the individual commodities at the place of inspection. As an example, in respect of fish and fishery products, testing facilities have been provided at Cochin, Quilon, Alleppey, Calicut, Mangalore, Goa, Calcutta, Bombay and Madras. Similarly, for jute products, facilities have been made available at Calcutta.

Necessary land for the construction of the Pilot Test House at Bombay has already been acquired through the Government of Maharashtra. United Nation's experts are also expected to join in the near future.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15th November, 1972.]

Recommendation (Serial No. 183, Para 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.

Reply of Government

Government have noted the observation of the Committee.

It is proposed to print Brochures in foreign languages for distribution to importers, principle Chambers of Commerce, Trade Associations etc.

highlighting quality control and preshipment inspection measures taken by the Government. So far brochures have been printed in Arabic, French, German, Russian and Spanish. The Export Inspection Council participated in the Zagreb International Autumn Fair, Yugoslavia held in September 1971. Council's participation in the Fair was very useful in projecting the image of India as a supplier of quality goods. Such participation is proposed to be repeated in some other Fairs as well.

Further, it is proposed to make and show documentary films for the purpose of projecting the image of quality of Indian export commodities and the various quality control and inspection measures being enforced, for ensuring that only standard quality goods are exported from India. Commentaries will also be dubbed in French, German, Dutch, Arabic and Italian languages.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated
15th November, 1972.]

Recommendation (Serial No. 184, Para 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.

Reply of Government

The Working Group on Commercial Publicity was set up to review the commercial publicity activities of the concerned organisations including their journals and periodicals. The Working Group accordingly examined publicity activities of the Directorate of Commercial Publicity and also various other organisations such as the Federation of Indian Export Organisations, Export Promotion Councils and the Commodity Boards. The publicity material issued by these organisations was also examined. As a result, several improvements have already been effected in the journals and periodicals of the Directorate.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated
15th November, 1972.]

Recommendation (Serial No. 187, Para 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.

Reply of Government

A separate unit called Research and Evaluation Cell is being created in the Directorate of Exhibitions and Commercial Publicity for evaluating the immediate and long term results of participation in International Fairs/organisation of exclusive Indian Exhibitions abroad and for processing follow up action.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15th November, 1972.]

Recommendation (Serial No. 189, Para 13.30)

The Committee note that Indian Foreign Service is meant to cover all aspects of functions 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 the 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.

Reply of Government

The period of commercial training for all Indian Foreign Service probationers has since been increased to three months in consultation with the Ministry of External Affairs. It has also been decided that officers who are selected for commercial posts are given another spell of three months, training in commercial work before they take up commercial assignments.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 23rd December, 1972.]

Recommendation (Serial No. 190, Para 13.31)

The Committee also feel that the officers of the Foreign Service should be included 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 and which should help them to establish better report 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 plan, (details of which should be worked out in close conjunction with the Ministry of Foreign Trade), to regions/countries where there 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.

Reply of Government

At present there are 6 posts of Under Secretaries and above in this Ministry which are reserved for the Foreign Service Officers.

Foreign Service Officers are encouraged to learn Foreign language, but it may at times, be difficult to post an officer with intensive background knowledge of the language concerned to the area where the language in question is spoken. Efforts will, however, be made to the extent possible, to post those officers who have adequate knowledge of the language.

This Ministry is now being associated with the finalizing of posting of F.S. officers abroad against commercial posts.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 23rd December, 1972.]

Recommendation (Serial No. 195, Para 13.36)

The Committee expect the Head of Mission, 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.

Reply of Government

This role of the Head of the Missions, Commercial/Trade Representatives in this regard has been accepted. The Ministry of External Affairs have also brought this again to their notice.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial No. 197, Para 13.38)

The Committee would also impress on the Ministry of Foreign Trade the need for spelling out its exports targets in terms of commodities and countries in greater details so that efforts 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 building up trade relationships which are mutually beneficial and satisfactory.

Reply of Government

Government agree with the desirability of spelling targets on lines indicated by the Committee and is taking action accordingly.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 198, Para 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.

Reply of Government

The availability of the requisite inputs for export products on priority basis is being kept under review for taking suitable remedial action, wherever feasible. As for the supply of steel for export production, the recommendation of the Committee is being substantially implemented. There are standing arrangements and schemes under which exporters can get the facility of obtaining advance licences, replenishment licences, etc.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial No. 199, Para 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 coordination 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

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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 purposely guided to achieve the planned goal of exports paying for all imports.

Reply of Government

Government agree with the observations of the Committee that foreign trade, economic and commercial considerations constitute vital constituents of an effective foreign policy. To ensure that there is effective coordination between the agencies concerned at the highest level, the Government of India have set up Inter-Ministerial Committee of Secretaries on Foreign Affairs and which includes among other the Secretary (Foreign Trade).

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial No. 200, Para 13.43)

It is imperative in the interest of promotion of country's foreign trade that the market surveys are not upto the minute but cover all aspects of significance of Indian exporters. The Committee consider that Government should critically apprise without delay the methodology and scope of export surveys in consultation with export organisations, 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, co-ordinated and purposeful plan, which would serve 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 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.

Reply of Government

The recommendation is being implemented by the Ministry. Market surveys are being co-ordinated by the Special Committee, set up under the Chairmanship of the Economic Adviser, who co-ordinates all research work relating to foreign trade. It is the responsibility of the Committee not only to initiate research projects and market survey but also to see that the methodology applied is such as would yield the maximum practical results. It is expected that with this co-ordinating mechanism survey and other research relating to foreign trade, will be given a proper direction avoiding duplication of effort.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 201, Para 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.

Reply of Government

The recommendation is already being implemented.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 202, Para 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.

Reply of Government

Dissemination of information having a bearing on foreign trade is done by the Ministry and through Trade Development Authority, Institute of Foreign Trade and Export Promotion Councils and the Commodity Sections of this Ministry.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972]

Recommendation (Serial No. 203, Para 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.

Reply of Government

The recommendation has been noted for guidance.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972]

CHAPTER III

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

Recommendation (Serial No. 8, Para 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.

Reply of Government

The Export Policy Resolution contains a broad indication of the type of policies that the Government of India would pursue for the realization of the country's export objectives. The Resolution is in the nature of guidelines and its coverage is nearly as wide as the administrative responsibilities of the Ministry of Foreign Trade. The Ministry's Annual Report describes the major export promotion activities of the Ministry and can be used as a basis for evaluation of the progress in implementation of the Export Policy Resolution. As such, a separate annual statement may involve unnecessary duplication. It is, however, proposed to include in the Annual Report of this Ministry a separate chapter on the implementation of the Export Policy Resolution.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated
15-11-1972]

Recommendation (Serial No. 13, Para 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 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 Ministry 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, 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 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 D.G.C.I.&S. and the R.B.I. should be on some common basis and understanding so as to obviate any conclusion arising in public mind from two sets of disparate figures on the same subjects.

Reply of Government

It is not possible to implement the observations of the Committee contained in the last sentence of the recommendation as the export figures compiled by the DGCI & S and RBI differ in coverage, valuation and timing. Also, the two sets of figures are based on different source material. Even otherwise they are compiled for different purposes: One is Customs data (a record of what goes out) while the other reflects the balance of payment position (a record of receipts on this account).

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl. dated 15-11-1972]

Recommendation (Serial No. 32, Para 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 coordinate 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.

