

**REPORT
OF
TASK FORCE
ON
EXPORT SERVICES**



**GOVERNMENT OF INDIA,
MINISTRY OF COMMERCE
CIVIL SUPPLIES & CO-OPERATION,**

**NEW DELHI
MARCH 1979**

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
CIVIL SUPPLIES AND COOPERATION
DEPARTMENT OF COMMERCE**

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PREFACE

The Task Force on Export Services was constituted on the 6th June, 1978 under my Chairmanship to review the existing policy and framework and to identify necessary changes in the policies for export assistance, export services and export infrastructure in order to achieve the export targets as envisaged in the Sixth Five Year Plan. The Task Force was asked to cover the following aspects of export services :—

1. Credit

Pre-shipment Credit
Post-shipment Credit
Long-term Credit.

2. Marketing

Advertising & Publicity
Exhibitions
Packaging
Export Documentation including drafting of export contracts
Export Insurance Procedures.

3. Product Development and Adaptation

4. Arbitration Procedures

5. Any other related areas which the Task Force may like to cover

The Task Force had the following members :—

- | | |
|---|----------|
| 1. Shri K.V. Seshadri
Chief Controller of Imports and Exports | Chairman |
| 2. Shri C.S. Swaminathan
Chairman,
Minerals & Metals Trading Corporation of India Limited | Member |
| 3. Dr. S.C. Bhattacharjee
Chairman,
State Trading Corporation of India Ltd. | " |

4. Dr. D.N. Saxena Director-General, Indian Institute of Foreign Trade	Member
5. Shri D.D. Sathe Chairman, Export Credit & Guarantee Corporation Ltd.	"
6. Km. Kusumlata Mittal Joint Secretary, Department of Banking, Ministry of Finance	"
7. Dr. V.L. Kelkar Economic Adviser, Ministry of Commerce, Civil Supplies and Co-operation	"
8. Shri Dillip K. Chatterjee Joint Secretary (F.T.), Department of Economic Affairs, Ministry of Finance	"
9. Shri P.K.K. Vydiar Secretary General, Federation of Indian Export Organisations	"
10. Dr. (Miss) S.K. Verghese Professor, National Institute of Bank Management, Bombay	"
11. Shri D.H. Pal Panandikar Secretary (Co-ordination), Federation of Indian Chambers of Commerce & Industry	"
12. Dr. V.R. Panchmukhi Economic Advisor, Committee on Controls & Subsidies, Ministry of Finance	"
13. Dr. V. Agnihotri Deputy Economic Adviser, Department of Commerce, Civil Supplies and Co-operation.	Convenor

At the first meeting, the Task Force identified the main issues and problems relating to its terms of reference. It was decided that the Task Force should cover all the aspects of credit, trade facilitation like quality control and settlement of disputes, commercial presence abroad and export documentation, product adaptation and development, advertising and publicity, packaging, etc. The Committee also co-opted Shri N.K. Bhardwaj, Executive Director, Trade Development Authority.

One of the major issues that faced the Task Force was on "Credit and Finance". In order to examine in depth this aspect of the Export Services, the Task Force prepared a comprehensive questionnaire on it. A copy of the questionnaire is annexed. This questionnaire was addressed to the various Chambers of Commerce, Trade Associations, Export Promotion Councils, Commodity Boards, FICCI, F.I.E.O. and some of the important Export Houses. A large number of institutions responded to this questionnaire. After the scrutiny and categorywise tabulation of the information received in response to the questionnaire, it was felt that there should be a direct exchange of views between the Members of the Task Force and the organisations which had responded to the questionnaire as well as individuals and institutions connected with export services. Accordingly, the Task Force visited Madras, Bombay and Calcutta and held discussions there. The representatives of I.D.B.I., E.C.G.C. and R.B.I. also participated in the discussions at Bombay. These discussions served the main purpose of interaction of the viewpoints of the various organisations and proved extremely useful to the Task Force in arriving at emphatical results.

In order to derive benefit out of the experience of certain foreign countries in which the export services had played a very significant role in the expansion of their exports, Dr. V. Agnihotri, Convenor of the Task Force visited the U.K. and Geneva. He held discussions with the authorities connected with British Department of Trade, British Overseas Trade Board, Export Credit Guarantee Department, London Chamber of Commerce, Import Opportunity Office, India, Pakistan and Bangladesh Association, etc. in U.K. In Geneva, he held discussions with the International Trade Centre authorities and UNCTAD officials. His report is appended separately.

The Task Force is grateful to the various Chambers of Commerce, Export Promotion Councils, Commodity Boards, Trade Associations, Banks and other Financial Institutions, and representatives of the exporting community for their co-operation in replying to the questionnaire and also for co-operating with the Task Force in its deliberations at short notices.

As Chairman of the Task Force, I wish to place on record my grateful appreciations for the co-operation I have received from my colleagues on the Task Force and also for the prompt preparation of the position papers by them. I wish to acknowledge in particular my deep appreciation and gratitude for the extremely useful services rendered by Dr. V. Agnihotri, Convenor of the Task Force, and Shri B.S. Bedi, Research Officer, who had to work very hard to collect and analyse the data required by the Task Force, in time. My thanks are also due to Shri N. Balasubramaniam, Deputy Secretary, Department of Banking and Shri L.S. Sharma, Deputy General Manager, I.D.B.I. who helped the Task Force in identifying the export services being provided at present.

K. V. SESHADRI

Chairman

TASK FORCE ON EXPORT SERVICES

New Delhi,
March, 1979.

CHAPTER

INTRODUCTION

In accordance with the terms of reference, the Task Force undertook its job in three phases. In the first phase, it reviewed the existing export services in order to clearly identify the areas of rationalisation and revision. For this purpose, a questionnaire was prepared and addressed to the various export organisations with a view to inviting comments/suggestions from them. In the second phase of work, the data received from the various export organisations, banks, etc. was analysed and based on this information, ideas were exchanged with the various Export Promotion Councils, Commodity Boards, Chambers of Commerce, Banks, E C G C., I.D.B.I., etc., at Madras, Bombay, Calcutta and Delhi. In the third phase of the work, the changes necessary in the existing export services and the additions/deletions required therein were identified after discussing the various options opened in this regard.

The Report is divided into nine chapters. While Chapter-I is the Introduction, Chapter-II deals with the Export Credit, Quasi-credit Facilities and other Miscellaneous Facilities in this regard. Chapter-III deals with the Quality Control and Export Inspection. Chapter-IV concerns the Export Intelligence Services, Market Research and Commercial Presence Abroad. Chapter-V deals with Product Development and Adaptation. Chapter-VI deals with Settlement of Commercial Disputes. Chapter-VII deals with Simplification of Export Documents and Procedures. Chapter-VIII deals with Trade Fairs and Exhibitions. Chapter-IX gives the Summary of Findings and Recommendations of the Task Force. The Task Force has attempted to cover important services rendered/needed for the growth of our exports and tried to find out solutions therefor.

CHAPTER II

EXPORT CREDIT, QUASI-CREDIT FACILITIES AND OTHER MISCELLANEOUS FACILITIES

EXPORT CREDIT

Export Credit and Finance has an important and significant role in promoting the exports of the country. If country's exports are to be boosted, it is necessary that the exporters are ensured adequate and timely credit, so that the cost of finance does not make exports non-competitive. Facilities available to exporters in this regard, can broadly be divided into : –

- (a) Credit Facilities, viz. Loans and Advances;
- (b) Quasi Credit Facilities, such as Guarantees etc.; and
- (c) Miscellaneous Facilities.

These are briefly outlined below :—

(a) Credit Facilities

The credit facilities offered to exporters by the banks and financial institutions are either in the form of loans or advances. Besides the normal loans and advances, meant for domestic production and consumption, credits exclusively for export are available to exporters from banks and financial institutions. Export credit can be given/availed of in the following forms :—

- (a) Pre-shipment Credit (Packing Credit);
- (b) Short-term Post-shipment Credit; and
- (c) Long-term Post-shipment Credit on Deferred Payment Terms.

While the pre-shipment credit and the short-term post-shipment credit are given by the commercial banks, post-shipment credit on deferred payment terms is given by the banks as also by I.D.B.I. in participation with banks.

(a) Pre-shipment Credit (Packing Credit)

An exporter can obtain pre-shipment credit from a bank to finance the purchase or processing of raw materials or manufacturing and/or packing of goods against the

definite evidence of export orders. These are in the nature of working capital advances of a self-liquidating nature. Packing Credit is normally given on the basis of documentary evidence of export, such as a specific irrevocable Letter of Credit of a prime overseas bank or a firm order. In the case of a few commodities which have been specified such as tea, coffee, tobacco, cashew, jute, carpets and marine products, banks have been permitted to advance Packing Credit without the lodgement of the documentary evidence, like the Letter of Credit or a firm contract.

2. Packing credit is made generally on pledge hypothecation basis and in exceptional circumstances, for short periods, on a clean basis. The Packing Credits are to be liquidated from either: (i) the proceeds of the relevant export bills negotiated/purchased/discounted; or (ii) remittance received from abroad in respect of pre-shipment; or (iii) the proceeds from advances granted against the relevant exports bills sent for collection; and/or (iv) a part thereof liquidated from the advances granted against certain eligible incentives against the relative export. The Reserve Bank of India has fixed a ceiling rate of interest that can be charged on packing credit as also the period for which such a credit at concessional rate can be availed of.

The prevalent rates are :—

Sl. No.	Category of Goods	Rate of Interest	Period of Credit (days)	Remarks
1.	Specified medium and heavy engineering goods and construction contracts abroad.	11%	180	Exporter can have this period extended by another 90 days at 13%, provided the grounds for extension are not attributable to the exporter.
2.	Other categories of goods	11%	90	Exporter can have this period extended by another 45 days at 13%, provided the grounds for extension are not attributable to the exporter.

Wherever exporters have received the credit but have failed to execute the export order, banks are free to charge a higher interest than their normal rate of interest on advances, from the original date of advance.

3. Where the exports do not involve actual movement of goods but cover only consultancy services and computer software, pre-shipment finance at the concessional

rate of interest is available for such items also to enable the exporter to undertake preliminary arrangements, such as mobilising technical and other staff and training them and also the purchase of materials required for the purpose. A standard package of export under 'Management, Information and Accounting' may include personnel accounting inventory control, financial accounting, computer systems and programmes produced for export purposes by a management consultancy firm.

4. Where the exporters are entitled for cash assistance on account of the refund of excise duty or other rebates payable by the Government, exporters are entitled to avail facilities of these advances to the full extent of the manufacturing cost upto the stipulated period. While the pre-shipment finance so granted would get adjusted on shipment to the extent of the export bill, the difference would have to be settled by means of cash incentives, etc., receivable from the Government. The balance left in the account after adjusting the proceeds of the relative export bill is thus eligible for being carried over as a post-shipment advance for a period not exceeding 90 days from the date of shipment and may be adjusted against the incentives duty drawback to be received from the customs or other relevant authorities. The finance, both at the pre-shipment stage and at the post-shipment stage, is eligible for interest at the concessional rates of interest applicable to the regular export credit.

5. Even in cases where export orders are received by Export Houses/agencies but the goods are manufactured by some other person/agency, the actual exporter, or the manufacturer, can avail of pre-shipment finance at a concessional rate of interest, provided such an advance has not already been granted to the Export House in respect of the same contract. In cases where goods are to be manufactured by the manufacturer but processed by the export house before affecting the export, advance at the concessional rate of interest is permitted to be availed of by both parties for the required period, provided that the total period for which pre-shipment finance at concessional rate of interest is available in respect of both does not exceed the maximum period stipulated for packing credit. During the discussions held by the Task Force with the various Chambers of Commerce, Trade Associations, etc., it was, however, stressed that the grant of pre-shipment credit to merchant exporters should be facilitated since their role in India's exports was as important as of any other export house or manufacturer exporter.

6. In the discussions the Task Force had with the representatives of Chambers of Commerce, Trade Associations, Banks, R.B.I., I.D.B.I., Export Promotion Councils, and exporters both in the large and small scale sector, certain practical difficulties in the grant of pre-shipment credit were pointed out. Further it was complained by some of the exporters that the period for which this credit was available was inadequate. Such exporters are dealing with marine products, silk and rayon, tea, tobacco and certain categories of engineering goods and other commodities where the procurement of the raw materials and their conversion into manufactured goods have been reported to take a longer period of time than at present provided for. India is a developing economy where in respect of large exports, the gestation period is relatively longer involving

elements like congestion at ports and transshipment of goods from the production centres to the ports, besides the unavoidable time taken in the procurement of raw material both indigenous and imported.

It is, therefore, felt that on a selective basis, the credit period should be extended depending upon the nature of the commodity and the time taken for procurement and processing. Instead of the two classifications at present available for all goods irrespective of the difference in time taken for getting them manufactured and processed there should be 4 to 6 classifications into which all the goods can be classified and put. The Task Force is also of the view that the period of pre-shipment credit should, from time to time, be revised depending upon the infrastructural improvements and the banking facilities available to exporters located in the hinterland and also the improvement or deterioration in the problems thrown up by the constant port congestion and lack of availability of ships. There also arise certain situations when the foreign buyers, after having placed the firm orders ask for postponement of shipments for some time. However, taking into consideration the existing constraints encountered by the exporters as mentioned above, the period of pre-shipment credit should at least be extended from 90 days to 180 days in all cases, without prejudice to the allowance of another 45 days at the rate of 13 per cent.

7. Another area in the dispensation of pre-shipment credit which causes problems for the exporters is the credit limit. The discussions with the various exporting interests and an analysis of the replies received to the questionnaire addressed to various organisations, revealed that the enhancement of credit limits, particularly at a short notice, was proving a great problem for the exporters. It often takes an exporter approximately 2 to 4 months to get his credit limits enhanced. If it also involves obtaining sanction of Reserve Bank of India under the Credit Authorisation Scheme, it may even take 6 months for the limits to be raised. Banks attributed this delay on their part to the improper explanations coming from the exporters and furnishing of incomplete and inadequate data. This could be attributable either to lack of planning on the part of the exporter or his inability to satisfy the Bank that he has the wherewithal to execute the orders. The Banks are suddenly faced with situations where larger credit is needed by the exporters on an immediate basis. The exporters should keep their bankers in the picture right from the stage of negotiations of foreign orders, so that the latter could initiate action for the enhancement of credit limit simultaneously and thereby avoid delays which may arise. Exporters should be told by Export Promotion Councils and other organisations connected with exports that mere procurement of orders or securing Letters of Credit does not mean automatic sanction of bank finance as banks can and should finance only within limits sanctioned and it will be the responsibility of the exporters to get the limit enhanced in advance. The banks should also on their part streamline their procedures so that they are in a position to respond quickly to requests for enhancement of credit limits either by giving larger delegation of powers to branch managers and other senior executives in respect of export credit or by

fixing time schedules for Regional/Zonal and Central offices for taking decisions in respect of proposals received for enhancement of Export Credit limits.

8. It has been noticed that as per the existing instructions the credit limit beyond a particular limit needs RBI's prior clearance. Any enhancement in the credit limit which needs prior sanction of R.B.I., has in practice been found to take a long time. While credit control is the responsibility of R.B.I., in view of the urgency and importance of export credit, R.B.I. could be requested to make some specific delegation of powers to authorised dealers in respect of export credit alone. This can be done by authorising the banks to enhance the limit upto 20% on an ad hoc basis in respect of cases under CAs, provided the same is reported to R.B.I. immediately and a clearance obtained as early as possible.

9. The small scale units face problems in the grant of preshipment credit because of the large volume of bank documentation involved in such cases. Further, the risk involved in their case being more, it proves a disincentive for the bank management. The Task Force feels that in order to facilitate the grant of Packing Credit to the small scale units, one of the positive criteria by which the regular performance of the bank managers is evaluated by their top management ought to be the amount of credit advanced to such units and its turnover. To judge them only by the net result of such advances would only act as a deterrent to positive decision making in the field of bank credit.

10. The major problem faced by consortia of small scale units is that notwithstanding the fact that the consortia obtain E.C.G.C. cover, the Banks very often insist on personal guarantees and mortgage of properties as collateral security for the pre-shipment credit. This practice of the Banks is proving counter-productive to the coming into being of small scale units' consortia, which require to be encouraged in the overall economic process of the country. R.B.I. in its guidelines to commercial banks has authorised the banks for granting packing credit without collateral security. In practice, however, these guidelines are not followed by the banks in respect of commodities where the main producers/exporters belong to the Small Scale Sector. The reasons given by the banks are mainly that they do not have the expertise to certify their production and value, etc. The Task Force feels that the Banks should respect the Registration Certificates issued to such Export Houses by the C.C.I. & E. as a yardstick for their reliability and standing and should not insist upon the execution of collateral securities. In this connection it is necessary that the scheduled banks and their branches develop expertise in the relevant industries and have on their roll persons who are technologists and who are familiar with the products and are in a position to check the stocks, certify production and guide the management of the banks to take timely decision. In cases where banks do not consider it viable to develop a technical wing, they may take advantage of the technical expertise on skills available with consultancy organisations. This has to be viewed as a promotional effort.

1 The concessional rate of interest, which was some time ago 7 per cent, was raised to 11.5 per cent and subsequently brought down to 11 per cent for pre-shipment credit. This appears to be a reasonable rate of interest in the background of interest charged on deposits and the current commercial banking practice. It was noted that the international rate for short-term export transaction, on an average ranges from 9 to 10 per cent. Though the rate of interest charged by Indian Banks places the exporters from India in a slightly disadvantageous position compared to their counterparts abroad and the need for overall credit control, it would not be desirable at this stage to reduce the existing rate of interest on pre-shipment credit. This situation, however, has to be watched, and if the circumstances warrant, a downward revision of the interest charged on the Indian exporters could be examined for adoption.

12. The special characteristics of the cashew industry were considered by the Task Force. Generally, this industry requires credit for a longer period, as the cashew is a seasonal crop, the season being February-end to middle of May, but the processing is spread over throughout the year depending upon the size and the availability of crop for exports. There are certain other industries which require credit for a longer period. R.B.I. should examine for what cycle of period credit is necessary/required and accordingly recommend a longer period of Packing Credit. As already recommended the expert group should study the problems of all industries and fit them all into broadly 4 to 6 categories for the purpose of availing of concessionary credit.

(b) Short-term Post-shipment Credit

13. Any advance granted by a bank to an exporter after the goods have been shipped is called Post-shipment Credit. The need for this finance will arise in cases where the exporter does not get the payment on shipment but has to wait till the documents or goods reach the destination from the overseas buyer. An exporter can avail of short-term export credit at the post-shipment stage from any commercial bank authorised to deal in foreign exchange. The following are the principal methods of financing exporters at the post-shipment stage :—

- (i) Negotiating Export Documents under Letters of Credit;
- (ii) Purchase/discount of Bills or documents against Payment (DP) and Acceptance (DA) respectively;
- (iii) Grant of Advance against the Bills on Collection basis; and
- (iv) Grant of Advance against Claims for Export Incentives.

The ceiling rate of interest in respect of short-term post-shipment credit is fixed by the Reserve Bank of India and the banks cannot charge more than this rate. The prevalent rate of interest of short-term export credit is 11 per cent on export bills negotiated under Letters of Credit or otherwise for a maximum period of 128 days which consists of (a) the transit period applicable to each country on the basis of the schedule

prepared by FEDA-I (maximum transit period is 35 days); (b) usance period not exceeding 90 days; (c) the grace period of three days wherever applicable. In cases where bills are taken on collection basis and advances are granted against security of such bills, concessionary rates of interest are available for a maximum period of 90 days from the date of shipment depending upon the date of realisation of the bill. The same is the case in respect of exports made on consignment basis.

14. During the discussions held with the various Chambers of Commerce, Trade Associations, etc., it was pointed out that the existing system and practice regarding post-shipment credit lacks flexibility. The finance is made available for rigidly prescribed uniform period without taking note of the time required for the realisation of payment with respect to particular export item. The banks often adopt an inflexible attitude even when extension of credit period becomes necessary on account of factors beyond the control of exporters such as shut-out cargo, port congestion, delays within the banking system itself in sending advice, making actual remittances, despatch of documents, etc.

15. The problems presented on behalf of exporters of commodities like hand-loom and cashew were that post-shipment credit was given for a maximum period of 90 days. In cases where D.A. facilities are given for 30 days and for some reasons the buyers delay to honour the bills, the banks collect interest on such delayed realisation at higher rates. In such cases, the banks may be given powers to charge concessional rate till the date of realisation of proceeds subject to a maximum of 90 days, provided the bank is satisfied that the delay is due to no fault of the exporter.

16. In respect of cashew industry, the practice till now was that exports were effected on Letter of Credit basis. Of late, as a result of international practice, importers abroad were demanding credit terms and this practice is adopted by the new entrants in the export field like Mozambique, Tanzania and Kenya, who offer extended credit to the foreign buyers. Similarly, in respect of Jute also, in view of the international competition, goods will have to be exported on deferred payment terms. The Task Force feels that if India is to sustain markets abroad in respect of these goods, it is necessary for the Reserve Bank of India to study the extent of credit. Competitiveness in manufactured consumer goods and wherever found necessary export credit facilities should be adopted to enable exporters to meet such credit competitiveness in foreign markets.

17. In the tea export trade, a large amount of exports is effected on consignment basis for auction in London. It takes a minimum period of 6 weeks for ships to arrive at U.K. ports and a further 10 to 12 weeks for the teas to be sold at London auctions and the prices to be realised. At present, the countries of the world are divided into various Zones and Export Credit on short-term basis is available for a maximum period of 128 days depending upon the Zone in which a country falls and the usance period. While determining this period, the transit period applicable to that Zone Region as prescribed by FEDA-I is taken into account, very often the actual transit

period is found to be much more than the period indicated. Task Force would, therefore, recommend that a more realistic period of concessionary credit may be prescribed for short-term postshipment credit for tea, after ascertaining and assessing the actual transit period.

18. It was revealed during the discussions held by the Task Force with the Chambers of Commerce that no interest was charged on the duty drawback credit scheme upto 90 days. But if there was a delay beyond 90 days, normal interest was charged. The point was raised as to why the exporters were penalised where the delay was due to the custom authorities. The Task Force suggests that in such cases the limit of 90 days should be increased.

(c) Medium and Long-Term Export Credit on Deferred Payment Terms

19. The Reserve Bank of India has fixed a ceiling rate of interest of 8 per cent in the case of export on deferred payment terms. This facility is, however, available only in respect of export of such capital and producer goods as has been approved by the Reserve Bank of India.

20. The I.D.B.I. also grants direct financial assistance to exporters in participation with one or more of the approved commercial banks. The rate of interest charged by I.D.B.I. in respect of such deferred credit is so fixed that the average cost to the exporter works out to $7\frac{1}{2}$ per cent. The I.D.B.I. has also recently introduced a scheme—Buyers' Credit—in terms of which I.D.B.I. in participation with the eligible banks gives assistance to the buyers in the foreign countries in the form of deferred credit loan to enable them to pay for the value of the goods imported from an Indian exporter. Credits are also occasionally extended by I.D.B.I. by way of lines of credit to financial institutions in the buyers' country where more than one buyer is involved. In such cases, the financial institutions in the buyer's country are made the focal point of processing, etc., of such requests. The interest rate of credit under the buyers credit scheme as also under the lines of credit is decided on a case to case basis, so that the terms offered are attractive enough to the foreign buyer. The Reserve Bank of India has granted general permission to the exporters in July, 1975, to make offers and enter into negotiations for export of goods after getting the clearance of their bankers provided the following conditions are specified :—

- (i) the contract value does not exceed Rs. 50 lakhs;
- (ii) the credit period does not exceed five years in respect of the specified items of goods; and
- (iii) No finance is required from I.D.B.I.

21. All the other export proposals on deferred payment terms are processed by the concerned agencies, such as the R.B.I., the I.D.B.I., the E.C.G.C., the Exporters' bankers, etc. A Working Group set up in the I.D.B.I. considers all such proposals on

deferred payment terms not covered under the general permission of the R.B.I. as also all turn-key projects and civil construction projects abroad. The proposals are received by the Working Group through the bankers of the exporter. The Working Group which includes, apart from the representatives of the bankers of the exporters; the representatives from the Reserve Bank of India (both DBOD & ECD)/I.D.B.I. and E.C.G.C. gives a package clearance to such proposals. In the case of large value contracts, officials of the Ministry of Finance are also associated with the working group meeting. Once an exporter gets clearance of the I.D.B.I. Working Group, no separate clearance is required from other agencies connected with the execution of the contract. Instructions, permission, sanctions, etc., are issued by the various agencies concerned on the basis of the clearance given by the Working Group.

22. It was pointed out in the course of discussions with the exporters that general Commercial Banks lack in motivation for building up export finance business on account of the lower interest rates and consequently lower earnings from export finance. The relatively small proportion of export finance to the total business of the banks is also another factor responsible for the apathy of general Commercial Banks to export finance business. This is evident from the fact that commercial banks, which do substantial export finance business, show a more flexible and realistic attitude in regard to export finance than other banks.

23. Under the existing regulations, where the total contract value is less than Rs. 50 lakhs and where I.D.B.I. finance is not required, the bankers of exporters are authorised to offer credit on deferred payment or issue bid bonds, performance guarantees, etc. Any credit over and above this requires clearance from the I.D.B.I. Working Group. As the size and volume of international trade on deferred payment terms have gone up considerably and as there are a number of turn-key jobs and projects undertaken by Indian concerns, the present limit of Rs. 50 lakhs given to authorised dealers is admittedly on the low side. The Task Force would, therefore, recommend that the limit may be revised to Rs. 5 crores.

