

# **PART VII**

## **RATIONALISATION OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE DEPARTMENT OF COMMERCE**

**Rationalisation of the Functions, Activities and  
Structure of the  
Department of Commerce**

**Table of Contents**

<b>Executive Summary .....</b>	<b>1</b>
<b>1. The Background .....</b>	<b>4</b>
<b>2. Organisational Structure .....</b>	<b>8</b>
<b>3. Organisation Wise Analysis .....</b>	<b>8</b>
a. Department of Commerce .....	8
b. Directorate General of Foreign Trade, New Delhi .....	9
c. Directorate General of Commercial Intelligence and Statistics Kolkata .....	10
d. Custodian of Enemy Property .....	11
e. Export processing/Special Economic Zones .....	11
f. Commodity Boards .....	12
g. Autonomous Organisations .....	14
i. Indian Institute of Foreign Trade, New Delhi .....	14
ii. Export Inspection Council, New Delhi .....	14
iii. Indian Institute of Packaging, Mumbai .....	15
iv. Marine Products Export Development Authority, Cochin .....	16
v. Agricultural and Processed Food Products Export Development Authority, New Delhi .....	16
vi. Federation of Indian Exporters Organisation, New Delhi .....	16
vii. Indian Council of Arbitration, New Delhi .....	17
viii. Indian Diamond Institute, Surat .....	17
ix. Export Promotion Councils .....	17
h. Public Sector Undertakings .....	18
i. India Trade Promotion Organisation .....	18
ii. State Trading Corporation of India Ltd. ....	18
iii. Minerals and Metals Trading Corporation of India Ltd. ....	18
iv. Projects and Equipment Corporation of India Ltd. ....	19
v. Export Credit Guarantee Corporation of India Ltd. ....	19
<b>4. Analysis &amp; recommendations .....</b>	<b>20</b>
a. Directorate General of Foreign Trade .....	20
b. Directorate General of Commercial Intelligence .....	21
c. Custodian of Enemy Property, Mumbai and branch office at Kolkata .....	23
d. Export Processing / Special Economic Zones .....	23
e. Commodity Boards .....	23
f. Autonomous Organisations .....	26
i. Indian Institute of Foreign Trade .....	26
ii. Export Inspection Council, New Delhi .....	26
iii. Indian Institute of Packaging, Mumbai and Indian Council of Arbitration, New Delhi .....	27
iv. Marine Products and Agricultural and Processed Food Products Export Development Authorities .....	27
v. Federation of Indian Export Organization .....	27

vi.	Indian Diamond Institute.....	27
vii.	Export Promotion Councils .....	28
g.	Department of Commerce.....	28

<b>ANNEX-I .....</b>	<b>32</b>
<b>ANNEX-II .....</b>	<b>36</b>
<b>ANNEX-III .....</b>	<b>39</b>
<b>ANNEX-IV .....</b>	<b>40</b>

## ***Executive Summary***

1. With the withering away of the regulatory functions which was the main activity in the earlier years and with the present support functions, like advance licence scheme etc. being computer based, the staff strength of DGFT would admit of drastic downsizing. The SIU should be required to quickly redetermine the staff strengths of DGFT within the next two months based on a sample study. (4.2)
2. Entrustment of this scheme, which is now akin to the duty drawback scheme, to the customs department, would lead to considerable reduction in transaction time and costs for the exporters. It should therefore be examined, say two years down the line, whether this task should not be vested in the customs department (4.3)
3. The staff strength of the DGCIS would need to be re-fixed with reference to change in the mode of availability of input data as well as in the procedure for data entry and analysis. (4.6)
4. The various items of work of the Custodian of Enemy Property should be completed in a time bound manner, say within two years. The organisation should then be wound up and such items of work that remain entrusted to the Ministry of Home Affairs. (4.7)
5. As in the FEPZ at Calcutta, the support staff strength at the other export processing centres zones needs to be downsized by farming out such work. (4.8)
6. The suggestions contained in the report on Commodity Boards submitted by Shri P.P. Prabhu for broad basing of the boards, with reduced government representation, making export promotion and research, the main focus of activities, closure of the foreign offices of the Tea Board, privatisation of coffee houses and downsizing of the staff strength in the Tea Board, Coffee Board and Rubber Board, should be implemented speedily. In addition the government should delegate full administrative and financial powers to these boards, if

necessary by amending the relevant Acts so that the boards are made really autonomous in their functioning and the practice of a government official functioning as the chairman of these boards can be discontinued. (4.12)

7. IIFT should take steps for increasing internal cash generation to a point where it should not be dependent upon government for its day-to-day expenditure. Once this objective is achieved, the institute could be freed from government control altogether and the practice of a government official being appointed as the Chief Executive should be dispensed with. (4.13)