Reply of Government

The question as to which of the canalised items of steel should be handled by the MMTC and HSL, was examined at the time of formulation

of import policy for 1971-72, and all the pros and cons were gone into. It was felt that as steel is imported in large number of categories and each category again has numerous sizes, thickness, chemical composition and other specifications etc., imports can be handled better by an organisation which is equipped with the knowledge of the technicalities of steel and its uses and is also fully alive to the continuously changing pattern of steel demand. HSL is also in a position to examine and suggest to the consumers the need and possibilities of imports substitution. The present arrangements also enable them to consider the need/feasibility of developing steel sections/specifications which are imported. Even the production programme of the indigenous producer can be adjusted wherever possible to suit the requirements of the consumer. In this background it was felt that it would be more advantageous if steel imports are not segregated from the production and distribution of indigenous steel. As imports are only complementary to the indigenous availability, canalisation through HSL, makes it possible to implement a coordinated programme of domestic production, imports and distribution of steel.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Recommendation (Serial No. 33, Para 3.81)

The Committee note that Government propose to authorise the Industrial Raw Materials Assistance Centre to under-write the supply of raw material 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.

Reply of Government

The Industrial Raw Materials Assistance Centre operates in the field of non-canalised items and supplies raw materials against surrender of AU/REP licences. There is no proposal at present to augment the scope of the functioning of this Centre. Apart from this, the facility in respect of canalised items is provided by the STC and this sector has been augmented considerably in the recent past.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated 23-12-72.]

Further Information called for by the Committee

The Committee were assured during evidence that Government were thinking of augmenting the scope of functioning of I.R.M.A.C. authorising them to under-write the supply of raw materials and to come to assistance

of those who had entered into long term large amount contracts and to ensure that supplies required by exporters were made available whether from indigenous source or by import. It has been stated in reply that there is no proposal at present to augment the scope of functions of the Centre. Please state the considerations for which the idea has been given up.

[Lok Sabha Sectt. O.M. No. 5/24/1/ECII/72 dated 29-11-1973.]

Further Reply of the Government

The purpose of setting up of the Industrial Raw Materials Assistance Centre was to import in bulk raw materials for arranging off-the-shelf deliveries to the Actual Users/registered exporters and also to function as an indenting house. Actual users could obtain from this Centre, raw materials against their Actual user/replenishment licences. The IRMAC announces for the information of the industry the items which are/will be available with them for off-the-shelf delivery against valid import licences.

Essentially the operational area for IRMAC was confined to non-canalised items. The items which the IRMAC can thus import for Actual Users/Registered Exporters are automatically reduced in number with the progressive expansion of items canalised through state trading agencies which in subsequent years has increased in a substantial measure.

2. As regards the proposal that the IRMAC should also assist those exporters who had entered into long term and large amount contracts and ensure supply of raw materials to them in accordance with Schedule of deliveries, the matter was considered in great length at the meeting of the Import Policy Advisory Committee and ultimately the consensus of opinion was that such a scheme will involve serious practical difficulties and may cut across the basic activities of various specialised canalising agencies set up specifically for the purpose by the Government. It was, therefore, decided that at least for the time being, augmenting the scope and functions of the Centre in this direction may be held over.

[Ministry of Commerce O.M. No. H-11013/24/73-Parl. dated 22-1-1974.]

Recommendation (Serial No. 38, Para 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 licensing timely imports.

Reply of Government

The procedure suggested by the Committee is already being adopted substantially in regard to the supply of steel for export production. So far as the question of timely licensing of the requirements of imported raw materials is concerned, there are standing arrangements and schemes under which exporters can get the facility of obtaining advance licences, replenishment licences, etc. As regards the availability of major raw materials from indigenous sources at international prices, while Government to appreciate the advantage to export industry of such an arrangement, certain financial and administrative constraints as also the need for catering to the maintenance of the economy would make it difficult to make such arrangements on a wide basis. However, the position is being kept under review for taking suitable remedial action wherever feasible.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated
23-12-1972.]

Recommendation (Serial No. 45, Para 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 per cent and countervailing 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.

Reply of Government

The Committee has made two-fold recommendation. It has recommended that the Government should review the duties on packaging materials used for exports and has also recommended that the Government should formulate a production programme of packaging materials to adequately meet the growing need of these essential materials at international prices.

2. It is true that the import duty at 100 per cent adds substantially to the cost of imported packaging materials, but this is largely offset by the

drawback of duties which is allowed on such materials used for packaging export products. Drawback Schedule drawn/by Ministry of Finance provides for all industry rates of drawback on different items, such as:

(i)	Corrugated Card board	45 paise per Kg.
(ii)	Mill Board	19 " " "
(iii)	Jute Manufacturers Hession	Rs. 600 per M/Ton
(iv)	Other jute items	Rs. 600 per M/Ton
** (v)	Tin plate container	Rs. 786.25 per M/Ton
* (vi)	Steel drum ungalvanised	Rs. 368.50 per M/Ton
* (vii)	Steel drum galvanised	Rs. 440.75 per M/Ton
(viii)	Glass & Glass-ware	Rs. 12.80 per M/Ton
(ix)	Glass & Glass-ware when filled	Rs. 152.80 per M/Ton
(x)	Polythelene containers	Rs. 178.00 per quintal
(xi)	PVC containers	-
	(a) if flexible	Rs. 75.50 per quintal
	(b) if rigid	Rs. 123.70 per quintal.

3. Indian Institute of Packaging, Bombay, have undertaken an exercise to fix norms of packaging requirements for different products and to determine the total requirements with reference to targets of production in different industries. This would serve as the base for production programme of packaging materials.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 7-12-1972.]

Recommendation (Serial No. 46 Para No. 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. In spite 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 bottlenecks which impede growth in the export of such items are overcome in the shortest possible time.

*In addition to the rebate of excise duty on finished Steel Drums.

**In addition to the rebate of excise duty on Tin containers.

Reply of Government

1. The UNCTAD study confirmed the existence of high anomalous and discriminatory freight rates particularly in respect of non-traditional items which came in the way of export growth. It had recommended the introduction of promotional and developmental rates and also evolution of measures aimed at instilling some discipline in the functioning of the Conferences and compelling them to meaningful consultations with shipper interests and Government before hiking up the rates.

2. The Operation Research Group study undertaken with the cooperation of USAID had emphasised the need of India going in for more and more mechanisation in the field of cargo handling. Like the NCAER study it also highlighted the necessity of opening new shipping routes as also of providing better shipping facilities between India and other developing countries and fixing helpful rates for Indian exports.

3. At the national level continuous efforts are being made to obtain helpful rates from shipping Conferences and induce Indian lines to open up new routes. Appropriate procedures have been evolved to obtain rate adjustment and promotional rates for new items of export. Rate adjustments have been secured in a large number of cases and promotional rates obtained in more than 300 cases. During the last few years Indian lines have introduced promotional shipping services on a large number of new routes. The question of providing a direct shipping link between India and Latin America is also under consideration.

4. Regarding introduction of latest technological innovations in the field of ocean transportation, the Containerisation Seminar Report submitted in November, 1971 recommended early introduction of palletisation and gradual switching over to containerisation in selected routes. The Indian shipping companies have started going in for semicontainerised vessels to begin with. Port Committees have been established at the major ports to hasten the introduction of palletisation and other unitised methods of packaging in our exports.

5. At the International level, India is cooperating with other developing and developed countries in evolving a universally acceptable Code of Conduct for Liner Conferences and make it binding through an international Convention. The unified draft Code formulated by Group '77' was discussed at UNCTAD-III in Santiago and the relevant UNCTAD-III resolution on the subject is now before the U.N. General Assembly.

