

REPORT
OF
THE IMPORT AND EXPORT
POLICY COMMITTEE



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MINISTRY OF COMMERCE AND INDUSTRY
GOVERNMENT OF INDIA
NEW DELHI

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LETTER OF TRANSMITTAL

No. 1-I&EPC(30)/60

SIR A. RAMASWAMI MUDALIAR,
Chairman,
Import & Export Policy Committee.

New Delhi, 28th February, 1962

My dear Shri Ranganathan,

In its Resolution No. 7/2/61-Imp. Pol., dated the 30th March, 1961, the Ministry of Commerce and Industry appointed a Committee under my Chairmanship to review the Import Policy and Procedure and to recommend measures of Export Promotion.

My Committee has carefully gone into the entire question and surveyed the problem in its broad ramifications. Our findings are given in the enclosed report.

I should like to take this opportunity to place on record my deep appreciation of the help and co-operation which I have received from every member. Indeed, I could have scarcely wished for a more agreeable team of colleagues.

Yours sincerely,

A. RAMASWAMI MUDALIAR.

Shri S. Ranganathan, I.C.S.,
Secretary,
Ministry of Commerce and Industry,
New Delhi

Encl. Report.

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CHAPTER I
PREAMBLE

The Import and Export Policy Committee was constituted by a Resolution of the Government of India in the Ministry of Commerce and Industry (No. 7/2/61-Imp. Pol., dated the 30th March 1961). The circumstances leading to the appointment of the Committee are described in the Resolution as follows :—

“The working of the Import Control and the procedures followed in grant of licences was reviewed by the Import Control Enquiry Committee in 1950. Since then the First Five Year Plan has been completed and the Second Five Year Plan is nearing completion. The country is now on the threshold of the Third Five Year Plan. As a result of rapid industrialisation during the successive plans, the basic structure of the economy of the country is rapidly changing.

“A fresh review is now necessary of the general Import and Export Control Policy, including the export promotion measures, as also of the system of priorities for import of raw materials, machinery and capital goods. It is also necessary to examine the procedures for licensing of Imports with a view to improving them”.

(i) Terms of reference

2. The Committee's terms of reference, as stated in the Resolution, were :—

- (i) To enquire into the working of Import Trade Control with particular reference to :—
 - (a) the procedures followed in the formulation of import policy and methods followed in dealing with applications for import licences to the different categories of applications;
 - (b) the organisation of the existing machinery for Import Control;
 - (c) any other matter incidental to the working of Import Control Organization.
- (ii) To examine questions relating to allocations for import of raw materials and capital goods with special references to the requirements of the Third Five Year Plan.
- (iii) To review the efficacy of the existing Export Promotion measures and to make recommendations with regard to measures necessary to step up exports in the Third Five Year Plan period.

(ii) Composition of the Committee

3. Soon after the Committee was constituted one of its eminent members—Shri J. M. Lall, Chairman, Imperial Chemical Industries, suddenly

passed away. His place was taken by Shri N. M. Wagle, Managing Director, Greaves and Cotton Ltd., Bombay. The Committee was then constituted as under :—

| | |
|----------------------------|------------------|
| Shri A. Ramaswami Mudaliar | Chairman |
| Shri G. L. Bansal | Members |
| Shri E. P. W. Da Costa | |
| Shri P. A. Narielwala | |
| Shri N. M. Wagle | |
| Shri S. M. Shah | |
| Shri H. L. Khanna | |
| Shri B. K. Kochar | |
| Shri M. P. Mathur* | |
| Dr. S. P. Chablani* | Member-Secretary |

(iii) Procedure followed

4. Towards the middle of June 1961, the Committee issued an exhaustive questionnaire (Appendix A), covering all aspects of the Enquiry, to important Chambers of Commerce, Associations of Trade, Members of Parliament, Ministries of the Central Government, State Governments, Indian Trade Representatives abroad, the Reserve Bank of India, Commodity Boards, Export Promotion Councils, and several prominent businessmen, industrialists and senior officials. In all 3,500 copies of the questionnaire were circulated and the general public were notified through a press release to enable all those interested in the Enquiry to express their views.

5. The Committee fixed July 31, 1961, as the last date for submission of replies to the questionnaire. But numerous requests were received from various quarters for the extension of this date, in response to which the last date was extended to the August 31, 1961.

6. In reply to its questionnaire, the Committee received a large number of written memoranda (Appendix B) covering some 10,000 pages. It also examined over 350 witnesses (Appendix C) at Delhi, Calcutta, Bombay, Madras, Cochin and Bangalore and conferred with the Minister for Industry, Shri Manubhai Shah. The Committee's programme is given in Appendix J.

Acknowledgements

7. We have received abundant co-operation and support from all sides. We are very grateful to all the Chambers of Commerce and Associations of trade for the benefit of their advice in written memoranda as well as by oral evidence. The officials, whom we consulted at various centres, gave us most useful information. We also received much valuable advice from the Secretaries and Heads of Departments at the Centre and would like to thank them all most sincerely. We have been extremely fortunate in obtaining the services of our Member-Secretaries and other Secretariat staff. Shri M. P. Mathur, with his knowledge as Director of Export Promotion, greatly helped us in our investigations, but was unable to take part in the formative stages of the report, as he had to leave for Prague to take over his assignment as Ambassador of India. Dr. S. P. Chablani,

*Originally, Shri M.P. Mathur, Director of Export Promotion, was the Member-Secretary of the Committee; but on his transfer to Prague as Ambassador, his place was taken by Dr. S.P. Chablani, formerly Member-Joint Secretary of the Committee.

who was Joint-Secretary and later Member-Secretary, by his intimate acquaintance with the working of the Import and Export Control Organisation and his wide experience of foreign markets, especially of Germany, where he had served as First Secretary at the Indian Embassy, contributed greatly to the knowledge of the Committee. He was of special help to us in drafting the report. We would also like to thank Shri K. L. Mathur, the Assistant Secretary, for his valuable services, and the staff of the Secretariat for their hard work.

CHAPTER II

THE PROBLEM

(i) The Background

Since the advent of Independence India has launched—through its successive Five Year Plans—on a programme of reorganising its economic life, harnessing its resources and the energies of the people to the task of national reconstruction.

2. India's debut in planned development—the First Five Year Plan—was a modest affair. It was directed mainly towards increasing agricultural production, and 'awakening' the ancillaries of economic growth, by development of irrigation, power, the means of communication and fuller utilisation of existing capacity of industry. Investment in the public sector was moderate; the entire balance of payments deficit over the whole Plan was of the order of only Rs. 318 crores financed partly by external assistance and only marginally by a draft on foreign exchange reserves*. By all accounts, the venture was a success; and the country launched its way to a bolder programme of reconstruction with a degree of confidence and enthusiasm that comes in the wake of fulfilment.

3. The Second Plan, much larger in size and conception, presented a more difficult set of problems. The import bill rose sharply; exports remained sluggish. The foreign exchange situation became acute; and the country was compelled to make a continuous quest for new sources of external finance. Altogether, the period was one of varying degrees of anxiety. The scope of the plan had to be reappraised, and cut down somewhat to cover at least the "core" projects. Even so the country's exchange reserves had to be drawn down by about Rs. 600 crores†, to a level pretty close to the minimum.

4. The Third Plan thus starts, on the one hand, with a legacy of valuable past experience of large-scale planning and knowledge of its concomitant difficulties; on the other, with depleted exchange reserves, a sizeable foreign debt, with virtually no *net* 'invisible' over-sea income, with no cushion for unforeseen contingencies, and a yawning gap in balance of payments. At the same time, the task before the country is far more formidable: it seeks to lay, *inter alia*, a solid foundation of India's *basic* industry like Steel; to develop Mining and Power; and to create sufficient capacity to be able to produce, within the course of a decade, the bulk of the machinery and equipment required for sustaining a self-propelling economy, capable of supporting a high level of investment and employment.

(ii) Foreign exchange requirements

5. In this context the foreign exchange requirements—and consequently the quantum of external assistance—for the Third and Fourth Plans will be of a high order. The total investment envisaged in the Third Plan is

*Vide the Third Five Year Plan, para 39, p. 108.

†Vide the Third Five Year Plan, p. 108.

reckoned at Rs. 10,400 crores, in which the foreign exchange requirements may be to the tune of Rs. 5,750 crores*—*i.e.*, more than half the total outlay. In this framework, the allocation of exchange for 'Development imports' including components and balancing equipment etc. amounts to Rs. 2,100 crores, and the balance of Rs. 3,650 crores has been provided for what is described as 'Maintenance imports' (exclusive of food imports of Rs. 600 crores under P. L. 480). Actually, the Plan itself indicates that the maintenance needs may be somewhat larger, corresponding to about Rs. 3,800 crores over the five-year period. However, it does not find it possible, at this stage, to provide for the additional resources, and appears to accept the inevitability of some degree of under-utilisation of industrial capacity**.

6. The Third Plan envisages that the country's 'invisible' income and outgo will offset each other, and that there will be no net saving in this direction. And in order to finance the country's 'maintenance' imports alone, the exports over the Plan period would have to be in the range of Rs. 3,700 crores, or an annual average of Rs. 740 crores, which is as much as Rs. 126 crores more than the annual average of Rs. 614 crores for the Second Plan***.

7. The picture that emerges, then, is that the balance of payments position will continue to remain under severe strain for many years. Even if exports reach the anticipated level of Rs. 3,700 crores—and the terms of trade remain in accordance with the anticipations of the Third Plan—there will be a gap of Rs. 2,600 crores† which will need to be filled by external assistance. If, for any reason, the bill for 'Maintenance imports' goes up, the country would have to redouble its efforts to augment its exports further still to ensure that it is able to honour its financial commitments and maintain its credit in the international market.

8. The annual import requirements of the succeeding plans will be even larger; so will be the repayment obligations on account of debt services and interest charges. Granting that the requisite external assistance will be forthcoming, that conditions of supply and demand abroad will be favourable, the planners have estimated that, in order to maintain the desired tempo of development, the country would need to export, at the rate of Rs. 1,300-1,400 crores per annum at the end of the Fourth Plan—*i.e.*, "at twice the present level"††.

9. Already the country is functioning under a system of stringent import controls and rigid exchange allocations, permitting of practically no significant new commitment of capital expenditure unless it is specifically covered by a source of external finance. In such an environment—of vigorous economic growth and rising standards of living—further scope for curtailment of foreign exchange expenditure cannot be visualized. Indeed, with the progress of industry, the demand for larger allocation of foreign exchange may well be expected to increase, particularly for the import of raw materials and components.

*Vide the Third Five Year Plan, pp. 110 and 112.

**Vide the Third Five Year Plan, p. 110.

***Vide the Third Five Year Plan, p. 110.

† Ibid, p. 109

†† Vide the Third Five Year Plan, para 11, p. 138

(iii) Defence requirements

10. We should like to mention that we have naturally confined our attention to what may be termed as 'commercial' imports and exports; and it has not been possible for us to reflect on the import requirements of our Defence industries and the export possibilities of some of them. But it is our general impression that a great deal could perhaps be done to conserve—and earn—foreign exchange through an integrated policy for the whole economy. We would suggest that a high powered committee may be appointed to enquire into the matter, necessarily working 'in camera'.

(iv) The task

11. Overall, it is necessary to see to what extent the available resources in foreign exchange can be used more economically; how best the country's stock of resources can be distributed to yield an optimum return; to what extent existing capacity can be more fully utilised to enlarge production and augment exports; how far indigenous sources can be more fully tapped for the supply of equipment and raw materials, what measures of import-saving and export promotion can be instituted. These questions will be dealt with more fully in subsequent chapters.

12. We have, naturally, worked within the basic conception of the Plan, its general assumptions and premises, and taken the export-import targets and the foreign exchange shortages as envisaged in the Third Plan and its successors, as the starting point of our Enquiry.

13. If the export targets are to reach the high level of Rs. 1,400 crores per annum at the end of the Fourth Plan, and the country is to be less dependent on external assistance, the nation has set for itself a very formidable task. Exports during the past decade have remained relatively static;* the task of elevating them to twice their present level will require effective measures of a fundamental character, which will demand the whole-hearted co-operation of all sectors of the economy.

*Vide Appendix D

CHAPTER III IMPORT POLICY AND PROCEDURE

(A) POLICY

In 1950, an Enquiry Committee, under the Chairmanship of Shri G. L. Mehta, went into the Import Control system and reviewed, generally, the procedures and the basic objectives of Import Control policy. The situation has since changed radically. At the time of the Mehta Committee's findings, India had large sterling balances to her credit and a sizeable 'invisible' income; whereas now foreign exchange has become extremely scarce. At the same time, the country has taken in hand immensely larger tasks of social and economic reconstruction, so that the demand on the country's resources has become much more intractable.

2. The objectives of Import Control have, therefore, to be reconsidered in this context, and with special reference to the fundamental postulates of the Third Plan and the Plans to come.

(i) Objectives of Import Control

3. At the last session of the Import Advisory Council, the Union Minister for Commerce and Industry defined the objectives of Import Control thus:—

“The policy and procedure of Import Control has to be so regulated as to be in consonance with the main objectives and the strategy of the Plan itself. Import Control must serve as an instrument of industrial development; as a conservator of foreign exchange and as a vehicle of export promotion. It must strengthen the industrial base of the country, diversify the economic structure, and create conditions of a self-generating economy, so that the nation can go forward to the maximum extent possible on its own steam.”

4. These objectives are unexceptionable; but the question is one of translating these principles into practical terms. The problem of making the most judicious distribution of available resources for the maintenance and development of the economy implies the right kind of import priorities as between Consumer Goods, on the one hand, and Capital Goods and Industrial Raw Materials, on the other.

5. Already the inflow of Consumer Goods has been severely curtailed; and the accent at present is on the import of 'Intermediate' and capital goods. A study of India's pattern of Import Trade (vide Appendix E) will show that the proportion of Consumer Goods imported from abroad has fallen from 30.2% in 1952-53 to 18.7% in 1960-61; whereas that of Capital Goods has risen from 20.8% to 30.5% during the same period. The proportion of 'intermediate goods' has remained more or less constant; but in terms of absolute values it is sizeably larger, having risen from Rs. 299 crores in 1952-53 to Rs. 503 crores in 1960-61.

(ii) Maintenance versus Development Imports

6. There has been a controversy about the priorities accorded by Government to imports for 'Maintenance' of the existing units of Industry at the optimum level of production and imports for the 'Development' of

new units. Evidence has been ~~let~~ before us to show that in several sectors of industry existing capacity is not being fully utilised; and it has been suggested that if the best use is to be made of the limited foreign exchange and capital resources of the country, the requirements of existing units should be met first, before foreign exchange is released for setting up new units.

7. We have given considerable thought to this rather complex question. We are convinced that a great deal of misunderstanding exists, which is due mainly to the absence of a precise definition of the term "existing capacity". The terms "licensed capacity", "existing capacity" and "effective capacity" have been used more or less synonymously. For an objective assessment of this problem, only the "effective capacity" should be taken into consideration, for it is a matter of common knowledge that it takes some time before "licensed capacity" becomes "effective". In our judgement if statistics were recast on the basis of "effective capacity", the extent of under-utilisation would be seen in its true perspective.

8. 'Maintenance' and 'Development' of the economy are two facets of the same phenomenon, and there can be no hard and fast dividing line between them. There are certain 'developments' which are necessary for keeping even the existing industrial units in full production, such as, for instance: (a) power, (b) transport, and (c) industries for the production of raw materials and components for the existing units which are presently being imported. It could also be argued that the 'Development' of the economy itself increases the purchasing power and, in its wake, generates a great deal of demand for Consumer Goods in the 'Maintenance' sector of the economy. On the other hand, 'Maintenance' industries may provide Capital Goods or the accessories to Capital Goods required for 'Development'. For example, wires and cables produced in the country go to support the development of the power programme, which is being augmented spacioously. If, for any reason, the output of, say, wires and cables were to be checked, then a so-called 'Maintenance' industry would be affected; and, in its wake, the development of power would suffer, leading to a chain reaction of far-reaching consequences.

9. In this controversy another important factor appears to have been ignored. Much of the new 'Development' which is taking place, apart from being necessary in itself, is, in fact, financed out of the 'aid' made available for the specified projects. Such "tied" aid is, in any case, not available for financing 'Maintenance imports'; and there is, therefore, little choice in these cases. Furthermore, in a fast developing economy such as ours where population tends to grow rapidly with the rise in the standards of living, the country has perforce to 'maintain' and/or 'develop' such industries as are designed specially to serve the primary needs of the population. Else it will be difficult to hold the price line and to keep the wolf of inflation at bay. Precedence has also to be given to the 'development' of 'export-oriented' industries. Thus, there can be no rough and ready solution to the theory of 'Maintenance' first and 'Development' afterwards and vice-versa. The country can neither freeze the pattern of the economy, nor allow its stagnation. In all events the approach has to be pragmatic and selective, designed to stimulate the dynamic spread of the cumulative process of economic growth and to disperse and diversify the economy in consonance with the objectives of the Plan.

10. Inevitably, a balance has to be held between competing claims on scarce resources; and where there are apparent gaps between the "effective

capacity" and the current output, or where by a multiple shift operation, or the addition of balancing equipment, it is possible to secure economies of scale or save/earn more than proportionate foreign exchange, the existing schemes have to receive precedence over new ones. On the other hand, if a new scheme is likely to buttress the maintenance and growth of the economy, or holds out a promise of considerable foreign exchange earning/saving and requires, in itself, relatively little foreign exchange it would have to receive over-riding consideration.

11. All considered, our policy, in brief, should be to give facilities for the import of raw materials and components etc. to all existing industries, subject to a higher priority being given to the following types of new industries :

- (i) power and transport which have proved a serious bottleneck;
- (ii) 'Export-oriented' industries;
- (iii) Industries producing raw materials and components now imported. Not all "raw material" industries will, however, be equally eligible for priority. It is important that priority should be given to those industries which will save the largest volume of foreign exchange even though it may not be in the shortest possible time. One such industry to which our attention has been drawn is the Alloy Steel industry which, as far as we can judge, is likely to be, next to Steel, a heavy burden on the foreign exchange budget for many years to come; and
- (iv) Industries depending almost entirely on indigenous raw materials and finding/arranging their own foreign exchange for the import of plant and machinery.

Industries financed through a programme of 'tied' credits will, of course, be an exception. There may yet be cases on the border line; but these would necessarily have to be decided on merits.

12. While considering applications for granting licences for establishing new industries and for the import of Capital Goods, the criteria followed at present are still somewhat general. What is actually necessary is a systematic and scientific review, industry by industry, of the health, behaviour and entitlement of each significant industrial unit so as to determine by what measures of assistance could production be augmented, costs reduced, imports saved and exports developed. Similarly, the relative merits and claims of various industries, whether for 'Maintenance' or for 'Development', on the limited resources of foreign exchange and other factors of production, would have to be objectively assessed. It will also be an advantage if the progress of some of the typical existing 'Maintenance' and 'Development' industries is evaluated with a view to framing suitable criteria of assessment and evolving lessons for the future.

(iii) Unutilised Capacity

13. There is, at the moment, an element of doubt as to the extent to which the industrial capacity of the country remains unutilised. The Ministry of Commerce and Industry take the view that the extent of under-utilisation of industrial capacity is of the order of 15 to 20% : the Chemical industries, the Cement and Sugar industries, they say, run round the clock; the majority of Cotton Textile Mills run in multiple shifts. The short-fall,

according to them, is only in the field of Engineering Industry. But even this sector is looking up. Other sources, however, reckon the extent of unutilised capacity to be much higher.

14. In the absence of precise information on this subject, it is difficult to make an assessment of the extent to which the country's industrial capacity is under-utilised or otherwise; or to gauge the extent to which production could be augmented by providing balancing equipment and other feeders of industry.

15. This lack of data, necessarily, renders the task of planning more difficult and may lead to the employment of scarce resources in channels where they may not yield the maximum returns. The Development Wing should, therefore, be charged with the special responsibility of constantly reviewing the problem of under-utilisation of industrial capacity and of recommending remedial measures. The results of such reviews should be published annually.

16. It is also necessary, in our view, to study more closely the question of substitution of imported materials in its widest connotation and to see to what extent and in what manner indigenous products can effectively replace the imported stores and equipment; how they could be commercially developed and used. Whether this work is undertaken by the Development Wing or an independent organisation, would be a matter of detail. Whichever may be the agency responsible for this task, the problems of 'import substitution' could well be assigned to the appropriate research institutes in the country such as the National Laboratories and their assistance should be invoked in making an assessment of the availability of industrial materials in the country.

17. We feel that in view of the slender foreign exchange resources it is inevitable that, even if indigenous substitutes are not as good as the imported products, the consumer industries may have to depend in many cases on whatever can be obtained in the country—specially for products meant for domestic use—in order to conserve foreign exchange and to encourage the development of domestic industry.

18. Beyond this point, we consider that the solution to the problem of bringing the balance of payments in equilibrium lies not in further import restrictions—the scope of which is, in any event, severely limited—but, within limits, in augmenting specific imports to remove the bottleneck on exports. Our general hypothesis is that the present stringent import restrictions and rigid exchange allocations may continue in respect of production destined purely for the domestic market. But where exports can be really assured, Government should have no hesitation in making available to the parties concerned such raw materials and balancing equipment as are essentially required for the purpose. There are certain new industries whose production is extremely small when compared to international standards, and have been initiated under conditions of high cost in respect of capital and raw materials but are, nevertheless, capable of a promising export performance. The volume of incentive which will have to be given to such industries to establish themselves in the export market will need to be substantially larger than in the case of those which, for many decades, have formed the basic core of our exports. Indeed, the differential which exists between Indian costs and those of our competitors will have to be considerably abridged if our products are to enter significantly into international trade.

19. This implies a basic understanding between Government and the mercantile community, and a mutual respect and sympathy for the difficulties, needs and obligations of either side. If Government were to commit itself to such a policy and make the same widely known, a large number of reputable firms of manufacturers/exporters with a credit-worthy record would come forward with worthwhile propositions and really put their shoulder to the wheel of export promotion. The present import restrictions, though understandable, are often responsible for a great deal of resentment and sense of frustration; and much of the enthusiasm and constructive effort of many an exporter gets stifled in a vain attempt to secure the requisite assistance. We would, therefore, suggest that a selective approach may be made, to start with, with the more well-run units of industry. They may be invited—on the basis of a proper assurance of all round assistance—to come forward with an integrated programme of industrial and export expansion.

20. Each such case would need to be scientifically and sympathetically examined in detail; and if experts are satisfied on the merits of the case, Government may give the party such assistance, in the various directions, as the circumstances may warrant. Primarily, this assistance should be given to stimulate additional exports, over the normal past performance of the applicant; and there should be no objection to giving assistance of foreign exchange on a 'loan basis', subject to necessary safeguards, where Government is satisfied on the merits and bona fides of the case.

21. We realize that every proposal of this kind would require detailed examination and throw a good deal of responsibility on the officers concerned. We suggest, therefore, that after the completion of the technical scrutiny and the processing of the case in the Ministry of Commerce and Industry etc., it should invariably come up before an inter-Ministerial sub-Committee, consisting of senior representatives of the Ministries of Finance, Commerce and Industry (and the other Ministry concerned), and the Planning Commission.

(iv) Complementary advance of Agriculture

22. A great deal of attention has, no doubt, been paid to achieve a measure of 'self-sufficiency' in food-stuffs for our growing population. But it seems to us that the cardinal importance of the complementary advance of commercial crops and their bearing on industrial development and export promotion has not been sufficiently appreciated. A serious attempt should be made to review the vital role which the development of Agriculture, Horticulture, Pisciculture and Forestry, can play in our economic progress.

(B) PROCEDURE

(i) General

23. Import procedure plays a vital part in the execution of Import Policy. We, therefore, attach great importance to its streamlining and simplification. The procedure should be such as would lend itself to efficient application and execution of policy and correspond to the predilections of the mercantile community, with which it has so much to do.

24. Import Control is a service organisation. The public pays for its services by way of application fees, and, therefore, naturally expects from it a high degree of proficiency, quick disposal and integrity.

25. In recent years the work of the Import Control organization has grown by leaps and bounds. Its disposal performance, too, seems to have improved, the pendencies being only of the order of 0.6% of the total receipts at the end of October-March 1961 (*vide* Appendix F) and yet there have been widespread complaints regarding delays in the disposal of applications.

26. Delays in the Import Control organization can have far-reaching consequences. Production gets retarded for want of raw materials and equipment sought to be imported; business gets dislocated and prices shoot up. Cases have come to light where the importer has had to pay heavy wharfage and demurrage to the Port Trust authorities, because, for instance, some necessary amendment to the import licence could not be made by the licensing authority in time. Sometimes, contracts get cancelled or prices are raised substantially by the foreign suppliers, while the officials make up their minds to issue a licence. In net effect, delays hamper industry and trade and cost the country dearly in foreign exchange. This aspect of the matter should be impressed on all concerned.

27. We have gone into the matter at some length, and have come to the conclusion that delay is generally due either to complexity of the licensing system or the inability of the staff to cope with the inflow of work. It is also, sometimes, due to the unfamiliarity of the importer with the Import Control rules, regulations and procedure, but this cannot always be helped.

28. Fundamentally, the solution of delays lies in simplification of procedure, decentralisation of work etc. Our suggestions in this regard are detailed below :—

(ii) Simplification of Procedure

(a) *Annual Licensing*

29. Import licensing is being done, at present on a half yearly basis. Annual licensing seems to have been tried, as an experimental measure, in April, 1960 in respect of certain specified items. But the system was withdrawn in April, 1961, mainly on two grounds : namely, the uncertainty of foreign exchange position, and progressive indigenous availability of stores. Having regard to all aspects and circumstances of the case, we feel that in the larger interests of the country's industrial development and of the business community, all licensing on the import side should, in future, be done on an annual basis. Indigenous production is, no doubt, coming up, and raw materials and equipment are progressively becoming available locally; but internal changes in the pattern of production are by no means so revolutionary as to justify such frequent, half yearly, revisions in the import policy. Therefore, normally, over the year, the basic content of an import licence should remain intact; and, as far as possible, exchange budgeting, too, should be done on an annual basis. However, if, on grounds of foreign exchange, it becomes necessary to follow a more stringent import policy for the second part of the licensing year, a general percentage reduction could be applied by one single public notice or notification, to all import licences. In such an event all import licences would stand automatically curtailed to that extent in the second half of the year. The burden of the foreign exchange cut would thus be evenly distributed over the whole importing community. The importers would be in a better position to plan their programme; and, with the elongated validity of import licences, proposed

below*, they would often be able to secure a price advantage on bulk purchases. At the same time, they would be relieved of the trouble of having to go to the licensing authority twice over. This will also be a solution, in a measure, to the problems of delay. The load of the licensing authorities, too, would be considerably lightened.

30. Every annual licence would have to be issued, subject, *inter alia*, to three conditions, somewhat on the following lines :—

- (a) that foreign exchange remittance only to the extent of 50 per cent of the face value of the licence shall be permissible during the first six months of the licensing period; the balance, subject to such percentage reduction as may be announced by Government [*vide* condition (b) below], will be allowed to be remitted during the validity period of the second half of the licence;
- (b) that the value of the second half of the licence shall be subject to such cut as may be announced by Government on the eve of the expiry of the first half of the licensing period;
- (c) that the second half of the value of the licence shall not be utilised, nor any irrevocable commitment made by the licence holder in respect thereof in the first part of the year.

31. Annual licences can be issued on the basis of a single application by an importer, in the prescribed form in the usual manner. The application would have to be accompanied by twice the normal fee (in token of two licences issued in one operation).

(b) *Period of validity of Import Licences*

32. We found widespread demand in the country for the elongation of the period of validity of import licences. It has been represented to us that importers generally find it difficult to obtain their supplies of goods within the validity periods of their licences, as the overseas suppliers—with their order books full—quote distant delivery dates, particularly in the case of machinery, equipment, spares and the sinews of industry which are, by far and large, in short supply. We feel that this is a genuine difficulty, involving an element of hardship. We would, therefore, suggest that :—

- (i) the initial period of validity for the Established Importers' and Actual Users' licences should be one year;
- (ii) the initial validity period for a CG/HEP licence should be normally two years, (as against the present twelve months) the more so because as development proceeds, the character of the plant and equipment required from abroad, will be more and more complex (simpler plants being progressively available indigenously) and will have to be specially tailor-made. However, in the CG/HEP licences issued against 'tied' credits such as the 'Ex-im Bank' Loans, the validity period should be one year, as at present, or such other period as the Chief Controller may deem appropriate.

33. We would also suggest that the Actual User licences should be revalidated upto six months, and CG/HEP licences upto one year, upon request, without requiring the licence holder to produce evidence as to the

*Para 32.

unavailability of supplies. Such evidence can always be produced by the parties, and does not really serve any useful purpose and may, therefore, be dispensed with. This facility is likely to be appreciated by the importers; and it would, at the same time, reduce, to an extent, the work of the Import Control Authorities. In the case of Established Importers, however, no extension should ordinarily be granted. But in special circumstances, the head of the licensing office may authorize revalidation of an Established Importer's licence for a period not exceeding three months.

34. We also suggest that, except in the case of licences issued against 'tied' credits, from the Headquarters of the C.C.I., the power of revalidation should be delegated to the licensing authorities at the ports.

(c) *I.V.C. number*

35. An applicant for an import licence is required to obtain an Income-Tax Verification Certificate from the Income Tax authorities. This number (IVC Number) has to be quoted invariably in the application for an import licence. According to the current procedure the I.V.C. number allotted to an applicant is valid for three half-yearly licensing periods.

