

**REPORT**  
of the  
**AD HOC COMMITTEE**  
ON  
**QUALITY CONTROL**  
AND  
**PRE-SHIPMENT INSPECTION**



**GOVERNMENT OF INDIA**  
**MINISTRY OF COMMERCE AND INDUSTRY**

of the

**AD HOC COMMITTEE ON QUALITY  
CONTROL AND PRE-SHIPMENT  
INSPECTION**



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MINISTRY OF COMMERCE AND INDUSTRY**

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## CHAPTER I

### INTRODUCTION

I-1. The Ad Hoc Committee on Quality Control and Pre-shipment Inspection was appointed in terms of letter No. 6-Exp (18)/60 dated 25 November 1960 issued by the Government of India in the Ministry of Commerce and Industry. It stated that "in order to eliminate complaints from overseas buyers about the quality of goods exported from India and their packing, to maintain enduring trade connections and also to popularise Indian goods in the foreign markets, it has been decided to set up an Ad Hoc Committee to examine the question of imposing quality control on various goods exported from India."

I-2 The terms of reference of the Committee were as follows:

- (a) To review the existing schemes, rules, regulations and legislation relating to compulsory and voluntary quality control and pre-shipment inspection of export commodities and their packing and to suggest such action as may be necessary to better ensure the quality of goods exported from India.
- (b) To indicate the type of legislative and administrative machinery that may be considered essential to be set up and whether it would be necessary to have a single agency or a number of agencies for inspection of goods exported and certification of their quality.
- (c) To recommend methods and policies to be adopted by the inspection and certifying agencies in the discharge of their functions (for example, whether inspection and certification should be done on a compulsory basis or on a voluntary basis, whether it should be done at the stage of production or at the point of export, whether the goods should be marked etc.)
- (d) To examine the adequacy or otherwise of the testing laboratories and pre-shipment inspection agencies at present available in the country for the various exported cargo and to recommend measures for improving such facilities.
- (e) To examine the existing machinery for drawing up specifications and grades of quality of the exported goods and to recommend improvements, if any, considered necessary.
- (f) Having due regard to the existing quantum of exports and possibilities of expansion of exports, to suggest additional commodities that may be brought under quality control.
- (g) To consider any other matter relating to the main object of improving the quality of export goods and make recommendations where necessary.

In considering the above matter, the Committee shall give due consideration to the fact that metric units will increasingly be brought into use in the country, for all purposes.

## I-3 The Committee consisted of the following:

- |   |                   |
|---|-------------------|
| (1) Dr. Lal C. Verma,<br>Director,<br>Indian Standards Institution,<br>New Delhi.   | Chairman          |
| (2) Shri N.P. Chatterjee,<br>Agricultural Marketing Adviser to the Govern-<br>ment of India,<br>New Secretariat Buildings,<br>Nagpur.                           | Member            |
| (3) Shri S.K. Borkar,<br>Drugs Controller (India),<br>Ministry of Health,<br>New Delhi.   | Member            |
| (4) Dr. A. Seetharamiah,<br>Development Officer (Leather) (Now Industrial<br>Adviser),<br>Development Wing,<br>Ministry of Commerce and Industry,<br>New Delhi. | Member            |
| (5) Shri S.C. Nundy,<br>Development Officer,<br>(Industrial Machinery),<br>Development Wing,<br>Ministry of Commerce and Industry,<br>New Delhi.                | Member            |
| (6) Shri R.N. Sarma<br>Deputy Director General (Inspection),<br>Directorate General of Supplies and Disposals,<br>New Delhi,                                    | Member            |
| (7) Shri R.V. Ramiah,<br>Director,<br>Office of the Development Commissioner,<br>Small Scale Industries,<br>New Delhi.  | Member            |
| (8) Shri C.S. Ramanathan,<br>Chief Inspecting Officer,<br>Cotton Textiles Fund Committee,<br>Bombay.  | Member            |
| (9) Shri V.M. Srikumaran Nayar,<br>Joint Director of Export Promotion,<br>Ministry of Commerce and Industry,<br>New Delhi.                                      | Member-Secretary. |

## I-3.1 The Committee in pursuance of the powers delegated to it co-opted as Members the following:

- (10) Shri K.K. Nasta Divisional Manager,  
State Trading Corporation of India, New Delhi.
- (11) Shri C.N. Modawal, Deputy Director (Marks),  
Indian Standards Institution, New Delhi.

I-4 At its preliminary meeting held on 7 December 1960, the Committee decided that in view of the Government's desire to have the report of the Committee submitted by 31 March 1961, it would not be practicable to issue a formal questionnaire, but that the required information might be directly gathered by taking evidence of the various export promotion councils, commodity boards, the Jute Commissioner, the Directorate General of Commercial Intelligence and Statistics, the export Risks Insurance Corporation, the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce, the All India Manufacturers' Organization, the All-India Exporters' Chamber, the inspection agencies in the public and private sectors, etc., and to discuss with their representatives the various points regarding quality control, pre-shipment inspection of goods, arrangements for settlement of commercial disputes arising out of India's exports etc., in the light of the terms of reference of the committee. The Committee also decided to visit some of the quality control and pre-shipment inspection schemes in operation such as the Agmark grading of tobacco, bristles and wool at Guntur, Kanpur and Bombay respectively, ITEX inspection of cotton textiles and silk certification at Bombay, export inspection scheme for leather at Madras and the ISI Certification marking for electrical motors and aluminium conductors and cables at Faridabad.

I-5 Accordingly, the Committee which maintained its headquarters at New Delhi, visited Calcutta, Kanpur, Madras, Guntur, Bombay and Faridabad, and met representatives of the trade and industry as also of Government departments and semi-official organizations. In Appendix A is given a list of the organizations, departments and individuals called for interview and those who gave evidence.

I-6 Apart from the oral evidence tendered, a number of written memoranda were also received by the Committee from the commodity boards, export promotion councils, chambers of commerce and other trade associations. A list of organizations submitting such memoranda is given in Appendix B.

I-7 During its investigations the Committee tried to determine the present position of the export trade in general and that of a few commodities in particular, with the object of finding out to what extent the present arrangements for quality control and pre-shipment inspection of exports could be considered adequate and whether some action was called for or justified to improve the existing conditions. In doing so, the Committee attempted to gather information specifically on the following points:

- (i) The frequency of complaints received from overseas buyers against the quality of goods exported from India.
- (ii) Views of Government of India trade representatives abroad about the quality of Indian goods and their packings shipped to the countries within their jurisdiction (See Appendix C).
- (iii) Experience of commercial organizations in India in settling through arbitration or otherwise, disputes arising on questions of quality of export goods.
- (iv) The existence of facilities for surveys and pre-shipment inspection amongst the private agencies such as the Bengal Chamber of Commerce, the Indian Chamber of Commerce Calcutta, individual firms etc., and the extent to which these services were being utilized.

- (v) Pre-shipment inspection organized in Japan since the last war under an export quality control legislation.

I-8 During the course of its visits and meetings, the Committee not only had the opportunity of discussing with Indian export interests the various problems connected with quality control and pre-shipment inspection, but also had the opportunity on two occasions to discuss these questions with the overseas importers of Indian goods. Thus, at Guntur it had the opportunity to meet some of the UK buyers of tobacco who had come down to India to make direct purchases on the spot. At another occasion some members of the Committee who were in Delhi met an important UK buyer of the East India tanned hides and skins when the latter called on the Chairman. At both these occasions the viewpoint expressed by the overseas importers proved to be most valuable for the deliberations of the Committee and it was the general feeling that the Committee's work would have been much more facilitated if similar contacts with other importers abroad could have been made possible.

I-9 At times the Committee found itself in a quandary when factual evidence placed before it by different interests concerned with a given commodity did not tally. On such occasions, it was found necessary to call all the concerned interests together at one sitting and resolve the apparent contradictions. This became necessary in case of jute goods and mica.

I-10 In view of the large field of enquiry which the Committee was expected to cover, it was not possible for it to complete its report by the end of March 1961 as originally planned. A brief interim Report was, therefore, submitted to Government of India which touched upon just a few of the items on which immediate action could be taken. A copy of this Interim Report appears in Appendix D.

The Committee is grateful to the Government of India for permitting it an additional two month period for completing its Report.

I-11 In the terms of reference of the Committee, reproduced in I-2 above, and in the course of this Report, certain terms and expressions have been used which in the view of the Committee should be more precisely defined, so as to avoid chances of misunderstanding. The Committee does not, however, propose to undertake the difficult task of formally defining these terms, but gives below certain clarifications of some of the important ones, which represent the understanding of the Committee:

- (a) *Quality Control* is a deliberate and planned activity having for its object the determination of the quality of a product with a view to accepting it as such in case it satisfies the stipulated requirements, or, in case it does not satisfy these requirements to take necessary measures to correct the quality appropriately.

Control of quality (which includes statistical quality control) is best exercised during the course of production of an article, actually starting with the raw materials, going through the various processing stages and ending up with the final product paying due attention to packing, storage and transport.

- (b) *Inspection* is the process of determining the compliance of a batch of goods offered for the purpose to a given set of requirements or to a specified standard, for which purpose resort is generally made to inspecting a selected sample which purports to represent the whole batch.

It will thus be seen that quality control generally covers the whole of the production of a given unit, while inspection generally relates to a part or a batch of products which may have been derived from the production of one or more production units.

- (c) *Factual Inspection* is the process of inspection which does not attempt to determine compliance of the goods with a given set of requirements or a standard, but merely has for its aim the determination and reporting of the quality and quantity characteristics of the goods, as factually existing in the batch offered for the purpose.
- (d) *Pre-shipment Inspection* is the process of inspecting a batch of goods just prior to shipment to determine whether it satisfies the conditions for shipment, which may be concerned either with quality or weight, packaging or contraband character, etc.

Pre-shipment inspection is invariably exercised by Customs authorities with a view to determine the quantities and values and the nature of goods so that contrabands may be avoided.

- (e) *Standardization* is a process for establishing a level of comparison (a standard) with reference to which the quality or suitability of an article for a purpose may be judged.

Standardization, besides defining quality of material and products, also concerns itself with dimensional and functional interchangeability, simplification and safety requirements the ultimate aim always being to ensure the largest possible overall measure of economy and efficacy.

- (f) *Certification* is an activity by which a third party, not directly concerned with the purchase or sale of an article, may be called upon to vouchsafe the quality of that article.

This is often done through the agency of a certification mark, such as the ISI Mark, the AGMARK, the ITEX Mark, etc.

- (g) *Grading* is a process particularly applicable to natural produce under which a given produce may be classified into different grades in accordance with agreed standard specifications for the grades.

Grading is almost invariably linked with the AGMARK grading schemes which deal mainly with agricultural, live-stock and horticultural products.

I-12 The recommendations of the Committee, besides being collected in Chapter VIII, have been italicized in the main text of the Report for convenience of reference.

I-13 In submitting the final report, the Committee would like to express its appreciation to all those individuals and organizations who, by giving evidence, submitting memoranda and providing facilities for visits to grading certification and inspection centres, assisted the committee in their task. The Committee would also like to acknowledge the assistance given by Shri V.M. Srikumaran Nayar, Joint Director, Export Promotion in his capacity as Secretary and by the Section Officer, Stenographers and other officers and staff members of the Ministry of Commerce and Industry and ISI for their help.



## CHAPTER II

### PATTERN OF INDIA'S EXPORT TRADE

II-1 A study of the pattern of India's export trade reveals the influence that historical and political forces have had on its development. India has been an exporting country from very ancient times. There is evidence to show that Malabar pepper was well known to the ancient Greeks and Romans. Dacca muslin has also had a reputation abroad for several centuries. It was in the wake of the spices trade that Vasco de Gama found the sea route to India and it is also not without significance that the first British administration in India was established by a trading company.

II-2 During the British period, Indian industry suffered a set back. Soon India became the supplier of raw materials and primary products to feed the giant industrial undertakings which were taking shape in Great Britain. In fact, it may be said that it was the political hegemony of England over India which helped the former successfully to pass through the period of industrial revolution and become the first rate industrial power in the world. During this period, India's export trade was mostly in the hands of the British and the policies of the then Government of India, whether in the matter of custom duties or railway rates or industrial undertakings, were largely geared to the export of primary products from this country and import of finished products from the U. K. Some of the relics of those past policies and practices are still with us. For instance, we find that in certain export lines, there is a close connection between the Indian exporters and UK Importers, many of the latter being the agents or principals of the former. Similarly, we find also that in respect of some commodities, auctions of Indian products are still held in London. Many of the terms of the export contracts, including arbitration clauses and the specifications of the quality of the export goods are governed by the provisions laid down by London merchants' associations. It is true that a gradual change is taking place in some respects but in matter of trade particularly in the buyers' market, it is not easy to get changes effected in the sellers' favour against long established practices.

II.3 The two World Wars helped to change the old pattern somewhat. During both the Wars, particularly due to Japan's entry as a belligerent in the Second World War, India came to the forefront as an exporting country. Some of the markets in the East were, no doubt, lost at that time but in return India gained exclusive markets in West Asian countries, and competition from countries like Indonesia and Malaya was also eliminated. While on the one hand, this helped in the industrial development of the country under scarcity conditions, it also enabled the exporters to make easy profits in their dealings with overseas countries.

II-3.1 Mention may also be made here about the Indian community which had settled down in many of the neighbouring countries. The close contact between these Indian merchants abroad and the exporters in India, established during the last war, continues to exist so that in spite of the stiff competition which developed subsequently, the gains made in the export trade during the war period have been maintained, although at a lower level. The temporary exclusion of Japan as a competitor also helped in introducing Indian goods, particularly cotton textiles, in some of the neighbouring countries.

II-3.2 One of the significant developments during this period has been the emergence of Indian exporters, as distinguished from English export houses, who used to hold a semi-monopoly in our trade.

II-4 The next significant change in the trade pattern came about with independence and partition. Some of the entrepreneurs in industries like the sports goods industry, which had been established in areas now under Pakistan, migrated to India, but they had to leave behind them both the raw material resources of the Changa-manga forests, as well as the technical experience of their skilled labour force. The effect in the initial stages on the quality of production in this industry, which was established by these entrepreneurs, would thus be obvious. Again, considerable difficulties were experienced in certain lines like jute manufactures, because, most of the mills were in India while raw jute production was concentrated in Pakistan.

II-4.1 In view of these difficulties and considering the necessity to earn as much foreign exchange as possible for making a beginning in the conscious development of the industrial potential of the country, Government of India appointed an Export Promotion Committee in 1949 to make recommendations for increasing the country's exports. Another step taken at this time was to devalue the rupee. Closely following the devaluation, war broke out in Korea and most of India's problems relating to exports were temporarily resolved, because of the boom conditions that came to prevail. Nevertheless, the effect of the boom tapered off by 1953 and it was again found necessary to make deliberate effort to promote the country's exports.

II-5 One result of the boom condition which prevailed during the world war and immediately after the War right up to 1953, was that few cared to bother about quality. The largest quantity used to be sought rather than appropriate quality, because the buyers would rather have goods of any quality than go without them. It was only when keen competition began to be felt that the question of quality assumed importance.

II-6 Meanwhile, other changes had begun to show their effect on the pattern of trade, Planned development was taking place in the industrial sector, sheltered by tariff and physical import restrictions. The higher prices available for products in the internal market and the scarcity conditions acted as deterrents for the development of exports on a large scale.

II-6.1 Meanwhile, the impact of the effects of foreign exchange scarcity was being increasingly felt particularly because India's sterling balances had been considerably depleted. Soon it was realised that the nation should make greater effort to earn more foreign exchange by boosting exports. Various facilities such as supply of raw material, both indigenous and imported, drawback and refund of customs and excise duties, cheaper and quicker movement facilities to the ports of shipment, etc. have been provided to facilitate exports. As a result of these stimuli, a gradual change in the pattern of trade particularly an increase in export of manufactured goods is becoming discernible.

II-7 During the Second Plan period, the nation accepted that India should be a welfare state of a socialistic pattern. Accordingly, policies geared to the establishment of mixed economy were evolved, where the public sector while assuming more and more responsibility in industry and trade would have its efforts supplemented by a virile but controlled private sector. The adoption of a policy of mixed economy has also had its impact

on export trade, in the sense that the State Trading Corporation has become an important exporter of iron ore, manganese ore, cement etc. It also deals with most of the items which are exported to the USSR and East European countries.

II-8 Largely as a result of these historical developments, the pattern of trade reveals a variety of trading practices. In respect of traditional export items like tea, jute, cotton piece goods, etc. the practice is for the export to be made by persons other than producers or manufacturers. A large proportion of the cotton textile trade abroad is being handled by persons of Indian origin settled there. In certain lines like cashew kernels, coir products, hides and skins, carpets etc. manufacturers are also the exporters. In the case of carpets, coir products and some other articles, there is a close connection between the Indian exporter and the overseas buyers, particularly in the UK. In other lines, particularly with regard to the items of Indian's new industries, where facilities for exports are being given only to manufacturers, the development of the pattern of export trade has been in the direction of encouraging manufacturers themselves to enter the export field. From the point of view of improving the quality of the goods exported, this cannot be said to be an undesirable development. The bulk of the country's exports of primary agricultural products, however, is being handled by persons who are not directly concerned with the growing of the products.

II-8.1 Out of our total exports, the three traditional export commodities namely, tea, jute goods and cotton manufactures account for more than 50 per cent of the foreign exchange earnings. These commodities, however, have not shown any substantial increase in their volume or value. The increase in exports which has occurred recently might be attributed to certain traditional items like minerals and ores, cashew kernels, spices, tobacco and to products of some of the new industries like engineering goods, plastics and chemicals. The diversification of export trade described above has in its turn brought into the field many new exporters.

II-9 The effect of the historical developments on the direction of trade can be seen in the fact that the UK is still our principal customer, with the USA following a close second. Exports of items like cotton textiles, aluminium utensils, art silk fabrics, etc. are directed towards countries like Malaya, Ceylon, British East Africa, Aden, Mauritius, etc. where there are large number of Indian settlers. In the case of manufactured items which are now coming into the export field, it has been found that the neighbouring countries do offer a good market. Efforts to find new markets have yielded some fruit in the sense that India has now built up a substantial trade with the USSR and the East European countries. In fact, about Rs. 50 crores worth of goods are being exported to these areas.

II-9.1 The effect of this in so far as quality is concerned is that India has now to cater to certain new specifications other than those traditionally known to the trade.

II-10 Export trade is mostly carried out on the basis of letters of credit, but largely again due to the influence of historical developments, some of the commodities exported are sent on consignment basis or for auction in the UK. As stated earlier, a gradual change is taking place in this regard and the present tendency is towards reduction in the number of shipments on consignment basis and a moderate trend towards holding auctions in India.

*It is the Committee's view that Government should keep constant vigilance of the changing pattern and do whatever it can to accelerate the movement towards discouraging overseas auctions of Indian products and eliminating shipments on consignment basis.*

II-10.1 Another type of cases where payments against exports are made at a later stage is that where the original letter of credit does not cover the full value of the goods exported. This gives the overseas importers the opportunity to adjust the payment after they have inspected the goods at destination. Although this practice would, *prima facie*, appear to be a satisfactory measure to ensure that the customer's interest is safeguarded, there have been several complaints that this procedure gives them an undue bargaining power.

II-11 Yet another aspect of the pattern of trade relates to the general practice in vogue about the export contracts being normally on f.o.b. basis. Such a practice originally came into being probably on account of India being unable to provide her own ships to carry her export cargo. It is also possible that such a practice arose due to the close link established between the UK buyer and the exporter in India. The Indian exporter still considers that there is some advantage in this arrangement. The advantage to the exporter is that his responsibility ceases from the time he hands over the goods to the shipping company, but it should be recognized that this procedure discourages the exporter from taking any active steps to have the goods packed in sea-worthy condition, unless the contract itself provides specifically for a particular type of packing. *From the point of view of ensuring that the ultimate consumer gets his goods in proper shape, the Committee feels that it would be advantageous to extend the responsibility of the exporter up to the time of landing goods in the receiving countries.*

II-12 Having discussed the various types of export transactions and the developments which have taken place from time to time in these respects, it is felt that an examination of the over all picture of exports, commodity-wise as well as destination-wise, may be advantageous. It may be mentioned that even today the principal exports of the country are primary products and the principal destinations, the more industrially advanced countries. Nevertheless, it appears that India has reached a stage of development where she is now in a position to export not only primary products to the industrially advanced countries but also manufactured items. It is also pertinent to mention that special payment agreements with certain overseas countries have enabled India to trade on the basis of rupee payments. It can, therefore, be said that the stage has now been set for a big effort to substantially increase the exports during the next few years. *The time is also opportune, therefore, to take all necessary measures to ensure stability of our markets and one such measure would be to organize maximum possible control of quality of the export products.*

II-13 India's total exports of merchandise has been of the order of Rs. 600 crores over a number of years in the recent past. Figures of exports over the past seven years are given below:

<i>Year</i>								<i>Value of exports</i>
								(in crores of rupees)
1954	..	..	..	..	..	..	..	563
1955	..	..	..	..	..	..	..	608
1956	..	..	..	..	..	..	..	619
1957	..	..	..	..	..	..	..	602
1958	..	..	..	..	..	..	..	562
1959	..	..	..	..	..	..	..	621
1960	..	..	..	..	..	..	..	636

There has been a short-term decline in exports in 1958 but this can be attributed to certain recession in the world trade during the nine months, October 1957 to June 1958. Otherwise, a small but steady rise in exports is noticeable from the above figures. It may also be mentioned that in the Second Five Year Plan period an average annual exports of Rs. 593 crores was envisaged. The actual figure for this period, however, works out to an average of Rs. 614 crores per year.

II-14 Diversification of trade both in commodities as well as in destinations, referred to in the earlier paragraphs, is bound to have considerable impact on aspects relating to maintenance of the quality of goods exported from the country. It is also expected that these trends in diversification will continue in future. The total volume of trade can also be expected to increase considerably in view of the increased need to meet the import requirements of our development plans and the consequent effort at export promotion which is just beginning to show its impact.

II-15 An attempt has recently been made by the Planning Commission to estimate the future trend in exports during the Third Plan period. The draft Plan indicates that the total volume of exports over the five year period may rise to Rs. 3,450 crores, which though significantly higher than the previous totals, nevertheless, leaves a big gap yet to be filled.

It is, therefore, natural that considerable stress is being laid on increasing exports of our new industrial products which are finding markets in overseas countries for the first time. Special care will, therefore, have to be taken in the matter of quality control and pre-shipment inspection of these new types of goods, particularly because the Indian exporter will have to face the twin disadvantages of higher internal price and consumer preference abroad for established brands of other countries.

II-16 From figures available to the committee, it is estimated that more than 80 per cent of the total exports pertain to about 25 classes of commodities (See Appendix E). To this extent the problem of instituting quality control in India would be much simpler than in some of the other countries where, the trade may be more diversified than ours. For instance, in the case of Japan, the pre-shipment inspection procedure covers 145 export items which account for only 40 per cent of Japan's total exports.

## CHAPTER III

### COMPLAINTS REGARDING QUALITY

III-1 The question of quality control on goods exported has been considered by the Export Promotion Committees set up in 1949 and 1957, and also by the Planning Commission. The 1949 Committees had pointed out that when goods were scarce, the usual tendency was not to bother about quality. Nevertheless, that committee had come to the conclusion that something more direct and positive could be done to maintain the quality of India's exports and the reputation of Indian merchandise provided that it was recognized that the objective was to give satisfaction to the consumer. In other words "the consumer must be given what he wants and there must be no attempt to get him to take something else, which we may consider good but which he does not want". The committee had also highlighted the argument that the laying down of restrictions regarding the quality of goods exported and the appointment of an army of inspectors was not likely to be of special help in promoting confidence in the quality of Indian goods. Action should be aimed, not merely, at standardization and quality control but also at the removal of dangerous or undesirable elements from the export trade of the country.

III-1.1 Conclusions of that committee in regard to quality control of export goods were as follows:

- (i) Quality control in the sense of preventing by Government enforcement the export of anything which does not conform to certain fixed standard should be applied in the case of those commodities where the laws of the importing countries are such that the importation of anything below the standard is forbidden. Examples of this kind are the various laws prescribed by public health authorities in the USA and Canada governing edibles like oilseeds and spices;
- (ii) The quality of packing of commodities like tea and cotton piece-goods should be standardized and adherence to these standards should be enforced;
- (iii) As a rule, arbitration should be relied upon for ensuring that the quality of the goods exported conforms to buyer's specifications. For this purpose, standard forms of arbitration should be evolved and recommended to the Chambers of Commerce for adoption;
- (iv) Where there is a distinct attempt to cheat the buyer or a practice of selling below the standard is established, or where the exporter refuses to carry out any award made by the arbitrators, prompt enquiry resulting in black-listing should follow;
- (v) Standards which will facilitate the transaction of business by enabling quotations to be made with reference to them, provided they are equally well understood by buyer and the seller, should be prescribed as means of reference;
- (vi) Standardization or quality control should not as a rule be applied to commodities in which markets or buyers have their own particular preferences.

III-2 The Export Promotion Committee of 1957 did not make any positive recommendation relating to quality control but stated that while fixing standards of quality for export commodities, the question whether there was a demand for sub-standard goods abroad should also be considered and that, if there was such a demand, the export of such goods should not be shut out. According to them, the important thing was that the overseas buyer should know, from the start, the type of goods which he was purchasing. The Committee also recommended that grading schemes for agricultural commodities should first be started on a voluntary basis and that they should be progressively made into compulsory schemes, once the trade had realised the advantages of having such schemes.

III-2.1 The 1957 committee also recommended that a scheme of compulsory registration of all exporters be introduced. One of the conditions of eligibility for registration, according to them, was that the applicant should be a member of an approved chamber of commerce or an industrial or trade association so that the complaints, if any, against him could be initially dealt with by his chamber or association and if bad faith on his part was indicated, the chamber or association could recommend the cancellation of his registration.

III-2.2 The Planning Commission also had, arising out of previous reviews, realized the need and importance of quality control measures for goods with a view to enhance the reputation of Indian goods abroad, and made specific recommendations in respect of Agmark grading of certain agricultural products and institution of ISI Standards Mark.

III-3 In the course of international trade it is inevitable that disputes would arise between buyers and sellers. These disputes normally relate to non-fulfilment or breach of contract, which may be in respect of short supply or failure to supply, supply of goods not according to the samples or specifications contracted for, non-payment of commission or other claims made by overseas buyers, and so on. The present Committee is, however, concerned only with one type of such disputes, namely, those arising out of questionable quality of the goods exported which for the purpose of this Report includes short-measure, short-weight and defective packaging.

III-3.1 Where the volume of exports as in India, is of the order of Rs. 600 crores, the number of complaints and disputes can well be expected to be substantially large. Many of these complaints may, as in fact do, get readily settled between the buyers and the sellers by mutual adjustment. In fact, only a very small percentage of the complaints actually reach official agencies. One of the functions of the Government of India commercial representatives abroad is to undertake investigation of complaints and trade disputes between overseas and Indian businessmen. Commercial representatives in all such cases are required to use their good offices to secure as far as possible an amicable settlement between parties to the dispute. They are expected to go into each dispute with an objective and impartial mind and strive for a solution acceptable to both sides, recognising that a satisfactory conclusion of a dispute keeps the trade channel open, while a dissatisfied buyer would try to look elsewhere for his supplies.