6. With a view to obtaining more tangible results at a quicker pace, the question of Government clothing itself with some statutory powers to regulate shipping Conferences and freight rates as also strengthening the existing institutional infra-structure for obtaining fair freight treatment for

India's exports is now under active examination in consultation with the Ministry of Shipping and Transport.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 7-12-1972.]

Further Information called for by Committee

The Committee may be apprised of the latest information on the subject.

[L.S.S. O. M. No. 5/24(1)/EII/72, dated 29-11-1973.]

Further Reply of Government

In para 3 of Government's earlier reply it had been stated that "the question of providing a direct shipping link between India and Latin America is also under consideration".

The question of introducing a shipping service to Latin America has been examined in depth in consultation with the Ministry of Shipping and Transport and concerned organisations. It has been found that the existing quantum of trade on this route is not adequate for operation of an economically viable direct shipping service. The requirements of the trade are being met on the basis of transshipment and/or by round the globe services provided by some foreign lines.

In para 4 of Government's earlier reply it was stated that "Port Committees have been established at the major ports to hasten the introduction of palletisation and other unitised methods of packaging in our exports."

The Four Committees set up at the ports of Bombay, Calcutta, Madras and Cochin have held periodical meetings and as a result some concrete measures have been taken to unitise cargoes wherever possible and provide the necessary infra-structure at the ports to handle the same. For instance tea now moves increasingly by pallets. Cashew is now shipped in cartons instead of wooden cases and so suitable for shipment in pallets or containers.

It may, however, be stated that the process of changeover to palletisation and other forms of unitisation of cargoes cannot but be slow in view of the additional investment involved and changes to be made all along the line.

Insofar as para 6 of Government's earlier reply is concerned it may be stated that further consideration of the issue relating to Government acquiring powers to regulate shipping Conferences is closely linked with the formulation of a universally acceptable Code of Conduct for Liner

Conferences now being handled by a Conference of Plenipotentiaries under the auspices of UNCTAB. The final session of this Conference is scheduled for March, 1974.

[Ministry of Commerce O. M. H-11013/24/73-Parl., dated 22-1-1974.]

Recommendation (Serial No. 49 Para 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 of 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.

Reply of Government

Ship acquisition is a process which does not depend on availability of rupee resources alone. Ships can by and large be purchased only when foreign credits are available or when the individual shipping companies are able to raise foreign exchange loans or secure attractive deferred payment terms. Only when these are settled, and ships have been permitted to be purchased, the question of rupee loans arises. As such, the larger or smaller rupee loans granted every year depends upon ship acquisition programmes and proposals. The quantum of loan actually disbursed in a year depends on loan instalments falling due in the year in respect of loans sanctioned in earlier years and is not proportional to loans sanctioned during that year.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Recommendation (Serial No. 68 Para No. 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.

Reply of Government

The 10 per cent import surcharge imposed by the US Government on the 15th August, 1971 was withdrawn in December, 1971. No action is therefore, necessary on this recommendation.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972].

Recommendation Serial Nos. 145, 146, 147, 148, 149, 150 & 151) (Paras Nos. 5.198, 5.199, 5.200, 5.201, 5.202, 5.203 and 5.204)

The Committee are not convinced with 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 by product and the domestic dairy has continued 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.

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.

Secondly the Committee do not feel that Government could achieve the object of developing the Cottonseed Crushing Industry by discouraging the export of the by-products that is, oilcakes, Conversely decortication will augment the supply of oil by utilising fully the existing output of oil-seeds especially cottonseeds.

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.

Besides there are other good reasons to see that the Cottonseeds Crushing Industry was developed, such as, scientific development of Cottonseeds Crushing Industry by diverting the seeds, now used as cattle-feed, for Crushing purposes woned pane the way for import substitution of woned pulp by indigenous manufacture of linter pulp and stop the drain of valuable exchange on import of soyabeen oil.

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.

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.

Reply of Government

The question of cash assistance on the export of decorticated cottonseed cakes and extractions is being reviewed in consultation with the other concerned Ministries/Departments.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 15-11-1972].

Further Information Called for by the Committee

Please intimate the latest position in regard to implementation of this recommendation.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII-72 dated 29-11-73.]

Further Reply of Government

The Working Group set up by the Ministry of Foreign Trade to study the question of cash assistance on export of decorticated cottonseed cakes/extractions, desired that the views of the Cost Accounts Branch of the Ministry of Finance in respect of economies of production of that product may be sought before the matter is processed further. Accordingly the Cost Accounts Branch were requested to undertake the cost study of some of the units and furnish their report in the matter. Pending Report of the Cost Accounts Branch, it was decided to allow cash assistance provisionally from 15th November, 1972 up to 31st March, 1973 at the rate of 10 per cent of the f.o.b. value against exports of decorticated cottonseeds cakes (solvent extracted variety only). However, it was also decided that the Government reserved the right to reduce the rate of cash assistance or withdraw the same on the basis of detailed examination being carried out even before the said date of 31st March, 1973.

After examining the Report submitted by the Cost Accounts Branch, the Government decided to withdraw cash assistance against exports of decorticated cottonseeds cakes (solvent extracted variety) with effect from 24th March, 1973.

There is enough capacity for crushing cotton seeds in a scientific manner, i.e., through decorticated solvent extraction process. The linters and oil thus products are utilised in the country and the solvent extracted cakes are exported. There has been a major increase in the Crushing of Cotton seeds through this process in 1972-73 and in the current year.

The markets in U.K., East and West Europe are being explored and the exports of decorticated cottonseeds cake and extractions have shown a general increase.

[Ministry of Commerce, O.M. No. 11013/24/73-Parl. dt. 22-1-1974].

Recommendation (Serial No. 158 Para 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 Governments 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.

Reply of Government

Government consider that it would be adequate if the Board of Trade would meet at least twice a year.

[Ministry of Foreign Trade O.M. No. 11013/3/72-Parl., dated 15-11-1972].

Recommendation (Serial No. 159 Para 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.

Reply of Government

The Board of Trade is a large body consisting over 46 members and it would not be practicable to have quarterly meetings of the Board. However, arrangements do exist for the Standing Committee of the Advisory Council on Trade to meet on a quarterly basis. This provides a forum for a more frequent dialogue with the exporting and other interests concerned.

[Ministry of Foreign Trade O.M. No. 11013/3/72-Parl. dt. 15-11-72].

Recommendation (Serial No. 164 Para 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 specified allocation in the budgets of the Councils for the activities relating to the small enterprises. In this connection the Committee would recommend the establishment of cell in the Ministry of Foreign Trade which in coordination with the organisation of the D.C. (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 Export Promotion Councils, the Committee would commend the early implementation of the recommendations of the Review Committee in this regard.

Reply of Government

Every endeavour is being made by the Government to encourage the small scale sector. The Government has recommended to the Councils that visits to foreign countries is being given to the representatives of the small scale and medium scale industries to play their rightful role in the export field. It is the primary function of the Export Promotion Councils to promote exports of the group of products entrusted to them. This can only be done with the active and collective participation of the exporters from large scale, medium scale and small scale sectors. The nature of the promotional activities of the Councils in such that it would perhaps, not be practicable to divide these activities, among different categories of exporters. However, the Councils have lately been ensuring due participation of the medium and small scale exporters in the important activities. Suitable representation in delegations and study teams sponsored by the Councils for visits to foreign countries is being given to the representatives of the small scale sector. The Government has recommended to the councils that membership fee for the members from the small scale sector may not exceed half of the fees prescribed for primary members, the Working Committee/Committee of Administration should have 10 per cent membership from small scale sector and that the representation of the Federation of Associations of Small Scale Industries on the Panels of the Councils may be considered depending upon the role the small scale sector could play in relation to products covered by a council.