36. The trade has strongly represented that the I.V.C. number should be dispensed with as, according to them, the process is tedious and the Income-tax authorities have, in any event, adequate means and powers to ensure recovery of income-tax dues. They also argue that Import Control should not be used as an instrument to buttress the Income-tax Act. On the other hand, the C.C.I. and the C.B.R. are in favour of retaining the I.V.C. number, mainly for the reason that it furnishes not only a safeguard against evasion of taxes, but is also indicative of the existence and financial stability of the applicant-firm. At the same time, it helps to reveal any changes which might have occurred in the constitution of the firm, of which due notice has to be taken by the I.T.C. authorities when affecting a transfer of quotas.

37. On balance, we think, the present practice of allotment and citation of I.V.C. numbers in every import application might continue. But in order to alleviate the difficulties of importers, it is proposed that henceforth the I.V.C. number should remain valid for three (annual) licensing periods.

(d) *Licensing of the requirements of the Small Scale Industrial Units.*

38. According to the present practice, the applications received by the various licensing authorities from small scale industrial units for the grant of import licences in respect of banned, restricted or speculative items are to be referred to the Chief Controller for instructions regarding disposal. Such applications are placed before a committee (known as S.S.I. Committee), consisting of the representatives of the Development Wing, the Development Commissioner (Small Scale Industries) and the I.T.C. authorities for consideration from all angles. The recommendations of the Committee are then transmitted to the Licensing authorities, along with the applications/files for final disposal. Where there is a doubt or an appeal, the licensing authorities again refer the matter to Headquarters for advice, the original application having been considered by the S.S.I. Committee at the Headquarters.

39. It seems to us that a good deal of time could be saved if, instead of remitting the applications back to the licensing authorities for disposal, the execution of the recommendations of the S.S.I. Committee is done at Headquarters. The clarifications and appeals too could be attended to at Headquarters.

(e) C.C.I.'s Ad Hoc Committees

40. Applications for the grant of import licences for capital goods below the value of Rs. 5 lakhs are considered in a committee known as C.C.I.'s Ad Hoc Committee, consisting of technical officers and the I.T.C. authorities. The idea is to avoid delay in the disposal of such applications where technical advice is required. But we understand that this committee clears the applications, subject to a "No objection certificate" from the Development Wing from the indigenous industry angle. Consequently, the applications approved of by the Committee are referred to the Development Wing for further scrutiny.

41. We feel that this procedure entails delay and creates an element of uncertainty in the mind of the applicant. We, therefore, suggest that the Ad Hoc Committee should be more fully representative of the concerned technical officers of the Development Wing and they should be able to take a decision on the applications in the committee itself, much in the same way as does the S.S.I. committee to which reference has been made above. Cases, involving special difficulty, could be seen on the file by the technical officers concerned, wherever necessary. These are likely to be few, and this arrangement would have the merit of disposing of a bulk of the applications expeditiously.

(f) Scheduled Industries

42. There has been general complaint about the long delays that occur in the disposal of applications for the import of the requirements of scheduled industries.

43. We feel that when the system of Annual Licensing is introduced, most of the difficulties of the Scheduled Industries will be resolved. However, we would suggest that where an application has to be scrutinized by more than one technical Directorate of the Development Wing, the sponsoring Directorate should try to clear the application at an inter-Directorate meeting. The institution of such meetings, to be held every week or fortnight, should be encouraged.

(g) Requirements of Non-Scheduled Industries

44. It has also been represented to us that while issuing 'Essentiality Certificates' the Directors of Industries in the various States do not always follow a uniform policy. Some are said to be strict; others rather liberal. It is, however, understood that more recently the C.C.I. has been issuing general instructions to the Directors of Industries in this behalf. We feel that it would be an advantage if, on the eve of the licensing period, he would evolve, in consultation with the Directors of Industries, the criteria for assessing 'essentiality', so that it may be possible for the licensing authorities to follow a common course of action.

(h) Register of Raw materials, Components, Plant and Machinery

45. We should also like to mention that it has been represented to us that many scheduled and non-scheduled industries are often denied import

licences on the ground that the raw materials, components, plant and machinery applied for are indigenously available and should be procured locally. However, when they go to the designated manufacturers/producers, they are informed that the requisite stores etc., are either not yet produced in the country or are not readily available. This results in considerable inconvenience and delay. It has, therefore, been suggested that the Development Wing should make sure that the relevant items are available indigenously before they turn down a request. It is also felt that the Development Wing should bring out annually comprehensive register indicating the availability of raw materials and components, plant and machinery produced in the country. It should give the names of the producers with full information, together with the specifications of the stores and materials produced by them. This would greatly facilitate quick disposal of import applications, as also the procurement of stores from indigenous sources. We feel that when the Development Wing has made the review of industrial capacity in every important unit of industry, as proposed in paras 15-16 above it should be in a position to make a fairly correct assessment of the output of industrial raw materials, components etc. produced in the country.

(i) Monetary ceilings

46. Incidentally, it was mentioned to us that sometime the delay in the issue of import licences in respect of the requirements of the scheduled industries etc. arises from the fact that advice regarding the monetary ceiling available for the purpose was received by the Development Wing/Textile Commissioner/Licensing authorities well after the commencement of the licensing period. On the other hand, it was understood that this was due to the reason that the information in respect of the foreign exchange requirements of the various sections did not reach the Ministry of Finance sufficiently in advance. We would, suggest that the matter should be looked into and it should be ensured that, in future, information regarding monetary ceiling for each licensing head should be in the hands of all the licensing authorities before the start of the licensing period.

(j) Simplification of application forms

47. The application forms for the various categories of import licences admit of some simplification. C.C.I. & E. should carefully go into this matter.

(iii) Decentralisation

(a) Licensing work

48. We are of the view that with the exception of such licensing work as requires consultation with the technical authorities, such as the Development Wing in Delhi, the Textile Commissioner in Bombay and the Coal Commissioner in Calcutta, all licensing work should be decentralized. The trade finds it inconvenient and expensive to pursue their applications for import licences at far-off places. This, indeed, is largely the case at present. But we are inclined to think that there is still scope for further decentralisation. For instance, we find that licensing of imports of fresh fruits from Pakistan is at present being done at Headquarters of the Chief Controller, while the bulk of the dealers engaged in this line are located in Bombay, Punjab, Delhi and Western U.P. We feel that this licensing work could well be done by Joint Chief Controller, Bombay, D.C. (C.L.A.)

and the Assistant Controller at Amritsar, under a general policy laid down by the Chief Controller.

49. Similarly, the work relating to the licensing of newsprint and other requirements of the printing industry should be decentralised. We understand that this work is at present being done at Headquarters, as the Registrar of Newspapers is consulted on each application.

50. We, however, feel that so far as newsprint is concerned, licensing is fairly simple, and it should not be necessary to consult the Registrar of Newspapers on each case. An exhaustive policy could be drawn up every year, based on the certified circulation, size etc. of the newspapers, books etc. for the guidance of licensing authorities.

51. With regard to the other requirements of the press, such as printing machinery etc. we would suggest that the cases could be disposed of by the C.C.I.'s ad hoc committee in the same way as for any other similar item. Whenever necessary, the Registrar of Newspapers could be invited to be present.

52. We find that newsprint cell is also dealing with cases of investigation, involving unauthorised sale of newsprint. As the C.C.I. has a full-fledged Investigation Division under him, in charge of a Joint Chief Controller, we feel that it will be appropriate if all cases of investigation now dealt with by the 'newsprint cell', are in future, handled by the Investigation Division. They could consult, or seek the assistance of the Registrar of newspapers, whenever necessary.

53. We also notice that in the cases of Greases and Lubricating oils (Appendix 18 of the current Red Book) even quota licences to Established Importers are being issued from the Headquarters, presumably because the Red Book says that such licences will be "granted on *ad hoc* basis".

54. Licensing is *ad hoc* in the sense that the quota percentage of the Established Importers is decided upon by the Chief Controller in consultation with the Petroleum Division: but the licences are issued to every established importer on the basis of the agreed percentage.

55. Licensing of this item remains at the Headquarters for historical reasons, and could conveniently be done at the various regional offices on the basis of the quota percentage worked out in advance before the commencement of the licensing period.

(b) *Transfer of quotas*

56. Until recently all work relating to transfer of quotas (T.Q.R.) was centralized at the Headquarters of the Chief Controller. We understand that some of the work in respect of family concerns has now been decentralized.

57. It has been represented to us that the present arrangement is both inconvenient and expensive for the trade, and they find it difficult to pursue their cases all the way at Delhi.

58. We observe that the general principles regarding transfer of quotas have already been enunciated in consultation with the Ministry of Law. All cases are now disposed of at the level of a Deputy Chief Controller at the Headquarters; and individual cases are no longer referred to the Ministry of Law, as was formerly the case.

59. We have discussed this matter with the officers of the C.C.I.; and it is felt that the entire T.Q.R. work can now be decentralized with advantage. As, however, the work involves some specialization, each regional office could have a small T.Q.R. Cell for the purpose. When referring to the regional offices, we have in mind only such offices as are—or would be—under a Deputy Chief/Joint Chief. T.Q.R. work relating to the sub-offices under Controllers/Assistant Controllers should be dealt with in the respective regional offices under whose jurisdiction they come. Cases of special difficulty could be referred by the regional offices to the Headquarters for advice.

(iv) Public Relations

60. As we have already observed, Import Control is a public service organization. Persons representing a wide range of interests come to it from all over the country with their peculiar problems and difficulties; and it is important that its public relations should be of a high order.

61. It has been complained to us that interviews cannot easily be had with the officers of the department; nor is it always possible to get a precise answer to the applicant's problems.

62. Attention of all concerned may be drawn to this public reaction; and all interviewing officers should be asked to be extra careful in their dealings with the public.

63. We would also suggest that attached to the personal staff of the C.C.I. should be a Public Relations Officer of the rank of a Deputy Chief Controller at the Headquarters, fully conversant with the problems of import control. If any importer has any difficulty with an interviewing officer or is unable to get a proper indication of the disposal of his case he should be able to see immediately the Public Relations Officer, who, in his turn, should be able to take up the matter with the officer concerned in the Department.

64. Similarly, on the personal staff of a Joint Chief Controller/Deputy Chief in the regional offices should be a P.R.O. of the rank of a Controller/Assistant Controller, who should function in the manner indicated above.

(v) Organisational changes

65. Apart from the Chief Controller of Imports and Exports, New Delhi, there are ten regional licensing authorities. An idea of the work load of each licensing authority can be had from the statement reproduced at Appendix F.

66. We would suggest the following changes in the interest of speedy disposal of work :—

- (a) It will be observed that the regional office in New Kandla, headed by an Assistant Controller received only 32 applications for import licences and 106 for export licences in October 1960—March 1961 licensing period. We would have suggested the abolition of this office; but in view of the proposed 'free trade zone' in Kandla, the present office may continue for the time being. Rajkot, too, dealt with only 831 import applications and 1,787 export applications during October 1960—March 1961 period. We feel that this office could be usefully shifted

to Ahmedabad, which is a rapidly growing centre; and it should be put under a Deputy Chief Controller. This arrangement would, incidentally, relieve pressure on the office of the Joint Chief Controller, Bombay, which carries the heaviest load.

- (b) It will also be a help if a regional office, under a Deputy Chief Controller, is set up in Kanpur, which is an important centre of industry. Its jurisdiction should be over the whole of the State of Uttar Pradesh. This arrangement will relieve pressure on the Central Licensing Area which serves, at the moment, rather a large area.
- (c) A sub-office, under an Assistant Controller of Imports and Exports could also be opened at Srinagar, with jurisdiction over the State of Jammu & Kashmir. We suggest a separate office in Kashmir, because of transit difficulties between Delhi and Kashmir, specially in winter.
- (d) It has also been represented to us that a Sub-Office, under an officer of the rank of an Assistant Controller, may be set up in Bangalore with jurisdiction over the State of Mysore. We endorse this suggestion.

67. We trust the aforesaid organizational readjustments would considerably ease the pressure on the various units of the Import Control Organisation and result in a greater measure of efficiency.

(vi) Miscellaneous Problems

(a) *Establishment Importers versus Actual Users*

68. The role of the Established Importers *versus* the Actual Users in the import licensing system has been debated at every centre we visited. On the one hand, it has been claimed that the Established Importers, by reason of their intimate knowledge of the market, oversea contacts and experience, and service organisation in their specialized line of business, should be allowed to play their part. It is also contended that, particularly in the realm of components and replacement equipment, the role of Established Importers should be enlarged and their services more fully utilized, because they would be in the best position to make the most judicious distribution of the slender foreign exchange resources available to service the needs of the economy. Licensing of components through Actual Users, they say, is likely to lead to over-utilization of foreign exchange resources.

69. The Actual Users dispute the assertions of the Established Importers. The Established Importers, they argue, do not have the experience they claim, specially in the new lines of business which are the order of the day; nor do they possess the requisite after-sales service which they proclaim; they profiteer and so on. . . .

70. We have considered the relative merits of the two sides of the case. With the march of events, with the severe import restrictions that have come about during the course of the last quinquennium, the Established Importers have already ceased to enjoy a commanding position in the licensing system (*vide* Appendix H). On the whole, the present licensing system seems to serve the needs of the situation. *Status quo* may remain, the more so because the small Actual User has necessarily to secure his import requirements from the Established Importers. We trust a healthy relationship

between the Actual Users and the Established Importers would soon be developed by the logic of events. There are certain industries which have, within their ambit, a large number of units in operation. The requirements of raw materials, and even of components, in respect of many units may be common. It would be advantageous in such cases to canalize the import through the Established Importers. This would obviate needless stocking of components etc. over a large number of consumers and prevent undue locking up of foreign exchange. In such cases the established importers may have a more liberal allocation.

(b) *Small value licences*

71. The severe import restrictions that have come about in recent years, have slashed the quota entitlements of a large body of importers to insignificant amounts. Although Government have prescribed that the minimum value of a quota licence would be at least Rs. 500, it has been represented to us that the over-seas suppliers make substantial mark-ups over these petty transactions. The cost of packing, freight, insurance and handling, too, tends to get inflated; and, in the aggregate, there is some waste of foreign exchange.

72. For our part, we would prefer to discourage all 'uneconomic' imports. But we do recognise that the abolition of the present system of 'small value' licences may mean displacement of a disproportionately large number of established importers and the present policy of granting 'small value' licences may have to continue. We, however, propose that, like the Actual Users, the Established Importers, too, should have the facility to effect their imports through agents on the basis of 'Letters of Authority'—which may be freely given—so that the 'small value' licences could be clubbed together, and wasteful expenditure of foreign exchange prevented.

(c) *Ad Hoc Licensing*

73. The trade has some misgivings about the present system of *ad hoc* licensing, as it fears that it may lead to an element of discrimination. On the other hand, it has been urged that there has to be a measure of discretion in the hands of the licensing authority, so as to provide for exceptional and unforeseen cases.

74. Having regard to both points of view, we feel that *ad hoc* licensing, as such, should be discouraged. We would suggest that an exhaustive policy should be framed in respect of all items hitherto licensed on *ad hoc* basis, by making a review of all such cases over the past two years, and case laws evolved. There should be, basically, no *ad hoc* licensing, except in cases of emergency, or where the necessity of the import of any particular item could not be foreseen or a formal policy could not, for any reason, be evolved.

(d) *I.T.C. and I.C.T. classifications*

75. Difficulties have been experienced by the trade in clearance of goods through the Customs on account of the difference in the Import Trade Control and the Indian Customs Tariff classification. Such difficulties arise particularly in the case of items which are not specially classified in the I.T.C. and/or the I.C.T. schedule, the more so because the two authorities interpret the classification of stores from their respective stand points, viz., the import control angle and the revenue angle.

76. Several suggestions in this behalf have been made, viz., that the I.T.C. and I.C.T. schedules should be integrated; that Customs classification of each item in the I.T.C. schedule should be shown against it; that an exhaustive book containing I.T.C. classification of goods and the corresponding I.C.T. numbers should be brought out; that, in fact, the S.I.T.C. (Standard International Trade Classification) should be adopted both for I.T.C. and I.C.T. purposes and a closer liaison should be established between the Customs and I.T.C. authorities.

77. Under the current procedure, an importer, in the event of difficulty in clearance of goods against an import licence, can approach the Import Control authorities for a clarification. Normally, the interpretation of the I.T.C. authorities is said to be accepted by the Customs authorities. But if a difference of opinion arises, the matter is referred to the Standing Committee at the ports, consisting of a representative of the Customs and the I.T.C. organisations. The Committee meets regularly every week, and we have been informed that most of the cases are generally resolved. In cases of disagreement—these are reported to be relatively few—the matter is referred to the Standing Committee at Headquarters, which is presided over by the Joint Chief Controller incharge of import policy, and has on it a representative of the Development Wing and the Central Board of Revenue. The decisions taken by this Committee are final and binding on both the I.T.C. and the Customs authorities.

78. According to the I.T.C. and the Customs authorities, difficulties complained of mainly arise from the fact that the trade tries to put its own interpretation and seeks to clear items not covered by the import licences. They have pointed out that, for a variety of reasons which need not be repeated here, a common I.T.C. and I.C.T. schedule would not be practicable; nor would it solve the kind of difficulties referred to above.

79. We are inclined to accept this view. We also feel that the institutional arrangements referred to above are in order. But we got the feeling that the trade was not quite aware of the facilities offered by the aforesaid Standing Committee. This should be duly publicised.

80. We also understood from the Chief Controller of Imports that the I.T.C. authorities are planning to adopt, in the near future, the S.I.T.C., which is far more detailed and is in international usage. If the Customs authorities, too, adopt the same, it might solve many of the classification difficulties. We would also suggest that the description of goods in the import licences should be as detailed as possible. If even so, there is sometimes a difference of opinion between the I.T.C. authorities and the Customs, the interpretation of the licence given by the I.T.C. authorities should prevail for purposes of clearance; the Customs authorities being free to levy such import duty as they, in their judgement, deem appropriate. A formal understanding to this effect should be reached between the two authorities.

(c) Appeals, Investigation and Legal Cell

81. Under the present procedure, if an applicant for an import licence is aggrieved with the decision of a licensing officer, he can prefer an appeal to the head of the licensing office concerned. An appeal against the decision of the head of the licensing office lies with the Headquarters where it is considered in an independent Appeals Division. The regional licensing offices have no such separate Appeal sections, with the result that appeals

made to the head of a licensing office are examined, and put up to him, by the same officers who dealt with the original applications. Human beings are likely to be partial to their own decisions; and the present arrangement does not allow of an independent review at the 'first Appeal' stage. We would, therefore, suggest that there should be a separate 'Appeals Section' at each of the regional offices* so that the first Appeals could be considered more formally and dispassionately.

82. It has also been represented to us that in many cases involving investigation by the Special Police Establishment, the issue of import licences has remained suspended for several years. This has caused hardship. We suggest that it should be impressed on the Special Police Establishment that normally, their investigations in respect of Import Control cases should be completed within twelve months. Where, however, an investigation cannot be completed so soon, the ban on the issue of import licences should be removed after the expiry of two (half-yearly) licensing periods. This would mean that import licences in such cases would remain suspended for two licensing periods, and a final decision on the type and quantum of punishment would be taken in the light of the results of the investigation. This proposal would necessitate an amendment of the Import Control Order and the terms of the letter to be issued to the party, removing the ban on the issue of import licences.

83. We understand that there are at present over one hundred writ petitions against the Chief Controller in respect of 'Appeal and Investigation' cases. These petitions will throw up many intricate legal issues; and for a proper defence of these cases it would be necessary to have ready at hand all the rulings of the various judicial authorities so far given on Import Control matters. We consider that it is highly necessary that the C.C.I.'s office should scan the 'Law Reporters' for the past several years and prepare a compendium of all the judgements so far delivered, duly indexed and annotated in consultation with the Ministry of Law. The compendium should serve as a permanent source of reference. A separate small 'Legal Cell' should be constituted to undertake an early compilation of the compendium and to attend to the defence of the numerous writ petitions pending against the C.C.I.

*We are referring to only such regional offices as are under a Deputy Chief/Joint Chief Controller. Appeals against Junior licensing offices should lie with the head of the licensing office under whose jurisdiction they come.

CHAPTER IV

EXPORT PROMOTION

(i) Intricacies of the task

1. The task of doubling the country's exports and raising them to Rs. 1,300-1,400 crores per annum, by the end of the Fourth Plan, would be a very formidable one for any country. Such a rate of expansion has been achieved, no doubt, by countries like Germany, Japan, Yugoslavia and Israel; but conditions in these countries have been fundamentally different. These countries are well supplied with capital and technical know-how and in close proximity to affluent societies, with highly organized and profitable markets. India has not been so fortunately situated and her path is beset with difficulties—internal and external. In the first place, nearly one half of India's exports still consist of three staple items—Tea, Cotton textiles and Jute manufactures—which are subject, on the one hand, to severe fiscal and quantitative restrictions abroad and, on the other, to growing competition from the 'old and the new' countries as well as from emerging substitutes. Indian mineral ores, too, have to face fierce rivalry in the international market. Thus, all in all, the export demand for our traditional items is by no means buoyant. And when it is realized that the export volume of non-industrialized countries (other than those exporting petroleum) has increased in the last three decades by only about 25 per cent*, the task looks one of extreme complexity, requiring perhaps a basic change in the construction of India's export trade.

2. The world, too, is divided into economic groups or blocs—*e.g.*, the European Economic Community and the economic consortium of Eastern Europe. And there may yet be more economic groups. What repercussions these 'economic communities' will have on the future course of Indian trade, no one can say with certainty. It is, however, plain that India will have to make much more than ordinary efforts to boost her export business. The whole nation will have to crusade for the export markets—not only in traditional lines but along the entire front of exportable products. In fact, the country may have to develop industries with an export-orientation—ones in which she may enjoy a relatively high comparative advantage. It will also be necessary to probe into new markets which, for a variety of reasons, have remained unexplored.

3. On the home front, too, the difficulties are equally great. The large market at home, instead of stimulating exports through increased production and consequent economies of scale, has sometimes the opposite effect. As development proceeds, and the general standard of living improves, internal demand, pent up for so long, also grows steadily and steeply. The domestic market, ready at hand, offers more attractive, quick and easy returns, and claims a larger share of the country's output. In these circumstances the incentives to efficiency become relatively weak. This is the more so because the current import and exchange restrictions provide a sheltered market to the domestic product, free from the edge of external competition—in many cases, even internal competition. And, if we were to disregard historical times, for the moment, it could be said that

*Vide Ragner Nurske—*Patterns of Trade and Development*, p. 34.

the country had no great export tradition. Nor has one been developed so far—much less have we developed the necessary export apparatus. To this day, considerable part of India's overseas trade—specially her exports—goes *via* the *entrepot* countries; and only a fraction of what goes direct is manned by Indian merchants. Indian merchants are still conspicuous by their absence in international markets; and in a country like Germany, prosperous and full of export possibilities, there are no more than a couple of Indians in established business.

(a) *Lacunae in promotional effort*

4. So far the country has touched only a fringe of the export problem. An important lacuna in the export effort is that whereas targets of a high order have been, theoretically, drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the plans and projects of development in the private and in the public sector and to lay the foundation of a big trade.

5. There is no clear picture as to what items, specially non-traditional items, would be available at a given time for export; how they would be available and in what quantities; and by what measures and means, and where, would these quantities be outletted.

6. This deficiency is beginning to be repaired, though slowly, by tying up, in many cases, new industrial undertakings coming up for industrial Establishment or Capital Goods licences, to an export performance. But even these arrangements—at the moment no more than mere promises to export—remain to be tightened up. 'Promises' to export are sometimes lightly given by applicants seeking industrial/import licences; or they may be accepted without detailed scrutiny of the real export potential and prospects of the projects in question or the applicants' programme in this behalf. In a serious matter of this kind any casual acceptance of illusory export prospects at their face value is likely to lead to difficulties.

7. We would, therefore, suggest that special attention should be paid to this problem and the 'promises' of export should be properly appraised in each case. In the case of new industries, production would have to be firmly established, and quality and price assured, before exports can be expected to materialize. Depending upon the *real* prospects and potentialities, adequate safeguards will have to be taken and appropriate guarantees obtained from the parties concerned to ensure exports; failure to export would need to be suitably penalized. On the other hand, where a party fails to discharge its export obligations for valid reasons, its difficulties should be gone into. It should be the responsibility of a special section—to be created in the Directorate of Export Promotion—to maintain a running register of the export performance of the assisted industries to watch their progress and to ensure that the export obligations are duly respected.

8. It is true that some of the Departments of Government and the Development/Export Promotion Councils are engaged in the task of finding ways of augmenting the country's exports. We, however, feel that a more detailed and organised study must be made both industry-wise and commodity-wise of the items that could be or should be released for export and the extent to which this could be done.

9. Whether these studies are undertaken by government or the specialized agencies like the various Development and Export Promotion Coun-

cils, the Commodity Boards, or Economic Research Institutes is a matter of mechanics. What is important, from our point of view, is that these studies should be undertaken urgently, and actually reflected in the export plans which should be an annual feature of the economy.

(b) *Export climate*

10. The high task of export promotion as envisaged in the Plans will demand the willing and enthusiastic effort of the whole nation. It will be impossible of achievement, unless the requisite export climate is created, which should embrace every sector of the economy—the peasant and the proprietor, the merchant and the manufacturer, large and small, the private and the public sector, the various departments of Government at the Centre as well as the State Governments. The State Governments do not always seem to be alive to the primacy of export promotion; and some of their policies, particularly, in the fiscal field, have hindered the even flow of exports. We have not the space to expatiate on this theme; but several instances have come to our notice where the State Governments have resisted remission of fiscal levies and prevented inter-State movement of raw materials entering into products destined for export markets, purely from their provincial stand-point, unmindful—or at least unconscious—of the effect of their policies on the export drive.

11. The nation cannot afford to function compartmentally. There will have to be a radical change in the export outlook and every section of the economy will have to make a conscious and concerted effort to carry forward the export programme with a sense of earnestness and urgency.

12. Equally important it is that the Government should carry the business community with it in its effort to make a break-through in the world market. There has to be an intimate and willing link between government's leadership of the economy and the mercantile community. They have to go hand in hand to pursue a common policy and programme of export promotion. In this arrangement an increasing number of manufacturers and merchants will have to play their part in the export market. In the final analysis the promotion of our trade depends upon the efficiency of our merchants and manufacturers. It is the business community, with its power over the tools of production, and its network of distribution, that would have to shoulder the main burden of responsibility of augmenting the country's export trade.

13. On the other hand, Government will have to recognise that while the mercantile community may be entrusted to make a tenacious effort to promote exports, it cannot be expected to be guided purely by altruistic and patriotic motives and will expect to receive, for its efforts in the export market, a return which stands in a reasonable relation with the profits on domestic sales. It would, therefore, be for Government to compensate the trade for its export effort through selective concessions, fiscal reliefs and other incentives to make the export business worthwhile.

(c) *Revitalization of Administrative Machinery*

14. For undertaking a task of the magnitude and importance outlined above, it will be necessary to have a co-ordinating machinery, sufficiently powerful to be able to cut through the tangles of conflicting inter-departmental interests, re-orient the thinking of the State Governments and reconcile their stand-points with the national objectives of export promotion.

It should be capable of taking quick decisions on the day to day issues and of translating them into practical terms. Such an organisation is lacking in the present system; and unless one is established, both at the decision and at the implementation level, no plans of export promotion, however grandiose, will be of any avail.

15. The problem of securing surpluses for exports, through an integrated programme of development, is so urgent and so important that it cannot be left to the unaided efforts of private enterprise. It is a matter of supreme national concern—one in which the State must take a direct hand.

16. It is understood that Government is proposing to strengthen the organisation for export promotion. We strongly support such a move. We trust it will be adequately staffed and headed by an officer of sufficiently high status so that the organization may be able to pull its weight with other departments of Government; create an export environment through publicity and propaganda at home and abroad; secure recognition in the mind of the nation of the vital need for an all round, substantial, expansion in India's exports—else the country must stagnate; and make export promotion a profitable and yet respectable and patriotic avocation.

17. Within the Directorate of Export Promotion should be built a separate 'policy cell'; and it should function much in the same way as does the 'Import Policy Cell' under the Chief Controller of Imports and Exports. It should be made responsible for framing the export policy for specific items. It should endeavour to discover new methods and measures of export promotion, and constantly review the aids and incentives given in other countries with the object of examining how far they can be adopted with advantage in India.

18. In the following pages we shall deal with the specific measures which would need to be introduced to stimulate a drive for export promotion.

(ii) Aids and incentives

19. There have been already elements of incentive in the country's export promotion policy and practice in the last few years. But we consider that these have been only moderate and, indeed, often ineffective. A mere change in procedure would not be sufficient to provide the large stimulus which is now necessary to augment the total volume of our exports to the desired level, whether in the field of traditional goods or in the much more difficult arena of establishing new markets in countries of which Indian manufacturers/exporters know so little. It is, therefore, absolutely necessary that it should be recognised that India will have to embark on a much more adventurous policy of aids and incentives to augment her export trade.

(a) *Increased allocation of Raw Materials*

20. One of the main difficulties facing our export-oriented industries is the inadequacy of raw materials, resulting in a degree of unutilised capacity and high production costs. We are aware that there can be several other factors responsible for unutilised capacity such as shortage of coal, power and transport, labour unrest, inadequate demand, inefficient operation, the teething troubles of a new enterprise. But it seems to us that a substantial

part of the unused capacity is by far and large a reflex of shortages of imported raw materials, components and replacements.

