

ESTIMATES COMMITTEE (1982-83)

(SEVENTH LOK SABHA)

FORTY-THIRD REPORT

MINISTRY OF COMMERCE EXPORT PROMOTION

Action Taken by Government on the recommendations contained in the Twenty-Third Report of Estimates Committee (Seventh Lok Sabha) on the Ministry of Commerce—Export Promotion.

Presented to Lok Sabha on... 15 APR 1983



LOK SABHA SECRETARIAT
NEW DELHI

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COMMITTEE (7TH LOK SABHA) ON MINISTRY
OF COMMERCE - EXPORT PROMOTION

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(1982-83)

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**COMPOSITION OF STUDY GROUP ON ACTION TAKEN REPORTS
OF THE ESTIMATES COMMITTEE
(1982-83)**

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6. Shri B. V. Desai
7. Shri Krishna Kumar Goyal
8. Smt. Sanyogita Rane
9. Shri Girdhari Lal Vyas

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Forty-third Report on action taken by Government on the recommendations contained in the Twenty-third Report of Estimates Committee (7th Lok Sabha) on the Ministry of Commerce-Export Promotion.

2. The Twenty-third Report was presented to Lok Sabha on 25 March, 1982. Government furnished their replies indicating action taken on the recommendations contained in that Report by 6th November 1982. The replies were examined by Study Group on Action Taken Reports of Estimates Committee at their sitting held on 1 March, 1983. The draft Report was adopted by the Committee on 5 March, 1983.

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

I. Report.

II. Recommendations/Observations which have been accepted by Government.

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

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

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

4. An analysis of action taken by Government on the recommendations contained in the Twenty-third Report of Estimates Committee is given in Appendix I. It would be observed therefrom that out of 67 recommendations made in the Report, 53 recommendations i.e. 79 per cent have been accepted by the Government and the Committee do not desire to pursue 6 recommendations i.e. 9 per cent in view of the Government's replies. Replies of Government in respect of 2 recommendations i.e. 3 per cent have not been accepted by the Committee. Final replies in respect of 6 recommendations i.e. 9 per cent are still awaited.

NEW DELHI
March 11, 1983

Phalgum 20, 1904 (S)

BANSI LAL,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with action taken by Government on the recommendations contained in their 23rd Report (7th Lok Sabha) on the Ministry of Commerce—Export Promotion, which was presented to Lok Sabha on the 25th March, 1982.

1.2 Action taken notes have been received in respect of all the 67 recommendations contained in the Report.

1.3 The Action Taken notes on the recommendations of the Committee have been categorised as follows :—

(i) Recommendations/observations which have been accepted by the Government :

1, 3, 4, 6, 7, 9 to 11, 14 to 17, 19, 20, 22 to 32, 34 to 41, 42*, 43 to 48, 50 to 54, 56, 58, 59, 61, 62 and 64 to 66.

(Total 53 Chapter II).

(ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies :—

5, 8, 13, 21, 42@, 60 and 63.

(Total 6 Chapter III)

(iii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee :
2, 12 and 42£.

(Total 2 Chapter IV)

(iv) Recommendations/observations in respect of which final replies of Government are still awaited :

18, 33, 42%, 49, 55, 57 and 67.

(Total 6 Chapter V)

1.4 The Committee will now deal with the action taken by Government on some of their recommendations.

Review of Items to be Imported

Recommendation Sl. No. 2 (Paras Nos. 1.35 & 1.36)

1.5 Noting that the adverse balance of trade had been continuing for a long time and that the prospects in foreseeable future were also none

*Parts I, VI, VIII, IX, XII—XX
@Parts III, V, VII and X

£Part IV
%Part II

too bright, the Committee had in Paragraphs 1.35 and 1.36 of their 23rd Report, made the following observation/recommendation :—

“Though Government has taken various steps to boost exports (which the Committee have dealt with later in this Report) and to reduce imports, the Committee cannot but take note of the fact that the country has been having adverse balance of trade for a long time and that if the past is any guide the possibility of the adverse trade balance continuing in the foreseeable future cannot be ruled out.

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

The Committee would like that the lists of items imported during 1980-81 and 1981-82 should be critically studied by a small group of experts drawn from the concerned Ministries with a view to identifying those items which, in their opinion, were not absolutely essential to be imported. The Committee would also like that the results of the Study should be communicated to them within 6 months. The Committee expect that the Ministry will review the import policy in the light of the study and take remedial measures without delay.”

1.6 In their action taken reply (November, 82) the Ministry has stated as follows :—

“The import policy does not allow import of any item considered non-essential. In formulating the import policy, domestic production and demand as also the essentiality for the items to be imported, are duly kept in view. While formulating the import policy for each financial year, a general review is undertaken of the items keeping in view the suggestions received from technical authorities as well as from the trade and industry. A separate Sub-Group is constituted under the Chairmanship of Chief Controller of Imports and Exports, consisting of representatives of technical organisations like the DGTD,

DC(SSI) and Department of Electronics. On the basis of the results of the detailed review carried out by the Sub-Group, the import policy for individual items is finalised.

While formulating the import policy for 1982-83, a similar exercise was taken by the Sub-Group having technical officers from the various concerned Ministries, with a view to identifying items which were not absolutely essential to be imported. The import policy for the year 1982-83 is based on that study/review.

After the announcement of import policy, suggestions received for any modifications in the itemwise policy are considered by a Permanent Review Committee headed by CCI&E. This Committee also includes representatives from technical organisations referred to above.

Government have also recently set up a Standing Group under the Chairmanship of Secretary (Commerce) to review the impact of import policy on industry. The Standing Group reviews the import policy of any item about which there are reports or representations about excessive imports to the detriment of indigenous industry.

The Ministry of Commerce also are constantly watching the import and export trends so as to keep the trade deficit within manageable limits.

In view of the above, it will be observed that an expert group already exists to identify the items which are not absolutely essential for imports."

1.7 The Committee had earlier observed that, in view of the continuing adverse balance of trade, no non-essential items should be allowed to be imported and that the list of items allowed to be imported during 1980-81 and 1981-82 should be critically studied by a small group of experts with a view to identifying items the import of which were not absolutely essential. In their reply the Ministry have merely described the process of formulating the annual import policy and its on-course modification. The Committee regret that their concern about the adverse balance of trade and suggestion for a special effort to arrest the trend has not elicited a positive response from the Ministry. The Committee are, therefore, constrained to reiterate that the items which were allowed to be imported in the past should be subject to an independent scrutiny by experts and the import of such items as are not absolutely essential should be banned until the balance of trade turns to our advantage.

Recommendation Sl. No. 12 (Para Nos. 2.12 & 2.13)

1.8 Pointing out the defects in the existing system of import Replenishment Licences, the Committee had, in Paragraph Nos. 2.12 and 2.13 of their original report, recommended :

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

It cannot be denied that a part of the REP licences or the products imported under REP licences even though their imports are

otherwise banned, enter the domestic market and to that extent it is a waste of foreign exchange. The Committee also feel that there is no justification to allow REP licences or the products imported under REP licences to be transferred to anybody other than exporters or export manufacturers."

1.9 In their action taken reply (November, 1982), the Ministry have stated as follows :—

"REP licences are issued to replenish the import content in the products exported. These licences are issued for banned and canalised items of raw materials and components, and packing materials. The intention is to allow imports at international price for export production, so as to make the Indian products competitive in foreign markets.

It may be that some of the goods imported against REP licences are not immediately used for the manufacture of products for export. The rationale of allowing the import of such items against REP licences is to replenish into the system at international price the inputs which were used in the product exported. Therefore, if the materials imported against REP licences are not used back in export production it does not defeat the purpose of replenishment. If no chain of export is built up in respect of products using the types of materials imported against REP licences, it will, to that extent, reduce imports of the same materials against further REP licences.

The suggestion that the materials imported against REP licences may be transferred only by exporters or export manufacturers, is also not acceptable. In the first instance, all those who export may not necessarily be the manufacturers of the products exported, and they may, therefore, have to pass on the imported materials to the actual manufacturer. Even if the exporter is manufacturer of the product exported, he may not be requiring the imported material, at the time when REP licence is utilised or he may be requiring the material to be given to another ancillary unit manufacturing products which are ultimately used in export production. Therefore, transfer of raw materials imported against REP licences is inherent in the system. Consequently, Government have decided to allow free transfer of REP licences and materials imported thereunder instead of following a cumbersome procedure of the licensing

authority itself sitting in judgment and permitting transfers in favour of manufacturers".

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

Freight subsidy

Recommendation Sl. No. 43 (IV) (Para No. 3.73)

1.11 Noting that freight placed an extra burden for exporting units situated far way from Bombay, the Committee had in paragraph 3.73 made the following observation/recommendation :—

- "(a) The freight places an extra burden for exporting units situated far away from Bombay. For example, the Woollen Knitwear, industry being situated in Ludhiana has to incur heavy expenditure on freight. A few years ago 50% concession was given on export consignments moving from North India to Bombay by Railways. This concession has been withdrawn. This concession should be revived. Besides, air freight subsidy should be granted to export consignments.**
- "(b) The high incidence of freight charges is one of the important factors which make the working of certain industries uneconomical. A subsidy on freight charges should be considered."**

1.12 In their action taken reply (November 1982) the Ministry has stated as follows :—

"The need for grant of relief in railway freight, in the form of concession or rebate, has been stressed time and again on the Ministry of Railways who have not found it feasible to provide the same primarily on the ground of their financial difficulties..

It is proposed to take up the matter again at a high level. Air freight subsidy is available in respect of finished leather and leather goods being exported by air but is not available for any other export item."

1.13 The Committee had observed that the high incidence of freight charges was one of the important factors which made the working of certain export industries uneconomical. In reply, Ministry has informed the Committee of its unsuccessful attempts to make the Railways agree to concessional freight rates. The Committee wish to clarify that it was not their idea to have concessional freight. They had recommended a suitable direct subsidy to neutralise the transport cost element to the extent necessary. They would therefore reiterate this unless the subsidy could be covered under the Cash Assistance Scheme.

Commercial Representatives

Recommendation Sl. No. 67 (Paragraph No. 5.59)

1.14 Pointing out the unsatisfactory working of the Commercial Representatives (CRs) and the need to strengthen the cadre of CRs by induction of professionals from outside IFS, the Committee had in Paragraph 5.59 of their Original Report recommended :—

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

strengthening of the cadre of CRs by induction of professionals from outside IFS, should be taken without delay so as to ensure that the CRs are able to provide all basic assistance on commercial matters to exporters and other organisations."

1.15 In their action taken reply (November 1982), the Ministry have stated as follows :—

"The recommendation made by the Estimates Committee has been noted. The recommendations deal with policy matters involving consultation with Ministry of External Affairs. The comments received from that Ministry are under consideration and a final decision is likely to be taken after holding further discussions with that Ministry."

1.16 The Committee had urged that conclusive action including strengthening the cadre of Commercial Representatives by induction of professionals from outside IFS should be taken without delay so as to ensure that the Commercial Representatives are able to provide all basic assistance on commercial matters to exporters and other organisations. It is deplorable that after a lapse of 8 months since the presentation of the Report in March, 1982, the Ministry of Commerce have nothing concrete to report to the Committee. The Committee desire the Ministries of Commerce and External Affairs to accelerate the process of their consideration and arrive at a decision in the matter without any further delay.

Implementation of recommendations

1.17 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 case where it is not possible to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

The Committee also desire that final replies in respect of the recommendations contained Chapter V of this report may be furnished to the committee expeditiously.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Para Nos. 1.32 to 1.34)

Trade Gap

Since Independence, India's exports have been increasing year after year. The country's exports increased from a mere Rs. 733 crores in 1951 to Rs. 6710 crores in 1980-81. During the ten year period of 1969-79 exports expanded at an annual compound rate of 16% in value terms and over 7% in real terms. In spite of this impressive increase, the country has been having adverse balance of trade except during the years 1972-73 and 1976-77. The trade gap in 1980-81 was as high as Rs. 5790 crores. Also, India's share in world trade which was 2.4% in the early years of independence declined to 1.2% in the sixties and it now stands around 0.44%.

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

The Committee take note of the Commerce Secretary's observation that India must make greater efforts to raise exports to a "decent percentage of 0.67, if not 1 per cent of the world trade." The Committee hope that the Ministry would not spare any effort to realise the goal of capturing 1% of world trade in the shortest possible time.

Reply of Government

The suggestion made by the Committee to pursue more vigorously the Government's present three-pronged strategy viz., improving production base, curtailing imports and boosting exports for reducing the deficit of India's Foreign Trade, has been noted.

All possible efforts are being made to maximise exports so that India's share in World Trade improves over time.

[Ministry of Commerce O.M. No. H-11013/6/82
Parl. dt. 3-11-82]

Recommendation Sl. No. 3 (Paras 1.37 and 1.38)

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

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

Reply of Government

The achievement of a substantial degree of import substitution in items critical to the growth of the economy, has been an integral part of the overall objective of self-reliance in the Five Year Plans. One of the basic objectives of the Sixth Five Year Plan is to continue the thrust towards self-reliance and carry forward the process of import substitution in a number of basic industries like steel, cement, fertilizers, crude oil, capital equipments of all kinds including the science incentive areas such as electronics.

A series of measures have been taken to accelerate the level of production and so as to minimise the demand and supply gap of various industrial commodities. All the policy instruments and procedural systems are being addressed to maximise capacity utilisation. Government has made optimum utilisation of capacity as the corner stone of industrial policy and steps have been undertaken to allow capacity expansion to selected industries, streamline approval procedures, monitor production process, tie up the infra-structure requirements for the targetted growth plans, ensure the legitimate requirements of credit for higher production level and build production incentives into pricing system. The facility of automatic growth up to a maximum of 25 per cent over a five-year period, has been allowed to core and basic industries provided the item is not reserved for the small scale sector or public sector and the undertaking is not dominant in the particular line of manufacture. The scheme of recognition of excess installed capacities applies to basic and mass consumption goods industries subject to the condition that the industry is not reserved for small scale sector.

The ongoing efforts for promoting industrial production have received further fillip under the Revised 20-Point Programme and the declaration of 1982 as the "Year of Productivity". In order to achieve the objectives underlying these declarations, the Government have devised a scheme under which it will be possible to give a positive production orientation to the industrial economy. The salient features of the scheme are, (i) All industrial units wishing to avail of the scheme should report their best production in the five financial years ending and including 1981-82. On receipt and scrutiny of such production data, where production plus 1/3 thereof in any year is higher than the licenced capacity plus 25%, capacity shall be re-endorsed, on the licence to the extent of best production achieved plus 1/3 thereof, (ii) In case production of units is higher than the capacity thus re-endorsed, they would be free to submit their licences for further re-endorsement on 31-3-83 whereupon the capacity would be further enhanced on the basis of best production on 31-3-1983 plus 1/3 thereof. These facilities are not available to industries reserved for small scale sector, industries which are subject to special regulation and licensing because of shortage of raw materials as also the structural policies of the Government and to pesticide formulation. These facilities are available to MRTP/FERA companies only in relation to items in Appendix-II subject to the further condition that in the case of a dominant undertaking, if as a result of higher production, their dominance will increase further, such re-endorsement will not be permitted.

Further, in the context of the present need for increased production, higher export generation or import substitution, adoption of modern technology etc. the Government have reviewed the list of industries wherein large houses and FERA companies are being allowed to set up capacities provided the specific item of manufacture is not reserved for the public sector or

small scale sector. The industries included are Appendix-I industries of the press note of February 2, 1973.

Capital goods industry is the starting point for production of various raw materials, chemicals as well as engineering items. To ensure a wide capital goods base in the country, advertisement procedure for capital goods was envisaged. Under this procedure, entrepreneurs requiring import of plant and machinery above Rs. 20 lakhs have to advertise their requirements in the Indian Trade Journal/Indian Export Service Bulletin. A period of 45 days is permitted to indigenous manufacturers of plant and machinery to quota against the advertisement. The requirement of entrepreneurs for import of plant and machinery is scrutinised and only such items of capital goods are permitted for import which are not being manufactured in the country. By following this procedure, there is continuous process of import substitution and greater production of capital goods in the country is ensured.

The capital goods industry in the country has a wide based and machinery for manufacture of various raw materials, chemicals, and engineering items is being manufactured in the country. The indigenous manufacturers are also keeping pace with the technological development in the design and process knowhow of the end user industries. Efforts are being made so that the end user industry puts up a plant with the latest technology to maximise production of raw materials, chemicals and engineering items and to cut down the cost. Keeping this in view, import of capital goods is permitted and is used as a supplement to the indigenously available capital goods. At present, the overall requirement of imported capital goods is of the order of 20 per cent and the balance 80 per cent requirement is being procured from indigenous sources.

The endeavour is to increase the production of shortage of and scarce items, particularly for mass consumption like cement, paper, fertilisers, commercial vehicles and tractors and other intermediate chemical products and consumer goods including consumer durables. Also, a pragmatic approach on the import of technology is followed and particularly in sophisticated areas like transportation equipment, tractors and specialised industrial machinery, cranes, earth moving equipments etc. technology is being provided from most appropriate sources to the entrepreneurs. The industry is also supported with necessary raw materials and essential inputs of components whether imported or local for increased growth. In the year of Productivity (1982), several industries have a target growth of 15-20%.