8. Export certification should be demand driven. Certification should be prescribed mandatory only in those items in which it is anticipated that in the absence of such certification there could be export of sub standard products by some exporters affecting the entire export effort in those areas. More Agencies with necessary infrastructure could be licensed to take up such export certification work and Export Inspection Council's work should be demand driven in a competitive environment. The IWSU recommendation for downsizing the staff strength in the Calcutta office should be implemented straightaway even as a review of the staff strength is undertaken at the other centres where there is a mismatch between the staff strength and workload. (4.14)

9. The nature and range of activities of the Council of Arbitration, Indian Institute of Packaging and FIEO are such that it is not necessary for government to participate in the management or control of these organisations. The Department could extend financial support to these organisation for specific projects. (4.15, 4.17)

10. The recommendations made earlier for the Commodity Boards will apply equally to MPEDA and APEDA also. (4.16)

11. The government's role as well as control over the Indian Diamond Institute should be phased out over the next two years. (4.18)

12. In the Department, the post of Special Secretary should be down graded to that of an Additional Secretary, thus enabling the Secretary to be directly responsible for the efficient functioning of all aspects of the work in the department. (4.20)

13. The department would need to be strengthened at the senior levels to effectively handle the intricate, emerging issues in the areas of WTO and multilateral matters, Trade Policy and Anti Dumping. (4.21, 4.23)

14. A Think Tank with a panel of experts in the field should be promoted, using the facilities at the IIFT, to provide pro-active advise in WTO matters not only to the Department of Commerce but to other users like Department of Industrial Policy and Promotion and Ministry of Agriculture, etc. (4.21)

15. The working of the Economic Division would need to be fully integrated with that of the Trade Policy Division. (4.22)

16. As far as work relating to Commodity Boards is concerned, it will be necessary to retain in the Department only the minimum complement staff for putting through the increased delegation of powers, amendments to/repealing of concerned Acts etc. All other posts sanctioned for this purpose in the Ministry should be abolished forthwith. (4.24)

17. The present arrangement of having commercial offices abroad would need to be reviewed so as to keep the number of such offices to the minimum. (4.25)

18. The staff requirements in the Ministry would need to be re-assessed and downsized in line with the suggestions for increased delegation of powers/streamlining recommended earlier for the various organisations under the control of this department. Pending this detailed review one post of Joint Secretary along with the support staff could be declared surplus straightaway. (4.27)

19. The Department of Commerce should implement fully the various economy instructions, particularly those relating to downsizing of staff strength issued by the Ministry of Finance from time to time, starting with the 10% cut in staff strength imposed in 1992. (4.27)

# **Rationalisation of the Functions, Activities and Structure of the Department of Commerce**

## **1. *The Background***

1.1 Ever since, 'Commerce' as a subject was allotted to a separate Department (Department of Commerce) in 1921, there have been frequent changes in the nomenclature of the Ministry/Department. Annex-I traces the history from 1921 till date. The present set up (Ministry of Commerce and Industry) came into being on 13<sup>th</sup> October 1999.

1.2 In the earlier decades, India's external trade policy was dictated by three major considerations – (i) a totally inward looking industry and trade policy (ii) an acute foreign exchange scarcity and (iii) a foreign policy that leaned more towards NAM and the USSR block. The industrial policy aimed at import substitution and industrialisation was considered a major instrument for development of backward areas as well as promotion of employment opportunities. The industries were at one end highly regulated with the extensive controls on production, pricing and distribution while at the other, the licence raj, quantitative restrictions on a large number of imports and very high tariff regime provided the existing units considerable protection. The (resultant) poor quality and high prices of the output, as well as considerations of maintaining domestic price inhibited the export efforts. These factors 'combined' with the foreign policy dictates led to the development, in a big way of bilateral trade relations particularly rupee trade with the erstwhile USSR block.

1.3 Thus the complex rationing system for imports not only of finished goods but of intermediate and as well capital goods and an equally complex system of regulations, centralised trading through Government and Government sponsored agencies as well as financial incentives for export promotion and strong bilateral trade promotion became the cornerstones of the country's trade policy.