21. The Planning Commission itself is inclined to believe that its exchange allocations for the sinews of industry are likely to be an underesfimate*. A notable authority, Sir Donald Mac Dougall, has observed in this connection that "... a further Rs. 100 crores per annum could usefully be imported to meet industry's requirements, given the present level of demand for industrial goods and that this might increase industrial production by perhaps 15-20 per cent, or by several times the value of the increase in imports†." Conceptually, we are in agreement with this assessment and approach; and we feel that the figure of Rs. 100 crores per annum suggested by Sir Donald may well be proceeded upon as the first basis for a substantially new attempt to break the bottleneck of raw materials.

22. We are convinced that over a section of the economy, the fringe benefits flowing from increased production/additional exports may far outweigh the increased expenditure on the marginal imports required for a fuller utilisation of the unused industrial capacity or intensification of Agriculture.

23. Expansion of production, industrial and agricultural, is a matter of paramount importance to the growth of the economy and rests at the very foundation of export promotion. We are inclined to think that if an immediate improvement is to be secured in the level of our exports, it is highly important that the existing export-oriented industries should be assured prompt and adequate supplies of essential raw materials. Equally necessary it is that these raw materials become available to our exporters at international prices so that they do not suffer from a price disadvantage in relation to their competitors abroad. We have had several instances given to us in evidence to the effect that many Indian industries have been unable to tender abroad in respect of their manufactured products because of difficulties in obtaining raw materials costing but a fraction of the total value of the finished product at real international prices. On balance India would stand to gain by under-writing in full the foreign exchange required for manufacturing goods for export. The production costs would thus be reduced; and it may well be that much of the differential that exists in some industries can be overcome merely by this provision.

24. A search will have to be made to find a foreign exchange allocation for these additional imports. We are not unmindful of the fact that the foreign exchange resources so far secured, and proposed to be secured, in terms of the Third Five Year Plan, are already so stretched that any substantial *inter se* readjustment between competing claims may not be easy of achievement. If internal reallocation of foreign exchange does not allow of any significant importation of marginally needed raw materials, stores and replacement equipment, the case studies could be put to the friendly countries; and perhaps, on this plane, it may be possible to secure further assistance to put the Indian economy in an even keel.

(b) Import-Export Stabilisation Fund

25. It may also be possible to finance the import of these additional raw materials through the media of a revolving fund which may be specially created for the purposes. We understand that a foreign bank has already

* Vide Third Five Year Plan, p. 110.

† Sir Donald Mac Dougall—India's Balance of Payments April 1961, pp. 2.

made a move of this kind, in a limited way. An advance in foreign exchange is made by the bank for the import of raw materials; the finished products are earmarked for exports, secured through the assistance of the bank. We are much attracted by this idea and should seek greatly to augment this type of facility.

26. We are inclined to believe that groups of international banks may be agreeable to provide credits for import of raw materials to be used by approved exporters, who can be relied upon to fulfil undertakings on exports. In some cases, the exporters would be assisted by agreements with foreign collaborators who, for a variety of reasons, may prefer to serve their export markets from the Indian base.

27. It would be imperative to ensure that the foreign exchange so lent would be translated into export earnings to form the basis of what may be termed as the 'Import-Export Stabilisation Fund' which could be used to enhance the import of raw materials for the export industry. In a word, the arrangement would imply the matching of additional 'import credits' with export performance so as to augment both sides of the equation and to improve India's balance of payments in the process.

28. It will be necessary to have an agency which will have all the authority of the Government to ensure high priority to these activities, but will also carry the conviction abroad that the funds made available for this purpose would not be diverted to domestic production.

29. We are not quite certain whether the appropriate agency would be an independent Corporation, with high officials of the Ministries of Commerce and Industry and Finance, the financing houses concerned and some leading industrialists and exporters represented on it, or whether it might be a separate department of Government with necessary powers. In our judgement, the example of the I.C.I.C.I. which is functioning effectively for the limited purpose of combining foreign exchange and rupee resources for industrial development, might serve as a useful guide. A corporation of a similar character, designed to marry import-export needs, might be a more convenient method of delegation and work, than a Government Department.

30. We suggest that such a body—which should enjoy complete autonomy—may be set up as soon as possible under the caption of 'Export Stabilisation Board'. It should have control over the export earnings, so that it can service its obligations and insure itself against default. It must also possess statutory authority to negotiate credits, in any part of the world under a guarantee of the Government of India, for the import of raw materials to be translated into export earnings. These earnings would be available for repayment of credits, but would normally constitute the core of a revolving fund which would expand itself in time. After a point, when the revolving fund has attained the desired level, any surplus foreign exchange that may accrue would revert to Government.

31. For a provisional figure designed to increase India's exports by say Rs. 100 crores per annum—assuming, for the sake of convenience, the cost of imported raw materials and components to be half this sum—it might be necessary to place at the disposal of the 'imp-exporters' an additional sum of possibly Rs. 25 to Rs. 30 crores as a revolving fund to finance the requisite imports and to supplement them by indigenous stores, wherever possible, at prices corresponding to the competitive world standards.

32. Perhaps the Corporation could start with an equity capital of, say, Rs. 10 crores and might conceivably supplement its resources through loans, debentures, deposits and other suitable means.

33. We also understand that certain American firms have shown interest in financing the import of raw materials and components required for our export-oriented industries, against rupee payments. The rupees so earned will be used by them for buying Indian commodities for their home market. Such arrangements—affording a line of 'untied' credit for the import of raw materials—need to be encouraged if, on merits, the terms offered by them are mutually beneficial.

(c) *Income-tax relief*

34. One of the most powerful incentives for export promotion would be remission of income-tax on export earnings. Such a relief has been given by way of 'exporters' compensation' in some of the most advanced countries like Germany, France, Japan with considerable success. We would suggest that India might do something similar. Our initial idea was to confine the grant of income-tax remissions only to earnings from additional exports. But on further reflection it seemed to us that this may not be a step in the right direction, for—unless effective measures are taken to buttress our exports—their present level cannot be taken for granted. A review of the trends of our export trade (Appendix D), and specially the performance* of our principal export items during the past few years, would fully justify this statement. Also, fact must not be lost sight of that a great deal of effort, expenditure—and even an element of sacrifice—goes into maintaining India's exports at the present pitch. Our export products, not always highly competitive, are susceptible to several adverse factors. What is more, the ready market at home tends to inhibit the export effort; and as it becomes more attractive with the expansion of the economy, the urge to keep up the current level of exports may weaken, and exports might slide back.

35. We also came to the conclusion that unless the remission of tax on additional export earnings was linked with the rebates on the normal, basic exports, the system would fail, with serious loss of revenue to Government.

36. Having regard to all aspects of the case we would suggest a three-fold system of income-tax remission *viz.*:—

- (A) a tax remission on profits on 'basic' exports;
- (B) a tax rebate to enable the exporter to build an 'Export Development Reserve, and
- (C) a special tax remission on 'additional' exports.

37. With regard to (A), our idea is that every exporter should be given a tax remission of say $7\frac{1}{2}\%$ on his 'deemed' profits on his 'basic' export turnover.

| | <i>Rupees in Lakhs</i> | | | |
|---------------------------|------------------------|---------|---------|---------|
| | 1957-58 | 1958-59 | 1959-60 | 1960-61 |
| Tea | 1,13,65 | 1,29,69 | 1,29,04 | 1,23,59 |
| Cotton Textiles | 67,76 | 56,70 | 75,14 | 66,86 |
| Jute Manufactures | 1,11,16 | 1,01,82 | 1,09,87 | 1,35,15 |

Source: Basic Statistics relating to Indian Economy, Planning Commission, (December, 1961), page 44.

The system might work as follows. First, the 'basic' exports of every exporter would be fixed, and on this basis a certificate of 'export performance' in lieu thereof would be issued to him by the Chief Controller of Exports. By 'basic' exports we mean the exports effected by an exporter say in the financial year 1960-61, which may be termed as the 'basic year'. The exports effected by an exporter in this year will be termed as 'basic exports'. The basic exports can be determined by reference to the exporter's shipping documents and foreign exchange returns. It may be mentioned here that the customs authorities publish a 'daily' list of exports, giving full information in regard to the name of the exporter, the name of the commodity exported, its quantity and value. These lists, however, are commodity-wise. It should not be difficult to reledgerize these lists firm-wise, and thus build a master register of the export performance of every single exporter. The 'basic exports' claimed by an exporter for the purpose of tax remission would be verified by reference to the master register; and a certificate of 'export performance' issued on security paper to every exporter, in the same way as are issued the 'Quota Certificates' to the importers.

38. The 'basic exports' of an exporter would be fixed once and for all as on the import side, unless, for any reason, the Government decide to change the basic year itself; and it would not be necessary to go through the same drill again and again. On the basis of the certificate of 'basic export performance', the exporter will be entitled to claim the remission of income-tax.

39. It is important for the success of this measure that the method of calculation of the tax rebate should be simple. It should not be necessary to be meticulous as to what exactly is the income on the exporter's 'basic exports'. A tax remission based on a calculation of the 'actual earnings' by reference to the exporter's books of account, with its resultant delays, might lead to acrimony between the exporter and the income-tax department, and may frustrate the export effort. We would, therefore, suggest that the simpler course of relating the tax rebate to the exporter's turnover (internal and external) should be followed. The system can best be explained by an illustration:—

40. Supposing the turnover of an exporter in 1960-61 (*i.e.* the basic year) is Rs. 1 crore, comprising: (a) a domestic turnover of Rs. 75 lakhs and (b) an export performance of Rs. 25 lakhs; his profit on the entire turnover is Rs. 16 lakhs. Then, under our formula his profit on his exports (which are $\frac{1}{4}$ th of the total turnover should be deemed to be Rs. 4 lakhs (*i.e.* $\frac{1}{4}$ th of the total profit of Rs. 16 lakhs). And on this his profit would be taxed as follows:

- | | |
|--|--|
| (i) Rs. 12 lakhs profits on domestic turnover. | Taxable at the normal rate of 'X'. |
| (ii) Rs. 4 lakhs profits on exports | Being entitled to a rebate of $7\frac{1}{2}\%$; therefore, taxable at the rate of $92\frac{1}{2}\%$ of 'X'. |

41. The exporter would be entitled to this remission on his basic exports every year, unless his exports fall below the basic norm, as reflected in his exchange returns, in which case his tax remission would be correspondingly reduced. In the event of his exports exceeding his basic performance, he would be entitled to a special rebate on his 'additional' export earnings (*vide* para 43 page 31).

(B) Our second proposal is that just as for the purpose of development of industry, there is, at present, a 'development rebate' equivalent to 20% of the cost of all new plant and machinery and 40% of the cost of ships*, so should there be a tax remission of, say, 5% on profits on exports for the purpose of allowing the exporter to build an 'export development reserve'. The task of export promotion is no less difficult than that of industrial development and requires a great deal of investment and expenditure. All interest and income accruing on this reserve should also be income-tax free. The Development Reserve should be usable for the development of exports, for publicity, propaganda or such other measures, including subsidization of exports, as could reasonably be expected to promote the party's exports. In order to ensure that the fund is utilized for export promotion measures, and not merely allowed to accumulate as a new device of escaping the income tax, perhaps a condition could be prescribed that at least 20% of the funded amount would be spent annually on legitimate measures of export promotion, failing which the amount equivalent to the aforesaid 20% would be deemed to be as additional profit for the year in question and subjected to the normal taxes.

42. The above two measures would, no doubt, result in a loss of revenue to the exchequer; but, then, they would help to make India's exports more competitive; keep the exporters' interest alive and bring in the much needed foreign exchange.

(C) Even more important would it be to relate the remission of income tax to earnings on 'additional' exports—*i.e.* exports over and above the 'basic' norm, so that Government may not only lose no revenue on account of the tax rebate, but should, in fact, co-share in the increased income, accruing from the new export effort. The idea is that the more an exporter exports, the greater should be his reward, so that he may find it to his advantage to devote more and more of his energies to the development of his export market.

43. In its rudimentary form, our proposal is that an exporter may be given an income-tax remission of say 10% on his deemed income from additional exports. In this case, too, the simpler course of relating the tax rebate to the exporter's turnover (internal and external) as in our first two proposals should be followed. The system can best be explained by a few illustrations:—

Illustration I.—Supposing the annual turnover of an exporter is Rs. 1 crore; his exports are nil; his profit is, say, Rs. 15 lakhs, taxable at the normal rate of income-tax. Now he enters the export markets; his exports, as reflected by his export documents and foreign exchange returns, are Rs. 50 lakhs. Assuming that the domestic sales remain unchanged, the total turnover becomes Rs. 1.5 crores. Let us take the total profits on the entire turnover to be Rs. 21 lakhs. Then under our proposal the profit on his exports (export turnover being one-third of the total turnover) should be deemed to be Rs. 7 lakhs (*i.e.* one third of his total profits of Rs. 21 lakhs)—the remaining Rs. 14 lakhs being reckoned as his profit on domestic sales. And so, in terms of our suggestions, he would be taxed as follows:—

| | |
|--|---------------------------------|
| Profit of Rs. 14 lakhs accruing on domestic sales. | Taxable at the normal rate 'X'. |
|--|---------------------------------|

*Vide Finance Minister's Budget speech 1961-62.

Deemed profit of Rs. 7 lakhs accruing on exports. Entitled to a rebate of 10%, therefore, taxable at the rate of 90% of 'X'

Illustration II.—Let us vary the illustration. Supposing the party's original turnover in the basic year 1960-61 was Rs. 1 crore, comprising: (a) domestic sales of Rs. 75 lakhs; and (b) basic exports of Rs. 25 lakhs. His profit is Rs. 15 lakhs. Now he launches an export drive, and raises his exports by Rs. 50 lakhs. Thus the total turnover becomes Rs. 1.5 crores. The profit now is say Rs. 30 lakhs. As the additional exports correspond to $\frac{1}{3}$ rd of the total turnover, the profit on them should be deemed to be Rs. 10 lakhs (i.e. $\frac{1}{3}$ rd of the total profit of Rs. 30 lakhs). The remaining profit of Rs. 20 lakhs would be deemed to have accrued on the original turnover of Rs. 1 crore (i.e. Rs. 75 lakhs by domestic sales + Rs. 25 lakhs by exports). As the basic exports (i.e. Rs. 25 lakhs) in the original turnover were of the order of $\frac{1}{4}$ th of the total turnover of Rs. 1 crore, the profit on them should be assumed to be Rs. 5 lakhs (i.e. $\frac{1}{4}$ th of the aforesaid profit of Rs. 20 lakhs on the original turnover). The balance of Rs. 15 lakhs may be reckoned to be the profit on domestic sales.

Now, whereas under the current rules an exporter would be paying an income-tax on the entire profit of Rs. 30 lakhs at the normal rate, under our proposal, he will have to pay:—

- (i) a tax on Rs. 15 lakhs in lieu of his profit on domestic sales at the normal rate 'X';
- (ii) being entitled to a remission of $7\frac{1}{4}$ % on his basic exports (*vide* para 37 above), the tax on his profit of Rs. 5 lakhs on the basic exports would be at the rate of $92\frac{1}{4}$ % of 'X'; and
- (iii) the tax on the remaining profits of Rs. 10 lakhs, deemed to have accrued on his 'additional' exports, would be subject to a remission of 10% i.e. 90% of 'X'.

Illustration III.—There may yet be a case in which an exporter may make an over-all loss on account of his export drive. We hope that such cases will not be many; but it is conceivable, that an exporter may well spend a good deal of money on his initial arrangements to make his debut and incurs a loss in the hope of reaping future benefits. Let us suppose that his original turnover in the basic year 1960-61 was Rs. 1 crore as in the Illustration II (i.e. Rs. 75 lakhs domestic turnover plus Rs. 25 lakhs in basic exports); his profit is Rs. 15 lakhs. Now he goes out into the export market in a big way and effects an additional export performance of say Rs. 50 lakhs. The total turnover now becomes Rs. 1.5 crores. (In other words the additional exports correspond to $\frac{1}{3}$ rd of the total turnover). Let us say the exporter now makes an over all loss of Rs. 6 lakhs. In such an event the loss on account of the additional exports should be deemed to be $\frac{1}{3}$ rd of the total—i.e. Rs. 2 lakhs; the balance of Rs. 4 lakhs being deemed to be the loss on his original turnover.

Now, whereas under the current rules the exporter would be able to carry over only Rs. 6 lakhs towards his loss account for the next year, under our

proposal, he would be entitled to carry Rs. 6 lakhs plus Rs. 27,500 (*i.e.* in all Rs. 6,27,500) as follows:—

- (i) deemed loss on original turnover Rs. 4 lakhs;
- (ii) deemed loss on Additional exports Rs. 2 lakhs;
- (iii) the rebate of Rs. 7,500 on basic exports *i.e.* $7\frac{1}{2}$ % of Rs. 1 lakh (corresponding to $\frac{1}{4}$ th of the loss of Rs. 4 lakhs on the original turnover, basic exports being $\frac{1}{4}$ th of the same);
- (iv) a remission of Rs. 20,000 on additional exports (*i.e.* 10% of Rs. 2 lakhs).

44. We trust the above illustrations will make the application of the proposal clear. What is sought is a system by which exporters would have a constant urge to sustain a vigorous export drive.

45. Now, it may well be argued that a system of tax remission based on additional exports would be exposed to the danger of collusion between exporters and thereby open to gross abuse. (For instant two exporters might well conspire that one would increase the exports made under his name to claim tax remission on grounds of additional exports, the other would reduce it, and share the gain from tax remission under the table).

46. We agree that there is a possibility of some abuse, as explained in the parenthesis in the para above. But we should like to point out that in the system proposed by us the exporters would not have any special gain in diverting their exports to others for the simple reason that the gain of 10% remission secured by the Exporter 'A' through a dubious 'additionality' (*i.e.* additional exports not actually made but acquired by transfer from another exporter 'B') would perhaps be more than offset by a corresponding reduction of remission to 'B' on his basic exports and the loss of rebate for his 'Export Development Reserve'. It is possible that collusion between exporters may take place to secure the benefit of varying values of remission on different slabs of income; but such benefits are likely to be so marginal that the possibility of collusion would seem to be only theoretical and could be conveniently ignored in the larger interests of export promotion, the more so because the exporters transferring their basic exports to others are likely to suffer in other ways by losing their entitlement to raw materials and other concessions proposed in this report.

(d) *Currency Retention*

47. Another instrument of export promotion would be the system of 'currency retention'. This system has been tried in several countries like Germany, France, Japan and Pakistan with some success.

48. The purpose of currency retention is primarily two fold:—

- (i) to enable the exporter to use a part of the foreign exchange earned by him for importing raw materials and equipment needed for the development of his own industry, with a measure of latitude; and
- (ii) to enable the exporter to import such items as he can sell profitably within the country, so that he may be able to subsidize his exports, or compensate himself against the 'losses'—or reduced profits—he makes on his exports.

49. Currency retention generally takes the form of an approved percentage of the exporter's total exchange earnings. In France, Germany and Japan, the 'retained' currency could be used by the exporter not indiscriminately but subject to well defined regulations. Pakistan launched on a somewhat bolder scheme. Under this scheme, the exporters earn bonus licences to the extent of 40% of their earnings (except for jute and cotton manufactures where only 20% is allowed). These bonus licences are freely transferable and can, indeed, be sold by auction to the highest bidder. Formerly, the recipient, could import anything of his choice; but now some restrictions have been prescribed.

(c) Enlargement of the scope of Export Promotion Scheme

50. In our opinion it is, however, not necessary to let the Indian exporters have a free hold on any percentage of their export earnings. Instead the scope of the present 'Export Promotion Schemes' should be widened to cover all exports. The exporter's choice to import should not be limited to one or two items as is the case at present. Indeed, the import licences issued to exporters/manufacturers under this arrangement should be permitted to be used for any raw materials, components or equipment which the exporter/manufacturer may care to import for the manufacture of the 'export-product' (except such items as have been specifically banned by public notice or notified in the licence. Normally, imports would be restricted to Part I, II, III and V of the Red Book, and banned items and consumer goods listed in Part IV of the Red Book will not be allowed to be imported. If the imported commodities are not required for a particular industry, they may be allowed to be sold to a sister industry. The aforesaid concession may be open to manufacturers as well as to exporters, though the entitlement of the exporters or the manufacturers who do not intend to use the stores themselves may be two-thirds of the manufacturer-exporter.

51. We feel that the proposed facility to import the requirements of export-oriented industries—almost free from the trammels of a rigid import control system—would make it possible for our exporters/manufacturers to reduce their costs and compete successfully in the export market.

(f) Freight concessions

52. Indian Railways have already done a great deal to assist the development of exports, by offering substantial freight rebates on specified commodities. We, however, feel that there is further scope for enlargement of railway concessions. As Indian commodities are facing intense competition—and as our oversea salesmanship is still weak—we feel that it will be a help to our export effort, if the railways give a general rebate of, say, 25% on all goods put on board. We are aware that there may be commodities where the freight concessions required may be even larger, as indeed was the case in some of our mineral ores, where the Ministry of Railways have already agreed to a more liberal remission. We suggest that if a commodity requires a rebate beyond 25%, a case would have to be separately made out. Export traffic is only a fraction of the total traffic carried by the Railways, and so the proposed concession will not weigh heavily on the railways. On the other hand, it would help very appreciably the export effort.

(g) Specific assistance to selected commodities

53. We have largely confined our attention to major issues of policy and procedure, and it has not been possible for us to deal with individual export

commodities. However, in the task of export promotion, the difficulties confronting our export commodities will have to be tackled and specific assistance provided to facilitate their flow. For instance, we noticed in the case of Tea, which is our foremost foreign exchange earner, that its full requirements of fertilizer were not being met on account of shortage of foreign exchange; and, besides, fertilizers were not being made available to the Tea industry at the price at which they are supplied to the agriculturists. We, however, understand that this matter has been attended to.

54. As the Indian Tea industry has a good record—and will face growing competition from East Africa and other emerging suppliers—we feel that it should be assisted in every way.

55. Curiously enough, the export of tea is still controlled, when supplies are plentiful and the country is anxious to develop its exports. We suggest that the export of tea should be decontrolled as soon as possible.

56. In the case of Coffee, again, we understood that the export supplies were somewhat irregular, as the export quotas depend upon the crop conditions. Fluctuating supplies can be a big hurdle to expansion of exports; and we would suggest that the possibility of stabilising the export quotas through the creation of a 'buffer stock' should be examined. It would also help the export drive if a larger proportion of 'Plantation Coffee', which yields a better price abroad, is earmarked for exports.

57. We were glad to note that the exports of our marine products have made good progress in recent years. It was, however, reported to us that the cost of tin containers is very high and corresponds to over 50% of the cost of the finished product. We also had the feeling that the refrigeration and quality control arrangements of this industry need to be improved. As the industry offers promising prospects, we suggest that all its difficulties should be looked into more minutely.

(iv) Removal of Disincentives

(a) Drawback of Import and Excise duties

58. Import duties on raw materials and excise duties entering into the cost of articles destined for exports tend to inflate f.o.b. costs and thus inhibit the growth of exports. Government has, therefore, devised schemes of drawback of these duties, with a view to removing these disincentives.

59. It has been strongly represented to us by several Chambers and Associations that the procedure for securing drawbacks is still cumbersome and dilatory. The current rule is that drawback will be applicable only to those materials on which import duty has been actually paid. The essence of this condition is presumably to establish identity between the duty paid imported raw materials and the exported products to the satisfaction of the customs authorities. The Shipping Bill for the exported product has thus to be related to the Bill of Entry for a particular consignment on which the duty has been paid. Furthermore, the Sea Customs Act provides that drawback should, in no circumstances, be more than the extent of the customs duty paid.

60. It has been argued that, in the first place, the imported raw materials etc. very often lose their identity during the process of manufacture. Secondly, imported materials are used in conjunction with indigenous materials as in the case of art silk fabrics, plastic goods, paints etc. The process of identifying

the quality and quantity of duty-paid raw materials etc., and working out the exact value of the imported raw material content in the exported product, is naturally a laborious and time consuming process. It is said to take some six months and more, and leaves the exporter in doubt and suspense as to whether he would be able to get the drawback at all; and, therefore, undecided as to the price which he may quote to the foreign buyer. The present procedure also makes the cost-accounting of dutiable stores extremely difficult for the exporter.

61. It is understandable that while working out the drawback of import and excise duties, the official concerned is primarily guided by the motive of preventing loss of Government revenue; and it is not his function to mind the export aspect of the case.

62. Our proposal is that the method of administering drawbacks should be simple both for the authorities as well as for the recipient. It should not be necessary to correlate it meticulously with the actual dutiable value of the raw material content of a particular exported commodity.

62. Our idea is that the incidence of duty on typical representatives of commodities eligible for drawbacks should be worked out in consultation with the industry concerned. On the basis of such a study a tariff of drawbacks should be worked out. Any exporter claiming a drawback would have merely to produce evidence of having exported the particular commodity in requisite quantum and value and having received the right amount in foreign exchange. No reference to his books of account would be necessary; and there would be no need to argue over the exact value of the imported raw material content in the exported commodity. We understand that already in respect of certain items, such a course is being followed; but we would suggest that the scope of the scheme should be widened so as to cover all or, at least, the more important items of export.

(b) *Remission of Sales Tax*

63. One of the burdens on the cost of export items is the sales tax. At present the last sale*, constituting the actual transaction between Indian exporters and foreign importers is exempt, within the meaning of Article 286 of the Constitution, from the payment of sales tax. However, it is not easy to get the remission of sales tax in many cases, as the expression "in the course of export" in the Central Sales Tax Act is rather ambiguous. Besides, sales tax falls at more than one point. There is also an inter-State sales tax; and these inflate the export costs in varying degrees.

64. But the difficulty is that sales tax is a State subject; and its rate varies from State to State. So the question arises : at what point to give the rebate and at what rate ? Also, as sales tax is one of the most important sources

*It has been reported to us that the definition of the expression "in the course of export" in the Central Sales-tax Act is so worded as to exclude Sales which are really intended wholly and definitely for export. For instance, if a manufacturer sells to the agent of a foreign dealer and the delivery is given in India with the express and avowed object of removing the goods beyond the Customs frontier, sales-tax is levied on the ground that delivery was given in India. This conception of "sale in the course of export" is believed to be much narrower than that adopted, for instance, by the Supreme Court of the United States in a number of cases. The present definition has caused some hardship; and it is suggested that a liberal view should be taken of the expression "in the course of export and import"; and the Central Sales-tax Act should be suitably amended.

of revenue to the State Governments, they have been extremely averse to parting with any ingredient of it. Indeed, Assam levies an export tax on Tea, whereas West Bengal levies an entry tax.

65. It has to be recognized that most countries give a full rebate of sales tax on exported goods, and if Indian exporters are denied such a relief, our goods will be at a disadvantage in the export market. It is but meet that the State Governments in India, too, play their part.

66. In order to cut through the various tangles of the vexed question which has been debated for nearly a decade, we would suggest that :

- (a) the Central Government assume the responsibility for the remission of sales tax entering into export costs. They may either recover the due amount from the State Governments, or make such financial readjustments with the State Governments, as they deem appropriate;
- (b) again, there should be a simple and uniform method of giving the remission. We do not know exactly what the average incidence of sales tax on export costs is. But assuming that it is of the order of 2% on the average, a uniform rebate of 2% could be generally given.

67. For the sake of convenience of exporters, we would also suggest that the drawback of import duties, the Excise and the Sales Tax should all be given at one central point most convenient to the exporter—*e.g.* the Collector of Customs.

(V) Other Measures

(a) *Participation in International Fairs*

68. Normally, Indian participation in International Fairs is at Government level, and Indian merchants, conversant with the intricacies of their business and competent to sell and look after the 'follow up' problems, are conspicuous by their absence. Essentially, the Indian pavilions have been in the nature of grand 'exhibitions'; and except perhaps in East European countries where all buying is canalized through State agencies—little business has flowed from our participation in these fairs.

69. The fairs in Europe, U.S.A. and elsewhere are forums of big business. They attract the world's foremost suppliers and biggest buyers; and at the more important fairs—like the Hanover, Leipzig, Frankfurt, Milan and Chicago fairs—business worth millions of Dollars is transacted. In such a framework, the kind of 'exhibition' which the Indian pavilions generally represent, without adequate arrangement for sale, does not really fit in; the earnest buyers who travel from all over the world in search of merchandise get a bit disappointed and necessarily make their deals elsewhere.

70. We feel that India's policy in this regard needs to be re-orientated. Whereas the Indian pavilions may continue to be under the official umbrella, each booth inside the pavilion should be manned by the representative(s) of the appropriate Indian exporting interest(s), capable of transacting business, of offering the requisite commercial intelligence, of building up a permanent flow of business through the creation of a network of agencies and trade representations. The world has travelled somewhat beyond the stage of

exhibitions'; and we are of the view that India need hardly participate in an international fair if an adequate number of the right type of Indian exporters/merchants/producers do not come forward to partake of the advantage.

71. We do recognize that Indian business interests, particularly the small and medium groups, may find the task of deputing their representatives to distant fairs too expensive or venturesome. There is, however, little doubt that Indian enterprise would come forward if they could get adequate encouragement and assistance to cover a part of their risk.

72. Government can assist the Indian producers/exporters/suppliers willing to participate in Indian fairs by bearing (i) the rent of pavilion, incidental expenses, and the cost of management, publicity, freight of exhibits to and from the destination; and (ii) a part of the cost of travel of the Indian participants. Indeed, the expenditure on item (i) is already borne by Government and it is only item (ii) i.e. a part of the travelling costs which is not yet defrayed by Government. This kind of assistance would, in our view, constitute a substantial help and inducement to the Indian interests to go out to these Fairs and, at the same time, be an earnest of Government's desire to encourage the real exporters to develop overseas markets.

