



**REPORT OF THE
STUDY TEAM ON
IMPORT AND EXPORT
TRADE CONTROL
ORGANISATION**

PART I

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**DIRECTORATE OF COMMERCIAL PUBLICITY, MINISTRY
OF COMMERCE, GOVERNMENT OF INDIA, NEW DELHI**



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LETTER OF TRANSMITTAL

H. C. MATHUR, M. P.
Chairman
Study Team on the
Import and Export
Trade Control
Organisation.

NEW DELHI

Dated the 8th March, 1965.

MY DEAR MANUBHAI,

In letter No. O&M-12(9)/64 dated the 7th August, 1964, the Government of India in the Ministry of Commerce, appointed a Study Team to review the working of the Import and Export Trade Control Organisation and to recommend measures for improvement. As the Chairman of the Team, I have the privilege of submitting Part I of our report with this letter.

2. The Study Team is going into the entire procedure of licensing and it has still some areas to cover. Meanwhile, having already finalised its recommendations in respect of licensing both to small scale and large scale industries and established importers, the Study Team decided to submit Part I of its Report so that it may be possible for the Government to take these recommendations into account while formulating the import policy for the next licensing period, *i.e.*, April 1965—March 1966.

3. Our task was very much facilitated by a highly enlightened and progressive outlook of the Chief Controller Shri P. Sabanayagam and the Committee was greatly assisted by the exceptionally high standard of performance and indefatigable labour put in by Shri S. P. Mukerji and Shri Sushil Kumar.

4. Licensing is, at best, a necessary evil. It cramps the licensor as also the licensee. We have ventured to suggest procedural changes to mitigate its negative impact on trade and administration as far as possible without of course violating the totality of objectives in view. Lest our recommendations which will mean only marginal changes in procedure should meet with exaggerated apprehensions, I thought it proper to underline very briefly in this letter the implications of a few of our major proposals.

5. One of our most important recommendations is about annual licensing (without any mid-year endorsement) for the entire sector of established importers and small-scale units and for

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those in the non-SSI sector holding licences valued upto Rs. 15,000/-. This will spare about 40,000 odd licensees from thronging the licensing and sponsoring offices all over the country in order to get their licences endorsed for the second half. In terms of man-days saved for the trade and the Government Departments as also the facility in import, negotiations, planning, etc. we are convinced that this will bestow a phenomenal benefit to all concerned. These 40,000 licensees consume only about 13 per cent of the total commercial quota. We feel that by taking one year with the next, the fluctuations in foreign exchange allocations between two half years for this category have been so nominal (0.5 to 1 per cent approximately of the total commercial quota), that these licences can safely be cleared for the whole year without any distortion in the economy as a whole and without any unbearable strain on the other licensees. (The strain if any can be mitigated by marginal adjustment in the next year's annual allocation). Even while recommending this concession we have stipulated that remittances should not exceed 50 per cent of the value in the first half year.

6. We have recommended, further, the total abolition of the system of essentiality certificates which are currently to be obtained by non-scheduled industries from the Directors of Industries or the other sponsoring authorities as a process independent of that of licensing. In the case of the small-scale sector, we visualise that the Director of Industries should be enabled to give his recommendation on the application for licence itself and that too decisively. His recommendation should be accepted *in toto* in the licensing office, as is the case for the DGTD's units. To this end we have proposed that in the beginning of the licensing period each Director of Industries should be informed of the foreign exchange ceiling within which he has to limit his recommendation. This is not a novel procedure. Sponsoring authorities like the DGTD, the Textile Commissioner and others are given such ceilings even now, and such State-wise allocation operates to some extent in the case of imported steel and non-ferrous metals. In a way such a State-wise ceiling is even now indirectly operating in the SSI sector, at least in respect of the existing units. Our proposal, besides streamlining the procedure, will enable the Director of Industries to play the effective role that he is expected to in the SSI sector. *I must, however, make it clear that in order to avoid the least possible dislocation to the existing units in different States, we have evolved a formula under which each State will continue to get at least what its share out of the total had been in the past.* It is only in respect of a part of possible marginal increases in the total foreign exchange allocation that peripheral allocation has been recommended on consideration of growth and backwardness. In brief,

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if foreign exchange allotted to the SSI sector remains the same or decreases, the proportionate share of each State out of the total will remain intact. If there is an increase in the total SSI allocation, over and above, the share of each State calculated on the basis of its share in the past, each State will get half of the additional increase again on the basis of their past share and half of the additional allocation left will be distributed on consideration of special developmental needs. I have enlarged on this matter only to allay any possible fears which an uninformed critic may develop against our proposal on 'ceilings' which forms the very foundation of the revised scheme we have suggested for the SSI sector.

7. We have also recommended that in order to enable the Directors of Industries to send the applications with their recommendations within three to four months of the commencement of the licensing period, it may be necessary to indicate to them the ceilings in the month of April. This may also involve an element of forecast and advance commitment of foreign exchange, but considering that the SSI sector covers only 4 to 5 per cent of the total commercial quota and fluctuation between two consecutive years can be estimated with a fair (10 per cent) degree of accuracy, the margin of error may not exceed 0.5 per cent to 1 per cent of the total commercial quota.

8. In all our major and minor recommendations, we have tried to be practical while at the same time keeping a sense of perspective. I must affirm that we have recommended only those changes in procedure and practice the total balance of advantages and disadvantages flowing from which is conclusively favourable. While balancing, we have taken into account the dislocation that could possibly be anticipated, as also the doubts of the most fastidious critics.

9. Knowing how intolerant you are of red-tapism and procedural hurdles, I am sure our recommendations will find favour with you as a number of these recommendations, if effectively implemented, will cut out considerable delays and irritations and contribute to clientele satisfaction.

Yours sincerely,

H. C. MATHUR

Shri Manubhai Shah
Minister of Commerce
Government of India
New Delhi.

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