In respect of certain industries, namely cranes/structural /ship building/earth moving industries, castings/forgings/non-ferrous metals, vehicles, graphite electrodes, leather finished and leather products, paints and varnishes cables and wires, switchgears, prime movers, dyes and dyestuffs, glass, ceramics, refractories, cement and capital goods industry, a rational approach has been established for development, infrastructural support, tech-

nology inputs and monitoring of production and import and export policy is formulated in the light of the status of industries.

The import of cement through STC was allowed to bridge the gap between demand and supply. Considering the imperative need for augmenting production for this core sector, number of schemes with large size cement plants have been approved. These has been closed monitoring for early implementation of these schemes. Besides, the Government has recently announced partial decontrol of cement which has given boost to the manufacturers for increasing productivity and for early implementation of ongoing schemes. The total installed capacity as on date is 29.25 million tonnes and capacity of around 17.8 million tonnes is expected to fructify within 1984-85 which will go a long way in fulfilling the plan target and meeting the demand.

In the case of Newsprint and fertilisers, a very appreciable growth is envisaged and because of their volume and price, it would amount to substantial reduction in imports due to increased production in these items.

The industry has reached a stage of self-sufficiency in a number of items of glass and glassware. The imports are for items like ophthalmic lenses, T.V. shells, plate glass. On the basis of current schemes in the next 3-4 years, the country is expected to be self-sufficient for all items of glass and glassware. In view of the adequate capacity for number of items of ceramic ware and the latest progress reported by the units, it may be reasonably expected that by 1983-84, the country would not only be self-sufficient for all items of ceramic but there would be surplus for export. Practically, all types of refractories to meet the requirements of iron and steel, glass, ceramics and other industries having high temperature melting furnaces are being manufactured in the country. The imports are at present restricted to basic refractories and certain categories of electro-cast refractories. For the latter, steps have been taken to make available the basic raw materials, *i.e.* magnesite and it is likely that by 1983-84, industry would be in a position to manufacture all categories of refractories.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 4 (Para No. 1.39)

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

Reply of Government

The Government of India constituted an Import Substitution Committee in June 1979 to review the working of various measures initiated and

policies and programmes pursued during the last few years with regard to reducing the dependence on imports of capital goods, technology know-how, components, raw materials etc. for devising suitable strategies to ensure that the country becomes as far as possible self supporting and that the country's dependence on imports is reduced to the minimum.

With a view to taking decision on the various recommendations of the Report, an Empowered Committee was set up in the Ministry of Industry. The Empowered Committee has so far held four sittings. The Report of the Empowered Committee on the recommendations of the Import Substitution Committee is under preparation.

[Min. of Commerce O.M. No. 11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 6 (Para No. 1.47)

Tandon Committee on Export Strategy

The Committee feel that already too long a time has been taken by the Government to process and take a final decision on the recommendations of the Tandon Committee.

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

Reply of Government

The more important recommendations of Tandon Committee have already been implemented: A large number of the other recommendations on export strategy which are of a general nature have also been kept in view while formulating the export policy and procedures. The remaining recommendations are under the active consideration of the Empowered Committee. As soon as a final decision is taken thereon by the Empowered Committee, necessary action will be initiated by the Ministry.

[Min. of Commerce O.M. No. 11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 7 (Para Nos. 1.53 to 1.55)

Stability of Export Policy

Commercial circles feel that our export Policy is not stable. It has a 'Switch-on-switch-off' approach which is not in the country's interest. The

Alexander Committee on Import and Export Policies and Procedures (1978) had also recommended the Export Policy should be stable for a period of 3 years. The Ministry have stated that the Export Policy is announced annually on 1st April and subsequent amendments are notified through the Gazette of India. During the 3 years (1978-79 to 1980-81), there were as many as 45 modifications which are stated to be small individual changes necessitated by introduction or modification of ceilings or quota restrictions in respective items.

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

From the aforesaid facts, it is clear that changes in export policy do take place rather frequently even if as stated by the Ministry, these may have been for reasons beyond the Government's control or even if these may not have been "major" changes. Annual announcement of export policy, 45 mid-year modifications in the policy during three years and Alexander Committee's concern over this matter all lend support to the feeling prevailing in commercial circles that our export policy has not been stable. The Committee would expect the Ministry to realise the imperative need for stable export policy, not merely in concept, but also in practice.

Reply of Government

Export Promotion is a continuous process. Export Promotion consists of various measures such as Cash compensatory support, import policy for registered exporters, duty drawback, export quotas for agricultural commodities. Government endeavours to make the export promotion policy stable as far as possible. Import policy is, however, reviewed every year because of various factors such as changes in the international environment, increased supplies from domestic sources, changing requirements of inputs for domestic industries etc. Government is taking various measures from time to time to provide inputs to maximise production for meeting domestic requirements and also generating export surpluses on a stable basis. Government is following a policy framework for promotion of manufactured products which by and large is stable. As regards agricultural commodities production of which depends on the vagaries of nature, the export policy is reviewed from time to time taking into account developments in

domestic supplies, domestic demand and demand in the international market.

It may be stated that the new cash compensatory support policy announced recently by the Government is for a long period upto March 1985 to help exporters to plan their export activities.

[Min. of Commerce O.M. No. 11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 9 (Para Nos. 1.73 & 1.74)

The Committee are surprised to note that the unit value realised by many commodities exported by India has been declining year after year. The Committee are inclined to agree with the non-official view that our exports are losing competitive edge because of poor quality. The solution to this problem lies as known to the Ministry in improving quality and packaging of export products for which quality consciousness has to be created among producers and production techniques have to be modernised. The Committee would like the Ministry to draw out a comprehensive scheme for upgrading quality and packaging in each sector of export production and provide assistance and encouragement to make Indian Exports competitive in quality and price. They would like to know the steps taken by the Ministry in this direction.

Reply of Government

The Unit Value Realisations in respect of exports of agriculture and plantations items have generally been under fluctuations in international market depending on the overall demand and supply positions. The Ministry of Commerce is, however, aware that the unit value realised by some of the items pertaining to small scale sector, has been declining due to quality packaging factors. The Ministry of Commerce has, therefore, set up a Committee to look into the performance of small scale sector units for maintaining the required quality of their products. The report of the Committee is awaited.

Further, the Indian Institute of Packaging, Bombay which has been set-up with the primary objective of promoting our exports by improving the packaging standards, has developed suitable packaging systems for the export of certain commodities like vegetables, tea shrimps, ceiling fans, garments, hand-tools, footwear, industrial valves, diesel engine, etc. Code of practice for the packaging of textile machinery, bicycle parts, handicrafts, glass and ceramic has also been taken up in hand.

The Committee take note of the Ministry's explanation that our exports are losing their value because of severe competition and development of substitutes. But these in the Committee's view could not be the only

reasons. The Committee are inclined to agree with the non-official view that our exports are losing competitive edge because of poor quality. The solution to this problem lies as is known to the Ministry in improving quality and packaging of export products for which quality consciousness has to be created among producers and production techniques have to be modernised. The Committee would like the Ministry to draw out a comprehensive scheme for upgrading quality and packaging in each sector of export production and provide assistance and encouragement to make Indian exports competitive in quality and price. They would like to know the steps taken by the Ministry in this direction.

Reply of Government

Efforts are being made by Export Inspection Council to prescribe minimum standards for export in respect of items covered under the Export (Quality Control and Inspection) Act, 1963. Most of the Small Scale Sector units in the country are not in a position to achieve better quality due to various constraints. These Small Scale Manufacturers are contributing about 40% of the total Exports.

A Committee has been set up under the Chairmanship of Shri Narendra Kalantri, President, Federation of Associations of Small Industries to look into the performance of the Small Scale Sector Units for maintaining the required quality of their products and also to extend the facilities to these Units to enable them to improve the quality of their products meant for export. The report of the Committee is awaited.

The Indian Institute of Packaging, Bombay, whose primary objectives are aimed at promoting our exports by improving the packaging standards have developed suitable packaging systems for the export of vegetables, Tea, Shrimps, Garments, Hand-tools, Footwear, Industrial Valves, Diesel Engines, Ceiling Fans etc. Code of practice for the packaging of Textile Machinery and Bicycle Parts as well as Projects on the development of suitable packages for Coir products, selected items of Handicrafts, Glass and Ceramic are also on hand.

[Min. of Commerce O.M. No. 11013/6/82-Parl.
dt. 3-11-82]

Unit Value Realisation

Recommendation Sl. No. 10 (Para No. 1.75)

The Committee suggest that the Ministry should also undertake on-the-spot case studies in foreign markets to investigate the reasons for the low unit value realisation as compared to our competitors and take steps to overcome the shortcomings in our products, marketing strategy etc.

Reply of Government

The suggestion made by the Committee has been noted.

[Min. of Commerce O.M. No. 11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 11 (Para Nos. 1.76 & 1.77)

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

In coming to this conclusion the Committee have found adequate evidence in the data furnished by the Ministry after the evidence. Of the 54 complaints of under-invoicing received during the last 3 years, 16 proved to be correct and under-invoicing of the value of US \$ 58,982 and about Rs. 2 crores defected. From this it is obvious that under-invoicing is taking place in spite of the fact that the Ministry has fixed minimum export prices in respect of 22 products with a view to checking under-invoicing and also to ensuring that our exports realise optimum foreign exchange in the international market. The Committee urge the Ministry that, besides examining the scope for extending the system of fixing minimum export prices to more products, it should take sterner measures, preventive as well as punitive, to curb this menace.

Reply of Government

Fixing up of minimum export prices, as recommended by the Estimates Committee may not be a practicable proposition in all cases. The export price of any item depends on several factors such as quality and grade of the product, the export quantity involved, nature of pattern and the market forces prevailing at the time when the contract is entered into. Further, such price fixation has to be preceded by a detailed time-consuming exercise with the result that by the time prices are enhanced and they may in certain cases be found to be totally unrealistic and un-related to the prices actually prevailing, thereby leading to the anomalies and disputes and possible hold-up. On the question of taking sterner measures, preventive and punitive to curb the menace of under-invoicing. It is stated that on the basis of the available reports it is seen that the cases of under-valuation detected by the Customs Houses are not many. Under the Customs Act there is a statutory obligation on the part of the exporters to declare f.o.b. prices on the shipping bills. The exporters are also required to subscribe to a statement as to the truth of the particulars furnished thereunder. The prices so declared are invariably checked by the Customs authorities with reference to the contract, the invoice and the comparative prices of similar export goods. In cases where invoice manipulation is suspected the shipping bills are referred to the Special Investigation Branch of the Custom House for detailed scrutiny and wherever under-valuation is suspected, stern punitive measures in the form of confiscation, fine and penalty are taken and for

the purpose of existing provisions under the Customs Act are considered to be adequate.

So far the Enforcement Directorate is concerned, whenever complaints regarding under-invoicing are either referred by the Customs, CBI or any other department, appropriate action under the Foreign Exchange Regulation Act is taken. Whether powers under the Foreign Exchanges Regulation Act are adequate or not to deal with cases of under-invoicing, it may be added that Kaul Committee, appointed by the Government, had thoroughly examined the problems arising out of invoice manipulations including under-invoicing, and made recommendations as under :—

- (i) In a case where a persons makes a remittance against an import licence without importing any goods or imports goods of a different kind of quality it was proposed to provide for a presumption that he has used the foreign exchange released to him for a purpose other than that for which it was so released.
- (ii) It was proposed to have enabling powers in the Act empowering the Central Government to issue directions to the exporters not to sell goods, exported on consignment basis, without obtaining prior permission of the Reserve Bank at a price which is lower than the value declared in the prescribed manner in respect of the commodities etc. notified in this behalf by the Central Government.
- (iii) It was proposed to assume enabling powers under the Act to refuse permission for export on consignment basis of any particular commodity or by a class of exporters or to a particular destination.
- (iv) It was proposed to amend the law with regard to timely repatriation of the foreign export proceeds so that a presumption can be raised that the exporter had failed to take appropriate steps to realise the proceeds in cases where the proceeds have been realised within the prescribed period.
- (v) It was proposed that the law should be so amended that persons who obtain export documents on transfer from the original shipper would also be equally responsible for the realisation of the proceeds.

These recommendations were given effect to and appropriate provisions were made in the new Foreign Exchange Regulation Act, 1973 and these changes in the Foreign Exchange Regulation Act, 1973 have gone a long way in checking invoice manipulations, including under-invoicing. During the last 3 years this Directorate received total 54 complaints from various sources and out of these 16 proved to be correct and total value of under-invoicing detected was US \$ 58,982.46 and about Rs. 2 crores.

3. Since the Foreign Exchange Regulation Act, 1973 gives adequate powers to deal effectively with cases of under-invoicing as compared to powers under the old Act, and keeping in view the number of complaints received by the Directorate during the last 3 years, no further action in this regard is under consideration of the Enforcement Directorate for the present.

Minimum Export Prices (MEP) in respect of identified commodities are fixed and notified for information of the trade under the Export Control Order. This is done with a view to realise optimum foreign exchange on such a particular commodity can fetch in the international market. It also ensures that the parties do not under-invoice the export goods below the MEP. Stipulation of such MEP does not preclude an exporter from realising a price higher than the MEP fixed for the item. In the light of trends of the domestic and international prices, a constant review is made of the Minimum Export Prices fixed for various commodities. New Items are also added to the list of commodities where Minimum Export Prices have been notified. In fixing the MEP at a particular level, the trends in the international prices, is the main consideration. However, one important factor which has also to be taken into account is the effect of the MEP, on domestic prices, particularly commodities of mass consumption. This, for example, the MEPs of culled Buffaloes Meat, Goat and Sheep Meat, Live Buffaloes and live Sheep and Goat, have been fixed at such levels that domestic prices of these items do not rise to unreasonable levels. In this context, while announcing the Export Policy for 1982-83, the MEPs in respect of Live Sheep and Goat, Live Buffalo, Meat of culled Buffalo, Polyester Fibre, Viscose Staple Fibre Spun Yarn and certain varieties of Tobacco have been raised while the MEPs in respect of most of the other items have retained without change. For the year 1982-83, we have brought under the MEP condition three new items, namely, Red Sanders Wood in log and sawn sizes, Protein Isolate and Edible Groundnut Flour. A statement showing the items which are allowed to be exported to specified Minimum Export Prices and also indicating the MEPs fixed for each item, is enclosed.

Sl. No.	Description of the items	MEPs (f.o.b.)
1.	Live Buffaloes	Rs. 9/- per Kg. of live weight.
2.	Live Sheep and Goat	Rs. 11/- per Kg. of live weight.
3.	Meat of culled Buffalo	Rs. 9/- per Kg.
4.	Meat of Indian Sheep and Goat	Rs. 16/- per Kg.
5.	Eggs	Rs. 40/- per 100 numbers.
6.	Basmati rice	Rs. 6,000/- per M.T.
7. (a)	Blanched and roasted peanuts	Rs. 11,000/- per M.T.
	(b) Roasted and salted peanuts in consumer packs :	
	2 Kg. Cans	Rs. 19,000/- per M.T.
	Laminated puches upto 2 Kg.	Rs. 16,500/- per M.T.

Sl. No.	Description of the items	MEPs (f.o.b.)
8.	Niger Seeds	Rs. 6,000/- per M.T.
9.	Mango Juice	At prices announced by the Government.
10.	Hydrolised Plant Protein/Hidrolised Vegetable Protein both in powder and paste form	Rs. 13/- per kg.
11.	Flue-cured Virginia Tobacco	Prices as indicated in Volume II of Import and Export Policy, 1982-83.
	Sun-cured Virginia Tobacco	
	Sun-cured (Natu-Country) Tobacco	
	and Sun-cured Jetty Tobacco	
12.	(a) Barytes Powder OCMA/API grade (with 4.20 specific gravity)	US \$ 64 per MT (Indian Port/ Madras).
	(b) Barytes lumps OCMA/API grade (with 4.20 specific gravity)	
13.	Fabricated/Manufactured Mica including cut condenser films discs and washers, bridges and spacers, cut mica plates, electrical heating elements etc.	Prices as indicated in the Volume II of Import and Export Policy, 1982-83.
14.	Sal Oil	Rs. 12,000 per M.T.
15.	Man-made fibres and yarns	
	(a) Synthetic Blended Yarn containing 50% or more of synthetic fibres	Rs. 27 per Kg.
	(b) Polyester fibre	Rs. 18/- per Kg.
	(c) Viscose Staple fibre spun yarn	Rs. 23/- per Kg.
16.	Coir and Coir Products	Prices as indicated in the Volume II of Import and Export Policy, 1982-83.
17.	(a) Hand Knotted/woven woollen carpets of persian and Mobarik designs upto 32,000 knots per sq. metre	Rs. 85 per sq. metre.
	(b) Hand knotted/woven woollen carpets and rugs except of persian and Mobarik designs	Rs. 85/- per sq. metre.
	(i) Eluru Type	Rs. 50/- per sq. metre.
	(ii) Other Types	Rs. 85/- per sq. metre.
18.	Woollen knitwear	Rs. 152 per Kg.
19.	Footwear-Closed leather shoes for	
	Men	Rs. 100/- per pair
	Women	Rs. 70/- per pair
	Children	Rs. 50/- per pair
20.	Sodium Chloride IP/BP/GR/EPC grade	Rs. 4/- per kg.
21.	Dehusked coconut whole	Rs. 24/- per Kg.
22.	Sandalwood oil	Rs. 800/- per Kg.
23.	Red Sanders Wood in log and sawn sizes	MEP to be announced by Government.
24.	Protein Isolate	Rs. 25,000/- per M.T.
25.	Edible Groundnut Flour	Rs. 6,000/- per MT

Recommendation Sl. No. 14 (Para No. 2.31)

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

Reply of Government

The Cabinet Committee on Exports has approved the continuance of the scheme for cash compensatory support for another period of three years with effect from 1st April, 1982. For reviewing the rates of CCS, a revised proforma calling for data from the Export Promotion Councils/Commodity Boards was circulated. It had been made obligatory that the data contained in the proforma should be certified by the Chartered Accountant of the concerned firms. The revised rates as decided by Government have since been announced.