1.4 Though there had been some efforts earlier at liberalising trade policy – for a brief period from June 1966 to March 1968 following the devaluation of

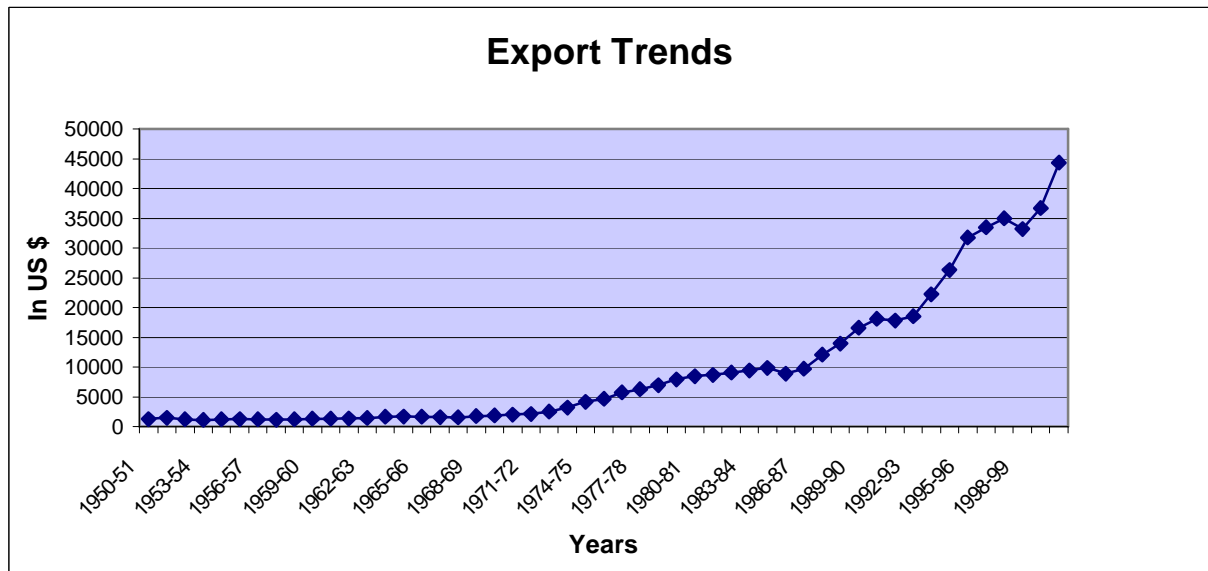
rupee and again in April 1975 – a major and sustained thrust came in only with launching of the economic reforms in July 1991. The quantitative restrictions have been gradually reduced and almost done away now, with the number under QRs coming down from 4041 in pre July 1991 to only 538 now. This development has been in response not only to the WTO commitments but also reflects the opening up of the economy domestically as well as the evolvement of bilateral relations in the region with 1429 QRs being unilaterally removed on imports from SAARC countries with effect from 1.8.1998. In the case of SAARC countries, there are currently no QRs, barring the security exceptions.

1.5 The reforms on the tariff side have been no less impressive. Over this ten year period not only have the peak rates come down from 355% in 1991 to less than 50% now, but more importantly the average weighted tariff which was 87% in 1991 has come down to less than 30% now. As far as the financial incentives for export promotion is concerned, both the Cash Compensatory Scheme and the Money Replenishment licences, which were the major elements, were done away within July 1992 when the partially traded exim scrips scheme was introduced (July 1991 to February 1992). This in turn was replaced by a liberalised Exchange Rate Management Scheme (partial current account convertibility), which prevailed from March 1992 to February 1993 when that in turn was replaced by the modified LERMS (full convertibility on current account) from March 1993. In each stage there were also depreciation in the value of the rupee – by 23% in July 1991, by 28% in March 1992 and 11% in February 1993. Since then with the rupee value being allowed to be determined by market conditions, with the occasional Reserve Bank intervention to contain volatility, the rupee has depreciated to about 47 to one US \$ compared to less than Rs.20 before July 1991. The outgo in the form of various duty drawbacks schemes taken together with the concessions/exemptions in corporate tax on profits earned on exports have grown steadily topping Rs.30,000 crore at present.

1.6 These changes are also reflected in the Export-Import data for this period. In the first two decades there was not much growth in total exports. There has however been a steady income from the early seventies, with growth rate being

around 20% in several years including in the year 2000-2001, though with mini collapses for short periods on three occasions. The graph below (Figure 1) vividly brings out

Figure 1



the trends in export growth over the last five decades – a virtually flat line in the first twenty years, and a sharp increase in the last fifteen years. The composition of exports also underwent a major change during this period, with agriculture and allied products going down from 44% in 1960 to less than 9% in 2000-01, while manufacturing sector has registered an impressive increase from 45% in 1960 to 75% now. Areas like gem and jewellery, ready made garments, engineering, chemicals and allied products where there was very little exports in the pre-60s have all gone up sharply to 17%, 12%, 13% and 14% now respectively. These trends are vividly captured in the second graph below (Figure 2), which shows the trend in exports as a percentage of the GDP. After a steady fall from a high of 6.78% in 1953, it went down to 2.93% in 1967, and then registered a steady increase from 1985 to nearly 8.50% now with a small hiccup between 1995 and 1998. In imports, the share of capital goods as well as cereal and cereal products has gone down from 32% and 16% in 1960 about 10% and 1% respectively now while that of petroleum and lubricants has gone up sharply from 6% in 1960 to around 25% now. As regards the direction of exports, the

percentage share of exports to Eastern Europe, which had registered a sharp increase from 7% in 1960-61 to 22% in 1980-81, has gone down to 3% now. While the percentage of exports to OECD have come down somewhat, that of USA and especially the developing countries, including OPEC, has gone up considerably.