III-3.2 On receipt of a complaint, the commercial representative is required to conduct a preliminary investigation by contacting all the parties involved in order to determine whether there are *prima facie* grounds for the complaint before forwarding it to the appropriate authority. In this connection he would examine whether the complaint has a case in accordance with the

terms of the contract, whether the goods have been properly surveyed and the survey report has covered those points which are likely to influence the decision on the dispute, whether the relevant documents adequately support the facts of the case and establish the identity of the goods, whether the complaint has been lodged within a reasonable time, whether the amount claimed as compensation is commensurate with the losses incurred, whether there is a clause in the contract providing for arbitration, and whether the party has made reasonable efforts to settle the dispute directly. After making the above enquires, the commercial representative will forward the complaint against the Indian party to the appropriate commodity board or export promotion council (with copy to the Director General of Commercial Intelligence and Statistics) or, in respect of commodities where there is no specialised agency directly to the Director General of Commercial Intelligence and Statistics (D.G.C.I&S). It has also been enjoined upon the commercial representatives to advise the complainant that the agencies in India have no legal jurisdiction in getting the dispute settled compulsorily and that normally resort should be had to arbitration proceedings.

III-3.3 The DGCI&S, Calcutta, is the official repository of all complaints in India whether such complaints are directly dealt with by him or by the export promotion councils and commodity boards. This officer was addressed to let the committee have a complete list of all complaints in respect of quality, commodity-wise, received during a specified period, but as the statement received from him related only to complaints dealt with directly by him (75 complaints in 1959 and 112 in 1960), the picture in regard to the totality of the complaints on quality could not be completed. Apart from these, many of the complaints, as stated earlier, must have been settled directly by mutual adjustment between the buyer and the seller. Information about this category of complaints is most difficult to obtain.

III-3.3.1 With the hope of getting around this difficulty, the Reserve Bank of India was requested to let the committee have an idea of the total amount of money remitted by Indian exporters in settlement of disputes involving quality matters. While the Bank has not yet been able to give full information in this regard, it has been indicated by the Bank, in another connection that short payments made by overseas importers on account of quality defects of mica exported amounted to about 5 per cent of the invoice value. It is quite possible that this high figure of short payment is partially due to the fact that the export of this commodity is not always fully covered by letters of credit. It is hoped that in the case of other commodities the loss is not of this order of magnitude. However, even if it was taken to be about half a per cent on the average, the possible foreign exchange loss would amount to more than Rs. 3 crores a year. Perhaps in due course the Reserve Bank could estimate the overall figure, so that the effect of quality deficiency on Indian export trade could be gauged in its true perspective.

III-4 As mentioned previously neither the DGCI&S nor the other specialised agencies have any legal power or jurisdiction to settle commercial disputes. Therefore, when efforts towards settlement of such disputes result in failure, the provisions of the contract under which the transaction has been concluded become important. Normally, arbitration is to the method of settlement prescribed in commercial contracts. An arbitration arrangement envisages:

- (a) agreement between the buyer and the seller about the place of arbitration and agency which will conduct the arbitration;



- (b) the framing of definite rules for arbitration by the agency prescribed including the forming of panels of arbitrators;
- (c) compliance with arbitration award by the person against whom the award is given;
- (d) provision for enforcement of the arbitration award in case of non-compliance.

III-4.1 There are various bodies in India who undertake to conduct arbitration in trade disputes such as the Federation of Indian Chambers of Commerce and Industry; the Indian National Committee of the International Chamber of Commerce; the Bombay Chamber of Commerce and Industry; the Bengal Chamber of Commerce and Industry; the Madras Chamber of Commerce; the Travancore Chamber of Commerce; and the Mill Owners Association, Bombay. Some of these bodies have facilities to conduct arbitration in respect of some commodities only *i.e.*, those commodities with which their members are mostly concerned. These bodies have formed panels of arbitrators and rules have been framed to enable the disputants to choose persons from the panels to conduct arbitration in individual cases. Some of the rules provide for choosing an umpire in case the arbitrators fail to agree between themselves.

III-4.2 The important bodies, who have made such arbitration arrangements were addressed in order to ascertain their experience in the field. Most of them have indicated that they have no actual experience in settling disputes. The Federation of Indian Chambers of Commerce and Industry have indicated that it is open to the exporters in terms of the contract to approach the arbitration tribunal of the Federation for amicable settlement of a trade dispute. It was also mentioned during the discussions between the committee and the representative of the Federation, that no exporter has yet availed of the facilities provided by the Federation during the last few years.

III-4.3 At the international level, the Federation of Indian Chambers of Commerce and Industry have entered into agreements with their counterpart arbitration organizations in the USA and Japan to recommend the use of certain arbitration clauses in the contracts entered into by the nationals of the above countries with Indian exporters. Similar agreements are being negotiated with certain other countries. It was mentioned by the representative of the Federation during the discussions with the committee that Government of India might consider making it compulsory for every exporter to have an arbitration clause in the contract. This suggestion was followed up by a written memorandum by the Federation that under the scheme for enrolment of exporters announced by Government recently, it could be stipulated that the standard contract form for export evolved by the enrolling authorities should contain an arbitration clause and the names of the arbitration agencies for the purpose.

*The Committee recommends that the above suggestion may be given effect to and the enrolment scheme suitably amended. In evolving the arbitration clause, the enrolling authorities shall also bear in mind the points referred to in the next para.*

III-4.4 Normally, in a buyer's market it is usual to provide for arbitration to take place in the buyer's country. This provision is justified on the ground that the goods having reached that country at the time when a dispute arises, it would be more appropriate to have the arbitration conducted at the

place where the goods would be available for inspection. In the ultimate analysis, however, the question as to where the arbitration may be conducted would depend on the comparative bargaining power of the sellers as a community against that of the buyers. Suggestions have been made to the committee that more equitable arrangements could be made as follows:

- (a) by providing for arbitration in the defendant's country as is being done in the case of certain arbitration agreements which are now being negotiated by the Federation; and
- (b) when arbitration takes place abroad, by providing for inclusion in the arbitration panels of the buyers' country adequate number of persons in whom the Indian exporters may have full confidence.

*The Committee is of the opinion that the Federation should be encouraged to enter into arbitration agreements with more and more countries, and that in doing so, they should keep in view the above two considerations,*

III-4.5 Normally, when an award has been given under an arbitration procedure the trade practice is voluntarily to comply with it but there might be cases where the arbitration award has to be enforced through a court of law. The enforcement of arbitration awards given in one country against the nationals of another country used to be governed by the Geneva Convention, which in India has now been incorporated in the Arbitration (Protocol and Convention) Act. Recently a revised Convention has been concluded at the instance of the Economic and Social Council (ECOSOC) of the United Nations and India has ratified this Convention. It is understood that the Bill amending the Arbitration (Protocol and Convention) Act to give effect to the revised Convention has been introduced in Parliament.

III-4.6 Even after the above Act is amended, it would remain necessary for the complainant, in case of non-compliance with the arbitration award, to file a suit in a court of law to get the award enforced. This is quite a complication when the complainant and the defendant happen to be from different countries sometimes thousands of kilometres apart. Furthermore, at present there is no agency in India which could act as a debt collecting agency on behalf of the overseas importer as there are in some other countries. Moreover, in many cases the transaction is concluded only by exchange of letters and telegrams, and there are no formal contracts at all, much less an arbitration clause. In such cases the overseas importer has necessarily to go to a court of law if he feels aggrieved. In fact, most of his difficulties arise from non-accessability of the exporter and the cumbersome nature of legal proceedings. If there was an agency which could handle these matters for the overseas importer, the Indian exporter would probably find it more difficult to resort to unethical practices. Such an agency could also serve the Indian importers and exporters in collecting their just claims.

The Committee understands that the Export Risks Insurance Corporation would be in a position, if authorised by Government, to act as a debt collecting agency on behalf of the Indian exporters and importers and overseas importers without making any changes in its Memorandum and Articles of Association. *The Committee, accordingly, recommends that Government may authorise the Corporation to undertake this activity.*

III-5. In pursuance of the recommendations of the Export Promotion Committee of 1957 referred to in III-2.1 a scheme was drawn up for compulsory registration of exporters and put before the Standing Committee of

the Export Promotion Advisory Council. It was then decided that instead of entrusting the registration to a multiplicity of organisations, as recommended by the Export Promotion Committee, it would be advantageous to have the authority for registration confined to a few bodies like the export promotion councils and the commodity boards. In regard to the residuary items, the DGCI&S, Calcutta, could, it was decided, act as the registering authority. Accordingly an "Enrolment Scheme" for registration of exporters on this basis is understood to have been put into operation recently. It is too early to evaluate its effectiveness. Nevertheless, this committee is keenly interested in the scheme for its touches upon its terms of reference.

III-5.1 The scheme, as it has been evolved at present, envisages that only those exporters who can be expected to maintain a minimum recognised standard for conduct of business would remain on the rolls of the Enrolment Authorities.

III-5.1.1 Certain qualifications for enrolment have been laid down for this purpose, which state that the applicant should be either a manufacturer or an exporter of the product sought to be exported or one interested in developing export trade and having long standing export connections (evidence in regard to his interest in developing export trade should be produced). He is also required to undertake to :

- (i) use a standard contract form for export, if evolved by the Enrolling Authority;
- (ii) submit consignments to such pre-shipment inspection as may be required by the Enrolling Authority;
- (iii) abide by the decision of the Enrolling Authority or other appropriate authority nominated by it in the case of disputes between himself and his overseas customers in the matter of export contracts and their performance;
- (iv) follow the standards of quality and packing, in respect of goods intended for export, as and when laid down in this behalf;
- (v) follow codes of conduct or practices, if and when evolved by the Enrolling Authority, for the general guidance of exporters and manufacturers;
- (vi) abide by the decisions of the Enrolling Authority taken, in accordance with the rules framed in this behalf, to refuse to enroll the applicant or to de-enroll him after enrolment in the event of the Enrolling Authority finding that he has since ceased to fulfil all or any of the qualifications laid down; and
- (vii) Abide by the provisions of any scheme evolved by the Enrolling Authority for regulating the utilisation of shipping space for export purpose.

Procedures for enrolment as well as de-enrolment have been laid down under this scheme. It has also been provided that the person concerned will have a right to appeal to the Directorate of Export Promotion against the decision of the Enrolling Authority.

III-5.2 The following facilities will be immediately available to the enrolled exporters.

- (1) Their names will be supplied to the Government of India Commercial representatives abroad for introduction to the local importers under their respective jurisdictions.
- (2) Their names will be supplied to the DGCI&S to be included in the Directory of Exporters.
- (3) Their names will be supplied to the overseas officers and representatives, if any, of the export promotion councils and commodity boards, for introduction to overseas buyers.
- (4) Only their names will be published in the periodicals and other publications issued by the various export promotion councils and commodity boards and the Director of Commercial Publicity.
- (5) They will be introduced to overseas buyers visiting India.
- (6) They may be considered for selection as business associates of the State Trading Corporation (STC).

III-5.3 It will be observed that although the original recommendation of the Export Promotion Committee was to introduce this as a compulsory scheme, the present arrangement is to treat enrolment as of a voluntary measure. But it is proposed that the present scheme should, shortly, be linked with certain other schemes, which are in force at present, relating to the supply of raw materials and other essential stores against exports as well as for arranging programmed movement of export goods, on a priority basis, by rail to the ports of shipment. The linking of the Enrolment Scheme with the above arrangements cannot obviously be taken straightaway as it might dislocate exports immediately. But when the final step in this regard is taken, enrolment would be virtually compulsory in respect of many items which enjoy the privileges included in the schemes for supply of raw materials etc. As a large number of export items are covered under these schemes, most of the exporters would be covered under the Enrolment Scheme although exporters of some of the items like mica, tanned hides and skins, spices etc., who do not receive any particular facility under any export promotion scheme might not consider it necessary to get themselves enrolled.

III-5.4 Nevertheless, in view of the large number of commodities in respect of which the scheme would be virtually binding, it could be expected that Enrolling Authorities would acquire sufficient knowledge and experience in the operation of the scheme, within a few months. It should then be open to Government to find ways and means of extending the scheme to other commodities also, on a compulsory basis, if necessary.

III-5.5 Although as stated earlier, a large proportion of India's export trade is made up of a few commodities it is also true that a very large, number of commodities, with small export volume, do enter the export trade of the country. With the diversification of exports which is being attempted at present, the number of commodities is likely to increase even further, though their individual contribution may not be very large. It may not be practical and economical to lay down standards for each one of them and to arrange for a pre-shipment inspection of each of these items. *The Committee, therefore feels that the Enrolment Scheme should prove very useful, particularly in regard to the minor commodities which enter the export trade, and could become a supplementary controlling influence in the absence of regular quality control and pre-shipment inspection schemes.*

III.5.6 However, it is mostly in respect of these minor commodities such as fishmeal, kapok, tapioca flour, etc. which are natural products of the country and which have an export potential that, due to the absence of any particular export promotion scheme, the exporters would not care to get themselves enrolled. *The Committee, therefore feels that steps should be taken to provide for compulsory enrolment of every exporter; the present measure should only be considered as a first drill to gain experience. The Committee, therefore, recommends that this should—form a part of the legislation proposed by the Committee (See VII-6).*

III-5.7 *For immediate action the Committee reiterates the earlier suggestion that an arbitration clause be introduced in all standard contract forms to be evolved under the scheme and further that the evolution of these forms be given the highest of priority in the export drive of each and every Enrolling Authority.*

## CHAPTER IV

### STANDARDS

IV-1 It will be seen from I-11 that standardization is a process for establishing levels of comparison which are indispensable when it comes to settling whether a particular consignment or batch of goods satisfies the stipulated requirements of a contract. By furnishing a generally accepted basis of comparison, standards simplify the task of drawing up contracts in which by a direct reference to an accepted standard, all the technological requirements of a product could be readily specified. Standards may thus take any of the many possible forms such as a technical document, a prototype or a model, an approved sample or some other physical representation. Although approved samples and prototypes are often used as basis of international trade, it is much more desirable to rely in technically worked out standards in the form of documents which by their very nature can be made comprehensive enough to include not only a description and properties of the product involved but also the actual methods of analysis and tests accepted for use in determining such properties. These methods become important because as often as not they are empirical in nature and the results of test depend substantially on the exact manner and conditions under which the testing operation is carried out. In addition, documentary standards often cover other ancillary requirements, such as, definitions of terms, quality of raw materials to be used, processes to be followed in manufacture, sampling and inspection procedures, mode and method of packaging and labelling, etc.

IV-2 Standards are often distinguished from one another on the basis of their level, that is, the domain in which they may be considered as generally applicable. Four distinct levels are generally recognised, namely, international, national, industry and company levels. Strictly speaking and contrary to popular belief, no international standards as such exist today, though several hundred international recommendations for standardization are available which have been issued from time to time by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). These international recommendations may be made to serve as basis of international trade contracts, yet it must be recognized that they are not originally drawn up for this purpose. Their basic object has been to serve as guides or models for the shaping of national standards of different countries which ultimately are to be considered as the authoritative documents for the purpose of trade and industry. This may be regarded as an unnecessarily too fine a distinction. Nevertheless, in the absence of international law governing international trade this is perhaps the only logical approach.

IV-2.1 It will be recognized that the international recommendations comprise the result of years of negotiations between different national standards bodies on detailed matters concerned with each field of standardization. As such they may be regarded as containing the essence of years of experience of the different participating nations. Thus, they furnish the most logical document on which national standardization effort of all the countries of the world could be based. Through such an effort a large measure of co-ordination is expected to be achieved which would simply imply that trading com-

munities of the world would have available within their own nations valid standards based on one set of recommendations and therefore not differing materially from one another.

IV-2.2 Unfortunately, however, the work of international standardization has not progressed far enough to make an appreciable impact on the international trade of to-day, except perhaps in the field of electro techniques in which the IEC has been active since 1904. On the other hand, ISO came into being only in 1947 and has so far issued something like 150 recommendations touching upon just a few of the other fields of international trade. Apart from ISO and IEC certain UN organs are also taking active interest in the matter of international standardization in their own particular fields of specialization. Moreover, by the very nature of the task involved, international standardization is an extremely slow process, no matter which agency is responsible for it. Thus, it will be appreciated that many years, perhaps decades, may have to pass before the impact of international standardization on international trade may become significant. In the meantime, trade must continue to depend on national standards.

IV-3 National standards in most countries are the responsibility of a national organization which may be a private or a public sector agency, or even a semi-official institution. In countries like the USSR, East European Countries, New Zealand, Ireland, South Africa, etc., these bodies are actually Government departments while in the USA, Canada, Germany and a few other countries the responsibility of national standardization resides mainly in a private association of industry and trade. In other countries which include India, the UK, France, Pakistan and others, we have institutions run jointly by both the private and public sectors. In certain countries like the USA, India etc., certain fields of standardization on a national level are covered by specific legislations, such as for example the Food and Drug Administration in the USA, Agmark in India etc. Whatever may be the background pattern, one thing is common among all the organizations and that is the procedure for the preparation of national standards. This procedure has been evolved over the course of the better part of the current century and invariably involves widespread consultation with all the national interests concerned with a given standard. Every national standard therefore, represents a national consensus of opinion among the producers, dealers, consumers, technologists and other interests that may be concerned with a given product. The elaborateness of the procedure is important because standards by and large, with a few exceptions, depend for their implementation on voluntary effort by those who stand to benefit by their use. National standards, however, are often incorporated in legislations and decrees, which give them the force of law. This is, however, done only where definite public interest is involved, such as for example, health of the individual or community, safety of personnel, etc. In countries like India where the need for accelerated planned progress demands the establishment and promotion of export trade on a lasting and permanent footing, the importance of using national standards as basis of this trade assumes the significance of public interest, which would require them to be made compulsory in this context.

IV-4. Industry standards are those which are established within the organizations of an industry or a trade. Company standards, on the other hand are the operative standards within a given plant or a company for guiding operations within its own framework. Both of these, in order to

bring about the greatest measure of overall economy, must necessarily be in line with national standards, in the same manner as the latter have to be in line with international recommendations. In India, standardization activity both at the industry and the company levels has still to develop while in many other advanced countries such as the USA, Germany, the UK, etc., standardization at these levels has already made valuable contribution to the orderly development of industries. In India, on the other hand, the bulk of the burden is borne by the national standards organisation of the country, namely, the Indian Standards Institution (ISI), which attempts to serve all interests concerned to the best of its ability and resources, but in fact cannot undertake functions of a detailed character which specifically devolve on companies.

IV-4.1 This Committee feels that, in order to ensure the maximum return from available resources of materials, manpower and finances, the *Government should take every opportunity to encourage the development of company standardization activities in the country through all available agencies, such as for example, ISI, National Productivity Council, Indian Institute of Public Administration etc.* In the context of international trade, industry standards and company standards assume importance in cases where an overseas purchaser stipulates his own standard or specification for a given contract. Even an agreed sample as a basis of contract may be considered as a company standard for that particular transaction. One of the primary functions which the industry or company standards perform in advanced countries is that they help to accumulate national experience which can be turned to advantage at the stage when a national standard is prepared. Indian exporters, therefore, who operate on the basis of samples or other specialized specifications could make a similar and valuable contribution to national standards by making their own experience available to ISI.

IV-5 The history of standardization in India may be taken as commencing between 1909—1912, when an inspection and testing organization was set up at Calcutta and Tatanagar which rendered service not only to Government purchasing organizations but also to the industries developing in the country at that time. One of the responsibilities of this organization was the revision of existing standards and formulation of new standards, which was largely guided by considerations of suitability of stores for the service conditions prevailing in India, as also by the suitability of specifications for the manufacturing conditions in the country.

IV-5.1 The first World War, 1914—1918, made sudden and heavy demands on India's manufacturing resources and emphasized the need for rapid development of her industries to produce the essential supplies not only for the Armed Forces but also for civilian requirements. The inspection and testing organization assisted considerably in meeting the demand on India's resources both in the primary function of inspection and testing, and in the drafting of new and revised specifications. In 1922 this organization became a part of the India Stores Department (ISD) which was established on the recommendation of the Stores Purchase Committee.

IV-5.2 Basic functions of the ISD included, not only the purchase and inspection of Government stores but also the encouragement of production in India of such stores through active assistance to Indian Industries. For the efficient performance of these functions the department pursued the policy of revising existing specifications and drafting new specifications to meet the special point of view of suitability for Indian service conditions



and manufacture. Although British Standards were by and large used to guide official purchases, yet a large number of standard specifications were produced in addition to standard drawings and technical schedules of requirements for particular schemes.

IV-5.3 In 1925 another important development took place with the formation of the Central Standards Office (CSO) under the Railway Board. This organization was established to rationalise and standardize railway stores and equipment and develop new standard designs. From the outset, the ISD and CSO for Railways maintained very close liaison and co-ordination, which was facilitated by the fact that the ISD not only purchased certain stores for Railways but also inspected an even wider range of railway stores, covering practically the whole of railway requirements.

IV-5.4. To help orderly marketing of agricultural commodities, a need was felt for introducing well defined grade standards and enforcing the same. In the year 1937, therefore, the APGM Act was passed giving statutory Powers to the Government of India to prescribe grade standards for various agricultural commodities including livestock and horticultural products. These specifications are processed by DMI in consultation with the various trade interests and in collaboration with the States Marketing Department. So far 240 Agmark specifications have been prescribed for 42 commodities. Drawing up of these specifications is a continuous process and standards are drawn up for new commodities as and when the need arises and the same improved upon periodically in the light of experience gained. Realising that agricultural commodities formed a substantial portion of India's export trade and the quality of these products was not always up to the mark, it was under the provisions of this Act, that the first steps were taken to introduce quality control in India's export trade. The first commodity that was graded under Agmark on a compulsory basis was Sann Hemp (1942). It was soon followed by tobacco (1945) and other commodities in subsequent years.

IV-5.5 In the absence of national standards, the standard specifications prepared and issued by ISD, CSO, etc. though in the nature of departmental specifications could in a way be considered as national standards of India, for they did apply to the whole of the country and did cover certain trades as such. The grade specifications issued under the APGM Act, the standards issued under the Drugs Act, and the like, however, enjoy a special status under their own respective legislations.

IV-5.6 In December, 1940, at the 12th Industries Conference held in Lucknow, a proposal was made for the first time for setting up of an Indian Standards Institution for preparing national standards for the country. The matter could not be, however, processed at the time due to war conditions, but immediately after hostilities ceased, vigorous action was taken to further the proposal in which the Institution of Engineers (India) played a prominent part. The Government of India gave their full support; and, by their resolution of 3 September 1946, the Indian Standards Institution (ISI) was established early in 1947, which has among its various functions the responsibility for preparing and promoting general adoption of Indian Standards in all branches of industry and commerce and for acting on India's behalf in the international sphere of standardization.

IV-6 The technical work of formulating Indian Standards is carried out on the basis of the universally accepted procedure (See IV-3) and is handled

by about 1,000 expert technical committee—sectional committees, sub-committees, and panels, working under seven Division Councils, namely, Agricultural and Food Products, Building, Chemical, Electrotechnical, Engineering, Structural and Metals and Textiles. The Division Councils and Sectional Committees are fully representative of manufacturers, buyers, trade, users, technical institutions and other interests concerned, both in the private and public sectors, care being always exercised to ensure that consumer interest predominates in the membership of each Sectional Committee. During the course of the past 14 years ISI has built up a competent secretariat staff to serve all the committees and councils, to collect and collate information from all over the world, to arrange research, investigations and testing in various national and other laboratories in the private and public sectors; in short to act as the executive and administrative wing of the division councils and as secretaries for the technical committees.

IV-6.1 The processing of Indian Standard begins only after a proposal for the formulation of a standard is received from a responsible quarter. If, as a result of investigation, the need for the proposed standard is established, the work is entrusted to a Sectional Committee, which prepares a draft in consultation with the interests concerned with the subject-matter and circulates it for comments to all interested parties all over India and abroad. Wide publicity is given to draw public attention to the drafts so circulated and comments received are considered carefully and the draft finalized in such a manner as to ensure the largest possible consensus of opinion. The circulation of drafts abroad through standards organizations of overseas countries helps to draw attention of importers of Indian products and leads to valuable suggestions which contribute to the preparation of acceptable standards.

IV-6.2 In the international work ISI participates actively in a large number of ISO and IEC committees, where it is in a position to bring to bear on international recommendations the considered views of India as a national entity, which views are formulated by the corresponding national technical committees operating within the framework of ISI. Besides, ISI carries the secretariat responsibility of some of the international committees, such as those dealing with shellac, mica, spices, electric fans, cargo markings, and river flow measurements. All these subjects, particularly the first three are of great importance for India's export trade and in its capacity as secretariat, ISI has the responsibility to give a lead to the work and see that progress is ensured. It will be appreciated that the progress in international standardization is particularly slow because of the need for reconciling age old practices developed thousands of kilometres apart, because of difference of languages and also because of long distances and expense involved in convening meetings. Nevertheless, ISI feels and *this Committee agrees that international effort at standardization is an activity which should be encouraged and developed from the point of view of our export drive. Furthermore, the Committee feels that any foreign exchange expenditure required for this purpose, for example, in sending Indian delegations to attend international meetings abroad, should be readily made available* since its primary object is to reach international understanding on matters relating to standards and quality of products, and since it also helps to bring in closer contact Indian exporters, manufacturers and technologists with their overseas counterparts.

IV-6.3 Usefulness of Indian Standards issued by ISI, of which there are about 1,700 now available, is widely recognized in all sectors, especially in the public sector. The Central Government has agreed to adopt the policy that for all official purchases Indian Standards should be used wherever available. In pursuance of this policy the Directorate General of Supplies and Disposals, the Railways, Posts and Telegraphs, Defence Services and other departments are continuously replacing their older specifications by Indian Standards because Indian Standards are prepared in full consultation with these departments to begin with. The State Governments, as also local self-Government bodies, are progressively adopting the same general policy. Apart from the repercussion this official action is having on the private sector in forcing the latter to produce goods to Indian Standards for official purchases, it cannot be denied that private industry itself is becoming more and more standard-conscious. Often times there are impediments in its way to achieve full compliance with Indian Standards—these are sometimes connected with lack of supply of proper raw materials, sometimes with lack of know-how, sometimes with the absence of proper testing facilities and so on. On the whole, however, there is a discernible anxiety on the part of all to improve production quality, which is generally recognized as essential to ensure sustained profits. If, therefore, Indian Standards are to be applied on a wide scale to production for export the ground work may be considered to have been prepared for the next step to be taken, namely, appropriate legislation and organization.

IV-7 Apart from the Indian Standards Institution, there are several other organizations in the country who from time to time issue standards and specifications for one purpose or another. Some of these are older ones, and others have come into being during recent years. It would be useful to briefly review their activities and to indicate the role that they play in the national framework. Most of these organizations are industry's organizations or departments of Government functioning in special spheres of service :

- (i) Research Designs and Standardization Organization (RDSO) of the Railways is a newly organized department shouldering the responsibilities for research, design and standardization, and into it has been merged the earlier Central Standards Organization. In respect of standardization ISI has had an understanding with CSO, which now continues with RDSO, namely that for general use stores the Railways would invariably adopt Indian Standards and in respect of stores of specifically railway interest ISI would undertake the work of preparing standards only at the special request of RDSO, who will otherwise be responsible for such stores. This division of labour has functioned quite smoothly and there is no reason why it should not continue to do so.
- (ii) Standardization Secretariat of the Ministry of Defence was brought into being only a couple of years ago and is part of a much larger department of Defence Research and Development Organization. ISI's arrangements with this department are on similar lines as that with the RDSO and are functioning smoothly.
- (iii) Director General of Supplies and Disposals (DGS & D), which is the present name of the now much expanded India Stores

Department (ISD), does not issue standard specifications any more and has over the past several years actively assisted ISI in preparing such specifications as they may be in need of. In pursuance of Govt. of India policy, DGS & D has continuously adopted Indian Standards to replace older IS specifications, as soon as the former became available.