The question of undertaking cost study of items qualifying for CCS has been considered and it is felt that cost study may not be treated as a pre-requisite for fixation of rates of cash compensatory support since CCS is determined on the basis of approved criteria. Cost study is not one of the criteria specified. Nevertheless, if would, help in making a better assessment in certain selected cases.

A cell has been approved for being set up in this Ministry for continuous review and monitoring of the rates of CCS from time to time. The Cell will be required to handle the following aspects of the CCS Scheme.

- (i) Undertaking of special studies in connection with evolving of/ compliance with norms for submission of data relating to CCS;
- (ii) Collection of data in regard to trend and volume of exports in respect of selected CCS assisted items;
- (iii) analysis and interpretation of data so collected;
- (iv) analytical study to determine how far CCS has actually contributed to the increase in exports of the connected items and the quantum of foreign exchange inflow; and

(v) to concurrently review and evaluate market trends, f.o.b. realisation and impact of various kinds of assistance.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl. dt. 3-11-82].

Recommendation Sl. No. 15 (Para No. 2.38)

It is too well known that the duty drawback scheme is not working to the satisfaction of exporters and that there is delay in the exporters getting drawback from Government. Even the Commerce Secretary admitted that exporters are not getting the drawback immediately and that they have to run from pillar to post to get it sanctioned. The drawback scheme though good on paper has not been as helpful to the exporters as it could be. The Committee cannot over-emphasize the need to make the working of drawback scheme more efficient and less time-consuming.

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

Reply of Government

A panel of officers was appointed by the Government for suggesting measures for simplification and rationalisation of drawback system. The Recommendations of panel of officers for simplifying the existing procedure of rate fixation and payment system have been accepted and are under process of implementation. The number of items covered by the category of All Industry Rates has been increased to nearly 900 product groups, which would facilitate expeditious settlement of the claims by the field formations.

Recently, the study Team of the Department of Personal and Administrative Reforms had gone into the system of payment procedures and made some recommendations. These recommendations are under examination.

Instructions have been issued to ensure better coordination between the Directorate of Drawback and the field formations.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl. dt. 3-11-82].

Recommendation Sl. No. 16 (Para Nos. 2.39 & 2.40)

The Committee are surprised to learn that the Drawback Directorate in New Delhi and the customs authorities at various places both of which are under the same Ministry (Finance), are not working in unison. The Committee would like the Ministry of Finance to streamline the present

arrangements so that the exporters are not made to suffer for lack of co-ordination between two sister Departments of the same Ministry.

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

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

Reply of Government

During 1982-83, the list of raw materials and components for issuing Advance licences under Duty Exemption Scheme has been further enlarged. The list now includes practically all items which are required to be imported for export production. The condition that the total Customs duty payable should not be less than 5% of the f.o.b. value of exports, for purpose of eligibility to the scheme has also been removed.

A new dimension has been given to the Duty Exemption Scheme by extending it to the manufacturers of intermediate products, where such products would be supplied to another Advance licence holder, for production of the ultimate export product.

The Duty Exemption Scheme has also been extended to the import of raw materials and components required for manufacture of goods to be supplied against IDA/IBRD aided projects in India, or the projects financed by multilateral or bilateral external assistance.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82].

Recommendation Sl. No. 17 (Para Nos. 2.46 to 2.48)

Government had taken a deliberate decision to set up Free Trade Zone in Kandla in 1983 in spite of the fact that it was a backward area and that infrastructure was lacking there. While the Railways and Shipping facilities are reported to have improved since then, the telecommunication facilities are still far from satisfactory.

The setting up of a free trade Zone in a backward area is no doubt laudable, but allowing it to suffer from infrastructural inadequacies particularly telecommunication facilities even after 17 years of its coming into

existence, is regrettable. The Ministry of Commerce should seriously pursue the matter with the Ministry of Communications, and ensure that telecommunication facilities are improved at the earliest.

The Committee take note of the fact that the Tandon Committee is reviewing the working of free trade zones and will recommend specific measures to increase their attractiveness for encouraging export. The Committee would like to be apprised of the recommendations made by the Tandon Committee and action initiated by Government thereon.

Reply of Government

At present there is a manual exchange in KAFTZ. As the service available through the manual exchange is unsatisfactory, the Ministry has requested for installing an automatic telephone exchange and STD facilities. This matter was taken up at the level of Additional Secretary, Ministry of Commerce, as early as October, 1979. Similar requests have also been made to give telephone/telex lines on priority basis to the Zone units as they are 100% export oriented. The d.o. letter dated March 18, 1980 of Secretary (Export Production) Ministry of Commerce to Secretary, Ministry of Communication refers. The matter relating to inadequate telecommunication facilities was also discussed in the KAFTZ Authority meetings held in 1980 & 1981. In pursuance of the decision of the Authority, Minister of State, Ministry of Commerce requested on 30-11-80 to Minister of Communications to provide automatic telephone exchange and telex facilities at KAFTZ, Minister of State, Ministry of Commerce again requested Minister of Communications on 17th August, 1981 to improve the Telecommunication facilities at KAFTZ. The additional Secretary in charge of Free Trade Zone also met the Member P & T Board personally and impressed the need to improve the telecommunication facilities. Ministry of Communications has now indicated that an automatic electronic switching exchange would be made available to Gandhidham complex by 1983-84. Similarly the total number of telex connections have been increased from 50 to 100.

The Tandon Committee on Free Trade Zones has since submitted its report to the Government. The main recommendations made by the Tandon Committee are mentioned in the Annexure II. The recommendations pertain to different departments of the Central Government and the State Governments. The Ministry of Commerce is acting as the nodal agency for facilitating decisions on the recommendations.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82].

Recommendation Sl. No. 19 (Para No. 2.56)***Domestic Marketing Support for Free Trade Zone Units***

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

Reply of Government

On the basis of approval given by the Cabinet Committee on Exports in March 1981, the Finance Minister announced that units in the Free Trade Zone will be allowed to sell 25% of their production in the Domestic Tariff Area against valid GCA licences and payment of duties. The detailed procedure for such sales is being finalised with CBEC.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82].

Export Credit**Recommendation Sl. No. 20 (Para Nos. 2.68 and 2.69)**

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

Reply of Government

This recommendation has been referred to the Ministry of Finance and the RBI for necessary action. Ministry of Commerce is constantly in touch with the Ministry of Finance and the RBI for sorting out the problems faced by exporters in getting export credit and foreign exchange release.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82].

Recommendation Sl. No. 22 (Para No. 2.71)***Export credit***

There is weight in the suggestion made by gems and jewellery exporters that the criteria for extending credit should be the proven record of export and export potential and instead of debt-equity ratio which the banks take into account at present, equity-turnover ratio should be taken into consideration by them for extending credit. The suggestion that credit limits should be fixed with reference to export orders also appears reasonable and deserves consideration. The suggestions for extending soft loans for all those export items for which it is not at present available and extending the period of packing credit beyond 90 days also merit consideration. The Committee would like the Ministry to examine these proposals sympathetically.

Reply of Government

The general issue of bank credit for the gem and jewellery sector is already under the active consideration of the Reserve Bank of India. The representatives of the Gem & Jewellery Export Promotion Council and Trade have regular meetings with the Reserve Bank of India in this regard. The issue has also been taken up with the Banking Division of the Department of Economic Affairs, Ministry of Finance. The suggestions made by the Gems Jewellery exporters has been given due consideration and the matter has also been referred to the Reserve Bank of India for further necessary action.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82]

Recommendation Sl. No. 23 (Para No. 2.77)

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

Reply of Government

The study of cost benefit analysis of the export promotion measures has been interested to the Indian Institute of Foreign Trade.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.
dt. 3-11-82].

Recommendation Sl. No. 24 (Para No. 2.78)

The Commerce Secretary also identified certain factors like high cost of production at home, inferior technology etc. as the main factors responsible for the dependence of export sector on monetary support from Government. The question arises whether high cost of production due to inferior technology etc. should be neutralised by cash support and subsidies or whether it should be brought down by upgradation of technology and other improvements in production techniques. The Committee feels that cash support and subsidies are like crutches which though necessary for the time being, should not become a permanent feature. If a part of the financial support is diverted to making basic improvement in production techniques, it would do the national industry a lasting good and make our exports self-sustaining and competitive without much direct financial support. The Committee would urge that efforts in this direction should be intensified by Government and the Ministry of Commerce and Ministry of Industry should play a leading role in this regard.

Reply of Government

The Committee's views have been noted. A number of steps have already been undertaken by the Government to up-date and improve the production technology of export. The Department of Science and Technology has continuously made efforts to bring about indigenisation of technology with various incentives and programmes to improve the existing technology, increase efficiency and reduce cost of production. Under the Technology Utilisation Division's programme different types of incentives are being given to our industries to set up R & D programme in order to innovate and introduce new technologies. Individual programmes have also been initiated by this Department such as surveys of maintenance programmes in industries in different sectors, coordination of testing and calibration facilities and reliability engineering, which are essential to increasing machine and plant efficiency, while ensuring quality of products. Coordinated programmes have also been formulated to bring together expertise in different institutions in specific fields like cryogenic where in interlinkage between institutions is essential to implement efficiently such sophisticated programmes. In case where technology from abroad is to be considered for transfer to this country, the required technical cadre is being built and R & D base set up under specific programmes while preparing for the transfer of such a technology. This would enable a smooth transfer of the new technology, its adaptation to the conditions and resources of the country and its efficient operation. There are of course funding programmes which look into emerging and frontier areas. In many instances where the follow-up is to be taken by the industry, association of industries on the projects or through NRDC is being worked out. Recently, a National Science and Technology Entrepreneurship Development Board has been set up to encourage schemes based on indigenous R & D technology.

A number of measures have been announced to promote/encourage production for exports by the Government in the Industrial Policy Statement. Hitherto financial assistance by financial institutions for modernisation/ up-gradation of technology was being extended to industries like Cement, Sugar, Cotton Textiles, Engineering items etc. However, with a view to increasing production and bringing in latest technology, a provision has since been made in the Industrial Policy to extend this facility now all industries for replacement of existing old machinery with new one. In case of small scale sector, in particular, a series of measures have been adopted for modernisation and increasing the production for exports. The programmes aim at identifying the problems of productivity efficiency and obsolescence and to keep the small scale sector units abreast with the latest information on production processing, technological development, training facilities etc. As a part of programme, modernisation courses industrial work-shops, seminar etc. are being organised to guide and motivate the small scale units to adopt modern production and management concepts and to improve their competitive strength by deploying professional consultants, if necessary. Under this programme industries have been selected on all India and regional basis. Thus the Government is adopting all possible measures to acquire latest and upto date sophisticated technology to encourage production for exports.

Further, the Import and Export Policy for the year 1982-83 contains a number of specific provisions with the objectives of promoting technological upgradation. Cost effectiveness, optimum use of raw-materials and energy savings are sought to be achieved through a package of technology inputs. These are indicated below :—

- (i) The Ministry of Industry has created Technical Development Fund to cover foreign exchange requirements for import of balancing equipment having impact on quality and on quantity of output, import of technical know how, acquiring foreign consultancy service, etc. The foreign exchange limit per unit under this scheme has been raised from US\$ 2.5 lakhs to US\$ 5 lakhs.
- (ii) Special facilities have been provided for import of drawings & designs, upto Rs. 10 lakhs per unit with approval of the SIA, Ministry of Industry, and for an additional amount upto 5 lakhs against REP licence automatically without Government's prior approval. REP licences can also be utilised for this purpose for a higher value, subject to D.G.T.D.'s concurrence.
- (iii) Liberalised provisions have been made for import of samples/ prototypes.

- (iv) R&D units and Scientific Research Laboratories are permitted to import all their requirements for R&D purpose, under OGL.
- (v) The Policy for import of machinery by units having a prescribed level of export performance, against their REP licences has been further liberalised to enable such units to modernise themselves. They will be able to import machinery of the type required, upto a value of Rs. 20 lakhs (CIF) during year without the recommendation of sponsoring authority and without having to obtain indigenous clearance.
- (vi) Provision has been made for import of solar energy equipment under OGL.
- (vii) The facilities available to highly qualified scientists returning home for settlement have been substantially liberalised. If such persons have lived abroad for at least two years before returning to India and have been using professional scientific equipment/instruments for at least one year, they will be allowed to import the same without import control restrictions. Equipment not used abroad for a minimum one year period would also be allowed to be imported without import licence but upto a value not exceeding Rs. 1 lakh in each case; for a higher value import in such cases, CCPS will be necessary.

In addition to the above-mentioned provisions, the import requirements will be met to the extent necessary for upgradation/development of technology which could help in (a) energy conservation (b) cost reduction (c) reduction in material content. Proposals in this regard from individual units will be examined by Coordination Committee headed by CCI&E, New Delhi, including representatives of Ministries/Departments concerned.

On the recommendation of the Coordination Committee Free Foreign Exchange is released for improvement of technology by way of import of know-how designs, consultancy etc. in the following cases :—

- (a) Upto Rs. 1 crore in value in the case of industrial units which have been exporting at least 25% of their production annually in the last 3 years, with a minimum of Rs. 5 lakhs each year; and
- (b) Without any upper value limit in the case of industrial units which have been exporting at least 50% of their production annually in the last 3 years.

In addition to all this, Government have introduced what is known as 100% Export-Oriented Scheme. An important facility under the Scheme

is duty-free imports of capital goods, components and raw-materials. Induction of latest technology from abroad will revamp existing technology whenever required. It may be noted that duty-free imports and other facilities under the Scheme are in lieu of cash compensatory support etc.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 25 (Para No. 3.17)

Lack of quality, poor brand image, inadequate after-sales service and lack of aggressive marketing are stated to be some major constraints on export growth. The Ministry has stated that in order to ensure quality in exports, Government has introduced a statutory scheme for compulsory quality control and preshipment inspection and so far 837 items of export have been brought under this scheme. These items cannot be exported unless certificate of export worthiness is issued by export inspection agencies set up or recognised by the Government. It is a sad reflection on these inspection agencies that 329 complaints of poor quality of exports in 1979-80 and 225 similar complaints in 1980-81 were received in respect of exports which had gone through compulsory pre-shipment inspection. Out of the total number of 554 quality claims received in these two years, 370 claims involving an invoice value of over Rs. 24 crores were admitted and a sum of Rs. 80 lakhs was allowed as compensation by the Reserve Bank of India, in these cases. The Ministry considers this to be "negligible" in view of over 2 lakh consignments certified during each of these two years. In the Committee's opinion, it is not the quantity alone that should be taken into account in such matters, even a small number of sub-standard exports can tarnish the image of the country and shake the confidence of importers. The Committee would, therefore, like the Ministry to take every such complaint more seriously and besides tightening pre-shipment inspections and taking other remedial measures, it should investigate as to how certificate of export worthiness was issued in such cases. There should be no laxity shown in this regard and officers found guilty of negligence should be given deterrent punishment. (Sl. No. 25).

Reply of Government

A Cell has been set up in the Export Inspection Agency at Bombay to collect the complaints on quality from various sources in the country as well as Indian Embassies and to investigate into these complaints, irrespective of the fact that the complaints related to the items inspected by the Export Inspection Agencies. The Reserve Bank of India has also been advised to refer the cases involving out-go of foreign exchange to settle quality complaints to enable the Quality Complaint Cell at Bombay to decide whether the complaints are genuine. From 1 April 1979 to 15th October, 1982, as a result of investigation into these complaints and also vigilance checks, action has been initiated against a number of delinquent officers of the Export

Inspection Agencies including prosecution in the Court of Law. The details are as follows :—

(a) <i>Prosecution launched in the Court</i>	
(i) Assistant Director	3
(ii) Technical Officer	2
(b) <i>Removal from service</i>	10
(c) <i>Other penalties</i>	7
(d) <i>Regular Departmental Action in progress</i>	
(e) <i>Regular Departmental action being initiated</i>	1
(f) <i>Cases under investigation by CBI/Departmentally</i>	10
	60

The Export Inspection Council has set up a Central Vigilance Cell in the office of the Director (Inspection & Quality Control), Export Inspection Council, Delhi. Vigilance-cum-Technical Audit Cells have also been set up at the headquarters of the Export Inspection Agencies at Bombay, Calcutta, Cochin, Delhi and Madras to watch the performance of the inspection officers as well as the exporters. These Cells are also required to carry out spot checks at the ports of shipment.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 26 (Para No. 3.18)

The Committee find that 837 items covered under the Compulsory pre-shipment inspection scheme constitute only about 40% of the total export items. This leaves a big gap for sub-standard items to find a way out. The Committee suggest that the list of items not at present covered under the compulsory pre-shipment inspection scheme should be reviewed with a view to bringing as many more items under this scheme as possible to guard against sub-standard items being exported.