73. It may be emphasized that subsidization of merchants participating in distant oversea fairs is not a new practice. This is done even in a highly developed country like Germany. Here is an authoritative opinion from Prof. Erhard*, the Federal Minister for Economic Affairs and the architect of German recovery. "The Federal Ministry of Economics has given active, including financial, aid to Germans taking part in foreign fairs and exhibitions, as well as to those promoting German export fairs. Attempts to leave these problems to the unaided help of industry failed as early as 1948-49; Federal subsidies were first granted in 1950. The grant of these moneys is justified by the fact that industry is bound to run a certain risk without being able immediately to obtain tangible rewards."

74. Another way in which Government could encourage the Indian merchants to participate in International Fairs and to explore distant markets is by releasing to them adequate foreign exchange, which nowadays is so difficult to get.

75. A great deal of attention will have to be paid to judicious selection of the commodities displayed at the Fairs, in the light of their availability in India and the import regulations and trading patterns at the Fair end. It has been represented to us that on several occasions items have been exhibited the import of which is banned in the host country; and, on the other hand, commodities which have a fair chance of success have been omitted or not prominently displayed.

76. We are convinced that an effective, purposeful participation in international Fairs can yield fruitful results. But there will have to be a better liaison with the exporting community. The best way perhaps would be to entrust the entire work of participation in international Fairs to an independent body located in a city like Bombay or Calcutta. It might consist of some nominees of Government, but should largely represent the chief exporting interests, and be presided over by a distinguished member of the mercantile community, somewhat as follows:—

(i) The representatives of all the Export Promotion Councils;

*Vide Prof. Ludwing Erhard—Germany's comeback in the World Market, p. 24

- (ii) Representatives of the All-India Handicrafts Board, the All-India Handloom Board, the Tea Board and the Coffee Board;
- (iii) The Director of Export Promotion and the Director of Exhibitions; and
- (iv) Three representatives of trade.

77. If this suggestion is accepted, Government would no doubt re-organize the 'Directorate of Exhibitions' which would, in future, have to deal only with the general questions of policy at the Centre, and perhaps redesignate it as 'The Directorate of Fairs'.

78. We understand that Government's allocation for participation in international fairs for 1961-62 is of the order of Rs. 26,50,000. This is no mean sum and it could be turned over with advantage to the aforesaid Body, with the avowed object of devising the most practical measures of making Indian participation a real success. To make the assurance of the co-operation of the mercantile community double sure, this body could perhaps endeavour to raise from trade, by enrolment of 'constituents', a matching sum or such sum as may be possible. The underlying idea of this approach is that participation in international fairs is primarily the function of the mercantile community. They are in the best position to judge what to send abroad for display and how to promote business; and it is they who should be charged with the responsibility of making Indian participation in international fairs a success; whereas Government would share partly in the risk of enterprise and offer such other assistance as can best be secured through official channels.

(b) Liaison with Indian Merchants abroad

79. There are hundreds of Indian merchants already plying a flourishing business in most parts of the world. There seems to be little contact of Government with these pioneers of trade.

80. They have been abroad for generations; they know the market conditions; they are enlightened and patriotic. But they are somewhat out of touch with Government or its policies. We suggest that their good offices should be harnessed in the service of the nation. They have their Associations in Bombay and elsewhere. It will be an advantage if they are called in conference, and the country's economic problems put to them squarely.

81. The British Board of Trade and the German *Wirtschafts Ministerium*, for instance, remain in the closest contact with their merchants abroad; and so do their Embassies and Consulates and Trade Missions. It is through the business houses at home and abroad that they gather their 'commercial intelligence' and relay the sales opportunities in oversea markets, to the general trade.

82. We feel that the Directorate of Export Promotion would do well to be in regular consultation with the Association of our oversea merchants; and our Embassies and Consulates should be enjoined to make a vigorous effort to establish a close liaison with the Indian merchants residing within the beat of their activity.

(c) Role of Chambers of Commerce

83. The Chambers of Commerce in India are now nearly a century old. Over this period they have built up certain traditions; but they have yet to play their full part in the export drive.

84. Some of the Chambers of Commerce and Industry have come to acquire a great deal of information on many subjects of interest to exporters, and can, in our view, play an effective role in the domain of export promotion. They can perform the liaison function between the trading community and the Government; they can ventilate the trade's point of view, on the one hand, and keep governmental authorities abreast of the happenings abroad, on the other; they can serve as an effective agency for the dissemination of market information vital to the trading community.

85. A large number of trade Associations in England have permanent representatives stationed in their more important export markets. Indeed, the Federation of British Industries maintains representatives in as many as 90 countries at considerable expense. Thus these trade Associations supplement the activities of their country's foreign missions in the commercial sphere.

86. It would be beyond our pale to charter out any course of activity for the Chambers of Commerce in India; but we should like to emphasise that these bodies must, on their own, and with the active assistance of Government, interest themselves in probing the international market with a view to studying oversea needs in the light of Indian possibilities. More specially, they should undertake market researches and cost studies and take such other measures as would give a fillip to the country's export activities.

87. No doubt, collective action cannot be a substitute for the initiative of the individual exporter in the field of salesmanship, quality, price, terms of payment, delivery and after-sales service; but we do think the chambers can lend powerful support to the individual's initiative and enterprise. Altogether, it seems to us that the Chambers of Commerce and Associations of Trade could pursue a more dynamic policy to serve the country's foreign trade.

(d) *Tourism*

88. India can be a Tourist's paradise. Unfortunately, tourism is not a well developed industry in this country. It can be a valuable source of foreign exchange—and, what is more important, of abundant knowledge and goodwill. Its effect on the indigenous industry, particularly in the small scale sector, and on the growth of national income should not be lightly regarded.

89. We understood from the Director-General of Tourism that in his estimate the country had lost something like Rs. 2.5 crores in foreign exchange during 1961 on account of shortage of convenient accommodation and lack of adequate travel facilities. A number of tourists had to over-fly the country, or curtail their stay, because of these two deficiencies.

90. We feel that the economic possibilities of tourism should be more objectively assessed; and measures should be devised to obviate the difficulties which discourage potential tourists.

91. In countries like France and U.K., tourists get a special discount of 20-25% on their purchases, if payment is made by them in foreign currency or in traveller's cheques. We suggest that such a possibility should be explored in India as well. It has been reported to us that the facilities for accepting traveller's cheques in the country are strictly limited. These ought to be substantially augmented. For instance, at a place like the Begumpet air port in Hyderabad, there is no arrangement for cashing a traveller's cheque, and travellers from Ceylon etc. cannot use any exchange.

92. The attitude of the Customs officials, too, is not always conducive to tourist promotion; and it should be impressed on everyone that the tourists should be shown all due courtesy and consideration.

93. It may also be pointed out that travellers coming from abroad are made to wait in the queue on board the ship just before disembarking at Bombay, Madras or Calcutta to get clearance of their visas, emigration papers etc. We suggest that, in future, the Emigration and the Customs officials should invariably board the ship along with the pilot the moment the ship anchors in mid-stream as, indeed, was done in the past; and all formalities should be completed before the boat touches the pier, and the tourists allowed to disembark straightaway. Liquor permits, too, should be given to them on Board.

94. There should also be a sizeable shopping centre at each air port to attract the custom of transit passengers.

CHAPTER V

RUPEE PAYMENT ARRANGEMENTS, STATE TRADING ETC.

(a) Rupee payment arrangements

1. With a number of countries India has made, in recent years, what goes by the name of rupee payment agreements.

2. Public opinion in regard to the merit and utility of these agreements has been somewhat divided. On the debit side, it has been stated that, qualitywise, the prices of goods imported from the 'rupee payment' countries are somewhat high; that the supplies are irregular; that the suppliers from these countries do not have any aftersales service, nor any proper arrangements for supply of replacement parts; that imports on rupee account tantamount merely to postponement of the foreign exchange liability, for the time being, and do not yield, in the long run, a net saving of foreign exchange; that some of the rupee payment countries over-buy in the Indian market, in order to liquidate their surplus rupees. They unload some of the supplies at a discount in India's traditional markets, presumably to earn foreign exchange, but, nevertheless, to the detriment of Indian interests; that there is really no net increase in the quantum of Indian exports and the apparent increase of exports to these countries is no more than a mere diversion of traffic to non-traditional markets.

3. On the credit side, it has been contended that with the entry of Britain into the E.E.C. and consequent loss of Commonwealth preferences, and the special relationship of the European Economic Community with its new—and likely—Associates, our exports are likely to suffer, and it is only by seeking an outlet to new markets like the 'rupee payment' countries that India can sustain her export trade which is vital to the growth of her economy. It has also been observed that the rupee payment arrangements are a help in tiding over the immediate foreign exchange difficulty; and, in this sense, they serve as a line of credit for the time being; they open up an outlet for Indian products and offer a new source of supply for goods essentially required for the development of the economy; that the complaint in regard to quality and price of stores coming from the rupee payment countries is somewhat exaggerated, for, in the first place, a comparison in matters of this kind, is not always easy; and, in any event, Indian importers may well be expected to take care of their own interests in this behalf. It has also been suggested that if exports to these countries had not been developed; it would have been difficult to maintain the present level of our overall trade; and that the evidence regarding alleged diversion of Indian goods to India's traditional markets at low prices is inadequate and does not warrant a wholesale charge of mal-practice.

4. We have given considerable thought to the two sides of the case. There is probably an element of truth in the reports that the rupee payment countries have purchased items of our traditional exports like Cashew and Tobacco. Tea and Textiles (both cotton and jute) sometimes in excess of their own requirements and have perhaps, on occasions, sold these products outside their domestic market at a discount, to the embarrassment of Indian exporters. But the evidence before us has not been conclusive enough to warrant a firm

conclusion. We, however, understand that already there is a clause in the Trade Agreements with the rupee payment countries that goods exported from India would be used by them for home consumption. This should be reaffirmed at the highest level.

5. On the whole, there is no doubt that India's trade, both import and export, with these countries has developed rapidly (*vide* Appendix I). Exports to East European countries, for instance, have risen from the low figure of Rs. 4.36 crores in 1953 to Rs. 49.03 crores in 1960. Imports from these countries, too, have increased from Rs. 8.4 crores to Rs. 43.50 crores in 1961 (January-September); and the trade was more or less in balance.

6. With the other rupee payment countries, too, our exports have increased sizeably from Rs. 24.05 crores in 1955 to Rs. 37.37 crores in 1960; though the course of imports from these countries has been somewhat uneven.

7. It would seem that even if there has been an element of diversion of certain exports, the rupee payment countries have offered in the net a worth while outlet as well as a new source of supply for essential goods at a time when foreign exchange has been particularly scarce. It is equally evident that the machinery which has been effective in this case is capable of wider application elsewhere.

8. However, fullest care should be taken to ensure that imports from these countries are limited to such goods as are essentially required for the economy; and there should be no easing of import restrictions merely because the goods are coming under a rupee arrangement.

9. We have been unable to judge of the degree of 'price mark up' coming from the rupee sources. As price of equipment is an important factor in the general cost structure, it is imperative that Government and the mercantile community should have the necessary price data, to the extent possible. We would, therefore, recommend that a study unit be instituted in the Ministry of Commerce and Industry which should constantly enquire, review and compare the prices of products imported from the rupee sources as well as other centres of supply. We attach great importance to the collection of this data, and feel that it could be a veritable source of exchange-saving.

10. As the guiding principle of the rupee arrangement is "automatic balancing of trade" over a period of time, it should be seen to what extent imports from these countries can be augmented, consistently with our essential development needs in order to relieve pressure on the country's foreign exchange resources. At the same time efforts should be made to foster Indian exports to these countries so that the 'balance' of trade could be maintained at a progressively higher level.

11. There is, however, one point to which we should like to draw special attention. A review of the pattern of our export trade with these countries, when made with reference to the provisions of our trade agreements with them, would suggest that some of these countries are not lifting the quantities prescribed in the Agreements. We feel that the situation would be remedied if all the contracts with the rupee payment countries were registered, so that the flow of our trade could be adequately studied and, if necessary, rearranged. We strongly recommend the registration of all export contracts.

(b) Role of S.T.C.

12. Most countries, whatever their political complexion, have found it necessary to resort to state trading, in one form or another to solve some of

their economic problems. Even countries with a pronounced bias in favour of private enterprise like the U.S.A., France, Canada, Great Britain and Italy have used this method in certain situations.

13. The State Trading Corporation (S.T.C.) in India was established in 1956; and in this short time it has come to play a significant role in the country's foreign trade. The total volume of trade handled by it already exceeds Rs. 60 crores per annum. Despite this there is a great deal of criticism of its activities. It has been complained that although the S.T.C. was originally projected for the purpose of handling trade with East European countries, it has entered other fields and thereby encroached upon the activities of private enterprise; that whereas it was set up as a private company, subject to all the usual legal and fiscal prescriptions, it enjoys special exemptions and privileges and is, indeed, an unnecessary and expensive 'intermediary' between buyers and sellers; that it has failed to diversify the country's exports or to arrange for imports to the best advantage whether in terms of time or price; that contrary to its earlier assurances, it has injected new elements into the trade to the exclusion of the established channels.

14. We have carefully analysed the programme of the corporation's work over the past few years. It seems to us that much of the criticism against the S.T.C. stems from a misconception of its role and functions which do not seem to have been fully explained or appreciated. The principal activities of the S.T.C., so far as we can judge, seem to be directed to achieve a few important objectives viz:—

- (i) to assist the trade in dealing with the State trading organisations in Eastern Europe;
- (ii) to ensure that supplies of certain commodities are made available in proper quality and at competitive prices;
- (iii) to assist in the settlement of trade disputes;
- (iv) to undertake imports and exports of commodities like mineral ores and cement which permit of bulk handling;
- (v) to deal in scarce and speculative items, with a view to rationalising distribution and to ensure distribution of these commodities at fair prices;
- (vi) to accelerate exports by linking them with imports;
- (vii) to organise production to meet export demand, and help production units catering for export orders to overcome difficulties in respect of raw material and other essential requirements; and
- (viii) to ensure implementation of special agreements and trade plans with the State Trading countries and see that they proceed on a 'balanced basis'.

15. The S.T.C. has been created as an additional organ of trade to give effect to some of the economic policies of Government. It also assists individual Indian traders in their negotiations with powerful State trading organisations or 'monopolies' which bargain from a position of strength, being in complete control of supply and demand. In certain cases, it has had to undertake extra-curricular functions such as financing the building of roads in the mining areas to facilitate the export of ores. It also renders certain services to Actual Users free of charge.

16. Tasks such as these could only be undertaken by an organisation like the S.T.C. Considering that, consistently with its objectives, the S.T.C. has also to be a self-financing organisation, its role and functions need to be viewed in their correct perspective.

17. We do not think that the Corporation's role was intended to be confined to trade merely with the State trading countries, although, in the very nature of things, trading with State Organisations would have to remain its principal activity. There is, on the whole, a field in which the S.T.C. can co-exist with private enterprise.

18. On the other hand, there is perhaps some justification in the criticism that the Corporation has not quite succeeded in arranging timely imports; in ensuring satisfactory procurement arrangements from the point of view of price and quality; in holding the price line. It may, however, be stated that the S.T.C. has generally to act under the directives of Government. We feel that if Government were to issue its directives to the S.T.C., after planning forward its import and export programme, and if the services of trade were utilized more fully, with proper safeguards against profiteering and mal-practices, many of the complaints against the S.T.C. would disappear. In the matter of distribution, too, the S.T.C. could, perhaps, make a greater use of the Chambers and Associations of trade and notify the ceiling prices fixed by it, for the information of the public. Clearly, there is need for the S.T.C. improving its public relations which seem to have been somewhat neglected.

19. Reference has already been made to India's trade with 'Rupee payment' countries. As trade is rapidly developing with these countries, and a stable pattern has yet to emerge, we consider that it is necessary that all export contracts with these countries should be registered with the S.T.C., so that the implementation of the 'trade plans' could be watched and it could be ensured that they remain in better balance.

20. It is also important that the trade plans with the 'rupee payment' countries should be published so that the interested public may be able to keep abreast of the import—export arrangements with these countries.

(c) Barter Trade

21. Generally, trade is opposed to barter trading. But in the conditions prevailing in the world today, Barter often becomes a necessary method of exchanging products and augmenting trade. Therefore, there need be no wholesale condemnation of the system, if additionality of trade, and a fair, price return, could be asured. We have had some significant cases in which barter arrangements with the West have resulted in exports which have promptly disappeared when the barter arrangements have ceased. One such instance is the case of Ferro-Alloy industry which is currently unable to export and needs the incentive of some unusual arrangement such as the one which enabled it to sell abroad, even though it was a new and 'high-cost industry'.

CHAPTER VI

MISCELLANEOUS MATTERS

(a) Compulsory Exports

It has been suggested that one of the ways of elevating Indian exports is to make them compulsory. We have given earnest consideration to this intricate question, and have come to the conclusion that it will not be in the best interests to make exports compulsory by Statute. In the first place, every producer is not necessarily in a position to export; nor is every commodity fit for export. But even if the approach were selective, we are afraid, a statutory compulsion might drive exporters into the tight corner of making 'distress sales', oversea buyers might strike hard bargains; and export earnings might be depressed. A system of compulsory exports might also generate a feeling of resentment and resistance in the mercantile community; and the very purpose of export promotion might be frustrated.

2. Instead of taking in hand the lash of compulsion, the better course perhaps would be to undertake a campaign of public education to restrain consumption and to awaken the mercantile community to their responsibility to shoulder the burden of export promotion. Perhaps the leaders of industry and trade could be induced to levy a small voluntary cess on the product for domestic consumption. The proceeds of the cess could be utilised for subsidizing exports as has, indeed, been done by the Bicycle industry. They have, by common consent, levied a cess of about Re. 1 per cycle over its entire production of a million cycles, and utilized the amount towards promoting the sale of cycles abroad. We are convinced that a similar policy is capable of much wider application and may well be followed by other industries.

3. We earnestly hope that the business community will appreciate the great urgency of elevating the exports of the country and the need for earning more foreign exchange from abroad.

(b) Quality Control

4. Complaints are often received about the quality of goods exported by Indian merchants to oversea buyers. It is also alleged that sometimes goods are short-shipped by them.

5. We understand from the Director-General of Commercial Intelligence that complaints against Indian exporters have been considerably reduced in recent years; but even so they are enough to be taken note of.

6. The question is : should there be a compulsory quality control and pre-shipment inspection ?

7. By and large, the trade is opposed to any measure of compulsion in this behalf. They state, *inter alia*, that specifications of the various buyers the world over vary so much that imposition of any rigid Indian standards would be of no avail. In any event, they say, the 'Agmark' and 'ISI' seals are not acceptable to many foreign buyers as standards of the quality they require. It is also argued that competition in the world market is so keen that it is unthinkable that Indian exporters would not, in their own interest, take care of the quality of their goods.

8. It is absolutely necessary that there should be no cause for complaint against the quality or short-shipment of Indian goods. On balance, we consider that the problem cannot be resolved by a compulsory quality control or pre-shipment inspection. In our view, there would be no point in imposing Indian Standards on the foreign importer. What is necessary to ensure is that the goods exported are in accordance with the specifications prescribed in the export contract.

9. We attach very great importance to the reputation of Indian merchants and it must be recognised that if Government intervention in this behalf is to be avoided, the Associations of trade must organise their own inspectorate to effect quality control and pre-shipment inspection. They must impose upon themselves a code of self-discipline. India is on its way to be an exporting nation; and unless Indian businessmen inspire confidence in their dealings in the minds of their oversea buyers allefforts, all measures of export promotion would fail. Offenders could be put on the black list which should mean their debarment from receiving any incentives or consideration proposed in this respect.

(c) Directory of Exporters

10. In Industrially advanced countries Directories of Exporter's serve as an important organ of export promotion. They contain a mine of information, and from the descriptions given therein one can make a fair assessment of the probity, standing and range of activity of an exporter. On the other hand, the Indian 'Directory of Exporters' published by the Director-General of Commercial Intelligence & Statistics, Calcutta, leaves much to be desired. We should like to emphasize that the preparation of the 'Directory' is a specialised job; and it would be well worth seeking the assistance of an expert under the T.C.M. or the 'German Technical Assistance' programme in this behalf.

(d) Export Risk Guarantees

11. The question of providing larger credit facilities to Indian exporters has already been considered by a 'Study Group' constituted by the Ministry of Commerce and Industry. However, it has come to our notice that the Export Risk Insurance Corporation (ERIC) can cover risks only up to a period of 3 years;* whereas a great many of India's customers, specially in the neighbouring countries, being faced with similar foreign exchange difficulties as ourselves require longer credits.

12. The Berne Convention, generally followed by the Export Risks Corporations of Western Europe, provides for a cover of export risks up to a period of five years. We suggest that ERIC should follow a similar course.

13. We also understand that ERIC can, at the moment, cover a risk up to only Rs. 3 crores. We are inclined to believe that with the development of our Heavy Engineering and Machine Building industries, India would progressively become an exporter of Capital Goods and Equipment, and her 'Construction Industries' are likely to play an increasingly important part in the future as earners of foreign exchange. This would be the more so if we were to encourage the setting of 'Consultation Bureaux', in collaboration with foreign enterprises, so that India may be able to supply consultative service over a large technical field. If this comes about, as is likely to be the case,

*Vide Resolution No. EP/56 (ii), dated the 25th March 1957.

ERIC would be called upon to guarantee export risks of much larger dimensions, and the present limitations on ERIC may stand in the way of big export drive. We would therefore, suggest that the scope of the ERIC should be enlarged. Alternatively, the export risks beyond ERIC's present prescribed limits could be either guaranteed by Government or re-insured with an organisation like the Refinance Corporation. It may also be beneficial to enlarge the management of the ERIC so as to harness the experience and support of the business community.

(c) **Staff of C.C.I. & E.**

14. As the fortunes of trade depend so much on prompt action, it is apt to become impatient of any delays on the part of the Import Control Organisation, and complaints in this behalf have been voiced at every centre we visited.

15. We were left with the general impression that one of the causes of delay was the shortage of staff. It has been pointed out to us that whereas the workload of the Chief Controller of Imports and Exports has increased sizeably during the past few years (*vide* Appendix F), the strength of his staff has remained practically constant—despite the fact that whereas in the past the bulk of the work pertained to 'quota licensing', which is more or less a mechanical operation, it now relates largely to the licensing of the Actual Users' requirements and of capital goods, which requires a great deal more examination and reflection.

16. We understand that the S.R.U. (Special Reorganisation Unit) has recently reviewed the staff position of C.C.I. & E., and have allowed of practically no increase*, presumably for reasons of economy. A more realistic view of the staff requirements of the C.C.I. & E. should be taken so that the organization may be able to function more effectively and proficiently.

17. We have suggested† certain measures, on the procedural side which, we hope, will somewhat ease the burden of the C.C.I. & E's office. But, on the other hand, it will have to prepare and issue 'certificates of basic export performance' to exporters preferring claims for remission of income-tax which we have proposed**. Their number would be considerable. We trust due regard will be paid to this aspect of C.C.I. & E's work, when sanctioning his staff.

18. We also got the feeling that the C.C.I. & E. is not adequately equipped to meet any sudden onrush of work emanating from any particular cause, such as the signing of a new trade agreement which may tend to trigger off a series of new problems in the initial stages. The C.C.I. & E. should have some kind of a cushion to be able to copewith situations of this kind, without getting dislocated. The best course perhaps would be to place at his disposal a small 'squad', under a Controller, which may be used to bulldoze any pendencies or arrears in whatever section they may be.

Application fees

19. If necessary, the application fees for import licences should be revised to meet the extra expenditure on the additional staff. The fees were last

*Incidentally, we notice that the handbook of Import Control Rules and Regulations has been published after a period of five years, the last one having been issued in 1956. The reason advanced is that the C.C.I. & E. was so short staffed that it could not bring out this important publication more frequently. This should be an annual feature.

† Vide p. 18 et seq.

**Vide p. 49, para 37.

revised in 1954. The cost of administration has since considerably gone up; and so have the profit margins in import business. The trade should not mind a small increase in the scale of fees, provided, it could be assured of prompt disposal of their cases. A suggestion in this behalf has been made in Appendix S.

Breath of Fresh Air

20. One more fact which militates against efficiency is the present lack of mobility of the C.C.I. & E's staff. They are, we understand, mainly recruited through the U.P.S.C. A small number of officers is also taken at the headquarters on deputation from the Central Secretariat Service. The officers of the organisation can be transferred from Headquarters to the Ports and *vice versa*; but they are not transferable to any other Department/Organisation of Government. Thus they gain no experience even of the departments dealing with other aspects of foreign trade; and the system leads to inbreeding and stagnation and creates problems of vigilance.

21. We are afraid that a similar situation is likely to arise in the Directorate of Export Promotion which is now being strengthened, if, from its very inception, a system of 'inter-change' or 'delegation' is not conceived.

22. As trade will assume ever growing importance, and its concomitant problems would become more complex, we feel it will be an advantage for the C.C.I. & E. and the Directorate-General of Export Promotion to have a common cadre so that the members of the staff would acquire more varied experience and introduce a breath of fresh air in the organisation.

23. As the Customs Houses are also dealing with similar problems, from another angle, an interchange of officers between the Import and Export Control, the Directorate of Export Promotion and the C.B.R. would be mutually beneficial. It could be a simple system of delegation for a tenure, on a reciprocal basis, so that the *inter se* seniority of officers in the various organisations would not be affected, and, at the same time, they would acquire a more integrated experience.

(f) Indian Trade Representatives abroad

24. In the coming years the task of trade and economic promotion is going to be vitally important to the course of our economic development. A great part of the time and energies of our Trade Commissioners/representatives would need to be devoted to trade promotion activities. It would be their business to keep abreast of economic developments, to watch for sales opportunities for Indian goods in the area of their operation. They must be conversant with the local Governments' policies and programmes as well as with the fiscal, monetary and trade regulations—indeed with all matters—affecting Indian interests. They will need to be in close contact with the local business community to be able to introduce Indian exporters and travelling businessmen to suitable contacts, and build a network of distribution for Indian commodities. They would be required to offer expert assessment of market-trends; to comment upon the credentials, standing and influence of prospective buyers and agents, and to locate sources of supply for machinery and raw materials as well as collaborators for Indian enterprises. It should also be their function to help resolve any difficulties which might arise between Indian and local merchants and to mediate between the two sides without taking a partisan line. Equally well should they be able to participate in any trade negotiations, keep a watch upon their operation and create conditions in which Indian trade can thrive.

25. In short, the Trade Representatives have to be at once the eyes and the ears of the business community. This is by no means an amateur's job. It requires specialized knowledge and practical training in commercial and economic work, which many of the Indian trade representatives abroad do not possess. Often they do not have even the aptitude for this type of work. On the whole, the evidence produced before us would suggest that the Indian business community, is none too enamoured of the performance of our accredited trade representatives abroad.

26. Our Trade Representations abroad need to be vastly strengthened both in numbers and in the quality of personnel. We agree that economic and political matters are so interwoven and conditioned by international factors that there has to be an integrated approach to them. But this cannot be at the cost of 'specialization' in the commercial field. A serious effort at increasing our foreign trade will require a somewhat different approach to the recruitment of our 'commercial' personnel; and we feel that the present 'close-door' policy of letting only the members of the Foreign Service man the trade desks abroad will not be in the best interests. It is our considered view that a greater measure of flexibility should be introduced in the staffing arrangements. The Ministry of Commerce and Industry have the primary responsibility for the maintenance and promotion of trade; and, naturally, they should have a major voice in the selection of officers for the commercial and even consular posts.

27. We also feel that all Consulates and Consulates-General should function primarily as trade promotion centres. Visa, passport and other allied questions should take a secondary place, and in selecting personnel for these posts due consideration should be given to qualifications, experience and aptitude in commercial and economic matters.

28. India would do well to follow the British model under which the 'trade posts' are manned partly by the Foreign Service personnel and partly by representatives of the Board of Trade. A pool of officers could be drawn from the Ministries of External Affairs and the Ministry of Commerce and Industry, including its attached offices like the Office of the Chief Controller of Imports and Exports and the Directorate of Export Promotion and to some degree from the open market. It would be a system of secondment of handpicked officers of the two Ministries to the pool who would devote the better part of their life and energy to the promotion of economic matters overseas. At approved intervals they would be brought back to the Headquarters for short spells of two to three years to acquaint themselves with the developments at home and at the same time to bring to bear upon the policies and practices of the Ministries the lessons of their oversea experience.

29. The officers of the Ministry of Commerce and Industry would, not, normally, be posted or promoted to the chancery; whereas the foreign service personnel of the pool would have occasional turns of 'political' assignments, so that they would not get out of touch with the line of their primary profession, and be entitled to rise as heads of 'posts' or 'missions' in course of time. But, overall, the emphasis in the career of such officers would be on the commercial and economic aspects. In a word, they would be a class of 'commercially-oriented' officers of the Foreign Service.

30. The officers of the pool should have a common cadre of *inter se* seniority so that they could aspire to legitimate promotion in their own turn

as Counsellors, Ministers, Consul-Generals or as Senior Trade Commissioners.

31. The advantage of the proposed pool would lie in its flexibility, and in its capacity to offer a relatively large base of staff from which to draw 'over-sea' officers for commercial posts. It would facilitate cross-fertilization of ideas between the home and oversea elements, and yield more fruitful results.

32. We would also suggest that normally the tenure of a 'commercial officer' abroad should be five years instead of the present three. The success of a trade representative depends a great deal on the knowledge of local conditions, rules, regulations and the statutes as well as on good acquaintance with the local personalities. Therefore, the rate of their transfer needs to be slowed down a bit in the larger interests of national work.

33. We are also convinced that our oversea officers on the commercial and economic side, need a great deal more grounding in their specialized field; and arrangements should be made to acquaint them more fully with the economic and monetary trends in the country; with import control and exchange regulations, with measures of export promotion and all matters having a bearing upon their work. Before they leave for their posts it should be ensured that they go well equipped to their task.