Figure 2



1.7 In the last ten years there has been a major transformation in the role of the Department of Commerce. Earlier the emphasis was more on control of imports and exports, as well as on commodity and bilateral/regional trade. Today the emphasis is more on WTO and multi-lateral trade issues, a trade policy that seeks to maximise exports within the framework of domestic and bilateral trade requirements on the one hand and multi-lateral commitments on the other, protecting domestic interests through vibrant anti dumping measures and in general playing a supportive role to exporters.

## **2. Organisational Structure**

2.1 The sea change in the trade scenario and the liberalisation measures introduced in the last ten years has not however resulted in significant changes in the organisational structure of the Department of Commerce, except for a change in the nomenclature as well as role of the erstwhile office of the Chief Controller of Imports and Exports, addition of a new office for dealing with Anti Dumping measures and some downsizing of staff strength particularly in the Directorate General of Foreign Trade through the twin measures of non filling up of vacant posts and transfer of some posts to the main ministry. The functions allotted to this Department are set out in Annex-II.

2.2 The Department of Commerce has one attached office (the Directorate General of Foreign trade), nine subordinate offices (Office of the Custodian of Enemy Property, Directorate General of Commercial Intelligence and Statistics and the seven Special Economic/Export Processing Zones), five Commodity Boards set up under Acts of Parliament, eight autonomous organisations, and ten Export Promotion Councils, which are also treated as autonomous organisations). There are also five public sector undertakings. These organisations have total staff strength of about 6600.

2.3 A review of the present functions and activities of these organisations is set out in the next section.

## **3. Organisation Wise Analysis**

### ***a. Department of Commerce***

3.1 The work in the department, with a Secretary, a Special Secretary and three Additional Secretaries at the top and a staff strength of 617, is organised in eight divisions:-

1. Administration and General Division
2. Financial Division

3. Economic Division
4. Trade Policy Division
5. Foreign Trade Territorial Division
6. Export Products Division
7. Export Industries Division
8. Export Services Division

3.2 A copy of the organisation chart, which also indicates the work handled by each senior level functionary, is at Annex-III.

3.3 The Directorate General of Anti Dumping functions as an integral part of the Department with an Additional Secretary, who looks after 'Plantations' also doubling up as the Director General of this division. Anti dumping rules were framed in 1985 and an Additional Secretary in the Ministry was notified as the designated authority. The first investigation was filed in 1992. It was in 1995 that a separate anti dumping division was formed. This was converted into the Directorate General of Anti Dumping and Allied Duties in April 1998. This Directorate exercises quasi-judicial functions, which are appealable to the Customs, Excise and Gold Appellate Tribunal. Appeals lie to the Supreme Court against the decisions of CEGAT. The Directorate General is supported by 12 officers in the rank of Joint Director / Director / Deputy Secretary / Deputy Director and about 30 other supporting officers and staff.

***b. Directorate General of Foreign Trade, New Delhi***

3.4 The Directorate General of Foreign Trade (DGFT) is an attached office of the department and is responsible for execution of the Exim Policy announced by the Government of India from time to time to promote exports. It is headed by an Additional Secretary level officer and has sanctioned staff strength of 2469 (as on 1.4.2001) spread over the head office at New Delhi and 31 regional offices. Before the commencement of the liberalisation process the major function of this organisation was control of imports and exports and issue of licenses. In fact, it was then called the Chief Controller of Imports and Exports and was administering the Imports and Exports (Control) Act, 1947. With the onset of liberalisation this Act was replaced by the Foreign Trade Department and

Regulation (FTDR) Act, 1992 and the title of the organisation was also changed to the Directorate General of Foreign Trade.

3.5 With the withdrawal of restrictions on imports and liberalisation of import-export trade, the control functions of this organisation have drastically come down and the focus has shifted to implementing a large number of promotional schemes like Export Promotion, Capital Goods Scheme (EPCG), Advance Licensing (Duty Exemption) Scheme, Duty Exemption Pass Book Scheme (DEPB), Duty Free Replenishment Scheme (DFRC), Diamond Import Licenses (DII), Replenishment Licenses for Diamonds (RLD) etc. The coverage of the Advance Licensing Scheme has increased enormously during this period. In 2000-2001 over 1,50,000 advance licenses involving an amount of Rs.66,000 crore were issued.