24. A study of the proposals cleared by the IDBI Working Group has revealed that there has been a marked shift in the pattern of the proposals from supply contracts to turnkey projects and construction contracts. The Task Force accordingly recommends that the role of the IDBI should be limited to project exports only. The cases relating to the consumer types of manufactured goods need not go to the IDBI working group for approval.

25. In this connection, it may be pointed out that in U.K. there is an Overseas Project Board which had been established in 1977 to provide closer communication between industry and the Government regarding major project business and advise on all matters of interest in the Project fields. The overseas project group help is directed towards the projects which require a package or turnkey approach. These include elements of consultancy, design, technology and training. The Group tries to ensure that there is only one British bid in the projects for which its assistance is required, so

as to make the best possible use of government services and avoid wasteful competition between British firms. The industry involved in this group is the so-called project industry. This is defined as the Civil Engineering and Construction Contractors, the Electrical and Mechanical Engineering Contractors, the Process Engineering Contractors the major Plant Manufacturers in these fields and the consultants.

26. The Overseas Project Group operates a policy of selectivity according to the size of Project, Industrial Sector and Geographical area. In general it looks for projects which offer opportunities for British exporters of goods and services worth at least £10 million. Group concentrates on the Industrial sectors in which British capability is good and on geographical markets where payment presents no major problem.

27. The Task Force feels that the time is opportune for the establishment of an Overseas Project Promotion Board in the Department of Commerce to ensure the efficient and timely organisation of various inputs required for the execution of the overseas projects and rendering promotional services at a higher level for expanding the possibilities of securing such contracts as well as joint ventures. This Overseas Project Promotion Board may also evolve a suitable monitoring system for keeping an effective vigilance over the execution of large value contracts.

28. Though the buyers credit scheme has been in operation for over a period of five years, the number of export orders approved on buyers credit basis has been insignificant. The main reason for this situation has been attributed to the reluctance of the Working Group of the I.D.B.I. to give clearance to the proposals involving extension of buyers credit, on the plea that they are not in a position to make proper evaluation of the overseas buyer in the short time available for the consideration of the exporter's proposals. Even when buyers credit is approved, it is stated that the rate of interest chargeable thereon is substantially higher than that on suppliers credit, the reasons being that interest subsidy is not available on buyers credit forward cover, the ECGC charges as well as the lending risks are to be borne by Banks/IDBI. It is understood that M.D.A. Main Committee had recommended grant of Export Subsidy of 1½ per cent to buyers credit also. This has to be implemented forthwith else the banks should be allowed to borrow in the foreign markets.

29. In a few countries, the local regulations do not permit payment of interest beyond a certain rate. Also, many other countries offer credit on very soft terms. But, it is understood that the I.D.B.I. Working Group which considers the applications for export on deferred payment terms is reluctant to agree to applications where the proposed interest recoverable from the overseas buyers is less than 7.5 per cent per annum. If our offer involves a rate of interest higher than those generally charged by the other suppliers in that particular country, the chances of our obtaining the contracts are bleak. The Task Force would recommend that where it is possible to build the loss consequent on lowering of interest rate into the price, these contracts

may be approved by I.D.B.I. Working Group and that such cases may be considered on a case to case basis. The I.D.B.I. Working Group should be entrusted with adequate powers to clear such proposals.

Forward Exchange Cover for Exports

30. The exporters are entitled for foreign exchange cover for their exports provided they are able to satisfy the authorised dealers that the foreign exchange offered is the expected proceeds of a shipment already made or to be made against a firm order received by them. The authorised dealers are permitted to book a single contract against different firm orders provided payments against all the orders are to be received through them, the transactions are finalised in the same currency and the delivery period under the contract is within the directions laid down by the Reserve Bank of India. However, the exporters, and especially the exporters of non-traditional products, are generally unable to take advantage of this facility. For non-compliance of the Forward Exchange contracts, the authorised dealers charge the exporters overdue interest and the extension charge sometime comes to 1% of the contract value for which the exporters of non-traditional goods quite often face difficulties. The Reserve Bank of India is also operating a long term forward exchange cover scheme for deferred payment exports.

31. In Sterling, U.S. \$, Deutsche Mark, or the Japanese Yen, the cover is given at the spot rate of exchange prevalent on the date of booking of the contract, after adjusting the commercial charges which are 1.25 per cent for payment within five years and 2.5 per cent in other case. The cover is granted only if it is applied for within 3 months from the date of signing of the contract. When an exchange cover is booked, the quantum and date for delivery of the foreign currency are required to be specified. Generally, in the case of export contracts on deferred payment terms the effective date of contract is the date from which the delivery period for supply/acceptance of goods is reckoned. It has been revealed that due to regulations/formalities involved in importing countries, the actual effective date is later than three months from the date of the signing of the contract. Hence, the delivery is indicated by the importer at the time of supply, subject to adjustment of the effective date to be finalized. The exporter is thus liable to overdue interest on extension charge adhering to the delivery date under the forward exchange control. The Task Force would recommend that in such cases where R.B.I. is not in a position to offer formal cover, E.C.G.C. should introduce an appropriate "Insurance Cover" covering the risk involved consequent on loss that might arise due to exchange fluctuation.

32. It was also brought to the notice of the Task Force that in case foreign exchange cover is for a specific contract and if that contract has not been honoured and a fresh contract entered into, the foreign exchange cover for the cancelled contract should not be extinguished and should continue to cover the fresh contract. The Task Force agrees with this approach.

QUASI CREDIT FACILITIES

33. Quasi Credit Facilities such as guarantees and bonds to exporters who want to set up projects abroad or who are involved in construction contracts abroad have been extended by commercial banks and I.D.B.I. in addition to the loans and advances given in the form of export credit. These facilities are enumerated below :—

(a) Bid Bonds

34. Every contractor is usually required to submit a Bid Bond along with the tender for export so that he may not back out after a tender is accepted. The amount of Bid Bond does not exceed generally 5 per cent of the contract price.

35. The commercial banks have been allowed by the Reserve Bank of India to permit the contractors to remit amount not exceeding \$ 200 or its equivalent in each case to enable them to participate in tenders as also for obtaining tender documents or for registration purposes. In case the tender inviting authority is a foreign government or a foreign public body, banks have been authorised to permit remittance upto \$ 2000 in each case without prior reference to the R.B.I.

36. Banks with or without collaboration of I.D.B.I. can issue Bid Bond after obtaining the permission of the R.B.I. or clearance of the I.D.B.I. Working Group.

(b) Advance Payment Guarantees

37. Advance payment guarantees for the payments receivable from foreign contractors are issued by commercial banks and I.D.B.I. after getting necessary clearance either from the R.B.I. directly or from the I.D.B.I. Working Group.

(c) Performance Guarantees

38. Performance Guarantees are also issued by the banks and I.D.B.I. after obtaining the necessary permission from the R.B.I. or after getting the necessary clearance from the Working Group of the I.D.B.I.

(d) Retention Money Guarantee

39. In the case of construction contracts, a small percentage normally between 5 to 10 per cent of the contract price is retained by the foreign employers and is paid after the expiry of a specified period from the date of completion of the contract. Very often, the Indian exporters like to get this money also released after executing a guarantee to the foreign employers. Banks issue this kind of guarantee, with or without I.D.B.I. participation.

(e) Bridge-Finance Guarantee

40. Commercial banks also issue guarantees to the foreign banks in respect of bridge finance which the foreign banks might have given to the exporters/contractors in connection with their contract abroad.

41. Banks have been advised to adopt a flexible approach in the matter of obtaining cover and earmarking of assets/credit limit/drawing power while issuing bid bonds and performance guarantees. Banks also do not normally insist upon cash margin in respect of bid bonds and guarantees which are counter-guaranteed by the E.C.G.C. In other cases where the counter-guarantee from the E.C.G.C. is not available, banks stipulate reasonable margin after taking into consideration capacity and financial position of the contractor.

42. Certain categories of items when exported from the country are entitled to duty drawback at specified rates. The exporters' claim in respect of such duty drawbacks are required to be paid back by the custom authorities. Since the entire process is generally time-consuming and the exporters remain out of funds till then, the Reserve Bank of India had introduced in February 1976 a Duty Drawback Credit Scheme in terms of which exporters are provided with interest-free advances from the banks upto 90 days against the production of provisional entitlement orders issued by the custom authorities. Banks, in turn, are eligible to obtain refinance from the Reserve Bank of India free of interest for a period not exceeding 90 days in respect of such advances given by them.

43. From the discussions the Task Force had with the exporting community, a definite impression was gathered that the I.D.B.I. Working Group mechanism was functioning well. I.D.B.I. representatives indicated that frequent meetings were held at very short notice sometimes even at 24 hours notice. The number of proposals cleared by the Working Group in 1977 indicates the substantial contribution made by the I.D.B.I. Working Group in India's export promotion. In 1977, it had cleared 317 proposals involving Rs. 4110 crores as against 152 proposals involving Rs. 2118 crores in 1976. This gives an indication of the growing important role played by the Working Group.

44. Though the role and dynamism of the Working Group is appreciated, it was generally felt that there is a need for further streamlining and liberalising procedures and mechanism, if India has to take advantage of the huge prospects available to it in projects' constructions abroad. If India is to become really competitive, conservative policies will have to be given up and India will have to bid on commercial considerations. The Task Force would, therefore, recommend immediate streamlining of the procedures and also issue of fresh guidelines in tune with these changes. The Working Group should meet as often as possible to facilitate prompt examination of the proposal submitted by the exporters. In due course of time smaller Working Group can be arranged to be held at other centres such as Delhi, Calcutta and Madras, where smaller proposals can be cleared.

45. As a large share of export earnings in the next 2-3 years will be from project constructions, it is necessary that this matter is considered on an urgent basis without compromising national interests but at the same time ensuring that India does not lose large contracts because of its delay to take decisions.

46. As regards the institutional framework for financing deferred payment exports and offering the mosaic of services required by contractors executing construction and turnkey jobs abroad, the Department of Commerce have been considering for some time past the desirability of establishing an Export-Import Bank. The Task Force feels that there would be a need for an institutional framework for making available the whole package of financial and promotional services required by the exporters. Till such an Export Import Bank is decided upon by Govt., the existing arrangements in the IDBI need be diversified and strengthened adequately.

MISCELLANEOUS FACILITIES

47. There were certain general problems raised in the course of the discussions which required the attention of the Task Force. These are discussed below:

(i) General Credit Problems

48. In the matter of locational aspect of export credit, it was felt that some relief to the exporters who export the products of upcountry manufacturers was necessary. It was pointed out to the Task Force that, when the goods were purchased by exporters from upcountry manufacturers, most of the exporters had to make arrangements to collect documents through agents and present them to the bankers. In this process, whenever there are discrepancies in the documents, which are not uncommon, the reconciliation of the discrepancies takes time on account of the location of the exporters. Moreover, in such collections, the bank charges are very high. Similarly, the liquidation of the pre-shipment liability is delayed with the consequent costs and fund implications to the exporters. The Task Force feels that this situation could be remedied by identifying centres where such upcountry exports take place in a substantial way, create export cells in the banks there and get them manned by personnel trained in foreign trade transactions. The identification of such areas could be done by banks' field officers, Export Promotion Councils and other export promotion organisations, Federation of Indian Export Organisations, Trade Development Authority, Indian Institute of Foreign Trade, etc. Once this is done, credit facilities can be facilitated at more dispersed centres. Such an exercise should be repeated periodically, every two to three years, to identify new such upcountry centres.

(ii) Revolving Credit

49. It was suggested to the Task Force that a system of 'Revolving Credit' might be evolved both to promote exports and in the interest of export production. The present division operated in the country, i.e., pre-shipment and post-shipment, tends to treat every export order as a separate transaction for the purpose of sanction of credit and its utilisation. On the other hand, as the credit limit for each party has been determined

by the concerned bank, with or without the Reserve Bank's approval, as required under the banking procedures, it should be possible to earmark a portion of such credit which the party could utilise for export production on "end to end basis" without having to seek sanction against individual orders. Especially in the case of such manufacturers who have regularly been exporting a fair part of their annual production this facility would also give relief in the interest charges that would become payable to the bank or utilisation of such credit, besides ensuring better monitoring of the credit utilisation itself.

(iii) Forward Cover

50. Forward cover poses problems for exporters as the main exchange dealers of the banks quoting the rates are located in Bombay, Calcutta, Madras and Delhi. Exporters who are not at these centres are subjected to delays of more than one week. Under the floating rates system, the cost of delay even of a couple of days is considerable to the exporters. The same problem arises in cancellation/extension of forward contracts. The Task Force suggests that all export transactions taking place in the interior regions should be able to obtain the similar facilities as available in port-towns and metropolitan cities.

(iv) Export on Consignment Basis

51. Under the current credit policy and procedure arrangements, the value of consignments sent overseas is debited to the overall credit sanction to the party concerned. No doubt, every effort will be made by the exporter to see that the material is sold as soon as possible. However, with increased emphasis being given to the exports to new markets and new products, it would be very necessary, in the opinion of the Task Force, to provide more consideration and special accommodation for 'consignment' exports as distinct from the domestic credit utilisation. Proposals have already been made in the past to enable Indian exporters to operate on a warehousing basis in the developed markets in Europe and United States. Until such a step is feasible in these countries, and in any case, in respect of other markets and products, the recommendation made would have considerable relevance. Another aspect of this recommendation is the need to provide 'after sale service' to the markets where Indian engineering goods have been exported already. In these cases, it would be necessary for the exporter to hold "in stock" overseas spare parts of the models or makes of the machinery already exported, but all these may not be sold or become used-up before the main machine becomes obsolete or worn out. No doubt spares in such cases could be exported from India itself, but the efficiency of the service back up may suffer by the absence of ready stock within the country concerned.

Banks Services

52. (a) It was noticed that the services rendered by the banks were undergoing evolution in the correct direction. Some of the banks had already taken steps for providing 'Export Cells.' These Export Cells could serve to reduce the communication gap between the banking practices and their exporting clients. Many exporters do not know the latest regulations and banking practices. These Export Cells could also contribute

in a complementary manner to the efforts of export promotional organisations by giving them information about the credit worthiness of certain countries, the prices at which goods are imported into these countries and other relevant profiles which is within the competence of the banking system.

53. There is a progressive trend now for the Indian banks to open branches overseas. The Task Force, however, feels that trade information at source could be obtained by the main office particularly in respect of commodity trends, price fluctuations which could be of immense use to the exporters. Some financial assistance could be granted to the Banks from the M.D.A. for such infrastructural facilities. Further, all major banks should set up international division at their headquarters which will control all matters relating to the export trade including dissemination of information. Also, at all major port-towns and metropolis towns like Calcutta, Madras, Bombay, Delhi, Cochin, Vizag, etc., banks should set up "Export Credit" Branches on the lines of overseas branches of State Bank of India which will be manned by senior personnel, knowledgeable and trained in export credit matters and which will deal exclusively with export trade. A third tier could be built up by having Export Cells (again manned by experienced persons) in all major branches having Export Credit business. All the banks should also initiate a system of having special courses for export credit in collaboration with the Indian Institute of Foreign Trade and Indian Institute of Bank Management and post only trained officers in charge of export credit cells.

54. (b) Another point that emerged in the course of the discussions was the delay that occurred in deciphering the Letter of Credit if it was in a foreign language. There were instances where the delay was to the extent of 3 to 4 months. The Task Force would recommend that the banks should impart training in foreign languages, to at least a section of their personnel, mainly in French, Spanish, Arabic, etc. It is gathered that in London there is a specific institute known as the Institute of Linguistics besides the London Chamber of Commerce, which provides this facility. Pending the establishment of such an Institute, it is suggested that banks should take this as a part of their personnel training programme and deploy their personnel according to the needs of their branches. It is also necessary to orient these personnel to develop expertise in foreign exchange transactions and international trading, and once these personnel are trained they should be positioned at the appropriate assignments. This will definitely enhance the expertise of banking services to the exporting community. Some of the Banks as well as I.D.B.I. represented that there must be specialised institutions to undertake training in foreign exchange transactions and the upgradation of skill and knowledge at all levels particularly the lower and the middle operators of the Bank. Such trained personnel should be retained at the appropriate post where the training would be useful. It was further stressed that not only the bank services but all the connected services in relation to the execution of the export orders like CCI&E's office, D.G.T.D., etc., should give high priority to the project exports.

55. Almost every Chamber or Association whom the Task Force met drew attention to the provisions of Section 35-B of the Income Tax Act, introduced in the

Budget of 1978. This limits the benefit of this section only to small scale exporters, export houses and consultancy firms. This, it was represented, left out a very large number of registered exporters who have been participating regularly in the foreign trade of our country. The Task Force is satisfied that such benefit should be extended uniformly to all exporters be they export house, Consultancy firm, small sale units or not.

56. It was pointed out by the Councils that the sanction for various projects like study teams and trade delegations should be approved by the Ministry expeditiously. Foreign Exchange allocation in respect thereof should be given immediately after the approval of the annual Budget Programme and it should be left to the Council to utilise the foreign exchange according to their programme and needs. The Task Force is inclined to agree to such a method.

57. In respect of unpaid bills, if realisation is less by 5 per cent, special sanction of the R.B.I. is needed which is invariably time-consuming. R.B.I. should vest the power with the authorised dealers in foreign exchange upto 10 per cent as delay of R.B.I. sanction involves flow of foreign exchange by way of demurrage charges and subsequent deterioration of goods and consequential further loss in the foreign exchange realisation.

58. During the discussions with the Export Promotion Councils it was pointed out by Silk & Rayon Textile Export Promotion Council that in a sophisticated item like silk and rayon fabrics there was stiff international competition. Therefore, the variety and range of India's products in this line should be projected through organised visual and written publicity. This was not recognised to the extent necessary and the M.D.A. fund should be made available on a more liberal basis.

59. At present, no duty drawback is allowed on the packaging material used for export products. It would help our exporters to compete better in the world markets, if duty drawback is allowed for the packaging material also, as these often carry heavy levies.

60. Woollen rags of any sort imported for export production are not exempted from import duty. The Task Force feels that the duty exemption scheme could be extended to such items also, having regard to the world market for the products that could be made out of shoddy wool.

61. It was pointed out in the discussions held by the Task Force with the various Chambers of Commerce and Industry, etc., that the payment of duty drawback was often delayed considerably only on account of the time involved in receiving test reports on repetitive types of consignments. The Task Force feels that there would be little risk in effecting anticipatory payment of atleast 80 to 90 per cent in such cases, wherever the parties have been in the export field for 3 years or more.

62. It was brought to the notice of the Task Force that under the present procedure, the party getting a drawback order has to get a Pay order issued before it can

receive the due amount. It appears to the Task Force that, as in the case of the Income Tax Refund orders, the first communication from the competent officer to sanction drawback ought to be a document sufficient to enable the beneficiary to present it to its bank for getting the same settled in its favour.

63. It would appear that Registered Exporters, other than the Export Houses, are not allowed to pay for the visits of foreign buyers in rupees. The Task Force feels that this facility of export promotion should be extended to all Registered Exporters, without any discrimination.

64. It was further pointed out that in the case of exports by air, goods reach the foreign buyers earlier than the document related thereto. Documents, naturally, take some time more for scrutiny, etc., in India and hence the delay. This delay results in overdue interest charged by Banks.

65. Similarly, it was stressed that the mere grant of Blanket Permit for advertisement and publicity abroad was not enough. The RBI should issue comprehensive guidelines also, for the purpose.

66. After having heard the viewpoints and practical difficulties expressed by Trade Associations, Chambers of Commerce, exporting community particularly the Small Scale Sector group, it was felt by the Task Force that the export credit system, at present, was being operated on a basis in which safety and security of the loans advanced appeared to be an over-riding consideration. This consideration should necessarily remain, but in view of the special consideration existing in the area of India's foreign trade and the socio-economic objectives adopted by the Government, it is felt that the system has to yield to compulsions needed to sustain India's foreign trade, particularly the items that are exported from the Small Scale Sector. A broad feature of the manufacturing pattern of the Small Scale Sector in India has to be recognised. In the case of Medium and Small Scale Industries in countries like Japan, U.S.A. etc. the Small Scale manufacturers generally confine to the manufacture of ancillaries necessary for large manufacturing units. In the case of Small Scale Sector manufacturing units in India, however, their manufactures could be classified in two categories (a) ancillaries and components; and (b) finished goods. The former go as supplies to large scale units and the latter directly towards either domestic consuming markets or foreign markets. It could be concluded from this that the products manufactured by the Small Scale Sector which are labour intensive and are being exported to the sophisticated countries have necessarily to be backed up on a planned and sustained basis by Export Promotion Organisations and Banks. And, for this purpose the Small Scale Sector should be provided necessary finance, on reasonable terms, for the production of the goods primarily intended for the foreign markets. The element of reasonable risk has to be taken by the commercial banks. In this direction, the Task Force would suggest that on the basis of the recent policy of certain banks to adopt certain number of villages for growth, they should adopt on a selective basis, SSI Units producing goods, having

export potential, so that the latter get institutionalised and fit in effectively in the micro-sector of export-oriented units. This denovo change is imperative, if we have to bring about a realistic transformation in the role of the Small Scale Sector in the field of export promotion. There might be practical problems for the banks to identify such export worthy units. Export Promotion Councils, Federation of Associations of Small Industries of India, the Office of the Development Commissioner and Directorate of Industries of various States could supply the banks the particulars of such units on a selective and progressive basis. The Task Force feels that such a system where the operation is based upon an integrated approach between the financial institutions, export servicing organisations and organisations established to promote the Small Scale Sector will result in giving the SSI Units a permanent base in the area of India's foreign trade.

Role of E.C.G.C.

67. The Scheme of Export Credit Insurance was introduced in 1957 in India with the setting up of the Export Risks Insurance Corporation (E.R.I.C.). The scheme was intended to provide insurance to India's exporters against commercial and political risks involved in selling abroad of goods on credit terms. It was found that the scheme was not adequate, and to facilitate the exporters to obtain liberal advances from the banks, the institution was transformed into E.C.G.C. (Export Credit & Guarantee Corporation Limited). The scheme provides national guarantee to the exporters. The Corporation issues two types of standard policies: (1) a Shipments Policy, which protects an exporter from risks from the date he ships the goods until he receives final payment, and (2) a Contracts Policy, which protects an exporter from risks from the date on which he signs a contract for export of goods until he receives full and final payment. While both these covers, more or less, are for similar risks, the Shipments Policy is issued where only supplies of goods are involved, whereas Contracts Policy is issued to exporter who manufactures goods to the specifications laid down by the overseas buyers and which cannot be sold elsewhere in the event of frustration of contract.

68. The E.C.G.C. also issues specific policies as under :—

- (i) Shipments Policy
- (ii) Contracts Policy
- (iii) Services Policy
- (iv) Construction Works Policy.

The Policies issued by the E.C.G.C. to exporters cover 90% of loss sustained. Under the Construction Work Policy, the Corporation cover is limited to 75% in case of a private buyer and 85% in case of government or public buyer. In respect of large value contracts, coverage is extended up to 95% against political risks.

69. At the end of 1977, there were as many as 5,289 insurance policies in force, which means that a large number of exporters were making use of the insurance

policies of the Corporation. The value of exports covered by the ECGC in 1977 was Rs. 752 crores. The ratio of total exports (all-India) to insured exports in 1977 was 14.6%, which was 1.4% more than the performance recorded in 1976. It is understood that nearly 60% of India's exports do not go on credit terms and, therefore, do not need insurance. Thus the coverage of 14.1 per cent works out in actual terms to roughly a little over 37 per cent.

70. The popular insurance is the packing credit guarantee covering the pre-shipment advances of banks for producing or procuring goods for exports. This guarantee covers 66½ per cent of the loss that the bank may suffer on account of non-repayment by the exporter.

71. E.C.G.C. also provides a modified version of the packing credit guarantee called the export production finance guarantee, covering the advances by a bank to an extent higher than the value of the export order up to the domestic cost of producing an export product. The price differential is made good by the government by way of cash incentives and duty drawbacks. The Corporation agrees to cover such advances up to the extent of the domestic cost of producing the export product. This means advances given towards receivables at pre-shipment stage over and above the f.o.b. price are covered under this guarantee.

72. At the post-shipment stage also the Corporation issues export credit guarantee covering advances by a bank against export bills and the export finance guarantee covering advances by a bank towards receivables such as cash assistance and duty drawbacks.

73. The Corporation has recently introduced Whole Turnover Post-Shipment Export Credit Guarantee under which the cover is extended to bankers for covering their post-shipment advances either against bills or incentives. The cover under this guarantee is 85% on account of exporters holding ECGC Policy and 60% on account of the exporters who do not hold ECGC's standard policy. A higher cover of 90% and 65% respectively is provided in case of small scale exporters whose annual exports do not exceed Rs. 10 lakhs.

74. Another guarantee issued by the Corporation is the export performance guarantee issued in a number of situations as a counter guarantee to banks—in connection with bid bonds for overseas tenders, performance bonds for overseas contract, bonds against export obligations, against advance import licences, bonds given to S.T.C., M.M.T.C., Export Houses, etc., on account of suppliers etc.

75. The last in the series of the guarantees is the transfer guarantee issued to banks to cover their risks in adding confirmation to Letter of Credit opened by banks abroad. The Corporation has also evolved certain special types of guarantees to cover buyer's credit and lines of credit.

76. A scheme of joint venture insurance has been evolved to cover risk arising in the type of transactions where India and other countries collaborate and put up plants in a third country. This would also cover instances where many a time Indian entrepreneurs act as sub-contractors to the main contractors in developed countries. The scheme of overseas investment insurance has been designed to cover risks inherent in participating in investments by Indian entrepreneurs abroad. The scheme would cover investments in the form of equity, cash and also loans extended by Indian nationals and corporate bodies to firms/companies in foreign countries. Only losses on account of political reasons are covered and commercial risks are clearly excluded.