CONCLUSIONS AND RECOMMENDATIONS

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

CHAPTER I

PREAMBLE

CHAPTER II

THE PROBLEM

The Third Five Year Plan

The Third Plan starts with a legacy of valuable past experience of large-scale planning, as well as with depleted exchange reserves, a sizeable foreign debt, with virtually no net 'invisible' over-sea income, and a yawning gap in balance of payments. The country has taken in hand the formidable task of creating, within the course of a decade, a self-propelling economy, capable of supporting a high level of investment and employment.

Foreign Exchange Requirements

2. The balance of payments position will continue to remain under severe strain for many years. If the bill for 'Maintenance' imports goes up, the country would have to redouble its efforts to augment its exports to honour its financial commitments and maintain its credit in the international market. The annual import requirements of the succeeding plans will be even larger; so will be the repayment obligations on account of debt services and interest charges. Already, the country is functioning under a system of stringent import and exchange restrictions. There is little scope for further curtailment of foreign exchange expenditure (*paras 5—9*).

Defence Requirements

3. We have not dealt with the import requirements of our Defence industries and the export possibilities of some of them. A great deal could perhaps be done to conserve—and earn—foreign exchange through an integral policy for the whole economy. A Commission of Enquiry may be appointed to go into the matter, necessarily working 'in cenera' (*Para 10*).

The task

4. Overall, it will be necessary to see to what extent the available resources in foreign exchange can be used more economically; how best the country's stock of resources can be distributed to yield an optimum return; to what extent existing capacity can be more fully utilised to enlarge production and augment exports; how far indigenous sources can be more fully tapped for the supply of equipment and raw materials; what measures of import-saving and export promotion can be installed (*Para 11*).

Export Targets

5. The task of elevating India's exports to twice their present level by the end of the Fourth Plan, will require effective measures which will demand the whole-hearted co-operation of all sectors of the economy (*Para 13*).

CHAPTER III

IMPORT POLICY AND PROCEDURE

Objectives of Import Control

6. The objectives of Import Control as enunciated by official spokesmen are unexceptionable; but the question is one of translating these principles into practical terms, and of evolving the right kind of import priorities (*Para 3-4*).

Maintenance vs. Development Imports

7. The present controversy is due to a misconception about "industrial capacity". For an objective assessment of the problem, only the "effective capacity" can be taken into consideration. 'Maintenance' and 'Development' of the economy are two facets of the same phenomenon, and there can be no hard and fast dividing line between them. There are certain 'developments' which are necessary for keeping even the existing industrial units in full production, such as, for instance : (a) power, (b) transport and (c) industries producing raw materials and components for the existing units which are presently being imported and *vice versa* (*Paras 6-8*).

8. It is also sometimes forgotten that considerable new 'Development', apart from being necessary in itself, is financed out of the 'tied aid', which is not available for financing 'Maintenance' imports. There, is, therefore, little choice in these cases. Also in order to keep the wolf of inflation at bay, the country has perforce to 'maintain'/'develop' industries catering for the primary needs of the population. Precedence has also to be given to the 'development' of 'export-oriented' industries. Thus, there can be no rough and ready solution to the theory of 'Maintenance' first and 'Development' afterwards and *vice versa*. The country can neither freeze the pattern of the economy, nor allow its stagnation. A balance has to be struck between competing claims on scarce resources. The approach has to be pragmatic and selective, designed to stimulate the dynamic spread of the cumulative process of economic growth and to disperse and diversify the economy in consonance with the objectives of the Plan (*Para 9*).

9. All considered, the policy, in brief, should be to give facilities for the import of raw materials and components etc. to all existing industries, subject to over-riding priority being given to certain types of new industries described in *Para 11*.

10. The criteria followed at present in respect of the licensing of industrial establishments or the import of Capital Goods are still somewhat general. What is necessary is a systematic and scientific review, industry by industry, to determine how best production can be augmented, costs reduced, imports saved and exports developed. The relative merits of 'Maintenance'/'Development' industries would have to be objectively assessed. The progress of some of the typical existing 'Maintenance' and 'Development' industries should be evaluated (*Para 12*).

Unutilised Capacity

11. A part of the industrial capacity in the country is unutilized. But in the absence of precise information, it is difficult to make an assessment of the extent to which the country's industry is under-utilised or otherwise; and to gauge the extent to which production could be augmented by providing balancing equipment and other feeders of industry (*Para 14*).

12. The Development Wing may, therefore, be charged with the special responsibility of constantly reviewing the problem of under-utilisation of industrial capacity and of recommending remedial measures. The results of such reviews should be published annually (*Para 15*).

Study of problems of Import substitution

13. It is also necessary to study more closely the question of substitution of imported materials in its widest connotation and to see to what extent and in what manner indigenous products can effectively replace the imported stores; how they can be commercially developed and used. Whichever may be the agency responsible for this task, the assistance of institutes like the National Laboratories could well be enlisted in solving some of the technical problems (*Para 16*).

Scope for further import restrictions limited

14. The solution to the problem of bringing the balance of payments in equilibrium lies not in further import restrictions—the scope of which is severely limited, but within limits, in augmenting specific imports to remove the bottleneck on exports. The present stringent import restrictions and rigid exchange allocations may continue in respect of production destined for the domestic market. But where exports can be really assured, Government should have no hesitation in making available such raw materials and balancing equipment as are essentially required (*Para 18*).

15. The volume of incentive to be given to emerging industries will need to be substantially larger than in the case of our traditional items of exports. The differential which exists between Indian costs and those of our competitors will have to be considerably abridged if our products are to enter significantly into international trade (*Para 18*).

Need for good understanding

16. There would have to be a basic understanding between Government and the mercantile community, and mutual respect and sympathy for the difficulties, needs and obligations of either side. A selective approach may be made, to start with, with the more well run units of Industry. They may be invited—on the basis of a proper assurance of all round assistance—to come forward with an integrated programme of industrial and export expansion (*Para 19*).

17. Primarily, this assistance should be given to stimulate additional exports; and there should be no objection to giving assistance on a 'loan basis', subject to necessary safeguards, where Government is satisfied on the merits and *bona fides* of the case (*Para 20*).

18. Every proposal of this kind would require detailed examination. After completion of the technical scrutiny the case should invariably come up before an inter-ministerial sub-committee (*Para 20*).

Complementary advance of Agriculture

19. The cardinal importance of the complementary advance of commercial crops and their impact on industrial development and export promotion has not been sufficiently appreciated. A serious attempt should be made to review the role which Agriculture, Horticulture, Pisciculture and Forestry can play in our economic progress (*Para 22*).

Licensing procedure

20. Import procedure plays a vital part in the execution of Import Policy. The procedure should be capable of efficient execution of policy (*Para 23*).

21. Import Control is a service organization. The public pays for its services and, naturally, expects from it a high degree of proficiency, quick disposal and integrity. Despite improvement of efficiency in the C.C.I's office (the pendencies being only 0·6%), there has been general complaint of delays, which can have far-reaching consequences, and cost the country dearly in foreign exchange. This aspect should be impressed on all concerned (*Paras 24-25*).

Solution of Delays

22. The solution of delays lies in simplification of procedure, decentralisation of work etc. Our suggestions in this regard are detailed below :—

SIMPLIFICATION OF PROCEDURE

Annual Licensing

23. All important licensing should, in future, be done on an annual basis. Development of indigenous production is by no means so revolutionary as to justify half-yearly revisions of Import Policy. The basic content of an import licence, over the year, should remain intact. If possible, exchange budgetting, too, should be done on an annual basis. If, on grounds of foreign exchange, it becomes necessary to follow a more stringent policy for the second part of the licensing year, a general percentage reduction could be applied by one single public notice to all import licences. Annual licences should be issued on the basis of a single application, duly accompanied by twice the normal fee (in token of two licences issued in one operation) (*Paras 29—31*).

Period of validity of Import Licences

24. In view of the genuine difficulties of importers, it is proposed that : (i) the initial validity should be one year in the case of Actual Users' and Established Importers' licences and two years for CG/HEP licences except CG/HEP licences issued against 'tied' credits such as the 'Ex-im Bank' Loans, in which case the validity period should be one year, as at present; (ii) Actual Users' licences should be revalidated up to six months, and CG/HEP licences up to one year, upon request, without requiring the licence holder to produce evidence as to the unavailability of supplies; (iii) except in the case of licences issued against 'tied' credits, the power of revalidation should be delegated to the regional licensing authorities; (iv) normally, the validity of Established Importers' licences would not be extended; but in special circumstances, such licences may be extended by 3 months (*Paras 32—34*).

I.V.C. Number

25. On balance, it is proposed that the present system of I.V.C. numbers may remain; but henceforth they should be valid for three (annual) licensing periods (*Para 35*).

S.S.I. Committee

26. The regional offices have to refer certain cases to Headquarters for instructions regarding disposal. These cases are considered by the S.S.I. Committee, whose recommendations are transmitted to the licensing authorities along with the applications/files for disposal. Time would be saved if, instead of remitting the cases back to the licensing authorities, the execution of the S.S.I. Committee's recommendations is done at Headquarters. The

clarifications/appeals, too, could be attended to at Headquarters (*Paras 38-39*).
C.C.I.'s Ad Hoc Committee

27. C.C.I.'s *Ad hoc* committee should be more fully representative of the concerned technical officers of the Development Wing; and it should be possible to take decisions on the applications in the committee itself, in the same way as does the S.S.I. Committee. Cases, involving special difficulty, could be seen on the file by the technical officers concerned, wherever necessary (*Para 41-41*).

Scheduled Industries

28. There is a general complaint about the long delays in the disposal of applications for the import requirements of scheduled industries. It is proposed that where an application has to be scrutinized by more than one technical Directorate, the sponsoring Directorate should try to clear it at an inter-Directorate meeting. The institution of such meetings, to be held every week or fortnight, should be encouraged (*Para 42-43*).

Non-Scheduled Industries

29. While issuing the 'Essentiality Certificates' the Directors of Industries do not always follow a uniform policy. C.C.I. should evolve, on the eve of the licensing period, the general criteria for assessing 'essentiality' in consultation with the Directors of Industries (*Para 44*).

Register of Raw Material, Components, Plant and Machinery

30. The Development Wing should bring out annually a comprehensive register indicating the availability of raw materials and components, plant and machinery produced in the country, the names of the producers and full information in regard to their installed capacity, actual production, specification etc. (*Para 45*).

Monetary ceilings

31. Information regarding monetary ceilings for each licensing head should reach all the licensing authorities on the eve of the licensing period (*Para 46*).

Simplification of application forms

32. The application forms for the various categories of import licences admit of some simplification. C.C.I. & E. should carefully go into this matter (*Para 47*).

DECENTRALIZATION

Decentralization of licensing work

33. There is still scope for further decentralization. It is suggested that : (a) licensing of fresh fruits from Pakistan could well be decentralized, under a general policy laid down by the Chief Controller ; (b) licensing of newsprint could be decentralized, as it is not necessary to consult the Registrar of Newspapers on each case; (c) other requirements of printing industry (e.g. printing machinery etc.) could be dealt with by the C.C.I.'s *Ad hoc* Committee. Whenever necessary, the Registrar of Newspapers could be invited to be present; (d) as C.C.I. has a full-fledged Investigation Division under him, all cases of investigation now dealt with by the 'news print cell', may in future, be handled by the Investigation Division, in consultation with the Registrar of Newspapers, whenever necessary; (e) Quota licensing of Greases and Lubricants should be done at the regional offices (*Paras 48-55*).

Transfer of quotas

34. The entire T.Q.R. work can now be decentralized. Each regional office could have a small T.Q.R. Cell for the purpose. Cases of special difficulty could be referred to Headquarters for advice (*Paras 56—59*).

PUBLIC RELATIONS

35. It has been complained that interviews cannot easily be had with the officers of the C.C.I. nor is it always possible to get a precise answer to the applicant's problems. The importance of good relations with the public should be underscored to all officers (*Paras 60—62*).

Attached to the personal staff of the C.C.I. should be a Public Relations Officer of the rank of a Deputy Chief Controller *au fait* with the problems of Import Control, who should be able to sort out the importers' difficulties. The regional offices, too, should be assisted by P. R. O's of the rank of Controller/Assistant Controller (*Paras 63-64*).

ORGANISATIONAL CHANGES

36. It is suggested that : (a) the regional office in Rajkot should be abolished; and, instead, a regional office may be established in Ahmedabad, under a Deputy Chief Controller; (b) there should be a similar office in Kanpur, with jurisdiction over U.P.; (c) in view of transit difficulties, specially in winter, a sub-office, under an Assistant Controller, may be opened at Srinagar, with jurisdiction over the State of Jammu & Kashmir; (d) there should be a similar office in Bangalore, with jurisdiction over the State of Mysore (*Paras 65—67*).

MISCELLANEOUS PROBLEMS

Established importers vs. Actual Users

37. *Status quo* may remain (*Paras 68—70*). However, in the case of industries, with a large number of units, it will be an advantage if the imports of components etc. are canalized through Established Importers to prevent undue locking up of foreign exchange (*Para 70*).

Small value licences

38. Small value licences are wasteful of foreign exchange. But the abolition of the present system might lead to displacement of a large number of Established Importers. Recommend *status quo*. However, Established Importers may be permitted to effect their imports through agents on the basis of 'Letters of Authority', which may be given freely to allow of 'clubbing' of 'small value' licences to prevent wasteful expenditure of exchange (*Paras 71-72*).

Ad Hoc Licensing

39. An exhaustive policy should be framed in respect of items licensed on *ad hoc* basis, by reviewing all cases over the past two years, and case laws evolved. There should be, basically, no *ad hoc* licensing, except in cases of emergency, or where the necessity of the import of any particular item could not be foreshadowed or a formal policy could not, for any reason, be evolved (*Paras 73-74*).

I.T.C. and I.C.T. classifications

40. The institutional arrangements for resolving classification difficulties seem to be in order. But the existing arrangements need to be published. The I.T.C. authorities are planning to adopt the S.I.T.C., which is a detailed instrument of trade classification in international usage. If the Customs authorities, too, adopt the same, it might solve many of the classification difficulties. Also, the description of goods in the import licences should be as detailed as possible. If even so, there is a difference of opinion, the interpretation of the I.T.C. authorities should prevail for purposes of clearance; the Customs authorities being free to levy such import duty as they deem appropriate. A formal understanding to this effect should be reached between the two authorities (*Paras 75—80*).

Appeals

41. There should be a separate 'Appeals Section' at each of the regional offices, so that the 'first-appeals' could be considered more formally and dispassionately. (*Para 81*).

Investigation

42. It should be impressed on the Special Police Establishment that, normally, their investigations in respect of Import Control cases should be completed within twelve months. Where, however, an investigation cannot be completed so soon, the ban on the issue of import licences should be removed after the expiry of two (half yearly) licensing periods. This would mean that import licences in such cases would remain suspended for two licensing periods, and a final decision on the type and quantum of punishment would be taken in the light of the results of investigation. The proposal would perhaps necessitate an amendment of the Import Control Order etc. (*Para 82*).

Legal Cell

43. There are over one hundred Writ Petitions against the C.C.I. It is highly necessary that the C.C.I.'s office should scan the 'Law Reporters' for the past several years and prepare a compendium of all judgements so far delivered, duly indexed and annotated in consultation with the Ministry of Law. A separate small 'Legal Cell' should be constituted at Headquarters to undertake the early compilation of the 'compendium of judgements' and to attend to the defence of the numerous Writ Petitions (*Para 83*).

CHAPTER IV

EXPORT PROMOTION

Intricacies of the task

44. The task of doubling the country's exports and raising them to Rs. 1,300—1,400 crores per annum by the end of the Fourth Plan, would be a formidable one for any country. The export demand for our traditional items is by no means buoyant. It is also difficult to foreshadow what repercussion the 'economic communities' will have on the future course of Indian trade; but, undoubtedly, India will have to make much more than ordinary efforts to boost her export business. The whole nation will have to crusade for the export markets—not only in traditional lines but along the entire front of exportable products. (*Para 2*).

45. The domestic market, ready at hand, offers more attractive, quick and easy returns. The incentives to efficiency become relatively weak; costs tend to go up, the quality goes down. The country has also not developed any great export tradition; much less the necessary export apparatus. A considerable part of India's over-sea trade, specially her exports, goes *via* the entrepot countries; and only a fraction of trade is manned by Indian merchants (*Para 3*).

Lacunae in promotional effort

46. The country has touched only a fringe of the export problem. Whereas targets of a high order have been theoretically drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the Plans and projects of development in the private and in the public sector and to lay the foundation of a big trade. This deficiency is beginning to be repaired, though slowly. The current arrangements are no more than mere 'promises' to export. Where the country's future is mortgaged, any casual acceptance of illusory export prospects at their face value is likely to lead to difficulties. Special attention should be paid to this problem and the 'promises' should be properly appraised in each case; appropriate bank guarantees obtained; failure to export would need to be suitably penalized; genuine difficulties will have to be gone into. A special section, to be created in the Directorate of Export Promotion, should watch the performance of the assisted industries and ensure that the export obligations are duly respected (*Paras 4—7*).

47. A detailed and organized study should be made, industry-wise and commodity-wise of the items that could be or should be released for export. These studies should be undertaken urgently, and actually reflected in the export plans which should be an annual feature of the economy (*Paras 8-9*).

EXPORT CLIMATE

48. The high task of export promotion as envisaged in the Plans will demand the willing and enthusiastic co-operation of every sector of the economy. The State Governments do not always seem to be alive to the primacy of export promotion; and some of their policies, particularly, in the fiscal field, have hindered the even flow of exports. The nation cannot afford to think and function compartmentally (*Paras 10-11*).

Export business must become worth doing

49. The Government will have to carry the business community with it in its effort to make a break-through in the world market. The promotion of our trade depends upon the efficiency of our merchants and manufacturers. It is the business community that would have to shoulder the main burden of responsibility of augmenting the country's export trade (*Para 12*).

50. The mercantile community cannot be expected to be guided by altruistic or patriotic motives and will expect to receive, for its efforts in the export market, a return which stands in a reasonable relation with the profits on domestic sales. It would be Government's responsibility to compensate the trade for its export effort through selective concessions, fiscal reliefs and other incentives to make the export business worthwhile over the long haul.

Revitalization of the Administrative machinery

51. It will be necessary to have a co-ordinating machinery, sufficiently powerful to be able to cut through the tangles of conflicting inter-departmental interests, re-orient the thinking of the State Governments and reconcile their stand-points with the national objectives of export promotion. It should be capable of taking quick decisions on the day to day issues and of translating them into practical terms. The problem of securing surpluses for exports, cannot be left to the unaided efforts of private enterprise. It is a matter of supreme national concern—one in which the State must take a direct hand (*Para 15*).

52. It is understood that Government is proposing to strengthen the organization for Export Promotion. This is a step in the right direction. We trust it will be adequately staffed and headed by an officer of sufficiently high status, so that the organisation may be able to pull its weight with other departments of Government; secure recognition in the mind of the nation of the vital need for an all round, substantial, expansion in India's exports and make export promotion a profitable, and yet respectable and patriotic avocation (*Para 16*).

53. The Directorate of Export Promotion should have a 'Policy Cell' like the 'Import Policy Cell' under the C.C.I. It should be responsible for framing the export policy for specific items, and constantly review the aids and incentives given in other countries with the object of examining how far they can be adopted with advantage in India (*Para 17*).

AIDS AND INCENTIVES

54. The incentives so far given have been only moderate and, indeed, often ineffective. India will have to embark on a much more adventurous policy of 'aids and incentives' to augment her export trade (*Para 19*).

Increased allocation of raw materials

55. One of the most effective aids would be to permit of an increased allocation of raw materials to industry. A substantial part of the unutilized capacity is by far and large a reflex of shortage of imported raw materials, components and replacements. If additional raw materials could be imported say for Rs. 100 crores per annum, as suggested by Sir Donald Macdougall, they may well serve as the first basis for a substantially new attempt to break the bottleneck of raw materials. The fringe benefits flowing from increased production/additional exports may far outweigh the increased expenditure on the marginal imports required for a fuller utilisation of the industrial capacity or intensification of Agriculture (*Paras 20—22*).

56. It is highly important that the existing export-oriented industries should be assured prompt and adequate supplies of essential raw materials at international prices so that they do not suffer from a price disadvantage in relation to their competitors abroad. On balance, India would stand to gain by under-writing in full the foreign exchange required for manufacturing goods for export. The production costs would thus be reduced; and it may well be that much of the differential that exists in some industries can be overcome merely by this provision (*Para 23*).

57. A search will have to be made to find a foreign exchange allocation for these additional imports. If internal allocation of foreign exchange does

not allow of any significant importation of marginally needed raw materials, stores and replacement equipment, the case studies could be put to the friendly countries; and perhaps, on this plane, it may be possible to secure further assistance to put the Indian economy in an even keel (*Para 24*).

Import-Export Stabilization Fund

58. It may also be possible to finance the import of these additional raw materials through the media of a revolving fund which may be specially created for the purpose. There is reason to believe that groups of international banks may be agreeable to provide credits for import of raw materials to be used by approved exporters, who can be relied upon to fulfil undertakings on exports. It would be imperative to ensure that the foreign exchange so lent would be translated into export earnings to form the basis of what may be termed as the 'Import-Export Stabilization Fund' which could be used to enhance the import of raw materials for the export industry. The arrangement would imply the matching of additional 'import credits' with export performance so as to augment both sides of the equation and to improve India's balance of payments in the process (*Para 27*).

59. It will be necessary to have an Agency which will have all the authority of the Government to ensure high priority to these activities, but will also carry the conviction abroad that the funds made available for this purpose would not be diverted to domestic production. An autonomous body may be set up as soon as possible under the caption of 'Export Stabilisation Board'. The example of I.C.I.C.I. should serve as a useful guide. It would have control over the export earnings and also possess statutory authority to negotiate credits for the import of raw materials to be translated into export earnings. When the revolving fund has attained the desired level, any surplus foreign exchange that may accrue would revert to Government (*Paras 28-30*).

60. For a provisional figure designed to increase India's exports by say Rs. 100 crores per annum, it might be necessary to place at the disposal of the 'imp-exporters' an additional sum of possibly Rs. 25 to Rs. 30 crores as a revolving fund to finance the requisite imports and to supplement them by indigenous stores, wherever possible, at prices corresponding to the competitive world standards.

61. Certain American firms have also shown interest in financing the import of raw materials and components required for our export-oriented industries, against rupee payments. The rupees so earned will be used by them for buying Indian commodities for their home market. Such arrangements—affording a line of 'untied' credit for the import of raw materials—need to be encouraged if, on merits, the terms offered by them are mutually beneficial (*Para 33*).

Income-tax relief

62. One of the most powerful incentives for export promotion would be remission of income-tax on export earnings. Such a relief has been given by way of 'exporters' 'compensation' in some of the most advanced countries like Germany, France, Japan with considerable success. India might do something similar. Our initial idea was to confine the grant of income-tax remissions only to earnings from additional exports. But on further reflection it seemed to us that this may not be a step in the right direction,

for—unless effective measures are taken to buttress our exports—their present level cannot be taken for granted. It is also felt that unless the remission of income tax on additional export earnings is linked with the rebates on the basic exports, the system would fail, with serious loss of revenue to Government (Paras 34-35).

63. Having regard to all aspects of the case, a three-fold system of income-tax remission is proposed viz. :—

- (a) a tax remission of 7½% on profits on 'Basic' exports;
- (b) a tax rebate of 5% on all export earnings to enable the exporter to build an 'Export Development Reserve';
- (c) a special tax remission of 10% on earnings on 'additional' exports *i.e.* exports over the basic norm.

64. It is important to the success of this significant measure that the method of calculating the tax rebate should be simple. The Income Tax rebates proposed in this report would be based on the exporters' internal and exports turnover; and it would not be necessary to make a meticulous calculation of their actual earnings by reference to their books of account. A tax remission based on a meticulous calculation might lead to acrimony between the exporters and the income tax Department.

65. The system proposed is so devised as to prevent the possibility of exporters' abusing the concession.

The details of the arrangement proposed have been explained at length in paras 37—46 at pp. 29—33.

Enlargement of the scope of Export Promotion

66. The incentive of 'currency retention' has been tried with varying degrees of success in many countries. It is, however, not necessary to let the Indian exporters have a free hold on any percentage of their export earnings. Instead, the scope of the present 'Export Promotion Schemes' should be widened. The exporter's choice to import should not be limited to one or two items as is the case at present; and exporters/manufacturers, under this arrangement, should be able to use their licences for any raw materials, components or equipment which they may care to import for the manufacture of the 'export product', subject to certain restrictions (*vide Para 50*). Furthermore, the Export Promotion Schemes need not, necessarily, be limited to certain specified items as is now the case, but should cover the whole range of items entering the export market. Further, if the imported commodities are not required for a particular industry, they may be allowed to be sold to a sister industry. The aforesaid concession may be open to manufacturers as well as to exporters, though the entitlement of the mere exporter (or the manufacturer who does not intend to use the stores himself) may be only two-thirds of the manufacturer/exporter.

Freight concessions

67. As Indian commodities are facing intense competition, and as our oversea salesmanship is still weak, it will help the export effort if the Railways give a general rebate of, say, 25% on all goods put on board. Where a commodity requires a freight rebate beyond 25%, a case would have to be made out (*Para 52*). As export freight traffic is only a fraction of the total traffic of the Railways, the proposed concession is not likely to weigh heavily on the Railways (*Para 52*).

Specific Assistance to selected commodities

68. The specific difficulties confronting our export industries will have to be tackled. For instance, Tea, which is our foremost exchange earner, was not receiving its full requirements of fertilizer; nor was it getting the supplies of fertilizer at the rate at which it is available to the Agriculturists'. Curiously, the export of Tea is still controlled, when supplies are plentiful. Export of Tea should be decontrolled. Similarly, the exports of Coffee suffer from fluctuating supplies. The possibility of stabilising the export quotas through the creation of a 'buffer stock' should be examined, and a larger proportion of 'plantation coffee', which yields a better price abroad, should be earmarked for exports. Exporters of marine products, too, are said to be charged exorbitant prices for tin containers. Their refrigeration and quality control arrangements also need to be improved. As the industry offers promising prospects, its difficulties should be looked into more minutely (*Paras 53-57*).

REMOVAL OF DISINCENTIVES

Drawback of Import and Excise duties

69. The incidence of Import and Excise Duties on typical representatives of commodities eligible for drawback should be worked out in consultation with the representatives of the industries concerned. On the basis of such a study a tariff of drawbacks should be drawn up for all, or at least the more important, items of export. An exporter claiming a drawback would have merely to produce evidence of having exported the particular commodity in requisite quantum and value and having received the right amount in foreign exchange. No reference to his books of account would be necessary; and there would be no need to argue over the exact value of the imported raw material content in the exported commodity. Something in this direction is already being done; but the scope of the scheme needs to be enlarged to cover all, or at least the more important, items of export. (*Paras 58-62*).

Remission of Sales Tax

70. Most countries in the world give remission of Sales Tax on exported goods. In India Sales Tax is a State subject; and State Governments are highly averse to parting with their revenues. To cut through the tangles of this vexed question, the Central Government should assume the responsibility for the remission of sales tax entering into export costs; and they may make such financial readjustments with the State Government as they deem appropriate. The method of tax remission should be a simple one. A uniform rebate of say 2% would be a help to the export effort (*Paras 63-66*).

Reimbursing authority

71. For the sake of convenience of exporters, the drawback of import duties, the Excise and the Sales Tax should all be given at one central point most convenient to the exporter e.g. Collector of Customs (*Para 67*).

OTHER MEASURES

Participation in International Fairs

72. Indian pavilions in International Fairs are in the nature of 'grand exhibitions'. The participation is at Government level; and Indian merchants conversant with the intricacies of their business are conspicuous by

their absence. Little business has flowed from our participation, except perhaps in East European countries where buying is canalized through State agencies. International fairs are forums of big business; they attract the world's foremost suppliers and biggest buyers. In such a setting the kind of 'Exhibition' which India generally offers does not fit in. India's policy in this regard, therefore, needs to be re-oriented; and if an adequate number of the right type of Indian exporters/merchants/producers do not come forward, India need hardly participate in international fairs at all. But Indian exporters may find the task too venturesome. Government, therefore, could assist them by bearing (i) the rent of pavilion, incidental expenses, and the cost of management, publicity, freight of exhibits to and from the destination (This is already being met); and (ii) a part of the travelling costs of Indian participants. Subsidization of participants in international fairs is done even by an advanced country like Germany (*Paras* 68-73).

73. The best way perhaps would be entrust the entire work of participation in International Fairs to an independent 'body'—located in a city like Bombay or Calcutta. It might consist of nominees of Government, but should largely represent the chief exporting interests and be presided over by a distinguished member of the mercantile community. The composition of the proposed agency is described in Para 76. The Directorate should be redesignated as the 'Directorate of Fairs' and duly reorganized to deal only with questions of policy.

Liaison with Indian Merchants abroad

74. There are hundreds of Indian Merchants plying a prosperous business abroad for generations. Their energies should be harnessed in the service of the nation. They should be called in conference, and the Directorate of Export Promotion should be in regular consultation with the Associations of our oversea merchants. Our Embassies and Consulates should be enjoined to make a vigorous effort to establish a close liaison with the Indian Merchants residing within their beat (*Paras* 79-81).

Role of Chambers of Commerce

75. The Chambers of Commerce can play an important part in export promotion. They can liaise between trade and Government; they could keep government abreast of the happenings abroad; they can disseminate market information vital to the trading community. Chambers of Commerce in the advanced countries have their representatives abroad; and they supplement the work of the Trade Mission in servicing the country's foreign trade (*Paras* 83-87).