- (iv) The Directorate of Marketing and Inspection (DMI) carries out marketing surveys of various agricultural and livestock products for collecting information regarding production, marketable surplus, export potential, uses to which the product is put, present trade practices, prices, commercial qualities, etc. After ascertaining this background information about a particular commodity, the following steps are taken to frame grade specifications under Agmark :
- (a) Collection of adequate number of representative samples to cover different varieties of the produce region/season-wise and analysis thereof, in the control laboratories of the DMI.
  - (b) Drawing up of tentative specifications based on the analytical data obtained above and keeping in view the requirements of ultimate consumers within the country and abroad, and existing specifications, if any, by the commodity experts in the DMI in consultation with the States Marketing experts.
  - (c) Examination of tentative specifications in consultation with various trade interests and experts concerned and carrying out modifications, where necessary.
  - (d) Preliminary notification of the tentative specifications in the Gazette of India for eliciting public opinion.
  - (e) Finalisation of specifications in the light of comments received after further consultations with the trade, if necessary.

Whenever an Indian Standard for the product in hand is adopted, the gazette notification under the APGM Act incorporates the requirements specified in the Indian Standard, reference being made to the latter. Such incorporation is made possible because the Directorate of Marketing and Inspection takes very active part in the preparation of Indian Standards to ensure that the Indian Standard covers the requirements of the Directorate. In doing so the Directorate also contributes the experience gained in the operation of its various schemes. However, if in such gazette notification reference was made to Indian Standards as such by number and title, there would be the added advantage that all the requisite methods of test required for determining the specified properties, definitions of terms, sampling procedures, etc. would be automatically included. This would make the grade specification complete and beyond any possibility of disagreement on any of these latter points. Another matter of importance in this regard is that when ISO recommendations (particularly in regard to spices and condiments) become available they should be made the basis of Indian Standards as also for AGMARK schemes.

*The Committee, therefore, considers it desirable that Indian Standards issued by ISI for a commodity not so far covered under the AGPM*

*Act should be adopted as such to form the basis of AGMARK grading schemes. It would be further desirable that the existing Indian Standards in respect of items already covered under present AGMARK Specifications should be lined up with the latter. In other cases, AGMARK specifications should continue to be prepared in accordance with the current practice, and subsequently these specifications should be made to form the basis for Indian Standards.*

In this connection it may be of interest to quote the following recommendation of the Commonwealth Standards Conference held in New Delhi in 1957, which has been generally agreed to by standards institutions of all the Commonwealth countries :

“That where legislative enforcement of standards requirements is necessary, it should be done by reference in the regulations to the national standard rather than by incorporating the standard in the Act or in any regulations made under the Act.

Where, however, the legislative procedure requires the incorporation of a standard in a statutory instrument, in order to avoid confusion, the relevant requirements should be reproduced directly from the standard with a clear reference to that effect in the statutory instrument. Further, standards prepared by national standards organizations and incorporated in statutory instruments and other regulations should not be subject to unilateral modification by the authorities who administer the regulations, whether that modification may be minor or major. If modification should be deemed necessary, it should be effected through the national standards organization.”

It may be argued that the DMI has the legal responsibility for all specifications used for AGMARK purposes and therefore should continue to exercise its prerogative. In the national context, however, it must be realized that all duplication of effort is wasteful and in any case the procedure recommended by the Committee in no way detracts from the responsibility of the DMI who would nevertheless remain the ultimate legal authority for the purpose.

- (v) The Ministry of Health formulates specifications for drugs, pharmaceutical products, poisons, etc. as defined in the Drugs Act and the Poisons Act and for food articles under the Prevention of Food Adulteration Act. These are purely statutory responsibilities and ISI, therefore, has no parallel activity in these fields. There is, however, some common ground in the fields of drugs, poisons and food particularly when a chemical product is required for use both as a drug and as an industrial raw material, and where food product specifications are required to cover properties over and above those concerned with adulteration. In all these fields that Ministry and ISI have come to an understanding on the basis of which they collaborate closely in each others activity.
- (vi) Cotton Textile Fund Committee (CTFC) which is administratively attached to the Textile Commissioner's organization has prepared in the recent past certain specifications for cotton textile fabrics for the purpose of ITEX marking and procedures for factual inspection schemes. At the time that this scheme-

was being formulated, Indian Standards on the materials in question existed but were not found to be suitable for export purposes. For this reason the CTFC decided to go ahead with their own separate specifications, although it was open for the CTFC to have the Indian Standards suitably revised according to the needs of exports. Both the ITEX and the factual inspection are for export of fabrics from India and it is highly important that none but Indian Standards should be recognized for such purposes. *It is recommended that CTFC should examine their present standards together with corresponding Indian Standards and suggest, if necessary, suitable alterations and modifications in the Indian Standards, and once agreed Indian Standards are available, to use them as such for their pre-shipment inspection schemes; and in future avoid duplicating the work on any new item.*

- (vii) All India Handloom Board, All-India Handicrafts Board, Coffee, Tea and Coir Boards and several quality marking organizations of the State Governments have from time to time prepared their own specifications to serve their specialized needs. In addition, they adopt Indian Standards wherever they may be available. *While it may neither be necessary nor desirable to have national standards for every minor product in the country, yet on more important items of export trade, such as coir, handloom products and certain handicrafts, etc. it is essential that national standards be prepared and issued at an early date.*

IV-8 The existence of several agencies for preparing standards raises two distinct questions; one is that of the relationship of the national standards body, namely the ISI, and the other organizations like the above having specialized needs for standards and the second question is that expediting the preparation of national standards for important commodities entering export trade where ISI has so far not succeeded in covering the ground, such as for example jute goods.

IV-8.1 In regard to the inter-relationship of various organizations it would be seen from the above paragraphs that, except in one or two cases, ISI has been able to dovetail its operations with those of the various other organizations. In one or two cases, where further action appears to be called for, recommendations of the Committee have been given. But generally speaking the committee strongly feels that it is of utmost importance that for the purpose of quality control, certification marking and pre-shipment inspection of export goods where statutory standards are not available, the standards used should be the Indian Standards processed through the agency of the ISI and that these standards should be used as such, and only in cases where Indian Standards are not available, other standards may be used. *In due course, however, these latter type of standards and any modification in existing Indian Standards that are called for should be processed at an early stage through the Indian Standards Institution for being adopted nationally.*

The Committee recognizes that in a few cases pre-shipment inspection may have to be carried on, on the basis of specifications prescribed by the individual overseas buyer, or on the basis of approved sample agreed to between buyer and seller. *In these cases there could be no question that such special requirements should be fulfilled. But even here an attempt*

*could be made gradually to persuade overseas buyers to adopt Indian Standards in due course.*

IV-8.2 One of the limitations from which the otherwise excellent procedure of ISI suffers is that there are occasions when one important interest concerned with a standard, guided either by self-interest or for other reasons, succeeds in delaying the preparation of an important standard which from the national point of view may be urgently required. Example may be cited of the ISI work on standards for jute industry which has been going at a very slow pace, because of the expressed policy of the jute manufacturers that this project should in fact be made to go slow. Similarly in relation to Indian Standards on tea; the tea Board has not yet finally decided to lend its full collaboration to the ISI. Being the only authority on tea in India the Board's participation becomes most important for any success of a standards project on tea. *In rare instances of this type, it appears to the Committee that the Government of India should take some special powers for forcing the pace of standardization when it is called for in the interest of export trade.* One solution would be that in the legislation recommended in a latter chapter, *Government may acquire powers to lay down temporary standards which may be effective for a stipulated period of time, for example, one year, during which it should be required that a national standard be evolved through normal procedure.*

IV-9 Another concern of standardization is the introduction of standard sets of weights and measures which is required to be carried out under the Weights and Measures Act of 1956. The legislation requires the change-over of all present systems of weights and measures to the metric system before December 1966. The effect of this reform on the export trade of India is naturally a concern of standardization. According to the present programme of ISI it would appear that before the target date set for the change-over, all Indian Standards would have been converted to the metric systems and it is hoped that all the Indian products will then be available to metric measures. What effect this would have on the present trade channels is a question which needs some attention.

IV-9.1 Although the bulk of our trade at present is with the UK and USA, both of which are non-metric countries, and there is considerable scope of our trade in new manufactures developing in several of our neighbouring countries, who also follow non-metric units, yet a great deal of our trade is now developing with the Eastern European and Continental countries who all follow metric system. As in the past, so in future it will remain essential that no matter what system of weights and measures be followed by our buyers we should be prepared to meet the needs of our overseas customs and supply them in kilograms instead of pounds, if they so desire or *vice versa* as the case may be. In some of the highly industrialized countries like UK, the supply of machinery and tools meant for metric countries is built according to metric standards. This is a condition which will continue to prevail in the world until the two remaining important countries, namely, those associated with the UK and USA go over to the metric system.

In this regard the Committee needs to make no definite recommendation because no specific action is called for, neither a generalized solution of the problem is available. It may, however, be indicated that any specific problem or difficulty arising in the export of a commodity from India to

non-metric countries, or metric countries for that matter, related with the system of weights and measures may be specifically studied and a solution found. In this regard the Metric Cell of the ISI and the Standing Metric Committee of the Ministry of Commerce and Industry may be consulted, who with their background knowledge and experience are bound to find a solution.

IV-10 Yet another aspect of standardization relates to packaging. Packaging has assumed considerable importance in export trade. In fact, the comments received from several Government of India commercial representatives indicate that a number of trade disputes could have been avoided, if adequate attention to packaging had been given by the exporters.

The package is something more than a container. It has become a sales stimulant and also an advertising medium. However, this aspect, although very important from the export promotion point of view, is not the immediate concern of this Committee. What the Committee is concerned with is that aspect of packaging, which :

- (a) protects the goods from the hazards of transit;
- (b) provides for ease of handling and reduces cost of transportation; and
- (c) preserves the contents from infestation, contamination, mould formation or other deterioration.

Naturally, the quality of packaging materials and the dimensions and shape of the package are important aspects to be considered in this connection. Also the hazards of transit of export packages are somewhat more than those applicable to internal transport, partly because of the large number of points of loading and unloading involved, and partly because of the greater chances of contact with sea water and moisture.

Accordingly the *Committee recommends that while laying down standards for any important export commodity, endeavour should be to specify also the sea-worthy packing standards for that commodity.*



## CHAPTER V

### QUALITY CONTROL AND PRE-SHIPMENT INSPECTION

V-0 Measures at present in force to control or ascertain the quality of goods exported from the country could be broadly classified into :

- (a) those which are backed by statutory orders or regulations;
- (b) those where facilities for quality control or pre-shipment inspection have been made available for voluntary use by exporters or importers;
- (c) those where inspection or survey is being conducted through private agencies at the instance of exporters in India or importers abroad; and
- (d) those where certain *ad-hoc* steps have been taken by some export promotion councils.

V-1 Some of the provisions covered by statutory regulations which relate only to goods intended for export are given below :

Commodity (1)	Legislative Act (2)	Subordinate Order, if any (3)	Nature of the quality control measure (4)
1. Tea .. ..	Tea Act, 1953	Tea (Distribution & Export) Control Order, 1957.	The export of tea from India is regulated by the Tea (Distribution and Export) Control Order, the main object of which is to prevent the export of 'adulterated tea' as defined in the Order. It prohibits export of tea by any person other than a licensee. The licensees have to comply with certain requirements in regard to packing and marking of every container. Every container is required to be so packed and sealed that the contents cannot be tampered with except by making a visible opening. No exporter is authorized to export tea which is not so packed or marked or which is adulterated or the label or container whereof bears any statement which makes a false or misleading claim in any material particular. The licensing authority or any officer of the Tea Board authorised by the Board has powers to take

(1)	(2)	(3)	(4)
2. Coffee ..	.. Coffee Act, 1942	—	<p>samples of tea from consignments. The Order does not however stipulate pre-shipment inspection in regard to each individual consignment, nor does it provide for quality marking of tea as a result of such inspection.</p> <p>Packing and marking of coffee sold for export are done by the agents of the Coffee Board, who deliver coffee to the exporters against export permits. The physical identity of the coffee so delivered is ensured by the excise and customs authorities, the former by sealing the bags and the latter by examining the bags at the time of shipment to check whether the seal is intact.</p>
3. Coir ..	.. Coir Industries Act, 1953.	Coir Industry (Registration and Licensing) Rules, 1958.	<p>Pre-shipment inspection of coir and coir goods is provided for in the Coir Industry (Registration and Licensing) Rules. No person can export coir fibre, coir yarn or coir products, unless he has been registered as an exporter with the Coir Board. Every application for a licence to export is to be accompanied by a certificate, from the officer authorized by the Chairman of the Coir Board or from a Chamber of Commerce recognized by the Board, to the effect that the goods sought to be exported conform to the contract. This Certificate is not insisted upon, at present, mainly because many of the overseas importers are the principals or agents of the exporters in India. However, as soon as the Coir Board has fixed specifications and standards, the issue of the certificates is proposed to be enforced.</p>

V-1.1 Some of the statutory orders are intended to be applied to the commodity in general and not particularly to that part which is exported. Nevertheless, these orders have been used in some cases to bring about a compulsory check on the quality of goods exported. For instance, the grading of various agricultural products have been provided for under

the Agricultural Produce (Grading and Marking) Act, out of which some of the items, which largely enter the export trade, such as raw wool, bristles, unmanufactured tobacco, sann-hemp, sandalwood oil and lemon grass oil have been taken up for compulsory grading before export. Similarly, while the ISI Certification Marks Act permits ISI marking on all types of goods for which ISI has issued standards, subject to certain conditions, in the case of two export items like aluminium utensils and tea chests plywood panels used for packing tea, compulsory certification and compliance with standards has been provided for. The compulsion in the matter of grading or certification in respect of export of these goods has been brought about under the provisions of Section 19 of the Sea Customs Act, which reads as follows :

“The Central Government may from time to time by notification in the official gazette prohibit or restrict the bringing in or taking out by sea or land of goods of any specified description into or out of the States, across any customs frontier, as defined by the Central Government.”

Regarding export of goods by air, Rule 55, reproduced below from the Indian Aircraft Rules, read in conjunction with Section 19 of the Sea Customs Act applies :

“No person in any aircraft entering into or departing from India shall carry or allow to carry in the aircraft any goods of which the import by sea or by land is prohibited by or under any law for the time being in force.”

V-1.2 Another category of such control measure are those where the statutory provisions apply to production or sale within India, but which would automatically apply to exports also, in view of the fact that the statutory provisions provide for control at a stage earlier than the actual export. Instances of this nature are detailed below:

Commodity	Legislative Act	Subordinate Order, if any	Nature of the quality control measure
1. Drugs .. ..	The Drugs Act, 1940.	Drugs Rules, 1945.	The Drugs Act prohibits the manufacture for sale, exhibiting for sale or distribution of any drug which is not of standard quality or is mis-branded. The Act provides for laying down procedures for issuing licences for manufacture, for sale and for ensuring that standards are complied with. No one but the licenced producers is permitted to manufacture drugs. Furthermore the responsibility to see that no other but the drugs permitted under the law are sold in the open market, resides in the State Governments. Ayurvedic and unani drugs are not at present covered under this Act.

(1)	(2)	(3)	(4)
2. Fruit Products	Essential Com- modities Act, 1955.	Fruit Products Order, 1955.	Quality control on fruit and vegetable products is exercised under the Fruit Products Order, according to which the manufacturers of fruit and vegetable products are required to obtain a licence from the Directorate of Marketing and Inspection, Nagpur. No person is authorised to sell or expose for sale or despatch or deliver for the purpose of sale any fruit products which do not conform to the general or special characteristics mentioned in the schedule to the order, which include packing, marking and labelling.
3. Vegetable Products.	Oil Essential Com- modities Act, 1955.	Vegetable Oil Products Con- trol Order, 1947.	The Vegetable Products Control Order provides for laying down specifications for all vegetable products as defined in the Order which includes Vanaspati; and all products are required to conform to the specifications.
4. Food Articles ..	Prevention of Food Adulter- ation Act, 1955.	Prevention of Food Adulter- ation Rules, 1955.	The Prevention of Food Adulteration Rules, provide for preventing the adulteration of food articles, as well as mis-labelling of packages containing such goods. It also provides for limiting the types of colours or preservatives to be used. In regard to labelling, detailed instructions giving sufficient warning to the consumer is required to be provided. Certain standards of cleanliness and sanitation have been prescribed.

V-1.2.1 Safeguards provided for consumer protection under the Poisons Act and the Explosives Act may be regarded as other instances of this character.

V-1.1.2 Furthermore, there is a provision in the Industries (Development and Regulation) Act, 1951 under which the Central Government may if satisfied "that there has been or is likely to be marked deterioration in the quality of the article or classes of articles relatable to that industry or manufacture or product in the industrial undertaking or undertakings, which could have been or can be avoided", make or cause to be made a full and complete investigation into the circumstances of the case. After making such investigations, the Central Government may issue such

directions to the industrial undertaking, as may be appropriate, to regulate the production of any article or class of articles and fixing the Standards of production. The procedure envisaged under this Act is too elaborate in that there should be *prima facie* case of marked deterioration of quality in the first instance, which should be followed by any investigation. It is only thereafter that certain regulatory orders could be issued for fixing the standard of production. Where, however, such an order has been issued, it could be availed of, for the purpose of goods produced for export also, but no such cases have come to the Committee's attention.

V-1.2.3 In addition, certain States have legislations or statutory orders controlling the quality of certain products, but the Committee has not tried to collect detailed information in this regard.

V-2 Among the facilities available for quality control and pre-shipment inspection on a voluntary basis, distinction may be made of two types of schemes: firstly those which have been specially designed and brought into being for the purpose of servicing export trade, for example the ITEX scheme, and secondly, those which are available both for export as well as internal markets, such as for example, the AGMARK, the ISI mark and the quality marks of the States.

V-2.1 The ITEX and Factual inspection schemes are being operated by the Cotton Textile Fund Committee on a voluntary basis as a service to such Indian exporters or importers abroad as may desire to have their consignments inspected for quality. About ten per cent of some 600 million metres of cotton textile goods exported annually are understood to be currently offered for inspection. However, compulsory inspection under this scheme has been ordered by the Textile Commissioner in some special circumstances, by resorting to the provisions of the Cotton Textile (Export Control) Order, issued under the Essential Commodities Act. For instance, where persistent complaints in regard to the quality of a particular mill's product exported from India have been received, the Textile Commissioner has ordered in pursuance of the above provision that all the goods produced for export by that particular mill shall be compulsorily inspected under the ITEX Inspection Scheme, whereby the goods are required to conform to the minimum standards or specifications. It is understood that instances of this nature have been very rare.

V-2.2 The Agmark grading schemes are controlled by the DMI under the authority derived from the APGM Act and the General Grading and Marking Rules framed thereunder. The standard specifications adopted for this purpose are made the basis for grading and controlling the quality. A number of Agmark grading schemes have been introduced for various agricultural commodities featuring in the internal trade as well as in the export trade. Commodities, such as, ghee, vegetable oils, eggs, butter, rice, atta, fruits, etc. are being graded on a voluntary basis for the internal trade while commodities like tobacco, sann hemp, wool, bristles, and sandalwood and lemon grass oils are being graded on a compulsory basis for export by taking recourse to Section 19 of the Sea Customs Act (See V-1.1).

On the recommendations of the States Marketing Officers and after being satisfied about the bona fide of the parties and their capacity to undertake grading, DMI under the authority of the APGM Act, issues certificates of authorisation to the parties for grading their produce under

Agmark. The DMI approves the laboratories and the technical staff appointed by the packers. In most of the commodities, initial grading is done by the packers themselves and Agmark labels applied. Quality control is exercised through frequent inspection of the grading stations by the inspectorate staff of the DMI as well as of the States Marketing Officers, and by collection of check-samples from the packers' premises, wholesale markets and retailers' shops. The control laboratories of the DMI situated in various parts of the country exercise a continuous check over the working of the grading laboratories and also test check samples which are sent to them under code. In case of any mis-gradings appropriate action is taken to see that Agmark labels are removed from the misgraded lots.

Even in case of commodities meant for export, the developmental aspect of the work is not lost sight of. In this case, because of the compulsory nature of the grading schemes, the DMI has felt it morally binding to provide adequate grading facilities to the trade before enforcing the schemes. For this purpose, a self-contained inspectorate staff and a chain of laboratories have been maintained to carry out continuous inspection and checking the quality of goods before they are packed under Agmark. To eliminate any accidental errors in grading, a super check is exercised by the supervisory staff through collection of check samples and random on-the-spot examination of the various lots. All the grading schemes have appropriate appeal procedures.

Within the limited resources available at the disposal of the DMI the grading programme has already made considerable impact on the consumers and the demand for Agmark goods is progressively increasing. As a measure of encouragement, some of the State Governments and other purchasing departments like Railways are insisting on purchase of Agmark products in preference to ungraded agricultural products. Some State Governments have gone further and are permitting a premium in favour of Agmarked goods. The States Marketing Departments are also increasingly taking interest in the promotion of grading programmes through setting up of elaborate grading services under Agmark in the Third-Five-Year Plan. This is, undoubtedly, a healthy development and every effort should be made to increase the tempo of grading under Agmark so as to cover almost the entire agricultural produce featuring in the inter and intra-State trade as well as in the export field.

Provisions of the Act and the experience accumulated in the DMI constitute important assets which could be utilised to advantage for controlling the quality of export goods which fall within the category of agricultural produce.

V-23 Indian Standards Institution Certification Marks Act, provides for certification activity on the basis of Indian Standards (See IV-6) issued by ISI from time to time. Under the authority of this Act, ISI issued licences for the use of the ISI mark to such manufacturers only as give satisfactory evidence of being adequately equipped and staffed to produce goods to ensure compliance with Indian Standards and who have in operation a sound scheme for continuous inspection and checking of the quality of goods. The ISI maintains adequate inspectorate staff to supervise the control and inspection operations of the different licencees as also to draw samples from various points of products, storage and the open market with the object of having them tested as a check on the overall

The ISI certification mark has also been extended to a large number of industrial products, such as electrical cables, plywood tea chests, pesticides, biscuits, sparking plugs, etc. As mentioned earlier in V—1.1 the ISI mark has been made compulsory in the case of two export commodities, namely, aluminium utensils and plywood tea chests, Indian Standard specifications represent to a certain extent the result of consultation with overseas countries and also at times incorporate the requirements of international standards (See Chapter IV). As such the importance of the ISI certification mark in the field of export trade should be recognized. The Committee, therefore, appreciates the possibility of extending the application of this mark to a much larger field of export goods.

V-2.4 Another set of voluntary inspection schemes are those adopted or in the course of adoption by certain State Governments (West Bengal, Punjab Rajasthan, Maharashtra, Kerala, etc.), on the original pattern of the 'Q' marking scheme of the U.P. Government. The U.P. Government scheme is aimed at remedying the drawbacks from which many of the cottage and small scale industries suffer, in respect of uniform standards of quality. The scheme provides for prescribing specifications, procurement of right type of raw materials and inspection and certification of goods. In prescribing specifications, standards prescribed by ISI are adopted, wherever available. If any buyer, so desires, special inspection can also be arranged under the scheme, against the buyers' own specification or sample.

V-2.4.1 Quite a number of articles which are capable of being covered under the U.P. scheme are being exported to overseas countries, the principal ones being Farrukabad prints, Mirzapur and Bhadohi carpets, Moradabad brasswares, Agra shoes, Meerut sports goods, handloom fabrics, Varansi silk goods, Aligarh locks, etc. It is also understood that quite a number of overseas buyers while placing orders have started to stipulate that the goods should be quality marked.

V-2.5 The All India Handicrafts Development Corporation offers certain inspection facilities in respect of handicrafts and takes responsibilities for the inspected goods.

V-3 Besides the above schemes of inspection and check on quality which are either administered under statutory regulations or on a voluntary basis by certain Government or semi-Government agencies, there are private agencies who undertake to issue certificates after conducting surveys, inspection and testing of the goods before being exported. The initiative for such inspection usually comes from the overseas buyers who may stipulate that the letter of credit opened by them should be honoured only if a certificate from a particular agency is produced. The Bengal Chamber of Commerce and Industry have in operation a scheme for surveying of goods shipped from the country. Here also, normally, the demand for survey emanates from the buyers abroad. The Chamber's surveying activities are concentrated mostly at Calcutta and relate principally to jute products. According to the statement of this Chamber, only about 1 per cent of the total exports of jute products are surveyed. Another service offered by the Indian Chamber of Commerce and the Bengal Chamber of Commerce and Industry relates to the issue of weighment and measurement certificates for cargo shipped from the country. These certificates are mostly needed to ascertain the freight on the cargo and requests for issue of such certificates usually emanate from the shippers. The cargo handled under this category consists of gunny, tea, shellac, mica, wool, hemp, kapok, raw hides and skins, etc.

V-4 Some of the Export Promotion Councils have taken some *ad hoc* steps to see that the quality of the goods exported is satisfactory. The measures taken by them, however, are not backed by any statutory orders or regulations and are more or less of a rough and ready type. The sanction behind the steps taken by the Councils mainly stem from the provisions of certain schemes for supply of raw materials, which they are operating.

V-4.1 A rapid survey of the steps taken by the Export Promotion Councils would show, for instance, that in the case of the Engineering Export Promotion Council, the recommendations for licences for imported raw materials as well as quota certificates for iron and steel are issued only to those manufacturers who are registered with the Council. The qualifications for such registration are as follows :

- (i) There should be nothing adverse against the applicant either from the point of view of compliance with regulations or about the quality of goods exported in the past,
- (ii) He should submit his consignment for such pre-shipment inspection as may be required by the Council.

In practice, the Council has registered only manufacturers of repute who are borne on the list of the Development Wing of the Ministry of Commerce and Industry or the Director of Industries of the State concerned. When there is a doubt about the quality of a product of an applicant for registration, the Technical Sub-Committee of the Council looks into the production practices of the manufacturer.

V-4.2 The Mica Export Promotion Council has set up its own inspectorate to carry out pre-shipment inspection of mica on a voluntary basis. The inspection is undertaken at the instance of the exporters on the basis of approved samples.

V-4.3 The Cashew Export Promotion Council has been concentrating on one aspect of quality only, namely the prevention of infestation at the time of processing and for this purpose they have organized a consultative service of entomologists.

V-4.4 The Spices Export Promotion Council has evolved a voluntary scheme for cardamoms, the essence of which is that fair average quality (FAQ) cardamoms should be packed only in boxes of specified dimension to a specified weight.

V-4.5 The Leather Export Promotion Council has been operating a voluntary scheme of pre-shipment inspection in respect of leather substance, which covers vegetable tanned leathers, popularly known as 'E.I. tanned kips and skins.' E.I. tanned leathers are exported under the individual marks of the exporters. At the time of export, the consigners who are registered with the Council under the Scheme, give a declaration of the leather substance. The Council's representative removes samples and conducts a percentage check with the cooperation of the Central Leather Research Institute, and issue a certificate.

V-4.6 The Plastic Export Promotion Council is at present drawing up a scheme for inspection of plastic goods based on comparison with approved samples.

V-5 It will be observed from the above review that there exist many schemes and arrangements in India which provide for quality control and pre-shipment inspection of certain goods exported from the country and,



though the pattern is most variegated, it is hardly comprehensive to meet the growing needs of the country. Even if it is assumed that the different measures described above, with appropriate modifications, are adequate to meet the needs of quality control on the particular commodities covered, *the Committee feels, that from the point of view of raising the general reputation of the country in overseas markets and building up extended markets in new products on a lasting basis, a central guiding scheme is necessary, under which not only could the present schemes be co-ordinated but which would enable the pattern to be systematically extended to cover additional commodities as and when necessary.* Such a pattern is known to exist in Japan where it has attained important degree of success and the Committee has viewed this with interest.