77. During the exchange of views with the various authorities it was revealed that :—

- (I) The exporters resented the practice of E.C.G.C. insisting on covering all credit term transactions without exclusion as they would like to cover business with selected markets or selected parties. The E.C.G.C. explained that their desire to have the Whole Turnover of the exporter was with a view to getting a fair spread of risks. If exporters were left free to select specific transactions for cover, the Corporation would be left with only the riskier types of business. As the incidence of claims would be then higher, the Corporation would be compelled to charge a higher rate of premium. If on the contrary, the Whole Turnover is offered, the level of premium rates could be kept low and it might be possible for exporters to cover all their shipments without any significant rise in the total cost of insurance. The Task Force also feels that it would be in the interest of the exporters themselves to seek insurance for all their exports without exclusion. However, the matter needs more careful and close examination.
- (II) E.C.G.C. takes long time in approving limit on the buyer which is required for covering commercial risk, but collects premium on the basis of the shipments made. If the limit is refused subsequently, the exporter has no protection for commercial risks, i. e. failure of buyer or his default if this occurs during the intervening period. It was pointed out by the E.C.G.C. that if Bank reports were furnished by the exporters along with the credit limit application on buyers, this difficulty may not arise. The Corporation also gets cable reports in urgent cases at their cost if the exporters so desired.
- (III) When E.C.G.C. approves a credit limit on the buyer and if the exporter makes shipments to this buyer in excess of this limit, he is required to pay the premium on the full value of the shipments made but the Corporation's liability will be confined to the credit limit approved. This is a limit of the Corporation liability on the buyer at any given point and not a limit on the shipments to be made to the buyer. The corporation may

consider enhancement of limit in deserving cases if the exporter furnishes all the required information. The Task Force however, feel that when the Policy covers the whole-turnover business of the exporter, the corporation should accept the liability for the value of shipments made unless they have reason to doubt the bonafides of the transactions.

- (iv) ECGC's cover is not adequate since the E.C.G.C. undertakes to pay only a portion of the loss albeit, the major portion, i.e. 90 or 95%, and not the 100% loss. In a developing economy like India exports have to be backed up by an Insurance organisation like E.C.G.C. The Task Force feels that this procedure needs re-examination to motivate the exporters, particularly from the small scale sector to go into the export field in the larger way, and the collection of information on the credit worthiness of the parties abroad should be stepped up and streamlined.
- (v) The exporters experience difficulties in the settlement of their claims and fixing up of credit limits in respect of new parties and shippers, and that the exporters have got to carry on exports regardless of the fact whether or not their shipments were covered by E.C.G.C. guarantees. It was explained that E.C.G.C. insisted on the exporter first taking legal action against the defaulting foreign buyer before making a claim on ECGC which was a major cause for the delay in the settlement of the claims of the exporters. However, it was stated by the ECGC that legal action was insisted when the buyer raised a dispute in regard to quality delivery set offs etc. As the export cover is essentially to protect the exporter against risks, the Task Force feels that E.C.G.C. should adopt a pragmatic approach and consider genuine hardships caused to the exporter rather than strict adherence to the terms and conditions of the cover by the exporters for settling their claims. It was also stated that the exporters have to pay the premium at three stages, (a) at the bank, (b) when shippers have to submit their declaration to E.C.G.C., and (c) post shipment guarantee. The Task Force feels that the E.C.G.C. could formulate a comprehensive policy for a single premium only.
- (vi) There is a need for the E.C.G.C. rendering a centralised intelligence service by setting up a data bank of the clients in respect of credit. The feeder service being rendered by the Banks which would avoid delay in assessing the credit worthiness of the exporters and ensure need-based and expeditious grant of credit. The Task Force recommends that the E.C.G.C. may consider the desirability of setting up such a data bank.

CHAPTER III

QUALITY CONTROL AND EXPORT INSPECTION

The Export (Quality Control and Inspection) Act, 1963 rests with the Government of India with the authority to (i) notify commodities for quality control or inspection or both prior to export, (ii) specify the type of quality control or inspection, (iii) establish, adopt or recognise one or more standard specifications for a commodity, and (iv) prohibit the export of a commodity unless it is accompanied by a certificate to the effect that it satisfies the conditions relating to quality control or inspection or it has a mark or seal recognised by the Government indicating that it conforms to the standard specifications acceptable to it. Under this Act, the Government has set up the Export Inspection Council (EIC) as an apex institution for administering pre-shipment inspection. E.I.C. has, besides head office at Calcutta and regional offices at Bombay and Cochin, 48 sub-offices at important processing and exporting centres in the country. In addition, the Council has recognised 34 other organisations both private and Government, as export inspection agencies for carrying out pre-shipment inspection.

2. Up to March, 1977, 734 export items had been brought under the purview of 1963 Act. These products are divided into (a) panel items, and (b) other items. Panel items are those in the case of which emphasis is more on inspection than quality control. E. I. C., in the case of these items, relies more on the exporting units' own system of inprocessed quality control. The export inspection agency does not examine each lot of exports but sends its officials to the unit from time to time to ensure that controls as stipulated in the Gazette notification for the concerned item are being exercised by the unit. In the case of other items, compulsory quality inspection including inspection of packing is done prior to shipment.

3. E.I.C. has arrangements with U. S. Food and Drugs Administration regarding the inspection arrangements for froglegs exported to U.S.A. Under these arrangements, U. S. Administration has agreed that pre-shipment inspection undertaken by E.I.C. would be acceptable to them. It was understood that the E.I.C. was exploring the possibility of making similar arrangements for other food products.

4. Quality control and export inspection (pre-shipment inspection) are in the context of India's foreign trade intended to satisfy the foreign importer about the quality of Indian products and to ensure that the products exported conform to the specifications and standards required by the importers abroad. However, it is observed that in spite of the fact that a large number of India's export commodities have been brought

under the purview of the 1963 Act, complaints regarding their quality still continue to be lodged against India's exports. In the course of discussions the general feeling was that the system of export inspection currently under operation does not meet the needs of the importers abroad and a discipline has necessarily to be brought in with regard to quality of our exports. The scheme of compulsory inspection and its implementation has, no doubt, assisted the foreign buyers through the rigid check introduced by the Government in a statutory manner in respect of goods exported from India. To-day, there is a subjective awareness on the part of the exporters themselves that the goods have to qualify by standards from the importers' point of view, and this change is in the correct direction.

5. Notwithstanding the inspection procedures existing in India for goods to be exported, some of the foreign countries have their own system of pre-shipment inspection of the goods received by them from India. The attention of the Task Force was drawn to the practice of countries like U.S.S.R. and East European countries in respect of jute and jute manufactures. These countries lay down their own standards which are reported to be less rigorous.

6. Some Foreign buyers are having their own inspection agencies in India to certify that the quality of the goods exported conforms to the specifications prescribed by them and our agency's certificates are not considered valid at all, although the standards laid down by our inspection agencies are more rigid than the ones laid down by those agencies. The Task Force feels that in cases where foreign buyers have got their own specific standards and agents to inspect the goods in India, there is no need of our agency of export inspection being imposed in this context. However, where there are mandatory provisions about the standards of goods, in particular foreign countries, our export inspection should continue even in such cases.

7. In view of the above, there is a question for consideration whether we should introduce certain additional measures by which quality is ensured of the goods exported from India. Some of the suggestions the Task Force have to offer are as under :—

- Certain units of good production record could be appointed as inspecting agencies for their own products and/or for similar type of products manufactured by others.
- Recognised Export Houses could be authorised to issue Inspection Certificate for the goods manufactured by their supporting manufacturers.
- Leading exporters who have got record of exports without any complaint could also be authorised to certify the quality of goods exported through them.
- The provision for random check at the Customs level could be continued.

8. To elaborate, basically export inspection can be classified in the following three categories :—

- (i) Consignment-wise inspection ;
- (ii) Affixation of recognised mark signifying compliance of prescribed standards; and
- (iii) In-process quality control and inspections.

9. Almost all the major items are now covered under one or the other system of quality control and pre-shipment inspection. The quality control enforcement requirements will, however, vary from one product to another depending upon the nature of the product. For instance, while in the case of consumer items like processed foods, pharmaceuticals, etc., fairly elaborate arrangements for external inspection (besides inprocess inspection) may be necessary, in the case of engineering goods particularly of heavy and medium engineering products, greater reliance can be placed on the manufacturers' production line inspection facilities. Quite often some of these items are manufactured according to buyers' specifications. In the engineering goods category, in select products self-inspection would adequately meet the needs, provided of course periodical sample tests are carried out by the quality control enforcement agency.

10. Quality control should be a sustained and continuous process. As the level of our exports increases, the products get diversified and the supply sources multiply, there is likely to be enormous pressure on existing institutional machinery to carry out quality control tests and inspection. There is thus a need to create a conscious effort on the part of the exporters themselves to manufacture products which conform to the prescribed standards. Out of a total export earning of about Rs. 5,600 crores during 1977-78, it is estimated that nearly 25 per cent is accomplished through Export Houses of which there are over 400 in the country. Again out of the exports made by these merchant exporters, nearly 30 per cent originate from the Small Scale Sector. It appears to us that having regard to the substantial contribution made by the Export Houses, the more prominent among them may be entrusted with the task of certification of products exported by them. The merits of this suggestion are : (i) it will relieve the pressure on the existing organisational set-up for enforcing quality control, and (ii) it will create necessary linkage between the Export House and the manufacturing units, particularly those that are in the small scale sector to ensure in-process quality control right from the stage of raw material procurement to the finished product. Task Force suggests that if an arrangement on the lines suggested above is implemented, it will reduce delays in pre-shipment inspection of goods at the time of exports.

11. During the discussions relating to Textile exports, the Task Force was told that the export inspection inspectors were not available, to cope with sudden increases in exports. This is especially relevant in cases where the ship for taking all of them is the same and hence there is a time limit already set for clearance. Inspectors should be made available in good time in all such cases.

12. It was further stressed that the validity period of export inspection certificates should be for a minimum period of one year. It was also pointed out that when the export consignment is intended to be despatched by a ship, there is a need to mention the name of the ship while if the despatch is by air, the number of the carrier need not be mentioned. This practice pins down our exporters to a particular ship and should be discontinued. The Task Force is inclined to agree to this demand of the exporters.

13. It was pointed out that even after the inspection of consignment for exports is over, at the loading point when more than 200 bales are involved in the single loading the Customs authorities insist on picking a package which may be lying right at the bottom before a loading order is signed. This causes a lot of inconvenience as also delay in the finalization of shipping documents. This also involves considerable cost in the handling of items which already have been loaded after due inspection is over. It was suggested that the Customs authorities should accept the inspection certificate about the quality of the goods packed. The Task Force recommends that the Customs authorities should examine the desirability of doing away with such a practice.

14. The Committee under the Chairmanship of Mr. Mantosh Sondhi set up two years ago went into the entire question of pre-shipment inspection of engineering goods and had made important recommendations generally favouring the scheme of self-inspection by individual manufacturers subject to certain safeguards. This Committee further suggested that their recommendations, in this regard, need to be implemented early.

15. The banks pointed out that the grant of code numbers to the exporters is an automatic action of the Reserve Bank of India and sometimes the sporadic categories of exporters do not do genuine export and bring a bad name to the country. This practice could be discouraged if the names of such defaulting exporters are notified to the office of the C.C.I. & E. who is empowered to take suitable action which will serve as a deterrent to the recurrence of such malpractices.

CHAPTER IV

EXPORT INTELLIGENCE SERVICE, MARKET RESEARCH AND COMMERCIAL PRESENCE ABROAD

Market Intelligence

In order to enable the manufacturing units in India to know the possibilities of the export of their products, it is necessary that they should be provided with the market intelligence on a regular basis. At present, the Trade Development Authority is, to a certain extent, providing certain facilities, in this regard. It has been entrusted with a group of items and a group of clients both in India and abroad about which and to whom it renders package service. The marketing facilities abroad, the types of goods required, other specific intelligence are gathered and a total service is rendered by the T.D.A. to their clients. They also obtain on behalf of the various Export Promotion Councils specific information.

2. The main defects in the present institutional framework for intelligence services do not enable the institutions viz. Export Promotion Councils, T D A., the Export Promotion Wing of the Department of Commerce, to gather and disseminate upto date information promptly to exporters of specific products. The problem here is two-fold:—

- (i) Facilities for information collection;
- (ii) Facilities for information retrieval and dissemination.

3. Traditional methods of relying on commercial reports from the commercial representatives abroad have not proved adequate since almost invariably there is considerable time-lag in the dissemination of these reports. Moreover, the reports are not tailored to trade promotion purposes. It is, therefore, suggested that a system of constant market surveillance of export market to identify information of potential interest to our exports must be developed. The information so gathered, should be completed in all important respects and quickly flashed to major institutions for dissemination among the exporters.

4. In the area of information dissemination, again the regular channels of trade bulletins and journals which carry information of interest to exporters should be supplemented by a daily reporting system from major disseminating source giving emerging trade opportunities. Arrangements with the financial dailies for dissemination of such information could also be considered.

5. The entire service preferably to be operated on computerised basis could be made available at a fee adequate to cover the cost of the service.

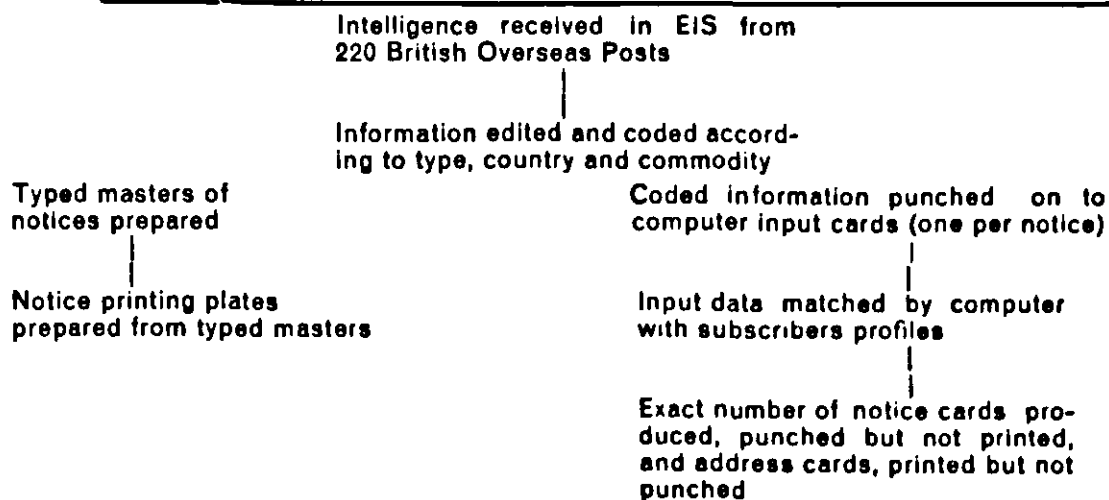
6. In order that the trade opportunities are properly linked with the capacity of our own industry to supply the requirements, it is necessary to have adequate information on specific products where there are no domestic supply constraints. Moreover, in the context of the emphasis on the small and tiny sectors of the industry and employment generation, supply possibilities for goods from labour-intensive industries and small sector and tiny units should be explored and matched with specific export demand. This linkage between the supply and demand is essential to make the exercise of market intelligence pragmatic and useful.

7. This presupposes the institutions which are charged with the responsibility of gathering market intelligence of products having export potential to be fully familiar with the domestic base of production and availability of items needed by the foreign markets. The Task Force feels that this information in the Indian front is not adequate and results in fluctuations in the range of products and quantum of products to be put in the pipeline of export. If the marrying up of foreign demand and domestic production does not take place, the collection of market intelligence information from abroad will be of no relevance to the objective behind the exercise.

8. In order to drive benefit out of the experience of the U.K. in the Export Intelligence Service, the Convenor of the Task Force, was deputed to the U.K. to study the export services provided by that country for the promotion of their exports. It is observed that export intelligence service is one of the export services provided by the U.K. Export intelligence service helps in making overseas enquiries for the products or services and calls for tenders. It has agents in overseas markets and manages to find out early notification of major projects abroad. It receives export intelligence from British Commercial Officers throughout the world who provide information in respect of the potentiality for trade in various products. Flow chart showing the receipt, preparation and despatch of export intelligence service is as under:—

Export Intelligence Service (EIS)

Flow Chart Showing the Receipt, Preparation and Despatch of Export Intelligence



Notice cards printed and address
cards punched

Notice and address cards sorted
into subscriber order

Address cards and notice cards
inserted into envelopes and despatch-
ed by first class mail

Intelligence received by subscribers

9. A computer maintains the intelligence against individual requirements and cards containing the relevant items are made available to exporters. The product development and changing markets require the export intelligence service to up-date the information which is maintained by the service. The export intelligence service provides intelligence which covers various fields like the specific export opportunities, short market pointers to new trade opportunities, market reports, overseas agents seeking British principals, successful bidders and awards of contracts, overseas visitors to the United Kingdom, outward opportunities for co-operation with overseas firms, inward opportunities for co-operation with overseas firms, changes in overseas tariffs and import regulations, aid and loan agreements (International and the U.K.), national and other development plans, the export credit and guarantee department's lines of credit, notification of overseas trade fairs, exhibitions, missions, inward and outward, world economic comments and general information. The commodity descriptions are given at three levels of refinement—charters (2 digit codes), headings (four digit codes) and individual items (7 digit codes). With a few minor exceptions, the charters and headings coincide with those of the Brussels Tariff Nomenclature (BTN). Information pertaining to opportunities for and consultancy services, project information, contracting services, supplies and components—manufactured to customer's description are also provided.

10. Documents like the forms on which bids are made, specifications, general regulations and other information which cannot be photo-copied and samples are arranged to be inspected at export house for one week from the date of the publication of the notice and after a week, these can be made available on loan. In most cases, translations of documents in foreign languages are not provided. However, inquiries about the translation of original documents are passed on to the Chambers of Commerce or to the Institute of Linguists, London. Export Intelligence Service supplies upon request lists of local concerns in a number of countries who have expressed their willingness to act on behalf of the U.K. firms in the submission of tenders.

11. Details of contracts awarded to overseas companies in respect of projects in third markets are also published by the Export Intelligence Service under the range of intelligence and are quoted to the relevant project of the export intelligence service classification, the third market where the contract has been awarded and the country where the successful company is located. Such information is of interest to many British companies as it provides them with an opportunity to make their products or services known to the successful companies with a view to entering into some form of collaboration with it either by way of special contracting work or the supply of equipment and material. This method of coding ensures that the information reaches a wider range of subscribers likely to be interested in the developed and developing markets for which they may not be registered.

12. Notices are issued every month under a range of intelligence type (aid and loan agreements), advising subscribers of those new projects being considered for financing by the International Bank for Reconstruction and Development and the International Development Association (the World Bank Group), the Asian Development Bank and Inter-American Developing Bank. The export intelligence service notices produce full details of all new projects as they are coded to cover all the projects listed in the monthly documents and not just the new projects. Subscriptions to the export intelligence service can be made only by the individuals and organisations who are residents and trading from the U.K. in British produced goods and services. It costs £ 37.50 for 150 notices. In other words, each item of intelligence costs 25 pence. The subscribers to the service may alter their recorded interests at any time free of charge to take account of their changing circumstances, e.g. discontinuation of a product line, introduction of a new product, concentration on different markets, etc.

13. It is noticed that there are 9000 subscribers to the Export Intelligence Service out of about 1 lakh exporters in the country. Nevertheless, big firms which number about 100 and who contribute about 80% of the total exports are also partially making use of the service. It has, no doubt, emerged as an important institution to promote opportunities for exports, both visible and invisible in the British Export Service system. Based on the lines of the practice followed in the U. K. for the collection and dissemination of market intelligence on projects, products and services which is working very efficiently for a long time, it would be beneficial for India to plan an institutionalised collection and dissemination of market intelligence. This would involve a total change in India's set-up, as the export services in the U. K. are being co-ordinated and directed by the British Overseas Trade Board, which is an integrated body consisting of representatives of the Association of British Overseas Chambers of Commerce, the Confederation of London Chambers of Commerce and Government Departments. This system has got a cumulative advantage in the sense that every sector involved in export-import activity, both in the private and governmental sector, is functioning in close collaboration. The Task Force feels that a similar integrated body could be introduced in India exclusively servicing the field of market intelligence.

14. At present, market intelligence is organised in India on a different pattern, altogether, as the export promotional bodies are established to specifically cater to the development of exports of the commodities entrusted to the respective organizations. In a developing country like India, where non-traditional industry has found a footing only during the period of last one or two decades, it would be necessary to have such micro attention paid by the respective export promotional agencies to the scheduled items looked after by them. In practice, it is found that the collection of market intelligence is not done either on a global basis or on a targetted territory wise terms. Market intelligence information is collected not on a day-to-day basis either, but on a periodical basis, whenever trade delegations or study teams are visiting foreign countries or through the regular channel of our commercial representatives. As a matter of fact, what is necessary for export promotional bodies is to have a permanent market intelligence team constantly touring abroad and furnishing the information on any regular and continuous basis.

15. This is suggested as an interim measure till an integrated institution for the purpose is set up for obtaining and transmitting of market intelligence. The centralised institution for collection and dissemination of market intelligence has a specific and permanent role to play, but for some time to come supplementary activity of the export promotional bodies in this field should continue. In any case, these Councils should have a permanent role to play in this field even if a centralised institution is established.

Market Research

16. To make market intelligence and resultant escalation in trade to be realistic, organisations like Indian Institute of Foreign Trade, Trade Development Authority and Export Promotion Councils should have a regular division with competent research staff, who will continuously conduct market research within the country about the production, range-wise and quantity-wise, of products belonging to large, medium and small scale sectors and quantify the availability of those products for export markets. At present, no doubt, the research is being conducted by these institutions but it is not being done in a systematic manner. Therefore, the findings of such research are not as realistic as these should be.

17. In U. K. the Export Marketing Research Scheme is an important Export Promotion Service of the British Overseas Trade Board (BOTB). The Board employs professional marketing researchers to advise firms on the best methods of conducting research in overseas markets. In approved cases, the BOTB pays a substantial part of the cost of research upto the following levels :

Individual Companies	33½%
Groups of two or more unconnected firms participating in joint research	50%
Trade Associations	66½%

For in-house research support is normally 50% of overseas travel and subsistence costs necessarily incurred in the course of the research. A firm with no qualified staff, wishing to set up a research department, can receive advice from the BOTB on how to do so and may also receive additional financial support during the first year of their new departments operation. The report of an assisted project is entirely confidential to the firm commissioning it. A copy is however, inspected by the BOTB to ensure that the work has been carried out to the required professional standards and then returned to the firm.

18. Reports produced by or for trade Associations are, initially, confidential and for the members of the association only but after an interval and at a price agreed with the BOTB, the reports are normally offered for sale to U. K. non-members.

19. The scheme is applicable to exporters or potential exporters whose goods or services are produced in the U. K. Priority is given to concerns with little or no previous experience of export marketing research. But those who already have such experience are not debarred from the grant of support under the scheme though in such cases the support is at a lower level.

20. The Task Force is of the view that the Department of Commerce should also set up an institution to coordinate the research activities of the IIFT, TDA, EPCs, Commodity Boards, etc. so that the export research is encouraged in the country in an integrated manner. It is understood that the Government has a proposal under consideration to organise a National Centre for Trade Information to coordinate, as an apex body, the collection and dissemination of trade information to all the exporters and other agencies in India. This is, no doubt, a step in the right direction and will go a long way in conducting research and promoting foreign trade.

Market Survey

21. In addition Specific market surveys should be conducted to identify the market potential for specific products in carefully selected markets. These surveys should cover :

- The demand for the product in the foreign market;
- Price structure for the product in the market specified;
- Local government regulations governing imports, customs duties, marketing etc.;

After sales service requirements and possible arrangements for the same;

- Level and type of competition for our products; and

Distributional aspects covering dealership, discounts and commissions payable to local agents, types of standards prevailing in the country, packing requirements, guarantee/warranty for quality of product, advertising and promotional needs, etc.

India's Commercial Presence Abroad

22. There are definite indications about global economy reaching a secular trend towards raw materials shortages. And, these scarcities are likely to upset the balance of supply and demand not only between the developed and the developing countries but also between the present and future generations. Marked changes in the international marketing practices are also expected to pose serious challenges in the coming years. Further, international trade is already faced with keener competition occasioned by creation of large scale export capacities supported with suitable export assistance measures by various co-developing countries. Giant Trading Houses and Multinational or Transnational Corporations and Government monopolies are keying up their marketing skills in international business operations. It is expected that international competition will assume fiercer proportions.

23. Against this background an effective and innovative international marketing strategy envisages a strong commercial presence abroad of Indian Government, Trade and Industry.

24. At the level of the Government, India's Commercial Representatives provide an important nucleus for commercial presence overseas. Out of 121 Diplomatic Missions abroad, there are 51 Missions which have separate commercial sections under the Deptt. of Commerce. In the other Missions commercial work is performed by the officers borne on the strength of Ministry of External Affairs. Although those manning the commercial assignment abroad are charged with various responsibilities including (a) Collection and collation of information and data relating to trade policies, programmes, procedures and documentation formalities, (b) development of an in-sight into marketing and commercial conditions overseas, (c) timely transmission of information regarding overseas prospects in relation to products, services and projects, and (d) assistance to the Trade and Industry in tapping the existing market potential abroad through sales promotion, publicity, trade fairs and exhibitions. The Task Force feels that the feed-back from them is not quite satisfactory. Prompt and comprehensive inflow on matters like Import and connected foreign trading policies of foreign governments, their programmes, etc., is a *sine-qua-non* for the emergence of India as an efficient and market-oriented exporter in the years to come.