The recommendations regarding the establishment of a cell in the Ministry of Foreign Trade in coordination with the Development Commissioner. Small Scale Industries, and the product coverage are being examined. The criteria suggested by the Review Committee regarding the export performance of small scale members is also under examination.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated 23rd December, 1972].

Further Information Called for by the Committee

Please state the decision taken on the question of setting up a cell in the department of Foreign Trade to pursue the programmes and activities of the Export Promotion Councils and other organisations on the requirement of Small Scale Enterprises and on the criteria suggested by the Review Committee regarding export performance of small Scale Members.

[LSS O.M. No. 5/24(1)/ECII/72, dated 29th November, 1973].

Further Reply of Government

The existing full fledged Export Promotion Division of the office of the D.C.S.S.I. has been actively pursuing, in consultation with the Ministry of Commerce, the programmes and activities of the Small Scale Sector. As a result of a close and intimate organisational tie-up with S.S.I. Units, this Directorate attends to problems of export promotion which are better tackled together with other problems of production of S.I.I. Units. Arrangements have, therefore, been made to intensively associate that Directorate in all deliberations of the Ministry of Commerce, and through periodic meetings together with the Export Promotion Councils and other Organisations. This arrangement ensures both the integrated export promotion strategy pursued by the Ministry of Commerce, and the special attention/servicing required for Small Scale Sector. The creation of an additional administrative set up like a Cell in the Ministry of Commerce will lead to avoidable duplication of machinery and a multiplicity of Officers covering the same ground. The Ministry of Commerce therefore, does not consider that a separate Cell is necessary for this work.

The criteria suggested by the Review Committee regarding Export performance of Small Scale Members has been accepted.

[Ministry of Commerce O.M. No. H-11013/23/73-Parl, dated 22nd December 1974].

Recommendation (No. 169 Para 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 accept 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.

Reply of Government

The Committee has stressed that the Indian Institute of Foreign Trade should concentrate on training and such studies on organisational aspects which are not being undertaken by any other Government sponsored/aided agency.

Training of export management personnel is only one of the functions of the Institute. The principal activities of the Institute, as listed in its constitution, fall under the following four broad heads:

- (a) organisation of market research, area surveys, and commodity studies;
- (b) training of personnel;
- (c) research projects; and
- (d) collection and dissemination of information relating to or arising from the activities of the Institute.

The Institute has developed a variety of executive, functional and orientation programmes for the benefits of export executives of the junior, middle and senior levels. In its past programmes, about 2,375 persons have participated, including 70 from Latin American, African and Asian countries.

The Institute has plans to conduct an increasing number of regional and inter-regional programmes and has been continuously developing new approaches and styles in training through extensive use, *inter alia*, of case studies, educational films, simulation exercises, role playing and panel discussions. It will continue to lay emphasis on the development of training programmes.

The expansion of the activities of the Institute, particularly in relation to training programmes, would be better facilitated if it had more adequate accommodation for holding classes and also hostel accommodation. Participants for its training programmes are drawn from various parts of India and other developing countries. The Institute has been designated as the National Unit for disseminating information about UNCTAD's activities. All these highlight the need for the Institute to have a proper building of its own. Efforts are being made to procure a plot of land for the Institute.

The functions of the Institute include the undertaking of studies such as commodity studies, State Export potential surveys, country surveys, overseas market surveys, functional research studies, dissemination of commercial information and the like. Over a period of years, the Institute has been involved in the country's marketing research effort and has undertaken a number of useful surveys and studies within the country and abroad,

especially in relation to non-traditional export products and exploration of new markets.

The material collected in these studies also forms a basis for faculty development and is utilised in the Institute's varied training programmes. Any curtailment of this activity will affect the quality of the Institute's training programmes also.

As regards overlapping with the Trade Development Authority's activities for information gathering, it may be stated that the Trade Development Authority is in the process of setting up an integrated information system, which will provide for the pooling of the information resources of all organisations providing trade information and appropriate exchange through a common system to be uniformly followed by all concerned. TDA has initiated discussions with other export promotion organisations such as Export Promotion Councils, Commodity Boards, STC, MMTC and IIFT. At an appropriate stage Government will give full consideration to this proposal and satisfy itself that there is no overlapping and duplication of functions. It may also be pointed out that the Institute's role in information gathering will be limited to the areas in which it undertakes research.

As for overlapping in the field of market research etc. the Ministry of Foreign Trade had considered the relative roles of the Indian Institute of Foreign Trade and the Trade Development Authority in relation to programmes of research and analysis. It has been recognised that TDA's role in research is largely to farm out research project to other institutions in the country rather than to undertake research itself and, in doing so, full use must be made of the facilities available with the IIFT which has developed considerable expertise in dealing with problems of foreign trade. A Committee has been set up in the Ministry of Foreign Trade to identify on a continuous basis, the areas of research from the policy angle and bring them to the notice of TDA and IIFT.

Government will always keep in view the need to avoid any duplication between the IIFT and other organisations. The Governing Body of the IIFT has the Secretary, Ministry of Foreign Trade as its Chairman. The Governing Body will, no doubt, keep a watch on the activities of the IIFT *vis-a-vis* the activities of other export promotion organisations so that there is complementarity and no duplication in their activities.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Recommendation (Serial No. 170 Para 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 ex-

porters 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 assessment/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.

Reply of Government

The measures adopted for promoting export trade are kept constantly under review and changes made in the policy is and when found necessary. Besides, a comprehensive review is made at the time of formulating the Registered Exporters Policy for a new year. In the circumstances Government do not feel the necessity of conducting a review/assessment every six months.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated 23rd December, 1972].

Recommendation (Serial No. 171 Para 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 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 longer 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.

Reply of Government

Government note that the Committee have suggested the administration of incentive schemes under one authority so as to expedite the facilities in favour of the exporters. Government further note that with the same objective in view, the Committee have suggested that disbursement of cash compensatory support might be made through banks. There are practical difficulties in the matter of administering all incentive schemes including drawbacks through one agency. Further, if cash compensatory

support is disbursed through banks, in any case, the replenishment licences would have to be issued by another organization as banks could not be expected to deal with such a technical matter as the issuance of replenishment licences. Apart from this, the idea that cash compensatory support might be disbursed through banks is not proposed to be pursued for certain reasons. These are that the work of the grant of cash compensatory support often requires an interpretation to be made in regard to the classification of an export product and the category of cash assistance to be allowed to it. Since all the banks and their branches could not be expected to be fully conversant with this subject, there would be risks of over/under payments. The risk would be the greater when certain special replenishment facilities are allowed in the context of particular import contracts requiring a higher figure of import content but which facility, in turn, requires an adjustment to be made in the quantum of cash assistance to be allowed. These operations can be satisfactorily performed only by a governmental agency. Further, since disbursement of cash compensatory support is made from the consolidated fund of India, the transactions have to be subject to audit acceptable to the Comptroller & Auditor General of India. Disbursement through banks would not be amenable to such audit.