Tourism

76. India is a tourists' paradise. But tourism is not well developed in the country. It has been estimated that the country has lost over Rs. 2½ crores last year, because of shortage of acceptable accommodation and lack of air passage. The economic possibilities of tourism should be objectively assessed; and measures should be devised to obviate the difficulties which discourage potential tourists (*Paras* 88-90).

77. It is suggested that : (a) steps should be taken to augment proper hotel accommodation throughout the country and to improve travel facilities for the convenience of tourists; (b) facilities for cashing of traveller's cheques should be liberalised; (c) possibility of giving tourists' discounts,

as in France and U.K. may be explored; (d) Customs officials should be more helpful; (e) in order to avoid inconvenience to the tourists, the Emigration and the Customs officials should invariably board the ship along with the pilot in mid-stream as was done in the past; and all formalities should be completed before the boat touches the pier, and the tourists allowed to disembark straightaway. Liquor permits, too, should be given to them on Board; and (f) there should be also a sizeable shopping centre at each air port to attract the custom of tourists (*Paras 91—94*).

CHAPTER V

RUPEE PAYMENT ARRANGEMENTS, STATE TRADING ETC.

Rupee Payment arrangements

78. Much has been said for and against the 'Rupee Payment Arrangements'. There may have been an element of diversion of some of our exports, but, on the whole, the 'rupee payment' countries have offered in the net a worthwhile outlet as well as a new source of supply for essential goods at a time when foreign exchange has been particularly scarce. However, fullest care should be taken to ensure that imports from these countries are limited to such goods as are essentially required for the economy; and there should be no easing of the import restrictions just because the goods are coming under a rupee arrangement.

79. To safeguard against undue price mark up on goods coming from rupee-payment countries, it is necessary to have adequate price data. It is proposed that a study unit be instituted in the Ministry of Commerce and Industry. It should constantly enquire, review and compare the prices of products imported from the rupee sources as well as other centres of supply. We attach great importance to the collection of this data, and feel that it could be a veritable source of exchange-saving.

80. A review of the pattern of export trade with these countries, when made with reference to the provisions of our trade agreements with them, would suggest that some of these countries are not lifting the quantities prescribed in the Agreements. We feel that the situation would be remedied if all the contracts with the rupee payment countries were registered, so that the flow of our trade could be adequately studied and, if necessary, rearranged. It is strongly recommended that all export contracts should be registered (*Paras 1—11*).

Role of S.T.C.

81. Since its inception in 1956, the S.T.C. has come to play a significant role in the country's foreign trade. But there is a great deal of criticism of its activities.

82. The S.T.C. performs some important functions and has been created as an additional organ of trade to give effect to some of the economic policies of Government.

83. Consistently with its objectives, the S.T.C. has also to be a self-financing organisation. We do not think that the Corporation's role was intended to be confined to trade merely with the certain countries, as has often been suggested, although trading with State Organisations and

'monopolies' would have to remain its principal activity. There is, on the whole, a field in which the S.T.C. can co-exist with private enterprise.

84. There is perhaps some justification in the criticism that the Corporation has not quite succeeded in arranging timely imports; in ensuring satisfactory procurement arrangements from the point of view of price and quality; in holding the price line. The S.T.C., however, works under the directives of Government. If Government were to issue its directives to the S.T.C. after planning forward its import-export programme, and if the S.T.C. utilized the services of trade more fully, with proper safeguards against profiteering and malpractices, many of the complaints against the S.T.C. would disappear. The S.T.C. should also make greater use of the Chambers and Associations in the distributive trade and notify its ceiling prices for the information of the public. Clearly, the S.T.C. need to improve its public relations which seem to have been somewhat neglected.

85. It is also necessary that all export contracts with the 'Rupee payment' countries should be registered with the S.T.C., so that the implementation of the 'trade Plans' could be watched and it could be ensured that they remain in better balance. To keep the interested public abreast of the Import-Export arrangements with the 'Rupee payment' countries, the 'trade plans' should be published. (*Paras 12—20*).

Barter Trade

86. Trade is opposed to Barter trading. But in the conditions of to-day Barter arrangements often become necessary. Therefore, there need be no wholesale condemnation of the system, if additionality of trade, and a fair price return, could be assured.

CHAPTER VI

MISCELLANEOUS MATTERS

Compulsory Exports

87. It will not be in the best interests to make exports compulsory by statute. Instead the better course perhaps would be to undertake a campaign of public education to restrain consumption and to awaken the mercantile community to their responsibility to shoulder the burden of export promotion. Perhaps the leaders of Industry and Trade could be induced to levy a small voluntary cess on the product for domestic consumption as has been done by the Bicycle industry. A similar course is capable of wider application (*Paras 1—3*).

Quality Control

88. In view of the fact that Agmark and ISI seals are unacceptable to various buyers abroad, having their own specifications, we feel that compulsory quality control or pre-shipment inspection is not feasible. There would be no point in imposing Indian Standards on the foreign importer. What is necessary to ensure is that the goods exported are in accordance with the specifications prescribed in the export contract. It is suggested that the Associations of trade must organise their own 'Inspectorate' to effect quality control and pre-shipment inspection. They must impose upon themselves a code of self-discipline. Offenders could be put on the black list, which should mean their debarment from receiving any incentives or consideration proposed in this report (*Paras 4—9*).

Directory of Exporters

89. The Indian Directory of Exporters leaves much to be desired. The preparation of the 'Directory' is a specialised job; and it would be well worth seeking the assistance of an expert under the T.C.M. or the German Technical Assistance Programme (*Para 10*).

Export Risk Guarantees

90. In keeping with the Berne Convention, ERIC should guarantee export risks upto a period of five years.

91. India will progressively become an exporter of Capital Goods and Equipment, and her 'Construction Industries' are likely to play an increasingly important part in the future as earners of foreign exchange, the more so if we were to encourage the setting of 'Consultation Bureaux' in collaboration with foreign enterprises, so that India may be able to supply consultative service over a large technical field. ERIC would have to guarantee, in the future, export risks of much larger dimensions. Its scope should, therefore, be enlarged. Alternatively, the export risks beyond ERIC's prescribed powers could be either guaranteed by Government or re-insured with an organisation like the L.I.C. ERIC's management, too, should be enlarged to command greater confidence in the public mind (*Paras 11—13*).

Staff of C.C.I. & E.

92. As the fortunes of trade depend so much on prompt action, it is apt to become impatient of any delays on the part of the Import Control authorities; and complaints in this behalf have been voiced everywhere. It is felt that one of the causes of delay is the shortage of staff which seems to be fully stretched. A realistic view of the staff requirements of the C.C.I. & E. should be taken, so that the organization may be able to function more effectively and proficiently.

93. Some of the measures which have been proposed on the procedural side are likely to ease somewhat the burden of the C.C.I. & E.'s office. But, on the other hand, it will have to prepare and issue 'certificates of basic export performance' to exporters, preferring claims for remission of income-tax which have been proposed. Their number would be considerable. Due regard need to be paid to this aspect of C.C.I.'s work, when sanctioning his staff. The C.C.I. & E. also does not seem to be adequately equipped to meet any sudden onrush of work such as may emanate, for instance, from the signing of a new trade agreement which may tend to trigger off a series of new problems in the initial stages. The best way to cushion his difficulties would be to place at his disposal a small 'squad', under a Controller, which may be used to bulldoze any pendencies or arrears in whichever section they may be (*Paras 14—18*).

Application Fees

94. If necessary, the application fees for import licences could be revised to meet the extra expenditure on the additional staff. The trade should not mind a small increase in the scale of fees, provided it could be assured of prompt disposal of their cases. The revised fee structure is given in Appendix G (*Para 19*).

Breath of fresh air

95. One more fact which militates against efficiency is the present lack of mobility of the C.C.I. & E.'s staff. They are not transferable, and

gain no experience even of the departments dealing with other aspects of foreign trade. The system leads to inbreeding and stagnation and creates problems of vigilance. We are afraid that a similar situation is likely to arise in the Directorate of Export Promotion which is now being strengthened if, from the very inception, a system of 'inter-change' or 'delegation' is not conceived. It will be an advantage for the C.C.I. & E. and the Directorate of Export Promotion to have a common cadre so that the members of the staff would acquire more varied experience and introduce a breath of fresh air in the organisation. An interchange of officers between the Import and Export Control, the Directorate of Export Promotion and the C.B.R. would also be mutually beneficial. It could be a simple system of delegation for a tenure, on a reciprocal basis, so that the *inter se* seniority of officers in the various organisations would not be affected, and, at the same time, they would acquire a more integrated experience (*Paras* 20—23).

Indian Trade Representatives abroad

96. In the coming years the task of trade and economic promotion is going to be vitally important to the course of our economic development; and India's trade representatives will have to play an important part in the promotion of trade. The various tasks which they will be called upon to perform have been described in para 24, at p. 49 of the Report. In a word, India's Trade Representatives will have to be at once the eyes and the ears of the business community. This is by no means an amateur's job. It requires specialized knowledge and practical training in commercial and economic work, which many of the Indian trade representatives abroad do not possess. Often they do not have even the aptitude for this type of work; and, on the whole, the Indian business community, is none too enamoured of the performance of our accredited trade representatives abroad.

97. Our Trade Representations abroad need to be vastly strengthened both in numbers and in the quality of personnel. It is our considered view that a greater measure of flexibility should be introduced in the staffing arrangements. The Ministry of Commerce and Industry have the primary responsibility for the maintenance and promotion of trade; and, naturally, they should have a major voice in the selection of officers for the commercial and even consular posts. It is also felt that all Consulates and Consulates-General should function primarily as trade promotion centres; and in selecting personnel for these posts due consideration should be given to qualifications, experience and aptitude in commercial and economic matters.

98. India would do well to follow the British model under which the 'trade posts' are manned partly by the Foreign Service personnel and partly by representatives of the Board of Trade. A pool of officers could be drawn from the Ministries of External Affairs and Commerce and Industry, including its attached offices of the Office of the Chief Controller of Imports and Exports and the Directorate of Export Promotion and to some degree from the open market. It would be a system of secondment of hand-picked officers of the two Ministries to the pool who would devote the better part of their life and energy to the promotion of economic matters overseas. The officers of the Ministry of Commerce and Industry would not, normally, be posted or promoted to the chancery; whereas the

foreign service personnel of the pool would have occasional turns of 'political' assignments, and be entitled to rise as heads of 'posts' or 'missions' in course of time. But, overall, the emphasis in the career of such officers would be on the commercial and economic aspects; and they would be a class of 'commercially-oriented' officers of the Foreign Service.

99. The officers of the pool should have a common cadre of *inter se* seniority so that they could aspire to legitimate promotion in their own turn as Counsellors, Ministers, Consul-Generals or as Senior Trade Commissioners. The advantage of the proposed pool would lie in its flexibility, and in its capacity to offer a relatively large base of staff from which to draw 'oversea' officers for commercial posts. It would facilitate cross-fertilization of ideas between the home and oversea elements, and yield more fruitful results.

100. Normally, the tenure of a 'commercial officer' abroad should be five years.

101. Our overseas officers on the commercial and economic side, need a great deal more grounding in their specialised fields; before they leave for their posts, it should be ensured that they go well equipped to their task (*Paras 24—33*).

New Delhi,

FEBRUARY 28, 1962.

(Sd)—A. RAMASWAMI MUDALIAR

G. L. BANSAL

N. M. WAGLE

P. A. NARIELWALA

E. P. W. DA COSTA

S. M. SHAH

B. K. KOCHAR

H. L. KHANNA

M. P. MATHUR

S. P. CHABLANI

APPENDICES

APPENDIX A

QUESTIONNAIRE

PART I

IMPORT POLICY AND PROCEDURES

- (i) (a) *Procedure followed in the formulation of import policy and methods followed in dealing with applications.*

Objectives of import control

1. What, in your judgement, are or should be the objective of import control and to what extent are these objectives being fulfilled?

Formulation of import policy

*2. What is the general procedure followed in the formulation of import policy? What improvements would you suggest in the procedure followed?

Distribution of Foreign Exchange and Priorities for import

*3. Is the short fall in actual licensing of imports as compared to the foreign exchange allocations taken into account while framing the exchange budget for a licensing period?

*4. Is the gap between the value of import licences and the actual utilisation of licences taken into account while framing the exchange budget?

*5. How are the priorities for different import requirements determined? Are you satisfied with the order of import priorities? If not, what should in your opinion be the order of priorities?

*6. What priority is accorded to the import of plant and machinery required for (i) establishment of new industries, (ii) expansion of existing industries and (iii) import of spare parts and accessories required for the existing industries?

*7. What are the priorities accorded to the import of raw materials for different industries? Is any distinction made in the matter of priority for the import of raw materials required for industries producing essential consumer goods and the raw materials required for other industries?

*8. What is the priority accorded to the import of raw materials required for small-scale industries?

*9. What steps are taken to ensure a balance between the licensing of machinery, plant and capital goods on the one hand and raw materials, (including components and spares) for (a) new industries, (b) existing industries and (c) expansion of existing industries on the other?

*10. How is it ensured that the indigenous industry maintains production at the maximum level and is not handicapped by import restrictions?

*To be answered by officials only.

Import Licensing Policy

11. Is the import policy of different items of imported goods changed frequently? If so, why? If you consider this unnecessary or harmful please make your suggestions for avoidance of such frequent changes.

12. Why is licensing of imports done on half yearly basis? Could it be done on annual basis or a longer term basis? Do you favour such alternate basis?

13. What steps could be taken to introduce perspective planning in import control? In other words, could we plan our import requirements over a period of say five years?

14. Can the list of items licensed to actual users and established importers on annual basis be expanded? If so, please suggest items.

15. Would you suggest any change in the present repeat and annual licensing scheme?

16. What role do the established importers play in the import trade of the country? Do you think that their share in the import trade could be increased? Or should their scope be curtailed?

17. Have you any suggestions to make for improvement or simplification of procedure in regard to fixation of quotas?

18. What provision is made in the import policy to introduce new comers in the import trade? Do you favour new comers, and if so, under what conditions?

*19. What is the criteria adopted for placing certain goods on OGL? Is a watch kept on the quantity and value of imports under OGL to prevent excessive imports?

20. What steps are taken to ensure a fair price for imported goods to consumers in the country?

21. Do you consider that the provision for *ad hoc* licensing in the import policy covers an excessive number of items and that the list of such articles may be reduced? Please give reasons therefor in detail in respect of each article.

22. Have you any suggestions to make regarding import regulations governing import of samples, advertising articles, literature, calendars etc.?

23. What is your opinion about minimum value of licences granted to Established Importers? Have you any suggestions to make?

24. What should be the validity period of different categories of import licences and what suggestions have you to make regarding extension of their validity?

Licensing procedure

25. What is the procedure for dealing with applications for import of (a) Capital Goods, (b) Goods for actual users and (c) for established importers? What improvements would you suggest?

Can the licensing procedure be simplified? If so, what are your suggestions?

*To be answered by officials only.

26. Do you think that there is further scope for decentralisation of licensing of imports ?

27. Do you consider it necessary to adopt S.I.T.C. of goods for I.T.C. purposes and are any difficulties experienced in co-relating I.T.C. classification with Indian Customs Tariff ?

28. Which industries are granted import licences for raw materials through their associations and which through actual users ? How far has this scheme been successful ? Do you suggest extension of this concession and if so, to which industries (a) through associations (b) through actual users.

Disposal of applications

*29. What are the stages through which an import application passes before a licence is finally despatched to the applicant ?

30. Is the procedure for disposal of applications streamlined ? Have you any suggestions for its improvement ?

31. Do you think there is scope for mechanising a part of the work in the Licensing offices such as statistical work, card indexing etc. ? If so, what is the scope of such mechanisation and what would be the advantages thereof ?

32. Do you think it is possible to gear up the organisation of the Licensing offices to secure greater efficiency. If so, please make specific suggestions.

33. How much time is normally taken in grant of licence from the date of receipt of an application ? Have you any suggestions to make in this behalf ?

*34. Are there any delays in obtaining advice/comments of technical authorities for issue of import licences ? Can you suggest any changes in the procedure for obtaining the advice/comments of the technical authorities ?

*35. Is there sufficient co-ordination between the authorities at the ports and the licensing authorities at Headquarters or between any other concerned authorities in the matter of licensing of imports ? If not, what suggestions have you to make in this regard ?

36. Have you any other suggestions to make for the methods followed in dealing with applications for import licences to different categories of applicants ?

(i) (b) Organisation of the existing machinery for Import control.

*37. Are the Joint Chief Controllers of Imports and Exports at major ports invested with sufficient powers to deal with situations arising from the licensing work entrusted to them ? Do they make reference to the Chief Controller on matters which in your opinion could have been settled at the ports ?

*38. Do you think larger powers could be delegated to officers up to the level of Deputy Chief Controllers to enable senior officers to devote more time for supervision ?

*39. Have you any comments/suggestions regarding the improvement of the administrative machinery of the Import Control Organisation ? Do you

*To be answered by officials only.

consider that the application for an import licence has to pass through more stages than is necessary or reasonable. If so, what improvements could be suggested?

(iii) Questions relating to allocations for import of raw materials and capital goods with special reference to the requirement of the Third Five Year Plan.

40. What are the minimum import requirements of capital goods for achieving the targets laid down in the Third Five Year Plan taking into consideration the present installed capacity, wherever available as to supplement (a) existing installed capacity, (b) for expansion of existing capacity and (c) for new industries?

41. How much of the capital goods have been obtained from the Rupee payment countries?

42. There are countries which accept Rupee payment for import of capital goods and other articles. What in your opinion are the advantages of this arrangement?

43. How do the prices of capital goods etc. so imported compare with the prices of such goods from countries which require payment in foreign exchange (a) immediately, (b) on deferred payment basis?

44. Having regard to the Barter Agreements which are generally entered into with countries accepting Rupee payments, how far do you consider foreign exchange is saved to the importing country on a long term basis?

45. Do you consider that by such arrangements more exports of commodities have been promoted or do you consider that export trade has been diverted without increasing its volume particularly in relation to traditional export goods?

46. What is your experience of the price paid for commodities exported on Rupee account? Is a fair price obtained by the Indian seller?

47. It has been alleged that in some cases the exported goods are subject to re-export either at higher prices or to obtain valuable foreign exchange to the importing country. Do you consider there is any basis for such an allegation?

48. Is it feasible to undertake forward planning for placing bulk orders for raw materials on Rupee payment countries; if so, what procedure would you suggest for it?

49. Have you experienced any difficulties in being directed to meet your requirements of (a) raw materials, (b) components, (c) capital goods for new industries, from countries on Rupee payment basis? If so, please give in detail the nature of the difficulties and the kind of industries?

50. How much of the installed capacity of different industries is being utilised at present? Please enumerate reasons for under utilisation of existing capacities.

51. Has the present liberalised scheme of licensing of raw materials in favour of small scale industries resulted in any abuses? If so, what steps can be taken to prevent such abuses?

52. What principles should be followed in determining the kind of small scale industries to which import assistance for raw materials etc. should be granted ?

53. Would it be practicable to issue bulk licences in favour of State Government or in favour of Corporations run by the State Governments for storing commonly used materials in raw materials depots for the use of small scale industries ?

54. Are the requirements of imported raw materials decreasing consequent upon the progress and development of indigenous industries and increase in agricultural production.? If not, please give reasons therefor.

55. To what extent, in your judgement, can indigenous materials and substitutes be utilised more fully for meeting maintenance and development requirements so as to reduce the import bill ? The list of such materials considered may be stated.

56. How far has the grant of bulk import licences helped the industries in maintaining a high level of production ? Do you suggest extension of this facility to new industries ?

57. Is there a prompt examination of the availability of indigenous new products and are steps taken to restrict or ban import of such items ?

58. How do the prices of indigenous raw materials compare with those of imported ones ? Give examples.

(i)(c) *General matters relating to import control policy and procedures and requirements of raw materials.*

59. Have you any comments to make about the different application forms prescribed for grant of import licence ? Have you any suggestions for their simplification ?

60. Have you any suggestions for improving the existing forms of "essentiality certificate", "Income Tax Verification Certificate" and registration numbers ?

61. Have you any suggestions to make for improving the procedure for obtaining essentiality certificates/recommendation of the certifying authorities ?

62. Various last dates have been prescribed for each category of importers for each half year. Are these satisfactory or would you advocate a change ? If so, please give your reasons.

63. Are enquiries made from CCI's office (Headquarters and Port Offices) attended to promptly ? Are Enquiry Officers able to give replies to queries promptly ?

64. Do you experience any serious difficulty in obtaining interviews from officers concerned ? What is the procedure for grant of interviews ? Have you any suggestions to make in this behalf ?

65. Is the procedure followed for transfer/division of quota rights satisfactory ? What is the normal time taken in deciding upon a case of transfer/division of quota rights ?

Clearance of goods through the customs

66. Do you experience any difficulty in clearance of goods from the Custom House on account of I.T.C. formalities ?

67. Is the co-ordination between the Import Control authorities and Customs authorities satisfactory ?

68. Do you experience any difficulty in the use of bulk Import Licences from the point of view of clearing the various categories of goods from the Customs ? If so, have you any suggestions to offer to eliminate this difficulty ?

Canalisation of Imports

69. What is your experience of imports of certain items through the S.T.C. ? Has this ensured regular availability of the material at fair prices ? If not, what steps would you suggest to improve the present position ?

Disposal of appeals

70. Are appeals/complaints regarding the grant of import licences attended to in reasonable time by the C.C.I./J.C.C.I. ?

71. Have you any suggestions to make in regard to the disposal of appeals by the licensing authorities and the C.C.I. ?

72. What steps can be taken to eradicate the malpractices resorted to by some persons in connection with the import trade ? What kind of assistance can be given by the Chambers of Commerce and Trade Associations in curbing and dealing with these abuses ?

Import and Export (Control Act)

73. Have you any suggestions to make in regard to the provisions of the Import and Export (Control) Act, 1947 as amended from time to time and the Import Control Order, 1955 ?

74. Are there any difficulties in enforcing or applying the provisions of the Import and Export (Control) Act and rules made thereunder ? If so, state the difficulties and suggest ways and means of overcoming the same.

75. Are you satisfied with the basic structure of Import Trade Control Schedule ? If not, what are your suggestions in this behalf ?

76. Are there any malpractices which do not fall within the scope of the Import and Export (Control) Act and the rules made thereunder ? If so, suggest the amendments which should be made in the Act to cover such malpractices.

77. To what extent is it true that trafficking in import licences exists and is on the increase ? If so, have you any suggestions to make to prevent it ? What assistance can be expected from the trade to check this abuse ?

78. How would you distinguish a forward sale of goods from a sale of licences ? What steps would you take to prevent this ?

Consultations with Trade and Industry

79. Do you think the consultations at present held with the trade through the Import Advisory Council and the Port Import Advisory Committees are sufficient to elicit their views regarding import policy? What improvements would you suggest?

80. What basic period would you suggest for determining the quota for (a) actual users, (b) established importers?

81. What is your view regarding the penalties that may be imposed by departmental action for breaches of import trade control regulations?

PART II

EXPORT POLICY AND PROCEDURE

(ii) (a) *Review of the efficacy of the existing Export Promotion measures*

1. Have you any general comments on the various export promotion measures taken by the Government?

Export Control

2. Have the relaxations in Export Control Regulations in respect of exportable items made during the last few years been helpful in increasing exports from the country? Can you suggest any further relaxation in export control which would increase such exports?

3. Has the export policy in regard to various quota items been satisfactory? Have you any suggestions in this regard?

4. It has been suggested that export quotas of items may be released to a larger extent in view of foreign exchange requirements, even though it may cause some scarcity of supplies for internal consumption. Do you agree with this suggestion? If so, what items of exportable commodities, do you consider can be so increased?

5. Is the licensing procedure for exports satisfactory? Can it be further simplified?

6. Do you experience any difficulty in getting shipping bills in respect of "freely licensed" items passed? If so, give your suggestions for improving the procedure.

Export duties

7. Has the abolition/reduction of export duty in respect of export goods made in the last few years been satisfactory? Has the abolition/reduction of duties been responsible for increasing exports of particular commodities? If not, give reasons for it.

8. Does export promotion of any commodity suffer by the sudden imposition of export duty? If so, what remedy do you suggest.

9. Have you any suggestions to make for further reduction/complete removal of export duties on export goods subject to export duties. Please give detailed reasons therefor.

Refund of Excise Duties

10. Is the amount of refund of excise duties allowed on export of various excisable commodities satisfactory? How far has this concession helped in increasing exports?

11. Is the procedure for refund of excise duty satisfactory? Do you have any suggestions for its improvements?

Drawbacks of Import Duties

12. How far has the scheme for drawback of import duty (originally paid on imported components/raw materials) in respect of manufactured goods helped in increasing export of these goods?

13. Is the procedure for obtaining drawback of import duty under the various drawback schemes satisfactory? Do you experience any difficulty in getting drawback duty? If so, what are the difficulties?

14. Have you any new items to suggest where drawback of import duty could be allowed?

15. Have the facilities for manufacture of goods in bond for export allowed under Section 100A of the Sea Customs Act and Rule 191 B of the Central Excise Rules been adequate and have they resulted in larger exports? If not, why not? What suggestions have you to make in this regard?

Incentives for export—Railway priorities

16. Whether the priority accorded for movement over the railway to export goods is sufficiently high to enable unhindered movement of these goods?

17. What further facilities for improvement of export goods over the Railways, are in your opinion, necessary?

Export Risk Insurance

18. Is the ERIC rendering useful service to the exporters? How far has it helped in promoting exports from the country?

19. What suggestions have you to make about the facilities which ERIC should offer to the exporters?

Export Promotion Agencies

20. What are the various agencies or organisations concerned with export promotion and what organisational changes would you suggest for the better co-ordination of their activities?

21. How far have the Export Promotion Councils so far constituted helped in increasing exports of the commodities they are concerned with? How far have they succeeded in establishing new markets for the export commodities?

22. What suggestions would you offer to make the Export Promotion Councils more effective instruments of export promotion? Would you suggest any changes in the constitution of these councils?

23. Do you think Export Promotion Councils can be set up for other export commodities also? If so, name the commodities.

24. How far have commodity Boards like the Tea Board, the Coffee Board etc. helped in increasing exports?

25. Do you think that these Commodity Boards should play a more prominent part in the promotion of the export of the respective commodities? If so, what are your suggestions?

26. What suggestions would you offer to make the Development Councils more effective instruments of export promotion also? Would you suggest any change in their constitution?

27. How far have Development Councils been able to help export of commodities they are concerned with?

28. What is your opinion regarding adequacy or otherwise of the agencies that exist in India for promoting exports? Would you suggest setting up in India of organisation such as Jetro in Japan and Betro in the U.K.?

Assistance from Government Trade Representatives Abroad

29. To what extent have the Indian Trade Commissioners in foreign countries been able to offer assistance to exporters for increasing exports? What kind of assistance do you expect from the Indian Trade Commissioners and Commercial Secretaries?

30. What measures would you suggest to strengthen the organisation of Indian Trade Commissioners/Commercial Secretaries?

31. What type of Trade Commissioners or Trade Representatives would you suggest for the most effective functioning of duties in regard to export promotion?

32. What facilities are available to Indian businessmen to open branches abroad to promote export? How far do you consider export houses would avail themselves of such facilities?

Participation in International fairs

33. How far has the participation in exhibitions and the opening of show rooms contributed to the promotion of exports? How best do you think could the interest created by exhibitions and show rooms be made to result in actual export business?

34. What, in your view, has been the measures of success achieved by India's participation in the various international Fairs and Exhibitions?

35. How, and by what measures, can India's participation in these fairs be made more fruitful?

36. What in your opinion, are the reasons for Indian exporters and business houses not coming forward to avail themselves of the facilities offered to them by the Government of India at the various international fairs?

37. Are these facilities not adequate enough? If so, what measures would you suggest so that Indian exporters/business houses may find it useful to participate in these fairs.

38. What machinery would you devise to ensure follow-up sale flowing from India's participation in these international fairs?

Quality Control

39. How far can quality control on compulsory basis be extended to other commodities in the light of the experience gained in working the compulsory quality control schemes in respect of sann-hemp, tobacco, bristles, wool, lemon grass oil, sandal wood oil?

40. Have the procedures followed for grading of the aforesaid commodities been working satisfactorily? If not, have you any suggestions for improvements?

41. It has been suggested that for the better promotion of export of goods and of sustained exports of such goods, it is desirable to insist on quality control and pre-shipment inspection of such goods. What suggestions have you to make regarding imposition of quality control on export goods?

Export Promotion Schemes

42. How far have the special incentive schemes enabled the exporters to make progress in export to non-traditional markets? Please indicate the position in respect of each of the commodities subject to Special Export Promotion Schemes.

43. What are your views on the working of the incentive schemes? Is the incentive granted under the Special Export Promotion schemes sufficient? If not, what suggestions would you make?

44. Would you favour extension of incentive schemes or do you consider that the grant of incentives for exports have been abused?

45. Can incentive schemes be simplified? What are your suggestions for simplification of the Schemes.

46. What are the other commodities which should be included in the incentive schemes?

47. How far have the export promotion schemes vide para 2C of Appendix 23 of the Red Book under which import licences for raw materials are granted enabled the manufacturers and exporters to increase exports?

48. Does the import entitlement allowed to the exporters under the Export Promotion Schemes result in unnecessary imports?

49. What measures would you suggest to link promotion of exports with promotion of tourism in India?

(iii) (b) *Measures necessary to step up exports during the Third Five Year Plan*

50. What are your views about the target for exports fixed for the period 1961—66 under the Third Five Year Plan? What steps are necessary for achieving the export target proposed under the Third Plan?

51. Can the target be stepped up in view of the large import requirements of capital goods and raw materials for industrial development under the Plan?