25. Commercial presence abroad also exists through the various foreign offices of the Government Trading Corporations, Export Promotion Councils and specialised Export organisations. There are 47 offices located abroad under the charge of various organisations including the S.T.C., M.M.T.C., H.H.E.C., E.E.P.C., TEXPROCIL, T.D.A. and Tea Board.

26. Export Houses also have overseas sales offices, branch offices and resident representatives. Those Export Houses which do not have resident representations abroad rely on agents and other representatives.

27. It was noted that one of the key elements responsible for the aggressive export performance of South Korea in recent years related to the vast net work of its overseas offices. Besides the commercial sections of Korean Embassies abroad, the exporting community has strong trade representation in the major international markets. In fact, Korean exporters are obliged to set up branch offices in the various business centres of the world. Special facilities are extended to these companies including permission to keep on hand at any time \$ 500,000 in foreign currency. The Korean Trade Promotion Corporation (KOTRA) itself has about 80 overseas trade centres for collection of market information and for promotion of sale of Korean products abroad. In all South Korea has regular overseas offices numbering 450.

28. In view of the foregoing it was felt that there was a need for expanding the present strength of India's commercial representatives abroad and for providing necessary funds and facilities including efficient communication, data compilation and retrieval for discharging the functions normally expected of them. The Task Force agreed that India's commercial representation abroad was not only in-adequate but also lacked the professional expertise. It was, therefore, in favour of establishing a separate cadre of commercial representatives with the induction of suitable personnel from (a) Economic Services, (b) Public Sector Undertakings, and (c) Export Services Institutions. The Alexander Committee had also noted the inadequacy of the existing net work of India's commercial Representatives abroad and recommended the establishment of a separate cadre of Commercial Representatives providing a wide field of choice.

29. As a supplement to the Indian Commercial Representatives abroad, the Task Force felt that India Trade Centres could also be started at Brussels, New York and Singapore and other strategic centres. Some of the salient features of the proposed "India Trade Centres" overseas could be:-

- For convenience of visitors, the offices of representatives of Export Promotion Councils in the region would be under one roof. Representation would also be given to those Councils and Commodity Boards or Export Houses etc. who desire to have a representation in that region and whose presence would contribute towards exports of the particular group of commodities dealt with by them.
- There would be a set-up on the ground floor where a permanent display of products would be established. These products would be continuously changed to ensure that the display does not become obsolete.
- Sales counters shall be provided for the sale of certain consumer goods produced in India.
- There shall be an auditorium to screen Indian films including short films, documentaries and advertisement films reflecting the technological and industrial progress achieved by India.

- There shall be a small India Restaurant serving Indian snacks and beverages. This would serve the purpose of a canteen for the staff in the centre and would also be useful in making catering arrangements for parties hosted by the Indian Trade Centre as also by the particular region. The restaurant could be an effective source of publicity for food items from India.
- There shall be compact meeting rooms where visiting Government officials and businessmen from India, trade delegations etc. could meet their counterparts in the concerned region in comfortable surroundings.
- It is also proposed to provide a few guest rooms where facilities would exist to accommodate visitors from India on a restricted basis. This would be very useful when hotel accommodation is scarce in the area and would also help Indian visitors to get accommodation at reasonable rates.
- The permanent exhibition, the screening of films, the Indian Restaurant and the guest house would be run on a profit basis so that in due course the Centre becomes self-financing.
- During the first few years, perhaps the Centre may have to be assisted by way of grants from the M.D.A.
- The main activity envisaged for the Centre is to have market research personnel who would go out into the field and feed the Centre with vital commercial information, like price fluctuations, consumer demands, preference, etc., and which information could be transmitted by way of telex etc. to India on a daily basis. In India, the concerned organisations, in turn, would disseminate the information to important commercial centres immediately, so that the information may be well utilized.
- The Trade Centre as compared to the commercial section of the official Indian Mission would have greater freedom of discussions with importing interests and be in a position to finalize sales deal which a Government projection, like the commercial chancellory, may find it difficult.
- The Trade Centre will have a continuous dialogue with the leading importers, non-official trade associations of the region concerned and also constitute an effective link of these organisations with the Commercial Secretaries of the Indian Missions.

30. When we speak about the commercial services abroad including the suggestion for the 'Trade Centres' we are liable to conclude that the home-work in this respect has already been done. Unless there is a complementariness and matching up of institutionalised projections both in India and abroad, the result would not be commensurate with the expectations. It is, therefore, strongly urged that there is an immediate need of a similar Trade Centre in Delhi to start with. This Centre will have the same

functions and will be on a model of the proposed 'India Trade Centre' abroad with suitable modifications, and all the information received by the Centres abroad could be passed on to this 'World Trade Centre' at Delhi, so that the information thus received in India is compiled and sorted out and communicated to the various export interests in the country. A suitable umbrella within the existing organisations could be conceived under whom the "World Trade Centre" could function.

CHAPTER V

PRODUCT DEVELOPMENT AND ADAPTATION

One of the areas which requires sustained attention to develop India's exports is product development and adaptation. The normal procedure adopted by Indian exporters towards the export of their products is to find out markets where their products could sell, and in case they do not succeed, they are sure about diversion of the product to the domestic market. The tailoring of products to the needs of the market, which is commonly called adaptation, is not done on as systematic basis as should be. Market intelligence, study teams, sales teams and delegations are scanning the foreign markets with a view to finding out what products of a developing country like India could find a ready market abroad. The emphasis should be to list out the items or products of Indian manufactures where a slight adaptation or necessary modification would ensure a definite market for the products. In a variety of items and consumer goods there is a continuous change in the demands from foreign markets, and it is imperative that our products which are primarily intended for the domestic market are suitably adapted and modified to meet the demands of the external markets. This concept of adaptation has to be understood by manufacturers, exporters, export promotional organisations, like Export Promotion Councils, T.D.A., etc.

2. A sustained course of action required in this sphere is the collecting of samples from the foreign markets and making them available to the potential exporters and existing manufacturers. The initiative in this respect is now more or less confined to exporters and to some extent T.D.A. has particularly in the Swedish market, built up mechanics of action to tailor the manufactures to the needs of the Swedish market. This process has to be extended to, on a wider scale, particularly the European Common Market, and markets in U.S.A., Canada, U.K., etc. The concerned Export Promotion Councils should open separate cells called 'Product Development and Adaptation Cell', and these cells should have regular contacts with the importing interests abroad and should obtain samples from the prospective customers on a regular basis, and persuade their members, on a selective basis, depending upon the manufacturing facilities, to develop their new items both on a short-term and long-term basis. In this connection the example of U.K. can be cited where they have set up a separate unit for Japan, as Japanese market has got vast receptive capacity of U.K. products, but at the same time it is a very competitive market. This unit has got a counterpart in Japan which supplies the U.K. unit with all information regarding trading patterns, the nature of the products, the adaptation needed for the product, so that exports from U.K. to Japan could

conform to the requirements of the Japanese market. The Task Force has already reported earlier the need for suitable 'Trade Centres' in strategic parts of the globe like Brussels, New York etc. These Centres could serve the role played by the U.K. unit in Japan and give information to the various Export Promotion Agencies on the specific product adaptation needed for those markets. This also presupposes the various Export Promotion Organisations maintaining samples of a wide range of products, which is within the competence and capacity of the Indian manufacturers to produce. The existing limit of the import of samples is too meagre to meet the requirements and needs liberalization.

3. Product adaptation is necessary in order to enter new markets. And for this to be successful and expeditious, it is essential to export samples of the products which are acceptable in these markets. The cost of all the sophisticated products has gone up considerably in recent years. But under the existing rules, samples of the value of upto Rs. 500/- only are allowed to be exported with the waiver of the G.R.I. formalities i.e. the absence of the obligation to recover the cost thereof. This leads us to the need for assessing the items where we have a competitive capacity in the foreign market. Certain items have been identified in this field by the T.D.A., Engineering Export Promotion Council and other Export Promotion Councils also, like handtools & small tools, hardware, automobile ancillaries, accessories like rearview mirror, wiper blades and arms, ash trays, small kits with perfumes, floor mats & carpets, suit-covers, leather steering covers, steering locks, high speed portable diesel engines for agriculture and generating purposes, etc. In respect of consumer goods, adaptation to conform to the frequent changing fashion trends abroad is a must. It will be worthwhile to recall here how the Japanese adapted the famous "bleeding Madras" and took a good share of our market. In respect of handicrafts, jewellery (both gold and imitation) the product adaptation is imperative, as the taste of the foreign buyers changes very frequently. The above examples are only by way of samples, and in several non-traditional products as well as traditional products, product adaptation should be done as a continuous process, not only in respect of products but in respect of packaging of the products also. The taste and choice of the foreign buyers have to be progressively kept in mind and the manufacturers should be educated in this respect constantly. Information and the reasons about the non-acceptance of our products, defects in the packaging, etc. should also be obtained from abroad and the proper feedback maintained so that the mistakes do not recur. This presupposes certain necessary steps to be undertaken by the Export Promotion Organisations. Some of the suggestions that could be examined and adopted with advantage are summarized below :—

- (1) Organisations like T.D.A., Export Promotion Councils, Commodity Boards should invite technical experts from abroad who should be taken around our units and their advice sought on product development.
- (2) It is a normal practice for Export Promotion Organisations as well as individual Export Houses, exporters, etc., to periodically visit foreign markets, but

these visits should be converted into "Contact Promotion Programmes" and the visiting team should carry with them the samples of their products and during their visit abroad they should obtain information on-the-spot about the adaptation needed for the foreign markets. Such 'contact promotion programmes' require to be strengthened.

- (3) There is hardly any test marketing done prior to actual exports. It is important that servicing organisations should intensify their activities in test marketing. T.D.A. has recently intensified their testing marketing activities. Export Promotion Councils could also adopt this procedure depending upon the circumstances and nature of the product.
- (4) In every Export Promotion Council there is a need for a cell manned by personnel with technical and marketing competence who will be in continuous dialogue with manufacturers and exporters who are members of the Council.
- (5) In respect of certain specific products of Oriental background, like toiletries, perfumery compounds, cosmetics and a wide range of similar products, one of the drawbacks is the unsophisticated packaging and containers. A regular process in the adaptation of the containers is very much needed, as Indian products in this range have got a very good market in the Middle East, African countries, South East Asian Countries. The efforts of Export Promotion Councils in assisting the manufacturers in this respect have to be specially taken note of, and assistance from the M.D.A. will stimulate the process of building up a "Samples Inventory", which could be utilized by the exporting community on a regular basis. There should be a regular turnover in the 'Inventory' as and when the need for adaptation is covered by the Council in the course of their market studies and contact promotion programmes.
- (6) The Export Houses, both in the public and private sectors, are playing an active role in channelling the export of products manufactured by the Small Scale Sector. The latter are not viable to take on themselves the financial burden involved in the development and adaptation of the products and the Export Houses have to assist them in this field.
- (7) Another question that has been brought to the notice of the Task Force is the special encouragement by way of cash assistance to products introduced for the first time in international markets after necessary adaptation/modification. Once the products have got a hold in the foreign market, this cash assistance could be withdrawn in a progressive manner. This assistance would be a temporary measure adopted by the Department of Commerce to promote:

(1) progressive adaptation of products to suit foreign markets, and (2) to get a foothold for such products in foreign markets.

- (8) At present, the training facilities being provided for Packaging of export products by the Indian Institute of Packaging are not spreadout. It would be helpful if the Institute organises such courses regularly at various Important manufacturing/exporting centres, so that the small scale parties, who cannot afford to be away from their work-places, do have opportunities for gaining progressively better knowledge in this regard. This would incidentally improve domestic market packaging too.
- (9) The above listed measures suggested by the Task Force will bring about the realisation on the part of all concerned of the need for product adaptation to be introduced on a scientific basis. The sphere of this product adaptation could be enlarged after examination of commodities and products by the respective Export Promotion Bodies, depending upon the emerging trend of exports as obtained in various foreign countries.

CHAPTER VI

SETTLEMENT OF COMMERCIAL DISPUTES

India's exports have progressively increased, and we are on the eve of an ambitious export programme. We are diversifying products and diversifying the countries, and all exchange of goods and services are based on contracts between the Indian exporters and the foreign buyers. Traders do take care while entering into contracts, to include all possible clauses to safeguard their interests. Nevertheless, disagreements and disputes do arise, as it might not have been possible for them to anticipate all eventualities in advance and sort them out at the beginning itself. Consequently, it is a common feature of trade, including international trade, for disputes to arise. Though the disputes may not be many in relation to the volume of the trade still whatever disputes arise have got to be settled amicably and early, so that the mutual trust between the contracting parties are not jeopardised and the relations are maintained to promote further business which is the essence of inter-dependence in commerce and trade.

2. Such commercial disputes are settled by conciliation and arbitration. In India, a number of organisations, such as Export Promotion Councils, Commodity Boards, DGCI&S, I.C.A., Export Inspection Council and office of the Chief Controller of Imports & Exports, deal with complaints of foreigners against Indian parties engaged in overseas trade. Involvement of a number of organisations inevitably results in duplication and overlapping of work. Most of the Indian organisations dealing with complaints are engaged in informal conciliatory work, while I.C.A. and some Export Promotion Councils undertake both conciliation and arbitration work. It appears advisable that all activities relating to complaints in India's foreign trade are centralized in one organisation. Conciliation being a natural adjunct to arbitration, by virtue of the nature of its functions and expertise, I.C.A. appears to be the appropriate organisation to be designated as the focal point for dealing with complaints.

3. Organisations such as Export Promotion Councils, Commodity Boards, etc., may be asked to forward the complaints received by them to I.C.A. who could attempt to settle the cases depending upon the circumstances by informal conciliation or arbitration.

4. A question arises in this context whether there is a possibility of making arbitration compulsory in all commercial contracts entered into by Indian exporters.

This was examined in mid-1976 by Kaul Committee and the Committee concluded that compulsory arbitration instead of bringing better trade relations among the businessmen may, in fact, adversely effect India's foreign trade volume, and therefore was not practicable.

5. The Committee on Import-Export Policies & Procedures has also noted that in the case of complaints against our exports by foreign buyers, the image of the country could be better served and quicker results achieved in individual cases by using the authority of Chief Controller of Imports & Exports to deal with such recalcitrant exporters. It had, therefore, suggested that the work of dealing with export complaints might be entrusted to the Chief Controller of Imports & Exports.

6. The need for a centralised arbitration authority has been recognised by leading exporting countries, like Japan, Mexico and South Korea. In Japan, there is a Japanese Commercial Arbitration Association (JCAA); in Mexico, they have the Committee for the Protection of Mexican Foreign Trade (COMPROMEX); and in Korea, the Korean Commercial Arbitration Association (KCAA).

7. The Task Force is of the view that trade dispute being generally between two private agencies in India and abroad, should not be arbitrated by a Governmental agency. At the same time, the responsible work having national repercussion should not be entrusted to a purely private body either. Nor the work should be dispersed among several organisations. The role of settlement of disputes by way of re-conciliation and arbitration should be entrusted to a central organisation. It is a matter for consideration whether the Indian Council of Arbitration which is already functioning as a national arbitration body should be an exclusive agency entrusted with the job of conciliation and arbitration. Many Chambers of Commerce, Export Promotion Councils, Firms and companies are its members and it is, therefore, the representative of trade, industry and business.

Formal Conciliation

8. In India, facilities exist only for arbitration and informal conciliation, whereas almost all the arbitral bodies in other countries have provided for formal conciliation in their rules. The Task Force considers it desirable that this proposed central agency also formulate its rules for formal conciliation and strengthen the facilities for the purpose. The Government of India should offer the necessary support to this agency, so that it is in a position to render effective service in this regard.

Use of Standard Contract Form

9. In the ultimate analysis the Indian Exporters and Importers must take sufficient care at the time of entering into contract, to ensure that provisions are made in the contract itself for amicable and quick settlement of disputes as and when they arise. However, it is learnt that in India's export-import trade in respect of many commodities, no standard contract form is used. It is important that our exporters and importers are educated regarding the advantages of using standard contract forms providing for as

many contingencies as possible. Though the central agency may be constituted, the services of export promotion agencies and Commodity Boards should be utilized in evolving standard contract forms suited to the requirement of as many traders as possible. The Task Force feels that the training programmes being organised at Bombay by the Productivity Council on Export Contracting/documentation/settlement of disputes, etc. should be held at other centres also, in the country

Building up Specialised Cadre of Arbitrators

10. The Institute of Arbitrators, London, has a comprehensive programme of training, with detailed syllabus for professional men on various disciplines in arbitration work and conducts examination, the passing of which is obligatory for inclusion in the Institute's panels of arbitration. At present, Indian Council of Arbitration (ICA), though has been organising short-duration training programme, does not seem to have thought of any professional course for preparing persons to undertake arbitration work. It is a matter for consideration whether a long-term training programme may be designed on the lines of the programme of the London Institute of Arbitration for imparting professionalism to this job.

Support by Government

11. The Task Force observed that there have been instances of Indian parties not abiding by the arbitral awards given against them. During the last 13 years, since its inception, ICA has received as many as 34 complaints against Indian exporters pertaining to non-compliance with arbitral awards. It is necessary that in order to maintain India's fair name in overseas countries, punitive action is taken against Indian parties found guilty of dishonouring arbitral awards. In this connection, it is worth mentioning that though the Exports (Control) Order, 1977, under clause 7, provides for debarring of Indian exporter from exporting under certain conditions, the conditions enumerated in the Order do not include non-compliance with arbitral awards. It is for consideration whether, by fresh legislation or by suitable amendment to clause 7 of the Exports (Control) Order, 1977, non-compliance with arbitral awards can be made punishable as an unfair trade practice. The example provided by South Korea has some relevance in this context. In South Korea, as per the provisions of the Government Ordinance No. 5319 of May 19, 1969, refusal to settle the claim by arbitration by Korean Commercial Arbitration Association and failure to comply with arbitral awards given by K.C.A.A. will attract the provisions of the Foreign Trade Transaction Act relating to unfair trade practice which is punishable with imprisonment upto 3 years or with a fine upto 5 million Won.

CHAPTER VII

SIMPLIFICATION OF EXPORT DOCUMENTS & PROCEDURES

The export transaction is very different in its nature and far more complex in operation than the domestic sales transaction. Attendant on it is a number of documents and procedural formalities. These arise on account of international mercantile customs, trade conventions, standard rules, governing commercial practices as also the various controlling and regulatory requirements under different statutes, rules and regulations enforced by national Governments. Moreover, the involvement of a number of authorities and intermediaries between the exporter and importer, e.g. Forwarding Agent, Freight Brokers, Carriers, Under-writers, Excise and Customs and Port Authorities, Banks, etc. makes the task of transfer of goods and the "title" a very complicated part of export operation.

2. Based on the origin and the functional utility of the documents from the point of view of the different parties to an export transaction including Government and other controlling authorities, the documents can be classified into the following four categories :

(i) Trade Documents

These include commercial invoices, bills of exchange, packaging lists, bills of lading, letters of credit, insurance documents etc.

(ii) Regulatory Documents

These documents are required for statutory compliance with the Government rules and regulations covering international trade transactions and include documents for customs formalities, documents under Foreign Exchange Regulations Act, documents required under the Export Quality Control and documents required under the Export Trade Control Regulations.

(iii) Export Incentive Documents

These include documents for obtaining import replenishment licences, cash assistance, duty drawback, central excise rebate and export finance at concessional rates of interest.

(iv) Foreign Documentation

These documents are required to meet the conditions prescribed by the importing countries and include certificates of origin, Consular Invoice and Certificate in support of technical specifications and standards. In most cases, to one and the same authority, an exporter has to submit a variety of documents. A list of documents required to be submitted by the exporter to various authorities, organisations and agencies is given at the end of this Chapter.

3. It is quite obvious that such documents as are related to certain policy objectives enunciated by Government would continue to be relevant so long as the policy is not changed. Simplification in their case is thus largely linked with the rationalisation of the policy. This is obviously a matter on which it is not possible to suggest changes in vacuum. The same holds good for the documents prescribed by foreign governments.

4. While the number of documents may not admit of any substantial reduction, these could certainly be standardized in order to save the labour and cost involved in preparing the documents needed for submission to different authorities.

5. In all the developing countries of the world and indeed in some developing countries also, an attempt has been made to introduce standardized documents, which apart from being standard in their format and in line with the practices followed by other trading partners, have a uniform alignment and can easily be reproduced on a one run basis. In the U. K., there is the SITPRO which had done considerable amount of work to educate the industry and trade and also the Government institutions to use standardized and aligned series of documents. In other parts of Europe and in USA, Canada and Japan also, standardized series based on ECE lay-out are being used as part of trade practices.

6. Currently, we do not have any standardized documents. One can come across documents prescribed by different authorities which are completely of non-standardized sizes. The existing procedural and documentary formalities associated with exports have been evolved and practised over the years by different authorities/organisations to suit their own convenience without much regard to the repercussions they might have on the total export activity. The Task Force feels that there is need for a total approach to the problem. This would mean evolving not only simpler export documents and procedures in each of the individual areas of export activity but also ensuring their compatibility and harmony in the totality of export operation. This can be achieved to a large extent through the use of standardized documents in our export trade. If the standardized and aligned series of documents are adopted, the biggest advantage would be that there would be a considerably amount of saving in the matter of locating the entries given in the documents and work involved. The Task Force was informed that INDPRO under the forum of IIFT had evolved a standardized series of documents. In this series, ten documents have been standardized which

include invoices, packing list, certificate of origin, bill of lading, shipping order, mate receipt, shipping bill, a port trust document, insurance declaration form, and insurance certificate. These documents have, however, not been adopted by our exporters in general.

The Task Force feels that it is high time that we should standardize all our export documents and get into the main stream of standardized documents used by our trading partners in international trade. A working group consisting of the representatives of the Indian Banks Association, Reserve Bank of India, Customs Authorities, Department of Commerce and other concerned bodies, could be constituted for this purpose.

7. The Task Force feels that the use of the standardized export documents as finalized by the Indian Institute of Foreign Trade will enable our exporters realize substantial economies in documentation costs. It, therefore, recommends that necessary educational and publicity measures be taken to promote the use of such documents by our exporters and also the concerned Government Departments/Bodies.

8. The desirability of unifying the Bankers' documents and invoices should be examined expeditiously and the customs documents also reviewed with a view to simplifying the same. A working group consisting of the representatives of the Indian Institute of Foreign Trade, Indian Banks Association, Reserve Bank of India, Customs Authorities, Department of Commerce and the National Institute of Bank Management may be constituted for this purpose. The Commercial Banks have welcomed this step in their discussions with the Task Force.

**List Of Documents Required To Be Submitted By The Exporter To
Various Authorities, Organisations And Agencies**

To the Customs

1. Shipping Bill
2. Commercial Invoice
3. G R I Form
4. Shipper's Declaration Form
5. Copy of the Export Contract/LC/Export Order
6. Inspection Certificate
7. AR 4/AR 4A/AR 5 Form
8. Export Licence (wherever necessary)
9. Weighment Certificate (Wherever necessary)

To the Port

10. Export Application/Dock Challan
11. Cart Ticket/Chits
12. Shipping Order (only at Madras)
13. Port Trust Copy of the Shipping Bill (only at Bombay)

To the Bank

14. Commercial Invoice
15. Bill of Lading
16. Insurance Policy/Certificate
17. Bill of Exchange
18. G R I Form (Duplicate and Triplicate copies)
19. Bank Certificate (Three copies)

To the Licensing Authority

20. Application form for replenishment licence in Form (B)
21. Bank Certificate (original copy)
22. Commercial Invoice duly attested by the Bank
23. Bank/Treasury Receipt
24. List of items of Imports
25. Application Form for cash assistance
26. Stamped Receipt
27. Export House Certificate (If applicable)

To the Export Promotion Council

- 28. Application for registration
- 29. Bank Certificate regarding financial soundness
- 30. Registration Certificate Form
- 31. Membership Form

To the Maritime Collector of Central Excise

- 32. Application in Form 'C'
- 33. Duplicate Copy of the AR 4 Form
- 34. Copy of the B/L or the Shipping Bill

To the Joint Plant Committee (for Engineering Goods)

- 35. Application form for priority allotment
- 36. Bill of Lading
- 37. Bank attested invoice
- 38. Copy of the Purchaser's Invoice
- 39. Manufacturers Certificate
- 40. Certificate from Works Manager

To the Export Inspection Council

- 41. Application in a prescribed form
- 42. Copy of L/C
- 43. Copy of the Export Contract
- 44. Commercial Invoice

To the Reserve Bank of India

(a) For Remittance of Commission

- 45. Application for registration of the agency agreement for remittance of commission
- 46. Copy of the agency agreement

(b) For Remittance of Foreign Exchange for payment of claims

- 47. Application form
- 48. Copy of the invoice
- 49. Sales Contract
- 50. B/L Copy
- 51. Inspection/Analysis Report
- 52. Brief history of the case

To the IDBI

(for direct financial assistance to exporters)

- 53. Export contract
- 54. L/C or letter of Guarantee from the importer
- 55. Balance sheet of the exporter
- 56. Statement of profit and loss in the transaction covered by the export contract
- 57. Statement regarding the projections of the credit requirements

To the Bank (for Packaging Credit)

- 58. Proforma Invoice
- 59. Original RR endorsed to the Bank
- 60. Copy of despatch advice
- 61. Copy of Order or L/C
- 62. Application form

For Medium Term Credit

- 63. Export Contract
- 64. L/C or guarantee from the importer
- 65. Statement giving reasons why exports are made on deferred payment arrangements

To the ECGC (For export risk Insurance)

- 66. Proposal form
- 67. Bank Certificate about Financial Position
- 68. Application form for fixing the credit limit

Documents required by the Importing Countries

- 69. Consular Invoice (mainly required by Latin American Countries)
- 70. Certificate of Value
- 71. Combined Certificate of origin and value (mainly required by Commonwealth countries)
- 72. Customs Invoice (for USA and Canada)
- 73. Health Certificate for export of food products, seeds, vegetables, fish, etc.
- 74. Invoice & Contract Abstract (In case exports are financed under USAID Funds)
- 75. Certificate of Origin
- 76. GSP Certificate of Origin.