3.6 The Computerisation of the licensing system has almost been completed in this Directorate. The field offices are increasingly functioning more as centres for facilitation and assistance to exporters.

**c. Directorate General of Commercial Intelligence and Statistics  
Kolkata**

3.7 Set up in 1862, the Directorate General of Commercial Intelligence and Statistics (DGCIS) is responsible for collection, compilation and dissemination of trade statistics and various commercial information. It brings out a number of important publications like Indian Trade Journal (weekly), Foreign Trade Statistics of India (monthly) etc. The Daily Trade Returns (DTRs) form the source document for the generation of these statistics. The major Custom Houses, which account for 85% of the total volume, prepare the DTRs on magnetic media and send these to DGCIS on a weekly basis through special courier/e-mail. The balance of 15% of the data (from land custom stations, inland container depots, medium and minor sea and airport customs units etc.) are received from these centres in the form of manual DTRs. Hitherto, the provisional data by major groups/centres and Ports was brought out within 7 to 8 weeks from the close of the reference month, while detailed statistics at 8 digit level of ITC took much longer - 10 to 12 months. With the steps already being

taken to upgrade the hardware and improve the software, it is expected that before the end of this year the time lag for the 8 digit level results would be reduced to about 8 weeks only. DGCIS has sanctioned staff strength of 511, of whom nearly 450 are in position.

**d. Custodian of Enemy Property**

3.8 This office is located, with headquarters at Mumbai and a branch office at Kolkata. It has total staff strength of 28. It manages the enemy properties, arising out of the Indo-Pak conflicts of 1965 and 1971, in accordance with the provisions of the Enemy Property Act, 1968, as amended in 1977. These properties were valued at Rs.29.40 crore in 1971. The custodian is also entrusted with the work of settlement of ex-gratia payments to Indian Nationals/Companies whose properties were seized by Pakistan during the 1965 conflict.

3.9 The work relating to the promotion and maintenance of the enemy property is being done through the revenue departments in different states. The enemy property is of different kinds – fixed assets like land and buildings, shares, bank balances etc.

**e. Export processing/Special Economic Zones**

3.10 There are seven Export Processing Zones/Special Economic Zones set up under the auspices of the department of commerce as under:

- (a) Kandla Special Economic Zone, Gandhidham
- (b) Santacruz Special Economic Zone, Mumbai
- (c) Falta Export Processing Zone, Kolkata
- (d) Cochin Special Economic Zone, Cochin
- (e) Madras Export Processing Zone, Chennai
- (f) Noida Export Processing Zone, NOIDA
- (g) Visakhapatnam Export Processing Zone, Visakhapatnam

The development commissioners appointed by the government are responsible for the development and management of the Zones. Since the units located in

the zones and the export oriented units located outside the zones also, are entitled to duty free access to raw materials and capital goods against export commitments, the export performance of the units and the fulfilment of export obligations are required to be monitored. The EPZs have since developed, and are successfully implementing an on-line monitoring system.

3.11 The EPZ's are fully protected industrial estates and in some EPZ's some of the housekeeping functions are performed by in-house staff .The security in all cases is with C.I.S.F. The large variations in the number of officers and the supporting staff 134 in Kandla Special Economic Zone, Kachchh and 39 in Falta Export Processing Zone in Kolkata is not only because of the number of units inside the zones and the number of E.O.U. units, but also because of the extent of services contracted out. Some of the EPZ's were set up long back, while some are new, Vizag being the latest. EPZ's are also permitted to be set up in the private sector.

**f. Commodity Boards**

3.12 There are five Commodity Boards:

- (1) Tea Board
- (2) Coffee Board
- (3) Rubber Board
- (4) Spices Board
- (5) Tobacco Board

3.13 Each of these organisations has been set up under an Act of Parliament and each of these sectors contributes significantly (except for the Rubber Board) to the country's foreign exchange earnings. The functions of the organisations cover a wide variety of areas – development, research, extension, extending the loans and subsidies, marketing etc. – though the importance given to these areas varies from board to board. Thus, while the Coffee Board is actively involved in research, development, extension, processing and marketing, the focus of Rubber Board functions is more on the first four items only. The Tea Board because of historical reasons is not involved in direct marketing. The Tobacco Board focuses on auctioning and has the added responsibility of

controlling cultivation i.e. deciding who will cultivate and what extent under the Act. The Tea Board has five offices abroad. In Rubber exports are marginal, India being a net importer of Rubber. In the production of most commodities covered by these Boards, there has been a good increase in productivity over the years, and the responsiveness to the growers and greater accountability are perceived as the benefits from these Boards. In all cases a cess is levied the proceeds of which flow directly to the government exchequer. Except for the Tobacco Board, the other Boards are dependent, again to varying degrees, on plan and non-plan budgetary support from the Commerce Ministry. All have broad based Boards with representations for various interests like growers including small growers process in the manufacture, labour interests, trade, consumers (in the case of Tea and Coffee Boards), exports, representatives of technical bodies being etc.