Reply of Government

Efforts are being made to bring more and more items under the scheme of compulsory pre-shipment inspection to guard against the export of sub-standard items.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 27 (Para No. 3.19)

The Committee were informed that in certain areas like food and fish and other perishable items our exports have been found to be defective and certain foreign countries have tried to take advantage of the situation. The explanation that the quality of such goods though tested and found good at the time of pre-shipment is likely to deteriorate in transit due to the perishable nature of these items does not carry conviction. The importers are not concerned with the reasons for the deterioration of perishable goods in transit, they want goods of good quality at destination point. The Committee expect the Ministry to step up vigilance and tighten pre-shipment control to ensure that exports of perishable goods are not only of good quality when they leave our shores but are so packed and handled in transit that they maintain their quality when they reach the destination.

Reply of Government

The Ministry of Commerce set up a Task Force on Marine Products Exports, which are perishable in nature. One of the terms of reference of the Task Force was "to review the existing system of quality control of marine products and suggest ways of making it more effective". The Task Force in its Report (September 1982) has *inter-alia* recommended :—

- (i) that the Export Inspection Agency (EIA) should build up track records of the exporters who have opted for Modified In-process Quality Control (MIPQC) and for this purpose, the EIA should take samples at the warf and get these analysed;
- (ii) the EIA should study in detail the best possible methods of segregating the inspected material which is passed for export to prevent tampering of this material by the exporters;
- (iii) the EIA should introduce additional safeguard to put an effective check on the "On Account" exporters effected on behalf of the merchant exporters/export houses;
- (iv) the Marine Products Export Development Authority (MPEDA) should work out the packaging standard in consultation with the EIA and the Indian Institute of Packaging (IIP).

The packaging standard so developed should form an integral part of EIA inspection and export should not be permitted unless the processed goods are packed in cartons as per the prescribed standards.

The recommendations of the Task Force are under consideration. The Indian Institute of Packaging has undertaken a project to improve the packaging of food products.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 28 (Para No. 3.20)

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

Reply of Government

As a result of investigation into the complaints on quality received from abroad and also checks carried out by the Vigilance-cum-Technical Audit Cells, action has been taken against unscrupulous exporters as follows :—

(a) Fined by the Court	7
(b) Prosecution pending in the Court	18
(c) Prosecution being launched	3
(d) Prosecution under consideration	2
(e) Fines imposed by Collector of Customs on the basis of cases detected by the Export Inspection Agencies	31
	61

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 29 (Para No. 3.21)

The Committee take note of the proposal under consideration with the Government to have statutory powers to give exemplary punishments to those who may be found to have violated the basic principles of ensuring standards and qualities in exports. This should be implemented at the earliest.

Reply of Government

A draft note for the Cabinet envisaging a proposal for amendment to the Export (Quality Control and Inspection) Act, 1963 has been vetted by the Ministry of Law. Some of the important provisions in the proposed legislation are as under :—

- (1) Provision of more stringent penalties for contravention of the provisions of the Act.
- (2) Provision for powers to enter, inspect, search, seize goods and materials, confiscate and for adjudications and imposition of penalties.

- (3) Provision for prosecution of delinquent staff of the Export Inspection Council/Agencies.
- (4) Power to amend, suspend or cancel the certificate issued by the Agencies in case it is found that the certificate was issued wrongly due to negligence of the officers of the agencies or fraudulently in connivance with the officers and exporters/manufacturers or the consignment has been substituted or the quality of the consignments has deteriorated after obtaining the certificate.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 30 (Para No. 3.22)

AFTER SALES SERVICE

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

Reply of Government

The importance of providing facilities for after-sales service abroad by the Trading Houses as a measures of Export Promotion has been highlighted to the Federation of India Exports Organisation and instructions have been issued to them to include this as one of the points on which Trading Houses should report the progress made by them in their quarterly and annual reports to be furnished to the FIEO and to the Government in pursuance of the provisions made in Para 49 of the Hand Book of Import-Export Procedure 1982-83.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 31 (Para No. 3.23)

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

Reply of Government

The Technical Committee of the Export Inspection Council under the Chairmanship of Director General, Indian Standards Institution, in its meeting held on 4th January 1982, has set up a sub-committee to review the existing system of inhouse quality control and testing facilities to make the scheme simple and effective to attract a large number of manufacturing units under the Scheme.

Recommendation Sl. No. 32 (Para No. 3.24)

The suggestion made by a chamber of commerce, that inspection of export goods should be allowed to be done by an agency to be nominated by the buyers is apparently sound. The Committee would like the Ministry to examine it carefully and see how far and in what form it can be implemented in the interest of exporters.

Reply of Government

The Export Inspection Council has already implemented a scheme which has dispensed with the compulsory pre-shipment inspection by the Export Inspection Agencies in the following circumstances :—

- (i) where supplies are for execution of projects including turnkey projects abroad and also spares and accessories for these projects supplied as after-sales service;
- (ii) where the importers are Government Departments, Autonomous Bodies etc.. and the consignments meant for them are inspected in the country by the inspection agencies nominated by these importers;
- (iii) where the exporters are Government Departments, Public Sector Undertakings, Autonomous Bodies etc. in the country and they have their own inspection set-up.

In respect of consignments mentioned at (ii) and (iii) above, the statutory certificate of inspection is issued as a matter of routine by the Export Inspection Agencies based on the inspection reports of the nominated inspection agencies of the foreign buyers or the inspection agencies of the exporters.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82]

Recommendation Sl. No. 34 (Para No. 3.32)

The difficulty of coffee exporters caused by raise in export duty after the coffee auction and before shipment are genuine and can be solved by Government without loss of revenue. All that is required is to time the announcements of revisions in the rates of export duty so as to synchronise them with the auctions which are reportedly held twice or thrice in a month. The Committee would like the Government to look into the matter and evolve a system which, while safeguarding public revenue, would protect the financial interests of coffee exporters.

Reply of Government

Noted. The matter is being taken with the Ministry of Finance to have the export duty announcements made before the auctions, as far as possible.

[Min. of Commerce OM No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 35 (Para No. 3.35)

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

Reply of Government

The Ministry of Shipping and Transport which was requested to examine how best the shipping system could be toned up to ensure adequacy of shipping coverage from the ports in the Southern Region, has advised that it had not come across any serious complaints regarding inadequacy of sailings from the Southern ports namely, Madras, Cochin, Tuticorin and Mangalore. Of these four major ports, Madras and Cochin have traditionally been the main ports through which substantial quantum of exports/import cargoes have been moving on various trade routes. The liner cargo exports/imports passing through the other two ports is comparatively limited and so is the number of sailings provided for different routes. The complaints regarding lack of shipping coverage received by the Director General of Shipping are few and are mainly related to offering of small parcels bound for certain stray destinations which fall outside the shipping trade routes. On such occasions, the difficulties represented by the shippers in respect of inadequate shipping coverage are invariably examined and assistance is rendered to the extent feasibly by the Freight Investigating Officer, under the Director General of Shipping.

The Ministry of Commerce have been convening meeting of Scope-Shipping (Standing Committee on Promotion of Export by Sea) and the Regional Panels of Scope-Shipping meant for Southern and South-Western Regions. At these meetings, the problems of the exporting community including those arising from the lack of shipping space are examined and by and large these are sorted out. Further, an arrangement has been evolved whereby quarterly advanced cargo projections are obtained from Export Promotion Councils and Commodity Boards and transmitted to the Indian shipping lines as well as Director General Shipping before the commencement of a quarter. This system facilitates the task of the shipping lines in planning their sailing schedules to provide coverage for the projected demand for shipping space. As regards stray or difficult destinations, where shipping lines do not find it economically viable to operate regular shipping services, they are prepared to offer sailings so long as the break even cost of calling at additional ports is met. If a minimum quantum of 750/1000 tonnes is available the shipping lines are prepared to call at the additional ports.

Taking an overall review, it could be said that as a result of the continuing efforts on the part of all concerned interests, the shipping services have

improved during the last two years from the Southern ports in terms of frequency, cargo lifting capacity and modernisation. More and more shipping lines have been providing container services, particularly from the ports of Madras and Cochin. Apart from the benefits of containerisation that they have conferred, these services have also been helpful in reaching cargoes to certain difficult destinations i.e. those destinations for which a vessel's call may not be financially viable but where a container could be sent on transhipment basis.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82]

Recommendation Sl. No. 36 (Para Nos. 3.42 & 3.43)

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

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

Reply of Government

The observations of the Estimates Committee have been noted by the Government.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82]

Recommendation Sl. No. 37 (Para Nos. 3.47 to 3.49)

There is a general feeling among private as well as State Government circles that export orders received by canalising agencies like State Trading Corporation (STC) are not distributed equitably among States or exporters in various parts of the country. The orders, it is stated by STC, are distributed after evaluation by a committee of officers of the STC of the individual exporter's capacity and capability to execute the export orders. When the Committee decided to make a case study of garment export orders and their distribution State or region-wise and asked for statistics in this regard, the

Ministry informed the Committee such statistics were not maintained state-wise as garment quota distribution policy does not envisage distribution of quota state or region-wise.

In view of the Ministry's inability to furnish relevant statistics, the Committee find difficult to judge whether the export orders are distributed equitably among exporters in various regions or not. The Committee suggest that the Ministry should review the mechanism adopted by canalising agencies for distribution of export orders among exporters and ensure, through proper checks and balances, that export orders are distributed fairly and equitably among eligible and reliable exporters all over the country and that export orders are not allowed to be cornered by a few preferred exporters. The Ministry would do well to take steps to dispel the feeling of injustice prevalent among exporting circles in certain States.

Reply of Government

As regards paragraphs 3.47 and 3.49 are concerned, all the canalising agencies have been requested to review their present mechanism for distribution of export orders and take corrective action, wherever necessary, with a view to ensure that export orders are equitably and fairly distributed among eligible and reliable exporters and there is no legitimate ground for complaint of injustice from any section of exporters. A report after such review would be sent to the Ministry.

Regarding paragraph 3.48, the export of Textile garments is not under canalised scheme. Any exporter is free to obtain export orders and enter into foreign trade directly. As regards quota countries, Apparels Export Promotion Council distributes 95% of the quota amongst various exporters on the basis of guidelines issued by this Ministry. 5% of the quota is reserved for state/central Government Corporation and Handloom Apex Cooperative Societies which is distributed by the Textile Commissioner. The export of garments is undertaken by the Corporations/Apex Societies themselves in their own names. STC secures orders for export garments on the basis of actual samples shown to the foreign buyers. The foreign buyers take into account the quality, style, workmanship of a particular manufacturer before placing orders on the STC. STC procures the garments from that source and make them available for STC to place orders for garments on all the associates which might have been registered with it.

[Min. of Commerce O.M. No. H-11013/6/82-Parl, dt. 3-11-82]

Recommendation Sl. No. 38 (Para No. 3.56)

Project Exports.—Project exports have added on a new and welcome dimension to Indian exports. With 484 projects of the value of Rs. 4407 crores executed or under-execution abroad at present, India has certainly made an impressive entry in hitherto unknown areas and opened a new

window for our products and services. Besides other benefits, these projects will bring in numerous invisible gains which are sure to improve our foreign exchange position. The Committee hope that the Ministry would give all guidance, help and encouragement to public and private sector organisations to go in for project exports in a big way.

Reply of Government

Recognising the new and welcome dimension to Indian exports in the form of the overseas project exports, the Ministry of Commerce has set up a Task Force on Project Exports to take stock of the situation pertaining to project exports and suggest measures to improve their performance. The Task Force has since submitted its report. The recommendations made by it are under process. It is expected that the recommendations, if accepted, would go a long way in providing necessary assistance and promoting project export.

The assistance rendered to project exporters presently could be summarised as follows :

- (a) An inter-Ministerial Overseas Projects Development Committee is monitoring the progress in the field of project exports for the purpose of introducing measures as may be necessary for the promotion of project exports.
- (b) A Projects Committee has been set up to consider procedural and operational matters relating to project exports including:—
 - (i) request for grant of permission for export of banned/ restricted items where such export is required for the execution of the project;
 - (ii) request for allocation of scarce raw material for manufacturing items for export as a part of a project contract;
 - (iii) proposals for certification of a project export for purposes of pre-shipment inspection;
 - (iv) request for assistance relating to deputation of manpower abroad in connection with projects.
- (c) Bids for turnkey contracts and civil construction contracts require prior clearances from financial institutions, so that the necessary bid-bonds, performance guarantees, foreign exchange facilities, etc. are made available. Government have arranged for the proposals to be considered and cleared at a single point, by a working group of financial institutions viz., RBI, ECGC, EXIM Bank, Commercial Banks, etc. with the Export-Import Bank as the focal point. Once the proposals are cleared by the Working Group, the facilities are extended by the concerned organisations for bid bond, performance guarantee and other

guarantees, remittances of foreign exchange for working capital, opening of temporary bank account, site officers abroad, overseas borrowing, if any, for bridging finance, etc. This system has been reported to be working fairly well.

- (d) The Export-Import Bank has also started functioning from March, 1982 and it is expected that with this institution being in position, adequate financial facilities would become available to the exporters.
- (e) For the successful projection of India's image abroad, it is necessary that only competent and selected Indian firms should participate in the civil engineering and construction projects in the different parts of the world. Keeping this in mind Indian firms intending to undertake such projects abroad are screened by a Screening Committee of the Engineering Export Promotion Council which consists of the representatives from different institutions including the Ministries of the Government.
- (f) Various facilities are also extended to the project exporters under the Import and Export Policy. According to the present policy, construction equipment, required for the execution of civil construction projects abroad can be bought in the project country or imported into the project country from third countries. The proposed purchases of the construction equipment will have to be indicated to the financial institutions and clearance obtained as a part of the proposal for which clearance is sought. After completion of the project, such equipment can be imported into India on the customs clearance permit issued by the Chief Controller of Imports and Exports. The import and export policy also provides for ad-hoc import licences to consultancy firms, construction agencies and design engineering firms for import of design and drawing, office equipment, instruments, tools, accessories, office machines, etc.
- (g) Information about forthcoming projects and pre-qualification notices/tenders issued are also collected and forwarded to the different agencies by our Embassies and the overseas offices of the E.E.P.C.
- (h) As a measure of inducement to participate in large value package civil construction projects and industrial turnkey projects, project assistance at the rate of 10% of the net foreign earnings from the services portion of the contract is admissible to the Project Exporters. This assistance is subject to the conditions that the value of the contract is more than Rs. 50 lacs and the

net inflow of foreign exchange is at least 51% of the value of the contract.

[Min. of Commerce O.M. No. H-11013/6/82-Parl, dt. 3-11-82]

Recommendation Sl. No. 39 (Para Nos. 3.61-3.63)

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

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

The Committee would also like the Industry to maintain complete data about the performance of export houses in order to be able to assess their achievements in relation to the facilities and benefits given to them.

Reply of Government

A Monitoring & Assistance Cell has already been set up in the office of CCI&E, New Delhi, *inter-alia*, to undertake analysis of periodical returns showing exports, imports and disposal of imported materials, which are required to be sent by Trading Houses and Export Houses.

Export Houses are also required to send to the Federation of Indian Export Organisations copies of their detailed schemes and action programmes for export, and quarterly and annual returns of exports commodity-wise and country-wise, in the manner as may be prescribed by FIEO from time to time. Copies of annual returns are also to be sent to the CCI&E, New Delhi. Action is being taken to assess the performance of Export Houses in coordination with FIEO.

[Min. of Commerce O.M. No. H-11013/6/82-Parl, dt. 3-11-82]

Recommendation Sl. No. 40 (Para Nos. 3.68-3.70)

There is no representative of the North Eastern Region in the export promotion councils or in the advisory council on foreign trade. No office or branch of the export promotion councils, Commodity Boards, Export Inspection Council has been opened in this Region. Even the State Trading

Corporation has not so far secured any specific export order for this particular region. Indifference to the legitimate expectations of this important region in these matters especially when it has good export potential is very unfortunate.

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

The Committee would like the Ministry not only to take all possible measures to boost exports from this region but also involve the representative organisations of this region in evolving and implementing export plans in a big way. Branches of export organisations and inspection agencies should be set up there as early as possible to stimulate export consciousness and export efforts. In fact, the Ministry should make all offices or branches of Export organisations would depend on the volume field of exports.