Government are, however, in full agreement with the purport of the Committee's recommendation viz., that there should be expedition in the matter of granting various facilities to the exporters. With this and in view, recently, the grant of replenishments import licences, compensatory support and duty drawbacks have all been simplified. Subject to the fulfilment of certain conditions, exporters can get cash compensatory support upto 75 per cent and replenishment import licences upto 100 per cent and duty drawback upto 75 per cent on the basis of a preliminary scrutiny of their claims. This is expected to accelerate the present position considerably.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 23-12-1972.]

Recommendation (Serial No. 185 Para 12.11)

The Committee note that this Working Group set up by the 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 consideration to the recommendations contained in the Report of Working Group and take decision thereon expeditiously.

Reply of Government

The Report of the Working Group has already been submitted to the Cabinet Secretariat and the decision of the Committee of Economic Secretaries is expected shortly.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Further Information Called for by Committee

The latest position as regards the decisions taken by the Committee of Economic Secretaries on the report of the working group and follow-up action taken thereon may be intimated to the Committee.

[Lok Sabha Secretariat O.M. No. 5/24(1)/ECII/72 dated 29-11-1973.]

Further Reply of Government

A note containing the recommendations of the Working Group was submitted to the Cabinet Secretariat for consideration by the Committee of Economic Secretaries. This was received back with suggestions for changing the note.

On an examination it was felt that the recommendations of the Working Group did not touch the basic problems. It has therefore been decided to reorganise the Directorate of Exhibitions and Commercial Publicity itself with a view to making it a more specialised and vibrant organisation for coordinating the activities of Commercial Publicity, Exhibitions in India and Exhibitions abroad. The subject matter is being given more detailed thought in consultation with various concerned Ministries/Departments of Government of India who are actually concerned. Accordingly it is proposed to set-up a unified high power agency, which should be responsible for organising all trade oriented exhibitions, including those to be held in India from time to time as major events and also for undertaking commercial Publicity in India and abroad. Proposals in this regard are being worked out.

The question of implementing the working groups recommendations therefore does not arise.

[Ministry of Commerce O.M. No. H-11013/24/73-Parl. dated 22-1-1974.]

Recommendation (Serial No. 186 Para 12.15)

The Committee note that the Standing Export Publicity Advisory Committee in the 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 publi-

city; 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.

Reply of Government

The recommendation of the Committee were duly considered by the Working Group on Commercial Publicity and the report of the Working Group is under consideration of the Committee of Economic Secretaries. Its decisions are expected shortly.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl.,
dated 15-11-1972.]

Further Information Called for by Committee

Latest position may be intimated to the Committee.

[Lok Sabha Secretariat O.M. No. 524(1)/ECII/72, dated 29-11-1973].

Further Reply of Government

A note containing the recommendations of the Working Group was submitted to the Cabinet Secretariat for consideration by the Committee of Economic Secretaries. This was received back with suggestions for changing the note.

On an examination it was felt that the recommendations of the Working Group did not touch the basic problems. It has, therefore, been decided to reorganise the Directorate of Exhibitions and Commercial Publicity itself with a view to making it a more specialised and vibrant organisation for coordinating the activities of Commercial Publicity. Exhibitions in India and Exhibitions abroad. The subject matter is being given more detailed thought in consultation with various concerned Ministries/Departments of Government of India who are actively concerned. Accordingly it is proposed to set up a unified high power agency, which should be responsible for organising all trade oriental exhibitions, including those to be held in India from time to time as major events and also for undertaking commercial Publicity in India and abroad. Proposals in this regard are being worked out.

The question of implementing the working group's recommendations therefore does not arise.

[Ministry of Commerce O.M. No. H-11013/24/73-Parl. dated 22-1-1974.]

Recommendation (Serial No. 188 Para 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 programme, 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. The Committee hope that the recommendations of the Working Group will be examined and implemented by Government expeditiously.

Reply of Government

The recommendations of the Working Group are under study by the Government and acceptable recommendations shall be implemented soon. [Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated 22-1-1974].

Further information called for by Committee.

Please state the latest position in this regard.

[Lok Sabha Secretariat O.M. No. 5/24(1)ECH/72 dated 29-11-1973.]

Further Reply of Government

On an examination it was felt that the recommendations of the Working Group did not touch the basic problems. It has therefore been decided to reorganise the Directorate of Exhibitions and Commercial Publicity itself with a view to making it a more specialised and vibrant organisation for coordinating the activities of Commercial Publicity, Exhibitions in India and Exhibitions abroad. The subject matter is being given more detailed thought in consultation with various concerned Ministries/Departments of Government of India who are actively concerned. Accordingly it is proposed to set up a unified high power agency, which should be responsible for organising all trade oriented exhibitions, including those to be held in India from time to time as major events and also for undertaking Commercial Publicity in India and abroad. Proposals in this regard are being worked out.

The question of implementing the working groups recommendations therefore does not arise.

[Ministry of Commerce O.M. No. H-11013/21/73-Parl. dated 22-1-1974].

(Serial No. 193 Para 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 all concerned their responsibility for achieving greater exports.

Reply of Government

Although the main function of the Trade/Commercial representatives abroad is the promotion of trade and not actual sales as such Government agree with the Committee that the work undertaken by the Commercial Offices in the Missions should be reflected in some demonstrable results by way of expansion of trade, particularly the exports. Also, even though it may not be always possible to link expenditure incurred on the Commercial Offices with the results achieved, the additional inputs on account of any increase in expenditure should at least show a rising trend in exports. The exports to a particular country are, however, influenced by many other factors, such as, production constraints of the importing country, the monetary system and the fiscal and tariff policy followed by the country. The financial accountability in this regard will be, therefore, difficult of enforcement.

[Ministry of Foreign Trade O. M. No. H-11013/2/72-Parl.,
dated 23-12-1972.]

Recommendation (Serial No. 196 Para 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 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.

Reply of Government

There is, at present, no provision for lateral entry into the Foreign Service or even any standing arrangements for appointment of officers drawn from Foreign Trade and Exporting Organisations in the Public Sector etc.,

to Commercial posts abroad. The question of such entry as also the question of any weightage being given to such experience, for promotion to posts of higher responsibility in their own parent cadre is under examination in consultation with the Ministry of External Affairs.

[Ministry of Commerce O.M. No. H-11013/3/72-Parl., dated 23-12-1972.]

Further information called for by Committee

Up-to-date information as regards the decision taken in the matter may be intimated to the Committee.

[Lok Sabha Secretariat O.M. No. S/24(1)/ECII/72, dated 29-11-1973.]

Further reply of the Government

There is at present no provision for the lateral entry into the Foreign Service. The recruitment to the IFS is governed by the rules framed in consultation with the Department of Personnel, U.P.S.C., Law Ministry etc. The recruitment of the lateral entry into the Foreign Service is adequately met by certain number of posts of Heads of Missions being filled by non-cadre persons.

Suitable weightage is already being given to Commercial experience for promotion of IFS officers to the posts of higher responsibility.

Ministry of Commerce O. M. No. H-11013/24/73-Parl., dated 22-1-1974.]

CHAPTER IV

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

Recommendation (Serial No. 7 Para 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 details 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 lackadissical 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.

Reply of Government

The recommendation of the Committee is noted. Every effort is being made to expedite submission of reports by the Inter-Ministerial Working Groups.

[Ministry of Commerce O.M. H-11013/24/24-Parl., dated 15-11-1972]

Further Information called for by the Committee

Please state the latest position in regard to the submission of Report by the Inter-Ministerial Working Group and concrete measures taken in pursuance of the Report.