CHAPTER VIII

TRADE FAIRS AND EXHIBITIONS

Trade Fairs and Exhibitions have become an effective instrument to project the technological development achieved by various countries. It is a visual ad to introduce the products which a country proposes to sell to other countries. This instrument of projection has undergone considerable change in its objective, pattern and content. Broadly, this could be classified into two: (1) International Exhibitions, and (2) Wholly National Exhibitions.

2. India has been participating in both the above categories of exhibitions on a periodic basis. The participation in the exhibitions is now done on a centralized pattern, the organisation being the Trade Fair Authority of India. And the various Export Promotion Councils also participate in exhibitions on their own. After the formation of the Trade Fair Authority, organisation of India's Exhibitions has been done on a vast scale as was done this year in Moscow, and on a similar scale exhibitions are proposed in future on a planned basis in the various cities of the world where scope of exports of India's goods exist.

3. The Exhibition at Moscow has revealed that it was a commercial success, and hence it could be concluded that exhibitions and trade fairs should be a part and parcel of the package of export services to promote India's foreign trade. The various countries adopt their own system and methodology for organising trade fairs and exhibitions. It would be worthwhile in this context to recall how U.K. have organised such exhibitions. The purpose behind the scheme is to encourage firms to use overseas trade fairs and exhibitions as a means of exploring, establishing and sustaining themselves in export markets. The British overseas trade Board (BOTB) provides space and a shell-stand or other appropriate display facilities at attractive rates to firms taking part in group displays of United Kingdom products at overseas trade fairs. In addition, for events taking place outside Western Europe, the BOTB provides assistance towards each firm's travel costs and the cost of bringing back unsold exhibits to the United Kingdom.

4. From the above it is clear that the financial assistance rendered to the participants is of a substantial order. They have got other instruments of publicity to break new grounds for their products abroad, like organised publicity in which several features are dovetailed like BOTB Publicity Unit, Central Office of Information, BBC External Service, British paid Foreign Correspondents, etc. Many exhibition organisers have a Press Office where exhibitors can deposit leaflets and handouts, for a small charge, for purposes of trade enquiries etc. These leaflets are of high quality.

5. Some of these elements are included by India in their exhibitions and trade fairs organised abroad, but we have to utilize this trade fairs and exhibitions forum to project the totality of India's image, as we are far behind in the communication field in making the world aware of our technological and industrial development. Perhaps, special Indian supplements in the local language could be furnished to synchronize with the exhibitions. These supplements must be of a high quality and must contain write-ups, photographs; technical profile, etc. of India's Industry and industrial products. The supplements could also include write-ups about the consultancy competence of Indian technical personnel and the performance profile of the consultancy firms both in India and abroad. The emphasis should be placed on wholly Indian exhibitions, and to make such exhibitions attractive, certain cultural shows, display of films both feature and industrial, publicity literature for special products, etc. could also be introduced, so that the exhibitions and trade fairs become a total efforts in the projection of what India can sell by way of goods and services. Yet another important aspect the Task Force feels necessary to be considered is the feedback of the reactions of the Fair on a sustained basis in what respect impact of the Fair has not been adequate, and in what way fresh nuances be introduced etc., should be examined as a post-exercise of the exhibition. The evaluation aspect of every exhibition need not be over-emphasized. It is also for consideration whether India could also conceive of what are called 'Mobile Exhibitions' where transfer of products could be done effectively without damaging them. However, it was pointed out in the discussions held with the Chambers of Commerce, Trade Associations, etc., that usually no consolidated report was published, for the benefit of all concerned after the exhibitions. Moreover, on account of paucity of funds, the participation in the Trade Fairs/Exhibitions abroad was not quite effective. Further, it was stated that the joint publicity had not proved very effective.

6. No doubt, these exclusive exhibitions by their very nature involve large financial outlay as is evident from the recent exhibition at Moscow which cost the country approximately Rs. 1.50 crores. If the commercial results of such exhibitions are good, this is a constructive investment and should be considered as a part of the planned expenditure, so that there is an in-built provision for larger expenditure on a need based pattern.

7. Notwithstanding this periodic display of our goods through 'wholly Indian exhibitions' or international trade fairs & exhibitions, the need for a permanent display of our goods in the 'Trade Centres' abroad, on which we have made our observations earlier, is very much felt. These 'Trade Centres' will have in-built facilities for rotational display of products, both industrial and non-industrial so that the impact created by these periodic participation in trade fairs and exhibitions is retained, and if any enquiry comes, the Trade Centre could deal with the same. To ensure complementariness to these exclusive projections, we should have in India, as recommended earlier, "World Trade Centres" where the goods could be displayed. This will be a supplement to the permanent centre of the Trade Development Authority where annual or periodic exhibitions are held covering various fields.

CHAPTER IX

SUMMARY OF RECOMMENDATIONS

This Chapter brings together the major recommendations of the Task Force made in the previous chapters as follows :

1. On a selective basis, the period of pre-shipment credit should be extended depending upon the nature of the commodity and the time taken for procurement and processing thereof. Instead of two classifications, as at present available for all goods, irrespective of the difference in the time taken for getting them manufactured and processed, there should be four to six classifications into which all the goods could be categorised.

2. The period of pre-shipment credit should, from time to time, be revised depending upon the infrastructural improvements or deterioration in the problems thrown up by the constant port congestion and lack of availability of ships. In any case, the period of pre-shipment credit should at least be extended to 180 days from 90 days in all cases without prejudice to the allowance of another 45 days available at the rate of 13%.

3. Having noted that any enhancement in the credit limit which needed prior approval of the RBI took a very long time, the Task Force feels that in the interest of export promotion, the RBI should be requested to make some specific delegation of powers to the authorised dealers in respect of export credit. The banks should be authorised to enhance the credit limit upto 20% on an *ad-hoc* basis in respect of cases under CA's provided the same was reported to the RBI immediately and its clearance obtained as early as possible.

4. In order to facilitate the grant of packing credit to the small scale units, one of the positive criteria by which the regular performance of the bank managers should be evaluated by their top management ought to be the amount of credit advanced to such units and its turnover and not the net result of such advances.

5. Although the RBI in its guidelines to commercial banks had authorised the banks for granting packing credit without collateral security, yet these guidelines were not followed in respect of the consortia of small scale units. The banks should respect the registration certificates issued to such consortia by the CCIE as a yardstick for their reliability and standing and should not insist upon the execution of collateral security.

6. If India is to sustain markets abroad in respect of jute manufactures and cashew, their exports will have to be effected on deferred payment terms. It would also be necessary for the RBI to study the extent of credit competitiveness in manufactured consumer goods and wherever found necessary, export credit facilities would have to be adapted to enable exporters to meet such credit competitiveness in foreign markets.

7. A more realistic period of concessionary credit may be prescribed for short-term post-shipment credit for tea, as a large amount of its exports is effected on consignment basis for auction in London.

8. In the case of Duty Drawback Credit Scheme, the interest-free limit of 90 days should be increased where the delay was on account of the custom authorities.

9. Any credit relating to contract value of over Rs. 50 lakhs in which IDBI finance is required has to be cleared from the IDBI Working Group. As the size and volume of international trade on deferred payment terms have gone up considerably and as there are a number of turn-key jobs and projects undertaken by the Indian concerns, this limit of Rs. 50 lakhs may be enhanced to Rs. 5 crores. Further the role of IDBI Working Group should be limited to project exports only and the cases relating to consumer manufactured goods need not go to it for approval.

10. It is high time for India to establish an "Overseas Project Promotion Board" in the Department of Commerce to ensure efficient and timely organisation of various inputs required for the execution of Overseas projects and rendering promotional services at a higher level for expanding the possibilities of securing such contracts as well as joint ventures.

11. The IDBI Working Group, while considering the applications for export on deferred payment terms, it is understood, is reluctant to agree where the proposed interest recoverable from the Overseas Buyers is less than 7.5% per annum. Keeping in view the lower rates of interest charged by other suppliers, the Task Force recommends that where it is possible to build the loss consequent on lowering of interest rate into the price, the IDBI Working Group should have no objection to their approval.

12. In cases where RBI is not in a position to offer formal forward exchange cover for exports, ECGC should introduce an appropriate Insurance Cover, covering the risk involved on account of exchange fluctuations. Further when a contract for which foreign exchange cover has already been taken is cancelled, the cover should not be extinguished and should continue to cover the fresh contract.

13. There is prima facie a need to provide an institutional framework—such as the Export-Import Bank—for financing deferred payment exports and offering the mosaic of services required by Contractors executing construction and turnkey jobs abroad. However, till such time this decision is taken and the institution established, the existing arrangements in the IDBI need to be diversified and strengthened.

14. Some relief is necessary in the field of export credit to the exporters who export the products of up-country manufacturers. This could be done by identifying

centres wherefrom such up-country exports take place in a substantial way, creating export cells there and getting them manned by personnel trained in foreign trade transactions. This would provide credit facilities at more dispersed centres.

15. All export transactions taking place in the interior regions should be able to obtain the forward cover facilities as available at port towns and metropolitan cities.

16. With a view to diversifying our exports, export products and markets, special accommodation for 'consignment export' as distinct from the domestic credit utilisation should be provided. This would also enable the Indian exporters to provide "After Sale Service" to the markets where Indian engineering goods have been exported already.

17. Banks can play a significant role in providing information in respect of commodity trends, price fluctuations, etc. which could be of immense use to the exporters. The main offices of the banks which have opened branches overseas could obtain such trade information at source. For this purpose, some financial assistance could be granted to them from the MDA.

18. The banks should impart training in foreign languages to at least a section of their personnel mainly in French, Spanish, Arabic, etc. with a view to avoiding delay that generally occurs in deciphering the Letters of Credit when they are in other than English language.

19. In the Budget of 1978, the benefits allowed under the provisions of Section 35(B) of the Income-Tax Act have been limited to the small scale exporters, export houses and consultancy firms only. The Task Force is satisfied that such benefits should be extended uniformly to all exporters.

20. The Task Force is inclined to agree to the suggestion of the Export Promotion Councils that the sanction for various projects like Study Teams and trade delegations should be approved by the Ministry expeditiously and foreign exchange allocations in respect thereof should be given immediately after the approval of the Annual Budget Programme. It should be left to the Councils, thereafter, to utilise foreign exchange according to their programme and needs.

21. It was noted by the Task Force that in respect of unpaid export bills if the realisation was less by 5 per cent special sanction of the R.B.I. was needed which was invariably time consuming. The Task Force feels that the RBI should vest the powers with the authorised dealers in foreign exchange upto 10 per cent as delay of RBI sanction involved flow of foreign exchange by way of demurrage charges and deterioration of goods and further loss in the foreign exchange realisation.

22. At present, no duty drawback is allowed on the packaging material used for export products. It would also help our exporters to compete better in the foreign markets

If duty drawback is allowed for the packaging material also as these often carry heavy levies.

23. Woollen rags of any sort imported for export production are not exempted from import duty. The Task Force recommends that the duty exemption schemes should be extended to such items also, keeping in view the potential for the products that could be made out of shoddy wool.

24. The payment of duty drawback is often delayed considerably on account of the time involved in receiving test reports on repetitive types of consignments. The Task Force feels that there would be little risk in effecting anticipatory payment of atleast 80 to 90% in such cases wherever the parties have been in the export field for three years or more.

25. Under the present procedure, the party getting a drawback order has to get a pay order issued before it can receive the required amount. As in the case of Income Tax refund orders, the first communication from the competent officer to sanction drawback ought to be a document sufficient to enable the beneficiary to present it to the bank for getting the same settled in its favour.

26. At present only the Export Houses are allowed to pay for the visits of foreign buyers in rupees. This facility of export promotion should be extended to all the registered exporters without any discrimination.

27. On the basis of the recent policy of certain banks to adopt certain number of villages for growth, they should adopt on selective basis small scale industry units producing goods having export potential so that the latter get institutionalised and fit in effectively in the micro sector of export oriented units. The Export Promotion Councils, Federation of Associations of Small Industries of India, office of the DC SSI and Directorate of Industries of various States could supply the banks the particulars of such units on a selective and progressive basis. The Task Force feels that such a system where the operation is based upon an integrated approach between the financial institutions, export servicing organisations and organisations established to promote the small scale sector will result in giving the SSI units a permanent base in the area of India's foreign trade.

28. In the case of ECGC having approved a credit limit on a particular buyer if the exporter makes shipments to this buyer in excess of the said limit, he is required to pay the premium on the full value of the shipments made but the Corporation's liability remains confined to the credit limit already approved. When the policy covers the whole business of the exporters the Corporation should accept the liability for the value of the shipments made unless they have to doubt *bona fides* of the transactions.

29. It has been noted that ECGC insists on the exporters first taking legal action against the defaulting foreign buyers before making a claim on ECGC. ECGC should adopt a pragmatic approach and consider genuine hardships caused to the exporters rather than strict adherence to the terms and conditions of the cover by the

exporters for settling their claims. Further, the exporters have to pay the premium at three stages (a) at the bank (b) when shippers have to submit their declaration to the ECGC and (c) post-shipment guarantee. The ECGC should formulate a comprehensive policy for a single premium only.

30. The ECGC should consider expeditiously the desirability of setting up a data bank for rendering Centralised Intelligence Service in respect of credit. This would avoid delay in assessing the credit worthiness of the exporters and ensure need base and expeditious grant of credit.

31. In the matter of quality control and Export Inspection, the Task Force feels that in cases where foreign buyers have got their own specific standards and agents to inspect the goods in India there is no need of having our own agency of export inspection. However, where there are mandatory provisions about the standards of goods in particular foreign countries our export inspection should continue.

32. The more prominent Export Houses should be entrusted with the Task of certification of products exported by them. This would reduce delay in pre-shipment inspection of goods at the time of exports.

33. The Task Force is inclined to agree to the demand of exporters that validity period of export Inspection certificates should be for a minimum period of one year.

34. It was pointed out by the exporters that the Customs authorities insist on picking a package which may be laying right at the bottom before a loading order is signed, especially when more than 200 bales are involved in single loading. This causes a lot of inconvenience as also delay in the finalisation of shipping documents. The Custom authorities should examine the desirability of doing away with such a practice, save in exceptional cases.

35. In order to enable the manufacturing units in India to know the possibilities of the export of their products, it is necessary that they should be provided with the marketing intelligence on a regular basis. But the traditional method of relying on commercial reports from the representatives abroad has not proved adequate since almost invariably there is considerable time lag in the dissemination of these reports. A system of constant market surveillance of export markets to identify information of potential interest to our exports must be developed. The information so collected should be completed in all important respect and quickly flashed to major institutions for dissemination among the exporters.

36. In order that the trade opportunities are properly linked with the capacity of our own industry to supply the requirements, it is necessary to have adequate information on specific products where there are no domestic supply constraints. This linkage between the supply and demand is essential to make the exercise of market intelligence pragmatic and useful. This information in the Indian front is not adequate and results in fluctuations in the range of products and quantum of products to be put in the

pipeline of exports. If the marrying up of foreign demand and domestic production does not take place the collection of market intelligence information from abroad will be of no relevance to the objective behind the exercise.

37. It will be beneficial for India to plan to institutionalise collection and dissemination of market intelligence based on the lines of practice followed in the U.K. under British Export Service System, in the collection and dissemination of marketing intelligence on projects, products and services which has been working very efficiently for a long time. This would involve a total change in India's set up as the export services in the U.K. are being coordinated and directed by the British Overseas Trade Board which is an integrated body constituting all representatives of the Association of British Overseas Chambers of Commerce, the Confederation of London Chambers of Commerce and Government Departments. The Task Force considers that a similar integrated body could be introduced in the Department of Commerce exclusively servicing the field of market intelligence.

38. At present the market research conducted within the country about the production rangewise and quantitywise of products belonging to large, medium and small scale sector with a view to quantifying the availability of these products for export markets by the organisations like IIFT, TDA and EPCs is not very systematic. Therefore the findings of such research are not as realistic as these should be. The Department of Commerce should also set up an institution to coordinate the research activities of the IIFT, TDA, EPCs, Commodity Boards etc. so that the research is integrated in the country in an integrated and systematic manner.

39. Although under the existing system India's commercial representatives abroad are charged with the various responsibilities including :—(a) collection and collation of information and data relating to trade policies, programmes, procedures and documentation formalities, (b) development of an insight into marketing and commercial conditions overseas; (c) timely transmission of information regarding overseas prospects in relation to products, services and projects and (d) assistance to the trade and industry in tapping the existing marketing potential abroad through sales promotion publicity, trade fairs and exhibitions, yet the Task Force feels that the feed-back from them is not quite satisfactory. India's Commercial Representation abroad is not only inadequate but also lacks the professional expertise. The Task Force is, therefore, in favour of establishing a separate cadre of commercial representatives with the induction of suitable personnel from the Indian Economic Service, public sector undertakings and the export services institutions.

40. As a supplement to the Indian Commercial Representatives abroad, India Trade Centres could also be started at Brussels, New York, Singapore and other strategic centres. The main activity envisaged for these centres is to have market research personnel who would go out into the field and feed the centre with vital commercial information like price fluctuations, consumer demands, preference, etc. This information could be transmitted by way of telex etc. to India on daily basis. The concerned organi-

sations in India, in turn would disseminate the information to important commercial centres immediately so that the information is well utilised. To start with a counterpart trade centre in Delhi would be needed so that all the information received from the centres abroad is compiled, sorted out and communicated to the various export interests in the country.

41. Manufacturing of products to the needs of the market abroad is not being done on as systematic basis as it should be. All the market intelligence, study teams as well as teams and delegations which go abroad scan the foreign markets only with a view to finding out what products of India can find a ready market there. The Task Force feels that the emphasis should also be on listing out the items or products of Indian manufacturers where a slight adaptation or necessary modification would ensure a definite market for these products. In fact, product adaptation is necessary in order to enter new markets.

42. It is essential for product adaptation to collect samples from the foreign markets and to make them available to the potential exporters and manufacturers. At present, this initiative is more or less confined to exporters and to some extent, T.D.A. This process has to be extended on a wider scale, particularly to the European Common Market, markets in U.S.A., Canada, U.K., etc. The concerned EPCs should open separate cells called "Product Development and Adaptation Cells". These cells should have regular contacts with the importing interests abroad and should obtain samples from the prospective customers on a regular basis and persuade their members, on a selective basis, to develop their new items both on a short-term and long-term basis.

43. In the matter of exporting samples, it is observed that under the existing rules, samples of the value of upto Rs. 500 only are allowed to be exported with G.R.I. waiver under the R.B.I. Rules and Regulations. Keeping in view the considerable increase in the price of materials and the variety of sophisticated products that India is now able to produce, this limit of Rs. 500 is considered too small to serve our export promotion requirements. The Task Force recommends a very substantial increase in this limit.

44. Product adaptation has to be done as a continuous process not only in respect of products but also in respect of packaging of the products. The acceptability of a product depends, to a large extent, on its presentation. Packaging affects, in a very large way, the presentation of a product. In the matter of product adaptation, the Task Force suggests the following :—

- (i) Organisations like TDA, EPCs, Commodity Boards etc., should invite experts from abroad and take them around various manufacturing units with a view to seeking their advice on product adaptation;

- (ii) The visits of representatives of Export Promotion organisations, Export Houses, etc., to foreign countries should be converted into "Contact Promotion Programmes". They should carry with them the samples of their products and obtain information on the spot about the adaptation needed;
- (iii) Test marketing is necessary before the actual exports take place. Servicing organisations should intensify their activities in test marketing;
- (iv) EPCs should create separate cells to be manned by personnel with technical and marketing competence in order to be able to be in continuous dialogue with manufacturers and exporters for product adaptation. Packaging is a major hinderance in the sale of certain specific products of oriental background like toiletries, perfumery compounds, cosmetics etc. A regular process in the adaptation of the containers is very much needed as Indian products in this range have got a very good market in the Middle East, African countries and South East Asian countries, etc. The EPCs should play a major role in this regard. The Task Force feels that assistance from the MDA will stimulate the process of building up the sample inventory which could be utilised by the exporting community on a regular basis;
- (v) The Export Houses both in the private and public sectors are, no doubt, playing an active role in generating the export of small scale products. As the small scale sector is not viable to take on itself a financial burden involved in the development and adaptation of its products, the Export Houses should assist them in this field;
- (vi) In order to promote progressive adaptation of products to suit foreign markets with a view to getting a foothold for such products in foreign markets, the Task Force feels that some cash assistance may be allowed in respect of the products introduced for the first time in international markets after necessary adaptation/modification. This assistance could be withdrawn in a progressive manner once the products have got a foot-hold in the foreign market; and
- (vii) At present, the training facilities being provided for packaging of export products by the Indian Institute of Packaging are not spread out. The Task Force feels that such courses should be organised regularly at various important manufacturing/exporting centres, so that the small scale parties could also benefit and gain progressively better knowledge in this field. This would improve domestic market packaging also.

45. The trade disputes being generally between two private parties in India and abroad, the Task Force is of the opinion that these should not be arbitrated by a Government agency. At the same time, since this would involve national repercussions, it should not be entrusted to purely a private body either. It is a matter for consideration whether the Indian Council of Arbitration which is already functioning as a national

arbitration body, should be an exclusive agency entrusted with the job of conciliation and arbitration. Many Chambers of Commerce, EPCs, firms and companies are its members. It could, therefore, be considered the representative of trade, industry and business. It would be desirable if this agency also formulates its rules for formal conciliation and strengthen the facility, for the purpose. Government may offer the required support to this agency so that it is in a position to render effective service, in this regard.

46. It is understood that in India's export/import trade, no standard contract forms are used in respect of many commodities. It is important that our exporters and importers are educated regarding the advantage of using standard contract forms providing for as many contingencies as possible. The Export Promotion agencies and Commodity Boards could help, in this regard.

47. The training programmes being organised at Bombay by the Productivity Council on export contracting and related matters should be held at other centres also in the country.

48. Although the Indian Council of Arbitration has been organising short duration training programmes, yet it seems it has not thought of any professional course for preparing persons to undertake arbitration work. It is a matter for consideration whether the long-term training programme may be designed on the lines of the programme of the London Institute of Arbitration for imparting professionalism to this job.

49. It has been observed by the Task Force that there have been instances of Indian parties not abiding by the arbitral awards given against them. It is necessary to take some punitive action against such Indian parties in order to maintain India's fair name in Overseas countries. It is for consideration whether by fresh legislation or by a suitable amendment to clause 7 of the Exports (Control) Order, 1979, non-compliance with arbitral awards could be made punishable as an unfair trade practice.

50. An export transaction being very different in its nature and far more complex in operation than the domestic sales transaction, entails the use of a large number of documents. While the number of documents may not admit of any substantial reduction, the Task Force feels these could certainly be standardized in order to save labour and cost involved in preparing the documents needed for submission to different authorities. Further the use of standardized export documents as finalized by the Indian Institute of Foreign Trade will enable our exporters realize substantial economies in documentation costs. It, therefore, recommends that necessary educational and publicity measures be taken to promote the use of such documents by our exporters and also the concerned Government departments/bodies.

51. A Working Group consisting of the representatives of IIFT, Indian Banks Association, RBI, Customs Authorities, Department of Commerce, and the National Institute of Bank Management could be constituted for the purpose of standardising the

documentation practice of Commercial Banks and reviewing also the Customs documentation.

52. As India is far behind in the communication field in making the world aware of our technological and industrial development, we have to utilise the trade fairs and exhibitions forum to project the totality of India's image. The Task Force feels that special Indian Supplements in the local languages could be published to synchronize with the Exhibitions abroad in those countries. Further, the emphasis should be placed on wholly Indian exhibitions and to make such exhibitions attractive certain cultural shows, display of films, etc., should also be introduced.

53. Another aspect which the Task Force feels is necessary is the feedback of the reactions of the fair on a sustained basis. The evaluation aspect of every exhibition need not be over-emphasized.

54. It is for consideration whether India could also conceive of, what are called "Mobile Exhibitions" where transfer of products could be done effectively without damaging them.

55. Notwithstanding this periodic display of our goods through "Wholly Indian Exhibitions" or International trade fairs and exhibitions, there is a need for a permanent display of our goods in our trade centres abroad.

TASK FORCE ON EXPORT SERVICES QUESTIONNAIRE ON EXPORT SERVICES

PART A

General Information

1. Name & full address of the exporter.
2. Are you a Trading exporter or manufacturing exporter ?
3. Location of the factory in the case of manufacturing exporters.
4. The names of the commodities manufactured and or exported.
5. What are the details of production sale and export in the last 3 years i.e. 1975, 1976, 1977.

		1975	1976	1977
		Qt. Val.	Qt. Val.	Qt. Val.
Production	{	Commodity		
	{	Quantity		
	{	Value		
Sales	{	Commodity		
	{	Quantity		
	{	Value		
Export	{	Commodity		
	{	Quantity		
	{	Value		

6. Are your exports covered by—
 - (a) letter of credit
 - (b) guarantees
 - (c) documents against acceptance basis or on payment basis
 - (d) sent on collection basis
7. (a) Do you export on cash basis (repatriations subject to 180 days) or
 - (b) Deferred payment basis

PART B

Availability of Credit

1. Do you avail of credit facilities from banks/ financial institutions/indigenous bankers or private financiers.
2. What is the name of the bank and the branch from which credit facilities are availed of?
3. Since when are you having credit facilities from bank/branch?