Reply of Government

The Indian Institute of Foreign Trade has recently prepared a report on the export potential of handicrafts and handlooms of the North Eastern region. The Ministry of Commerce has also set up a Task Force to evolve an export plan for the region in consultation with the governments and representative organisations of the North Eastern region. Setting up of offices of branches of Export organisations would depend on the volume of export that could be generated in the region.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part I)

Miscellaneous Problems

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

Section (xi) of Chapter III

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

I. Industrial Licensing /Modernisation

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

Reply of Government

Reply to Points at (a) to (f) is given in Seriatim

- (a) procedure for accordinng clearance under the 100% Export Oriented Scheme has already been streamlined and simplified inasmuch as a specially constituted Board for approvals for 100% Export-Oriented Industries has been constituted as unified point to give clearances on IL/FC including MRTP cases. In the case of Non-MRTP/non-FERA cases, Board is expected to accord clearance within 30 days while in the case of MRTP/FERA Companies clearance is to be given within the period of 60 days.
- (b) Regarding expansion of existing capacity for export purposes, the Government has already announced that any production for exports will be outside the licensed capacity and no penal action would be taken against the undertaking for such excess production. A decision had already been taken and announced by the Deptt. of Company Affairs that for the purpose of determining dominance of undertakings, export production will not be taken into account.
- (c) The units under the 100% Export-Oriented Scheme are not in any way debarred/discouraged from modernising their units from

technology point of view or otherwise. Even in the case of bonding under the Scheme, a special provision has been made in the Scheme whereby the bonding has to be ordinarily for a minimum period of 10 years, while in the case of products having high degree of technological change, the bonding period is 5 years. Besides, under the Industrial policy, hitherto financial assistance by institutions for modernisation was being extended to the units like cement, sugar, cotton textiles, jute and engineering goods. This facility is now being extended to all Industries with a view to increasing production by replacement of existing obsolete machinery in all Industries.

(d) For setting up export-oriented units under the 100% E.O. Scheme, special facilities such as exemption from import duty on import of capital goods, raw-materials and components, liberal import of raw-materials and components without indigenous angle scrutiny already exist. From the current year 1982-83, import of machinery, raw-materials and components has been brought under the O.G.L., thus reducing formalities required in this connection.

(e) A provision already exists under the scheme which reads as under :—

so as to keep rates of return on export production competitive, exporting units including Large Houses/MRTTP units may be permitted to borrow from financial institutions at normal debt/equity ratio.

(f) The units under the Scheme are already enjoying a number of facilities such as duty-free import of capital goods, components and raw-materials which are otherwise not available to the industries outside the Scheme. All other facilities normally being enjoyed by the small scale units outside the scheme would, therefore, continue to apply to 100% Export-Oriented, Small Scale Industries Unit in addition to the special facilities provided under the 100% Export-Oriented Scheme. However, each case is examined on merits.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Part VI—Para No. 3.73)

Inspection for Woollen Industry

The Textile Committee has been designated as the Inspection Agency for woollen industry. Exporters of Woollen goods are not happy with the working of the Textile Committee Inspectorates. There are inordinate delays in the issuance of Inspection-cum-test certificates. Exporters are unnecessarily harassed and treated very shabbily by the Staff of the Textile

Committee Officers. Self certification Scheme should be introduced. If this is not possible, the nearest laboratory recognised by the State Government or Central Government should be authorized to issue inspection-cum-test certificates for purposes of grant cash compensatory support and draw-back.

Reply of Government

The Textile Committee has been designated as an inspection agency for woollen industry and conducts pre-shipment inspection of woollen fabrics and other items. Inspection of Woollen and mixed woollen fabrics is compulsory in terms of the Textiles Committee Act. Inspection of other Woollen items is not compulsory and the Committee at present conducts voluntary inspection and issue the test report to facilitate the exporters to claim export benefits.

On the Complaint received from W&WEPC, regarding the behaviour of an inspecting Officer at Ludhiana, the officer concerned has been transferred and other officers were cautioned to be courteous and polite in their behaviour.

Regarding self-certification, a decision was taken recently by the Textile Committee not to carry out quality inspection in respect of Woollen items which are not under compulsory inspection. In view of this decision, there is no need to introduce any self-certification scheme.

As regards delay in issuance of certificate-cum-test report, laboratory facilities at Ludhiana have been expanded and full complements of Staff sanctioned for the laboratory has also been provided. With the positioning of additional staff, pending cases have considerably been reduced. The question of taking assistance of other recognized laboratories will also be considered, as and when necessary, depending, upon the work load.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part VIII—Para No. 3.73)

VIII. Seafood Industry :

The following problems were brought to the Committee's notice;

- (a) There is a lack of adequate refrigerated/insulated trucks for transportation of seafood. Refrigeration units should be allowed to be imported duty-free on priority basis for this purpose.
- (b) High cost of diesel oil has made the fishing industry economically non-viable. A substantial subsidy on the cost of diesel oil for this industry is necessary.
- (c) The seafood industry is virtually denied a need based financing policy. There is no system of allowing finance to help the exporters to keep stocks in times of abundance to build up a tar-

gaining capacity. The interest charged to this industry is too high. The quantum of credit for purchase of raw material is based on the cost existing several years ago and has no relevance to the present high costs.

- (d) Many units have gone sick, No rehabilitation finance is available to such units. The debit equity ration stipulated by IDBI for term loan refinance is 381. This ratio has to be revamped in accordance to this industry's need.
- (e) Being fully export-oriented, the seafood industry should be exempted from the requirements of margin money for packing credit which today is to the extent of 25 to 30%.
- (f) At present, the Marine Products Export Development Authority sends its own personnel to trade fairs abroad and it meets their full expenses. This does not help the promotion of seafood exports. Persons from seafood Industry should be sent abroad to participate in trade fairs and the entire expenses of the participating exporters should be met by the MPEDA. In fact, where EPCs are functioning, exporters are sent abroad and some portion of their expenses are met by the EPCs.
- (g) In countries like Pakistan, Bangladesh, Malaysia, Indonesia, Srilanka, etc. which are our neighbour competitors in seafood export, some arrangements should be made to procure valuable data on catches and raw-materials prices to be promptly transmitted to the trade through the MPEDA.
- (h) Depending on the off-take by each importing country, a representative of MPEDA should be stationed in such countries to communicate timely information to the trade in India.
- (i) MPEDA a statutory body lacks in necessary powers to take decisions and to implement them in the field of seafood production and exports. The authority is vested only with recommendatory powers. Decisions on any issue come from the Govt. All questions relating to fishing still continue to be under the control of the Ministry of Agriculture where the MPEDA has no voice at ll. There is no coordination between the primary production and export. This is a major impediment. This state of affairs needs rectification and MPEDA should be vested with necessary powers to take decisions in all aspects and to implement them.

Reply of Government

Committee which recommended that an outright exemption of excise duty on HSD oil used by small mechanised boats may be granted to the extent of 50% without linking it to exports. The Deptt. of Revenue has not found

this proposal also acceptable. The Task Force on Marine Products, referred to above has examined the matter comprehensively and made certain recommendations. Follow-up action on these recommendations would be taken.

(c) The task Force on marine products has examined the working finance requirements of the industry and made the following recommendations :

- (i) That the bankers should make a realistic assessment of the packing credit requirements of the exporters depending upon the landings—market fluctuations etc.
- (ii) That the period of packing credit to the industry at commercial rates be enhanced to 135 days; and
- (iii) That during the bumper season if exporters have adequate stocks backed by purchase orders, the banks, after necessary verifications, should enhance the credit limits.

These recommendations will be follow up with the Deptt. of Banking.

(d) Govt. of India have formulated guidelines for the rehabilitation of sick units. These guidelines have been issued to the various State Govts. A margin money scheme has also been formulated by the Deptt. of Industry. Rehabilitation of sick units has to be necessarily on the basis of examination of merits of each cases. There have also been cases where exporters entered the industry in anticipation of easy returns. They largely operated without capital investments, utilising the existing capacities of other processors. Wherever they did not maintain standards in terms of quality, they have had to close down operations. In such cases, rehabilitation may not always be feasible. On the other hand, there were also a few genuine cases where sickness has resulted despite the best efforts of the processors. In such cases, rehabilitation may be justified.

Already, the concerned commercial banks have examined the question of certain sick units in consultation with MPEDA and evolved certain norms in respect of rehabilitation.

(e) The Chore Committee constituted by the Reserve Bank of India has submitted its report regarding credit requirements.

The Reserve Bank of India, on the basis of the examination of the recommendations of this Committee, would be issuing appropriate instructions regarding norms for cash credit.

(f) Government Sponsor exporters as individuals sales teams for business promotion tours overseas. This entitles them for financial assistance under the MDA Committee. The Task Force on Marine Products after examining assistance for export promotion to marine product industrialists has recommended that they should be given assistance from MDF for exclusive participation in overseas fairs as well. Further the Task Force has recom-

mended that they should be provided assistance for participation in fairs from MPEDA budget wherever assistance from MDF cannot be made available. Further followup action will be taken on these recommendations.

(g) Wherever possible MPEDA has been disseminating whatever information is available on our main competitors through the Weekly Market Information Bulletin. The INFOFISH of FAO has recently made an attempt to collect the export prices of various commodities from our neighbouring countries and publish it regularly in their fortnightly publication—"Trade News". However, it may not be feasible to cover the raw-material prices in competing countries that vary from landing centres to landing centre and from hour to hour.

(h) An office of the MPEDA has been set-up in Tokyo which has been sending information regular. Another office has been sanctioned for New York, Japan and US are the largest markets for Indian seafood. An officer is stationed at the India Trade Centre at Brussels, in order to look after the work of marine products as well as other agricultural products in the West European markets. Apart from this, there is no immediate necessity to set up MPEDA office in other countries.

(i) The powers of the MPEDA have been defined under an Act of Parliament. The Ministry of Agriculture is responsible for development of fishery and marine resources under the Allocation of Business Rules. The Ministry of Commerce under these Rules is concerned with processing and exports. The role of MPEDA has also been investigated by the Task Force on marine product. It has found that it would be not desirable at this stage to disturb the functioning of various agencies which have already come to be established under the Ministry of Agriculture and the Ministry of Commerce to deal with various specialised functions. It has recommended that the role of MPEDA should be one of coordinating with different agencies. It has called for coordination at the field as well as Govt. levels by establishment of two coordination Committees.

(j) A Field Coordination Committee with the Heads of MPEDA and various National Research Institutions, representatives of fishing and fish processing industry and representatives of Maritime State Govt.; and

(k) A Govt. level Coordination Committee consisting of senior officers of the Ministries of Agriculture, Commerce, Industry and ICAR.

The objective of these Committees is to facilitates transmission of the problems of the industry to field agencies and policy makers of Govt. and direction of research and development on the basis of the felt needs of the industry.

Follow-up action on the above recommendations would also be taken.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part XI—Para No. 3.73)

“There is a great scope for export of Kashmir walnuts, particularly to U.K. but as the apple and walnut season overlap and the State Government gives priority to apples for the purpose of transport by road, the export of walnuts suffers because of lack of adequate transport.”

Reply of Government

The State Government of J & K has been requested to make necessary arrangements for facilitating quick transport by road of walnuts for export purposes during the harvesting season.

[Min. of Commerce O.M. No. H. 11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part XII—Para No. 3.74)

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

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

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

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

Action taken Report/Proposed to be taken

The Government has taken due note of the observations made by the Estimates Committee and has also initiated follow up action, a brief resume of which is given below :—

(a) The Chemicals and Allied Products Export Promotion Council was asked by the Ministry of Commerce to study the problems of exporters of

safety matches and send their recommendations. The Council arranged a meeting with the manufacturer-exporters of safety matches at Sivakasi to discuss their problems relating to non-availability of right type of raw-materials and the non-availability of sailing/shipping space to African countries. The meeting was also attended by representatives from Ministry of Commerce and various shipping lines.

Representatives of both large scale and small scale manufacturers of safety matches confirmed that there is an acute shortage of wood species viz, pine wood and the like which are used by them for manufacture of veneers and splinters for the safety matches. They also pointed out that substitute pieces of wood are available in the adjoining states of Andhra and Karnataka. It was decided in the meeting that the manufacturers would furnish their requirements of wood for manufacture of splint and veneers for export of safety matches. As forestry is a state Government subject, the question of priority allocation of wood species to the concerned manufacturers for export production of safety matches would be taken up with the concerned Governments on receipt of data about requirements of the exporters. Details regarding the installations of necessary machines by the printing industry for up dating technology are awaited.

(b) to (d) The question of non-availability of shipping opportunities and high freight rates was taken up by the Ministry of Commerce with the Shipping Corporation of India, Bombay. The SCI have advised that the safety matches can be carried either breakbulk or in containers provided they are packed and stowed according to IMCO Regulations. They have stated that no representations have been received by them from any shippers about the non-availability of space for shipments either to Port Louis or to East Africa. In 1981-82, the SCI provided 12 sailing for Port Louis and 16 for East Africa and carried 22,617 freight tons and 34,489 freight tons respectively.

Shipments to East Africa presently attract a rate of US \$ 68.00 per CBM or US \$ 77.50 per 1000 kg. + US \$ 19.45 per freight ton Bunker surcharge. 10% deferred rebate is payable to contract shippers on basic rate excluding surcharge. There is, however, no specific rate of freight for shipments of Safety Matches to Port Louis and stray shipments of this commodity would, therefore, attract one and half times general cargo rate quoted below :—

US \$ 77.50 Net per C.B.M.

US \$ 86.50 Net per 1000 Kg.

+US \$ 19.45 per freight ton bunker surcharge.

(No deferred rebate is payable for shipments made to Port Louis).

SCI have also stated that they would welcome the shippers with their projected requirements of space for Port Louis and East Africa.

The question of shipping was also discussed in the meeting of Chemicals and Allied Products Export Promotion Council with the manufacturers-exporters of safety matches. It was pointed out by the representatives of shipping line that adequate sailing facilities are available for Gulf and African countries from Bombay and Cochin Ports. Exporters of Safety Matches could therefore, arrange to send their consignments of Safety Matches to Cochin and Bombay Ports for Gulf and African countries.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Part XIII—Para No. 3.73)

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

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

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

Reply of Government

The matter has been taken up with the Director General of Shipping, Bombay. The exporters of chillies have also been advised to apply to the concerned shipping conferences for fixation of specific freight rates.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Part XIV—Para No. 3.74)

Small scale units engaged in manufacturing sports goods face a number of difficulties in procuring raw materials for manufacture of goods for export. The sports goods industry in India is mainly at Jullundur and out of Rs. 20 crores of sports goods exported from India during 1979-80, Rs. 15 crores worth of sports goods were from Jullundur. But the States like Karnataka, J&K, H.P. and Goa have banned the movement of cane, willow, ashwood, mulberry etc. from their States to Punjab. This has given a great set-back to the sports industry of Punjab. This problem should be sorted out.

Reply of Government

The Ministry is being aware of the difficulties being faced by the sports goods industry in procuring raw materials for manufacture of export products. In so far as the question of supply of cane by Karnataka Govt. to the sports goods industry is concerned, it is stated that the matter was taken up by the Ministry with the Govt. of that State and cane is being released to the industry through Sports Goods Export Promotion Council, New Delhi on yearly basis. As regards supply of willow, ashwood, mulberry by J&K and H.P. State Govts. are concerned, it is also pointed out that the former Commerce Minister had written letters to the Chief Ministers of J&K, H.P. & U.P. separately to supply raw materials to the sports goods industry. We are pursuing this matter with these State Governments. The Punjab Govt. is having consultations with the Govt. of J&K to work out a formula for supply of raw materials to the industry in Jullundur keeping in view the interest of both the State Governments. Talks are still going on and no final decision has been taken so far. (The State Govt. of J&K does not want to release raw materials as they want to create employment opportunities to their own workers by setting up sports goods industry in J&K State.)

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl: No. 42 (Part XV—Para No. 3.73)

Handloom

- (a) In view of the shortage of short staple cotton within the country, export of short staple cotton should be banned forthwith. Further NTC/Co-operative spinning mills should also be directed to re-structure their production of yarn so that lower counts of yarn are also manufactured to meet export requirements.
- (b) Most of the orders for handloom towels procured on government and foreign trade delegation level etc. are taken away by the exporters sitting in Delhi and Bombay. The exporters sitting in other places never got orders.

Reply of Government

The Corporate Plan drawn up by NTC to modernise its mills apart from expanding the capacity by 3.9 lakh spindles for viable operations, envisages installation of 4 lakh spindles for additional supply of yarn to the decentralised sector. During 1980-81, 16% of the yarn requirements of the country's 4 million handlooms was met by NTC. Export of short-staple cotton is not allowed, except a very limited quantity of Bengal Deshi. The buying delegations who visit this country are free to procure orders on

commercial basis with any exporters in India. The Government does not intervene in favour of any region or group of exporters.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 42 (Part XVI—Para No. 3.73)

Return of exhibits from abroad

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

Reply of Government

The recommendation *inter-alia* mentions the problems faced by exporters in return of exhibits from abroad. This obviously relates to exhibits sent for the exhibitions organised by TFAI abroad and payment of countervailing duty on return of same. The countervailing duty has been working as a deterrent to the cause of export promotion through the medium of fairs and exhibitions. The exhibits, a few of which are sample pieces, come back after a lapse of several months in a deteriorated or damaged condition and cannot be marketed readily. On these exhibits also the countervailing duty has to be paid and the duty is very high in respect of some of the categories of goods. At times it is found that the exhibits returned are of lesser value than the duty itself. In such instances the participants do not want to take back their goods on return. Consequently the exhibits keep lying in the store. Demurrage also starts accruing as the Port Authorities give only five days for clearance of the exhibits by which time the TFAI is not in a position to realise the countervailing duty from the parties and take delivery of the goods. In view of this many leading manufacturers have been backing out from participation in exhibitions abroad. It will be a relief to the participants if the exhibits sent abroad are exempted from payment of countervailing duty without involving any significant loss of revenue. This matter has already been taken up with the Ministry of Finance and that Ministry has been requested to grant exemption to TFAI's exhibits from payment of countervailing duty under section 25 of the Customs Act.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 42 (Part XVII—Para No. 3.72)

An Inland Container facility at Delhi should be provided as announced by the Central Government.