V-6 The Japanese Government enacted in 1948 "The Export Inspection Law" which was materially amended in 1957 in the light of experience gained up to that date. Under this law many agencies have been established whose function it is to conduct pre-shipment inspection of certain commodities designated under the Act before they are permitted for export. Important export items, totalling 145, have been designated so far for this purpose, constituting more than 40 per cent of Japan's total exports. Export inspection is classified under this arrangement in three categories, namely, (a) inspection of quality, (b) inspection of packing conditions, and (c) inspection of materials and manufacturing processes. The particular type and extent of inspection out of the above which would be applicable to a particular commodity is determined with reference to the nature of the commodity, its end use and other factors. The inspection is conducted by certain specified agencies, which include 6 Government organs and 39 private organs. These private agencies depend on government support and are subject to government supervision. Government authorities have the power to inspect the conduct of business and their financial conditions at any time. Their business rules, business plans, receipt and expenditure budgets and rules relating to appointment and dismissal of officers and inspectorate are subject to the sanction by Government.

V-6.1 Standards of quality, such as appearance, structure, size, etc. of the commodities as well as methods of inspection of these commodities are laid down by Government. Where goods have been found to conform to the standards prescribed, they are marked as "passed." In certain cases where it is necessary to grade the goods, the quality standards designate the different grades and marks denoting these grades are applied on the goods.

V-6.2 In respect of certain commodities which are not found fit for inspection on the above basis by the designated organs, provision has been made to entrust the exporters and manufacturers themselves to indicate that the goods satisfy the export specifications. In these cases, the manufacturers and exporters after satisfying themselves of the quality, indicate on the commodities that they conform to the inspection standards laid down, by marking them as "export standard". There is a provision for spot inspection by Government organs of goods which have been passed by private organs or by individual manufacturers or exporters.

V-5.3 Persons who export any of the specified commodities in violation of the provisions of the law are liable to be punished with a fine not exceeding 300,000 yen (approximately Rs. 4,000) or imprisonment up to a period of three years. The Japanese Act also provides for the setting up of an Export Inspection Council to consider all important matters relating to

export inspection, such as the designation of new commodities for compulsory inspection.

V-6.4 The Committee has noted with interest the success which has attended the introduction of this measure in so far as Japan's exports are concerned. *The Committee feels that in order to enable India to face competition in the world markets, it would be necessary for her to take some similar steps to create confidence in overseas customers and give them an assurance that they would receive goods of a quality not below a specified standard.*

V-7 Bearing in mind the above recommendation, an attempt has been made below to categorise the types of controls which the Committee feels should be exercised on goods exported from the country.

- (i) *There should be a prohibition on the export of articles intended for human consumption or applications as well as those affecting the health and safety of persons, unless they conform to rigid quality standards. Items which fall within this category are drugs and medicines, toilet articles, articles of food, poisonous substances, explosives and such other articles which are prohibited from being imported into the consuming countries under their own laws and regulations. This category is such in respect of which controls are necessary even for the indigenous markets and in fact legislations already exist in respect of drugs, poisons, explosives, and food purity (See V—1.2). Additional legislation in some cases such as for safety of electrical appliances, purity of toiletry and cosmetic goods, etc. is called for and may be forthcoming in due course for the protection of Indian users and consumers. In the meantime for export purposes, it should be possible to cover these latter fields as also the one concerning conformity to similar regulations of importing countries, under the comprehensive scheme or system that may be evolved for the control of export quality.*
- (ii) *where a buyer stipulates in the contract or when placing an order, certain specifications for goods, provision should be made to prevent the export of articles which are not certified by an inspection agency as conforming to those specifications. This would require official recognition of many private and public sector agencies who are in a position to issue test certificates and survey reports for miscellaneous array of commodities. An important element to guard against in this and, in fact in case of all other category of goods, is the element of delay involved of which the exporter often complians. Any system of controls should, therefore, take good care that delays are minimised and the service made most effective.*
- (iii) *In respect of those items, where standard specifications have been or could be laid down and which are considered important for export markets, it should be required that they be inspected and certified before export, through the appropriate agency concerned at the time of manufacture or packing. This includes a large category of goods covered (and which could be covered) by the ISI Certification Marks, Agmarks, Itex Mark and several Q-Marks of the States, etc.*
- (iv) *In regard to some of the other commodities which are not considered important enough for export trade, provision may be made for certification under one or other of the schemes, as*

*evidence of conformity to standard specifications, but it may not be necessary to prohibit the export of non-certified goods in this category immediately until a definite need arises as a result of complaints received or some other circumstances.*

- (v) *Regarding certain other commodities where standard specifications may not exist or where it may not be advisable to formulate such specifications, it would be useful to introduce a factual inspection of goods before export and to issue a report regarding the actual condition of the goods so that the overseas importer is made aware of the nature of the consignment. Normally this procedure may not be required to be made compulsory, but where the pattern of trade is such that there is a possibility of collusion between the importer and the Indian exporter, it may be found useful to require compulsory labelling of goods with factual data. Factual inspection being applied to certain goods where standard specifications exist should be discouraged and replaced with compulsory certification.*
- (vi) *Lastly, the Enrolment Scheme, described in Chapter III, should invariably be applied in all cases where compulsory inspection and/or certification is not applied, for example in categories (iv) and (v) above. This will bring all fields of export under control of the type specifically suited to each field.*

V-8 The other general aspects relating to quality control, which find a place in the terms of reference of the Committee, are :

- (i) Whether it will be necessary to have a single agency or a number of agencies for inspection of goods exported and certification of their quality;
- (ii) Whether the inspection should be done at the stage of production or at the point of export;
- (iii) Whether inspection should be done on a voluntary basis or on a compulsory basis;
- (iv) Whether goods should be marked.

Answers to all these questions have been given directly or indirectly in various parts of the report, namely that each of the alternatives suggested have usefulness in a given context and that the choice should depend mainly on the circumstances of the particular case. Some general aspects related to these points are, however, discussed below.

V-8.1 The Export Promotion Committee of 1957 had made a survey of the activities of the various organizations undertaking pre-shipment inspection and had recommended that "Government should confer with the principal business associations in the country and investigate the possibility of forming an all India agency of pre-shipment inspection and certification by federating the existing Indian bodies into one unit." In an earlier part of this report, the existing facilities for pre-shipment inspection in India as well as the practice in vogue in Japan have been described. Pre-shipment inspection is a specialised work requiring trained personnel; in some lines like mica, it is a highly skilled job requiring years of experience. *Having regard to this, the Committee feels that instead of trying to set up a federated organization, the endeavour should be to make full use of the existing facilities, already available in the country, suitably enlarged where necessary in different*

*lines. No violent changes need therefore be attempted in the operations which are going on at present. At the same time, the Committee recognizes the need for exercising an overall co-ordination of all efforts on quality control and pre-shipment inspection through a central authority established under Parliamentary legislation (See Chapter VII).*

V-8.2 There is also the possibility of differences of opinion between the inspecting agency and the exporters whose products are being exported. In a democratic set-up, it is therefore necessary to have a machinery for dealing with appeals. In some of the existing inspection systems a provision for appeal already exists but in many cases such a provision is absent. *The Committee recommends that an appeal procedure should form part of the overall scheme for quality control and pre-shipment inspection where there is no appellate authority designated under the scheme, the Central authority may have the power to hear appeals.*

V-8.3 During the course of any quality control operation or pre-shipment inspection, the inspecting staff not only comes across defects or lack of defects in the product which might fail or pass it, but he also gets an insight into the causes that lead to the existence of the defects and factors which may be responsible for the absence of defects. This is a knowledge which is extremely useful to the producer or manufacturer in helping him to improve the products, as also for the purpose of improving the basic guiding standards and specifications. This aspect of inspection work may be regarded as of equal importance if not more than that concerned with passing or failing of the product, for it leads to the creation of conditions which would make future inspection simpler and place the quality of the product on a stabler footing. Thus, inspection staff under all schemes should be brought up to think creatively and to regard their inspecting duties not as purely a policing measure, but as a means for making constructive contribution to improving production techniques leading to higher levels of standardization.

V-8.4 The ISI Certification Scheme attempts to achieve this objective, by making the producer primarily responsible for controlling the quality of his product, but this is to be done in accordance with a closely defined procedure in conformity with the standards, which among other things requires detailed records to be kept in a prescribed form. The primary inspection of the producer is then regularly supervised by ISI inspection. In addition, constant check is kept by ISI on the product, as actually sold in the market or stocked in godowns for sale. Under this system the licensed producer is authorised to make use of the ISI Mark on his product as a third party guarantee of quality. He thus has a positive incentive not only to maintain the quality of his product in conformity with the specified standard, but also to plough back into the production process the experience gained during inspection and quality control operations. In actual fact, ISI's own supervisory inspection has been responsible for introducing significant improvements in production and control techniques. Another advantage is that the producer has the responsibility of training his own primary inspectors and the number of inspectors required to inspect the inspection of the producers and to assist him in training his own personnel becomes rather small. The process thus becomes self-generating, and is considered worthy of introduction in the export sphere of controls envisaged under this report.

V-8.5 Similarly in the case of AGMARK grading the posting of inspection staff at each packing centre to exercise supervision at the stage of

preparation and packing gives a developmental character to the scheme as distinguished from mere policing.

V-8.6 The Export Promotion Committee of 1957, while recognizing the fact that grading does help exports by obviating disputes, has stated that the trade usually resists such innovations as it considers grading to be another vexatious formality. The Committee had, therefore, suggested that new schemes may be started in the first instance, on a voluntary basis, which can progressively be enforced on a compulsory basis, once the trade realised the advantages of having such schemes. However, the experience so far has been that this approach has not always succeeded. For instance, the Leather Export Promotion Council, the Mica Export Promotion Council and the Cardamom Panel of the Spices Export Promotion Council have their own voluntary schemes of inspection, but it has been observed that these facilities have not been utilised by the trade, except to a very small extent. Nevertheless, in addition to the reason given by the Export Promotion Committee, there is also the problem of training the necessary inspection personnel when attempting to take up a new item for grading. Considering the above aspects, this Committee feels that

- (i) The decision whether a new scheme of inspection and quality control for export be made compulsory or remain voluntary would depend largely on the needs of the trade at the time, on the one hand and facilities and personnel available for inspection, on the other.
- (ii) Wherever it is possible to introduce ISI Certification Mark or Agmark for this purpose, this may be done prior to making the operation compulsory.
- (iii) In other cases attempt should invariably be made to make the scheme compulsory, but voluntary character may be given to a scheme on a temporary basis for a restricted period of time only, which may be required for training adequate inspection personnel and making other preparations.
- (iv) During the period that a scheme remains voluntary, it should remain closely linked with the enrolment scheme.
- (v) In the case of existing schemes where certain pre-shipment inspection agencies are already in the field, the arrangements need not be disturbed and where inspection is being done at the stage of production, the pre-shipment inspection agency need not further inspect such goods.

V-8.7 Arising out of the above is the question whether any arrangement should be made to avoid a further examination of the previously inspected and certified goods, for other purposes and by other authorities like customs at the point of export. The Committee has had the occasion to discuss with the representative of the Central Board of Revenue and the conclusions arrived at were, that :

- (a) subject to the availability of supervisory and inspection staff of the Revenue Department, it may be possible to arrange for a joint inspection by the customs and quality control authorities at the selected centres;
- (b) where joint inspection is not feasible, the customs authorities would take into consideration the fact that another government agency or government recognized agency has actually inspected

the goods, when determining the percentage of the packages to be inspected out of a particular consignment offered for export. In such cases, routine customs inspection, however, could not be completely done away with.

*The Committee, however, feels and recommends that while reserving the right to inspect any or all parts of a shipment, the customs authorities should in order to avoid undue delay in shipments, restrict their inspection only to instances where prima facie case exists to doubt the genuineness of the original inspection and marking (See also VII-6.2).*

V—8.8 Another point which was brought to the notice of the Committee during various discussions with the trade interests was that the quality of some of the finished products could not be maintained at the required level on account of non-availability of the raw materials to specified standards. This question was raised by the jute interests, by the representatives of the sports goods industry and art silk industry and by the All India Manufacturers' Organization. The cashew industry has also more complaints about the absence of grading in raw cashew nuts. A similar point came up when discussing the question of grading tobacco at the level of the growers instead of the packers.

*The Committee is of the opinion that in so far as agricultural raw materials are concerned, their sales in the country should be brought within the purview of the Agricultural Produce Markets Acts of the different States so as to require them to be sold only in regulated markets, after due process of grading under the APM Act. Those States where such legislations do not exist and where there is a need for such controls may be requested to take necessary steps. In regard to raw materials produced through industrial processes (viz. art silk yarn) required by the exporting industry, it should be necessary to devote special attention to the quality of such products, and to resort to some measure of control under the ISI Certification Marks Scheme. In case of certain materials of overseas origin imported through established importers, provision should be made by which the importers are required under the Import Control regulations to specify the quality standards in their import licence application and to issue certificates to the purchaser, showing the quality or grade of the material supplied.*

## CHAPTER VI

### SPECIAL ASPECTS OF CERTAIN EXPORT COMMODITIES

VI-1 In addition to reviewing the existing facilities or quality control and pre-shipment inspection, the Committee has also looked into special problems of a few of the export commodities. There are certain important export commodities not covered by this review like, manganese ore, iron ore, cement, steel and scrap, leather goods and shoes, etc. whose exports are either channelled through organisations like State Trading Corporation (STC) or the National Small Industries Corporation (NSIC) or are otherwise co-ordinated or controlled by State undertakings. In the case of iron ore and cement, STC is the sole exporter. In case of steel, exports are expected to be mostly from the production of the plants in the public sector. In the case of steel scrap, certain control is exercised by the Iron and Steel Controller. Leather goods and shoes have been supplied in large quantities through the NSIC. It may reasonably be assumed that the State undertakings would be quite quality conscious and would set up their own inspecting and grading machineries. In the case of manganese ore, a substantial quality is exported by the STC. The Committee, however, understands that a large proportion of the exports of manganese ore is subjected to pre-shipment inspection at the instance of the foreign importers, through private inspection agencies.

VI-1.1 In addition to the above, there are also a number of minor commodities, each of which contributes only a small percentage to the total exports. Even in a country like Japan where pre-shipment inspection has been enforced, it has been considered necessary to cover only about 40 per cent of the total exports under the inspection scheme. In India, where diversification of export is the prime need and where the internal market offers a better price than the export markets in respect of many commodities it would not be quite opportune to suggest any overall pre-shipment inspection scheme in respect of these minor commodities. It is no doubt recognised that in course of time an endeavour would have to be made to bring as many of them as necessary within the scope of some scheme or other for quality control. But the process should be gradual and the Committee feels that the best procedure for attaining this objective would be to work in the first instance under the enrolment scheme as recommended in Chapter III.

VI-1.2 A brief review of certain commodities excluding the above together with the Committees' recommendation is given in the following paragraphs.

VI-2 *Jute Goods*—Since the partition of the country, Pakistan has become our chief competitor in jute goods. Substitutes for jute goods are also being increasingly introduced in importing countries. Besides, bulk handling of goods which were previously packed in jute bags is also becoming popular in some cases, thus reducing the demand for packaging material. The overall picture, therefore, is that India has to face stiff consumer resistance and competition to maintain her exports of this commodity. The necessity to maintain the quality of our products, therefore, assumes special significance. The Committee's discussions with the Jute Commissioner and the representatives of the jute industry and trade have shown that although over a period of nearly three years, there were only 29 official com-

plaints in regard to the quality of jute goods shipped, the actual volume of complaints which arose and were settled between the seller and the buyer was much more. One of the private agencies which is conducting pre-shipment inspection of jute goods at the request of the buyers has furnished the following figures to substantiate this presumption :

Year		Number of bales inspected	No. of bales rejected	Percentage of rejection
1958	.. ..	131823	6852	5.1
1959	.. ..	183785	30530	16.2
1960	.. ..	185569	40046	21.6

It may, however, be mentioned that the overall picture may not be as dismal as indicated by the above figures, because the private agency must have been asked to inspect only the products of those producers in whom the buyers did not have confidence or who has a doubtful reputation.

It was also mentioned during the course of the discussions that USA importers were guided by grading of Indian mills carried out by M/s. Bemis Bros. Bag Co., Boston, USA on the basis of the mills' performance in the past and that the Australian jute importers had a system of black-listing Indian jute mills. The very fact that these systems of grading and black-listing came into being indicates that a need must have been felt by the purchasers to protect themselves against unscrupulous shippers. Although this is understandable from the point of view of the importers, these procedures are nevertheless derogatory to the national prestige of our country and most unhelpful in stabilizing and extending our export trade. The Committee feels, therefore, that adequate steps should be taken to put our own house in order, so as to make such action by the importers unnecessary.

The questions posed are therefore (i) whether there are any difficulties in evolving standards for this industry; (ii) in what manner should quality control be exercised once the standards have been laid down; and (iii) whether pre-shipment inspection and/or certification should be made compulsory.

The consensus of opinion during the discussion with representatives of the trade and industry was that it was not difficult to lay down standards and that minor difficulties which might arise in the course of prescribing the standards could be readily overcome. It was also agreed that the best method of covering the quality of the products would be to adopt statistical systems of quality control some of which were already being tried out by certain mills. It was also agreed that the cost of such control would be more than compensated for by increase in productivity and reduction of waste. Once such a control was introduced at the production stage and coupled with ISI Certification Mark there should be no necessity for separate pre-shipment inspection. The normal procedure of making the ISI Certification Marks compulsory under the new legislation proposed later would provide the necessary assurance of quality that the importer does not have to-day.

*The Committee accordingly recommends that there is immediate need for formulating Indian Standards for jute manufacturers and for prescribing a procedure for inspection within the mills at the stage of production in accordance with the ISI Certification Marks Scheme. The ISI may be asked to expedite its work on the preparation of these standards, which has so far been going on at a slow pace, because of the Industry's own expressed policy.*

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*In order to facilitate this work the jute Commissioner may be asked to actively participate in the ISI programme by conducting necessary preliminary surveys of the industry and the industry may be requested to give him the necessary co-operation in this regard (see also recommendation under IV-8.2). Thereafter, the ISI Certification of jute goods for export should be made compulsory, after giving due notice to the industry. Considering the importance of the industry and its long history, every care should be taken to see that whatever steps are taken they, in no way, interfere with the smooth flow of trade and this can only be assured if the industry and trade willingly co-operate with government on the one hand and Government endeavours to win full confidence of the former on the other.*

VI-2.1 The representatives of the industry also mentioned during these discussions that the crux of the problem relating to the qualities of the products lay in making adequate quantities and satisfactory qualities of raw jute available. In fact a point of view was expressed that in spite of the steps taken for modernising the industry, the complaints in regard to the quality of the products had increased, which, in their view was mainly due to the uncertain quality of the available raw material. *The Committee has considered this point and is of the opinion that there is need for setting up machinery for ensuring that properly graded and well-defined qualities of raw jute are made available to manufacturers, and for this purpose, arrangements should be made to have raw jute sold only through regulated markets, after it has been graded by the Directorate of Marketing and Inspection according to the available Indian Standards.*

VI-3 *Cotton and other Textiles.*—Textiles could be classified into cotton textiles, art silk textiles, silk textiles, woollen textiles (other than carpets which for the purpose of this Report, is included among handicrafts) and handloom products. Under the Textile Commissioner there are various pre-shipment inspection schemes in operation in regard to all the above types of textiles, except woollen textiles. It is also understood that a scheme for inspection of woollen textiles is being worked out. The Committee has had an opportunity to see the working of the ITEX certification and factual inspection schemes of the Cotton Textiles Fund Committee in regard to cotton textiles and the certification scheme of the Silk Board in regard to silk textiles. In the case of silk textiles and art silk textiles, the inspection is closely linked with the evaluation of the quantum of raw materials that is allotted to the exporter.

VI-3.1 It was mentioned by representatives of the Cotton Textiles Export Promotion Council as well as certain other trade interests that in respect of exports of traditional items like cotton textiles involving different varieties of products, it would be more advantageous to continue to depend on the existing voluntary schemes of pre-shipment inspection rather than bring into being compulsory schemes. It was, however, recognised that mere provision of a facilities without corresponding power to enforce regulation of trade, at least in those cases where the supply of goods of defective quality had been noticed in the past, would not adequately meet the situation. It was also mentioned that in the past there were occasions, when on receipt of persistent complaints about the quality of the products of particular mills, these mills were ordered by the Textile Commissioner, in pursuance of his powers under the Cotton Textile (Export Control) Order, to have their products compulsorily inspected before shipment whereby the goods were required to conform to certain minimum standards or specifications.

It is also understood that Government have under consideration a scheme of surveying exporting mills on a periodical basis in order to classify them

in accordance with the quality of their products, so that mills whose products are not of the required standard could be ordered to be brought compulsorily under the Itex inspection scheme, whereby their goods would be required to conform to certain minimum standard specifications. *The Committee recommends that this step would be very beneficial for maintaining the standard of cotton textiles, meant for export.*

VI-3.2 *The Committee also feels that similar schemes should be adopted for art silk textiles, silk textiles and woollen textiles and that they should not merely be left linked with the export promotion schemes. The Committee further recommends that wherever Indian Standard Specifications are available, they should be used without exception in all cases including the Itex Scheme. In cases where such standards require to be amended or new standards established ISI should be approached to undertake the necessary task urgently.*

VI-3.3 In the case of silk textiles and handloom textiles, there is an overlapping between the schemes operated by the Commodity Boards and the "Q" Marking Scheme of some of the State Governments. *The Committee recommends that a close co-ordination between the two agencies should be effected in order to ensure that (a) only one standard, processed through the ISI, is adopted for a particular type of products by both the agencies; and (b) duplication of machinery and personnel used for inspection is avoided.* It may be noted in this context that the All India Handloom Board and certain State Governments (UP, Punjab, West Bengal, Kerala and Maharashtra) have agreed to operate the ISI Certification Marks Schemes with their own quality Making Schemes for such of the textiles goods for which relevant Indian Standards exist. Although these agreements have been already arrived at, they have yet to be implemented. *The Committee hopes that early action on the part of the various agencies involved will be initiated.*

VI-4 *Raw Cotton.*—The Committee did not have any formal discussions with exporters of raw cotton, but the Export Promotion Adviser at Bombay, who is closely connected with this trade, during his discussions with the Committee furnished some information on this subject. India exports only certain types of raw cotton like Bengal Deshi. The East India Cotton Association which deals with all aspects of the trade, has certain well-established practices for sampling cotton and for ensuring that the goods shipped are those which been examined by the Committee set up for this purpose. There are also well defined standards denoting staple length, colour, etc. These standards are mostly used for internal trade and for operating in the futures market but they are also useful for export purposes. The principal importing country, i.e., Japan, is quite aware of these standards. The Association has also a panel of arbitrators.

In view of the above position, *the Committee feels that there is no necessity to disturb the existing arrangements except, of course to introduce the enrolment scheme which should be applicable in all such cases.*

VI-5 *Raw Wool.*—Raw wool is compulsorily graded under the Agmark scheme at present before export and the Committee had the opportunity of actually seeing the scheme in operation at Bombay. It was found that the scheme is operating quite satisfactorily except that the standards used are somewhat different from the Indian Standards on the subject of raw wool. *The Committee therefore, recommends that the Indian Standards, after making such amendments as may be necessary, should be adopted for the purpose of this scheme (See also IV-6.7).*

VI-6 *Coir Products.*—India exports coir fibre, coir yarn and other coir products of which the quantity of coir fibre exported is very small. The Coir Board is working in collaboration with the ISI to lay down certain standards for coir yarn and other products. The Chairman of the Coir Board, however, stated that the main difficulty was not in respect of laying down standards but in ensuring adherence to these standards, because of the non-mechanised nature of the industry. Two other difficulties which were mentioned about the introduction of pre-shipment inspection were :

- (i) a good proportion of the products was being exported to overseas distributors, who are either the principals or the agents of the exporters in India, these distributors taking all responsibility for quality; and
- (ii) coir being a low value large-volume product, the incidence of cost of inspection would be proportionately considerable.

It was also mentioned that there existed a voluntary pre-shipment inspection scheme instituted by the Coir Board, under which inspection by the Travancore Chamber of Commerce could be arranged whenever asked for. This scheme depends on buyers' own specification and samples; when the Indian Standards become available, the intention is to make the above scheme compulsory.

The Committee, accordingly recommends the laying down of standards may be expedited, which should cover the whole range of products specifying definite grades wherever necessary, to enable all levels of production to be conveniently graded into one or the other of the specified grades. No compulsory pre-shipment inspection need be provided for but the rules under the Coir Industry Act for registration of exporters may provide for giving powers to the Chairman of the Coir Board to compel any particular manufacturer or exporter to have all his exports inspected, before shipment, in case he, taking into account the complaints received from abroad, considers such a step necessary. The Committee feels that since the Textile Commissioner has such powers under the Cotton Textile (Export Control) Order, it may not be difficult to give similar powers to the Chairman, Coir Board.

VI-7 *Handicrafts.*—The policy followed by the All India Handicrafts Board in regard to the quality of handicrafts has been to encourage the State Governments to evolve quality marking schemes with financial assistance from the Board. The Specifications in the schemes relate mostly to the quality of the raw material, dimensions, freedom from defects, finish, etc. The All India Handicrafts Development Corporation offers certain inspection facilities on a voluntary basis, and takes responsibility for the inspected goods. The experience shows that, on account of the publicity given to these schemes, more and more overseas importers are recognising the advantages of buying inspected goods.

Incidentally, it may be mentioned that apart from direct exports, purchases by tourists of handicraft items in India also account for earning foreign exchange in the same manner as exports do. *It would be useful if publicity in regard to the advantages of purchasing only quality marked goods is undertaken in collaboration with the tourist organisations in India and abroad.* There is another problem, namely, that some of the exporters, having close contacts abroad exploit this situation and ship goods of doubtful quality in collusion with overseas importers to the detriment of Indian reputation and disadvantage to the ultimate buyer. Several attempts to have quality labels put on some of the important handicrafts have been resisted by these

interests. The Committee recommends that from the long range point of view compulsory inspection would be advantageous. Even if the incidence of rejection in the initial stages happens to be high, the higher value obtained for inspected goods, which normally constitute luxury items, would to a great extent compensate for the fall in the total value of exports.

The idea of the Board is to put forward voluntary schemes on the basis of specifications prepared in consultation with ISI Directorate, and gradually to make them compulsory wherever possible. The Board is also alive to the problem connected with (a) adequacy of the inspecting staff; (b) the necessity to have honest and dedicated inspectors who will be in a position to persuade the manufacturers to produce better types of goods; and (c) the advisability to have the inspection conducted as near the centres of production as possible.

The Committee further suggests that two of the important export items of handicrafts namely carpets and brassware should be taken up immediately for compulsory quality marking.

*In regard to carpets, the ISI should amplify Indian Standards including grades for different qualities of carpets and carpets produced at all regions of India other than Mirzapur and Bhadhoi that are now covered. Thereafter it should be provided that the export of carpets be permitted only if they are marked with the ISI Mark and/or a quality mark of a State Government with a label, giving factual data, securely affixed thereon.*

*In the case of brasswares the All India Handicrafts Board should bring out specifications, and thereafter exports of these goods should be permitted only if they are certified under the All India Handicrafts Board Scheme by a State Government. Furthermore, consistent with the general practice recommended by the Committee, the specifications in due course should be processed through ISI.*

VI-8. *Tea.*—Most of the tea that is exported is sold at the auctions held at Calcutta and Cochin. Before garden tea is put up for auction, the brokers inspect each consignment, take small samples by boring a hole in the package and test it. Very often they order the consignments to be cleared before it is put up for auction. The Tea Board is consulted occasionally by these brokers. There is an adjudication panel consisting representatives of buyers, sellers and brokers to decide about any point of reference. The samples taken from lots which are put up for auction are sent by airmail all over the world to prospective customers. The auction buyer, *i.e.*, the would-be shipper, chooses samples from the lot which he thinks will satisfy the need of his customer. The customer at the other end decides the price up to which he can pay and indicates this to the shipper. The shipper goes to the auction and bids up to this amount and if the lot falls to his share, he arranges for the shipment and charges a commission for his labours.