4. Credit Facilities

- (a) Loans
- (b) advances
- (c) cash credit
- (d) overdraft
- (e) bill discounting
- (f) trust receipts
- (g) packing credit
- (h) postshipment credit.

Non-borrowing facilities

- (a) Letters of credit
 - (b) guarantees
5. Have the limits been recently increased or decreased and if so, which limits (Give data for 1976 and 1977).
 6. (a) Do you consider the export credit limits sanctioned adequate and satisfactory, if not, give detailed reasons indicating how and to what extent it is inadequate? If inadequate, whether this is a constraint on your exports.

(b) If the limits are inadequate, the sources of finance of your exporters may be indicated.

7. Is there any difficulty in your availing of credit facilities from the banks within the limits sanctioned ? If so for what reasons ?
8. What is the normal time taken by the bank in giving you facilities within the sanctioned limits in respect of (i) packing credit; (ii) post-shipment credit, and (iii) credit on deferred payment terms ?
9. What time the bank has normally taken in enhancing the credit limits whenever asked for ?
10. Had the bank at any time refused the sanction/enhanced limit in your case and if so, the reasons and other details thereof may be given?
11. Is the export value less than domestic cost in your case ? If so, have you faced any difficulties in getting requisite finances from banks for your production/procurement/manufacture?
12. If you are an exporter as well as a seller in the country, have you found any difficulty in segregating exporters for domestic sales for the purpose of availing bank credit and have you faced any difficulty in getting adequate credit because of this difficulty at any time?
13. Do you have any difficulty in availing of credit from banks when goods are to be shipped on consignment basis or to be delivered against trust receipts.
14. (a) Do you have any problem in obtaining credit against cash subsidy payable by Govt. ?

(b) Do you experience difficulties in obtaining duty drawback assistance. Within how much period after shipping the same is received.

PART C

Cost of Credit

1. Do you consider the present rates of interest in respect of the export credit high or alright in respect of
 - (a) packing credit;
 - (b) postshipment short-term credit;
 - (c) credit on deferred payment terms?
2. If you consider the prevalent rates high what would be reasonable rate of interest you would like the banks to charge in respect of (a) packing credit, (b) postshipment on short-term basis; and (c) credit on deferred payment terms ?
3. What is the element of interest on the f.o.b. cost of goods exported as a percentage?
4. How would your price be affected if the interest rates are reduced by 1 per cent or increased by 1 per cent?
5. Are you borrowing from any other source rather than banks, if so the details thereof and the rates at which you have been borrowing?

PART D

Period of Credit

1. Do you consider the present period of credit given by banks in respect of export credit adequate or inadequate (a) packing credit; (b) postshipment credit on short-term basis; and (c) credit on deferred payment terms?
2. If you consider the present period of credit inadequate what would you recommend as the correct period for which credit could be given at concessional rate, (a) preshipment packing credit; (b) postshipment on short-term basis, and (c) credit on deferred payment terms in respect of goods you export with reasons therefor?

PART E

Documentation

1. Do you consider the present procedure in processing documents adopted by the banks cumbersome or alright?
2. If you consider the procedure cumbersome what other procedure would you suggest?
3. Do you consider the forms prescribed by the bank simple or complicated? If complicated what simplification would you suggest?
4. What is the time normally taken by a bank in processing your application for grant of facilities?
5. (a) How many times in the past one year you have been called to the bank before the final loan documents were executed.

(b) Have your shipping documents been returned by the bank in the past one year. If so, on what grounds?
6. Do you consider the staff available in the branch adequate for processing the applications ?
7. Do you consider staff posted in the bank trained and knowledgeable in dealing with export matters ? If not, give details from your past experience.
8. Does the branch with which you are dealing have a separate Cell for export credit purposes?
9. Do you consider the forms, documents to be filed with the customs authorities and post authorities really necessary; or would you recommend simplification of the same; if so in what manner?

PART F

Miscellaneous

1. Have you faced any difficulties in the past in the matter of obtaining forward cover from your bank to cover your export contract?
2. Do you consider the cost of exchange cover reasonable or unreasonable? If unreasonable, indicate the reasons?
3. Would you recommend substitution of forward cover when there is a substitution of contract relating to which packing credit has been taken/given?
4. Has your bank at any time in the past refused to negotiate documents under the Letters of Credit even though the same is irrevocable and without recourse?
5. Do you have any difficulties in negotiating documents relating to goods shipped by air? If so, what are they?
6. Do you have any difficulty in furnishing the various periodical returns required by your bank in connection with export credit facilities?
7. Does your bank insist on collateral security such as personal Guarantees, Mortgage of properties, etc. before advancing packing credit in cases (a) where letter of credit is opened in favour of the exporter; (b) where no such letter of credit is opened; and (c) where ECGC Cover is available in both cases.
8. Does the bank ask for margin money in respect of packing credit? If so, what is the margin asked for in your case.
9. When export bills are given for negotiation, does the bank give you full value of the bill as credit? If no what is the normal percentage of the bill that is given as credit?
10. Does the bank insist upon margin money in case of bid bond, performance guarantee, advance payment guarantee or other guarantees?

11. If you are an up country exporter does your bank levy higher interest charges for the period covering movement of goods from hinterland to the point of ultimate despatch?
12. Have you in the past two years failed to execute an export order because of non-availability of funds from banks? If so give details thereof.
13. Does your bank show any reluctance in giving or participating in financing deferred payment exports? If so, give instances.
14. Have you in the past two years failed to tender for a bid abroad because of delay in getting clearance either from the IDBI Working Group or from banks, IDBI or ECGC? If so details thereof may please be given.
15. In case of turn-key projects and concessional contracts abroad have you found system of IDBI's clearance where IDBI has been made the focal point, functioning smoothly and to the advantage of the exporter or not?
16. Are you satisfied with the systems of operation of the packing credit accounts which is in the form of demand loans. If not what other systems would you suggest?
17. Is there any service which you would like the banks to do which is not at present being done by them?
18. If you are a large concern, have you found the credit authorisation scheme under which RBI approval has to be obtained in any way affecting your exports?
19. Have you in the past two years experienced any difficulty in the settlement of claims by ECGC and if so give instances.
20. Have you found the procedural requirement of ECGC that an exporter should first take legal action against the foreign buyer before making a claim on ECGC working to your detriment?

PART II

A STUDY OF THE EXPORT SERVICES IN U. K.

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BRITISH EXPORT SERVICES

1. Introduction

The Department of Trade of the British Administration is mainly responsible for the diffusion of the best possible climate for British trade in general and with particular countries working in close association with the Foreign and Commonwealth Office which is responsible for Diplomatic Service posts abroad and with the Export Credits Guarantee Department. It is also responsible through its Commercial Relations and Exports (CRE) Divisions for Government to Government commercial relations which help to undertake market intelligence and research and other trade matters. The CRE Territorial Divisions are also concerned with the potentialities of overseas markets and the most suitable strategies for supporting industry's efforts to increase exports to them and provide wide-range of services to exporters through the Export Development (ED) and Export Services and Promotions (ESP) Divisions. ESP Division is the main provider of services to exporters, whilst ED is primarily responsible for matters of policy and finance. Both Divisions look to the British Overseas Trade Board for direction on the development of their services to the exporters.

2. The broad set-up of the Department of Trade is given as under:

Department of Trade Organisation

British Overseas Trade Board (BOTB)	Chief Executive	Export Services and Promotions ESP
	BOTB	Export Development ED
		Special Adviser on the Japanese Market
	Chief Executive	Europe, Industry & Technology EIT
		General G
		Commercial Relations & Export CRE
Parliament Under Secretary of State	Chief Executive	Commercial Relations & Exports-2 CRE-2
		Commercial Relations & Exports 3 CRE-3
		Commercial Relations & Exports-4 CRE-4
		Commercial Relations & Exports-5 CRE-5

Secretary of State for Trade	Permanent Secretary	Chief Executive	Publishing Tourism, Films & Distribution PTFD Patent Office Pats Insurance I Companies C Insolvency Service Inss
	Parliament Under Secretary of State	Chief Executive	Civil Aviation Policy CAP Civil Aviation International Relations CAIR Shipping Policy SP Marine MAR Information Inf. Parliamentary Branch PB Industrial Advisers Accidents Investigation Branch AIB Establishment Finance and Economic Appraisal Soliceter Economics & Statistics Accountancy Services

2. British Overseas Trade Board (BOTB)

3. The responsibility for coordinating and directing the export services within the Department of Trade is vested in the British Overseas Trade Board. It is composed of businessmen drawn from the public and private sectors of industry and the city, representatives of the Association of British Chambers of Commerce, the Confederation of British Industry and the Trades Union Congress and, finally, of those Government Departments principally involved in export promotion. The present Chairman is Sir Frederick Catherwood an eminent industrialist of the country.

The main responsibilities of the Board are :—

- (i) To advise the Government on strategy for overseas trade.**
- (ii) To direct and develop the Government export promotion services on behalf of the Secretary of State for Trade.**

- (iii) To encourage and support industry and commerce in overseas trade with the aid of appropriate Governmental and non-governmental organisations at home and overseas.
- (iv) To contribute to the exchange of views between the Government and industry and commerce in the field of overseas trade and to the search for solutions to problems.

The Board draws on extensive knowledge and experience of the main trading areas of the world through its 16 Area Advisory Groups. The Board is also advised by the British Overseas Trade Advisory Council (BOTAC) on the operation and development of the Board's services to industry. The BOTAC meets regularly under the Chairmanship of the Secretary of State for Trade and provides a forum for discussion on matters concerning Britain's overseas trading performance. It consists of members of the BOTB, the Chairman of its 16 Area Advisory Groups, representatives of other trade organisations, and individual members nominated by the Confederation of British Industry, the Trade Union Congress and the Association of British Chambers of Commerce.

4. The core of the Board's services to exporters is a world-wide counselling service based on individual officers' expert knowledge of all the services provided by the Board and on information fed back to Britain by the Commercial Departments of British Embassies, High Commissions, and Consulates General abroad on local prospects for exports of particular British products and services. This service is provided in London, Home Countries and East Anglia by the staff of Export Services and Promotions Division's General Export Services Branch in London, and elsewhere by regional export offices. These offices provide the most convenient initial point of access to the whole range of the Board's service at home and overseas. An organisation chart of the BOTB and the Export Services and Promotions Divisions (ESPD) is given as Annexures 1 and 2.

Besides, there are nine regional offices which maintain link with the exporters and function as a base for organising the activities of the Trade Missions coming from abroad and organising fairs and exhibitions, seminars, and activities of inward and outward Missions. These regional offices are spread over the various parts of the country as follows :

- (i) The West Midland Region
- (ii) The East Midland Region
- (iii) The South Western Region
- (iv) The Yorkshire and Humber Side Region
- (v) The North Western Region
- (vi) The Northern Region

- (vii) The Scotland Region
- (viii) The Wales Region
- (ix) The Northern Island Region

5. These regional offices organise the following activities :—

- (i) Providing commodity guidelines
- (ii) Fairs and exhibitions
- (iii) Outward Missions
- (iv) Inward Missions
- (v) Commercial Representatives
- (vi) Seminars
- (vii) General Agency Finding—Status Reports

The regional offices in most of the cases function directly between the exporters and the overseas post. Services are linked with the London office only in cases where the services at the regional level are not available.

6. The Export Services Department under the guidance of the BOTB, provides :—

- (i) Export Intelligence Service
- (ii) Export Marketing Research Scheme
- (iii) Statistics and Market Intelligence Library
- (iv) Trade Fairs Overseas and Exhibitions
- (v) Overseas Seminars and Symposia
- (vi) Tariff and Non-Tariff barriers
- (vii) Market Entry Guarantee Scheme
- (viii) Outward Mission
- (ix) Inward Mission
- (x) Exports to Japan Unit

3. Export Intelligence Service

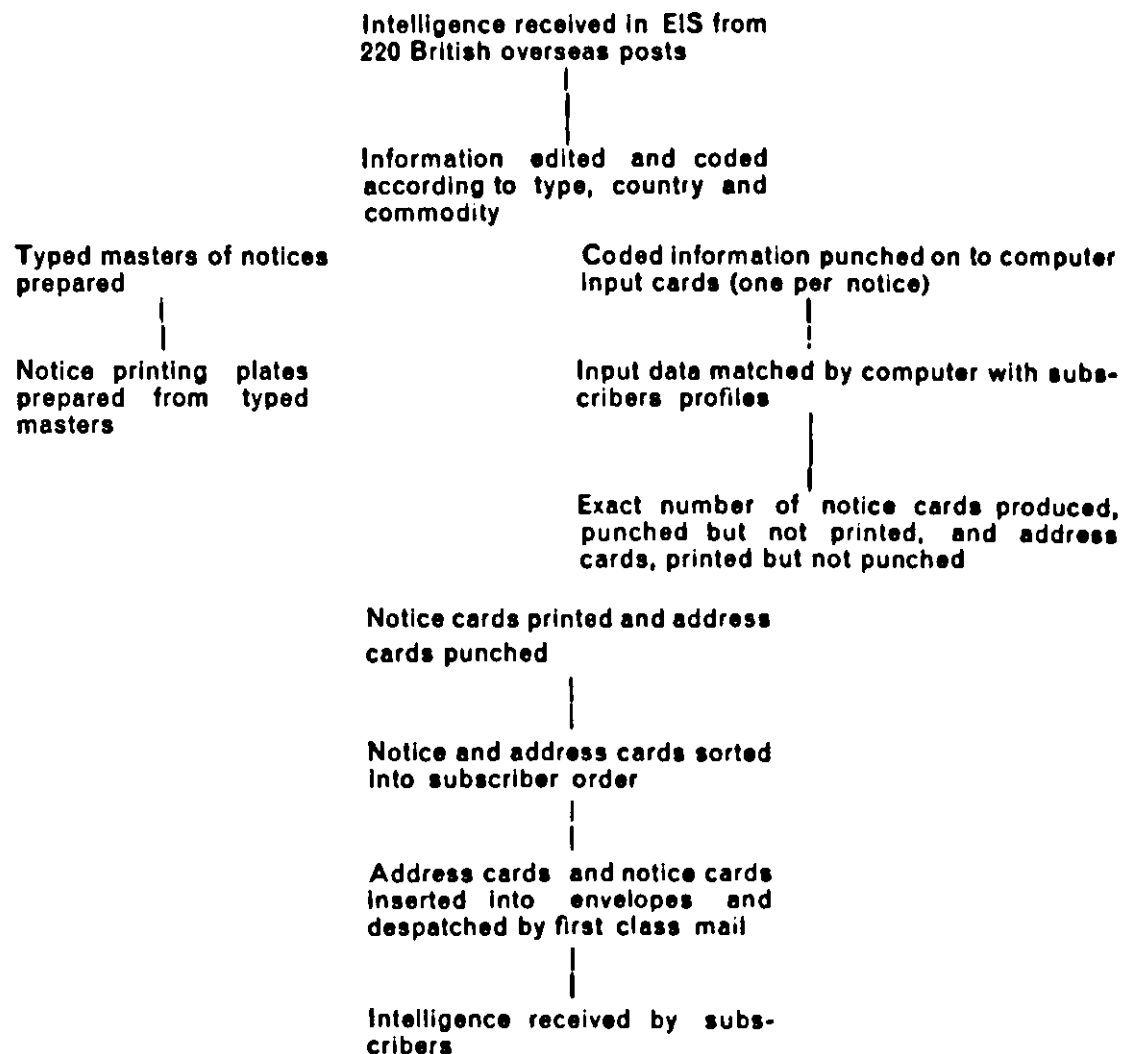
7. Export Intelligence Service offered by the British Export Service system is one of the most important services which helps in making overseas enquiries for the products or services and calls for tenders. It has agents in overseas markets and manages to find out early notification of major projects overseas. It receives export intelligence from British Commercial officers throughout the world which provide information in

respect of the potentiality for trade in various products. A computer maintains the intelligence against individual requirements and cards containing the relevant items are made available to exporters. It provides specific export opportunities for one set of countries and agency enquires for another, opportunities for cooperation with overseas firms for certain products and information on certain types of projects. The product development and changing markets required from EIS is likely to alter from time to time and the latest information is being contained by the Service.

8. Flow chart showing the receipt, preparation and despatch of export intelligence is given as under :

EXPORT INTELLIGENCE SERVICE (EIS)

Flow Chart showing the receipt, preparation and despatch of Export Intelligence



9. The EIS provides Intelligence which covers various fields like specific export opportunities, short market point to new trade opportunities, market reports, overseas agents seeking British principals, successful bidders and awards of contracts, overseas visitors to the United Kingdom, outward opportunities for cooperation with overseas firms, changes in overseas tariffs and import regulations, aid and loan agreements (International and D.K.), national and other development plans, ECGD lines of credit, notification of overseas trade fairs, exhibitions, missions (inward and outward), world economic comments and general information. The commodity description are given at three levels of refinement chapters (2 digit codes); headings (4 digit codes) and individual items (7 digit codes). With a few minor exceptions the chapters and headings coincide with those of the Brussels Tariff Nomenclature. Information pertaining to opportunities for architects and consultants services, project information, contracting services, supplies and components manufactured to customers specifications are also provided. Documents like the forms on which bids are made, specifications, general regulations and other information which can not be photo copied and samples may be inspected at Export House for one week from the date of publication of the notice and after a week these can be made available on loan. In most cases translations of documents in foreign language are not provided. However enquiries about the translation of original documents are made by the Chambers of Commerce or to the Institute of Linguists, London. EIS supplies upon request a list of local concerns in a number of countries who have expressed a willingness to act on behalf of U.K. firms in the submission of tenders.

10. Details of contracts awarded to overseas companies in respects of projects in third markets are also published by the EIS under Range of Intelligence and are coded to the relevant project of the EIS classification, the third market where the contract has been awarded and the country where the successful company is located. Such information is of interest to many British Companies as it provides them with an opportunity to make their products or services known to the successful company with a view to entering into some form of collaboration with it either by way of sub-contracting work or the supply of equipment and material. The above method of coding does ensure that the information reaches a much wider range of subscribers likely to be intensified in the developed and developing markets for which they may not be registered.

Each month notices are issued under a Range of Intelligence Type (Aid and Loan Agreements) advising subscribers of those new projects being considered for financing by the International Bank for Reconstruction and Development and the International Development Association (the World Bank Group), the Asian Development Bank and Inter-American Developing Bank. The EIS notices produce full details of all new projects. The EIS notices are coded to cover all the projects listed in the monthly documents, not just the new projects.

11. Subscription can be made only by the individuals and organisations who are residents and trading from U.K. in British produced goods and services. It costs

£ 37.50 for 150 notices and in other words, each item of intelligence costs 25 pence. Subscribers to the Service may alter their recorded interests (their profit) at any time free of charge to take account of their changing circumstances, e.g., discontinuation of a product line, introduction of a new product, concentration on different markets, etc.

12. It is understood that there are about 9000 subscribers to the E.I.S. out of about 100,000 exporters in the country. Nevertheless, big firms which number about 100 and contribute about 80 per cent of the total exports are also partially making use of the service. It has, no doubt, emerged as an important institution to promote opportunities for exports both visible and invisible in the British export service system.

13. The following briefly summarises the scope of Export Intelligence Service :—

Starting Date	2 June 1970
Countries Covered	some 160 (served by over 200 posts)
Types of Intelligence Available	17 (14 in 1970)
Product Service Headings	7,000 (5,000 in 1970)
Number of Subscribers	9,000 (3,500 in 1970)
Average Number of Subscribers Receiving Notices Daily	4,000
Average Number of Notices Published Each Day	225
Average Number of Notice Cards Each Day	11,000
Subscription Cost	£ 37.50 for 150 notices (but some notices are free)

4. Export Marketing Research Scheme

The Export Marketing Research Scheme is an important Export Promotion Service of the British Overseas Trade Board. Its main objects are to help and to give incentives to firms and trade associations towards export promotion. The Board employs professional marketing researchers to advise firms on the best methods of conducting research in overseas markets. In approved cases, the BOTB pays a substantial part of the cost of research upto the following levels :

Individual companies :	33-1/3%
Groups of two or more unconnected firms participating in joint research	50%
Trade associations	66-2/3%

In most cases, the research is ad hoc and needs to be carried out by research consultants though support is also given towards the purchase of multi-client studies and to research undertaken overseas by applicants' own U. K. based marketing research staff. Support for consultant projects is based on the total fees and expenses charged. For in-house research support is normally 50% of overseas travel and subsistence costs necessarily incurred in the course of the research. A firm with no qualified staff wishing to set up research department can receive advice from the BOTB on how to do so and may receive additional financial support during the first year of the new department's operation.

The report of an assisted project is entirely confidential to the firm commissioning it. A copy is inspected by the BOTB to ensure that the work has been carried out to the required professional standards, and then returned to the applicant forthwith. Reports produced by or for trade associations are initially confidential to the numbers of the association but, after an interval and at a price agreed with the BOTB, the reports are normally offered for sale to UK non-members. The scheme is applicable to exporters or potential exporters whose goods or services are produced in the U.K. Priority is given to applicants with little or no previous experience of export marketing research. Those who already have such experience are not excluded from support under the scheme though in such cases support is given at lower levels.

5. Statistics and Market Intelligence library

The Statistics and Market Intelligence Library is provided by the Government for public use. An important service for exporters is provided by the library on the latest published statistics of imports and exports from every country which issues them. A set of current trade statistics for the world is on open shelves in the reading room and an index is available showing the dates of the latest issues received in the library. In addition to statistics of trade, a wide-range of other statistics; general and international series, statistics on population, production, distribution, prices, employment, transport, finance, energy and many other subjects for most countries are available. In some cases, commercially published market surveys are available to supplement the official sources. Since January, 1974, the library has been designated as 'The Library of the Government Statistical Surveys' and as such, has a comprehensive collection of published current U.K. official statistics. In this capacity, the library also acts as an enquiry point and gives advice to readers wishing to make contact with U.K. Government departments with statistical enquiries.

The library provides statistics to a number of public indexing services in the field of statistics and overseas intelligence. Notable among the services are the Middle East Data File Index and a number of the Predicast Service. A large collection of international and foreign trade and telephone directories from most countries are available. The library has also an extensive collection of development plans and many countries which often provide the earliest indications of possible export market, especially for construction work and capital goods. Newly published plans which are advertised through

the export intelligence service of the Department of Trade are also available for reference in the library for an initial period of 14 days and they are then available on loan. Facilities for photo copies on nominal charges are also provided besides the assistance of the library staff to advise on sources of various types of information available in the library. In addition to this, there is also a City Business Library specialised in maintaining directories, particularly financial directories, where specialised services are available.

There are about 200 visitors a day and most of them have been found doing analytical research on various trade matters. It is understood that it has been doing a very useful service and most of the exporters have been using the library.

6. Trade Fairs Overseas and Exhibitions

The purpose of the scheme is to encourage firms to use overseas trade fairs as a means of exploring, establishing and sustaining themselves in export markets. The BOTB provides space and a Shell Stand or other appropriate display facilities at attractive rates to firms taking part in group displays of United Kingdom products at overseas trade fairs. In addition, for events taking place outside Western Europe, the BOTB provides assistance towards each firm's travel costs and the cost of bringing back unsold exhibits to the United Kingdom. All the schemes as given below are managed by the Fairs and Promotion Branch of the BOTB.

(i) The Joint Venture Scheme

In a joint venture scheme, a number of firms in an industry take part with BOTB support, in a collective presentation of U. K. goods or services at a specialised trade fair overseas under the sponsorship of an approved Trade Association, Chamber of Commerce, or other appropriate non-profit making body to ensure proper planning. Proposals for joint ventures are made at the earliest possible date and preferably not later than 9 months before the opening of the event. The charges for participation in a joint venture are £ 5 per sq. meter for inside space and £ 7.50 per sq. meter for outside space. Firms may claim a discount of 50% for their first two participants with BOTB assistance at a particular event. Area provided to exhibitors is generally 15 sq. meters. Exceptionally, where Fairs and Promotion Branch feel that a large area is required for the proper display of firm's exhibits, additional space may be provided at the same rate. A Trade Information stand is supplied free of charge, provided, it is manned by a representative of the sponsor for the duration of the event.

(ii) The British Pavilion Scheme

The BOTB organizes British Pavilion provided a large number of firms are wishing to participate at certain international trade fairs, mainly outside Western Europe. The Board makes a charge from participating firms at £ 35 per sq. meter (£ 17.50 for outside space), inclusive of display facilities and essential services.

(iii) All British Exhibitions

In countries where no suitable International Trade Fair exists, the BOTB organizes special All British Exhibitions to give firms an opportunity to develop markets of special importance. There is no common fee for all British exhibitions overseas and the charge to participants is announced at the same time as the event is going to Commence.

(iv) Assistance with Travel and Trade Costs

The BOTB reimburses -on sight of a travel agent embodying or accompanied by a receipt or cleared cheque and air ticket counterfoils—upto 50% of the expenditure incurred on travel within a maximum of half the appropriate return tourist air fare for:

- (a) two representatives of each firm participating in a joint venture, British Pavilion or All British Exhibitions outside Western Europe, each of whom mans the firm's stand for the duration of the event;
- (b) In the case of joint ventures, two representatives of the sponsoring body each of whom mans the trade information stand for the duration of the event.

Where exhibitors are able to take advantage of a package scheme comprising travel, accommodation, etc., reimbursement is based on the air travel element only. Exhibitors intending to claim assistance in respect of travel costs are expected to use British carriers.