General

52. What are your views on barter and link deals as export promotion measures? Do you think that the barter deals so far sanctioned by Government have resulted in additional exports?

53. Do you consider that a scheme of 'currency retention' as practised by some countries would stimulate exports? Have you any comments on the channels of export in existence at present? Have you any suggestions in this regard?

54. How far have exports made through the S.T.C. enabled the country to enlarge its foreign trade? Have you any suggestions to make in the matter?

55. What measures would you suggest for substantially increasing exports of traditional items of export? What are the difficulties which the Indian exporters face in foreign markets? What suggestions would you make for increasing the competitiveness of Indian goods so far as price and quality is concerned?

56. How far can non-traditional items contribute towards increasing exports during the Third Plan period?

57. What are the specific commodities, the export of which should be augmented/developed immediately and to what extent?

58. Would you advocate any compulsory measures which should be taken for ensuring export of products of industries?

59. Do sales tax or other local taxes affect competitive position of Indian goods in foreign markets? If so, give examples.

60. Have you any suggestions to make for remission of any other taxation affecting exports?

61. What are the possibilities of developing India as a centre of (a) entrepot trade and (b) re-export trade?

62. Have you any suggestions for setting up of industries in the free port area? If so, what industries should be set up and how would they help export trade of the country?

63. What are the organisational weaknesses internal and external which inhibit the growth of India's export trade?

64. Are you aware that to many important countries of the world—e.g. Germany a great bulk of the exports are not direct exports, but via entrepot countries? What measures would you suggest to remedy this situation?

65. What kind of organisation would you like to be set up in countries offering good export prospects for Indian goods with a view to—

- (a) study the market;
- (b) offer commercial intelligence;
- (c) show the whole range of samples of our principal commodities;
- (d) build a net-work of agencies for Indian exporters/suppliers;
- (e) settle disputes.

66. What should be the nature of its counterpart organisation in India ? Should these be run entirely by Government; or entirely by Private enterprise; or should it be a blend of both? What should be the respective role of each ?

66. Are you aware that there is a large number of Indian business houses conducting a fairly prosperous business in many parts of the world ? What measures would you suggest to enlist their support for augmenting India's exports ?

67. Do you think that Indian export/import business suffers for lack of accurate and timely commercial intelligence ? What measures would you devise to remedy this handicap ?

68. What is the present machinery for settlement of trade disputes ? Do you think that the inclusion of an arbitration clause in export contracts has been helpful in minimising trade disputes ?

69. Would you recommend creation of additional capacities in industries which may have export potentialities and which industries would you suggest for this purpose ?

* 70. Do you think the consultations at present held with the trade through the Export Promotion Advisory Council and Port Export Promotion Committees are sufficient to elicit their views regarding export promotion measures.

APPENDIX B

List of Chambers of Commerce, Government Departments, and Individuals who submitted written memoranda in response to the Questionnaire issued by the Import and Export Policy Committee.

1. Agfa India (Private) Ltd., Bombay.
2. Agra Shoe Manufacturing Association, Agra.
3. Ahmedabad Mill and Gin Store Merchants Association, Ahmedabad.
4. Air India International, Bombay.
5. All India Ball-Bearing Merchants' Association, Bombay.
6. All India Exporters' Chamber, Bombay.
7. All India Federation of Master Printers, Madras.
8. All India Glass Manufacturers' Federation, New Delhi.
9. All India Glass Merchants' Association, Bombay.
10. All India Importers' Association, Bombay.
11. All India Instruments Manufacturers' and Dealers' Association, Bombay.
12. All India Manufacturers' Organisation, Bombay.
13. All India Non-Power Soap Makers' Association, Bihar.
14. All India Radio Merchants' Association, Bombay.
15. All India Woollen Mills Association Ltd., Bombay.
16. All India Wool Trade Federation, Bombay.
17. Alleppey Oil Millers and Merchants' Association, Alleppey.
18. Amalgamations (Private) Ltd., Madras.
19. Andhra Chamber of Commerce, Madras.
20. Aromatic Traders' Association, Calcutta.
21. Art Silk Textiles Manufacturer Exporters' Association, Bangalore.
22. Ashok Leyland Ltd., Madras.
23. Associated Chambers of Commerce and Industry, Calcutta.
24. Associated Exports-Imports Corporation, Calcutta.
25. Association of Merchants & Manufacturers of Textile Stores and Machinery, Bombay.
26. Atlas Cycle Industries Ltd., Sonapat.
27. Bengal Chamber of Commerce and Industry, Calcutta.
28. Bengal National Chamber of Commerce and Industry, Calcutta.
29. Bhandare and Company, Hubli.
30. Bharat Chamber of Commerce, Calcutta.
31. Bhartiya Jana Sangh, Surat.
32. Bombay Chamber of Commerce & Industry, Bombay.
33. Bombay Dyeing and Manufacturing Company, Bombay.
34. Bombay Diamond Merchants' Association, Bombay.
35. Bombay Exchange Banks' Association, Bombay.
36. Bombay Industries Association, Bombay.
37. Bombay Oil Seeds Crushers Association, Bombay.

38. Bombay Oil Seeds & Oil Exchange Ltd., Bombay.
39. Bombay Piecegoods Merchants' Mahajan, Bombay.
40. Bombay Shroffs (Bankers) Association Ltd., Bombay.
41. Bombay Tea Exporter's Association, Bombay.
42. British India Corporation Limited, Kanpur.
43. Burmah Shell and Oil Company Ltd., Bombay.
44. Calcutta Import Trade Association, Calcutta.
45. Calcutta Kirana (Spices) Merchants Association, Calcutta.
46. Calcutta Motor Dealers' Association, Calcutta.
47. Calcutta Tea Merchant's Association, Calcutta.
48. Calcutta Tea Traders' Association, Calcutta.
49. Caltex Oil Company Ltd., Bombay.
50. Central Organisation for Oil Industry and Trade, Bombay.
51. Central Silk Board, Bombay.
52. Chemical and Alkali Merchants' Association, Bombay.
53. Chemists & Druggists Association, Bombay.
54. Chief Controller of Imports and Exports, New Delhi.
55. Chuni Lal and Company, Bombay.
56. Cochin Chamber of Commerce, Cochin.
57. Coffee Board, Bangalore.
58. Deepak Industries, Ludhiana.
59. Deputy Chief Controller of Imports & Exports (C.L.A.), New Delhi.
60. Development Wing, New Delhi.
61. Director General of Commercial Intelligence and Statistics, Calcutta.
62. Director General of Observatories, New Delhi.
63. East India Cotton Association Limited, Bombay.
64. East India Metal Merchant's Association, Calcutta.
65. Electric Merchants' Association, Bombay.
66. Emkay Trading Company, Bombay.
67. Engineering Association of India, Calcutta.
68. Export Risks Insurance Corporation Ltd., Bombay.
69. Federation of Associations of Small Industries of India, New Delhi.
70. Federation of Gujarat Mills and Industries, Baroda.
71. Federation of Hotel and Restaurant Associations of India, New Delhi.
72. Federation of Electricity Undertakings of India, Bombay.
73. Federation of Indian Chambers of Commerce & Industry, New Delhi.
74. Federation of Paper Traders' Association of India, Madras.
75. Federation of Small Scale & Cottage Industries, Baroda.
76. Federation of Woollen Manufacturers' in India, Bombay.
77. Fertilizer Corporation of India Ltd., New Delhi.
78. Glass Industrial Syndicate, Firozabad.
79. Grain and Oil Seeds Merchants' Association, Bombay.
80. Gujarat Vepari Mahamandal, Ahmedabad.
81. Hathidant Hastkala Audyogik Sahakari Mandali Ltd., Ahmedabad.

82. Hanuman Prasad Pragdas, Calcutta.
83. Heavy Engineering Corporation Ltd., Ranchi.
84. Heavy Electricals Ltd., Bhopal.
85. Hindustan Chamber of Commerce, Madras.
86. Hindustan Chemicals and Fertilizer Ltd., Naya Nangal.
87. Hindustan Insecticides Ltd., New Delhi.
88. Hindustan Machine Tools Ltd., Bangalore.
89. Hindustan Salt Company Ltd., Jaipur.
90. Imperial Chemical Industries (Private) Ltd., Calcutta.
91. Imperial Tobacco Co., of India Ltd., Calcutta.
92. India Works, Jullundur City.
93. Indian Chamber of Commerce, Calcutta.
94. Indian Chamber of Commerce, Guntur.
95. Indian Chemical Manufacturers' Association, Calcutta.
96. Indian Chemical Merchants' Association, Calcutta.
97. Indian Cotton Mills Federation, Bombay.
98. Indian Engineering Association, Calcutta.
99. Indian Ferro Alloy Producers' Association, Bombay.
100. Indian Handicrafts Development Corporation Ltd., New Delhi.
101. Indian Jute Mills Association, Calcutta.
102. Indian Merchants' Chamber, Bombay.
103. Indian Mining Association, Calcutta.
104. Indian Non-ferrous Metals Manufacturers' Association, Calcutta.
105. Indian Oil & Produce Exporters' Association, Bombay.
106. Indian Paints Association, Calcutta.
107. Indian Paper Makers' Association, Calcutta.
108. Indian Paper Mills Association, Calcutta.
109. Indian Rubber Industries Association, Bombay.
110. Indian Standards Institution, New Delhi.
111. Indian Sugar Mills Association, Calcutta.
112. Indian Tea Association, Calcutta.
113. Indian Tea Planters' Association, Jalpaiguri.
114. Indian Telephone Industries, Bangalore.
115. Indo-German Chamber of Commerce, Bombay.
116. International Trading Company, Bombay.
117. Iron, Steel and Hardware Merchants' Chamber of India, Bombay.
118. Iron and Steel Controller, Calcutta.
119. Jaipur Chamber of Commerce and Industry, Jaipur.
120. Jewellers' Association, Jaipur.
121. Joint Chief Controller of Imports and Exports, Bombay.
122. Joint Chief Controller of Imports and Exports, Calcutta.
123. Joint Chief Controller of Imports and Exports, New Delhi.
124. Joint Chief Controller of Imports and Exports, Madras.
125. Jute Commissioner, Calcutta.
126. Kajaria Sons Private Limited, Calcutta.

127. Kantilal Maganlal Jewellers, Bombay.
128. Karikal Import and Export Merchants' Association, Karikal.
129. Karnatak Chamber of Commerce & Industry, Hubli.
130. Kashmir Chamber of Commerce, Srinagar.
131. Kerala Cashew Manufacturers' Association, Quilon.
132. Kirloskar Oil Engines Ltd., Poona.
133. Krishna Kapoor and Co., Amritsar.
134. Kusum Products Limited, Calcutta.
135. M/s. Latest Textiles, Surat.
136. Madras Chamber of Commerce, Madras.
137. Madras Kirana Merchants' Association, Madras.
138. Madras Mica Association, Nellore.
139. Madras Trades Association, Madras.
140. Mahakoshal Chamber of Commerce, Jabbalpore.
141. Maharashtra Chamber of Commerce, Bombay.
142. Maharatta Chamber of Commerce & Industry, Poona.
143. Maskati Cloth Market Association, Ahmedabad.
144. Merchants Chamber of Commerce, Calcutta.
145. Merchants Chamber of Uttar Pradesh, Kanpur.
146. Metal Box Company of India Ltd., Calcutta.
147. Milk Powder Merchants' Association, Bombay.
148. Milk and Gin Store Merchants' Association, Bombay.
149. Millers Association, Vizianagram.
150. Ministry of Community Development and Co-operation, New Delhi.
151. Ministry of Defence, New Delhi.
152. Ministry of Food and Agriculture, New Delhi.
153. Ministry of Steel, Mines and Fuel (Deptt. of Iron and Steel), New Delhi.
154. Ministry of Transport & Communications, (Deptt. of Transport), New Delhi.
155. Ministry of Transport & Communications, (Deptt. of Tourism), New Delhi.
156. Motor Vehicles & Allied Industries Association, Madras.
157. Munna Lal Mahadeo Prasad, Basti.
158. Mysore Chamber of Commerce, Bangalore.
159. Nagrath Paints Private Limited, New Delhi.
160. National Chamber of Commerce, Madras.
161. Nagapatam Chamber of Commerce, Nagapattanam.
162. North Malabar Chamber of Commerce, Cannanore.
163. Oriental Chamber of Commerce, Calcutta.
164. Paper Traders' Association, Bombay.
165. Parikh & Co., A.L., Bombay.
166. Parmar Brothers, Bombay.
167. Pearls Importers & Exporters Association, Bombay.
168. Perfumery Raw materials Trade Association, Bombay.
169. Premji Bhanji & Co., Bombay.

170. Punjab and Delhi Chamber of Commerce, New Delhi.
171. Punjab Federation of Industry and Commerce, Amritsar.
172. Punjab Industries and Commerce Association (Regd.), Punjab.
173. Rajasthan Chamber of Commerce and Industry, Jaipur.
174. Radio Supply Stores Private Ltd., Calcutta.
175. Ramesh Metal Works, Jagadhiri.
176. Sankey Electrical Stampings Ltd., Bombay.
177. Saurashtra Chamber of Commerce, Bhavnagar.
178. Shiv Pratap Brij Ratan Das, Calcutta.
179. Silk and Art Silk Mills' Association Ltd., Bombay.
180. Silk Merchants' Association, Bombay.
181. Silk & Rayon Textile Exporters' Association, Bombay.
182. Sindhi Chamber of Commerce and Industry, Bombay.
183. Sivakasi Master Printers' Association, Sivakasi.
184. South India Betelnut Importers' Association, (Regd.), Madras.
185. South India Cashewnut Manufacturers' Association, Quilon.
186. Southern India Chamber of Commerce, Madras.
187. Southern India Wool and Goat Hair Exporters' Association, Madras.
188. Spat Textile Products (India) Private Ltd., Bombay.
189. Stanvac Oil Company Limited, Bombay.
190. State Trading Corporation of India Ltd., New Delhi.
191. Surat Artiya Kapra Committee, Surat.
192. Surat Dyers' Association, Surat.
193. Swastik Oil Mills Ltd., Bombay.
194. Tamil Chamber of Commerce, Madras.
195. Tata Iron and Steel Company Ltd., Bombay.
196. Tata Oil Mills Co. Ltd., Bombay.
197. Tea Board, Calcutta.
198. Tea Trade Association of Cochin, Cochin.
199. Textile Commissioner, Bombay.
200. Tractor, Earthmoving and Construction Equipment Distributors' Association Limited, Bombay.
201. Travancore Oil Millers' Association, Alleppey.
202. Tube Investments of India Limited, Madras.
203. Union Carbide Ltd., Calcutta.
204. Upper India Chamber of Commerce, Kanpur.
205. Utkal Mining and Industrial Association, Calcutta.
206. Vanaspati Manufacturers' Association of India, Bombay.
207. Virudhanagar Chamber of Commerce Ltd., Virudhanagar.
208. Venkatarama Sethi & Sons, Bangalore.
209. Western Indian Minerals Association, Bombay.
210. Western U.P. Chamber of Commerce, Meerut.
211. Wine Spirit and Beer Association, of India, Calcutta.
212. Woollens and Cotton Importers' Limited, Bombay.
213. The Chief Commissioner, Delhi Administration, Delhi.

214. The Chief Secretary to the Government of Madras, Madras.
215. Department of Industries and Labour, Madras.
216. Director of Industries, Assam.
217. Director of Industries, Bihar.
218. Director of Industries, Jammu and Kashmir, Srinagar.
219. Director of Industries & Commerce, Kerala, Trivandrum.
220. Director of Industries, Pondicherry, Pondicherry.
221. Director of Industries, Lucknow, Uttar Pradesh.
222. Director of Industries & Labour, Delhi.
223. Director of Industries, West Bengal, Calcutta.
224. Development Council for Art Silk Industries, Bombay.
225. Commission for India, Aden.
226. Commission for India, Hongkong.
227. Counsellor to the Commissioner for India, Singapore.
228. High Commission of India, London.
229. Embassy of India, Bangkok.
230. Embassy of India, Berne.
231. Embassy of India Phnom Penh.
232. Embassy of India, Warsaw.
233. Indian Trade Commissioner, Sydney.
234. Cashew Export Promotion Council, Cochin.
235. Chemicals & Allied Products Export Promotion Council, Calcutta.
236. Cotton Textiles Export Promotion Council, Bombay.
237. Engineering Export Promotion Council, Calcutta.
238. Leather Export Promotion Council, Madras.
239. Mica Export Promotion Council, Calcutta.
240. Silk & Rayon Textiles Export Promotion Council, Bombay.
241. Spices Export Promotion Council, Madras.
242. Shri A. Aka, Guntur.
243. Shri Babubhai M. Chinai, Bombay.
244. Shri Dharam Pal Singh, New Delhi.
245. Shri G. Ahmed, Srinagar.
246. Shri G. Shanker Reddiar, Madras.
247. Shri Jamal Moideen Saib, Madras.
248. Shri J. L. Sarkar, Calcutta.
249. Shri J. P. Patel, Bombay.
250. Shri Kasturbhai Lalbhai, Ahmedabad.
251. Shri K. L. Dalal, New Delhi.
252. Shri L. C. Thirumalachari, Madras.
253. Shri M. S. P. Rajah, Virudhanagar.
254. Shri Padampat Singhanian, Calcutta.
255. Shri P. M. Shah, Bombay.
256. Shri R. G. Aggarwala, Hazaribagh.
257. Shri R. G. Saraiya, Bombay.
258. Shri S. Ganguli, New Delhi.
259. Shri S. M. Shah, Bombay.
260. Shri T. P. Subramoniam, Bombay.

APPENDIX C

List of the representatives of the Chambers of Commerce, Associations of Trade, Officials, Businessmen and Industrialists who tendered oral evidence before the Committee.

CALCUTTA

Chambers of Commerce and Associations of Trade

| | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Shri M.K. Roy 2. Shri J.L. Sarkar 3. Shri N.L. Chanda 4. Shri A.R. Dutta Gupta | } | Bengal National Chamber of Commerce, Calcutta. |
| <ol style="list-style-type: none"> 5. Mr. D.A. Workman 6. Mr. A.B. Shearer | } | Calcutta Import Trade Association, Calcutta. |
| <ol style="list-style-type: none"> 7. Shri G.V. Swaika 8. Shri S.V. Pathak 9. Shri Taher H. Chithiwala | } | Oriental Chamber of Commerce, Calcutta. |
| <ol style="list-style-type: none"> 10. Mr. N. Stenhouse 11. Sir John Brown 12. Sir Walter Michelmores 13. Mr. W.D. Bryden | } | Associated Chambers of Commerce and Industry, Calcutta. |
| <ol style="list-style-type: none"> 14. Mr. N. Stenhouse 15. Sir John Brown 16. Sir Walter Michelmores 17. Mr. P.E.G.W. Parish 18. Mr. W.D. Bryden | } | Bengal Chamber of Commerce and Industry, Calcutta. |
| <ol style="list-style-type: none"> 19. Shri S.S. Kanoria 20. Shri M.L. Nopany 21. Shri V.D. Jhunjunwala 22. Shri R.V. Subramaniam 23. Shri K.S. Venkatapathy 24. Shri S.S. Raina 25. Shri S.R. Shroff | } | Indian Sugar Mills Association, Calcutta. |
| <ol style="list-style-type: none"> 26. Mr. D. C. B. Pilkington 27. Shri C. L. Bajoria | } | Indian Jute Mills Association, Calcutta. |
| <ol style="list-style-type: none"> 28. Mr. G. V. Dorsey 29. Shri P. M. Singhvi | } | Indian Paint Association, Calcutta |
| <ol style="list-style-type: none"> 30. Mr. A.A.G. Weir 31. Mr. S. Maxwell Scott 32. Shri N.G. Das | } | Indian Mining Association, Calcutta. |
| <ol style="list-style-type: none"> 33. Shri S. K. Roy | } | Indian Paper Makers Association, Calcutta. |
| <ol style="list-style-type: none"> 34. Shri A.K. Mitra 35. Shri N.M. Malkani 36. Mr. W.M. Paris | } | The Indian Engineering Association, Calcutta. |
| <ol style="list-style-type: none"> 37. Shri K.L. Chowdhury 38. Shri P.R. Bagri 39. Dr. R.D. Vidyarthi 40. Shri K. Balchandran 41. Shri D.K. Sinha | } | Engineering Association of India, Calcutta. |

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|-----------------------------|---|--|
| 42. Shri K. Ghosh | } | The Calcutta Tea Traders' Association, |
| 43. Mr. N. H. Debenham | | Calcutta. |
| 44. Mr. I.F. Morriss | } | The Indian Tea Association, |
| 45. Mr. J.L. Hlewellyn | | Calcutta. |
| 46. Shri P. B. K. Murty | } | Imperial Tobacco company, |
| 47. Mr. R. C. Hayworth | | Calcutta. |
| 48. Mr. B.G. Pearson | | Metal Box of India, Calcutta. |
| 49. Shri R.S. Chatterjee | } | Assam Oil Company |
| 50. Shri A. Ray | | |
| 51. Shri K. Narayanan | } | Indian Chamber of Commerce, |
| 52. Shri S.C. Guha | | Calcutta. |
| 53. Shri S. P. Jain | } | Bharat Chamber of Commerce |
| 54. Shri N.L. Kahoria | | |
| 55. Shri C. S. Pande | | |
| 56. Shri H. S. Singhanian | } | Imperial Chemical Industries, |
| 57. Shri M. L. Gupta | | Calcutta. |
| 58. Shri D. P. Kajaria | | Chemicals and Allied Products |
| 59. Shri L. R. Das Gupta | } | Export Promotion Council, |
| 60. Shri S. N. Chatterjee | | Calcutta. |
| 61. Shri K. R. Nair | } | Engineering Export Promotion |
| 62. Mr. A. C. Muir | | Council, Calcutta. |
| 63. Dr. D. Banerjee | } | Mica Export Promotion Council, |
| 64. Shri C. D. Thakkar | | Calcutta. |
| 65. Shri C.G. Chandrasekhar | | |
| 66. Shri A. K. Bhattacharya | } | |
| 67. Shri S. N. Rungta | | |
| 68. Shri M.L. Shroff | } | |
| 69. Dr. R. D. Vidyarthi | | |
| 70. Shri R. K. Singh | | |
| 71. Shri S. K. Sen | } | |
| 72. Shri R. N. Mukerjee | | |

Officials of the Central and State Governments

| | | |
|---------------------------|---|--|
| 73. Shri S. K. Sen | | Joint Chief Controller of Imports and Exports. |
| 74. Shri M. A. Rangaswamy | } | Collector of Customs. |
| 75. Shri S. K. Srivastava | | Collector of Central Excise |
| 76. Shri A. K. Roy | | Chairman, Tea Board |
| 77. Shri A. S. Bam | | Iron and Steel Controller |
| 78. Shri A. N. Banerjee | | Director General of Commercial Intelligence and Statistics |
| 79. Shri S. Subramaniam | | Chairman, Port Trust |
| 80. Shri K. Mitra | | Director of Industries, Bihar. |
| 81. Shri N.P. Sinha | | Director of Industries, West Bengal |
| 82. Shri B. C. Mallik | } | Director of Industries, Assam |
| 83. Shri U. Chatterjee | | Jute Commissioner, Calcutta |
| 84. Shri A. D. Adhikari | | |
| 85. Shri Ajit Majumdar | | |

Businessmen and Industrialists

86. Shri Abhijit Sen

87. Mr. A.R. Foster

88. Late Sir B.P. Singh Roy

89. Sir John Brown

90. Shri B. T. Thakur

M/s. Sen Raleigh & Co.

Chairman, Imperial Chemical
Industries Private Ltd., Calcutta.Director, India Steamship Co.,
Calcutta.Chairman, Jardine Henderson Ltd.
Calcutta.

2-B, Dover Road, Calcutta-19.

MADRAS

Chambers of Commerce etc.

91. Shri M. S. A. Majid

92. Shri A. Abdul Shukoor

93. Shri P. Haji Abdul Khyoom

94. Shri M. Haji Mohd. Ismail

95. Shri C. K. Duraivlan

96. Shri S. Srinivasan

97. Shri J. K. R. Chandra

98. Shri A. D. Murton

99. Shri Mohanlal D. Jolia

100. Shri G. R. Rao

101. Shri V. S. L. Nathan

102. Shri C. Lakmichand Metha

103. Shri G. R. Swamy

104. Shri C. V. Srinivasan

105. Shri C. Mathudesan

106. Shri S. Venkatarangan

107. Shri J. V. Somayajulu

108. Shri Parsram Jethanand

109. Shri M.S. Sambasivam

110. Shri A.P. Jamal

111. Shri R. Subramaniam

112. Shri K.A. Menon

113. Shri P. Surendranath

114. Shri Ramaswami Iyengar

115. Shri B. Venugopal

116. Shri A. S. Devitree

117. Shri V. Balaraman

118. Mr. R. M. King

119. Mr. B. B. Dodd

120. Mr. A. D. Galloway

121. Mr. E.F.G. Hunter

122. Mr. S. W. A. Morris

123. Shri V. S. Krishnamurthy

124. Shri S. Rangaswami Nadar

125. Shri L. V. Ramayya

126. Shri P. Krishnayya

National Chamber of Commerce,
Madras.Indian Leather Federation, Madras
The Southern India Silk and Hide
Merchants Association Madras.Shree Meenakshi Mills Ltd.,
Madurai.

Madurai Mills Ltd., Madurai

Hindustan Chamber of Commerce,
Madras.The Tamil Chamber of Commerce,
Madras.The Andhra Chamber of Com-
merce, Madras.The Southern India Chamber of
Commerce, Madras.Karikal Import & Export Mer-
chants Association.The Madras Trades Association,
Madras.Madras Chamber of Commerce,
Madras.Madras Oil and Seeds Association,
Madras.

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| 127. Shri V. Rajendren | } | The Virudhunagar Chamber of Commerce, Virudhunagar. |
| 128. Shri N. Rajendren | | |
| 129. Shri M. S. P. Rajah | | |
| 130. Shri S. P. Kothalaradar | | |
| 131. Shri N. Natarajan | | |

Officials of the Central and State Governments

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|---|---|---|
| 132. Shri C. R. Krishnaswami Rao Sahib | } | The Joint Chief Controller of Imports and Exports. Collector of Customs Collector of Central Excise Chairman, Port Trust Honorary Export Promotion Adviser. |
| 133. Shri C. T. A. Pillai | | |
| 134. Shri D. R. Kohli | | |
| 135. Shri N. Subramaniam | | |
| 136. Shri V. Ramakrishna | | |
| 137. Shri M. J. Jamal Moidin | } | Leather Export Promotion Council, Madras. |
| 138. Shri T. Abdul Wahid | | |
| 139. Shri M. Nazir Hussain | | |
| 140. Shri G. S. Srinivasa Iyer | | |
| 141. Shri G. Nageswar Rao | } | Tobacco Export Promotion Council, Madras. |
| 142. Shri C. R. Krishnaswami Rao Sahib | | |
| 143. Shri P. Seshagiri Rao | | |
| 144. Shri G. K. D. Ramachandra Rao | | |
| 145. Shri A. Aka | | |

Businessmen and Industrialists

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|---------------------------------|---|--|
| 146. Shri Bamas Baliga | } | T.I. Cycles of India. M/s. T. V. Sundaram Iyengar & Sons, Madurai. |
| 147. Shri V. R. Sivaraman | | |
| 148. Shri S. Anantaramakrishnan | } | Chairman, Amalgamations (Private) Limited. Ashok Leyland, Madras Spencer & Co. Ltd., Madras Eswaran Engineering Ltd., Madras Kothari and Sons, Madras |
| 149. Mr. A. E. L. Collins | | |
| 150. Shri A. Sattanathan | | |
| 151. Shri K. Eswaran | | |
| 152. Shri D. C. Kothari | | |
| 153. Shri H. C. Kothari | | |

BOMBAY

Chambers of Commerce and Trade Association

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|-----------------------------------|---|---|
| 154. Shri Vallabhdas V. Mariwala | } | Indian Merchants' Chamber, Bombay. |
| 155. Shri Pravinchandra V. Gandhi | | |
| 156. Shri Ratilal M. Gandhi | | |
| 157. Shri Morarji J. Vaidya | | |
| 158. Shri Charandas V. Mariwala | | |
| 159. Shri C. L. Gheelwala | | |
| 160. Shri D. S. Pendurkar | } | All India Importers Association, Bombay. |
| 161. Shri R. C. Shah | | |
| 162. Shri P. V. Hazarat | | |
| 163. Shri K. K. Mausita | | |
| 164. Shri K. T. Sanghvi | | |
| 165. Shri B.M. Choksi | | |

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| 166. Shri Chinubhai C. Javeri | } | All India Exporters Chamber, Bombay. |
| 167. Shri Surjakant C. Vakil | | |
| 168. Shri Naranji L. Kara | | |
| 169. Shri G. V. Puranik | } | All India Manufacturers Organisation, Bombay. |
| 170. Shri Morarji J. Vaidya | | |
| 171. Shri N. D. Sahukar | | |
| 172. Shri K. S. Hirlekar | | |
| 173. Shri B. V. Bhoota | | |
| 174. Shri B. D. Thoshinwal | | |
| 175. Shri P. L. Badami | | |
| 176. Shri R. N. Desai | } | Bombay Industries Association, Bombay. |
| 177. Shri A. K. Bhimani | | |
| 178. Shri H. N. Khira | | |
| 179. Shri J. J. Desai | | |
| 180. Mr. F. E. H. Goddard | } | Bombay Chamber of Commerce and Industry, Bombay. |
| 181. Mr. G. F. Marriner | | |
| 182. Mr. C. H. Campbell | | |
| 183. Mr. T. P. Barot | | |
| 184. Mr. A. R. Leyden | | |
| 185. Mr. B. Barkar | | |
| 186. Shri G. V. Nath | | |
| 187. Shri B. P. Gunaji | | |
| 188. Mr. F. E. H. Goddard | } | Bombay Exchange Association, Bombay. |
| 189. Mr. A. D. R. Geddis, | | |
| 190. Shri S. R. Mehta | | |
| 191. Shri J. D. Kansara | } | Indian Banks Association, Bombay. |
| 192. Shri N. M. Choksi | | |
| 193. Shri S. G. Panadikar | | |
| 194. Shri Ramnath A. Podar | } | Indian Cotton Mills, Federation, Bombay. |
| 195. Shri Pratap Bhogilal | | |
| 196. Shri Bhaskar G. Kakatvar | | |
| 197. Shri C. V. Radhakrishnan | | |
| 198. Shri K. R. Marfatia | } | The East India Cotton Association, Bombay. |
| 199. Mr. R. N. Barrot | | |
| 200. Shri D. G. Damle | | |
| 201. Shri R. P. Mehra | } | Silk and Art Silk Mills Association, Bombay. |
| 202. Shri Surendra M. Mehta | | |
| 203. Shri D. N. Shroff | | |
| 204. Shri J. K. Turakhia | | |
| 205. Shri Ramdas Kilachand | } | Bombay Oil and Oilseed Exchange, Bombay. |
| 205. Shri Gokalchand Agarwal | | |
| 207. Shri Chhaganlal Vetji | | |
| 208. Shri K. V. Barodia | | |
| 209. Shri C. V. Mariwala | } | Bombay Oilseed Crushers Asso- ciation, Bombay. Indian Oil and Producer Exporters Association, Bombay. |
| 210. Shri M. Mathias | | |
| 211. Shri H. R. Raja | | |
| 212. Shri M. Mathias | | |

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| 213. Shri Natwarlal Shamaldas | } | Western India Minerals Association, Bombay. |
| 214. Dr. P. R. Saraiya | | |
| 215. Shri Ramesh Chandra V. Dave | | All India Wool Federation, Bombay. |

Officials of the Central and State Governments.