A small quantity of tea is also sold on the basis of brands owned by certain shippers. No samples are sent forward in such cases, for the quality in such shipments is expected to follow closely the previous shipments. There is bound to be small variation in quality on account of the season and the garden in which the tea is grown. But these variations are recognised in the trade. In respect of such shipments the Tea Board normally receives two or three complaints a year, particularly from West Asian Countries. With a view to eliminating such complaints the Tea Board has provided free facilities for pre-shipment inspection on a voluntary basis. The West Asian importers from

whom complaints have been received, have been told that those who want to have pre-shipment inspection conducted by the Board should stipulate in the contract that the shippers should send the samples in the first instance through the Board. A portion of this sample is retained by the Board and at the time of shipment the bulk consignment is checked against the sample and a certificate issued if the Board is satisfied that such shipment is in accordance with the sample.

In view of the provisions of the Tea (Distribution and Export) Control Order which require every exporter to take out a licence and in view of the practices in the trade referred to above, *the Committee feels that by and large the tea trade is being fairly looked after, so far as maintenance of quality is concerned. However, the present system of quality control is based on approved or advance samples. It might be advantageous if a basis of reference could also be provided in the form of standard specifications.* It may be admitted that the possibility of laying down specifications for flavour and aroma are remote, but other characteristics such as extraction percentage, tannin content, crude fibre, broken, etc., could be objectively prescribed together with related test methods. Though under the Prevention of Food adulteration Rules, the Government of India has prescribed certain requirements for the purity of Tea, yet the Health Ministry has requested ISI to undertake the task of preparing more comprehensive standards. *The Committee therefore, recommends that the ISI and the Tea Board should jointly endeavour to evolve Indian Standard for tea (See also IV-8.2).*

VI-9. *Coffee.*—The responsibility for maintaining the quality of coffee is entirely that of the Coffee Board which maintains a pool of all coffee for sale in India and abroad. The Board has taken on itself the task of discouraging any coffee, which has not been properly dried, to be brought into the pool. Thereafter, the coffee is graded into peaberry coffee, plantation A Coffee, plantation B coffee, etc. The grading process is followed by garbling before coffee is put into stores. Small lots of less than 5 tons are bulked before storage. The main concern in storing coffee is to keep it dry. It is understood that research is in progress to improve methods of storage. It may, however, be mentioned that the Coffee Board has found it advisable to recommend to all concerned that the Indian Standards on Food Grain storage should be adopted, as these would improve the storage conditions considerably.

Of the total amount of coffee that goes into the pool, a certain quantity is segregated for export. The segregation is done by a panel who examines whether the lots are up to export requirements. It is out of this part that allocations for export are made. Exports are normally made through the exporters registered with the Coffee Board. Allocations are made (subject to the quota) to the person who gives the highest tender. When a particular bid of a registered exporter has been accepted, he is permitted by the Board to export the goods. The excise authorities put a seal on the bags at the time they are taken charge of by the exporter and these seals are examined by Customs authorities at the time of export. The export documents contain various details about the consignment which makes it impossible for the exporter to change the contents without being detected.

Taking all these factors into consideration, *the Committee is of the opinion that the Coffee Board is at present taking adequate steps to maintain the quality of the product exported and that no further steps are immediately necessary beyond what has already been taken in hand by the Board for improving the storage facility.*

VI-10. *Cashew Kernels.*—The representatives of the Cashew Export Promotion Council who met the Committee were of the opinion that compulsory quality control was not essential as the trade itself was alive to the problem of maintaining quality. In fact they pointed out that the Cashew Export Promotion Council was rendering certain services to the individual factories by appointing entomologists to go round the factories and advising them as to how to prevent infestation. It was mentioned that complaints concerning quality were rare. Nevertheless, the Committee observed that some of the Government of India Commercial Representatives in Australia, Japan, Sweden, etc. referred to a few complaints received from the importers about the quality of cashew kernels imported into those countries.

Cashew Kernels are mainly exported to USA and, under the Food and Drugs Administration Regulations of that country, import of infested nuts is prohibited. In line with the general thinking that articles required for the human consumption should be subject to rigid quality control, the Committee feels that even if the trade is doing something for putting its house in order, it has not been able to provide the buyers with a third party guarantee in regard to quality.

In view of this, *the Committee recommends that Cashew kernels shipped from India should be compulsorily graded by the Cashew Export Promotion Council under the supervision of the Agricultural Marketing Adviser.*

VI-11 *Spices.*—The principal spices exported from India are pepper, cardamoms, ginger, turmeric, chillies, and curry powder.

VI-11.1 *Pepper.*—The Planning Commission had included pepper as one of the items for compulsory grading under the Agmark Scheme during the Second Plan period. The most important market for pepper is the USA. Under the Food and Drug Administration laws of that country no edible material, unless it conforms to the standards prescribed thereunder for human consumption, can be permitted to be imported into that country. During the discussions which the Committee has had with the trade, it was mentioned that, although there had been some detentions of pepper by the Food and Drug Administration in the U.S.A. a few years ago on account of mould formation, these detentions were a thing of the past and that currently shippers were taking good care to see that the moisture content of pepper was kept at an adequately low value to inhibit mould growth. However, the representatives could not say as to how far adequate measures to prevent increase in moisture content during transit (e.g., packing in polythene lined bags) had been adopted. Nor it would appear that the trade has any facilities for reliable scientific determination of moisture content.

*The Committee, therefore, feels that pepper should be taken up as soon as possible for compulsory grading under Agmark. In view, however, of the fact that the commodity is covered by the Spices Export Promotion Council, it is recommended that the inspection and grading should be carried out through the agency of this Council but all operations in this regard should be under the close supervision of the Agricultural Marketing Adviser.*

VI-11.2 *Cardamoms.*—As regards Cardamoms, there have been some complaints about the quality of the product from the principal importing country, namely, Sweden. The complaints mostly relate to the consignments containing a large proportion of empty husks. In order to avoid such complaints, Spices Export Promotion Council has suggested a rough and ready method of control by prescribing that a specified volume of package should have a specified weight when filled with cardamoms. The suggestion has not been

adopted by the trade to a large extent and the representatives of the Spices Export Promotion Council told the Committee that they were firmly of the opinion that compulsory quality control under Agmark should be introduced and operated through the agency of the Spices Control Promotion Council. *The committee, therefore, recommends that this suggestion should be implemented as early as possible subject to the inspection being done under the close supervision of the Agriculture Marketing Adviser.*

**VI-11.3 Chillies.**—In respect of chillies also the trade was of the firm opinion that compulsory quality control was essential. Here again the *Committee recommends that quality control under Agmark may be undertaken through the agency of the Spices Export Promotion Council under the close supervision of the Agriculture Marketing Adviser.*

**VI-11.4 Other Spices.**—As regards other spices, like ginger, curry powder turmeric and minor spices, the volume of exports of each of these does not justify the institution of any elaborate machinery for quality control. The Committee, therefore, recommends that the A.M.A. and the Spices Export Promotion Council may jointly evolve such schemes as may be necessary for this class of spices.

Question arises as to what should be done if the Export Promotion Councils, which are autonomous bodies, do not take up the work of quality control of cashew kernels and spices as recommended in paras VI-10 and VI-11 above. To meet this contingency, *the Committee recommends that the Councils may be given a reasonable period of time subsequent to the acceptance of the recommendations by Government and the framing of the relative Agmark Rules to implement the scheme and that if they then failed to take action within the specified period the Agricultural Marketing Adviser should directly take up the work of compulsorily grading the products for export.*

**VI-12 Tobacco.**—Tobacco is already subject to compulsory AGMARK grading before export. The representatives of the exporters as well as some of the overseas importers, who met the Committee, did not have any complaints against the present system of grading. Their main suggestion was that the grading might be taken to an earlier stage of marketing *i.e.*, at the farmer's level so that un-redried tobacco after grading could be bought by the customers before being redried and blended to suit the requirements of the overseas importers. *Although in principle there would be no objection to such a procedure, the Committee feels that the implications will have to be studied in greater detail by the Agricultural Marketing Adviser, which may be done in due course.*

**VI-13. Vegetable oils, oilseeds and oilcakes.**—Oils fall into two categories, namely essential oils like sandalwood oil and lemon grass oil; and fatty oils. Compulsory Agmark grading for export already exists for sandalwood oil and lemon grass oil. The principal oils which fall in the other category, which are exported, are groundnut oil, castor oil and linseed oil. The Planning Commission had recommended in the Second Five Year Plan, that these vegetable oils should be compulsorily graded under the Agmark scheme before export.

One representative of the industry who gave evidence stated that the number of complaints from abroad were very small. On the other hand, complaints in regard to the quality of oils shipped have been mentioned in the reports from our Commercial Representatives in London, Rangoon and Ottawa. The Committee, therefore, feels that though the number of unsettled complaints might be few, yet the number of complaints settled mutually between the

buyer and the seller may not have been so small as to be negligible. For a commodity which faces stiff competition even a few complaints are likely to affect the reputation of our exports.

Another view expressed by the trade interests was that even if it was conceded that it was a good thing to have pre-shipment inspection, there were certain practical difficulties in having compulsory grading of vegetable oils in view of the fact that most of the oils were shipped in bulk and that too from small ports in the Saurashtra area. The Agricultural Marketing Adviser who is a member of the Committee, however, stated that these factors had already been taken into account when the scheme for inspection under Agmark was framed. He did not envisage any major difficulty in implementing the scheme of compulsory grading under the Agmark and stated that fears of trade interests in regard to delay in shipments were ill-founded.

In regard to oilcakes, a number of complaints have been received from the U.K. regarding the presence of castor seed husks in the products exported.

*The Committee accordingly recommends that the following items may be taken up for compulsory grading under the Agmark.*

- (i) Groundnut oil (including refined groundnut oil known as salad oil).
- (ii) Linseed oil;
- (iii) Castor oil;
- (iv) Oilcakes (expeller variety),

*The Committee does not recommend any immediate action in regard to other types of oils or oilseeds like HPS groundnuts and other minor oilseeds or solvent extraction variety of oilcakes, as the quantum of exports in respect of these commodities is not very large. The position may, however, be reviewed from time to time.*

VI-14. *Walnuts.*—Walnuts are mostly produced in Kashmir. The crop is brought by the exporters principally located at Delhi, and is exported to various European countries, Canada, Australia, etc. The crop becomes available late in October and the season for marketing is just before Christmas. Thus the exporters are really left with only a few weeks to collect the product, bring it by road and/or rail to Delhi, sort it, pack it, despatch it on to Bombay for shipment and finally to ship it so as to reach the destination before the season starts. Any scheme which envisages grading of walnuts will have, therefore, to provide for a machinery which is capable of handling at the sorting and packing centres about Rs. 1 crore worth of goods within a matter of a few days. *The Committee, while recognizing the desirability of compulsory grading of walnuts, particularly in view of the complaints received, feels that in view of the limited period during which the grading will have to be completed, a scheme for compulsory grading may not be feasible. The Committee feels that the enforcement of the provisions of the Enrolment Scheme will, for the present, meet the exigencies of the situation. However, the AMA is examining the possibility of introducing a compulsory grading scheme keeping in view the limitations of the situation. If this scheme materialises, the Committee feels that it would be worthwhile giving it a trial.*

VI-15. *Fruit Products.*—The principal item of fruit products exported from the country is mango chutney. Export of other fruit products is small but it is expected that if the proposal to make sugar available at international prices to the manufacturers against export is put into operation, the exports would



show a substantial rise. Some of the private inspection agencies, who have been conducting pre-shipment surveys on fruits products exported, mentioned that certain extraneous matter was found in few consignments. The Agricultural Marketing Adviser who administers the Fruits Products Order confirmed that complaints of this nature had also come to his notice. Since the Order provides for licensing of factories, inspection of processes of manufacture, and control of product quality, *the Committee recommends that the procedure for inspection under AMA should be suitably amended to provide for a more rigorous and continuous check of the products manufactured and labelled under licence.*

VI-16. *Sea Food.*—Export items of sea food could be roughly classified into the following:—

- (a) dried fish mainly exported to Ceylon;
- (b) dried prawns mainly exported to Burma;
- (c) canned and frozen prawns mainly exported to the U.S.A.

The items at (a) and (b) above are traditional exports. It is reported that in so far as dried fish is concerned, the trade is likely to dwindle with the development of marine fisheries in Ceylon. On the other hand canned and frozen prawns are new items of export worthy of attention for development.

The Fisheries Development Adviser, who met the Committee, mentioned that a detailed Fish Control Order pertaining to the processing of sea food right from the stage of catching to the stage of packing was being drafted, but that it would take some time to finalize it in view of the necessity to estimate the deteriorating characteristics of different types of sea foods, in respect of which he was now conducting investigations. It was also mentioned that the problem of quality control for frozen products was not of an urgent nature, because there were only a few exporters/manufacturers in the line who were working in collaboration with distributors in the U.S.A.

The Committee, however, understands that the Development Council for Processed Food industries is of the view that quality control measures should be expedited. The Committee, therefore, feels that Fisheries Development Adviser may be requested to speed up his investigations so that Indian Standards could be processed at an early date. Thereafter the question of quality control should be taken up.

In regard to dried prawns, the problem is considered urgent. Import licences in Burma are being now issued only to the Joint Venture Corporations in that Country. Emergence of this single buyer has brought about a more positive demand for control of quality. *The Committee, therefore, recommends that the scheme for enrolment of exporters be immediately made compulsory for export purposes and only such exporters be enrolled as maintain requisite standards of cleanliness and who have proper storing and drying facilities. Those exporters who do not have their own storing and drying facilities but who are otherwise able to make proper arrangements for storing and drying and undertake to get their products certified by the State Director of Fisheries or the Central Fisheries Institute at Cochin, may also be enrolled.*

VI-17. *Meat Products.*—India exports some items of meat products to a small extent. The main difficulty in developing this line of export has been the absence of properly controlled slaughter houses with facilities for ante and post-mortem examination of animals as required by regulations of most of the importing countries. Some attempt has been made by the Ministry of Food & Agriculture to persuade the State Governments to set up properly equipped

slaughter houses at certain centres. A suggestion has also been made that the Central Government should establish small slaughter houses at selected ports for example Bombay and Calcutta especially for export purposes.

The establishment of slaughter houses by the State Governments is a long range programme and the Committee thinks it inadvisable for the Central Government to establish slaughter houses. *But it is necessary that the Central Government should lay down rules and regulations for controlling the processing and inspection of products for export. The rules should also provide for issuing of ante and post-mortem certificates. In framing these rules, care should be taken that the requirements imposed by the principal meat importing countries are also satisfied. No person other than a holder of a licence under these rules should be permitted to export meat products.* Once appropriate slaughter houses have been established under these rules, the importing countries may be invited to send their representatives to examine the arrangements and to satisfy themselves.

VI-17.1 Incidentally, it has also come to the notice of the Committee that there is considerable scope for export of useless cattle on hooves to certain areas such as Hong Kong and Philippines where they are in demand. Although this matter does not strictly fall within the terms of reference of the Committee, *it is recommended that Government might examine the feasibility of encouraging the export of such cattle.*

VI-18. *Leather.*—Owing to the absence of excessive fat, wool and hair in Indian animals due largely to natural climatic conditions, hides and skins produced in India are of unique quality and are considered more valuable than similar products of other countries in certain aspects.

Exports of raw hides and raw sheep skins (other than papras) are banned, With a view to conserving supplies of raw goat skins to the indigenous industry exports of raw goat skins have been restricted to established exporters up to 66-2/3 per cent of their basic year's exports. In any case, owing to the restrictive nature of exports of raw hides and skins, it is not necessary to think in terms of quality control or grading of these items at this stage.

In regard to East India tanned hides and skins, the Leather Export Promotion Council (LEPC) is administering a voluntary quality control scheme, the main object of which is to check that the leather substance of the goods is not below a specified limit. In spite of the simplicity and voluntary character of the scheme, its use has been limited to only a few of the exporters. It is true that a little more than 30 exporters representing about 54 per cent of the export trade in East India tanned hides and skins, are registered under this scheme, but in view of the provision that no pre-shipment inspection will be conducted if the overseas importer has written to say that goods consigned by a particular exporter need not be subjected to such inspection, the scheme has been made use of only rarely, as most of the exporters have produced such letters and have claimed exemption from the operation of the scheme.

The Chairman and a few members of the Committee had an opportunity to meet a U.K. importer of tanned hides and skins who was on a visit to this country. The said importer observed that the general impression in the U.K. was that the quality of hides and skins had definitely deteriorated in recent times, and this in his opinion was due to the large number of new exporters having entered this field. He suggested that quality control measure could be enforced more strictly to the overall advantage of Indian trade. After a prolonged discussion of various implications of this suggestion, the idea was evolved that the various types of hides and skins exported could be divided

into about 20 to 30 grades, into one or other of which could be fitted the numerous brand marks of the various exporters. Standard samples for each well defined grade could be kept in the custody of the Leather Export Promotion Council or the Central Leather Research Institute (CLRI). Each exporter may be given the opportunity to examine these grade standards and declare as to which grade his own brand or brands corresponds. Samples, compulsorily taken from each consignment offered for export under a given brand name of the exporter could then be compared with the declared standard grade and the result of such inspection reported to the exporter and the overseas buyer. This provision may later be amplified, if considered necessary, to ban the export of goods which did not conform to the grade originally declared as corresponding to the given brand. The goods may, however, be allowed to be exported under the correct grade to which the consignment belongs. *For this purpose the Committee considers that ISI in collaboration with AMA and others should draw up specifications for the 20 to 30 grades in consultation with the Indian exporters and overseas importers' organisations, on the basis of which physical grade samples should be prepared. The task of pre-shipment inspection as outlined above may be entrusted to the LEPC under the supervision of the CLRI duly authorised by the DMI. The Committee further recommends that pending implementations of the above proposal, the present scheme of the LEPC may be made compulsory on the basis of the relevant Indian Standard. This could be done by stipulating that only those exporters who agree to have all their consignments inspected under the present scheme of the LEPC before export would be enrolled under the Enrolment Scheme.*

VI-19. *Lac*.—The Indian Lac exporters Association is a closely knit body, which has now eliminated the erstwhile internal price cutting competition and brought under control the export prices. For the purpose of maintaining the price control, certain checks on quality are also essential, since price depends primarily on the type and quality of the product. The Association usually obtains samples of each consignment drawn by its agents appointed for the purpose, and gets them analysed. The test results are then examined by the Association's panel to see that the export price is in conformity with the associations schedule. In addition to such checks, importers abroad particularly in the USA insist on pre-shipment certificates issued by one of the analysts' firms.

It was reported that the number of complaints about the quality of lac exported during the recent years has been negligible and that the exercise of care by the exporters themselves has generated adequate confidence among the overseas importers. With the object of making price control really effective, the Association has initiated a scheme for creating a buffer stock. Another scheme for setting up a laboratory for conducting their own tests is well advanced.

The Committee feels that the activities of the Association have imparted a certain amount of stability to the lac trade and that it is proceeding in the right direction towards further strengthening the confidence of overseas importers. *The Committee therefore recommends that nothing beyond encouraging the Association to go forward in their activities need be done at present.*

VI-20. *Bristles*—Bristles are subject to compulsory Agmark inspection before export. The representatives of the Bristles Merchants Association who met the Committee at Kanpur stated that the present system of grading of bristles was working quite satisfactorily. *The Committee agrees that there is no necessity to disturb the existing procedure.*

VI-21 *Kapok*.—The representative of the kapok marchants who met the Committee, mentioned that owing to the increase in collection charges and depletion of forest resources, the product was no longer competitive in overseas markets. Exports have declined from Rs. 3 crores in 1957 to about Rs. 50 lakhs in 1960. *The Committee feels that in view of the declining trend in exports and the possibility of a further decline, there is no point in thinking of a machinery at this stage for conducting pre-shipment inspection of kapok.*

VI-22 *Myrabolan*.—Myrabolan is used mainly as leather tanning material both within the country and abroad. The principal markets are the UK, the USA Netherlands and Australia. The Planning Commission had recommended in the First and Second Five Year Plans that the export of myrabolan be prohibited, unless it is graded under Agmark. The representative of the Myrabolan Merchants' Association who met the Committee was in full agreement with this proposal. *The Committee, therefore recommends that immediate actions should be taken to have this commodity compulsorily inspected and graded before export under Agmark.*

VI-23 *Mica*—India enjoys a virtual monopoly in the supply of high grade electrical mica to the world markets although Brazil offers positive competition due to its nearness to the USA markets. Strangely enough, India has not been able to influence the price trends in this commodity, mainly because of the competition existing between the Indian exporters themselves. It was also mentioned that some exports of mica were being made on consignment basis but a large proportion of exports were against 80 per cent letters of credit. In both cases, however, buyers abroad were in a strong position to dictate terms of settlement after the goods had reached the destination.

As already stated, the Export Promotion Council for Mica has evolved a procedure for pre-shipment inspection on a voluntary basis in pursuance of the recommendations of the Export Promotion Committee of 1957. Inspection involves comparison of bulk goods with the accepted samples, as there are no internationally, accepted standards for various classes and grades of mica. The Council has, however, found that in view of the prevalent practice of sending goods either on a consignment basis or against 80 per cent letter of credit, only a few consignments are being offered for inspection before shipment.

The Committee has also noted that inspite of the efforts during the past 14 years made by ISI as Secretariat of the international committee set up under the authority of the International Organization for Standardization no significant progress has been made to establish international standards for classification of various grades of mica, due largely to certain inherent and certain surmountable difficulties, for example the delay in developing techniques for objective testing of mica, the difference in practices prevalent in user countries, the unsatisfactory and controvertial nature of visual classification, etc. Considering all the factors and in the light of the Committee's general recommendation that the enrolment scheme should be made compulsory, *the Committee is of the opinion that, while continuing the present facility for inspection afforded by the Export Promotion Council, the immediate introduction of the scheme for enrolment would be desirable. The code of conduct which would be drawn up in pursuance of the enrolment scheme, should take care of such aspects as the desirability of discouraging exports on consignment basis and of fixing minimum prices for each well*

*recognized class and grade of the material, with the object of eliminating internal competition. In the mean time, efforts of ISI in pursuing international standardization through the International Organization for Standardization should be redoubled, so that the position could be reviewed in due course. (See also IV-6.2)*

**VI-24 Engineering Products.**—Engineering products include mostly metal manufacturers and comprise of many industries having considerable export potential. The exports of these products have more than doubled during the last few years and now amount to more than Rs. 8 crores per year. The Third Plan has laid considerable stress on export of these products. The principal items, which are being exported at present include aluminium utensils, sewing machines, electric fans, diesel engines, dry batteries, bicycles, steel furniture, metal hardware, buckets, and cast iron products. Most of the exports are made by fairly large manufacturers themselves, mainly because the export promotion scheme provides that import licences for materials and supply of iron and steel will be given to manufacturers concerned with export, for use in their own factories. Out of the above items, aluminium utensils are at present permitted to be exported only if they bear the ISI Certification Mark.

The Engineering Export Promotion Council submitted a memorandum to the Committee stating that engineering goods should be classified into three categories for the purpose of quality control and pre-shipment inspection viz., (i) items like machine tools where inspection is being carried out by Government agencies such as the Director General of Supplies and Disposals; (ii) plant and machinery which are either being manufactured in collaboration with foreign companies or are fully manned by experts and where the internal inspection arrangements are quite satisfactory; (iii) consumer goods which are usually produced on a mass scale. The Export Promotion Council feels that only the third category requires any quality control and is of the opinion that there should be no compulsion on any unit to adhere to any fixed standard, because the scheme for supply of raw materials operated by the Council also provides that only such manufacturers whose quality is acceptable to the council would be registered. Another point mentioned by the Council is that compulsory enforcement of any standard at this stage when efforts are being made to diversify exports of products which are new to the overseas markets and which fetch a better price inside the country may retard the progress of exports.

The Council has further suggested that the staff of the Director-General of Supplies and Disposals (DGS&D), who is already inspecting some of the goods, could be entrusted with the work of certifying the goods that are to be exported. It is understood that a similar suggestion had been made some time back but on account of certain administrative considerations, the DGS&D could not assume this responsibility. Nevertheless, *the Committee recommends that the DGS&D should at least undertake pre-shipment inspection of those products for which the buyer make a special request. Furthermore, wherever Indian Standards exist the possibility should be explored of appointing DGS&D as competent authorities for the purpose of applying ISI Certification Marks to the products in this category.*

The Committee agrees that any drastic step at this stage to control the export of commodities which are just trying to get a foot-hold in the export markets may not be quite advantageous. At the same time the Committee feels that it is, in the initial stages of introducing a new product in a new

market that one has to be careful, if reputation is to be established for quality. After weighing these two considerations, *the Committee has come to the conclusion that persuasive methods should be adopted by the enrolling authorities under the enrolment schemes in an intensified manner to ensure that the major export commodities of engineering items are brought within the ISI Certification Marks Scheme. At the same time as an interim measure the Export Promotion Council should be asked to tighten up its machinery in selecting manufacturers for registration under the enrolment scheme so as to ensure that only those manufacturers whose products attain a certain acceptable standards are in fact enrolled. Export Promotion Council should consult DGS&D, and also ISI if necessary, in making selection of manufacturers for this purpose. In case of small scale producers, in respect of whom information from the above two sources is not available, States Directors of industries may be consulted.*

One item of engineering products which has been particularly brought to committee's notice is wood screws. The Tariff Commission during its enquiry has made a recommendation that

“Necessary steps should be taken by Government to ensure that no export of wood screws takes place unless they are accompanied by a test certificate regarding the quality of the goods and proper packing.”

*The Committee recommends that, if the above recommendation of the committee is strictly adhered to, the needs of the wood screw exports will be adequately met for the time being.*

**VI-25 Chemical and Allied Products.**—The Chemicals and Allied Products Export Promotion Council covers a variety of products such as

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|----------------------------------|-----------------------------|
| (a) Pharmaceuticals              | (h) Glass and ceramics      |
| (b) Acids                        | (j) Soaps and toileteries   |
| (c) Fertilizers                  | (k) Rubber products         |
| (d) Alkalies                     | (m) Alcohol                 |
| (e) Dye Stuffs and Intermediates | (n) Fine chemicals          |
| (f) Salt and heavy chemicals     | (p) Miscellaneous chemicals |
| (g) Paint and related items      |                             |

So far as pharmaceuticals are concerned, there is no necessity to impose any further control other than what is being done under the Drugs Act.

Certain poisonous materials are covered by the Poisons Act, and explosives like fire-works under the Explosives Act. Provisions under these Acts, however, relate only to health and safety considerations and cannot be used to ensure the quality of the products.

As regards power alcohol it is doubtful whether India will have any surplus for export after 1963 and it would not, therefore, be necessary to make any permanent provisions for quality control on exports of this commodity at this stage.