Further Reply of Government

Twelve Working Groups for specified product groups were constituted under the Chairmanship of Joint Secretaries in the various administrative

Ministries concerned. Out of these twelve Working Groups, it was decided that Working Groups on Aluminium Metal and Aluminium Metal Manufactures (Working Groups C.I. and F. 2) need not function because there was no prospect of export of these items due to shortage of raw material.

Out of the remaining ten Working Groups which are functioning, the following five have already submitted their reports:—

- | | |
|-----------------------|--|
| 1. Working Group A | Pig Iron, Mild Steel, Tool Alloy and Special Steel. |
| 2. Working Group C. 2 | Plastic resins and manufactures. |
| 3. Working Group D | Metallurgical equipment, Small and cutting tools, Metal Cutting machines, Chemicals and Fertiliser plants. |
| 4. Working Group E | Automobile ancillaries. |
| 5. Working Group F.1. | Ferrous castings and forgings. |

Working Group H (Processed Foods) has submitted only an interim report.

The report of the Working Group F.1 (Ferrous Castings and Forgings) was considered in an Inter-Ministerial Meeting held on 26th October, 1973. In this meeting the problems relating to availability of Pig Iron, Scrap, and Power were considered and the concerned Ministries were requested to take necessary action to expedite decision at their ends so as to help in the implementation of the recommendations of the Working Group.

The reports of the remaining four Working Groups are being examined.

Reminders for expediting reports of the remaining five Working Groups (B, G, H, I & J) have been issued.

[Ministry of Commerce O.M. H-11013/24/24-Parl., dated 22-1-1974.]

Recommendation (Serial No. 19 Para 3.24)

The Committee are of the view that conflict between domestic consumption and export may arise when there is a 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, increased 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.

Reply of Government

Government are conscious of the need for creating sufficient production of exportable industrial goods and have set up various Working Groups for different industries for preparation of detailed plans for increasing their production.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972]

Further Information called for by Committee

Please state the latest position in regard to the submission of Report by the Inter-Ministerial Working Group and concrete measures taken in pursuance of the Report.

[Lok Sabha Secretary O.M. No. 5/24/1/ECII/72 dated 29-11-1973.]

Reply of Government

Twelve Working Groups for specified product groups were constituted under the chairmanship of Joint Secretaries in the various administrative Ministries concerned. Out of these twelve Working Groups, it was decided that Working Groups on Aluminium Metal and Aluminium Metal Manufactures (Working Groups C.1. and F.2) need not function because there was no prospect of export these items due to shortage of raw material.

Out of the remaining ten Working Groups which are functioning, the following five have already submitted their reports:—

- | | |
|----------------------|--|
| 1. Working Group A | Pig. Iron, Mild Steel, Tool Alloy and Special Steel. |
| 2. Working Group C.2 | Plastic resins and manufactures. |
| 3. Working Group D | Metallurgical equipment, Small and cutting tools, Metal cutting machines Chemical and Fertiliser Plants. |
| 4. Working Group E | Automobile and ancillaries |
| 5. Working Group F-1 | Ferrous castings and forgings. |

Working Group H (Processed Foods) has submitted only an interim report.

The report of the Working Group F.1 (Ferrous Castings and Forgings) was considered in an inter-Ministerial Meeting held on 26th October, 1973. In this meeting the problems relating to availability of Pig Iron, Scrap, and Power were considered and the concerned Ministries were requested to take necessary action to expedite decision at their ends so as to help in the implementation of the recommendations of the Working Group.

The reports of the remaining four Working Groups are being examined.

Reminders for expediting the reports of the remaining five Working Groups (B, G, H, I & J) have been issued.

[Min. of Commerce O.M. No. H-11013/24/73-Parl., dated 22-1-1974]

Recommendation (Serial No. 20 Para 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 manufacture of such items in the country.

Reply of Government

The observations of the Committee have been noted and will be communicated to the Chairman of the Working Group to be kept in view in the course of deliberations.

[Min. of Foreign Trade O.M. No. H-11013/3/72, dated 7-12-1972]

Further Information called for by Committee

Please state the latest position in regard to the submission of Report by the Inter-Ministerial Working Group and concrete measures taken in pursuance of the Report.

[L.S.S. O.M. No. 5/24/1/ECII/72, dated 21-11-1973.]

Further Reply of Government

The observations of the Committee have been brought to the notice of the Chairman of the Working Group J (DCSSI) who has noted them.

[Min. of Commerce O. M. No. H-11013/24/73-Parl., dated 22-1-1974.]

Comments of the Committee on Recommendations Nos. 7, 19 and 20

The Committee are distressed to note that out of the ten Working Groups appointed as early as 1970, five Working Groups viz., B, G, H, I and J have not yet submitted their Report even after a lapse of more than three years. Five other Groups viz., A, C, D, E and F. I have submitted their Reports but these Reports are still being examined and no tangible action has been taken in implementation of these Reports.

The Committee would like to point out that the constitution of these Groups followed the Export Policy Resolution introduced in Lok Sabha in 1970 wherein it was envisaged that in each of the broad lines of production such as agriculture, horticulture, sericulture, forestry, fisheries, minerals, textiles, chemicals and engineering industries, electronics etc., the products having long term export potential would be identified with greater precision and special measures and programmes would be undertaken to secure their development and improvement. At the same time, attention and assistance would also be provided for consolidating the position acquired in overseas markets by our traditional products and for identifying in these sectors, new areas of growth and production adaptation. Based on this, production programmes of various export products, both agricultural and industrial products were to be designed so as to secure steady increase in export surpluses for items having export potential. It hardly needs to be pointed out that the identification of the 20 items was intended to be only

an initial step in this direction to be followed by a coverage of wider range of products. This, in the opinion of the Committee, was an essential basic approach which, if followed faithfully, could have placed our export effort on a sound and scientific footing and could have substantially benefited the economy of the country as a whole. Even though the targets have been achieved, it must have been presumably with a considerable strain on the home consumption in the absence of any concerted efforts in the direction of generating export surpluses in the fields where a considerable export potential exists.

The Committee take a serious view of the situation and strongly urge that the whole matter may be re-examined at the highest level and urgent steps taken to ensure early submission of the Reports of those working Groups which have not yet submitted their reports and to ensure expeditions follow-up action in implementation of the reports of the Working Groups which have already submitted their reports.

The Committee would also like to be apprised of the circumstances leading to undue delay in submission of these Reports.

Recommendation (S. No. 120, Para. 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.

Reply of Government

Every effort is being made to mechanise the small scale units, so as to impart standardisation and thereby bringing about improvement in the quality of footwear. A Committee set up by the Ministry of Foreign Trade under the Chairmanship of Dr. A. Seetharamiah, Deputy Director General, Technical Development has gone *inter-alia* into the question of setting up of co-operatives for exports of footwear.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 15-11-1972.]

Further information called for by Committee

The Committee may be apprised of recommendations made by the Committee set up by the Ministry of Foreign Trade under the Chairmanship of Dr. A. Seetharamiah, Deputy-Director General, Technical Development on the question of setting up of cooperatives for exports of footwear and steps taken in pursuance thereof.

[Lok Sabha Secretariat O. M. No. 5/24/(1)/ECII/72, dated 29-11-1973.]

Further reply of Government

The Seetharamiah Committee has not made any recommendation about the setting up of cooperatives for exports of footwear.

[Deptt. of Foreign Trade O. M. No. H-11013/24/73-Parl., dated 22-1-1974.]