3.14 The following table gives a broad picture for all these organisations:

Board	Set up in the Year	Exports of the sector in 2000-2001 Rs. In Cr.	Staff Strength As on 31 <sup>st</sup> Dec 2000	Expenditure in 2001-2002 as allocated by the Board			Budget Support from Government in 2001-2002			Cess amount expected in BE 2001-2002 (Rs. in crore)
				<u>Plan</u> Capital	<u>Non-Plan</u> Revenue	Total	<u>Plan</u> Capital	<u>Non-Plan</u> Revenue	Total	
Tea Board	1953	1976	739	46.56	24.62	71.18	35.00	14.70	49.70	37.00
Coffee Board	1942	1189	1064	33.00	17.00	50.00	27.80	11.50	39.30	13.00
Rubber Board	1947	37	2316	72.80	10.66	83.46	53.42	9.50	62.92	80.00
Spices Board	1986	1623	628	N.A.	N.A.	N.A.	15.34	2.80	18.14	10.00
Tobacco Board	1976	871	754	N.A.	N.A.	N.A.	---	---	---	4.00

N.A. – Not available

**g. Autonomous Organisations**

**i. Indian Institute of Foreign Trade, New Delhi**

3.15 Indian Institute of Foreign Trade (IIFT), New Delhi, set up in 1964, as a society under the Societies Registration Act is engaged in training of personnel in international business and the search in problems of foreign trade etc. for the MOC, besides organizing market research, area surveys, commodity surveys, dissemination of information arising from its activities. The courses offered by it include Masters Programme in International Business, Executive Masters in International Trade, certificate courses in Export Marketing, International Trade Logistics and International Business Language and several management development programmes as well as sponsored programmes. IIFT also undertakes a large number of research activities in different areas. The Institute has achieved considerable success in placement of its students who have completed the MPIB courses.

3.16 The Institute had introduced VRS during 1998. 45 employees (25% of the total strength) had opted for VRS. Recently it has been decided to reduce the total strength further from 147 to 85 employees by not filling up vacancies when the existing employees on the administration side in Group B, C and D retire. During the year ended 31<sup>st</sup> March 2000 it had a total expenditure of over nearly Rs.9 crore of which the Government grant was over Rs. 3 crore. The receipts generated in the various training, marketing and other programmes was nearly Rs.3 crore. One of the important areas of research work is WTO related issues. Government has provided a funding of Rs.50 lakhs to facilitate setting up of a think tank in this area.

**ii. Export Inspection Council, New Delhi**

3.17 The Export Inspection Council of India (EIC) was set up as a statutory body under the Export (Quality Control & Inspection) Act, 1963, to ensure sound development of export trade through quality control and inspection. Its main functions were to notify commodities for pre-shipment inspection, establish

quality standards for such commodities and prescribe type of quality control / inspection. Nearly 1000 commodities were notified under the Act for compulsory pre-shipment inspection. EIC has five Export Inspection agencies at Delhi, Chennai, Kochi, Kolkata and Mumbai, and a network of 45 sub offices. With the procedure for compulsory pre-shipment inspection being simplified in 1991, waiving it altogether for specified categories of exporters like star trading houses, EOUs/units located in EPZs, and exporters producing letter from overseas buyers that official inspection was not required, export certification became largely voluntary. In view of reduced workload, the employees of EIC/EIAs were offered VRS in mid-1994. This was availed off by nearly 900 employees bringing down the manpower strength to nearly 1000.

3.18 With the establishment of WTO and signing of the non-tariff agreements, especially the SPS Agreement, export certification acquiring increased importance. The focus of EIC's activities today is on food certification and securing recognition for it from importing countries through equivalence agreements with a view to eliminate duplicate inspections at ports of arrivals. Export certification has been made mandatory by the government for products like marine products, milk products, meat products and egg products. EIC has already been recognized by the European Commission for marine products, egg products and basmati rice, and US Food and Drug Administration for black pepper. In the year 2000-2001 (upto 30.9.2000) EIC earned about Rs.0.23 crore by way of certification charges. Thus the value of goods certified for exports works out to around Rs.2,170.37 crore. The recurring expenditure on the five agencies and field offices was more or less fully covered by the revenue earned. The Government's non-plan grant of Rs.2 crore in the current year is largely for meeting the expenditure on the headquarter established, while the plan grant of Rs.3.5 crore is for computerisation and upgradation of laboratories.