Reply of Government

It has been decided to set up an Inland Container Depot (ICD) on pilot project basis at Pragati Maidan Railway siding, New Delhi. The

proposed ICD has been set up and would be managed by the Northern Railway. The Northern Railway have completed the work relating to augmentation and additions to the infrastructure required for stuffing/destuffing and loading/unloading containers, stacking them and for customs examination of import as well as export goods. The Customs authorities have also finalised the procedural and allied arrangements for the ICD. One of the problems that has been pending solution so far is the finalisation of the negotiable Combined Transport Document (CTD) to be issued by the shipping lines acting as Combined Transport Operators (CTOs). The Reserve Bank of India, Indian National Shipowners' Association, Foreign Exchange Dealers' Association in India and General Insurance Corporation have arrived at an understanding on most of the rules and conditions for the issuance of the CTD. A few pending problems however remain to be resolved for which concerted efforts are being made. A few issues relating to Bonibay Port also need to be sorted out. The pilot project can be commissioned only after these issues are finalised for which necessary efforts are being made.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 42 (Part XVII—Para 3.72)

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

Reply of Government

The Railway Board have amended the Preferential Traffic Schedule which provides for higher priority in the allotment of wagons for export traffic moving by rail. According to the amended scheme, traffic for export via ports or land frontiers to adjacent countries is eligible for higher priority 'B'. It has also been laid down by the Railways that in case such export traffic does not get cleared within five days of the demand having been placed, the same will be upgraded and cleared in moveable priority. Raw materials, which are meant for export production, are also eligible for their movement by rail from procuring centres to centres of production under higher priority, viz. priority 'D'.

After the revised scheme came into operation early this year, the movement of export goods has been considerably facilitated and the exporters are generally not experiencing any major difficulty in securing priority allotment of wagons for transporting their export cargoes. Whenever any problem is brought to the notice of this Ministry or the Railway Board expeditious solution is attempted.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 42 (Part XIX—Para No. 373)

Storage facilities—Minerals

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

Reply of Government

Iron Ore and Barytes are the chief items of minerals and ores category exported from Madras. The MMTC is not facing any major problem regarding iron ore. The difficulties of private exporters of barytes have been brought to the notice of the Ministry of Shipping & Transport for necessary action.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 43 (Para No. 3.78)

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

Reply of Government

The various Export Promotion Councils, Commodity Boards, Trade Development Authority and Indian Institute of Foreign Trade etc. have noted the observations of the Export Services Coordination Committee to undertake studies on the various aspects of export promotion as identified by the Estimates Committee. These studies would be made the use of for framing the future export strategy.

In this connection it is submitted that a Research Advisory Panel under the Chairmanship of Commerce Secretary and consisting of members from the Government and exporters has been constituted in the Trade Development Authority with a view to review the proposals for carrying out research on specific areas of immediate and direct interest. Initially, proposals are under consideration for studying techniques for

improving the unit value realisation for specific products in selected markets and also studying marketing techniques of India's competitors for selected products in selected markets.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Serial No. 44 (Paras 4.10-4.13)

Publicity of various products in overseas markets is organised by a large number of organisations, viz. Export Promotion Councils (EPCs), Commodity Boards, Corporations, Trade Fair Authority of India (TFAI) and the Trade Development Authority (TDA).

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

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

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

Reply of Government

An inter-ministerial Committee has been constituted to look into the aspect of monitoring and evaluation of the expenditure on commercial publicity. The recommendation will also be placed before this Committee for suitable action.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82]

Recommendation Sl. No. 45 (Para 4.14)

Lack of professionalism and coordinated approach is stated to be one of the weaknesses of our publicity campaigns abroad particularly in the number of export promotion. The Committee are glad to note that the Ministry, which is in favour of a coordinated approach, has now decided to undertake a study in this regard in order to bring about improvement in foreign publicity. The Committee would like to be apprised of the outcome of the study.

Reply of Government

An inter-ministerial Committee has been constituted to look into the aspect of monitoring and evaluation of the expenditure on commercial publicity. The recommendation will also be placed before this committee for suitable action.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt.
3-11-82]

Recommendation Sl. No. 46 (Para 4.15)

There are a large number of organisations, official as well as non-official which are carrying out publicity abroad. Just as Government has declared TFAI as the focal point for organising and participating in trade fairs abroad, in the Committee's opinion, there is need for a well equipped and professionally staffed body to be designated as the focal point for coordinating publicity campaigns abroad. Unless this is done, the chances of duplication of efforts and wastage of precious foreign exchange cannot be completely ruled out. The Committee would like the Ministry to give it a serious thought.

Reply of Government

An inter-ministerial Committee has been constituted to look into the aspect of monitoring and evaluation of the expenditure on commercial publicity. The recommendation will also be placed before this committee for suitable action.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt.
3-11-82]

Recommendation Sl. No. 47 (Para 4.16)

There is a feeling among exporters that they could get better markets abroad if they could get more foreign exchange for publicity. The Committee suggest that this matter may be looked into by the Ministry of Commerce in consultation with the Ministry of Finance and R.B.I.

Reply of Government

It has been decided to constitute an inter-ministerial Committee to look into the aspect of monitoring and evaluation of the expenditure on

commercial publicity incurred by different export promotion organisations under the Ministry of Commerce. This Recommendations/Conclusions No. 47 of the Estimates Committee will also be placed before the Committee for making suitable recommendations to the R.B.I. and Ministry of Finance.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82]

Recommendation Sl. No. 48 (Para 4.22)

The Committee are informed that it is not a fact, as stated by an association of small scale industries, that TFAI invites only big firms to participate in trade fairs. Intimation about trade fairs, the Ministry says, is given to organisations concerned with small scale industries like the N.S.I.C., State Directors of Industries, State Export Corporations, Development Commissioner for small scale industries etc. This list does not include the name of any small scale industries association. TFAI it is stated also "encourages" associations of small scale industries to participate in trade fairs. All this shows that the complaint made by small scale industries association is not entirely without basis. The Committee do not see any reason why association of small scale industries cannot be "invited" to participate in the trade fairs just like the big firms. This should be done.

Reply of Government

So far the intimation for participation in the fairs and exhibitions being organised by the Trade Fair Authority of India was given to the Development Commissioner, Small Scale Industries, and to organisations concerned with small scale industries like, National Small Industries Corporation, State Directors of Industries State Small Industries Corporations etc. Small Scale Units who are also members of Export Promotion Councils are also intimated about the participation through their Councils. Hence it is logical to presume that by this means, small scale manufacturers are invited for participation in the trade fairs. The recommendations of the Estimates Committee that small scale industries associations should also be invited to participate in trade fairs like other organisations has been noted. The TFAI will ensure regular intimation to the Associations representing the Small Scale Sector about the fairs & exhibitions being organised abroad as also in India so that their members may directly book the space with TFAI.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82]

Recommendation Sl. No. 50 (Para 4.27)

The Committee are glad to know that the Ministry has now realised the importance of a suitable system to follow up the trade enquiries

received during trade fairs and to monitor the volume of business deals concluded as a result thereof. The Committee would like the proposal in this regard to be finalised and implemented expeditiously so that concrete business gains made by the country from each trade fair can be known.

Reply of Government

The following drill has now been adopted by TFAI to ensure systematic follow-up of enquiries :—

1. Compilation of trade enquiries by the Leader of the Exhibition during the fair.
2. Submission of consolidated information to the head-quarters of TFAI at the time of reporting.
3. Participants, who are negotiating the business to be contacted periodically over a period of 6 months, after the close of the fair to assess the business generated at the fair. Participants are also requested to advise TFAI the reasons why negotiations did not materialise.
4. Complete information on the trade enquiries to be passed on to the concerned EPC for follow-up.
5. Presentation meetings for discussing the report on the Exhibition would be held in TFAI, first one 3 months after the close of the fair and the second one after one year of the close of the Exhibition. The assessment of the business generated at the fair, as compiled by the concerned E.P.C., as a result of the follow-up to be discussed in this meeting.
6. Trade Fair Authority of India to monitor the entire activities.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt.
3-11-82]

Recommendation Sl. No. 51 (Para No. 4.28)

The performance of Trade Fair Authority of India was reviewed in a meeting held in the room of the Commerce Secretary on 3rd March, 1982 and another meeting will be held shortly to review the working of the Trade Fair Authority of India.

Reply of Government

The Ministry has also now decided to make a quarterly review of the working of the Trade Fair Authority of India. This will give a good opportunity to the Ministry to judge the performance of TFAI and apply correctives wherever found necessary.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl., dt.
3-11-82]

Recommendation Sl. No. 52 (Para 4.31)

Difficulties in repatriating the sale proceeds of the goods sold at trade fairs abroad have been expressed by exporters and admitted by the Ministry. The difficulties are stated to be mainly due to the currency regulations of the countries where trade fairs are held. This is a matter which should be sorted out with the host country before participating in the trade fair and steps taken in advance to ensure that the participants are not put into difficulties in repatriating the sale proceeds.

Reply of Government

In those countries where facilities are not available for repatriation of sale proceeds, such sale proceeds are deposited with the Indian Embassy for repatriation through Controller of Accounts, External Affairs and the Office of the Controller of Accounts Ministry of Commerce. Amounts so repatriated are finally credited to the account of the Trade Fair Authority of India and the amounts are reimbursed to the participants, after scrutiny of sales statement by the Leader of the Exhibition Team. In those countries where approval of the Government concerned is required for direct remittance by the Embassy of India, it takes considerable time to reimburse the amounts to the parties in India. In a few cases amounts so deposited with the Indian Mission have been utilised for meeting participation expenses. Repatriation through the Embassy of India involves time and Trade Fair Authority of India propose to adopt the following measures :—

- (i) Allow participants to repatriate sale proceeds directly through the normal banking channels, after depositing incidental charges to the Director of the Fair wherever repatriation facilities are available.
- (ii) In those cases where repatriation facilities are not available and proceeds deposited in the account of the Embassy of India, Ministry of External Affairs may be requested to give equivalent amount to the Trade Fair Authority of India if it is permitted by regulations. Amounts so received by the Trade Fair Authority of India to be reimbursed to the participants.
- (iii) Simultaneously persuade Ministry of Finance to agree to extend replenishment benefits to such of those parties whose sales proceeds have been deposited to the account of the Embassy of India. Normal eligibility of replenishment licences will depend on physical remittance from overseas in respect of sale proceeds.
- (iv) Where local procedure in overseas countries are difficult and involve considerable time for issue of permits for repatriation of sale proceeds to the extent possible, utilise sale proceeds for meeting expenditure on participation with the specific

approval of Reserve Bank of India, as R.B.I., normally does not permit utilisation of sale proceeds for meeting expenses on participation. This would obviate the necessity of physical remittance from India of funds approved for expenses on account of participation. Reserve Bank of India can be satisfied in this case with proper sanction for remittance of foreign exchange and actual amounts utilised abroad for such expenses out of sale proceeds.

The above procedure will to a great extent reduce the time-lag between realisation of sale proceeds abroad and the final reimbursement to the participants.

2. While all possible efforts will be made by Trade Fair Authority of India to sort out the procedural problem in advance, it may be stated that TFAI's participation in fairs abroad is not always aimed at on the spot sale of exhibits. It is a vital perspective so as to create awareness in the country where exhibition is held about India's capability in meeting their requirement and creating a climate for generation of future business. In view of this it will not be possible to insist that the host country should settle the rules of repatriation of sale proceeds before deciding participation as that might jeopardize our legitimate aim of creating a climate for export promotion.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82].

Recommendation Sl. No. 53 (Para 4.33)

Trade Agreements

The Committee expect that besides copies of trade Agreements signed with other countries, as much other information as can be supplied without difficulty should be supplied to all State Governments to enable the exporters and manufacturers within their States to avail themselves of the export opportunities.

Reply of Government

Consequent upon acceptance of the above recommendation, the concerned Territorial Sections in this Ministry have been instructed to send copies of the trade agreements as well as such other information as can be supplied to the State Governments to enable the exporters and manufacturers within their States to avail themselves of the export opportunities.

[Min. of Commerce O.M. No. H-11013/6/82-
Parl. dt. 3-11-82].

Recommendation Sl. No. 54 (Para 4.38)

The market surveys prepared by various organisations like TDA, IIFT, EPCs and FIEO have come in for criticism by the exporters. According

to them these surveys tend to be a mere compilation of data often out-dated and without any serious analysis and interpretation. The Ministry has, however, not agreed with these comments. But it has nevertheless admitted that unless the exporters are satisfied with the market surveys, the Ministry would not deem to have discharged its responsibility fully.

The Committee would like that an institutional mechanism should be evolved to receive feed-back about utility of these surveys from the exporters as only then can the Government know the shortcomings of the market surveys brought out by various organisation and suggest improvements. The Ministry accepts the need for feed-back. What is needed now is action to put it into practice.

Reply of Government

The Market Surveys conducted by TDA etc. are completed in the following phases :—

- (i) desk research to establish the potential for exports on the basis of statistical data;
- (ii) in-country study to have detailed discussions with TDA clients engaged in manufacturing and exporting the product;
- (iii) collection of samples, brochures, price lists, catalogues etc. from TDA clients to study the market potential for specified items of clients' requirements;
- (iv) overseas survey, with emphasis on :
 - (a) establishing live market contacts;
 - (b) study the nature of product adaptation required; and
 - (c) outlining short-term and long-term market strategy.

The major observations and suggestions are prepared immediately after the market survey team returns back to India and is circulated among all the TDA's clients and concerned Government Departments. A detailed report is subsequently prepared and circulated. The above procedure ensures that the findings of these surveys reach the industry at the earliest. Except in few cases, there is good demand for these reports.

The various Export Promotion Councils, Commodity Boards, Trade Development Authority and Indian Institute of Foreign Trade have been directed to comply strictly with the observations made by the Estimates Committee.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 56 (Para Nos. 4.52 & 4.53)

Publication of Trade Statistics by DGCI&S

The long time lag in publishing trade statistics by DGCI&S makes it difficult for exporters to formulate realistic export plans and programmes.

Even after taking remedial measures in the light of the Seal Committee on Timely Supply of Foreign Trade Statistics, DGCI&S took 14 months to publish March 1980 issue of Annual Imports which is not much of an improvement as compared to past when it reportedly took 18 months. The Committee would like to judge the Ministry's performance not by the plans formulated or measures taken to expedite matters, but by the results achieved. If trade statistics have to serve the purpose for which these are collected they should be in the hands of exporters within 6 month or so after the relevant year.

Reply of Government

The Committee on timely supply of foreign trade statistics by DGCI&S under the Chairmanship of Dr. K. C. Seal have submitted Part-I of the Report. On the basis of this report, a few measures have been taken to reduce the time lag in the supply of foreign trade statistics by DGCI&S. However, the final report of the Committee (Part-II) dealing with the important issues like modernisation of data processing etc. is awaited shortly. On the receipt of scrutiny of the report, all possible efforts will be made to implement the recommendations accepted by the Government with a view to reducing the time lag to a considerable extent.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 58 (Para 5.36)

At present a large number of organisations are concerned with the various aspects of exports and an exporter has to contact a good number of them for getting relevant information and processing export transactions and formalities. Since these organisations are situated at different places, a number of exporters and Chambers of Commerce have represented to the Committee that they are put to great inconvenience and have to spend a considerable time in going from place to place contact these organisations in the process of finalising exports. The Ministry concedes the need for coordination and also agrees that in a limited area it is possible to bring some of these institutions together for instance, in the mini-customs house. The Ministry has also stated that Government has set up Export Services Coordinating Committee and an inter-Ministerial Committee to bring about coordination among the various organisations. Besides, there is a standing committee on Export Finance in RBI to help the exporters. But, in the Ministry's opinion, creation of single coordinating agency for all the organisations concerned is not feasible for the reason that not only the number of organisations involved in export promotion is large but they have also wide and varied roles to play and it is difficult to combine them or reduce their number. The Committee feel that first of all the Government must through an expert and independent study, satisfy itself that there is need for all these organisations to continue as separate entities in

the field of exports and where possible, combine such of these organisations into one body as are capable of being so combined.

Reply of Government

At present, exporters have to approach the following main organisations before undertaking exports or for claiming export incentives :

- (i) RBI for the purpose of obtaining export code number.
- (ii) their bankers for negotiating export documents.
- (iii) Customs authorities for having their goods cleared and for claiming duty drawback.
- (iv) Office of the Chief Controller of Imports & Exports for claiming various incentives like import licence cash compensatory support etc.