*Committee is, therefore, of the opinion that as exports are only just developing it would not be advisable at this stage to impose any compulsory quality control but persuasive methods may be adopted by the enrolling authorities, to ensure that major export commodities (excluding drugs) are brought within the ISI Certification Marks Scheme. At the same time, as an interim measure, the Export Promotion Council should be asked to tighten up its machinery in*

*selecting manufacturers for registration under the enrolment scheme so as to ensure that only those manufacturers whose products attain a certain acceptable standards are in fact enrolled. Export Promotion Council should consult DGS&D, and also ISI if necessary, in making selection of manufacturers for this purpose. In case of small scale producers, in respect of whom information from the above two sources is not available, States Directors of Industries may be consulted.*

**VI-26 Plastics**—Exports of plastics have risen from Rs. 7 to 8 lakhs in 1954 to about Rs. 75 lakhs in 1960. The principal items of export are leather cloth, spectacle frames, linoleum, umbrella handles, bangles, moulded and fabricated articles, etc. It was mentioned by the Plastic Export Promotion Council that exports took place in small consignments and consisted of many assorted items. The Council conceded that if quality control measures were to be undertaken at the production stage, it would be easier to effect a check on the quality of goods exported, but in view of the small volume of exports, as compared with the total production, the Council did not like to advocate a system of quality control which would cover the whole range of production. It has, therefore, evolved a scheme which provides for approval of samples of the types of goods which the manufacturer normally expects to export and comparing these samples with goods taken from bulk consignments. The approval as well as comparison will be done by a committee consisting of knowledgeable persons from the trade. The Council has not put the scheme into operation yet. *The Committee feels that in view of the small volume of the exports involved, the scheme of the Council may be given a trial, but it should be initiated immediately. Wherever applicable. ISI Certification may also be introduced. These schemes coupled with the compulsory enrolment scheme should prove adequate for the time being. In respect of certain bulk items such as leather cloth, linoleum, spectacle frames, etc., it should be possible to introduce compulsory quality control scheme on the basis of ISI Certification at an early date.*

**VI-27 Sports Goods**—Among the various products which are exported by the sports goods manufacturers, the important items are foot ball covers and bladders, cricket bats and balls, hockey sticks and balls, sports hosiery etc.

There are certain ISI standards in regard to some of the items of sports goods, but these standards, though formulated in consultation with the industry, have not been so far adopted. The industry now claims that the standards need revision because raw materials of the quality mentioned in the standards are not readily available.

*The Committee, therefore, recommends that early revision of the standards by ISI may be taken up. Steps may simultaneously be taken by State Government concerned to organize wide scale application of quality marking of all sports goods produced within their jurisdiction. Wherever possible ISI Mark may also be applied through the State Governments, acting as competent authorities for the purpose.*

## CHAPTER VII

### LEGISLATIVE AND ADMINISTRATIVE MEASURES

VII-1 The Committee has suggested in this report several steps that should be taken for improving the existing position relating to quality control and pre-shipment inspection of Indian exports. It will be seen from the earlier chapters that several different kinds of controls are possible and in fact are being currently applied to different kinds of commodities, the choice depending on the circumstances of each case, such as for example, the type of the product, the mode of production and packing, the geographical distribution of production, the peculiar technological factors involved, the nature of overseas demand, etc. Furthermore, several agencies, official as well as non-official are engaged in these activities some of which are mandatory under one legislation or another while others are in the nature of a service for voluntary use by those who may want to take advantage of it. It will further be seen that most of the schemes of quality control and pre-shipment inspection have been brought into being in an *ad hoc* sequence and in an unco-ordinated manner.

VII-2 It will, therefore, be readily appreciated that if quality of export goods is to be improved and maintained over the wide spectrum of products involved in India's export pattern, it would be essential to have a positive approach to the problem as a whole guided by a central policy backed by parliamentary legislation. In bringing about such centralization, however, it would be most desirable, in fact imperative, to preserve as much as possible of the existing arrangements in the various spheres of exports maintained for the purpose of quality Control and pre-shipment inspection. *The Committee would, however, like to go further and recommend, that the active agencies in this field should not only be encouraged to develop and enlarge their sphere of service but positively helped and assisted officially in this direction by various means such as financial assistance, training of personnel, facilities for importing indigenously unavailable testing equipment, etc. This includes the strengthening of the existing laboratories and bringing into being new laboratories for servicing the various certification schemes and other pre-shipment inspection activities, including laboratories run under Government of India, State Governments and in the private sector.*

VII-2.1 It often happens that when quality control measures are introduced in production units, it is found that the production machinery needs improvement by way of, for example, certain specialized control equipment, testing instruments, etc. *In cases like this it would be essential to assist these units in importing such equipment and instruments as may not be available indigenously.*

VII-3 It should also be recognized that some of the agencies which are presently active, derive their powers from existing legislations such as the Drugs Act, the Agricultural Produce (Grading and Marking) Act, the ISI Certification Marks Act, etc. (See V-1). Some of these legislations like the Drugs Act, the Fruit Products Order, the Prevention of Food Adulteration Act, etc. impose mandatory controls on the quality of products, while others like the Agricultural Produce (Grading and Marking) and ISI Acts are basically voluntary and, therefore, enabling legislations, the provisions of which, in relation to certain commodities, have been made mandatory for export purposes under Section 19 of the Sea Customs Act. With the



products covered by the former category of legislations, the legislative measure proposed in this chapter need obviously not be concerned. With the latter category of legislations, however, a positive relationship should be established so far as exports are concerned. *In other words, instead of deriving the authority from the Sea Customs Act to enforce the AGMARK or the ISI Mark on exports, the authority in future should be derived from the legislation envisaged in this report. The Committee feels that neither the present Section 19 of the Sea Customs Act nor the Act itself has been designed to deal with quality control or pre-shipment inspection. It is, therefore, inadequate to deal with all aspects of quality control concerned with matters in relation to exports, while the legislation now proposed will be comprehensive and particularly directed to the given end.* This does not, however, mean that the new Act would interfere in any way with the operation of the APGM or ISI Acts which should continue to serve the original purpose of making available a voluntary service for the control of the quality of indigenous products for internal distribution or otherwise. In fact, *it would be an advantage if the Government of India, in the Ministry of Commerce and Industry, would take positive steps to encourage the popularization of these two certification marks (and other Certification Marks such as quality marks of the State Governments, ITEX mark and the Handloom Board Mark) which by improving the quality of indigenous production generally, would ultimately help to improve the export quality as well.*

VII-4 Although it is beyond the terms of reference of this Committee to make recommendations about the overall set up required for export promotion purposes, *the Committee is of the opinion that the co-ordinating agency for quality control and pre-shipment inspection to be set up for administering the new Act should be integrated with the existing arrangements for quality control through the Ministries concerned for the promotion of exports in general.* The importance of this recommendation will be appreciated if it is recognized that quality control and pre-shipment inspection of export goods are closely linked with the various other measures with which the export promotion agency will be intimately concerned, such as for example the enrolment of exporters, introduction of standard contract forms, facilities for handling complaints, commercial disputes and arbitrations, licensing and distribution of imported raw materials and allocation of indigenous materials among producers of export goods etc.

VII-4.1 Incidentally, it may be pointed out that the above recommendations of the present Committee, in relation to the administrative set up for export promotion, are generally in line with those of the Export Promotion Committee of 1957.

VII-5 For these reasons, *the Committee feels that the present organisation of the Directorate of Export Promotion is perhaps the most suitable organisation to be entrusted with this task of co-ordinating all activities on quality-control and pre-shipment inspection under the authority of the proposed legislation.* The Committee, however, strongly feels that for the ultimate objectives of improving the overall quality of all Indian exports and establishing a lasting reputation for Indian products abroad, mere administrative and legislative measures will not suffice unless a great deal of imagination and tact is brought into play so as to enlist the active co-operation of all concerned in this collective enterprise. *To some extent this approach may be facilitated if the Government of India in the Ministry of Commerce and Industry had available to it the advice of a council of individuals and officials who are intimately concerned with the day-to-day problems of quality control of indigenous products and with export promotion generally.*

VII-5.1 *Such a Council should be a compact body and the Committee considers that perhaps the following membership would be adequate:*

- (1) *The Honorary Adviser on Standardization to the Government of India and Director of Indian Standards Institution;*
- (2) *Agricultural Marketing Adviser to the Government of India;*
- (3) *Head of the Inspection Wing of the Directorate General of Supplies & Disposals;*
- (4) *Head of the Export Division of the State Trading Corporation;*
- (5) *Head of the Inspection Wing of the Office of the Textile Commissioner;*
- (6) *Director General of Commercial Intelligence and Statistics;*
- (7) *The Managing Director of the Export Risks Insurance Corporation;*
- (8) *Three members nominated by Government of India from private inspection;*
- (9) *agencies recognized under the new Act and other related*
- (10) *interests;*
- (11) *Director of Export Promotion.*

VII-5.2 *This Council which may be called the Export Inspection Advisory Council, should be consulted concerning the formulation of guiding policies on all matters coming under the purview of this Act. The Council should have the power to co-opt members having specialized knowledge of particular fields of endeavour under its consideration for the time being and to constitute specialist groups or committees for conducting investigations on specific problems.*

VII-6 *The legislation envisaged by the Committee to achieve the objectives in view should, among other things, give power to Government:*

- (i) *to designate commodities for compulsory quality control and/or pre-shipment inspection prior to export as and when adequate preparation have been made and conditions created for introducing such controls;*
- (ii) *to declare, establish, adopt and/or recognize standard specifications for the purpose of quality control and/or pre-shipment inspection of export goods;*
- (iii) *to create, to promote the creation of, to recognise, to license and designate agencies including certifying authorities, surveying authorities, testing laboratories and firms of surveyors both in the public and private sectors for carrying out quality control and/or pre-shipment inspection in respect of commodities covered under (i) above;*
- (iv) *to prescribe rules and regulation for the enrolment and de-enrolment of exporters, including provisions for codes of business ethics, standard contract forms, arbitration agreements, etc.;*
- (v) *to designate, create and/or recognize agencies for enrolment of exporters;*
- (vi) *to prohibit the export of specified goods by anyone except by exporters who have been duly enrolled for the purpose;*
- (vii) *to prescribe rules and regulations regarding all other provisions of the Act including procedures for quality control and pre-shipment inspection; conduct of certifying, surveying and inspection agencies;*

*delegation of powers to agencies and authorities entrusted with certain responsibilities under the Act; designation of arbitration panels; designation of appellate authorities for hearing appeals of persons aggrieved under certain provisions of the legislation, calling for information and reports from exporters; etc.*

VII-6.1 *The legislation should also provide adequate penalties, both fines and imprisonment, for infringement of such provisions of the Act as warrant such penalties. The Committee feels that these penalties should be made severe enough so as positively to discourage wilful infringement and yet not of such a severe nature as to discourage legitimate export activity. (See also V-6.3.*

VII-6.2 *The legislation should also provide that any prescribed or recognized marks or seals such as a certification mark, a surveyors seal applied to the goods or packages under provisions of this Act should be deemed by the Customs and Excise authorities as evidence of the goods being in conformity with the rules and regulations of this legislation, and therefore to be taken as such for Customs and excise purposes, unless there exists a prima facie case to doubt the genuineness of such marks or seals (See also V-8.7).*

VII-6.3 *The legislation should explicitly provide that it will not affect the operation of the APGM, Act, the ISI Certification Act, and other similarly related legislations.*

VII-7 *As and when this enactment comes into force, the present notifications issued under Section 19 of the Sea Customs Act in regard to the compulsory certification of certain export goods would become redundant and such goods should forthwith be brought under the control of this new Act. (See also VII-3).*

VII-8 *Some of the recommendations especially those made in this Chapter are either connected with or are dependant on the proposed legislation and will, therefore, have to await parliamentary action, yet there are a number of recommendations in earlier chapters, action on which could immediately be initiated. In the latter category of recommendations mention may specially be made of those contained in the Interim Report of the Committee. Government is urged to expedite action in respect of these latter types of recommendations, and immediately to initiate action on those requiring legislation. Building up of an effective organization of the type envisaged by the Committee and to achieve tangible results is going to take several years. In view of the country's needs for building up export trade being immediate, it is all the more important that no time be lost in the preparatory tasks of passing the requisite legislation and setting up the accompanying administrative organization.*

## CHAPTER VIII

### SUMMARY OF RECOMMENDATIONS

VIII-0 In pursuance of the work allotted by the Government of India to the *Ad Hoc* Committee on quality control and pre-shipment inspection of goods intended for export, the Committee met various representatives of industry and trade and other agencies engaged in conducting pre-shipment survey, grading, certification, etc, of goods which are exported from the country. The Committee also studied the general pattern of India's export trade and the future prospects of exports for the purpose of determining the types of commodities which should be given priority of consideration in matters connected with quality control and pre-shipment inspection. In addition to examining the recommendations made in regard to quality control by the Export Promotion Committees set up in 1949 and 1957, this Committee also studied the present method of handling complaints relating to quality received from overseas importers, the Enrolment Scheme recently announced by Government, the existing statutory orders, voluntary schemes, and other practices in force in India relating to quality control and pre-shipment inspection, as well as the Export Inspection Law and procedure followed in Japan.

VIII-1 The Committee submitted certain interim recommendations to Government on 29-3-1961 regarding the measures which it felt should receive immediate attention (see Appendix D).

VIII-2 In this Report the Committee has given special consideration to:

- (a) the need for evolving standards for export commodities,
- (b) steps to be taken to exercise control on the quality of important export commodities, and
- (c) administrative and legislative measures necessary to co-ordinate the work of related agencies under a unified policy.

VIII-3 Recommendations made by the Committee are summarised and given below. Some of the recommendations are capable of being implemented only after the enactment proposed by the Committee (see Chapter VII) has come into force, while others are capable of being taken up immediately for implementation. The latter type of cases have been marked with asterisks in the list given below:

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Sl. No.	Recommendation	Paragraph No.
1.	Since the stage has now been set for a big effort to substantially increase the country's exports, it is necessary to take all possible measures to ensure stability of our markets and one such measure would be to organize maximum possible control of quality of export products.	II-12

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Sl. No.	Recommendation	Paragraph No.
2.	It would be necessary for India to take steps similar to those taken in Japan to create confidence in overseas customers and give them an assurance that they would receive goods of a quality not below a specific standard.	V-6.4
3.	From the point of view of raising the general reputation of the country in overseas markets and building up extended markets in new products on a lasting basis, a central guiding scheme for quality control and pre-shipment inspection is necessary under which not only could the present schemes be co-ordinated but which would enable the pattern to be systematically extended to cover additional commodities as and when necessary.	V-5
4.	Pre-shipment inspection is a specialised work requiring trained personnel and in some lines a highly skilled job requiring years of experience. Instead of, therefore, trying to set up a federated organization, as suggested by the Export Promotion Committee of 1957, the endeavour should be to make full use of the existing facilities already available in the country in different lines, which should be suitably enlarged. No violent changes need therefore be attempted in the operations which are going on at present. At the same time, the Committee recognizes the need for exercising an overall co-ordination of all efforts on quality control and pre-shipment inspection through a central authority established under parliamentary legislation.	V-8.1
5.	The co-ordinating agency to be set up for administering the new enactment proposed by the Committee should be integrated with the existing arrangements for quality control, through the Ministries concerned, for the promotion of exports in general. The present organization of the Directorate of Export Promotion is perhaps the most suitable organization to be entrusted with the task of co-ordinating all activities on quality control and pre-shipment inspection under the authority of the proposed legislation.	VII-4 & VII-5
6.	The task of improving the overall quality of all Indian exports and establishing a lasting reputation for Indian products abroad, would be greatly facilitated if the Government of India in the Ministry of Commerce and Industry had avail-	VII-5 & VII-5.F

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Sl. No.	Recommendation	Paragraph No.
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able to it the advice of a Council of individuals and officials who are intimately concerned with the day-to-day problems of quality control of indigenous products and with export promotion generally.

Such a Council which may be called the Export Inspection Advisory Council should be a compact body and the Committee considers that perhaps the following membership would be adequate:

1. The Honorary Adviser on Standardization to the Government of India and Director of Indian Standards Institution,
2. Agricultural Marketing Adviser to the Government of India,
3. Head of the inspection wing of the Directorate General of Supplies & Disposals,
4. Head of the Export division of the State Trading Corporation,
5. Head of the inspection wing of the office of the Textile Commissioner,
6. Director General of Commercial Intelligence and Statistics,
7. The Managing Director of the Export Risks Insurance Corporation,
8. } Three members nominated by Government of India from private inspection
9. } agencies recognized under the new Act
10. } (see V-3) and other related interests.
11. Director of Export Promotion.

7. The Export Inspection Advisory Council should be consulted concerning the formulation of guiding policies on all matters coming under the purview of the enactment proposed by the Committee. The Council should have the power to co-opt members having specialised knowledge of particular fields of endeavour under its consideration for the time being, and to constitute specialised groups or committees for conducting investigations on specific problems. VII-5.2
8. The following types of controls should be exercised on goods exported from the country : V-7
  - (i) There should be a prohibition on the export of articles intended for human

Sl. No.	Recommendation	Paragraph No.
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consumption or application as well as those affecting the health and safety of persons unless they conform to rigid quality standards. This category is such in respect of which controls are necessary even for the indigenous markets and in fact legislations already exist in respect of some commodities e.g., drugs, food articles. Additional legislation in some cases such as for safety of electrical appliances, purity of toiletry and cosmetic goods, etc., is called for and may be forthcoming in due course for the protection of Indian users and consumers. In the meantime for export purposes, it should be possible to cover these latter fields as also the one concerning conformity to similar regulations of importing countries under the comprehensive scheme or system that may be evolved for the control of export quality.

- (ii) Where a buyer stipulates in the contract or when placing an order, certain specifications for goods, provision should be made to prevent the export of articles which are not certified by an inspection agency as conforming to those specifications. This would require official recognition of many private and public sector agencies who are in a position to issue test certificates and survey reports for miscellaneous array of commodities. An important element to guard against in this and, in fact in case of all other category of goods, is the element of delay involved of which the exporter often complains. Any system of controls should, therefore, take good care that delays are minimised and the service made most effective.
- (iii) In respect of those items, where standard specifications have been or could be laid down and which are considered important for export markets, it should be required that they be inspected and certified before export, through the appropriate agency concerned at the time of manufacture or packing. This includes

Sl. No.	Recommendation	Paragraph No.
	<p>a large category of goods covered (and which could be covered) by the ISI Certification Marks, Agmark, ITEX Mark and several Q-Marks of the States, etc.</p>	
	<p>(iv) In regard to some of the other commodities which are not considered important enough for export trade, provision may be made for certification under one or other of the schemes as evidence of conformity to standard specifications, but it may not be necessary to prohibit the export of non-certified goods in this category immediately until a definite need arises as a result of complaints received or some other circumstance.</p>	
	<p>(v) Regarding certain other commodities where standard specifications may not exist or where it may not be advisable to formulate such specifications, it would be useful to introduce a factual inspection of goods before export and to issue a report regarding the actual condition of the goods so that the overseas importer is made aware of the nature of the consignment. Normally this procedure may not be required to be made compulsory, but where the pattern of trade is such that there is a possibility of collusion between the importer and the Indian exporter, it may be found useful to require compulsory labelling of goods with factual data. Factual inspection being applied to certain goods where standard specifications exist should be discouraged and replaced with compulsory certification.</p>	
	<p>(vi) Lastly, the Enrolment Scheme recently introduced by the Government should invariably be applied in all cases where compulsory inspection and/or certification is not applied, for example in categories (iv) and (v) above.</p>	
9.	<p>An appeal procedure should form part of the overall scheme for quality control and pre-shipment inspection and where there is no appellate authority designated under any particular scheme, the central agency to be set up for administering</p>	V-8.2



Sl. No.	Recommendation	Paragraph No.
	the enactment proposed by the Committee may have the power to hear appeals.	
10.	<p>(i) The decision whether a new scheme of inspection and quality control for export be made compulsory or remain voluntary would depend largely on the needs of the trade at the time, on the one hand and facilities and personnel available for inspection, on the other.</p> <p>(ii) Wherever it is possible to introduce ISI Certification Mark or Agmark for this purpose, this may be done prior to making the operation compulsory.</p> <p>(iii) In other cases attempt should invariably be made to make the scheme compulsory, but voluntary character may be given to a scheme on a temporary basis for a restricted period of time only, which may be required for training adequate inspection personnel and making other preparations.</p> <p>(iv) During the period that a scheme remains voluntary, it should remain closely linked with the enrolment scheme.</p> <p>(v) In the case of existing schemes where certain pre-shipment inspection agencies are already in the field, the arrangements need not be disturbed and where inspection is being done at the stage of production, the pre-shipment inspection agency need not further inspect such goods.</p>	V-8.6
11.	The custom authorities, while reserving the right to inspect any or all parts of a shipment, should, in order to avoid undue delay in shipments, restrict their inspection only to instances where <i>prima facie</i> case exists to doubt the genuineness of the original inspection and marking.	V-8.7
*12.	It would be advantageous if the Government of India, in the Ministry of Commerce and Industry, would take positive steps to encourage the popularisation of the ISI Mark, the Agmark, and other certification marks such as quality marks of the State Governments, Itex Mark and the Handloom Board Mark.	VII-3

Serial No.	Recommendation	Paragraph No.
*13.	The active agencies, official as well as non-official who are exercising quality control and conducting pre-shipment inspection of commodities exported should not only be encouraged to develop and enlarge their sphere of service but positively helped and assisted officially by various means such as financial assistance, training of personnel, facilities for importing indigenously non-available testing equipment, etc. This includes strengthening of existing laboratories and bring into being new laboratories for servicing the various certification schemes and pre-shipment inspection activities, including laboratories run under the Government of India, State Governments and in the private sector.	VII-2
*14.	In cases where as a result of the introduction of quality control measures, the production machinery needs improvement by addition of control and testing equipment etc. it would be essential to assist these units in importing such equipment and instruments as may not be available indigenously.	VII-2.1
*15.	In so far as agricultural raw materials required for production of goods for export are concerned, their sales in the country should be brought within the purview of the Agricultural Produce Markets Acts of the different States so as to require them to be sold only in regulated markets, after due process of grading under the APM Act. Those States where such legislations do not exist and where there is need for such controls may be requested to take necessary steps. In regard to raw materials produced through industrial Processes ( <i>viz.</i> , art silk yarn) required by the exporting industry, it should be necessary to devote special attention to the quality of such products, and to resort to some measure of control under the ISI Certification Marks Scheme. In case of certain materials of overseas origin imported through established importers, provision should be made by which the importers are required under the Import Control Regulations to specify the quality standards in their import licence application and to issue certificates to the purchaser, showing the quality or grade of the material supplied.	V-8.8
16.	It is of utmost importance that for the purpose of quality control, certification marking, and pre-shipment inspection of export goods, where	IV-8.1

Serial No.	Recommendation	Paragraph No.
	<p>statutory standards are not available the standards used should be the Indian standards processed through the agency of ISI and that these standards should be used as such, and only in cases where Indian Standards are not available other standards may be used. In due course, however, these latter type of standards and any modification in existing Indian Standards that are called for should be processed at an early date through the Indian Standards Institution for being adopted nationally. In a few cases pre-shipment inspection may have to be carried on, on the basis of specifications or certain approved samples. In these cases such special requirements should be fulfilled. But even here, attempt should be made gradually to persuade overseas buyers to adopt Indian Standards in due course.</p>	
*17.	<p>Indian Standards issued by ISI, for a commodity not so far covered under APGM Act should be adopted as such to form the APGM Act grading schemes. Existing Indian standards in respect of items already covered under present Agmark specifications should be lined up with the latter. In other cases Agmark specifications should continue to be prepared in accordance with the current practice and subsequently these specifications should be made to form the basis for Indian standards.</p>	IV-7(iv)
*18.	<p>The cotton Textile Fund Committee should examine their present standards together with corresponding Indian Standards, and suggest if necessary, suitable alterations and modifications in the Indian Standards, and once agreed Indian Standards are available, to use them as such for pre-shipment inspection schemes, and in future avoid duplicating the work on any new item.</p>	IV-7 (vi)
*19.	<p>While it may not be either necessary or desirable to have national standards for every minor product in the country, yet on more important items of export trade, such as coir, handloom products and certain handicrafts, it is essential that national standards be prepared and issued at an early date.</p>	IV-7 (vii)
20.	<p>In order to deal with cases where some important interests concerned with the standard succeed in delaying the preparation of an important standard, which from the national point of view may be urgently required, Government should take</p>	IV-8.2

Sl. No.	Recommendation	Paragraph No.
	some special powers for forcing the pace of standardization when it is called for in the interest of export trade. Government may accordingly acquire powers under the enactment proposed by the Committee to lay down temporary standards to be effective for a stipulated period of time.	
*21.	While laying down standards for any important export commodity, the endeavour should be to specify also the sea-worthy packing standards for the commodity.	IV-10
22.	From the point of view of ensuring that the ultimate consumer gets his goods in proper shape, it would be advantageous to extend the responsibility of the exporter in respect of goods exported up to the stage of landing of the goods in the receiving countries ( <i>i.e.</i> on c.i.f. basis).	II-11
*23.	International effort at standardization should be encouraged and developed from the point of view of our export drive and any foreign exchange expenditure required for this purpose, for examples in sending Indian delegations to attend international meetings abroad should be readily made available.	IV-6.2
*24.	Government should take every opportunity to encourage the development of Company Standardization activities in the country through all available agencies <i>e.g.</i> ISI, National productivity Council, Indian Institute of Public Administration, etc.	IV-4.1
25.	Instead of deriving authority from the Sea Customs Act to enforce the Agmark or the ISI mark on exports, the authority in future should be derived from the legislation about quality control proposed by the Committee. The new Act should, however, not interfere in any way with the operation of the APGM Act, the ISI Certification Marks Act and other similarly related legislation.	VII-3 and VII-6.3
*26.	Government should immediately initiate action on those recommendations which require legislation.	VII-8
27.	The legislation envisaged by the Committee to achieve the objectives in view should, among other things, give power to Government:	VII-6
	(i) to designate commodities for compulsory quality control and/or	

Sl. No.	Recommendation	Paragraph No.
	pre-shipment inspection prior to export as and when adequate preparations have been made and conditions created for introducing such controls;	
	(ii) to declare, establish, adopt and/or recognize standard specifications for the purpose of quality control and/or pre-shipment inspection of export goods;	
	(iii) to create, to promote the creation of, to recognize, to license and designate agencies including certifying authorities, surveying authorities, testing laboratories and firms of surveyors both in the public and private sectors for carrying out quality control and/or pre-shipment inspection in respect of commodities covered under (i) above;	
	(iv) to prescribe rules and regulations for the enrolment and de-enrolment of exporters, including provisions for codes of business ethics, standard contract forms, arbitration agreements, etc.;	
	(v) to designate, create and/or recognize agencies for enrolment of exporters;	
	(vi) to prohibit the export of specified goods by anyone except by exporters who have been duly enrolled for the purpose;	
	(vii) to prescribe rules and regulations regarding all other provisions of the Act, including procedures for quality control and pre-shipment inspection, conduct of certifying, surveying and inspection agencies; delegation of powers to agencies and authorities entrusted with certain responsibilities under the Act; designation of arbitration panels; designation of appellate authorities for hearing appeals of persons aggrieved under certain provisions of the legislation; calling for information and reports from exporters; etc.	
28.	The legislation should also provide adequate penalties, both fines and imprisonment, for infringement of such provisions of the Act as warrant such penalties. The Committee feels that these penalties should be made severe enough so as positively to discourage wilful infringement and yet not of such a severe nature as to discourage legitimate export activity.	VII-6.1