**iii. Indian Institute of Packaging, Mumbai**

3.19 The Indian Institute of Packaging (IIP), Mumbai is registered under the Societies Registration Act. It aims to undertake research of raw materials for the

packaging industry, to organise training programmes on packaging technology, to stimulate consciousness of the need for good packaging etc. A sum of Rs.2 crore is provided in the current year's budget by way of plan support to IIP.

**iv. Marine Products Export Development Authority, Cochin**

3.20 The Marine Products Export Development Authority (MPEDA), Cochin was established in 1972 by an Act of Parliament. The staff strength of MPEDA in 1992 was 473. It was reduced to 440 in 1996 and reduced to 428 in 1999. Against 428 posts 28 posts are vacant as on 31.3.2000. In the year 2000-2001, MPEDA helped channelise Rs.6444 crore of export.

3.21 The non-plan expenditure for the year 1997-98 and 1999-2000 is Rs.4.01 crore and Rs.4.56 crore, respectively. The anticipated expenditure for the year 1999-2000 and 2000-01 is Rs.4.80 crore and Rs.5.86 crore respectively.

**v. Agricultural and Processed Food Products Export Development Authority, New Delhi**

3.22 The Agricultural and Processed Food Products Export Development Authority is constituted under the APEDA Act 1985.

3.23 There are 106 Officers including 22 Group A and 13 Group B. One post each of group B and Group C is vacant. The non-plan expenditure in the year 2000-2001 Rs. 3.62 crore. Exports worth Rs. 9000 crore were put through in this sector in the year 2000-2001.

**vi. Federation of Indian Exporters Organisation, New Delhi**

3.24 The Federation of Indian Export Organisations (FIEO), New Delhi is an apex body of various export promotion organizations and institutions. It also functions as a primary servicing agency to provide integrated assistance to Government recognized Export Houses/Trading houses and as a Central Coordinating Agency in respect of export promotional efforts in the field of consultancy services in the country. It was provided with a non-plan budget support of Rs.1 crore in the year 2000-2001.

**vii. Indian Council of Arbitration, New Delhi**

3.25 This Council, set up under the Societies Registration Act, promotes arbitration as a means of settling commercial disputes and popularises the concepts of arbitration among the traders, particularly those engaged in international trade. The Council a non-profit service organization is a grantee institution of the MOC. ICA received a non-plan budget support of Rs.0.20 crore in 2000-2001.

**viii. Indian Diamond Institute, Surat**

3.26 The Indian Diamond Institute (IDI), Surat is a society set up under the Societies Registration Act in 1978 with the objective of strengthening and improving the availability of trained manpower for the gems & jewellery industry by conducting various Diploma/Post Graduate Diploma level courses in this field. Besides conducting training, its Gem. Testing Laboratory (IDI-GTL) also certifies Coloured Stones & Diamond authenticating their colour, purity, cut, shape & weight. It also enjoys international status under the Allied Teaching Centre of the Gemmological Association and Gem Testing Laboratory, London. IDI has been recently given clearance for the setting up a Jewellery Training Centre in its campus at a cost of Rs.4.8 crore, to be borne equally by the Government of India and the State Government of Gujarat.

**ix. Export Promotion Councils**

3.27 There are 10 Export Promotion Councils under the administrative control of Department of Commerce. These are:

- (1) Engineering Export Promotion Council, Kolkata
- (2) Overseas Construction Council of India, New Delhi
- (3) Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, Mumbai
- (4) Gems & Jewellery Export Promotion Council, Mumbai
- (5) Plastics Export Promotion Council, Mumbai

- (6) Sport Goods Export Promotion Council, New Delhi
- (7) Shellac Export Promotion Council, Kolkata
- (8) Chemicals & Allied Products Export Promotion Council, Kolkata
- (9) Cashew Export Promotion Council, Cochin
- (10) Council for Leather Export Promotion Council, Chennai

3.28 These organisations have been set up as non-profit organisations under the Companies Act/Societies Registration Act. These are all managed by the industries in the respective groups and government does not exercise any direct control. While in the earlier years, a part of the recurring expenditure was met through government grants, at present the Department of Commerce makes available market development assistance only (except in one case) and that for specific projects.

#### ***h. Public Sector Undertakings***

##### ***i. India Trade Promotion Organisation***

3.29 The India Trade Promotion Organisation (ITPO) set up under section 25 of the Companies Act 1956 has a key role to play in the promotion of trade by *inter-alia* organizing fairs and exhibitions in India and abroad. Information dissemination, through buyer-sellers meets, exchange of business delegations, product development programmes etc. is one of the core functions of ITPO.