Comments of the Committee

The Committee are surprised that the Seetharamaiah Committee, which was, inter alia stated to be going into the question of setting up of Co-operatives for export of footwear, did not make any recommendation in this regard. The Committee would like Government to go into this matter and apprise them of the reasons for the Seetharamaiah Committee refraining from making recommendations in this respect.

Recommendation (Serial No. 173 Para 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.

Reply of Government

The Marketing Development Fund was established to stimulate and diversify that export trade and to develop the marketing of Indian products and commodities in foreign countries. The operation of the Fund is based on a critical examination of the proposals that come before the M.D.F. Committee, Export Promotion Councils are encouraged to come up for assistance from the Fund with fresh proposals in the field of marketing. Rigidity of approach is scrupulously avoided in dealing with new ideas and fields. The administration of the Fund is marked by a degree of flexibility which adequately subserves the objectives of the Fund. It is, therefore, felt that a separate review as suggested by the Committee may not be necessary.

[Ministry of Foreign Trade O. M. No. H-11013/3/72-Parl., dated 7-12-1972.]

Comments of the Committee

Even though the operation of the Marketing Development Fund is based on a critical examination of the individual proposals that come before the Marketing Development Fund Committee, the Committee feel that a critical overall review periodically may be of great advantage in the interest of better utilisation of funds and for a more effective achievement of the objectives for which the Fund has been established. With this and in view, the Committee would reiterate the need for a critical overall review by Government of the Marketing Development Fund.

CHAPTER V

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

Recommendation (Serial No. 48, Para 3.139)

48. 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 requirements 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 the 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.

Reply of Government

The recommendation of the Committee that this matter should now be finalised without any further delay is being brought to the notice of the National Shipping Board.

As far as the observation of the Committee about reconstitution of the Board, it may be stated that with the dissolution of the last Lok Sabha, the members of the Board who represented the Lok Sabha ceased to be members of the Board. The new Lok Sabha then, on a motion, elected four Members for being appointed on the National Shipping Board. There was a vacancy in the Chairmanship also and the question of selecting a Chairman could not be settled. In the meanwhile, the term of the Board expired. It was then considered whether the four Members who have been elected to fill the casual vacancy but whose nomination has not been notified could be appointed to the full term of two years in the reconstituted Board. The Ministry of Law who were consulted in the matter opined that this cannot be done and new nominations should be obtained. A motion was accordingly moved in the next Session of the Lok Sabha and

on receipt of the nominations, the Board was reconstituted on 24-1-1972. The Board is a statutory body and the Board meetings are fixed by the Chairman. The reconstituted Board held its first meeting on 15th June, 1972, and at the meeting reconstituted the concerned sub-Committee.

Further Information Called for by Committee

Please state the up-to-date position in regard to the examination by the Sub-Committee of 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 old ones together with all the questions relating to Indian Shipping Services with particular reference to India's export trade and also taking into account the need for new promotional services.

Further Reply of Government

The material for answering this question has necessarily to emanate from the Ministry of Shipping and Transport and a reference has been made to that Ministry. The said material will follow shortly.

[Ministry of Commerce O. M. No. H-11013/24/73-Parl., dated 22-1-1974]

Comments of the Committee

"Action Taken on the recommendations of the N.C.A.E.R. Study may be intimated to the Committee.

Recommendation (S. No. 121, Para 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.

Reply of Government

Report of the Modernisation of Leather Industry Committee set up under the Government Council of Leather and Leather Goods Industry is still awaited. Government will consider the recommendations of the Committee on receipt of the report.

[Ministry of Foreign Trade O.M. No. 11013/3/72-Parl. dated 15-11-1972]

Further information called for by Committee

The Committee may be apprised of the recommendations of the modernisation in Leather Industry set up under the Development Council of Leather and Leather goods industry and steps taken in implementation thereof.

[Lok Sabha Secretariat O.M. No. 5/24/(1)/ECII/72 dated 29-11-1973]

Further reply of the Government

The report of the Committee on modernisation of leather and leather goods industries set up by the Development Council for Leather and Leather Goods Industries is still awaited.

[Ministry of Commerce O.M. No. H-11013/24/73-Parl., dated
22-1-1974.]

Comments of the Committee

*The Committee are surprised to note that the report of the Committee on modernisation of leather and leather goods industries set up by the Development Council for Leather and Leather Goods Industries is still awaited. The Committee urge that this Committee should be urged to submit their report without further delay so that necessary steps could be taken in the light of its report towards modernisation of the leather industry.

Recommendation (Serial No. 176 Para 10.11)

The Committee note that the question of 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.

Reply of Government

The Banking Commission which was constituted on 3-2-1969 submitted its report on 9-2-1972. The Commission has not recommended the setting up of an Export Import Bank because in their view, the genuine needs of exporters are being met adequately under the existing banking facilities. The report is at present under examination by the Department of Banking, Ministry of Finance, in consultation with the Reserve Bank of India and the Industrial Development Bank of India and Government decisions have yet to be taken.

[Ministry of Foreign Trade O.M. H-11013/3/72-Parl., dated
23-12-1972.]

*At the time of factual verification Government have intimated that the Committee on Modernisation of Leather and Leather Goods Industries has since submitted its Report to the Development Council for Leather and Leather Goods Industries which was considered by the Council on 14th March, 1974. The various recommendations are now receiving the attention of the Ministries concerned.

Comments of the Committee

Final decision taken on the question of setting up of an Export Bank may be communicated to the Committee as early as possible.

Recommendations (Serial Nos. 191 and 192 Paras 13.32 and 13.33)

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.

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 level impress on the Head 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.

Reply of Government

The Ministry of External Affairs has already impressed on the Heads of our Missions abroad the need for larger involvement and greater attention being paid to commercial work in terms of the observations made by the Committee. In regard to their recommendation that senior officials of the Ministry of Foreign Trade should also be closely associated in evaluating the performance and achievement of officers working on foreign trade and commercial assignments abroad, the matter is under examination in consultation with the Ministry of External Affairs.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl., dated
23-12-1972.]

Comments of the Committee

The Committee may be apprised of the decision taken in this regard and steps taken in implementation thereof.

Recommendation (Serial No. 194 Para 13.35)

The Committee consider that 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 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.

Reply of the Government

Government agree with the observations of the Committee in regard to the need for career planning of officers to be eventually posted to senior diplomatic assignments. Their recommendation suggesting greater interchange of officers between the Ministries of External Affairs and Foreign Trade to promote better coordination both at the field and policy level is, however, under examination in consultation with the Ministry of External Affairs.

[Ministry of Foreign Trade O.M. No. H-11013/3/72-Parl. dated
23-12-1972.]

Comments of the Committee

"Follow-up action on the recommendations regarding greater interchange of officers between the Ministries of External Affairs and Foreign Trade may be intimated to the Committee.