Sl. No.	Recommendations	Paragraph No.
29.	The legislation should also provide that any prescribed or recognised marks or seals, such as a certification mark, a surveyors seal applied to the goods or packages under provisions of this Act should be deemed by the Customs and Excise authorities as evidence of the goods being in conformity with the rules and regulations of this legislation, and therefore, to be taken as such for Customs and Excise purposes, unless there exists a <i>prima facie</i> case to doubt the genuineness of such marks or seals.	VII-6.2
30.	The legislation should explicitly provide that it will not affect the operation of APGM Act, the ISI Certification Act, and other similarly related legislations.	VII-6.3
31.	As and when the proposed enactment comes into force, the present notifications issued under section 19 of the Sea Customs Act in regard to the compulsory certification of certain export goods, would become redundant and such goods should forth with be brought under the control of this new Act.	VII-7
*32.	Government should keep constant vigilance over the existing practice of shipments being made on consignment basis and of holding auctions of Indian commodities abroad and do whatever it can to accelerate the movement towards discouraging overseas auctions of Indian products and eliminating shipments on consignment basis.	II-10
33.	The enrolment Scheme recently announced by Government should prove very useful, particularly in regard to minor commodities which enter the export trade, and could become a supplementary controlling influence in the absence of regular quality control and pre-shipment inspection schemes.	III-5.5
34.	The Enrolment Scheme should be made compulsory for specific commodities under the legislation proposed by the Committee ( <i>See</i> item 24-vi).	III-5.6
*35.	Evolution of standard contract forms should be given the highest priority in the export drive of each and every enrolling authority and an arbitration clause should be introduced in all such contract forms.	III-5.7
*36.	Under the Enrolment Scheme, it should be stipulated that the standard contract forms for export that may be evolved by the enrolling authorities should contain an arbitration clause and the names of the arbitration agencies for the purpose. The endeavour should be to include therein, necessary provi-	III-4.3

Sl. No.	Recommendation	Paragraph No.
	sions for the arbitration to be conducted in the defendant's country and in those cases where arbitration is to take place abroad, the arbitration panels to have adequate number of persons in whom the Indian exporters have full confidence.	
*37.	The Federation of Indian Chamber of Commerce & Industry should be encouraged to enter into arbitration agreements with more and more countries and in doing so, they should see that the agreement provides for arbitration to take place in the defendant's country and in those cases where arbitration is to take place abroad, to have on the arbitration panel adequate number of persons in whom the Indian exporters may have full confidence.	III-4.4
*38.	Government may authorise the Export Risks Insurance Corporation to act as a debt collecting agency on behalf of the Indian Exporters and importers and overseas importers.	III-4.6
*39.	There is immediate need for formulating Indian Standards for jute manufactures and for prescribing a procedure for inspection within the mills at the stage of production in accordance with the ISI Certification Marks Scheme. The ISI may be asked to expedite its work on the preparation of these standards, which has so far been going on at a slow pace, because of the industry's own expressed policy. In order to facilitate this work, the Jute Commissioner may be asked to actively participate in the ISI programme by conducting necessary preliminary surveys of the industry and the industry may be requested to give him the necessary co-operation in this regard. Thereafter, ISI Certification Scheme for export of jute goods should be made compulsory, after giving due notice to the industry.	VI-2
*40.	There is need for setting up machinery for ensuring that properly graded and well-defined qualities of raw jute are made available to manufacturers, and for this purpose, arrangements should be made to have raw jute sold only through regulated markets after it has been graded by the Directorate of Marketing and Inspection, according to the available Indian Standards.	VI-2.1
*41.	Periodical surveys of textile mills which have been exporting textiles should be carried out by the Government and those mills, whose products are not of the required standard, should be ordered to be brought compulsorily under the ITEX inspection	VI-3.2

Sl. No.	Recommendation	Paragraph No.
	Scheme. The scheme of periodical surveys of mills by Government and compulsory certification of the products of mills where quality is not of the required standard, as in the case of cotton textiles, be extended to art silk textiles, silk textiles and woollen textiles also and they should not merely be left linked with the export promotion schemes.	
*42.	Wherever Indian Standard Specifications are available, they should be used in all cases including the ITEX Scheme without exception. In cases where such standards require to be amended or new standards established, ISI should be approached to undertake the necessary task urgently.	VI-3.2
*43.	Close co-ordination between the schemes operated by the Commodity Boards and the 'Q' Marking Schemes of some of the State Governments should be effected in order to ensure that (a) only one standard, processed through the ISI, is adopted for a particular type of product by both the agencies; and (b) duplication of machinery and personnel used for inspection is avoided.	VI-3.3
*44.	In the case of raw cotton, there is no necessity to disturb the existing arrangements for quality control and pre-shipment inspection except, of course, to introduce the enrolment scheme which should be applicable in all such cases.	VI-4
*45.	In the case of raw wool, Indian Standards, with necessary amendments, should be adopted for quality control under Agmark scheme.	VI-5
*46.	In the case of coir, laying down of standards, which should cover the whole range of products specifying definite grades, wherever necessary, to enable all levels of production to be conveniently graded into one or the other of the specified grades, should be expedited. No compulsory pre-shipment inspection need be provided for, but the rules under the Coir Industry's Act for registration of exporters may provide for giving powers to the Chairman of the Coir Board to compel any particular manufacturer or exporter to have all his exports inspected, before shipment in case the chairman after taking into account the complaints received from abroad, considers such a step necessary.	VI-7
*47.	In the case of handicrafts, publicity in regard to the advantages of purchasing only quality marked goods should be undertaken in collaboration with the tourist organisations in India and abroad.	



Sl. No.	Recommendation	Paragraph No.
*48.	<p>In regard to carpets, the ISI should amplify Indian Standard including grades for different qualities of carpets and carpets produced at all regions of India other than Mirzapur and Bhadoi that are now covered. Thereafter, it should be provided that the export of carpets be permitted only if they are marked with the ISI mark and/or quality mark of a State Government with a label, giving factual data, securely affixed thereon.</p> <p>In the case of brassware, the All India Handicrafts Board should bring out specifications, and thereafter exports of these goods should be permitted only if they are certified under the All India Handicrafts Board's Scheme by a State Government. Furthermore, consistent with the general practice recommended by the Committee, the specifications in due course should be processed through ISI.</p>	VI-7
*49.	<p>By and large the tea trade is being fairly looked after so far as maintenance of quality is concerned. However, the present system of quality control is based on approved or advance samples. It might be advantageous if a basis of reference could also be provided in the form of standard specifications. Accordingly, the ISI and the Tea Board should jointly endeavour to evolve Indian Standard for tea.</p>	VI-8
50.	<p>The Coffee Board is at present taking adequate steps to maintain the quality of the product exported and no further steps are immediately necessary beyond what has already been taken in hand by the Board for improving the storage facility.</p>	VI-9
*51.	<p>Cashew kernels shipped from India should be compulsorily graded by the Cashew Export Promotion Council under the supervision of the Agricultural Marketing Adviser. The Council may be given a reasonable period of time subsequent to the acceptance of the recommendations by the Government and the framing of the relative Agmark rules to implement the scheme and that if they then failed to take action within the stipulated period, the Agricultural Marketing Adviser should directly take up the work of compulsorily grading the products for export.</p>	VI-10
*52.	<p>Pepper, cardamoms and chillies should be taken up as soon as possible for compulsory grading under Agmark. In view, however, of the fact that the commodities are covered by the Spices Export Promotion Council, the inspection and grading</p>	VI-11

Sl. No.	Recommendation	Paragraph No.
	<p>should be carried out through the agency of this Council but all operations in this regard should be under the close supervision of the Agricultural Marketing Adviser. The Council may be given a reasonable period of time subsequent to the acceptance of the recommendations by Government and the framing of the relative Agmark rules to implement the scheme and that if they then failed to take action within the stipulated period, the Agricultural Marketing Adviser should directly take up the work of compulsorily grading the products for export.</p>	
*53.	<p>In the case of other spices, the Agricultural Marketing Adviser and the Spices Export Promotion Council should jointly evolve such schemes as may be necessary for this class of spices.</p>	VI-11
54.	<p>In the case of tobacco, the implications of the suggestion that the tobacco should be graded in the un-redried state at the farmer's level, so that after grading it could be bought by the customer before being redried, and blended to suit the requirements of the overseas importers, should be studied in greater detail by the Agricultural Marketing Adviser.</p>	VI-12
*55.	<p>The following items may be taken up for compulsory grading under the Agmark :</p> <ul style="list-style-type: none"> <li data-bbox="362 1033 924 1097">(i) Groundnut oil (including refined groundnut oil known as salad oil);</li> <li data-bbox="362 1106 558 1133">(ii) Linseed oil;</li> <li data-bbox="362 1142 621 1170">(iii) Castor oil ; and</li> <li data-bbox="362 1179 759 1215">(iv) Oilcakes (expeller variety).</li> </ul>	VI-13
	<p>The Committee does not recommend any immediate action in regard to other types of oils or oil-seeds like H.P.S. Groundnuts and other minor oil-seeds or solvent extraction variety of oil-cakes, as the quantum of exports in respect of these commodities is not very large. The position may, however, be reviewed from time to time.</p>	
*56.	<p>In the case of walnuts, although the desirability of compulsory grading is recognized, particularly in view of the complaints received, a scheme for compulsory grading may not be feasible, in view of the limited period during which the grading will have to be completed. The exigencies of the situation can be met for the present by the enforcement of the provisions of the Enrolment Scheme. However, the Agricultural Marketing Adviser is examining</p>	VI-14

Sl. No.	Recommendation	Paragraph No.
	<p>he possibility of introducing compulsory grading scheme keeping in view the limitations of the situation. If this scheme materialises it would be worthwhile giving it a trial.</p>	
*57.	<p>In the case of fruit products, the procedure for inspection under the Agricultural Marketing Adviser, should be suitably amended to provide for a more rigorous and continuous check of the products manufactured and labelled under the licence.</p>	VI-15
*58.	<p>Fisheries Development Adviser who is conducting certain investigations for ascertaining the deterioration characteristics of sea food for the purpose of drawing up a Fish Control Order, may be requested to speed up his investigations so that Indian standards could be processed early. Thereafter the question of quality control should be taken up.</p>	VI-16
*59.	<p>In the case of dried prawns, the scheme for enrolment of exporters be immediately made compulsory for export purposes and only such exporters be enrolled as maintain requisite standards of cleanliness and who have proper storing and drying facilities. Those exporters who do not have their own storing and drying facilities but who are otherwise able to make proper arrangements for storing and drying and undertake to get their products certified by the State Director of Fisheries or the Central Fisheries Institute at Cochin, may also be enrolled.</p>	VI-16
*60.	<p>In the case of meat products, it is necessary that Central Government should lay down rules and regulations for controlling the processing and inspection of products for export. The rules should also provide for issuing of ante and post-mortem certificates. In framing these rules, care should be taken that the requirements imposed by the principal meat importing countries are also satisfied. No person other than holder of a licence under these rules should be permitted to export meat products.</p>	VI-17
	<p>It is also recommended that Government might examine the feasibility of encouraging the export of useless cattle on hooves to certain areas such as Hong Kong and Phillipines where they are in demand.</p>	
*61.	<p>In the case of leather, various types of hides and skins exported should be classified into 20 or 30 grades, into one or other of which should be fitted the brand marks of the various exporters. Standard samples of each grade could be kept in</p>	VI-18

Sl. No.	Recommendation	Paragraph No.
	<p>the custody of the Leather Export Promotion Council or the Central Leather Research Institute. Each exporter may be given the opportunity to examine these samples as to which grade his own brand corresponds. The ISI, in collaboration with the Agricultural Marketing Adviser and in connection with the Indian exporters' and overseas importers' organizations should draw up specifications for the grades in question, on the basis of which physical grade samples should be prepared. Samples, compulsorily taken from each consignment offered for export under a given brand name of the exporter should then be compared with the declared standard grade and the result of such inspection reported to the exporter and the overseas buyer. This task of pre-shipment inspection may be extended to the Leather Export Promotion Council under the supervision of the Central Leather Research Institute, duly authorised by the Directorate of Marketing and Inspection. This provision may later be amplified, if considered necessary, to ban the export of goods which did not conform to the grade originally declared although such goods may be allowed to be exported under the correct grade to which the commodity belongs.</p> <p>It is further recommended that pending the implementation of this scheme, the present scheme of the Leather Export Promotion Council may be made compulsory on the basis of the relevant Indian Standard. This could be done by stipulating that only those exporters who agree to have all their consignments inspected before export would be enrolled under the Enrolment Scheme.</p>	
62.	<p>In the case of Lac, nothing beyond encouraging the Indian Lac Exporters' Association to go forward in their activities need be done at present.</p>	VI-19.
63.	<p>In the case of Bristles, there is no necessity to disturb the existing procedure.</p>	VI-20
64.	<p>In view of the declining trend in exports of Kapok and the possibility of a further decline, there is no point in thinking of a machinery at this stage for conducting pre-shipment inspection of this commodity.</p>	VI-21
*65.	<p>Immediate action should be taken to have Myrabolan compulsorily inspected and graded before export, under Agmark.</p>	VI-22

Sl. No.	Recommendation	Paragraph No.
*66.	<p>For Mica, while continuing the present facility for inspection afforded by the Export Promotion Council the immediate introduction of the scheme for enrolment would be desirable. The code of conduct which would be drawn up in pursuance of the enrolment scheme, should take care of such aspects as the desirability of discouraging exports on consignment basis and of fixing minimum prices for each well-recognized class and grade of the material with the object of eliminating internal competition.</p> <p>In the mean time, efforts of ISI in pursuing international standardization through the International Organization for Standardization should be redoubled so that the position could be reviewed in due course.</p>	VI—23
*67	<p>In the case of engineering goods, the Director General of Supplies and Disposals (DGS &amp; D) should at least undertake pre-shipment inspection of those products for which the buyers make a special request. Furthermore, wherever Indian Standards exist, the possibility should be explored of appointing DGS &amp; D as competent authority for the purpose of applying ISI Certification Marks to the products in this category. Persuasive methods should be adopted by the enrolling authorities under the enrolment scheme in an intensified manner to ensure that the major export commodities of engineering items are brought within the ISI Certification Marks Scheme. As an interim measure, at the same time, the Export Promotion Council should be asked to tighten up its machinery in selecting manufacturers for registration under the enrolment scheme so as to ensure that those manufacturers whose products attain certain acceptable standards are in fact enrolled. The Export Promotion Council should consult DGS &amp; D and also ISI if necessary, in making selection of manufacturers for this purpose. In the case of small scale producers, in respect of whom information from the above two sources is not available, States' Directors of Industries may be consulted. The Committee recommends that, if the above recommendation is strictly adhere to, the needs of the wood screw export trade, where the Tariff Commission has advocated compulsory quality control, will be adequately met for the time being.</p>	VI-24

Sl. No.	Recommendation	Paragraph No.
*68.	<p>In the case of Chemical and Allied Products, it would not be advisable at this stage to impose any compulsory quality control, as exports are only just developing. However, persuasive methods should be adopted by the enrolling authorities under the enrolment scheme to ensure that the major export commodities of chemical and allied products (excluding Drugs) are brought within the ISI Certification Marks Scheme.</p> <p>As an interim measure, at the same time, the Export Promotion Council should be asked to tighten up its machinery in selecting manufacturers for registration under the enrolment scheme so as to ensure that only those manufacturers whose products attain certain acceptable standards are in fact enrolled. Export Promotion Council should consult DGS &amp; D and also ISI, if necessary, in making selection of manufacturers for this purpose. In case of small scale producers, in respect of whom information from the above two sources is not available, States' Directors of Industries may be consulted.</p>	VI-25
*69.	<p>In the case of Plastics, the scheme evolved by the Plastic Export Promotion Council for comparison of bulk consignments with samples taken from the types of goods, which the manufacturer normally expects to export, and approved by the Council, should be given a trial. This scheme coupled with the compulsory enrolment scheme should prove adequate for the time being but it should be initiated, immediately.</p> <p>Wherever applicable, ISI Certification may also be introduced. In respect of certain bulk items such as leather cloth, linoleum, spectacle frames, etc. it should be possible to introduce compulsory quality control schemes on the basis of ISI Certification Marks at an early date.</p>	VI-26
*70.	<p>In the case of Sports Goods, as desired by the industry, the ISI should undertake early revision of the standards prepared by them. Steps may simultaneously be taken by State Governments concerned, to organize wide scale application of quality marking of all sports goods produced within their jurisdiction. Wherever possible, ISI mark may also be applied through the State Governments acting as competent authority for the purpose.</p>	VI-27

Sl. No.	Recommendation	Paragraph No.
71.	Government is urged to expedite action in respect of the recommendations made by the Committee in its interim report, as well as, similar recommendations which can be acted upon without awaiting parliamentary action (please see recommendation in this chapter marked with asteriks).  VIII-4 In submitting this Report, the Committee feels that this is the most opportune time to implement the recommendations made in this Report as the stage is now set for effecting a substantial increase in the country's exports.	VII-8
Lal C. Verman		Chairman
N. P. Chatterjee		Member
S. K. Borkar		Member
A. Seetharamiah		Member
R. N. Sarma		Member
C. S. Ramanathan		Member
K. K. Nasta		Member
C. N. Modawal		Member
V. M. Srikumaran Nayar		Member-Secretary

New Delhi,  
22-5-1961.

APPENDIX A

ORGANIZATIONS AND INDIVIDUALS INVITED TO GIVE EVIDENCE  
BEFORE THE COMMITTEE

(Asterisk marks show those who did not tender evidence)

EXPORT PROMOTION ADVISERS

- |                          |  |
|--------------------------|--|
| 1. Shri B.P. Singh Roy   | Hony. Export Promotion Adviser,<br>Calcutta. |
| 2. *Shri V. Ramakrishana | Hony. Export Promotion Adviser,<br>Madras.   |
| 3. Shri R.G. Saraiya     | Hony. Export Promotion Adviser,<br>Bombay.   |

CHAMBERS OF COMMERCE

- |   |  |   |
|---|--|---|
| 4. Shri G.L. Bansal   | }  | Federation of Indian Chambers of<br>Commerce and Industry, New Delhi. |
| 5. Shri M.L. Garg   |  |   |
| 6. Mr. H.W.L. Williams                                      | }  | Associated Chambers of Commerce,<br>Calcutta.                         |
| 7. Mr. W.B. Dryden  |  |   |
| 8. Mr. N. Stenhouse   |  |   |
| 9. Shri C.C. Javeri   | }  | All India Exporters Chamber,<br>Bombay                                |
| 10. Shri M.N. Savani  |  |   |
| 11. Shri A.K. Kanji   |  |   |
| 12. Shri K.K. Mansata                                       |  |   |
| 13. Shri K.K. Sheth   | }  | All India Manufacturers' Organization,<br>Bombay.                     |
| 14. Shri H.A. Bharucha                                      |  |   |
| 15. Shri N.D. Sahukar                                       |  |   |
| 16. Shri P.L. Badami  |  |   |
| 17. Shri Prabhu V. Mehta                                    |  |   |
| 18. Shri B.D. Toshniwala                                    |  |   |
| 19. Shri I.T. Mirchandani                                   |  |   |
| 20. Shri K.S. Hirlikar                                      |  |   |
| 21. Mr. G.D. Butchart                                       | Indian Jute Mills Association,<br>Calcutta         |   |
| 22. Mr. D. Duncan Smith                                     | The Jute Fabrics Shippers Association,<br>Calcutta |   |
| 23. Shri C.R.B. Menon                                       | The Lac Exporters Association, Calcutta            |   |
| 24. The Bristle Merchants Association,<br>Kanpur.           |  |   |
| 25.*Federation of Woollen Manufacturers<br>of India, Bombay |  |   |
| 26. Shri Arjun Singh  | }  | Upper India Exporters, Association,<br>New Delhi.                     |
| 27. Shri R.C. Mehta   |  |   |
| 28. Shri Bhoj Raj   | }  | Myrabolam Merchants Association,<br>Bombay.                           |
| 29. Shri D.P. Tata  |  |   |
| EXPORT PROMOTION COUNCILS                                   | }  | Mica Export Promotion Council, Calcutta                               |
| 30. Shri S.K. Sen   |  |   |
| 31. Shri R.G. Agarwala                                      |  |   |
| 32.*Shri C.M. Rajgarhia                                     |  |   |
| 33. Shri R.N. Mukherjee                                     | }  | Shellac Export Promotion Council,<br>Calcutta.                        |
| 34. Dr. Bhattacharya  |  |   |



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|--------------------------------------|---|--|
| 35. Shri A.K. Bhattacharya           | } | Engineering Export Promotion Council,<br>Calcutta.                   |
| 36. Shri K.L. Choudhury              |   |  |
| 37. Shri S.N. Rungta                 |   |  |
| 38. Shri Vydianathan                 |   |  |
| 39. Shri B.D. Vidyarthi              |   |  |
| 40. Shri R.K. Singh                  |   |  |
| 41. Shri Chandrasekhar               | } | Chemicals and Allied Products Export<br>Promotion Council, Calcutta. |
| 42. Shri Joshi                       |   |  |
| 43. Shri Bose                        |   |  |
| 44. Shri C.R. Krishnaswami Rao Sahib |   |  |
| 45. Shri C.V. Mariwala               |   |  |
| 46. Shri L.R. Madhusudan             | } | Spices Export Promotion Council,<br>Ernakulam.                       |
| 47. Shri M.S.P. Rajah                |   |  |
| 48. Shri S.P.G.R. Nityanandan        |   |  |
| 49. Shri V.P.S.A. Parameswaran       |   |  |
| 50. Shri D. Balasubramanian          |   |  |
| 51. Mr. K.P. John                    | } | Cashew Export Promotion Council,<br>Cochin                           |
| 52. Shri A. Aka                      |   |  |
| 53. Shri Y.M.S. Prakash Rao          |   |  |
| 54. Shri G. Nageshwar Rao            |   |  |
| 55. Shri K. Ramakrishnamurthy        |   |  |
| 56. Shri Jamal Mohideen              | } | Tobacco Export Promotion Council,<br>Madras.                         |
| 57. Shri M. Nazir Husain             |   |  |
| 58. Shri A. Abdual Shukoor           |   |  |
| 59. Shri I.A. Khayoom                |   |  |
|                                      |   |  |
| 60. Shri M. Hajee Mohd. Ismail       | } | Leather Export Promotion Council,<br>Madras.                         |
| 61. Shri G.S. Srinivasa Iyer         |   |  |
| 62. Shri C.K. Duraivelan             |   |  |
| 63. Shri K.M. Mohamed Abdul Khader   |   |  |
| 64. Shri Bakhar Ali Khan             |   |  |
| 65. Shri Neville N. Wadia            | } | Cotton Textiles Export Promotion Council,<br>Bombay.                 |
| 66. Shri N.L. Kara                   |   |  |
| 67. Shri C.C. Javeri                 |   |  |
| 68. Shri P.M.D. Thackersey           |   |  |
| 69. Shri G. Sarabhai                 |   |  |
| 70. Shri Prabhu Mehta                | } | Silk and Rayon Textiles Export<br>Promotin Council, Bombay.          |
| 71. Shri P. Nagersheth               |   |  |
| 72. Shri D.N. Shroff                 |   |  |
| 73. Shri M.H. Mehta                  |   |  |
| 74. Shri A.S. Kasliwal               |   |  |
| 75. Shri R.B. Mehra                  | } | Plastic Export Promotion Council,<br>Bombay.                         |
| 76. Shri R. Khanna                   |   |  |
| 77. Shri S.A. Shah                   |   |  |
| 78. Shri S.M. Mehta                  |   |  |
| 79. Shri A.M. Mehta                  |   |  |
| 80. Shri G. Poddar                   | } |  |
| 81. Kumari Barucha                   |   |  |
| 82. Shri O.P. Dhawan                 |   |  |
| 83. Shri R.N. Desai                  |   |  |
| 84. Shri K.K. Mody                   |   |  |
| 85. Shri S.I. Parekh                 | } |  |
| 86. Shri R.V. Rohra                  |   |  |
| 87. Shri V.J. Shangvi                |   |  |
| 88. Shri A.K. Chowksey               |   |  |
| 89. Shri R.A. Turakhia               |   |  |
| 90. Shri D.S. Swaminathan            |   |  |

91. Shri A.R. Dikshit		Sports Goods Export Promotion Council, New Delhi.	
<b>COMMODITY BOARDS</b>			
92. Shri Amar Kanta Sen		Secretary, Tea Board, Calcutta.	
93. Shri G.S. Srinivasan		Chief Coffee Marketing Officer, Coffee Board, Bangalore.	
94. Shri P.V.S. Sarma	}	Chairman, Coir Board, Ernakulam.	
95. Shri L.C. Jain		}	All India Handicrafts Board, New Delhi.
96. Shri J.P. Sarin			
97. Shri C.K. Mehrotra	}	Central Silk Board, Bombay.	
98. Shri A. Sankaran			
99. Shri Janakiraman			
100. Shri A.R. Takyar			
<b>MANUFACTURERS AND EXPORTERS</b>			
101. Shri Ratilal M. Gandhi, Bombay	}	Oils, oilseeds and oilcakes	
102.*Shri G.V. Swaika, Calcutta			
103.*Shri Manmull Bhuwarka, Calcutta			
104.*Shri K. Ramaswami, Madras			
105.*Shri Maddi Sudarsanam, Guntur			
106.*Shri Dandu Bala Narasayya, Hydera- bad			
107.*Shri Ramdas Kilachand, Bombay			
108.*Shri C. Mariwala, Bombay			
109.*Dr. R. Sankaran, Hyderabad.			
110. *Shri A. K. Goyal—Essex Farms (P) New Delhi.		Meat Products	
111. Shri Ramachander Acharya, Calcutta		Kapok merchants	
<b>PRIVATE INSPECTION AGENCIES</b>			
112. Shri B. Chakravarty .. .. .	}	Superintendence Co. of India (P) Limited Calcutta.	
113. Shri R. C. Bakshi .. .. .			
114. Mr. Breuleux .. .. .		M/s. Briggs & Co. Ltd., Calcutta.	
115. Dr. H. R. Nanji .. .. .	}	M/s. Italab (P) Ltd., Bombay.	
116. Shri V. M. Shah .. .. .			
<b>OVERSEAS IMPORTERS AND OTHERS</b>			
117. Mr. G.I.I. De Clermont		Director, Dermont & Donner Ltd., London.	Leather
118. Mr. D. H. Maunder .. .. .		M/s. Siemssen Threshie & Co., Ltd, London.	}
119. Mr. A. M. Marris .. .. .	}	M/s. Gallaher Ltd., London.	
120. K. W. E. Carpenter .. .. .		M/s. G. E. Hill Ltd., London	
121. Mr. G. E. Hill .. .. .		M/s. Macmillian Maxwell Co. Ltd., London.	
122. Mr. R. E. Evans .. .. .		American Embassy, New Delhi.	
123. Mr. Carney G. Laslie .. .. .			Tobacco
<b>GOVERNMENT OFFICERS</b>			
124. Shri M. Majumdar, Research Officer, Directorate General of Commercial Intelligence & Statistics, Calcutta.			
125. Shri Ajit Mojumdar, Jute Commissioner, Calcutta.			
126. Shri S. K. Bhattacharya, Deputy Director, Jute Commissioner's Office Calcutta.			
127. Shri A. K. Mitra, Assistant Director, Jute Commissioner's Office, Calcutta.			
128. Shri G. Sivaraman, Costs Accounts Officer, Jute Commissioner's Office, Calcutta.			
129. Shri W. R. Natu, Textile Commissioner, Bombay.			
130. Shri V. Subramanyam, Deputy Textile Commissioner, Bombay.			
131. Shri T. C. Kapur, Chairman, Export Risks Insurance Corporation, Bombay.			
132. Dr. N. K. Panikkar, Fisheries Development Adviser, New Delhi.			