Apart from the above, the exporter may have to approach the concerned EP Council or the Commodity Board, ECGC etc., so as to avail of the specialised services being rendered by these organisations to the exporting community.

The Ministry accepts the recommendation of the Estimates Committee may, through an expert and independent study, satisfy itself that there is need for all these organisations to continue as separate entities in the field of exports and where ever possible combine such of these organisation into one body as are capable of being so combined.

The Ministry accepts the recommendation of the Estimates Committee and it is proposed to ask the Indian Institute of Foreign Trade (IIFT) to undertake the proposed study. Further action would be taken in the light of the results of the study.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 59 (Para No. 5.37)

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

The Estimates Committee have recommended that it should be possible to locate all or at least most of the organisations dealing with exporters under one roof to enable the exporters to meet the representatives of these organisations one after the other and get the needful done.

The Ministry is of the view that as a concept, the recommendation made by the Estimates Committee is acceptable in principle. However, such a proposal would necessarily involve a large outlay of financial resources to locate the various existing organisations in one building, especially in centres like Bombay, Delhi, Calcutta and Madras from where bulk of India's exports take place. At the same time, the need for providing maximum degree of convenience to exporters in the matter of completion of their required formalities through various agencies is obvious and with this object in view the Government have already set up Integrated Air Cargo Complexes at important airports to provide requisite infrastructural facilities for air cargo booking, pre-shipment inspection, customs clearance etc. under one roof. These complexes have already been set up at Bangalore, Ahmedabad, Hyderabad, Trivendrum, Jaipur, Varanasi, Amritsar and Srinagar. Proposal to set up more complexes at Kanpur and Gauhati is under consideration.

The Ministry of Commerce is also considering the question of setting up inland container depots (ICDs) on pilot project basis at Bangalore Cantonment Goodshed and at New Delhi (Pragati Maidan). The basic principle involved in installation of such ICDs is to facilitate exporters located in and around Delhi and Bangalore to despatch/receive their export/import shipments in ISO containers. Movement of such ISO containers in both the directions from the inland container depots to the gate way ports will be by rail and the proposed ICDs will be managed by the concerned Zonal railway authorities. The exporters and importers will be accorded the facility of securing customs clearance for their export and import shipments in these ICDs. In the case of exports, apart from customs clearance facilities, facility for preshipment inspection will also be provided at these ICDs. In the case of export cargoes, shippers will be securing the benefit of despatching their cargoes, sealed in ISO containers against a negotiable combined transport document.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dt.
3-11-82]

Recommendation Serial No. 61 (Para Nos. 5.40 & 5.41)

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

The Committee would like the Ministry to go into the matter and ensure that TDA does not lose sight of its main objectives.

Reply of Government

Organising export intelligence services on modern lines and to organise collection of trade statistics on a scientific and systematic basis are only few of the objectives of the TDA. TDA's Memorandum of Association and Rules and Regulations lists a number of objects, which include :

- to undertake, coordinate and assist in the promotion of merchandise contacts including product and package development;
- advertisement and sales promotion, financial support and party rating;
- to assist individual exporters in undertaking overseas publicity including participation in exhibitions and fairs;
- to assist Indian manufacturers/exporters and foreign exporters to collaborate in exports to third countries;
- to organise coordinate and assist in undertaking market research and analyses;
- to translate the result of research and analysis as well as Commercial information at micro-level into advice for individual units with reference to their requirements for export;
- to utilise and coordinate the services of existing export promotion institutions to serve individual needs.
- to establish and cooperate with any other agency or organisation having similar objectives.

It would be seen from the above that TDA's present activities are in accordance with the objectives laid down for it.

[Min. of Commerce O.M. No. H-11013/6/82 Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Para Nos. 5.42 & 5.43)

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

The Committee feel that a council may deal with more than one product but the same product should not be dealt with by more than one council. Unless this is ensured, duplication cannot be avoided. The Committee expect that the Task Force set up by the Ministry would look into this matter critically and suggest measures to avoid duplication of functions among EPCs.

Reply of Government

A Task Force has been set up by Government to examine the working of various Export Promotion Councils. One of the terms of reference of the Task Force reads as under :

"To review product coverage of various Export Promotion Councils and to suggest changes therein, if necessary, in order to improve their efficiency".

Implemental action on the recommendation made by the Estimates Committee will be considered by the Task Force.

[Min. of Commerce O.M. No. H-11013/6/82 Parl., dated 3-11-82]

Recommendation Serial No. 64 (Para No. 5.45)

Staffing pattern in Export Promotion Councils :

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

Reply of Government

The Task Force set up to go into the working of Export Promotion Councils will also consider and advise on implemental action to be taken on this recommendation of the Estimates Committee.

[Min. of Commerce O.M. No. H-11013/6/82 Parl., dated 3-11-82]

Recommendation Sl. No. 65 (Para No. 5.47)

Though Government gives considerable monetary support to the EPCs (60% of the total expenditure of the councils) the Government or Government organisations do not have a corresponding say in the management of these councils. For example, only 3 out of the 60 working committee members in the EEPC are from government. But the Ministry is not in favour of increasing government representation on EPCs as it feels that interests of exporters can best be served by organisations which are primarily managed

by exporters themselves. But, in view of adverse comments received on the working of EPCs and in view of the past trend of submitting weighted cost data by some of them the committee feel that Government representative on EPCs management should be more active in the deliberations and affairs of the councils so as to tone up their efficiency and professional competence.

Reply of Government

The recommendation made by the Committee that the Government representatives on EP Councils' Managing Committees should be more active has been noted. Instructions have accordingly been issued to the concerned officers.

It is also relevant to mention that apart from the formal meetings of the Managing Committee of the EP Councils, the Commerce Ministry officials have close interaction with the functionaries of the EP Councils on various matters. They include amongst others, fixation of export targets, suggestions for necessary policy changes, fixation of rates of CCS, sponsoring of trade promotion delegations, training in the organisational structure, functions and methods of operations, and strengthening the information-based structure of the EP Councils.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 66 (Para No. 5.47)

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

Reply of Government

The observations made by the Estimates Committee have been noted.

[Min. of Commerce O.M. No. H-11013/6/82 Parl.,
dated 3-11-82]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation Sl. No. 5 (Para Nos. 1.45 & 1.46)

NATIONAL EXPORT PLAN

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

Ministry of Commerce formulates commodity wise export targets on annual basis in consultation with various export promotion organisations viz. export promotion councils, commodity boards, State Trading Corporations and the concerned departments/ministries of the Government.

In the process of formulation of annual export targets both domestic and external constraints are identified and also the measures required to remove the constraints and step up exports to the targeted levels are evolved.

In recent years, the international trading environment has become very unstable largely on account of prolonged recession and restrictive trade practices pursued by developed countries. In view of such unpredictable overseas demands, formulation of a precise export plan has become increasingly difficult.

The annual export targets are formulated within the framework of national objectives and strategies of Five Year Plan as well as Annual Plan, thus taking into consideration both the immediate and long-term perspectives. These targets, to the extent possible, are supported by the various policy initiatives such as cash compensatory support, quota allocations of agricultural commodities and annual import/export policy.

Since export promotion is also a long-term process, the scheme of cash compensatory support in general has been made stable for a period of 3

years. However, in particular cases depending on a review of the competitive position of the item in international markets, corrective action is taken. In case of certain agricultural products, the quotas are allocated periodically for the purpose of exports keeping in view the likely level of production and domestic demand in a particular year as well as opportunities offered by external markets.

The import/export policy is formulated and announced annually to meet the growing and diversified needs of economy in regard to import of raw materials and capital goods with particular emphasis on export production so as to facilitate achieve export targets.

The formulation of export targets and policies is a continuous process and constant efforts are made to improve upon it.

[Min. of Commerce O.M. No. H-11013/6/82 Parl., dated 3-11-82]

Recommendation Sl. No. 8 (Para No. 1.61)

IDENTIFYING PRODUCTS FOR EXPORTS

No scientific study has been made to identify products, the export of which could bring in maximum net foreign exchange and which would have the least domestic resource cost and the most profitable to the national economy. The Committee feel that a systematic study should be undertaken by Government through experts to identify export items which would bring in the maximum 'net' foreign exchange and be most advantageous to national economy.

Reply of Government

Identification of products for export will have to be based on broad determination of the areas of country's dynamic comparative advantage and exports need to be encouraged in such frame work. Hence identification of products for export is broadly governed by the following guidelines :—

- (i) the "net" foreign exchange earnings by the export of products should be positive;
- (ii) the value added should increase over time by exploring the possibilities of further processing and product development; and
- (iii) the benefit accrued i.e. the value of foreign exchange earned should be more than the domestic resources cost incurred in earning this foreign exchange.

Identification of products in the light of the above principle is a continuous process which the Ministry of Commerce, with the help of other

Ministries/Departments, is undertaking through various Task Forces, Committees, Commodity Boards, Export Promotion Councils, State Trading Organisations, T.D.A. etc.

[Min. of Commerce O.M. No. H-11013/6/82 Parl., dated 3-11-82]

Recommendation Sl. No. 13 (Para Nos. 2.29 & 2.30)

CASH COMPENSATORY SUPPORT

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

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

Reply of Government

The existing scheme for cash compensatory support as well as rates of CCS on different commodities have been fixed on the basis of the

criteria recommended by the Committee on the Import-Exports Policies and Procedures (Known as the Alexander Committee) and as accepted by Government. Basically, cash compensatory support is granted as a compensation for the various types of unrefunded taxes, not refunded through Duty drawback and other burdens borne by the exporters so as to remove the handicaps inherent in the state of economic development of the country and thus make their goods competitive in the international market. Accordingly, CCS rates have been fixed on the basis of the following criteria :

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

It would be seen from the existing criteria for the purpose of grant of CCS that CCS is not merely allowed to neutralise the effect of unrefunded taxes but there are various other considerations like higher rates of interest payable in India on working capital, freight disadvantage, development of new markets, development of new products, etc. Hence, any alternative scheme for refund of indirect taxes and levies at all stages of production, as suggested by the Estimates Committee, would not compensate the exporters for other handicaps which they have to reckon with, in the matter of competition with exporters from other countries.

Secondly, production of any item in this country is seldom done exclusively for export market and Indian manufacturers are primarily engaged in production for domestic market. It will, therefore, be difficult to segregate production for export from the production for the domestic market for purposes of allowing exemption of taxes on production meant for export market. Any attempt at such segregation is not only likely to cause practical difficulties but also there is an inherent possibility of a manufacturer availing of tax exemptions even on production meant for domestic market. For argument's sake even if we segregate production for exports, it will be rather impossible for State Governments/local bodies who had

forgone the tax to monitor that the product had ultimately gone for export. In other words, they will not be in a position to watch the export commitment on a product for which they had forgone the tax element. The system of exempting production for exports from payment of various taxes is fraught with the possibilities of malpractices.

Besides, the taxes at various stages of production are levied by State Governments and even by local bodies. Hence, exporter will have to approach a large number of agencies to seek exemption from payment of different types of taxes at different stages of production. Such a process would be quite cumbersome for the exporter as he may have to obtain exemption from payment of taxes from several authorities.

Apart from the above, in respect of taxes which are levied by the respective State Governments and the local bodies it may become difficult to persuade the State Governments and the local bodies to forgo their tax revenue on production which is meant for exports. In fact, such an arrangement will call for a modification in the existing Centre and State relationship insofar as the responsibility for levy of taxes is concerned.

In view of the foregoing considerations this Ministry is of the view that the present system of grant of cash compensatory support is the least cumbersome so far as exporters are concerned, as they have only to approach one agency, namely, the licensing office under the Chief Controller of Imports and Exports to claim CCS on their exports.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 21 (Para No. 2.70)

EXPORT CREDIT

Under none of the arrangements made by Govt. and RBI to get feedback from exporters about difficulties in the matter of export credit and foreign exchange, the officials and non-officials meet formally or at stipulated periodicity at field of regional levels to hear each other's views face to face and resolve difficulties by mutual discussions. The Committee feels that on the lines of the Advisory Council on Trade at Central level, there is need for an institutional frame work at regional or state level, which alone can provide a useful forum for discussion of exporters' problem regarding export credit and foreign exchange and thrash out concrete solutions to problems.

Reply of Government

The Government and the Reserve Bank of India are in close touch with the exporters. Periodical meetings are arranged with various representative bodies of trade such as Chamber of Commerce, Export Promotion Councils, Federations/Associations of Export Organisations, etc. to get a feed back

from exporters about the various problems including those on export credit and foreign exchange.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Part III—Para No. 3.73)

“Wastage” under Duty Exemption Scheme

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

Reply of Government

An amount of wastage to be permitted while granting Advance licences under Duty Exemption Scheme is decided by the Inter-Ministerial Advance Licences Committee, on the advice of the D.G.T.D. or a similar technical authority concerned, and Director (Draw-back) in the Department of Revenue. In some cases where the wastage allowed for the purpose of customs Duty exemption is less a higher wastage is permitted for import on payment of customs duty.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dt. 3-11-82.]

Recommendation Sl. No. 42 (Part V—Para No. 3.73)

Service charges of Canalising Agencies

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

Reply of Government

Export of Woollen Knitwear was canalised through HHEC from the 19th May, 1972 and later decanalised on the 31st May, 1978. From the 14th May, 1981 exports of woollen knitwear has been recanalised through HHEC for all sales up to Rs. 152/- per FOB. This has been continued in the current year import-export policy for 1982-83. HHEC has been collecting a charge of 1% in regard to export of woollen knitwear to RCA countries. The service charges levied by the Corporation are nominal and do not undermine the industry's competitive ability in foreign markets. HHEC has done considerable work in developing exports of shetland type of woollen knitwear to GCA countries. HHEC led delegations of woollen knitwear exporters to (a) Japan & Hong-Kong and (b) West Germany, France, USA to explore markets in depth, HHEC also invited

a number of designers and importers to visit manufacturing centre at Ludhiana and to develop suitable merchandise for different markets. Experiments in blending yarn for knitted garments in different gauges were also made successfully. HHEC invited a highly qualified yarn technician and designers from USA to help the industry. As a result of this, shetland type of woollen knitwear and lambswool sweaters were introduced in Italy, West Germany and USA.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part VII—Para No. 3.73)

Delay at Customs Houses

In certain cases, goods sent for trade fairs abroad are subjected to delay by customs on return.

Reply of Government

The recommendation *inter-alia* mentions the problems faced by exporters in return of exhibits from abroad. This obviously relates to exhibits sent for the exhibitions organised by TFAI abroad and payment of countervailing duty on return of the same. The countervailing duty has been working as a deterrent to the cause of export promotion through the medium of fairs and exhibitions. The exhibits, a few of which are sample pieces, come back after a lapse of several months in a deteriorated or damaged condition and cannot be marketed readily. On these exhibits also the countervailing duty has to be paid and the duty is very high in respect of some of the categories of goods. At times it is found that the exhibits returned are of lesser value than the duty itself. In such instances the participants do not want to take back their goods on return. Consequently the exhibits keep lying in the store. Demurrage also starts accruing as the Port Authorities give only five days for clearance of the exhibits by which time the TFAI is not in a position to realise the countervailing duty from the parties and take delivery of the goods. In view of this many leading manufacturers have been backing out from participation in exhibitions abroad. It will be a relief to the participants if the exhibits sent abroad are exempted from payment of countervailing duty without involving any significant loss of revenue. This matter has already been taken up with the Ministry of Finance and that Ministry has been requested to grant exemption to TFAI's exhibits from payment of countervailing duty under section 25 of the Customs Act.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Recommendation Sl. No. 42 (Part IX—Para No. 3.74)

Cardamom

The Committee have gone into the problems and suggestions, referred to in detail earlier in this Section relating to industrial licensing, State levies on raw materials, "wastage" under Duty Exemption Scheme, Freight Subsidy service charges of canalising agencies, inspection for woollen industry, delay at customs houses, seafood industry, cardamom, cashew industry, walnuts, handmade matches, chilly trade, sports goods, handloom, return of exhibits from abroad, container facility at Delhi, availability of wagons and storage facilities. The problems of the exporters in these fields appear to be genuine and deserve a careful and dispassionate consideration. The Committee would like the Ministry to examine each one of the these suggestions and problems and inform the Committee of the action taken in the matter :

- (a) Cardamom is facing stiff competition from Guatemala. Cess on cardamom should therefore be abolished.
- (b) Exporters of cardamom should be encouraged to attend trade fairs and they should be given Market Development Assistance.
- (c) In the case of cardamom, market intelligence is reaching from Middle East but not enough from Europe. A market intelligence unit should be set up in Europe.

Reply of Government

- (a) A proposal for reduction of cess on cardamom has been submitted by the Cardamom Board and the same is under consideration of the Government. Complete abolition of cess does not seem feasible at present since it is the only source of finance available under the Cardamom Act, 1965 for the development of cardamom industry and day to day administration of Cardamom Board. Another idea, examination of which has been initiated, is collection of cess on production so as to grant relief for exports to the extent possible, by suitably scaling down export cess.
- (b) The Recommendation has been noted. Cardamom Board, as an approved organisation under the Code of Grants-in-Aid for Export Effort, can sponsor delegations of cardamom exporters for participation in trade fairs abroad. As and when proposals are sponsored by the Cardamom Board in this regards, Government will consider grant of Market Development Assistance to cardamom exporters for their participation in the trade fairs abroad.