For firms participating in events outside Western Europe, the BOTB pays upto 50% of the sea/land freight costs, returning unsold goods, consigned from his country especially for exhibitions and sale, provided the goods which are exhibited for the duration of the event, remain unsold and are shipped direct to the United Kingdom within 12 months of the close of the event. Goods in this context do not include display material, models, samples, etc. It is assessed that most of the exporters make use of this scheme and approximately thirty fairs have been organised overseas in the preceding year. This has proved as a very successful media for trade promotions and is functioning most efficiently.

Publicity Media

There are also other instruments of publicity to break new grounds for U.K. products abroad like organised publicity in which several papers are dovetailed like BOTB Publicity Unit, Control Office of Information, BBC External Services, British Based Foreign Correspondents etc. Details of some of these services are as under :

(a) BOTB Publicity Unit

The best way to publicise a new product, technological process or service in an export market is to contact BOTB Publicity Unit in London or the near of Regional

Office (Export Section) of the Department of Industry. The Unit works closely with the Central Office of Information, with BBC External Services, and with Information Departments at the Embassies Overseas.

(b) Central Office of Information

COI, the Government's main publicity outlet, is a body of professional journalists, photographers, script writers and film-makers who specialise in industrial, trade, technical and commercial news stories. If they receive really good product or achievement they will tailor exactly to the requirements of the market on which they have set the sights and possibly open up avenues that they had never even thought of exploring. Every day COI sends to some 200 British Embassies and Consulates overseas hundreds of industrial news stories, as well as support material such as films, photographs, colour slides, TV and radio programmes. The Information Officers in the field see to it that these items are placed in local trade journals, popular press or other media outlets. A single item publicised in this way can bring in hundreds of trade enquiries. Timing is important, particularly if the firm is taking part in a BOTB event.

(c) BBC External Services

A story that interests COI might well make suitable material for the BBC External Services as well. It is part of the role of these Services to broadcast information about new developments in industry, with full credits for the company concerned. These broadcasts go out in 39 languages and are heard by millions of listeners in many parts of the world.

7. Overseas Seminars and Symposia

The purpose of this scheme is to encourage British sponsors to stage overseas seminars and symposia designed to promote sales of British products and technology abroad. The BOTB through its Fairs and Promotion Branches, supports seminars and symposia organised outside the United Kingdom. The event, to qualify for support, must bring specific UK products, processes or services to the attention of specific buyers, users and technological experts. But, range of products, processes and services must have been determined in the light of the host countries known needs and interests. Applications for assistance are required to include evidence that the event meets the criteria set out for increasing exports of UK goods or services.

Financial Contribution

Each firm taking part in a seminar or symposium under the scheme pays a participation fee of £ 100. Participants reading more than one paper are charged an extra £ 50 per lecture. The BOTB is supposed to cover the cost of hire of auditorium, public address equipment, projectors and possibly, simultaneous translation equipment, the translation and reproduction cost of one session paper of 3000 words, the translation cost of film scripts associated with the paper lectured interpreters, projectionists, and hostesses for the lecture room preparation, printing and distribution of folders programmes and invitations, local publicity, hire of any necessary additional local

support in the staff cost of graphic and display materials. The person who reads a seminar or symposium paper outside Western Europe, can obtain support at the rate applicable to the BOTB outward Mission Scheme.

In some circumstances, it may be appropriate for the seminar or symposium to be complemented by an exhibition. Such exhibitions are usually modest and consist of graphs, models or portable products. In this case, each firm taking part in the exhibition is required to pay a fee of £ 50. Support of the exhibition covers rental of exhibition space (normally 10 sq. meters per exhibitor), a panel scheme, and supply of services including floor covering, display table and chairs, fascias and storage space. The travel support at the rate applicable to the BOTB Outward Mission Scheme in the case of outside Western Europe for upto two representatives of each firm is also made available. The Trade Association, Chambers of Commerce or other supporting bodies have a key organising role in such seminars and symposia and are expected to act as a channel of communication with participating firms and ensure that participants take relevant action and co-ordinate various formalities for organising such events. All proposals for support under this scheme are to be submitted as early as possible and not later than 12 months before the proposed date of the event.

8. Tariff and Non-Tariff Barriers

Department of Trade under the direction of BOTB provides information about the tariff and other requirements of overseas countries such as customs laws and duties, indirect taxes which the British Exports have to face. Information pertaining to legislation governing custom procedure in overseas countries for imported goods, warehousing regulations, import taxes and levies, special regulations governing importation of explosives, petroleum and other dangerous goods, documentation is provided under this scheme. Besides information on restrictions on remittances to the United Kingdom in payment for imported goods, services, export regulations, qualitative restrictions on imports of foodstuff, industrial alcohol, etc., is also made available to the exporters. Marketing methods, marking and levying of goods regulations, plant and seeds, price control, safety and technical regulations, documents required for samples and qualitative restriction affecting the importation of alcoholic beverages, trade agreements, vehicle and traffic regulations and weight measures are other subjects for which information is made available under the scheme.

9. The Market Entry Guarantee Scheme

The Market Entry Guarantee Scheme (MEGS) is designed to help smaller and medium sized firms in manufacturing industry to deal with the financial risk and problems associated with a venture to develop a new export market. In approved cases, the Scheme contributes 50% of the eligible costs of the market venture in return for a levy on sales receipts which is intended to recover the contributions with a commercial rate of return on the Scheme's investment. If, by the end of the agreed venture period, sales have not materialised as expected, then no further levy payments are required and the

firm and the Scheme share the loss. For this guarantee, the firm pays the scheme an annual premium.

The Scheme is being operated on a trial basis for two years with limited funds. Assistance under the Scheme is discretionary and is offered so as to provide a spread of ventures by size, product and market. Applicants are expected to put forward a package of proposals which constitute a well-planned marketing programme for the development of an additional export market and to demonstrate their capability to carry this out.

The Scheme is open to firms in manufacturing industry. Firms must be exporting in tangible product manufactured in the United Kingdom and the Standard Industrial Classification is used as a guide. Firms mounting a marketing attack on a new overseas market on behalf of either a single manufacturer or group of manufacturers are also covered under this Scheme.

The Scheme is aimed at helping firms with the implementation phase of a new export market entry venture and not with the market research or exploration phase. Proposals for assistance must describe a well-planned sales attack based on substantial examination of the market. To be eligible, costs must be incurred solely and directly in relation to the venture and its defined product and market combination. Costs already incurred by a firm in respect of activities prior to the date of application are not eligible, nor can continuing costs for existing facilities be considered. Costs are normally considered for eligibility in the following categories:

Overseas Office accommodation

Staff Costs

Training

Travel and expenses

Sales Promotion

Costs of holding stock

Commercial and legal costs

A proposal put forward by a firm is studied by the MEGS unit and, if an offer of assistance is made and accepted, then an agreement is signed. The agreement includes a definition of the product(s) and market area, the planned eligible costs in each year under agreed headings, the length of the investment period, the subsequent recovery period and the rate of levy on sales receipts. For each year of the investment period, the firm pays the Scheme 3% of the Scheme's 50% contribution to the planned eligible costs for that year as a premium in respect of the guarantee. For each year of the investment period the Scheme pays the firm 50% of those eligible costs actually incurred under each heading. The total contribution in each year is not more than 50% of the

total planned eligible costs. For each year of both investment period and the recovery period, or until the Scheme has recovered its contributions with a commercial rate of interest, the firm pays the Scheme the agreed rate of levy on all actual sales receipts for the defined market/product(s) combination.

The Scheme's contribution to eligible costs for one venture is not more than £ 100,000 and the minimum levy £ 20,000. The investment period is not longer than five years and the recovery period is normally at least as long as the investment period.

The premium for the first year is paid within the month of the date of agreement and then within three months of the start of each year of the investment period. Contributions to eligible costs payable by the Scheme in respect of each year of the investment period and are normally made when the necessary financial statement for the year has been received and evaluated. Interim payments are not considered.

10. Outward Missions – British Overseas Trade Board

The purpose of the outward Mission Scheme is to increase exports by encouraging British businessmen to visit overseas markets either in order to explore and assess the prospects for their goods or services or to reinforce their overseas marketing effort. Under this scheme the British Overseas Trade Board, through its Fairs and Promotions Branch, provides assistance to groups of businessmen travelling as mission sponsored by trade associations, chambers of commerce or other appropriate non-profit making bodies. The scheme applies to missions covering products or services which have promise in the market, or to planned promotions which are selected for official support.

Normally the minimum number of members of a mission qualifying for support is six and the maximum twenty. Financial assistance is normally limited to one representative of each company participating in an outward mission and a mission Secretary or Coordinator. The total time to be spent abroad by each mission is agreed in consultation with the sponsoring authority. Each participant is required to show that he participated for not less than two-thirds of this total period.

11. Inward Mission Scheme

The Inward Mission Scheme is one of the many ways in which the British Overseas Trade Board (BOTB) helps to promote visible and invisible exports. Under the scheme financial assistance is offered to firms wishing to bring to Britain overseas businessmen, journalists or others who can influence exports. The following points are worth noting :

- (i) The visitors must undertake a joint programme of visits. It follows therefore, that their interest must be confined to the same industry.
- (ii) All British firms in the industry concerned are eligible for consideration as participants whether or not they belong to one relevant trade association or the other.

(iii) The group of host companies must be representative of the chosen industry.

Assistance under the scheme will be available only if Industry is prepared to pay a part of the costs.

The Overseas Visitors Bureau (OVV) is willing to consider proposals from any source for an inward mission and in consultation with the Bureau, can determine the sponsorship, size, type and timing of a mission and the country or countries from which it should come.

On receipt of a proposal the VOB consults the British diplomatic post(s) concerned, Export Credits Guarantee Department and any other department interested. Given their approval the sponsor is invited to go ahead in recruiting the group of host companies and arranging a programme of visits for the mission. The suggested programme is then submitted to OVB with the formal application for financial assistance.

12. Exports To Japan Unit

The British Overseas Trade Board has established a separate unit for Japan since 1973 to render necessary advice to their exporters as Japan has been considered a potential growth area. This Unit is staffed by people who have first-hand knowledge of Japan and of the organisation of industry and commerce. Informal discussions with its staff prior to visiting the market provide a lot of information. The Unit gives presentations to group of directors of a particular company tailoring the advice to the needs of that country. Seminars are organised in the U.K. on aspects of trading with Japan and mounted in conjunction with chambers of commerce, the CBI and other interested bodies. The Unit monitors business conditions and shifts in the Japanese economy.

The Unit also co-ordinates an export promotion programme of missions and exhibitions in Tokyo. This includes the recruitment, in cooperation with a sponsoring trade association of participants for the ten major exhibitions held annually at the British Export Marketing Centre in Tokyo. Overall the Unit provides an advisory service in conjunction with overseas commercial posts, the British Overseas Trade Board's, General Export Services Branch, the Foreign and Commonwealth Office, and the Japan Trade Advisory Group on all aspects of exporting to Japan.

13. Government Service Centre

The Government Service Centre is set up in the National Exhibition Centre, Birmingham. Manned by Government Information Staff, it provides, under one roof, a comprehensive and rapid answering service for the queries on any facet of Government help to exporters and industry generally. The Centre carries a large stock of helpful free literature on many subjects. It is linked by telephone and telex with Government Departments and agencies. It assists both an industrial giant with millions at stake or a small firm wondering how to take the first step into the export business. It receives queries

numbering about 8000 in a year. About 60 per cent of these queries relate to exports. It is able to answer about 98 per cent queries on the spot. It also provides free back-up leaflets to keep the answer fresh in one's mind. The leaflets contain the most useful information. It also helps if one has good export potentials or have come up with a promising new product or process or industrial technique. Through the Government's world-wide publicity net-work it gives a product or process a publicity boost overseas, at no cost.

The Central Office of Information (COI) handles much of the publicity material issued by Government departments and agencies. In particular, it works closely with the Foreign and Commonwealth Office and the British Overseas Trade Board to exploit the Commercial opportunities available to British exporters on overseas markets. This it does by providing news, stories, feature articles, films or photographs of British Industry's achievements for foreign press, radio and TV outlets. The operation is world wide directed to over 100 countries.

14. India Pakistan and Bangladesh Association

The India, Pakistan and Bangladesh Association is a specialist Trade Association formed to protect and promote the interests of British business in the Indian Sub-Continent. It includes the membership of most British Companies with a substantial stake in the region and is able to speak authoritatively on all matters relating to business within the particular field. The affairs of the Association are managed by a Committee of representatives of member companies, all of whom are closely involved in Indo-British business and many of whom have lived and worked in the Sub-Continent.

The work of the Association necessitates close contact with Government and business both at home and in the Sub-Continent, with the following major objects:

Close and cordial relations with HMG and notably with the Foreign and Commonwealth Office, the Department of Trade and the Ministry of Overseas Development.

The liaison with HMG receives formal expression in participation in meeting of the Indo-British Economic Committee, the consultative body set up by the British and Indian Govts. to develop mutual economic relations.

Appointed as the main instrument for export promotion by the British Overseas Trade Board.

The Association have their representatives in the three countries who supply information to the Association.

Most of the members of the Association have manufacturing investments of one kind or another in the Sub-Continent and have, therefore, always have a close interest in matters affecting the investment climate.

The Association have devoted attention in recent years to more purely commercial subjects and in particular to exports from Britain. This area has acquired importance

because of the need to remedy Britain's adverse trade balance with India and also because India's improved foreign exchange position and more liberal import policy offer British exporters better opportunities.

The Association can render valuable advice to the exporter with good potential in the Indian market and to the newcomer to the Indian scene. It renders service to its members by way of providing information through monthly/quarterly reports. The membership of the Association is open to individuals and companies interested in the area of operation and the Association specially wish to attract the support of companies involved in the Indian business scene, whether by way of investment, collaboration or exports.

15. Import Opportunities Office for the Developing Countries

The Import Opportunities Office for Developing Countries (DCIOO) is a small unit situated in the London Chamber of Commerce and Industry and is financed by the British Government. It was set up late in 1973 as part of the United Kingdom's contribution to overseas development and aims to assist developing countries by helping them sell their goods. Effective exporting, however, depends on knowledge about the market in which trade transactions are made—the tastes of consumers, the type of packaging which is attractive to them, relevant regulations about weights and measures and so on; also on information about firms willing to buy goods, commercial practice in the country etc. The DCIOO exists to help supply this information to producers, businessmen and officials from developing countries. The services of the DCIOO are available — normally without charge — to exporters and organisations in developing countries, and their trade and official representatives in the United Kingdom. They are not confined to any particular developing countries or range of products.

The Import Opportunities Office acts as a reference point for information and expertise on marketing and sales promotion in the United Kingdom. It supplements the services already being provided to Governments through the International Trade Centre in Geneva and collaborates closely with other bodies active in this field including the London Chamber of Commerce and Industry and the British Importers Confederation, and the Ministry of Overseas Development's Tropical Products Institute where much work is already undertaken on the technical and economic side, including marketing, problems relating to renewable natural resources. The job of the DCIOO is:

- i. to stimulate, receive and process enquires from developing countries about British Market;
- ii. to disseminate market information to official trade representatives and exporters in developing countries;
- iii. to advise exporters from developing countries and official trade representatives information on methods of marketing and promoting exports to the U.K;
- iv. to make way for a rapport between importers in the U. K. and exporters with developing countries.

The DCIOO can help a trading firm find a suitable business compact provided it furnished information about firms products, etc. For the purpose, standard company profile forms are available which an aspirant for assistance has to fill in. Also, the firm has to mention specifically the assistance it expects from the Company. It can provide the firms with introductions; arrange appointments for them and in turn the beneficiary may supply them report on the outcome of negotiations. It facilitates efficient functioning of the DCIOO.

16. Overseas Projects Group

The U. K. project industry is big business which accounts for about 8 per cent of the U.K.'s visible exports. In 1976, the project industry won new business to the value of about £3 billion of which the U.K. content is estimated at about £2 billion. This industry provides jobs and livelihood for thousands of workers and their families. It is a field in which international competition is fierce and concerted efforts are required to be made by all concerned to maintain or, better still, to improve on the U.K. level of success in the project work done throughout the world.

Functions and Objectives

The Overseas Project Group (OPG) help is directed towards the projects, which require a package or turnkey approach. These include elements of consultancy, design, technology, construction, supply of plant, materials and equipment, finance and training. The Group tries to ensure that there is only one British bid in the projects for which its assistance is required, so as to make the best possible use of government services and avoid wasteful competition between British firms.

The industry involved in this group is the so called project industry. This is defined as the civil engineering and construction contractors, the electrical and mechanical engineering contractors; the process engineering contractors; the major plant manufacturers in these fields and the consultants.

OPG operates a policy of selectivity, according to size of project, industrial sector and geographical area. In general it looks for projects which offer opportunities for British exporters of goods and services worth at least £10 million. Group concentrates on the industrial sectors in which British capability is good and on geographical markets where payment presents no major problem.

Methods of Working

OPG acts on a responsive basis and gives assistance to projects which meet its criteria. Sometimes it acts on an initiative basis, for example if it has special intelligence about a new project obtained from an inter-governmental joint commission. In such cases it would seek, in consultation with industry, to identify a suitable leader of a British group to tackle the project. Complex projects of a multi-disciplinary nature often require a combination of British concerns working in consortium or on a joint

venture basis. In most instances British concerns are able to organise their own groupings to pursue these contracts but if necessary OPG can assist in the formation of a suitable group.

Type of Assistance

OPG's assistance falls in two categories: administrative and financial. It co-ordinates the help which government services are able to give in the often lengthy pre-contractual period; this may come from an overseas post, or from a government department or a public sector organisation with expertise for the particular project. Financial assistance is available in certain cases from the Overseas Projects Fund.

Overseas Projects Fund

The purpose of help from the Fund is to encourage greater effort in pursuit of major, complex and difficult project contracts. OPG can contribute upto 50 per cent of the pre-contractual expenses of companies pursuing such contracts. As indicated earlier, to qualify for such assistance, the project must offer a minimum U.K. content of £10 million in goods and services, with the goods element predominant. Similar assistance can be provided for consultancy or project management contracts which by themselves would make a major contribution to U.K.'s balance of payment. The minimum U.K. content for these contracts is £1 million net in fees. OPG's contribution is subject to a maximum per project (in the range of £50,000 – £10,000) which is related to the gross value of the contract being sought, or $\frac{1}{4}$ per cent of the gross value, whichever is the lesser. This contribution is repayable if the contract is won.

Overseas Projects Board

OPG is advised by the Overseas Projects Board established in July 1977 as a result of discussions between Government and industry which confirmed the need for a stronger focal point for consultation on matters relating to overseas project business. The main objective of this Board was:

- (i) To provide a means of achieving closer communications between industry and Government in respect of major project business;
- (ii) To advise the Overseas Projects Group on all matters of interest in the project field;
- (iii) To advise the Overseas Projects Group on the selection of chosen instruments to pursue specific projects overseas in cases in which the normal procedures carried out by the Overseas Projects Groups have failed.

The Board was also supposed to deal other allied matters like examination of the main project markets on which OPG concentrates, Government help to overseas subsidiaries and associates of British companies; organisations of foreign process engineering contractors; inputs to and reports on the various inter-governmental Joint Commissions to which the U.K. is a party.

Organisation of the Board

In so far as the organisation of the Board is concerned, its Chairman is an industrialist who is also member of the British Overseas Trade Board (BOTB) and its membership includes top level representatives of industry and senior officers of Government Departments like the Department of Trade, Department of Industry, Export Credits Guarantee Department, Ministry of Overseas Development, Department of the Environment, Foreign and Commonwealth Office, and British Overseas Trade Board. The industry representatives have experience covering all aspects of overseas project business. They are appointed in a personal capacity, but individual members have the responsibility of providing close links with particular industry organisations whose members are concerned with overseas projects, so that the OPB is representative of industry's views. These individual members are called as "link men" and their main task is to keep their industry organisations informed of the Board's discussions, notify the Board of any subject which industry would like the Board to discuss, obtain information relevant to specific aspects of the project industry and generally develop and maintain close links between the respective bodies.

Success of the Project Industry

It is claimed that the contractors have achieved successes in a wide range of industrial sectors, for example, constructions, steel plant, chemical plant, railways, power generation. The successes were also achieved in all the main project markets—Eastern Europe and richer developing countries in the Middle East, Latin America and South East Asia.

OPG gave assistance in one form or another to British firms in 272 projects in the financial year 1977-78. During the year, contracts were awarded in 44 projects, which a potential U.K. content of £3,800 million. Twelve of these were awarded to U.K. firms, with a U.K. content of £550 million approximately. The success rate of about 1 in 4 is in line with the rate achieved in earlier years. OPG gave assistance from the Overseas Project Fund in 65 new cases in 1977-78. Total expenditure from the Fund in that year was £1-3/4 million approximately which of course covered cases approved in earlier years. This assistance had been given in respect of the 12 projects in which contracts were awarded to U.K. firms during the year and will, therefore, be paid back.

The Overseas Project Group and the Overseas Project Board concentrate on the opportunities which are most likely to benefit the U.K. balance of payments. The best markets for such projects are in the richer developing countries although there has been a slowing down of the pace of development in some countries, there will continue to be a large market for projects in all the main industrial sectors. It is assessed that OPG has been rendering valuable services to firms pursuing major contracts in large capital projects overseas.

17. Non-Governmental Services to exporters

A number of national and local institutions are actively involved in export promotion in close association with the official services. They also provide guidance and assistance for individual exporters.

The Confederation of British Industry (CBI) has a broad interest in Britain's trading relations with overseas countries. The CBI Overseas Directorate identifies, studies and brings to the notice of CBI members changing features of overseas markets posing new problems or offering new opportunities for trade and investment; it provides a flow of inward information and guidance from overseas markets. The CBI formulates policies for export trade through the work of two Standing Committees—the Overseas Committee and the Europe Committee—and through various panels and working groups which report to the two Standing Committees. The working groups cover an extensive range of related trade policy and export topics.

Chambers of Commerce in a number of cities and areas provide information, help or advice to their members on various aspects of exporting like abritation, consular regulations, customs duties and regulations, documentations, exchange control regulations, fairs and exhibitions, foreign competition and import regulations, introductions, marking of goods, missions, packing, patents, shipping regulations, standards, tariffs, taxation and transport and in some cases translation facilities.

Some chambers of commerce are also authorised to issue certificates of origin for exporters. These chambers are listed periodically in the journal Trade and Industry and exporters should note that certificates issued by other than authorised chambers may be rejected by overseas customs authorities. Major chambers in the United Kingdom are affiliated to the Association of British Chambers of Commerce.

Trade associations as industry-based organisations provide advice and services for members on export matters relevant to their industry and engage in export promotion activities by organising trade missions to visit overseas markets and participation in trade fairs abroad under BOTB schemes. Information about these events can be obtained from Export Services and Promotions Division.

Export councils and export groups: In many important export industries firms have banded together to provide specialist advice to their members and provide a forum within which attention of member firms can be concentrated exclusively on export matters. They include for example, the British Agricultural Export Council, the British Health-Care Export Council, the Clothing Export Council, and the British Railway Industry Export Group; and, for service industries, the British Consultants Bureau, the Committee on Invisible Exports and the Exports and the Export Group for the Constructional Industries. These organisations have close links with the BOTB.

Export clubs are local groups concerned with many features of exporting. They are essentially informal business associations pooling the experience of their members

to provide and stimulate interest locally in exporting. The export club movement is sponsored by the BOTB.

The Scottish Export Committee consisting of representatives from Scottish organisations interested in export activities including the Scottish Council (Development and Industry), the Scottish Chambers of Commerce, the Confederation of British Industry and the Scottish Trades Union Congress, provides a forum for discussion of all matters affecting Scottish exports.

The Scottish Council (Development and Industry) was formed by the merger of the Scottish Development Council and the Scottish Industry to promote the industrial and social development of Scotland. It sponsors outward trade missions, organises seminars and gives assistance in marketing and selling abroad.

18. Export Credits Guarantees Department

The main objective of ECGD in U.K. which is a separate Government Department is to encourage exports by the provision of export credit insurance on a self-supporting basis. Its cover is available only to the United Kingdom firms who may insure against various risks which may prevent them from receiving payment for goods or services supplied. It operates either under the ECG Act after consultation with the Advisory Council or in the national interest. In any case there is an obligation to remain self-supporting. It, therefore, runs its business purely on commercial principles and remains free to decline business which on balance is though likely to result in loss, either by reason of the buyer's limited creditworthiness, the economic risk in a market or the form of cover requested. This principle is however relaxed only in the case of capital or quasi-capital goods or projects, and in certain other special type of policies.

ECGD cover is based on normal commercial relationship between buyer and seller. This requires that neither the details nor the existence of an ECGD policy shall be disclosed except to the exporter's bankers or brokers in confidence. In return, the Department binds itself and its agents not to disclose that any particular transaction or exporter is covered by a policy.

ECGD adheres to common principles agreed with other credit insurers through membership of the Berne Union (an inter-national association of credit insurers), in particular not to insure transactions made on easier credit terms than those which are consistent with the accepted pattern for the goods in question. The adherence to this principle ensures that UK exports are made on terms which bring benefit as early as early as possible to the United Kingdom balance of payments. Moreover, departure from this principle by ECGD might encourage international credit race. The Department cannot be diverted from the principle by attempts on the part of buying countries to dictate arbitrary terms of payments for their imports.

ECGD cover is insurance against loss through specified causes (e.g. insolvency of buyer and delay in transfer of sterling). It does not, for example, cover against risk

within the exporter's control; nor against the buyer's failure to comply with import or exchange regulations; nor will it cover contracts which contravene the laws of the UK or the buyer's country. ECGD cover is not compulsory; exporters are free to trade without insurance with buyers whom ECGD feels unable to cover or who are in a market for which the Department can only offer a restricted form of cover or even no cover at all.