Appendix I

(Vide Reply to Recommendation at Sl. Nos. 93, 95 and 96)

Statement showing Export Quotas and Performance with EEC., UK. and U.S.A. for Cotton Textiles

Figures in Metric Tons

Year	Quota	Performance
EEC		
1968-69	7800	7150
1969-70	7800	4644
1970-71	11500	2387
1971-72 (upto 31-8-1972) .	11500	3723

Year (December-Nov)	Yarn		Cloth	
	Quota (million kgs.)	Performance	Quota (million sq. yds)	Performance
UK				
1967-68	11·731	8·613	189·919	203·634
1968-69	11·848	13·875	195·705	157·995
1969-70	11·966	9·540	202·917	77·131
1970-71	12·086	5·567	204·946	111·940
1972 (January-October) . .	12·207	7·235	206·995	78·925

Year (Oct.-Sept.)	Quota Performance	
	(million sq. yds.)	
<i>U.S.A.</i>		
1968-69	92·61	86·54
1969-70	92·61	86·03
1970-71	110·00	93·23
1971-72	115·50	119·70

*Quota year is October-September and in case of West Germany January-December

APPENDIX II

Statement referred to in further reply of Government to recommendation No. 116 para 5.93 contained in the 14th Report of the Estimates Committee (Fifth Lok Sabha) of the Ministry of the then Foreign Trade

Recommendations	Action taken
1	2

1. Creation of Infrastructure

Finishing centres may be set-up especially in areas where there is a concentration of small scale tanners by the existing tanners. Export Promotion Councils, State Industrial Development Corporation, etc.

2. New entrepreneurs may be encouraged to set-up finishing units on condition that they would start from the stage of E.I. or wet blue leather. In case of foreign companies, larger industrial houses, etc. and in cases where the Government guarantee to export a considerable portion of the production should be stipulated.

These recommendations are acceptable and action on these lines will be taken by the Ministry of Commerce and the Ministry of Industrial Development. It is proposed to set up a Leather Export Development Corporation to serve as the canalising agency for exports of leather and footwear and also to undertake developmental work for export of finished leather and leather goods. The Ministry of Industrial Development propose to set up a Leather Development Corporation or a Commodity Board for the development of the leather industry.

3. The Committee has estimated that for conversion of 25 per cent of E.I. tanned and Chrome tanned leather (unfinished) exported in 1971-72 to finished leathers, 26 units are to be set up with a total investment of Rs. 20 crores including machinery valued at Rs. 4 crores out of which machineries worth Rs. 3 crores are to be imported. It is estimated that the additional foreign exchange earning would be about Rs. 31 crores. If a portion of this finished leather is further converted to footwear and other leather goods the foreign exchange earnings would be still higher.

4. Setting-up of New Units

Public Notice may be issued by the Government inviting fresh applications for setting-up of units for production of finished leather based on E. I. tanned and chrome tanned leather as raw materials. In case of application from large industrial houses and in cases involving foreign collaborations, a substantial export obligation may be prescribed.

5. *Cash Subsidy*

Cash subsidy to the extent of 15 per cent may be given against the exports of finished leather and leather manufactures only for the purpose of building up of the infrastructure i.e. land, building, and machinery which may be accumulated over a period of 5 years and disbursed after producing documentary evidence of the steps taken for putting-up the necessary infrastructure for modernisation, balancing and authorised expansions.

6. In case of exporters taking loans or those who have already taken loans for setting-up of the infrastructures from the nationalised banks or any other financial institutions, the cash subsidy may be disbursed adjusted against such loans.

7. *Provisions in the Trade Plans*

While negotiating trade plans with various countries especially with the East European countries, increased provisions may be made for the exports of finished leather and leather manufactures reducing the quantities of E.I. and Chrome tanned leathers. They may be persuaded to take at least 25 per cent of their requirements as finished leather reducing the export of semi-finished leather to this extent to start with. The exports of semi-finished leather are to be progressively reduced and that of finished leather correspondingly increased over the next few years.

8. *Import Replenishments*

The import replenishment for exports of E.I. tanned leather may be restored to 3 per cent and that for wet blue chrome leather be reduced from 6 per cent to 3 per cent with a compulsory provision that 50 per cent of the replenishment could only be utilised for the import of machinery, tools and equipments for balancing modernisation and authorised expansions and this portion should not be allowed to be nominated in favour of other manufacturers. In cases where the exporters desire to import machinery for more than 50 per cent of the import replenishment such request may be considered by the Government liberally on merits.

5 and 6

Not accepted in the form proposed as these recommendations do not fit in with Governmental concept of cash assistance for promotion of exports. The proposed Leather Export Development Corporation would be asked to devise a scheme for grant of financial assistance and for making credit available to entrepreneurs on liberal terms for establishment of capacity for manufacture of finished leather and leather goods.

7. *Accepted.*

8. Accepted, with the modification that at least 2/3rd of the import replenishment entitlement should be used only for the import of machinery, tools and equipments.

9. Export Policies

The change in export policies may be effected either from the beginning of the calendar year/financial year depending upon the prevailing circumstances/situations and the export policy should remain steady over a long period of time.

9. Accepted with the qualification that to the extent possible, it would be Government's endeavour to keep the export policy steady over a period of time.

10. Air Freight Subsidy

The air freight subsidy for leather footwear may be raised from the present level of 10 per cent to 15 per cent of the FOB value of exports as in the case of finished leather. This subsidy may be allowed irrespective of whether the freight is paid in India by an exporter or abroad by an importer.

10.(a) The question of raising the existing rate of air freight subsidy for Leather footwear is under consideration.

(b) Air freight subsidy is now allowed in cases where air-freight is paid at destination by an importer on behalf of the Indian exporter.

11. Import Duty on Pickled Skins

The import duty on pickled sheep skins may be abolished immediately so as to enable the manufacturers to import the same for export production.

11. Accepted. This item has been exempted from the import duty.

12. Excise Duty on Leather Footwear

Excise duty on Leather footwear manufactured in the small scale units having machineries valued less than Rs. 7.5 lakhs may be abolished immediately.

12. Under consideration.

13. Research Development and Extension

The leather and leather goods industries may be given the option to spend a small percentage of their annual turnover on Research and Development or to pay a small cess for purpose of Research Development and extension services.

13. Will be considered when the proposed Leather Export Development Corporation has been set up.

14. Exemption from Section 11-A of the Industries (A & B) Act.

Manufacture of leather may not be exempted from Section 11 A of the Industries (D & R) Act in order to avoid increase in capacity of semi-finished hides and skin only and also exaggerated claim regarding the capacity for finished leather.

14. All manufacturers of semi-finished leather can now instal capacity to manufacture finished leather to the full extent of their semi-processed capacity, without having to obtain licences for the purpose. This will help in the progressive conversion of capacity for manufacture of semi finished leather to production of finished leather and leather goods and thereby promote the export of the latter

Appendix III

(Vide Introduction)

Analysis of the action taken by Government on the recommendations contained in Fourteenth Report of the Estimates Committee (Fifth Lok Sabha).

Total Number of Recommendations 204

II.	Recommendations which have been accepted by Government (<i>vide</i> recommendations at S. Nos. 1-6, 9, 10, 11, 12, 14 to 18, 21 to 31, 34, 35, 36, 37, 39 to 44, 47, 50, 51, 52, 53, 54 to 67, 69 to 119, 122 to 144, 152 to 157, 160, 161, 162, 163, 165, 166, 167, 168, 172, 174, 175, 177, 178 to 184, 187, 189, 190, 195, 197 to 203.	
	Number	166
	Percentage to total	81·%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 8, 13, 32, 33, 38, 45, 46, 49, 68, 145 to 151, 158, 159, 164, 169, 170, 171, 185, 186, 188, 193, 196.	
	Number	27
	Percentage to total	13%
IV.	Recommendations in respect of which replies have not been accepted by the Committee (<i>vide</i> recommendations at Sl. Nos. 7, 19, 20, 120 and 173)	
	Number	5
	Percentage to total	3%
V.	Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendations at Sl. Nos. 48, 121, 176, 191, 192 and 194).	
	Number	6
	Percentage to total	3%