133. The Plant Protection Adviser, New Delhi (Dr. P.-R. Mehta).
134. The Livestock Development Adviser, New Delhi.  
(Dr. H. S. Bawa and Shri T. Narayana).
135. The Secretary, Central Board of Revenues, New Delhi.  
(Shri S. Venkatesan).
136. Dr. Y. Nayudama, Central Leather Research Institute, Madras.
137. \*Director General, Tourist Department, New Delhi.

## APPENDIX B

### LIST OF PERSONS AND ASSOCIATIONS WHO SUBMITTED MEMORANDA TO THE COMMITTEE

(a) FACTUAL INFORMATION	SUBJECT
1. Indian Standards Institution, New Delhi.	Inspection law and procedure in Japan and practices in India regarding quality control and pre-shipment inspection.
2. Directorate of Export Promotion, Ministry of Commerce & Industry, New Delhi.	<i>Ad hoc</i> steps taken by Export Promotion Councils for improving the quality of goods exported.
3. Director General of Commercial Intelligence and Statistics, Calcutta.	Complaints from abroad about the quality of goods exported from India.
4. Directorate of Marketing and Inspection, Office of the Agricultural Marketing Adviser to the Government of India, Nagpur.	Quality control and pre-shipment inspection of agricultural products in India.
5. Deputy Economic Adviser to the Government of India, New Delhi.	India's export trade.
6. Director of Industries, Kanpur.	
7. Government of West Bengal, Calcutta.	State Governments' quality control schemes.
8. Government of Kerala, Trivandrum.	
 (b) GENERAL COMMENTS	
9. Federation of Indian Chambers of Commerce & Industry, New Delhi.	
10. Bengal Chambers of Commerce & Industry, Calcutta.	
11. All India Exporters Chamber, Bombay.	
12. All India Manufacturers' Organization, Bombay.	
 (c) COMMENTS ON CERTAIN ASPECTS	
13. Federation of Indian Chambers of Commerce & Industry, New Delhi.	Arbitration.
14. Indian Chamber of Commerce, Calcutta.	Do.
15. Bombay Chamber of Commerce & Industry, New Delhi.	Do.
16. Madras Chamber of Commerce, Madras.	Do.
17. Calicut Chamber of Commerce, Kozhikode.	Do.
18. Bharat Chamber of Commerce, Calcutta.	Do.
19. Cochin Chamber of Commerce, Cochin.	Do.
20. Travancore Chamber of Commerce, Alleppy.	Do.
21. Director General of Commercial Intelligence and Statistics, Calcutta.	Settlement of commercial disputes.
 (d) COMMENTS ON INDIVIDUAL COMMODITIES	
22. Jute Commissioner, Calcutta ..	Jute.
23. Cotton Textiles Fund Committee ..	Cotton textiles.

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| 24. | Silk & Rayon Textiles Export Promotion Council, Bombay.                  | Art Silk fabrics.             |
| 25. | Central Silk Board, Bombay ..  | Silk fabrics.                 |
| 26. | All India, Handloom Board, Bombay.                                       | Handloom goods.               |
| 27. | Coir Board, Ernakulam .. ..  | Coir.                         |
| 28. | All India Handicrafts Board, New Delhi.                                  | Handicrafts.                  |
| 29. | Coffee Board, Bangalore. ..  | Coffee.                       |
| 30. | Cashew Export Promotion Council, Cochin.                                 | Cashew kernels.               |
| 31. | Spices Export Promotion Council, Ernakulam.                              | Spices.                       |
| 32. | Madras Oils and Seeds Association, Madras.                               | Vegetable oils.               |
| 33. | Shri C. V. Mariwala, Bombay ..   | Vegetable oils.               |
| 34. | Messrs Sathe Biscuit & Chocolate Company Limited, Poona.                 | Food products.                |
| 35. | Kaira District Co-operative Milk Producers Union Limited, Anand.         | Food products.                |
| 36. | Fisheries Development Adviser to the Government of India, New Delhi.     | Fish.                         |
| 37. | Leather Export Promotion Council, Madras.                                | E. I. tanned hides and skins. |
| 38. | National Small Industries Corporation                                    | Leather goods and shoes.      |
| 39. | Shellac Export Promotion council, Calcutta.                              | Shellac.                      |
| 40. | Shri C.R.B. Menon, Chairman, Indian Lac Exporters Association, Calcutta. | Shellac                       |
| 41. | Myrabolan Merchants' Association, Bombay.                                | Myrabolan                     |
| 42. | Amba Tanners & Pharmaceutical (P) Ltd., Kolhapur.                        | Myrabolan.                    |
| 43. | Mica Export Promotion Council, Calcutta.                                 | Mica.                         |
| 44. | Shri C.M. Rajgarhia, Giridih ..  | Mica                          |
| 45. | Engineering Export Promotion Council, Calcutta.                          | Engineering goods.            |
- (e) OTHER COMMENTS
- |     |   |  |
|-----|---|--|
| 46. | Messrs Superintendence Co. of India (P) Ltd., Calcutta. | Surveys conducted by private firms.  |
| 47. | Shri B. P. Singh Roy, Calcutta.                         | Issue of weight and measurement certificate by certain Chambers of Commerce. |

APPENDIX C

STATEMENT SHOWING SUMMARY OF REPLIES RECEIVED FROM INDIA  
GOVERNMENT COMMERCIAL REPRESENTATIVES ABROAD REGARDING  
QUALITY CONTROL OF GOODS EXPORTED FROM INDIA

Sl. No.	Name of the Indian Mission	Summary of reply
(i) AMERICA		
1.	Trade Commissioner, vancouver	<p>.. Quality control and pre-shipment inspection is desirable for the following commodities;</p> <p>(a) Cotton Textiles—The fabric should be of uniform quality. Several layers of oil paper should be used for packing to prevent the goods getting soiled in transit.</p> <p>(b) Carpets—Inferior quality is sometimes shipped against superior samples. Chemical wash should be done before shipment. Packing should be better to avoid damage in transit. Only superior carpets should be supplied.</p> <p>(c) Brass-wares—Faulty packing causing dents in transit has been observed. The inside portion of the articles is often rough and contains pointed metals.</p> <p>(d) Carved wood articles—These have a tendency to crack owing to poor seasoning of the wood.</p> <p>(e) Pickles and Chutneys—These should be bottled properly to prevent rusted metal from touching the contents.</p>
2.	High Commission India, Ottawa	<p>.. Imports from India mainly consist of textiles, silks, carpets and handicrafts. Complaints about poor quality and packings (causing the goods to be soiled) are being received. Complaints about the colour and the bias in the cloth have been received about jute goods</p> <p>Complaints about infestation of HPS groundnuts and walnuts have also been received.</p>
(ii) USSR		
3.	Embassy of India, Moscow	<p>.. The Soviet Foreign Trade Organization has its own arrangement for pre-shipment inspection. Its inspectors have inspected shoes and woollen textiles imported from India. Other items like cardamoms, mica, cashew, shellac, jute goods, etc. are inspected by its agents in India. Nevertheless, the contracts normally provide for final inspection by the All Union Chambers of Commerce of the USSR and part of the payment is normally held back till such inspection is over.</p>

Sl. No.	Name of the Indian Mission	Summary of reply
		<p>Soviet foreign trade organization would welcome control on the quality and packing in respect of the following items exported from India to the USSR:</p> <ul style="list-style-type: none"> <li>(a) Jute goods</li> <li>(b) Cotton textiles</li> <li>(c) Woollen textiles</li> <li>(d) Knitted wear and hosiery</li> <li>(e) Coir products</li> <li>(f) Raw wool</li> <li>(g) Cashew kernels</li> <li>(h) Black pepper</li> <li>(j) Cardamoms</li> <li>(k) Tobacco</li> <li>(m) Essential oils</li> <li>(n) Castor oil</li> <li>(p) Hides and skins</li> <li>(q) Shellac</li> <li>(r) Mica</li> <li>(s) Sports goods</li> </ul> <p>For some commodities like tobacco and raw wool there are measures for quality control in India, but even so there are complaints.</p>
		(iii) WESTERN EUROPE AND THE UK
4.	Embassy of India, Stockholm ..	Hides and skins, cardamoms and cashew kernels should be subjected to quality control before shipment.
5.	Embassy of India, Brussels .. ..	Several complaints have been received about consignment not conforming to samples in the case of goat skins and goat hair imported from India; these are the most important imports from India into Belgium. There are good possibilities for increasing imports from India of these goods if quality is improved.
6.	India Embassy Bonn .. .. .	<p>A number of complaints about the quality of manioc meal have been received. Exports have decreased on account of the quality of this product being not up to the required specifications. There are also complaints in regard to the quality of E.I. tanned hides and skins. The quality control scheme of the Leather Export Promotion Council should be tightened and perhaps made compulsory.</p> <p>Complaints are being constantly received about Handicrafts, especially brassware. It will be advantageous if the State Governments' 'Q' marking scheme is availed of by the shippers.</p> <p>German importers have dropped the import of animal casings from India, on account of its defective quality.</p>

Sl. No.	Name of the Indian Mission	Summary of reply
7.	Embassy of India, Paris .. ..	Several complaints about E.I. tanned hides and skins have been received. Introduction of quality control will minimise these complaints. A few complaints have also been received about precious and semi-precious stones and musk grains and pods.
8.	Embassy of India, Berne .. ..	<p>In addition to the quality control measures introduced by the Handloom Board, Handicrafts Board, and the Mica Export Promotion Council on their respective products, quality control and pre-shipment inspection may be arranged for the following items:</p> <ul style="list-style-type: none"> <li>(a) Jute goods</li> <li>(b) Coir mattings, etc.</li> <li>(c) Prawns, shrimps (fresh, frozen, canned, etc).</li> <li>(d) Walnuts</li> <li>(e) Canned fruit and vegetables</li> <li>(f) Raw tobacco</li> <li>(g) Bristles</li> <li>(h) Raw hides &amp; skins</li> <li>(j) Leather goods</li> <li>(k) Sport goods</li> </ul>
9.	Embassy of India, Rome .. ..	<p>It is recommended that pre-shipment inspection be introduced for raw cotton, cotton yarn, cotton pickings, textiles, prawns and shrimps. Grading of Mica should be undertaken. In the case of shellac, packing should be improved. Grading of tobacco should be tightened.</p>
9.	Embassy of India, Rome .. ..	Quality control and/or pre-shipment inspection should be introduced for fine woods (including rose wood).
10.	High Commission, London .. ..	<p>Complaints in regard to bad quality of goods exported from India have been received in respect of the following :</p> <ul style="list-style-type: none"> <li>(a) Cashew kernels</li> <li>(b) Ginger</li> <li>(c) Walnuts</li> <li>(d) Mango chutney</li> <li>(e) Canned foodstuffs</li> <li>(f) Serma foods</li> <li>(g) Groundnut extraction</li> <li>(h) Linseed cake expeller</li> <li>(j) Oilcakes &amp; meals</li> <li>(k) Rice husk</li> <li>(m) Leather</li> <li>(n) Chrome skin</li> <li>(p) Sheep skins</li> <li>(q) Wild fur skins</li> <li>(r) Carpets</li> </ul>



## (iv) AFRICAN COUNTRIES

Sl. No.	Name of the Indian Mission	Summary of reply
11.	High Commission of India, Lagos	.. Quality of packing of Indian goods is very poor. Japanese goods are invariably packed in superior containers and outside wrappers, so as to make them appealing to the eye. There are instances of tinned mangoes in battered and rusted containers being put on the shelf, side by side with lovely tins from European countries and Japan.
12.	Embassy of India, Addis Ababa	.. Quality control and/or pre-shipment inspection is desirable for the following : <ul style="list-style-type: none"> <li>(a) Cotton goods</li> <li>(b) Silk, rayon and nylon goods</li> <li>(c) Woollen manufactures</li> <li>(d) All kinds of spices</li> <li>(e) Food stuffs</li> <li>(f) Boots and shoes</li> <li>(g) Cosmetics</li> <li>(h) Chemical products and Pharmaceuticals.</li> <li>(j) Coal</li> <li>(k) Oil machineries</li> <li>(m) Textile machineries</li> <li>(n) Electrical machineries etc.</li> <li>(p) Iron, copper, brass and other metal goods</li> <li>(q) Sport goods</li> </ul>
13.	Indian Trade Commissioner, Mombassa.	Quality control and/or pre-shipment inspection is necessary for the following : <ul style="list-style-type: none"> <li>(a) Jute goods</li> <li>(b) Textiles</li> <li>(c) Hosiery goods</li> <li>(d) Cotton waste</li> <li>(e) Handicrafts</li> <li>(f) Pickles and chutneys</li> <li>(g) Agricultural implements</li> <li>(h) Hardware</li> <li>(j) Machinery and engineering goods.</li> <li>(k) Leather goods</li> <li>(m) Plastic goods</li> <li>(n) Sports goods</li> </ul> Packing of goods exported should be improved. (v) ASIA
14.	Embassy of India, Tehran	.. .. A number of complaints about non-conformity to samples and bad packing regarding art silk and nylon textiles and also engineering goods have been received.  It would be advisable to have quality control and pre-shipment inspection on a regular basis in respect of Tea, Spices, Hessian and Jute manufactures, Textiles, Diesel Engines and pumps, Fans,

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		<p>Sewing Machines, Blades and other Engineering goods. This advice is being given in spite of the knowledge about the existence of voluntary quality control measure under ITEX, and that introduced by the Tea Board.</p> <p>It is also recommended that the proposed measures of control should be such that they are not cumbersome.</p>																																																										
15.	Indian High Commission, Karachi ..	Only one or two complaints were received in the past one year which were of a trivial nature.																																																										
16.	Embassy of India, Rangoon ..	<p>Quality control and pre-shipment inspection is necessary for dried prawns, fish, and groundnut oil. In the case of prawns, the complaint is about change of colour which according to the exporters is inevitable as it is an inherent quality of the commodity. In the case of groundnut oil, the complaints are about shortage in weight, and deterioration in quality as a consequence of the use of unclean and unserviceable drums.</p> <p>A certificate from an impartial agency with go a long way to assure the importers of the dependability of the Indian products.</p>																																																										
17.	Commission for India, Singapore ..	<p>Pre-shipment inspection is desirable for the following items:</p> <table border="0"> <tr> <td data-bbox="740 1006 899 1051">(a) Cotton tex-</td> <td data-bbox="917 1006 1151 1051">} Shortage of length</td> </tr> <tr> <td data-bbox="786 1051 854 1079">tiles.</td> <td data-bbox="917 1051 1151 1079">} in pieces, shortage</td> </tr> <tr> <td data-bbox="740 1079 874 1106">(b) Art silk</td> <td data-bbox="917 1079 1151 1106">} of number of items</td> </tr> <tr> <td data-bbox="786 1106 854 1133">fabrics</td> <td data-bbox="917 1106 1151 1133">} in bundles contain-</td> </tr> <tr> <td></td> <td data-bbox="917 1133 1151 1161">ing spares and badly</td> </tr> <tr> <td></td> <td data-bbox="917 1161 1151 1188">executed fabrics</td> </tr> <tr> <td></td> <td data-bbox="917 1188 1151 1215">are the chief com-</td> </tr> <tr> <td></td> <td data-bbox="917 1215 1151 1243">plaints. It has been</td> </tr> <tr> <td></td> <td data-bbox="917 1243 1151 1270">observed that impor-</td> </tr> <tr> <td></td> <td data-bbox="917 1270 1151 1297">ters do not often</td> </tr> <tr> <td></td> <td data-bbox="917 1297 1151 1324">lodge complaints in</td> </tr> <tr> <td></td> <td data-bbox="917 1324 1151 1352">order to avoid un-</td> </tr> <tr> <td></td> <td data-bbox="917 1352 1151 1379">pleasantness. The</td> </tr> <tr> <td></td> <td data-bbox="917 1379 1151 1406">introduction of</td> </tr> <tr> <td></td> <td data-bbox="917 1406 1151 1434">measures compul-</td> </tr> <tr> <td></td> <td data-bbox="917 1434 1151 1461">sory for pre-</td> </tr> <tr> <td></td> <td data-bbox="917 1461 1151 1488">shipment inspec-</td> </tr> <tr> <td></td> <td data-bbox="917 1488 1151 1516">tion should be ac-</td> </tr> <tr> <td></td> <td data-bbox="917 1516 1151 1543">companied by in-</td> </tr> <tr> <td></td> <td data-bbox="917 1543 1151 1570">creased incentives</td> </tr> <tr> <td></td> <td data-bbox="917 1570 1151 1597">to compensate for</td> </tr> <tr> <td></td> <td data-bbox="917 1597 1151 1625">the cost of inspec-</td> </tr> <tr> <td></td> <td data-bbox="917 1625 1151 1652">tion.</td> </tr> <tr> <td></td> <td data-bbox="740 1552 899 1597">(c) Coir pro-</td> </tr> <tr> <td></td> <td data-bbox="786 1597 854 1625">ducts.</td> </tr> <tr> <td></td> <td data-bbox="917 1552 1151 1579">One exporter has</td> </tr> <tr> <td></td> <td data-bbox="917 1579 1151 1607">sent goods inferior</td> </tr> <tr> <td></td> <td data-bbox="917 1607 1151 1634">to approved sam-</td> </tr> <tr> <td></td> <td data-bbox="917 1634 1151 1661">ples.</td> </tr> </table> <p>It is feared that compulsory pre-shipment inspection may be a dis-incentive to increase exports. Quick and satisfactory</p>	(a) Cotton tex-	} Shortage of length	tiles.	} in pieces, shortage	(b) Art silk	} of number of items	fabrics	} in bundles contain-		ing spares and badly		executed fabrics		are the chief com-		plaints. It has been		observed that impor-		ters do not often		lodge complaints in		order to avoid un-		pleasantness. The		introduction of		measures compul-		sory for pre-		shipment inspec-		tion should be ac-		companied by in-		creased incentives		to compensate for		the cost of inspec-		tion.		(c) Coir pro-		ducts.		One exporter has		sent goods inferior		to approved sam-		ples.
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Sl. No.	Name of the Indian Mission	Summary of reply
		handling of importers' complaints would be just as effective as imposing quality control compulsorily.
18.	Embassy of India, Djakarta ..	Commercial disputes have occurred in regard to jute goods, shellac, and cotton textiles imported into this country from India.
19.	Commission of India, Hongkong ..	<p>Complaints have been received in regard to the following :—</p> <p>(a) Textiles .. Bleached sheetings had been received in more than one piece.</p> <p>(b) Cotton yarn The goods received did not conform to samples. Indian yarn though inferior to Pakistan yarn is costlier than the latter.</p> <p>(c) Raw cotton The goods received did not conform to samples.</p> <p>(d) Cotton .. Goods received were inferior to the samples supplied. Quantity of goods normally shipped to Hongkong is, however, not considerable.</p> <p>(e) Prawns The consignments of goods received were found to contain moisture while the samples did not contain it. The consignments also contained sand and dirt.</p> <p>(f) Mica .. Inferior goods were received although the importers find it difficult to establish the fact owing to the narrow difference between qualities.</p> <p>(g) Shellac .. A consignment had got "blocked" in transit.</p> <p>(h) Tobacco Inferior grades are being inserted in consignments of superior grades.</p>
20.	Embassy of India, Tokyo ..	Quality control is desirable in the case of sheep casings and cashew kernels. The question of introducing quality control on seedlac and shellac may also be considered. Complaints have been received regarding bristles, wood and

Sl. No.	Name of the Indian Mission	Summary of reply
		timber also but the position may be watched for some time more before considering whether quality control and pre-shipment inspection schemes are essential to be introduced in respect of these commodities.
		(vi) AUSTRALIA
21.	Indian Trade Commission, Sydney	<p>Compulsory quality control and pre-shipment inspection is desirable in the case of following items in respect of which complaints have been received :</p> <p>(a) Jute manu- }  factures. } Complaints were  (b) <i>Cotton Textiles</i> } more numerous  in these cases.</p> <p>(c) Woollen carpets and rugs  (d) Cashew kernels  (e) Walnuts  (f) Frozen prawns  (g) Mica  (h) Goat hair</p>
		(Comments from the Commission in Aden were also received but it was too late for the Committee to consider it.).

## APPENDIX D

### INTERIM REPORT OF THE AD HOC COMMITTEE ON QUALITY AND PRE-SHIPMENT INSPECTION

The Ad Hoc Committee on Quality Control and Pre-shipment Inspection was appointed in terms of letter No. 6-Exp (18)/60, dated 25 November 1960, issued by the Government of India in the Ministry of Commerce and Industry. It stated that :

"In order to eliminate complaints from overseas buyers about the quality of goods exported from India and their packing, to maintain enduring trade connections and also to popularise Indian goods in the foreign markets, it has been decided to set up an Ad Hoc Committee to examine the question of imposing quality control on various goods exported from India."

2. The Committee was asked to submit its report to Government not later than 31 March 1961. In the meantime, interim reports on different commodities were also required to be submitted.

3. At its preliminary meeting held on 7 December 1960, the Committee decided that in view of the Government's desire to have the report of the Committee submitted by 31 March 1961, it was not practicable to issue a formal questionnaire, but that the required information may be gathered, directly, by taking evidence of the various Export Promotion Councils, Commodity Boards and organizations like the Jute Commissioner, Directorate General of Commercial Intelligence and Statistics, Export Risks Insurance Corporation, the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce, the All India Manufacturers' Organization, the All India Exporters' Chamber, the Inspection agencies in the public and private sectors, etc., and to discuss with their representatives various points regarding quality control, pre-shipment inspection of goods, arrangements for settlement of commercial disputes arising out of India's exports, etc. in the light of the terms of reference of the Committee. The Committee also decided to visit some pre-shipment inspection schemes in operation such as Agmark grading of tobacco, bristles and wool at Guntur, Kanpur and Bombay, respectively, Itex Inspection Scheme for cotton textiles at Bombay, inspection scheme for leather at Madras and the ISI Certification Marking at Faridabad.

4. Accordingly, the Committee visited Calcutta, Kanpur, Madras, Guntur, Bombay and Faridabad and met the representatives of the industry and trade as well as various inspection agencies. Apart from the oral evidence tendered a number of written memoranda were received by the Committee from the Commodity Boards, Export Promotion Councils, Chambers of Commerce and other trade associations. The Committee has also greatly benefited by their discussions with various Government officers dealing with individual items like jute, fish, meat, textiles, etc.

5. At Guntur, the Committee had the opportunity to obtain the views of some of the UK buyers, who had come down to India to buy tobacco. Similarly, some of the members of the Committee, who were in Delhi, were also able to meet an important buyer of E.I. tanned hides and skins from UK when he called upon the Chairman. More opportunities of this nature to meet the representatives of the foreign buyers would have facilitated the work of the Committee in a great measure.

6. Although the better part of the Committee's work connected with discussions with the trade interests in India has been completed, the Committee has not been able to arrive at its final conclusions, particularly in regard to the overall administrative set-up and the legislative measures, which would be necessary to effectively co-ordinate the activities of the various parties, in the matter of ensuring the quality of goods exported from India. The Committee has also not been able, yet, to arrive at definite conclusions in regard to some of the commodities which have been examined by it. The Committee has, however, given priority of consideration only to certain commodities, in respect of which it feels immediate action is required and can be initiated.

7. Accordingly, at the meeting of the Committee on 10 March 1961, it was decided that an interim report of its findings, in regard to these commodities, may be submitted to Government, before the 31 March 1961.

8. The Committee's interim recommendations are:—

(i) The standards to be adopted for the purpose of quality control and pre-shipment inspection of export goods should be the national Indian Standards, processed through the agency of the Indian Standards Institution, and that these standards should be used, as such, wherever available. Quality Control and pre-shipment

inspection agencies may, however, use other standards when Indian Standards are not available, but, in due course, such standards should also be processed through the Indian Standards Institution. The Committee recognises that in a few cases pre-shipment inspection may have to be carried out on the basis of specifications prescribed by individual overseas buyers or on the basis of an approved sample agreed between the buyer and seller. In such cases, these specifications or samples may be adopted as basis for pre-shipment inspection, but even here attempt should be gradually to move towards the adoption of National Standards.

- (ii) In particular, there is the need for having Indian Standards for jute manufactures and for prescribing a procedure, for internal inspection at the stage of production, possibly on the pattern of the ISI Certification Marks Scheme. The ISI may be asked to expedite its work on the preparation of these standards, which has so far been going on at a slow pace, because of industry's own expressed policy. The Committee will give further thought to ways and means, which will have to be adopted for expediting standardization work on export products, through the agency of the ISI, when under similar circumstances, an important interest concerned wishes to proceed slowly.
- (iii) Similarly, there is need for setting up a machinery for ensuring that properly graded and well-defined qualities of jute are made available to manufacturers, and for this purpose, arrangements should be made to see that raw jute is sold only through regulated markets, after it has been graded by the Agricultural Marketing Adviser, according to available Indian Standards.
- (iv) In the light of the observations in the second Five Year Plan, compulsory grading under Agmark may be introduced, for export purposes, under Section 19 of the Sea Customs Act, as follows:
  - (a) Groundnut oil, linseed oil, castor oil, expeller variety of oilcakes and myrabolam may be required to be inspected and graded before export under the Agmark rules;
  - (b) Pepper, cardamon and chillies may be inspected and graded, under the Agmark rules, through the agency of the Spices Export Promotion Council, under the supervision of the Agricultural Marketing Adviser;
  - (c) Similarly, cashew kernels may be inspected and graded according to Agmark rules, through the agency of the Cashew Export Promotion Council, under the supervision of the Agricultural Marketing Adviser;
  - (d) In case the Export Promotion Councils referred to in (b) and (c) above, fail to set up the necessary machinery for inspection and grading, within a reasonable period of time, steps should be taken to undertake grading and inspection under the authority of the Agricultural Marketing Adviser, directly.
- (v) In regard to dried prawns, it is recommended that the scheme for enrolment of exporters be immediately made compulsory for export purposes, and only such exporters be enrolled who maintain requisite standards of cleanliness and who have proper storing and drying facilities. Those exporters who do not have their own storing and drying facilities but who are able to make proper arrangements for storing and drying and undertake to get their products certified by the State Director of Fisheries or the Central Fisheries Institute at Cochin, may also be enrolled.
- (vi) In regard to carpets, ISI should amplify Indian Standards so as to include the products of all regions in India. Grade specifications may also be laid down. Thereafter, it should be provided that the export of carpets be permitted only if they are marked with the ISI Certification Mark and/or a quality mark of a State Government with a label, giving factual data, securely affixed thereon.
- (vii) In the case of brassware, the All-India Handicrafts Board should bring out the specifications expeditiously and thereafter exports of these goods should be permitted only if they conform to those specifications, as certified by the All India Handicrafts Board or under a State Government Quality Marking Scheme.

9. While submitting this interim report, which deals briefly only with points on which immediate action could be initiated, it is recommended that the life of the Committee may be extended till the end of May 1961, to enable it to give detailed consideration to the various points covered by its terms of reference and formulate its recommendations.

10. The Committee has authorized the Chairman and the Member-Secretary to sign the interim report on behalf of the Members.

## APPENDIX E

### LIST OF 25 CLASSES OF COMMODITIES WHICH ACCOUNT FOR 80 PERCENT OF INDIA'S EXPORT TRADE

1. Jute goods.
2. Cotton Textiles including Handloom products.
3. Other Textiles (silk, art silk, woollen).
4. Raw Cotton.
5. Raw wool.
6. Handicrafts including carpets.
7. Tea.
8. Coffee.
9. Spices.
10. Cashew kernels.
11. Other fruits and vegetables including walnuts.
12. Sea food.
13. Sugar.
14. Tobacco.
15. Iron ore.
16. Manganese ore.
17. Mica.
18. Other minerals including coal.
19. Vegetable oils including essential oils.
20. Oil cakes.
21. Lac.
22. Leather.
23. Coir manufactures.
24. Cotton waste.
25. Steel scrap.