General Principles of Export Credit Insurance

i. Export Credit Insurance –the insurance against non-payment by an overseas buyer of amounts due under a properly carried out contract, from simple beginnings has developed into a varied and sometimes complex form of insurance.

ii. The basic policies are usually conditional and the insured is expected to take a proportion of the risk for his own account.

iii. This form of insurance is not truly commercial and is therefore, always Government backed in some way.

iv. The cover given may be 'comprehensive' i.e. all of the Insured's business of "Specific" i.e. individual contracts.

v. The credit periods covered will depend on the type of contract and the normal usage of trade and usual categories :

- | | |
|-----------------|---|
| (a) Short Term | — upto 6 months credit |
| (b) Medium Term | — upto 5 years credit |
| (c) Long Term | — 5-12 years but not fixed |
| (d) Aid | — Non-commercial usually in excess of 12 years. |

The Comprehensive Short Term Guarantee

The Comprehensive Guarantee has been in existence for a number of years and has been amended and expanded to cater for the variations in cover present day trading conditions demand. The new Comprehensive Short Term Guarantee (CST) was introduced in 1975 for three main reasons;

- (i) To simplify documentation;
- (ii) As a result of the Scholey Report on the organisation and function of ECGD published in 1972;
- (iii) As a result of the UK's membership of the EEC.

The manufacturers, merchants, confirmers all have this guarantee provided they deal in general consumer goods and are not offering their buyers terms of payment in excess of 180 days.

As soon as the goods are despatched the exporters are insured against the numerous risks which may prevent or delay the receipt of payment, either through the insolvency or default of the buyer or the action of the buyer's Government. If the exporter so elects, he may have ECGD cover from 'date of contract' instead of from date of 'dispatch'. This type of cover is known as Pre-Credit Risk. The exporter has to decide at the outset which type of cover best suits his interest, and when this decision has been made, it relates to his total export business and operates on a continuous basis.

Premium is paid in two parts: an annual premium (present minimum of £ 50) is payable, calculated each year according to export turnover and the use made of ECGD's credit limit service, and a monthly premium based on business declared to ECGD.

The Comprehensive Short Term Guarantee is designed to be an all-inclusive guarantee catering for all common types of trading. The guarantee documents once issued are of a 'continuous' nature and there is a simple procedure for annual renewal.

The Comprehensive Short Term Guarantee covers the exporter from the buyer risks, the political risks and number of other sections giving cover on standard variations etc. The pre-credit risk section gives appropriate cover from date of Contract in respect of all contracts covered by certain other sections and also for contracts on confirmed Irrevocable Letter of Credit terms.

Credit Limit Control

As far as ECGD's short term credit insurance operation is concerned the Department must guard against taking on unlimited liability in respect of individual buyers and it does this by approving "Credit Limits". In this way it fixes the amount and period of its liability in respect of an exporter's outstandings with any one buyer at any one time.

Article 11 of the Comprehensive Short Term Guarantee sets out the terms and conditions used to arrive at a credit limit which are summarised below:

- i. **The Free Limit:** This enables the exporter to fix his own credit limit upto £ 250 provided it relates to a single contract for not more than this amount, it is his first contract with the buyer and he knows of no reason which would make it undesirable to enter into a contract with that buyer.
- ii. **The Discretionary Limit:** This also enables the exporter to fix his own credit limit but this time up to a maximum of £ 5,000, unless the Department agrees some other

figures. For the exporter to use his discretionary powers, he must be able to justify his limit with written information about the buyer and his financial position obtained from a credit information agency or bank not more than six months before the date of despatch of the goods or, where the Pre-Credit Risk Section applies, before the date of the contract.

iii. Where an exporter has had satisfactory previous dealings with a buyer he may trade with that buyer upto 50% more than the highest amount outstanding at any one time provided that such amount was paid by the buyer within 60 days of the original due date. This will be based on business done with that buyer during the two years prior to the date of despatch of the goods or, where the Pre-Credit Risk Section applies, preceding the date of contract. The exporter may trade in this way upto a maximum of £ 20,000.

A simple form is provided to obtain the Department's agreement to insure trade with any particular buyer that the exporter cannot justify under paragraphs (i) (ii) and (iii) mentioned above. The form is completed by the exporter and it gives details of the exporter's name and address, guarantee, number, buyer's name and address, buyer's bankers if known, type of goods, amount of limit applied for, precise terms of payment etc.

Conditioning the Credit Limit

When underwriting a credit limit application the Underwriter may wish to impose certain conditions on the approval. On the reverse of the Credit Limit Decision there are nine standard conditions which may be imposed and these are as follows:—

- (i) **Temporary Decision :** This is given when ECGD have some information on a buyer but it is insufficient to approve the amount requested. A smaller limit is usually agreed as a temporary decision and when further information is received ECGD will review that decision.
- (ii) **Expiry Date :** This permits the Underwriter to impose an expiry date on the decision. When this date is reached and he wishes to continue trading, if the exporter cannot justify trade under the Discretionary Limit, he must reapply to ECGD with a fresh application accompanied by full details of trading experience and proposed forward shipping programme.
- (iii) **Public Buyer :** This is used when the Department is satisfied that the buyer concerned is a Government or Public buyer and states that Risk 10 of the comprehensive Short Term Guarantee or Risk 8 of the CET, shall apply.
- (iv) **Where the Pre-Credit Risk section of the comprehensive Short Term Guarantee is operated, an exporter is permitted a 'Contract Limit' of four times the amount of the Credit Limit. This condition enables an Underwriter**

to vary the contract limit to the amount of the approved credit limit, or to a specific amount which he himself imposes.

(v) **Cash against Documents/Confirmed Irrevocable Letter of Credit :**

(a) This condition defines exactly what the Department means by the CAD/CILC terms;

(b) This condition restricts the Departments liability to validity period of the Letter of Credit.

(vi) **Extensions of due Dates of Payment :** Article 17c of the Comprehensive Short Term Guarantee permits an exporter to extend the due date of payment by a period not exceeding 90 days provided that the extension is requested shortly before the due date of payment.

(vii) **Withdrawal of Uplift and Discretionary Powers:** Article 11 (d) ii of the Comprehensive Short Term Guarantee permits an exporter to increase by 25% the amount of a currently valid credit limit approved by ECGD, provided that the amount uplifted has been outstanding with a buyer at any one time and has been duly paid.

(viii) **Associated or Subsidiary Companies :** If the buyer is an Associate or Subsidiary company of the exporter, this condition is Imposed, thus bringing into operation Credit Risk Section D of the CST.

(ix) **Nor Approved :** An underwriter will impose this condition when he is not prepared to agree cover at all on a buyer due to adverse information received. In this case, if an exporter wishes to trade with the buyer, he does not declare the business to ECGD, nor does he pay any premium to ECGD as a result of any transactions that he may enter into with the buyer.

Standard Limits

Under the proposed computer system all buyers will have standard limits. There will be one limit for cash terms and one for credit terms and the amounts can range from NIL to at the moment, the level of the Principals underwriting authority.

The standard limit will represent the maximum figure to which the Underwriter is prepared to go on the particular buyer in the absence of special consideration relating to a particular Policy holders business with the Buyer.

The standard limit will enable ROs to deal directly with all credit limit applications through their visual display units. Applications, outside the standard limit e.g. those requiring special conditions, or applications for which the standard limit is not a reasonable response will be passed to the Underwriter for special consideration through the computer system.

Types of Services

In General, the services, the Department is prepared to cover, fall under one of the following broad headings:

- (a) Consultancy services (e.g. provided by engineers architects, surveyors, etc.)
- (b) Refits, conversions, overhauls or repairs (mainly in connection with the ships or aircrafts)
- (c) Processing
- (d) Hiring
- (e) Supply or know-how, under either:—
 - (i) Licence agreements, or
 - (ii) Royalty agreements

ECGD's Foreign Currency Buyer Credits

ECGD's buyer credit facilities are being developed to encourage and assist exporters with greater use of Currency Contracting. The additional facility "Foreign Currency Buyer Credit" introduced by ECGD enables funds to be raised by the leading bank on the ECGD Currency Market in either US dollars or deutsche marks to support UK export contracts. Foreign Currency buyers credits are designed to be internationally by competitive in terms of length of credit and rate of interest. The credit terms reflect the size and the nature of contract and the political and economic condition of the buying country.

Foreign Currency loans are normally available for maximum periods of about 7 years. This medium term variable for rate Commercial Euro Currency finding has been converted into a long term fixed rate lending by assuming on the part of ECGD, the role of Co-lender. Under the terms of Financial agreement Commercial banks undertake fixed interest rate lending for the maximum period possible and ECGD as lender of last resort undertakes to take over the whole of lending at the end of that period.

ECGD also guarantees repayment to lending banks and undertakes to take over the funding of the loan under certain circumstances. The premium and agreement sets out the obligation of exporters to pay ECGD premium and ECGD's obligation to the lending bank to adjust the interest receivable from the borrower to the level of an agreed rate of return. When the interest from the borrower exceed the agreed rate of return, the excess is paid to ECGD.

Thus the new facility provides access to Currency loans. Principally, this means Currency Contracting when an exporter has, say, dollar receivables under a supply contract, he has the option of selling them forward. But the use of forward market requires care. In this connection ECGD provides as an integral part of the facility described

above additional cover against losses which an exporter might suffer if the supply contract is terminated for reasons other than the supplier's own default and forward exchange contracts entered into have to be unwound.

Support for the issue of Bonds

The aim of the ECGD bond support scheme is to supplement the Commercial body market. ECGD does not itself issue bonds but provides guarantees to banks or surety companies to encourage issues of bonds which might not otherwise be made available. This support includes cover against the unfair calling such bonds.

There are three types of bonds namely performance bonds, tender bonds and advance payment bonds. Performance bonds are guarantees that sellers or contractors will satisfactorily perform their obligations. Tender bonds are called for by overseas buyers who want some assurance that tenderers are technically and financially competent to undertake proposed contract and will be able to provide consequential bonding requirements. Advance payment bonds enable buyers to be sure that any money they advanced will not be lost through the supplier's default or poor performance. Similar ECGD bonds are available for progress, retention and maintenance payment.

There are two types of forms which the bonds described above assume. The one is on-demand bonds which allow the beneficiary to "call the bond without necessarily proving non-performance by the contractor and the other is conditional bonds which can only be "called" after the contractor himself has admitted or arbitrator or other third party has ruled that he is in breach of contract.

The Preshipment Guarantees

This scheme is devised to facilitate the provision of manufacturing finance for major export projects. One of the main conditions is that the exporter must show that the necessary finance is not available from his bank and that the bank is willing to make the necessary finance available against an unconditional guarantee from ECGD. The lines of finance provided is no more than that required to make good any deficit indicated in the cash flow projection for production of the contracts which is not available from normal borrowing sources. But this facility does not provide finance at subsidised rate. The overall cost, including ECGD premium will be somewhat higher than the cost of the supporter's overdraft borrowing.

Re-finance of Fixed Rate Export Credit

ECGD commenced operating the refinancing scheme in March 1972 so as to provide relief to those clearing banks whose export advances were out of scale with the rest of their lending in the form of refinancing part of the export lending with the issue department of the Bank of England. The broad base of the practical operation of the refinancing scheme can be expressed as follows:

1. The clearing banks with the refinancing offer any fixed rate export lending

beyond an amount equivalent to 21% of the average of the banks sterling sight deposits over the previous 12 months apportioned as to exports.

- ii. This is achieved through an account at the Bank of England. The banks issuing a promissory note each month is redeemed the next month before ECGD top up their funds.
- iii. Any difference between the fixed rate and the agreed rate of return to the banks will be made up by an adjustment in the interest payable with the banks on the amount refinanced. The adjustment can either be in favour of the banks or the government depending upon the level of the rates, refinancing is compulsory for all their eligible fixed rate lending.

Cost Escalation Cover

This is intended to provide exporter with partial protection against unavoidable increases in some of their costs which they incur in the U. K. in carrying out eligible contracts to the extent that they cannot recover these increased costs from their buyers. Only certain costs incurred in the U. K. are acceptable for cover. Foreign and local costs, non-U.K. sub-contracts etc. are unacceptable.

And also the scheme does not apply to all elements of contracts, only those subject to U.K. inflation. This element is termed "Eligible Value". The eligible value figure is that part of contract price which remains after all the appropriate reductions have been made. ECGD determines case by case.

Period of cover usually runs from the date when an exporter is committed to a firm price, i.e. on contract signature but possible from the date of tender or the base rate for tender price these are not too long before the expected date of contract. Cover cannot run for a period less than 2 years.

Under the scheme the exporter or his buyer bears cost increases related to the eligible value upto a specified threshold level. Above this threshold ECGD compensates for cost increases on the eligible value within a variable band upto a fixed minimum. Exporters may select threshold within certain limit. The threshold selected determines the band of cover.

ECGD charges premium for cover calculated at 1% of the eligible value for each year of the period of cover and payable annually in advance. Incomplete years are charged prorata.

SUMMARY OF OBSERVATIONS

The main features of the working of the British Export Services of interest to India are given below :

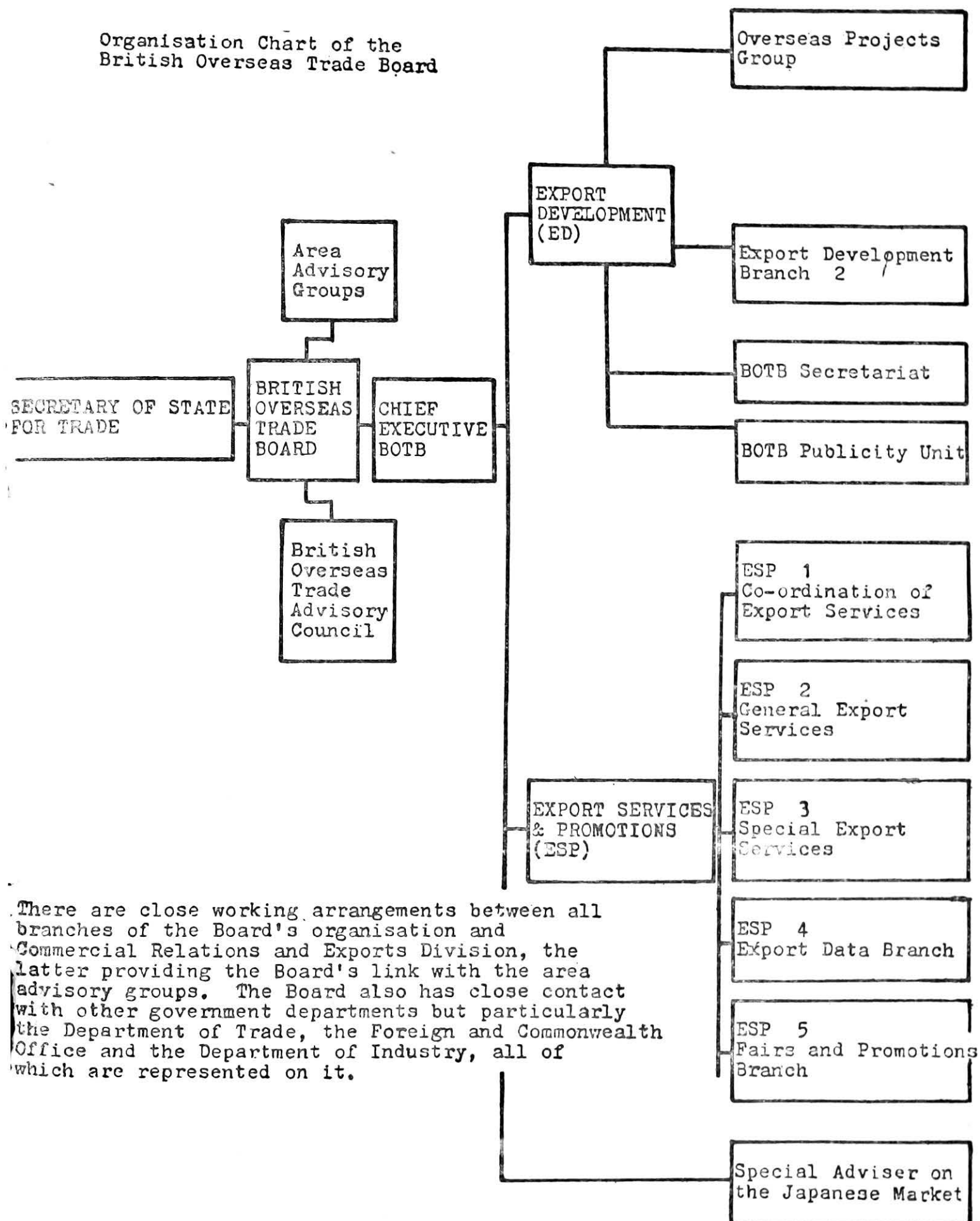
- 1. The Department of Trade of the British Administration is responsible for developing the best possible climate for British trade and for Government to Government Commercial relations which help to undertake market intelligence and allied trade matters.**
- 2. British overseas Trade Board within the Department of Trade is responsible for co-ordinating and directing the export services. It is composed of businessmen drawn from the public and private sectors of Industry and the city, representatives of the Association of British Chambers of Commerce, the Confederation of British Industry, Trade Union Congress and the concerned Government Departments. The head of the board is drawn from the private sector.**
- 3. BOTB advises the Government on strategy for overseas trade, directs and develops export promotion services of the Government, encourages and supports Industry, and Commerce in overseas trade and contributes to the exchange of views between the Government and Industry and Commerce.**
- 4. The Board draws on extensive knowledge and experience of the main trading areas of the world through its 16 Area Advisory Groups. The Board is also assisted by the British Overseas Trade Advisory Council in the operation and development of the Board's services to the industry.**
- 5. The Board's services to the exporters are worldwide. This service, at London, is provided by the Staff of Export Services and Promotion Division's General Export Services Branch and elsewhere by Regional Export Office. It is seen that these provide the most convenient initial points of access to the whole range of the Board's services at home and overseas.**
- 6. Export Intelligence service offered by the British Export Service System is one of the most important services rendered by it. BOTB receives export intelligence from British Commercial Offices throughout the world which provide information in respect of the potentiality for trade in various products. It is observed that there are about 9000 Subscribers to the EIS out of about 100000 exporters in the country. Big firms which number about 100 and contribute about 80% of the total exports are also partially making use of the service.**

7. Export Marketing Research scheme is another important Export Promotion Service of the BOTB. The Board employs professional marketing researchers to advise firms on the best methods of conducting research in overseas markets. The scheme is applicable to exporters or potential exporters whose goods or services are produced in the U. K. Priority, it is learnt, is given to applicants with little experience of market research.
8. The Government has set up the Statistics and Market Intelligence Library for public use. It houses a set of current trade statistics for the world, a wide range of other statistics general and international series, statistics on population, distribution price, etc. The library, it is witnessed, acts as an enquiry point and gives advice to readers wishing to make contact with the U.K. Government departments with statistical enquiries.
9. The BOTB provides space and shell stand or other appropriate display facilities at attractive rates to firms taking part in group displays of U.K. products at overseas trade fairs.
10. BOTB organises joint ventures scheme by way of which a number of firms in an industry take part in a collective presentation of U.K. goods or services at a specialised trade fair overseas under the sponsorship of an approved trade association. The BOTB also bears to a certain extent travel and trade costs, of the firms participating in overseas trade fair.
11. Besides trade fairs, there are other instruments of publicity to break new grounds for U.K. products. BOTB Publicity Unit, Control Office of Information, BBC External Services are some of the publicity units.
12. Central office of information is the Government's main publicity outlet. It is learnt that every day COI sends hundreds of industrial news stories to some 200 British Embassies and consulates overseas. A single item published in this way can bring in a number of trade enquires.
13. The BOTB through its Fairs and promotion branches supports seminars and Symposia organised outside the U.K. The event to qualify for support must bring specific U.K. products, processes or services to the attention of specific buyers.
14. BOTB provides information about tariff and other requirements of overseas countries such as customs, levies and duties, indirect taxes which the British Exports have to face. Also provided is information pertaining to legislation covering customs procedure in overseas countries for imported goods, warehousing regulations, import taxes, levies etc.
15. Market Entry Guarantee Scheme provides for assistance to smaller and medium sized firms in manufacturing industry to deal with the financial risk and problems associated with the venture to develop new export markets.

16. BOTB's outward mission scheme is to increase exports by encouraging British businessmen to visit overseas markets to export and assess the prospects for their goods or services. The inward mission scheme of BOTB is to promote visible and invisible exports. Under the scheme financial assistance is offered to firms wishing to bring to Britain overseas businessmen, journalists or others who can influence exports.
17. The British Government has set up an Import Opportunities Office now known as U.K. Trade Agency for the developing countries as a part of U.K.'s contribution to overseas development and to assist developing countries by helping them sell their goods in U.K. The services of this Office are available normally without charge to exporters and organisations in developing countries.
18. Most of the services offered by BOTB are available at nominal costs. Nominal charges levied act as restraint for the misuse of service rendered by BOTB.
19. The overseas Product Group is established to assist the projects which require a package or turnkey approach. The group tries to ensure that there is only one British bid in the projects for which its assistance is required.
20. OPG provides both financial and administrative assistance. It can contribute upto 50% of the pre-contractual expenses of companies pursuing complex and difficult contracts. To qualify for such assistance the projects must offer at least a minimum U.K. content of £ 10 million in goods and services. Similar assistance is available to consultancy or project management contracts provided the minimum U.K. content of these contracts is £ 1 million.
21. Besides governmental organisations for export services, a large number of national and local institutions are actively involved in export promotion.
22. ECGD operates to encourage exports by the provision of export credit insurance on a self-supporting basis. Its cover is available only to the U.K. firms who may insure against various risks which may prevent them from receiving payment for goods or services supplied. ECGD Cover is based on normal commercial relationship between buyer and seller.
23. The comprehensive short term Guarantee extended by ECGD covers the exporter from the buyer risks, and the political risks. It is designed to be an all inclusive guarantee catering for all common types of trading.
24. ECGD's buyer credit facilities assist exporters with greater use of currency contracting. Additionally it provides "foreign currency. Buyer credit" designed to be internationally competitive in terms of length of credit and rate of interest.

25. ECGD operates bond support scheme also. It does not itself issue bonds but provides guarantees to banks or surety companies to encourage issue of bonds which might not otherwise be available.
26. Refinancing scheme of ECGD provides relief to those clearing banks whose export advances are out of scale with the rest of their lending.
27. Cost Escalation Cover of ECGD provides exporters with partial protection against unavoidable increases in some of their costs which they incur in the U.K.

Organisation Chart of the British Overseas Trade Board



There are close working arrangements between all branches of the Board's organisation and Commercial Relations and Exports Division, the latter providing the Board's link with the area advisory groups. The Board also has close contact with other government departments but particularly the Department of Trade, the Foreign and Commonwealth Office and the Department of Industry, all of which are represented on it.

BRITISH OVERSEAS TRADE BOARD

EXPORT SERVICES AND PROMOTIONS DIVISION
Department of Trade
Export House, 50 Ludgate Hill, London, EC4M 7HU

HEAD OF DIVISION

DEPARTMENT OF INDUSTRY

<u>Co-ordination Branch</u>	<u>General Export Services Branch</u> (GES)	<u>Special Export Services Branch</u> (SES)	<u>Export Data Branch</u> (EDB)	<u>Fairs and Promotions Branch</u> (FPB) Hillgate House 26 Old Bailey London EC4 7HU	Regional Offices Export Sections
DIRECTOR ESPD 1	DIRECTOR ESPD 2	DIRECTOR ESPD 3	DIRECTOR ESPD 4	DIRECTOR ESPD 5	
Co-ordination of export services policy. Liaison with FCO and overseas Posts and other Departments. Liaison with TME. Internal establishment matters. Divisional training and liaison with Central Training Section.	Advice and assistance to exporters in London, the Home Counties and East Anglia. Liaison with Regional Offices. Collaboration with other Divisions and Departments on the planning of export priorities and of special promotions in the U K and overseas. Compiling information on an industry basis. Publication of Export House newsletter.	Export Marketing research scheme; European Components services; arrangements for inward missions, VIP's and other business visitors from abroad; home duty tours for Commercial Officers from overseas; liaison with Export Clubs. Services to exporters of "Invisibles"	Storage and dissemination of market and other export information. Export Intelligence Service; overseas tariffs and regulations; documentation; specific information product/country; (agency legislation, setting up a business overseas, MUL etc.); "Hints to businessmen"/Pocket Guide/overseas status. Lists of manufacturers/importers overseas.	Administration and organisation of the Department's schemes for overseas trade fairs, joint ventures, British Pavilions and outward mission schemes. Responsibility for technical services.	Provision of export Services under the direction of Directors (Exports)
Co-ordination of ESPD and Regional Export Policy and administration	Industry Groups	Export Marketing Research (EMR)	Export Intelligence Service (EIS)	4 Country Sections	(Newcastle (Cockermouth District Office
Financial Votes, Staff Complements	GES Co-ordinating section	Overseas Visitors Bureau (OVV)	Overseas Tariffs and Regulations (OTAR)	1 Administration and Publicity Section	Leeds Manchester Birmingham Nottingham Bristol
Establishment matters, Security	Special exercises, briefing etc.	Business Visitors VIP's	Market Information (MIS)	4 Technical Services sections located at St Christopher House Annex, Summer Street, London SE1 0TB	(Glasgow (Scottish Economic Planning Department (Scottish Office
OTM's		Commercial Officers	Status Information		(Inverness District Office
Liaison with Overseas Divisions, FCO and other Departments		Tours	Exporters Records		(Cardiff (Industry Department, Welsh Office
Export Marketing Advisers		Export Clubs	Overseas Trading Lists Section		(Belfast (Department of Commerce
Training		European Components Service (ECS)			
Technical Help to Exporters Services (of BSI)		'Invisibles' Section	Statistics and Market Intelligence Library (SML)		