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|-------------------------------|---|---|
| 216. Shri I. B. Dutt | } | Office of the Textile Commissioner, Bombay. |
| 217. Shri R. Viswanatha | | |
| 218. Shri G. R. Joshi | | |
| 219. Shri A. N. Ramachandran | | |
| 220. Shri T. V. Sundararajan | | |
| 221. Dr. K. I. Narasimhan | | |
| 222. Shri R.P. Mehra | } | Silk & Rayon Export Promotion Council, Bombay. |
| 223. Shri M. S. Doshi | | |
| 224. Shri O. P. Dhawan | | |
| 225. Shri Naranji Kara | } | Cotton Textiles Export Promotion Council. |
| 226. Shri P. Nagerseth | | |
| 227. Shri Vishwanath | | |
| 228. Shri A. T. Janakiraman | } | Central Silk Board. |
| 229. Shri T. S. Sundaramurthy | | |
| 230. Shri M. S. Ramnath | } | All India Handloom Board. |
| 231. Shri N. Ramaswamy | | |
| 232. Shri R. G. Saraiya | | Honorary, Export Promotion Adviser. |
| 233. Shri Jasjit Singh | | Collector of Customs. |
| 234. Shri G. Koruthu | | Collector of Central Excise. |
| 235. Shri C. M. Ghorpade | | Joint Chief Controller of Imports and Exports. |
| 236. Shri R. N. Desai | } | Plastic and Linoleum Export Pro- motion Council. |
| 237. Shri N. N. Patel | | |
| 238. Shri S. I. Parakh | | |
| 239. Shri D. S. Swaminathan | | |
| 240. Shri S. V. Bhawe | | Director, Geology & Mining. Maharashtra State. |
| 241. Shri M. W. Desai | | Additional Industries Commission- er, Government of Maharashtra. |
| 242. Shri K. V. Seshadri | } | Deputy Secretary, Govt. of Maha- rashtra. |
| 243. Shri S. M. Lad | | |
| 244. Shri P. A. Sabnis | | Deputy Director of Industries Government of Maharashtra. |
| 245. Shri V. Srinivasan | | Do. |
| 246. Shri V. V. Kale | | Do. |

Businessmen and Industrialists

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| 247. Shri S. L. Kirloskar | Kirloskar Oil Engines Ltd., Pooana. |
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BANGALORE

Chamber of Commerce and Trade Associations.

| | | |
|-------------------------------|---|-----------------------------|
| 248. Shri G. Sivappa | } | Mysore Chamber of Commerce. |
| 249. Shri Jeenabhai Davidoss | | |
| 250. Shri V. Kunjitapadam | | |
| 251. Shri G. N. Krishnamurthy | | |

Officials of the Central and State Governments.

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|-------------------------------|---|--|
| 252. Shri M. K. Mathulla | } | Hindustan Machine Tools. |
| 253. Shri A. R. Adinarayanaih | | Mysore Government Sandalwood Factory. |
| 254. Shri B. K. Thangappa | | Mysore Government Soap Factory. |
| 255. Shri A. Sambamoorthy | } | Director of Industries, Mysore. |
| 256. Shri N. M. Mallikarjanan | | Director of Mines and Geology, Mysore. |
| 257. Shri H. Sitarama Reddy | | Coffee Board. |
| 258. Shri A. N. Balaraman | | Indian Telephone Industries. |
| 259. Shri P. K. Verghese | | |

Businessmen and Industrialists.

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| 260. Shri D. N. Vatcha | Motor Industries Co. Ltd. |
| 261. Shri B. P. Radhakrishnan | |

COCHIN

Chambers of Commerce and Trade Associations.

| | | |
|------------------------------|---|--|
| 262. Shri C. T. Jacob | } | Cochin Chamber of Commerce. |
| 263. Shri T. D. Venkataraman | | |
| 264. Shri P. S. Velayudhan | } | All India Manioc Meal Exporters Association, Alleppy. |
| 265. Shri V. J. Joseph | | |
| 266. Shri K. M. Ahmed Koya | | |
| 267. Mr. J. R. Henshaw | } | United Planters Association of Southern India, Connor. |
| 268. Shri N. B. Athrey | | |
| 269. Shri P. S. Subramaniam | | |
| 270. Shri Ramji Champshi | } | All India Pepper and Spices Trade Association. |
| 271. Shri S. Ramaier | | |

Officials of the Central and State Governments.

| | | |
|--|---|---------------------------------|
| 272. Shri T. V. Krishnan Kutty Warrior | } | Director of Industries, Kerala. |
| 273. Shri K. K. Rajah | | |
| 274. Dr. Rama Verma | | Chairman, Rubber Board. |
| 275. Shri P. V. S. Sarma | | Chairman, Coir Board. |

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| 276. Shri K. I. Thomas | } | Deputy Chief Controller of Imports and Exports and Marine Products Export Promotion Council. |
| 277. Shri K. Damodaran | | |
| 278. Shri Y. M. Elias | | |
| 279. Shri P. M. Mohamed | } | Cashew Export Promotion Council. |
| 280. Shri K. Janardhanan Pillai | | |
| 281. Shri R. K. Pillai | | |

NEW DELHI

Chambers of Commerce and Trade Associations.

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|--------------------------------|---|---|
| 282. Shri N. R. Thadani | } | Punjab and Delhi Chamber of Commerce, Delhi. |
| 283. Shri H. P. Nanda | | |
| 284. Shri Santosh Nath | | |
| 285. Shri A. R. Bhat | } | Federation of Associations of Small Scale Industries of India, New Delhi. |
| 286. Shri R. Ganesan | | |
| 287. Shri D. C. Khanna | | |
| 288. Shri J. M. L. Tambi | | |
| 289. Shri S. K. Chakraborty | | |
| 290. Shri Vadiyal Panchal | | |
| 291. Shri M. L. Goel | | |
| 292. Shri J. P. Srivastava | | |
| 293. Shri N. Pal | | |
| 294. Shri P. D. Bhargava | | |
| 295. Shri Shiv Dayal Kapur | | |
| 296. Shri Gurdial Singh Uppal | | |
| 297. Shri Shiv Dayal Kapur | } | Punjab Federation of Industries & Commerce, Amritsar. |
| 298. Shri Jai Dev | | |
| 299. Shri Hem Chand Golecha | | |
| 300. Shri C. M. Maheshwari | } | Upper India Exporters Association, Amritsar. |
| 301. Shri Jamna Das Ajmera | | |
| 302. Shri M. L. Sodhani | | |
| 303. Shri M. M. Puri | } | Kashmir Chamber of Commerce, Srinagar. |
| 304. Shri Sultan S. Backliwal | | |
| 305. Shri Radhey Lall | | |
| 306. Shri N. C. Rakyan | | |
| 307. Shri R. P. Sharma | | |
| 308. Shri Shriyans Prasad Jain | | |
| 309. Shri Babubhai M. Chinai | | |
| 310. Shri Bharat Ram | | |
| 311. Shri S. L. Kirloskar | | |
| 312. Shri N. L. Kanoria | | |
| 313. Shri P. Chentsal Rao | } | Jaipur Chamber of Commerce, Jaipur. |
| 314. Dr. Ram Gopal Agrawal | | |
| 315. Shri M. L. Garg | | |
| | } | Rajasthan Chamber of Commerce & Industry, Jaipur. |
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| | | |
| | } | Jewellers Association, Jaipur. |
| | | |
| | | |
| | } | All India Carpet Manufacturers Association, Badhoji. |
| | | |
| | | |
| | } | Delhi Jewellers Association, Delhi. |
| | | |
| | | |
| | } | Federation of India Chambers of Commerce and Industry, New Delhi. |
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Officials of the Central and State Governments.

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|-------------------------------|---|
| 316. Shri M. Samiuddin | Director of Industries, U.P., Kanpur. |
| 317. Shri A. Das | Additional Director of Industries U.P., Kanpur. |
| 318. Shri G. R. Bhai | Joint Director of Industries, Punjab. |
| 319. Shri A. C. Das Gupta | Joint Director of Industries, Rajasthan, Jaipur. |
| 320. Shri L. I. Parija | Director of Industries, Delhi. |
| 321. Shri R. N. Suri | Additional Director of Industries, Delhi. |
| 322. Shri W. R. Natu | } Textile Commissioner, Bombay. |
| 323. Shri Pupul Jayakar | |
| 324. Shri M. S. Ramnath | |
| 325. Shri I. B. Dutt | |
| 326. Shri A. T. Jankiraman | |
| 327. Shri G. D. Goswami | Joint Secy., Ministry of Community Development and Cooperation. |
| 328. Shri Kripal Singh | Member (Transport), Railway Board. |
| 329. Shri P. K. Panikkar | Director of Exhibitions, Ministry of Commerce and Industry. |
| 330. Shri Ratilal M. Gandhi | } Export Risks Insurance Corporation, Bombay. |
| 331. Shri T. C. Kapur | |
| 332. Shri C. M. Poonacha | |
| 333. Shri Govind Narain | |
| 334. Shri S. N. Bilgrami | |
| 335. Shri K. T. Satarawala | State Trading Corporation, New Delhi. |
| 336. Shri N. N. Wanchoo | Chief Controller of Imports & Exports. |
| 337. Shri S. N. Chib | Secy., Ministry of Steel, Mines & Fuel (Deptt. of Iron & Steel). |
| 338. Shri N. K. Panikkar | Director-General, Tourism, Ministry of Transport & Communication. |
| 339. Shri K. S. Sundara Rajan | Development Adviser, Fisheries, Ministry of Food & Agriculture. |
| 340. Shri V. T. Dehejia | Joint Secy., Ministry of Finance, (Deptt. of Economic Affairs). |
| 341. Shri V. V. Chari | Secy., Ministry of Finance, (Deptt. of Revenue). |
| 342. Shri B. N. Banerjee | } Joint Secy., Ministry of Finance. |
| 343. Shri D. P. Anand | |
| 344. Shri K. L. Dalal | |
| | Members, Central Board of Revenue. |
| | Joint Chief Controller of Imports & Exports. |

- | | | |
|---------------------------|---|--|
| 345. Shri A. L. Dias | } | Chairman, Bombay Port Trust. |
| 346. Shri Vincent Vaz | | Docks Manager, Bombay Port Trust. |
| 347. Shri L. K. Jha | | Secretary, Ministry of Finance, (Deptt. of Economic Affairs). |
| 348. Dr. P. C. Alexander | } | Development Commissioner, Small Scale Industries. |
| 349. Shri R. V. Ramiah | | |
| 350. Shri N. V. Ganpule | | |
| 351. Shri V. K. Ramaswami | | Deputy Economic Adviser, Ministry of Commerce and Industry, New Delhi. |
| 352. Shri Tarlok Singh | | Additional Secretary, Planning Commission. |
| 353. Shri Neville Wadia | | Chairman, Cotton Textiles Export Promotion Council, Bombay. |
| 354. Shri M. Habibullah | | Director of Industries, Kashmir. |

APPENDIX D

Pattern of India's Foreign Trade

(Value in lakhs of rupees)

| Year | Total Imports | Total Exports | Balance |
|----------------------------|---------------|---------------|-----------|
| 1952-53 | 6,67,65 | 5,72,31 | — 95,34 |
| 1953-54 | 5,67,01 | 5,26,16 | — 40,85 |
| 1954-55 | 6,56,53 | 5,88,47 | — 68,06 |
| 1955-56 | 6,78,99 | 5,90,85 | — 88,14 |
| 1956-57 | 8,48,89 | 6,14,15 | — 2,34,74 |
| 1957-58 | 10,35,46 | 5,73,22 | — 4,62,24 |
| 1958-59 | 8,59,25 | 5,57,81 | — 3,01,44 |
| 1959-60 | 9,60,77 | 6,39,64 | — 3,21,13 |
| 1960-61 | 10,70,15 | 6,42,91 | — 4,27,24 |
| 1961-62 (April to October) | 5,58,62 | 2,36,02 | — 3,22,60 |

Source: Basic Statistics relating to Indian Economy issued by Planning Commission (Statistics & Surveys Division December, 1961) Page 41 & 44. Figures for 1961-62 (April to October, 1961) have been adopted from Monthly Statistics of Foreign Trade October, 1961 Published by D.G. of Commercial Intelligence and Statistics, Calcutta.

APPENDIX E
Pattern of India's Import Trade

(Value in lakhs of rupees)

| Year | Capital goods | % to total | Intermediate goods | % to total | Consumer goods | % to total | Unclassified items | % to total | Grand Total |
|---------|---------------|------------|--------------------|------------|----------------|------------|--------------------|------------|-------------|
| 1952-53 | 1,38,59 | 20.8% | 2,98,80 | 44.8% | 2,01,80 | 30.2% | 28,46 | 4.2% | 6,67,65 |
| 1953-54 | 1,23,31 | 21.5% | 2,91,01 | 51.7% | 1,24,04 | 21.7% | 28,65 | 5.1% | 5,67,01 |
| 1954-55 | 1,34,54 | 20.5% | 3,27,20 | 49.6% | 1,65,46 | 25.2% | 29,33 | 4.5% | 6,56,53 |
| 1955-56 | 1,94,82 | 28.7% | 3,55,84 | 52.4% | 93,86 | 13.9% | 34,47 | 5% | 6,78,99 |
| 1956-57 | 2,53,52 | 29.8% | 4,61,81 | 54.4% | 83,75 | 9.9% | 49,81 | 5.9% | 8,48,89 |
| 1957-58 | 3,10,40 | 29.9% | 5,01,58 | 48.5% | 1,30,24 | 12.6% | 93,24 | 9% | 10,35,46 |
| 1958-59 | 2,38,03 | 27.7% | 3,68,01 | 42.8% | 2,07,90 | 24.2% | 45,31 | 5.3% | 8,59,25 |
| 1959-60 | 2,79,34 | 29.1% | 4,48,97 | 46.6% | 2,00,32 | 20.9% | 32,24 | 3.4% | 9,60,87 |
| 1960-61 | 3,26,70 | 30.5% | 5,03,30 | 42.0% | 2,00,09 | 18.7% | 40,04 | 3.8% | 10,70,13 |

Source : Basic Statistics relating to Indian Economy, issued by Planning Commission, (Statistics & Surveys Division December, 1961), page 41.

APPENDIX F

STATEMENT NO. 1

Statement showing Receipts, Disposal and Pendency of Import Licence applications in the C.C.I. & E. Organisation during the periods April—Sept., 1960 and October 1960—March 1961 up to 31-3-1961.

| Office | Brought forward | Receipts | Total Receipts | Disposals | Pendency |
|--|-----------------|-----------------|-----------------|-----------------|--------------|
| April—Sept., 1960 | | | | | |
| Headquarters | 881 | 37,509 | 38,390 | 37,562 | 828 |
| C.L.A. | 134 | 29,325 | 29,459 | 29,418 | 41 |
| Bombay | 424 | 80,850 | 81,274 | 80,984 | 290 |
| Calcutta | 376 | 31,290 | 31,666 | 31,538 | 128 |
| Madras | 9 | 22,475 | 22,484 | 22,415 | 69 |
| Ernakulam | 8 | 2,024 | 2,032 | 1,987 | 45 |
| Pondicherry | 2,828 | 5,745 | 8,573 | 6,160 | 2,413 |
| Rajkot | 2 | 1,196 | 1,198 | 1,198 | — |
| Visakhapatnam | 1 | 780 | 781 | 779 | 2 |
| New Kandla | — | 35 | 35 | 35 | — |
| Shillong | — | 181 | 181 | 181 | — |
| TOTAL .. | 4,663 | 2,11,410 | 2,16,073 | 2,12,257 | 3,816 |
| October 1960—March 1961 (31-3-61) | | | | | |
| Headquarters | 828 | 34,142 | 34,970 | 34,508 | 462 |
| C.L.A. | 41 | 30,356 | 30,397 | 30,397 | — |
| Bombay | 290 | 67,700 | 67,990 | 67,506 | 484 |
| Calcutta | 128 | 26,965 | 27,093 | 26,997 | 96 |
| Madras | 69 | 18,614 | 18,683 | 18,676 | 7 |
| Ernakulam | 45 | 1,919 | 1,964 | 1,928 | 36 |
| Rajkot | — | 1,103 | 1,103 | 1,103 | — |
| Visakhapatnam | 2 | 831 | 833 | 833 | — |
| Pondicherry | 2,413 | 3,825 | 6,238 | 6,162 | 76 |
| New Kandla | — | 32 | 32 | 32 | — |
| Shillong | — | 206 | 206 | 206 | — |
| TOTAL .. | 3,166 | 1,85,693 | 1,89,509 | 1,88,348 | 1,161 |

STATEMENT NO. 2

Statement showing number of Export licence applications received, disposed of and pending in C.C.I. & E. Organisation during April—Sept. 1960 and October 1960—March 1961.

| Office | Brought forward | Receipts | Total | Disposals | Pendency |
|--|-----------------|----------|--------|-----------|----------|
| <i>Licensing period April—Sept. 1960</i> | | | | | |
| Headquarters | — | 1,271 | 1,271 | 1,271 | — |
| Bombay | — | 12,654 | 12,654 | 12,654 | — |
| Calcutta | — | 13,516 | 13,516 | 13,516 | — |
| Madras | — | 3,239 | 3,239 | 3,239 | — |
| Ernakulam | — | 504 | 504 | 504 | — |
| Pondicherry | 2 | 5 | 7 | 7 | — |
| Rajkot | — | 1,055 | 1,055 | 1,055 | — |
| Visakhapatnam | — | 309 | 309 | 309 | — |
| New Kandla | — | 113 | 113 | 113 | — |
| Shillong | — | 3 | 3 | 3 | — |
| Amritsar | — | 142 | 142 | 142 | — |
| TOTAL | 2 | 32,811 | 32,813 | 32,813 | — |
| <i>Licensing period Oct. 1960—March 1961</i> | | | | | |
| Headquarters | — | 891 | 891 | 891 | — |
| Bombay | — | 13,389 | 13,389 | 13,389 | — |
| Calcutta | — | 13,774 | 13,774 | 13,774 | — |
| Madras | — | 5,536 | 5,536 | 5,535 | 1 |
| Ernakulam | — | 404 | 404 | 404 | — |
| Pondicherry | — | 3 | 3 | 3 | — |
| Rajkot | — | 1,787 | 1,787 | 1,787 | — |
| Visakhapatnam | — | 461 | 461 | 461 | — |
| New Kandla | — | 106 | 106 | 106 | — |
| Shillong | — | 6 | 6 | 6 | — |
| Amritsar | — | 100 | 100 | 100 | — |
| TOTAL | — | 36,457 | 36,457 | 36,456 | 1 |

Source : Annual Administration Report of the Import & Export Trade Control Organization for the year 1960-61.

STATEMENT NO. 3

Statement showing comparative figures of Receipts Disposals of Applications for import licences in the I.T.C. Organisation period by period from January—June 1952 period.

| Period | Brought forward | Receipts | Total | Disposals | Pendencies | Proportion percentage of pendency to receipts |
|----------------------|-----------------|----------|----------|-----------|------------|---|
| Jan.—June 1952 .. | 9,223 | 61,663 | 70,886 | 61,649 | 9,237 | 14.9 |
| July—December 1952 | 9,237 | 49,526 | 58,763 | 42,487 | 16,276 | 32.9 |
| Jan.—June 1953 | 16,276 | 79,852 | 96,128 | 88,436 | 7,692 | 9.6 |
| July—December 1953 | 7,692 | 79,843 | 87,535 | 86,254 | 1,281 | 1.6 |
| Jan.—June 1954 .. | 1,281 | 98,988 | 1,00,269 | 99,687 | 582 | .6 |
| July—December 1954 | 582 | 1,21,116 | 1,21,698 | 1,20,857 | 841 | .6 |
| Jan.—June 1955 .. | 841 | 1,14,914 | 1,15,755 | 1,15,119 | 636 | .6 |
| July—Dec. 1955 .. | 636 | 1,33,254 | 1,33,890 | 1,33,385 | 505 | .1 |
| Jan.—June 1956 .. | 505 | 1,49,800 | 1,50,305 | 1,50,128 | 177 | .1 |
| July—Dec. 1956 .. | 177 | 1,83,645 | 1,83,822 | 1,83,622 | 200 | .1 |
| Jan.—June 1957 .. | 200 | 1,38,607 | 1,38,807 | 1,38,514 | 293 | .2 |
| July—Sept. 1957 | 293 | 27,795 | 28,088 | 27,733 | 355 | 1.3 |
| Oct. 1957—March 1958 | 355 | 1,35,875 | 1,36,230 | 1,35,833 | 397 | .3 |
| April—Sept. 1958 .. | 397 | 1,41,963 | 1,42,360 | 1,41,681 | 679 | .4 |
| Oct. 1958—Mar. 1959 | 679 | 1,73,834 | 1,74,513 | 1,73,721 | 792 | .4 |
| April—Sept. 1959 .. | 792 | 1,77,970 | 1,78,762 | 1,76,663 | 2,099 | 1.2 |
| Oct. 1959—Mar. 1960 | 2,099 | 2,10,197 | 2,12,296 | 2,07,633 | 4,663 | 2.2 |
| April—Sept. 1960 .. | 4,663 | 2,11,410 | 2,16,073 | 2,12,257 | 3,816 | 1.7 |
| Oct. 1960—Mar. 1961 | 3,816 | 1,85,693 | 1,89,509 | 1,88,348 | 1,161 | .6 |

Source: Annual Administration Report of the Import and Export Trade Control Organisation for the year 1960-61.

APPENDIX G

Proposed revised scale of fees on applications for import licenses

| | Rs. |
|---|-----|
| (a) For applications up to Rs. 10,000 | 15 |
| (b) For applications above Rs. 10,000 and up to Rs. 20,000 .. | 25 |
| (c) For applications above Rs. 20,000 and up to Rs. 40,000 .. | 35 |
| (d) For applications above Rs. 40,000 and up to Rs. 60,000 | 50 |
| (e) For applications above Rs. 60,000 and up to Rs. 80,000 .. | 70 |
| (f) For applications above Rs. 80,000 and up to Rs. 1,00,000 | 90 |
| (g) For applications above Rs. 1 lakh and up to Rs. 2 lakhs | 150 |

For applications above Rs. 2,00,000—Rs. 150 plus Rs. 25 for every Rs. 50,000 or part thereof in excess of Rs. 2 lakhs.

In the case of bulk applications from Actual Users for import of raw materials and accessories, falling under different serial/sub-serial numbers of I.T.C. Schedule, the fee chargeable would be Rs. 150 plus Rs. 30 for every Rs. 50,000 or part thereof in excess of Rs. 2 lakhs subject to a maximum of Rs. 2,500.

APPENDIX H

The position of Established Importers, Actual Users and others in total import licensing

(Value in lakhs of Rs.)

| Category | October, 1959 to March, 1960 | April—Sept. 1960 | Total | Percentage of the Total |
|----------------------------------|---------------------------------|---------------------|--------|----------------------------|
| Established Importers. | 3,792 | 5,913 | 9,705 | 11.1% |
| Actual Users | 23,872 | 24,934 | 48,806 | 55.5% |
| CG/HEP | 9,493 | 8,744 | 18,237 | 20.6% |
| Railway Contracts/ DGS & D. | 372 | 828 | 1,200 | 1.3% |
| Foreign Aid other than CG/HEP | 3,157 | 1,803 | 4,960 | 5.6% |
| Export Promotion Schemes. | 744 | 1,138 | 1,882 | 2.1% |
| Others | 1,496 | 1,825 | 3,321 | 3.8% |
| TOTAL .. | 42,926 | 45,185 | 88,111 | 100% |

APPENDIX I
India's Trade with Rupee Payment Countries

(Rupees in lakhs)

| | Imports | | | | | | | Exports | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------------|
| | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961* (Jan.— Sept.) | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961* (Jan.— Sept.) |
| (a) East European Communist countries : | | | | | | | | | | | | | | |
| 1. U.S.S.R. .. | 304 | 1,491 | 2,268 | 2,171 | 1,789 | 1,327 | 1,471 | 248 | 1,250 | 1,753 | 3,332 | 3,002 | 2,992 | 2,373 |
| 2. Czechoslovakia .. | 202 | 620 | 615 | 648 | 347 | 715 | 964 | 114 | 291 | 378 | 395 | 417 | 600 | 747 |
| 3. Poland .. | 205 | 217 | 488 | 226 | 414 | 299 | 525 | 44 | 109 | 115 | 90 | 359 | 335 | 299 |
| 4. Germany East .. | 34 | 28 | 71 | 109 | 321 | 263 | 341 | 4 | 26 | 135 | 75 | 250 | 397 | 216 |
| 5. Hungary .. | 26 | 78 | 77 | 62 | 242 | 197 | 276 | 5 | 51 | 30 | 61 | 74 | 112 | 198 |
| 6. Bulgaria .. | 4 | 23 | 13 | 7 | 25 | 37 | 53 | 2 | 0 | 2 | 7 | 24 | 15 | 26 |
| 7. Rumania .. | 35 | 23 | 52 | 40 | 151 | 382 | 406 | 2 | 7 | 52 | 52 | 201 | 114 | 155 |
| 8. Yugoslavia .. | 28 | 177 | 243 | 225 | 287 | 440 | 314 | 17 | 24 | 79 | 99 | 175 | 338 | 247 |
| TOTAL .. | 838 | 2,665 | 3,827 | 3,488 | 3,576 | 3,660 | 4,340 | 436 | 1,758 | 2,544 | 3,111 | 4,502 | 4,903 | 4,267 |
| (b) Other countries | | | | | | | | | | | | | | |
| 1. Afghanistan .. | 413 | 436 | 494 | 500 | 570 | 502 | 233 | 205 | 171 | 182 | 330 | 455 | 608 | 448 |
| 2. Egypt .. | 1,844 | 1,532 | 1,068 | 623 | 805 | 1,705 | 814 | 971 | 1,106 | 1,134 | 868 | 883 | 1,423 | 880 |
| 3. Burma .. | 2,236 | 565 | 1,319 | 4,560 | 1,563 | 1,951 | 491 | 1,358 | 1,023 | 1,330 | 254 | 1,254 | 694 | 483 |
| 4. Pakistan .. | 2,508 | 2,091 | 1,340 | 621 | 551 | 1,518 | 805 | 871 | 808 | 677 | 716 | 633 | 1,012 | 750 |
| 5. North Vietnam | | | | | | | | | | | | | | |
| | | | | Negligible | | | | | | | Negligible | | | |
| TOTAL .. | 7,001 | 4,624 | 4,221 | 6,310 | 3,489 | 5,676 | 2,343 | 2,405 | 3,108 | 3,323 | 2,168 | 3,225 | 3,737 | 2,561 |
| GRAND TOTAL | 7,839 | 7,289 | 8,048 | 9,798 | 7,066 | 9,336 | 6,693 | 2,841 | 4,866 | 5,867 | 5,279 | 7,727 | 8,640 | 6,828 |

Sources : Journal of Industry and Trade August 1961, pages (1492—1499).

*Provisional.

APPENDIX J

*The places visited by the Import and Export Policy Committee
and the dates of their visits are given below :*

| <i>Place Visited</i> | <i>Date of Visit</i> |
|----------------------|--|
| Calcutta | 4th to 7th October, 1961. 24th and 25th November, 1961. |
| Madras | 12th to 14th October, 1961. 20th to 23rd January, 1962. |
| Bombay | 23rd and 24th October, 1961. |
| Bangalore | 2nd and 3rd November, 1961. |
| Cochin | 4th and 5th November, 1961. |
| New Delhi | 7th June, 1961, 9th September, 1961, 21st and 27th October, 1961, 14th to 19th December, 1961, 28th February, 1962. |