(c) It is not felt necessary to open a Market Intelligence Office in Europe for the present as it is not a major market for cardamom (unlike Middle East). The Cardamom Board is however, making use of services available with India Trade Centre, Brussels for collecting market intelligence from Europe.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 42 (Part X—Para No. 3.73)

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

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

Reply of Government

The question of setting up of a Commodity Board was examined in the Ministry of Commerce. It was however, felt that the problems facing the Cashew industry stem from insufficient availability of raw cashewnuts rather than from any marketing constraint. Attention would, therefore, have to be paid to increasing the availability of raw cashewnuts. A number of schemes are already in operation to augment the indigenous production of raw cashewnuts; besides, the import of raw cashewnuts was decontrolled with effect from 27th April, 1981. These measures will help to solve the problems faced by the industry.

2. It was, therefore, decided that no useful purpose would be served by the setting up of a Commodity Board for cashew at this stage.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82]

Recommendation Sl. No. 60 (Para No. 5.38)

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

Similarly why Trade Fair Authority of India cannot be made solely responsible for organising and participating in all types of trade fairs is also not understood. A considerable amount of duplication of efforts is obviously there in certain areas for no advantage. There is need for an independent review in order to remedy the situation.

Reply of Government

It has already been submitted that in view of the numerous products being exported by India to more than 100 countries it is not practically possible for one organisation to undertake all the surveys as they have their own limitations with regard to the expertise and specialisation in all the product groups. As regards participation in trade fairs by TDA, TFAI, FIEO and EEPC the participation in all overseas fairs is now being considered by TFAI and all these organisations participate in the trade fairs with the approval of TFAI.

[Min. of Commerce O.M. No. H-11013/6/82-Parl., dated 3-11-82.]

Recommendation Sl. No. 63 (Para No. 5.44)

Conversion of EPCs into Commodity Boards

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

Reply of Government

The question of setting up of a Commodity Board was examined in the Ministry of Commerce. It was, however, felt that the problems facing the Cashew industry stem from insufficient availability of raw cashewnuts rather than from any marketing constraints. Attention would, therefore, have to be paid to increasing the availability of raw cashewnuts. A number of schemes are already in operation to augment the indigenous production of raw cashewnuts; besides, the import of raw cashewnuts was decontrolled with effect from 27th April, 1981. These measures will help to solve the problems faced by the Industry.

2. It is, therefore, decided that no useful purpose would be served by the setting up of a Commodity Board for cashew at this stage.

Sports goods

The objectives of the Sports Goods Export Promotion Council are mainly export promotion which include measures to promote the export potential for Indian sports goods in world markets; to take effective steps for popularising Indian sports goods in those markets; to participate in specialised exhibitions and generalised trade fairs abroad; to meet and invite buyers and introduce them to industry for consummation of business. The matter has been considered in consultation with the Sports Goods Export Promotion Council, New Delhi, who had suggested setting up of a Corporation with 51% shares held by Government. It is felt that since sports goods exports is only Rs. 28.5 crores in 1980-81, there is no justification for creation of a separate Corporation. Since the Council has been functioning quite well and the membership of the Council has increased to over 500 from 380 in the year 1977, Government do not consider it necessary setting up of Commodity Board for this item.

Shellac

The National Commission on Agriculture and Ministry of Home Affairs recommended the setting up of a Lac Marketing Board on the lines of other Commodity Boards like Tobacco Board, Coffee Board, etc. The proposal was considered in detail with concerned State Govts. and the concerned Departments of the Central Govts. The Finance Ministry was also consulted in the matter. The Ministry of Finance opposed the proposal keeping in view the financial stringency and also considering that the objectives of the proposed Lac Board could be achieved by intensifying the export development as well as research and product development of the Shellac Export Promotion and giving some financial assistance in the form of loans to Federation for construction of storage facilities/ buffer stocking operation.

2. The following data gives the export position of Shellac/Seedlac during the last few years :—

Year	Exports (tonnes)	Total value (Rs. Crores)	Unit value (Per tonne)
1977-78	6,345	6.34	9,733
1978-79	9,264	8.37	9,032
1979-80	11,000	11.12	11,045
1980-81	10,318	12.50	12,000
1981-82	10,700	15.66	14,635

3. It was noticed that the exports had increased. It was also observed that there was an increase in the unit value realisation. There had been no

need to have buffer stocks since 1978. Export of Shellac is canalised through State Trading Corporation. A price support-cum-buffer stocking scheme was operated through S.T.C. to ensure minimum support price payable to growers at Rs. 2.25 per Kg. of sticklac.

4. Keeping in view the present trend of exports it was felt that there would be no need to have buffer stocks for the next 2-3 years. The increase in exports were by itself an incentive to the growers. Since the production of seedlac at present is less than the export demand there may, therefore, be no need to introduce monopoly procurement.

5. The matter was, thereafter, considered at Commerce Minister's level. It was felt that at present there is no difficulty in exports and the system is functioning well. Under these circumstances, and in view of the opinion of the Ministry of Finance, it was felt that instead of establishing a statutory Lac Board, it may be better to set up an Inter-Ministerial Committee with Additional Secretary (Commerce) as Chairman to meet and review the arrangements regarding production and sale of Shellac. Representatives of State Govts. concerned could also be nominated as members of this Committee.

6. In view of the decision mentioned above, the State Govts. of Bihar, Madhya Pradesh, Orissa, West Bengal and U.P. and as well as Ministry of Home Affairs, Ministry of Agriculture and Ministry of Finance were addressed to communicate the name of their officer for nominating him on the proposed Inter-Ministerial Committee to review arrangements of production and sale of Shellac.

7. We have since received names from the concerned State Govts. about their nominees on the proposed Inter-Ministerial Committee. The proposed Inter-Ministerial Committee to review arrangements of production and sale of Shellac has since been set up.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 6-11-82]

CHAPTER IV

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

Recommendations No. 2 (Para Nos. 1.35 & 1.36)

Though Government has taken various steps to boost exports (which the Committee have dealt with later in this Report) and to reduce imports, the Committee cannot but take note of the fact that the country has been having adverse balance of trade for a long time and that if the past is any guide the possibility of the adverse trade balance continuing in the foreseeable future cannot be ruled out.

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

The Committee would like that the lists of items imported during 1980-81 and 1981-82 should be critically studied by a small group of experts drawn from the concerned Ministries with a view to identifying those items which, in their opinion, were not absolutely essential to be imported. The Committee would also like that the results of the study should be communicated to them within 6 months. The Committee expect that the Ministry will review the import policy in the light of the study and take remedial measures without delay.

Reply of Government

On the basis of the results of the detailed review carried out by the Sub-Group, the import policy for individual items is finalised.

While formulating the import policy for 1982-83, a similar exercise was taken by the Sub-Group having technical officers from the various concerned Ministries, with a view to identifying items which were not absolutely essential to be imported. The import policy for the year 1982-83 is based on that study/review.

After the announcement of import policy, suggestions received for any modifications in the itemwise policy are considered by a Permanent Review Committee headed by CCI&E. This Committee also includes representatives from technical organisations referred to above.

Government have also recently set up a Standing Group under the chairmanship of Secretary (Commerce) to review the impact of import policy on industry. The Standing Group reviews the import policy of any item about which there are reports or representations about excessive imports to the detriment of indigenous industry.

The Ministry of Commerce also are constantly watching the import and export trends so as to keep the trade deficit within manageable limits.

In view of the above, it will be observed that an expert group already exists to identify the items which are not absolutely essential for imports.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Comments of the Committee

Please see para 1.7 of Chapter I of the Report

Recommendation Serial No. 12 (Para Nos. 2.12 & 2.13)

Import Replenishment licences (REP licences) are issued to replenish the import content in the products exported, in respect of banned and canalised items and packing material with a view to providing inputs for export production at international prices in order to make our exports competitive. The value of REP licences increased from 25.3% in 1978-79 to 30% in 1980-81. Experts feel that quantum of REP licences vis-a-vis value of assisted exports is rather high. According to a study made by Indian Institute of Foreign Trade, REP scheme has lost its significance due to gradual liberalisation of import policy this type of assistance for export production is necessary in the present context. The Ministry has also stated that in its opinion REP licence should continue to be transferable freely as the transferability has been given to ensure a certain measure of flexibility to the producers. The Ministry has, however, admitted that a part of REP licences may be going for internal production. There cannot be two opinions on the need to provide raw materials to exporters or export manufacturers at international prices, but the question arises whether the present system of REP licences is the only or the best way of extending this facility.

It cannot be denied that a part of the REP licences or the products imported under REP licences even though their imports are otherwise and that the present REP system can be modified by making it non-transferable and any consequent reduction in the average level of export assistance can be taken care of inter-alia by liberalisation of Actual User policy. According

to another view, the premium attached to REP licences goes to exporting companies merely as windfall as the exporters, while giving quotations do not take into account the premium on transferred REP licences. A feeling has also been voiced that only some portion of REP licences are being used for export production and in order to ensure that these licences serve the real objective of boosting exports, their transfer should be restricted only to the exporters and export production purposes. The Ministry has not agreed with any of the aforesaid views. The Ministry considers banned, enter the domestic market and to that extent it is a waste of foreign exchange. The Committee also feel that there is no justification to allow REP licences or the products imported under REP licences to be transferred to anybody other than exporters or export manufacturers.

Reply of the Ministry

REP licences are issued to replenish the import content in the products exported. These licences are issued for banned and canalised items of raw materials and components, and packing materials. The intention is to allow imports at international price for export production, so as to make the Indian products competitive in foreign markets.

It may be that some of the goods imported against REP licences are not immediately used for the manufacture of products for export. The rationale of allowing the import of such items against REP licences is to replenish into the system at international price the inputs which were used in the product exported. Therefore, if the materials imported against REP licences are not used back in export production it does not defeat the purpose of replenishment. If no chain of export is built up in respect of products using the types of materials imported against REP licences, it will, to that extent, reduce imports of the same materials against further REP licences.

The suggestion that the materials imported against REP licences may be transferred only to exporters or export manufacturers, is also not acceptable. In the first instance, all those who export may not necessarily be the manufacturers of the products exported, and they may, therefore, have to pass on the imported material to the actual manufacturer. Even if the exporter is manufacturer of the product exported, he may not be requiring the imported material at the time when REP licence is utilised or he may be requiring the material to be given another ancillary unit manufacturing products which are ultimately used in export production. Therefore, transfer of raw materials imported against REP licences is inherent in the system. Consequently, Government have decided to allow free transfer of REP licences and materials imported thereunder instead of following a cumbersome procedure of the licensing authority itself sitting in judgment and permitting transfers in favour of manufacturers.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dated 3-11-82]

Comments of the Committee

Please see para 1.10 of Chapter I of the Report.

Recommendation Sl. No. 42 (Part IV—Para No. 3.73)

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

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

Reply of Government

The need for grant of relief in railway freight, in the form of concession or rebate, has been stressed time and again on the Ministry of Railways who have not found it feasible to provide the same primarily on the ground of their financial difficulties. It is proposed to take up the matter again at a high level. Air freight subsidy is available in respect of finished leather and leather goods being exported by air but is not available for any other export item.

[Ministry of Commerce O.M. No. H-11013/6/82—Parl.,
dt. 3-11-82]

Comments of the Committee

Please see para 1.13 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE AWAITED

Recommendation Sl. No. 18 (Para No. 2.52)

Setting up of a Free Trade Zone in Andaman Nicobar Islands

The Trade Development Authority has recommended establishment of a free port in Great Nicobar (Andaman Islands) with a total investment of about Rs. 2056 crores, spread over a period of 18 years. The Government decided in 1976 not to pursue this proposal and not to set up any more free trade zones in the country. Commerce Secretary agreed that there should be a reconsideration of the need to set up more free trade zones in order to augment the country's exports. The Ministry is awaiting Tandon Committee's view on the question of setting up more free trade zones. The Committee suggests that Ministry should seriously examine the question of setting up of a free trade zone in Andaman and Nicobar Islands in order to boost exports from the country.

Reply of Government

Government of India had received several requests from various State Governments for setting up of new free trade zones in their respective states. The Task Force under the Chairmanship of Shri P. L. Tandon, which was entrusted to look into the question, inter-alia, of suggesting whether more free trade zones should be opened in the country or not has since submitted its final report. It has inter-alia, recommended that a few more free trade zones should be opened in the country. This question is under active consideration of the Government. In case it is decided to set up more free trade zones, the question of setting up a free trade zone in Andaman & Nicobar Islands will be considered along with other and decision taken on merits.

[Ministry of Commerce O.M. No. H-11013/6/82—Parl.,
dt. 3-11-82]

Recommendation Sl. No. 33 (Para No. 3.27)

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

The Committee would like to know the outcome of the study and the concrete action taken in the matter.

Reply of Government

The Indian Institute of Foreign Trade has already submitted its report on simplification and standardisation of export documents. The report is under examination.

[Ministry of Commerce O.M. No. H-11013/6/82—Parl.,
dt. 3-11-82]

Recommendation Sl. No. 42 (Part II—Para No. 3.74)

State Levies on Raw Materials

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

Reply of Government

This Ministry had referred this matter to the Deptt. of Revenue, Ministry of Finance. They have opined that this is essentially a matter of interpretation of Sales Tax Act and it is for the Sales Tax Authorities of the concerned State Govts. to decide whether a particular transaction is eligible for exemption from the levy. This matter, among others, has also been investigated by a Task Force on marine products. On the basis of the recommendations of this Task Force, the matter would be taken up with the concerned State Govts. urging upon them the need for appropriate remedial measures.

[Ministry of Commerce O.M. No. H-11013/6/82—Parl.,
dt. 3-11-82]

Recommendation Sl. No. 49 (Para No. 4.23)

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

Reply of Government

The recommendation is under consideration in the Ministry of Commerce in consultation with the Trade Fair Authority of India and a further communication will follow shortly.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dt. 3-11-82]

Recommendation Serial No. 55 (Para No. 4.66)

National Centre of Trade Information

Though a number of organisations like the Indian Institute of Foreign Trade, Trade Development Authority, Export Promotion Councils etc. are collecting the market intelligence, a centralised information system is lacking and in the absence of a centralised system, the exporters face considerable difficulties. The Ministry of Commerce has admitted the need for an apex body for collection and dissemination of all type of trade information but, regrettably, it has not been able to set up such a body so far though proposal to this effect has been under consideration for the last 10 years. The Ministry proposes to strengthen the primary information sources like DGCIAS, Port Customs, Banks, EPCs before setting up an apex body. The Committee do not dispute the need to strengthen primary information sources but they cannot condone delay of 10 years to do the needful. The Committee recommend that a National Centre of Trade Information should be set up at the earliest to collect, collate and disseminate up-to-date market intelligence.

Reply of Government

The Ministry of Commerce have accepted, in principle, to process further for Government decision the question about the setting up of a National Centre for Trade Information.

[Ministry of Commerce O.M. No. H-11013/6/82—Parl.,
dt. 6-11-82]

Recommendation St. No. 57 (Para Nos. 4.57 & 4.58)

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

If the Brussels Centre has succeeded, as the Ministry says it has, in doing service to the exporting community, the setting up of more such centres should not be delayed. The Committee would like to be informed of the progress in this regard.

Reply of Government

An Evaluation team has gone into the working of the Brussels centre. While its working has been found to be generally satisfactory within the short period it has been in existence, it is too premature to make a definitive assessment. It was therefore recommended that the trade centre should be continued for another three years.

The proposal to open such Centres in West Africa and West Asia is receiving consideration of the Government.

[Min. of Commerce O.M. No. H-11013/6/82-Parl.,
dt. 6-11-82]

Recommendation Sl. No. 67 (Para No. 5.60)

Commercial Representatives

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

Reply of Government

The recommendation made by the Estimates Committee has been noted. The recommendations deal with policy matters involving consultation with Ministry of External Affairs. The comments received from that Ministry are under consideration and a final decision is likely to be taken after holding further discussions with that Ministry.

[Ministry of Commerce O.M. No. H-11013/6/82-Parl.,
dt. 6-11-82]

NEW DELHI;

March 11, 1983

Phalguna 20. 1904 (S)

BANSI LAL

Chairman,

APPENDIX I

(*Vide* Introduction)

Analysis of action taken by Government on the 23rd Report of the Estimates Committee (7th Lok Sabha)

I. Total number of Recommendations	67
II. Recommendations/observations which have been accepted by Government (1, 3, 4, 6, 7, 9 to 11, 14 to 17, 19, 20, 22 to 32, 34 to 41, 42, 43 to 48, 50 to 54, 56, 58, 59, 61, 62 and 64 to 66)	53
Percentage to total	79%
III. Recommendations/observations which the Committee do not desire to pursue in view of Government's reply (No. 5, 8, 13, 21, 60 and 63)	6
Percentage to total	9%
IV. Recommendations/observations in respect of which replies of Government have not been accepted by Committee (2 and 12)	2
Percentage to total	3%
V. Recommendations/observations in respect of which final replies of Government are still awaited (18, 33, 49, 55, 57 and 67)	6
Percentage to total	9%