##### ***ii. State Trading Corporation of India Ltd.***

3.30 The State Trading Corporation of India (STC) was incorporated on 18<sup>th</sup> May 1956 as Government Company under the Companies Act, 1956. STC is engaged in export, import and domestic sales of large number of commodities.

##### ***iii. Minerals and Metals Trading Corporation of India Ltd.***

3.31 The Minerals and Metals Trading Corporation of India Limited (MMTC) was incorporated in 1963 after bifurcation of State Trading Corporation of India.

The main objective of the corporation is to emerge as a leading International Trading House operating in the competitive global trading environment. The Corporation exports minerals and other non-canalised items and also imports commodities like metals fertilizers industrial raw materials etc. that the Government has entrusted from time to time. Over the years with the expansion and diversification of its trade, MMTC has grown into India's premier company in the field of International Trade.

**iv. *Projects and Equipment Corporation of India Ltd.***

3.32 The Projects and Equipment Corporation of India Ltd. (PEC) was incorporated on 21<sup>st</sup> April 1971 as a Government Company under the Companies Act, 1956. The Head Office of the Corporation is located at New Delhi. It has three Branch Offices in India at Mumbai, Calcutta and Bangalore and two site offices in Libya and Vietnam. The overseas offices of the State Trading Corporation also serve the PEC in its overseas operation.

**v. *Export Credit Guarantee Corporation of India Ltd.***

3.33 The Export Credit Guarantee Corporation of India Ltd. (ECGC) was set up by the Government of India in 1957 to support and strengthen the export promotion efforts of the country. Due to risks and uncertainties in international trade, export credit insurance provided by the Corporation plays a pivotal role in promoting India's export trade. The Corporation protects exporters from the consequences of the payment risks arising out of insolvency and default of the foreign buyer. It also covers political risks arising out of war, imposition of new import control orders or exchange control orders by the foreign countries and delays in externalisation of funds to India. The protection enables Indian exporters to expand their overseas business without fear of loss. Besides this, the Corporation also gives various types of guarantees for finance given by banks to exporters, thereby providing protection to the banks against risks of loss inherent in granting various types of credit facilities to exporters. The resultant

timely and adequate credit facilities at pre-shipment and post-shipment stages facilitate the exporter to maximize their exports.

#### **4. Analysis & recommendations**

##### **a. Directorate General of Foreign Trade**

4.1 With the onset of reforms and the shift away from intensive control of imports and exports, the workload of the DGFT has come down drastically. In the normal course this vast organisation with over 2500 staff strength should have been either drastically pruned or in the alternative wound up altogether and a new small organisation set up to take up the more supportive role now envisaged for it by the Department of Commerce. However, except for some reduction in staff strength nothing much has changed. The DGFT is a good example of the popular perception that in government while controls may wither away, the controllers would continue, though under a different garb.

4.2 Of the supportive functions now entrusted to the DGFT, the single largest item is the advance-licensing scheme. While the task of determining the input and output norm is handled by the head office, the issue of advance licenses is the main item of work in the 31 field offices. With computerisation, the workload in the processing of these applications has come down drastically. It is therefore necessary to refix the staff strength of each of these offices taking into account, on the one hand, the drastic reduction in the control functions and the computerised work procedures now in force for the advance licensing scheme on the other. The Administrative Staff College of India, Hyderabad has been entrusted with the task of reassessing the staff strength of these offices. Such studies may however usually take a long time to complete. Considering that possibly no more than one fourth or one third of the staff strength may actually be required, given the aspects mentioned earlier, it is recommended that even as the Administrative Staff College of India is requested to expedite the completion of the task assigned to it, the SIU should be concurrently required to reassess the staff strength within the next two months based on a sample study of the functioning of two or three of the field offices.

4.3 With the phasing out of quantitative restrictions, this scheme is now no different from duty draw back schemes, with the duty on export related imports being altogether exempted even at the first instance. Thus, while the office of the DGFT provides the first interface to the exporters in their quest for getting advance licenses, after they get the advance licenses and the import-export pass books, they are required to register with the concerned Custom Offices along with bonds and bank guarantees where necessary. Thereafter, at every stage of the import stream as well as the export stream, they deal only with the Customs Department. Once the export obligations are fulfilled by the exporters they go back to the DGTD for obtaining the export obligation discharge certificate. Later with this certificate they approach the customs authorities for the redemption of bonds/bank guarantees. Such follow up action as may become necessary in the event of any malpractices or shortcomings is taken only by the Customs Department. Thus in Advance Licensing cases, the exporter has to deal more with the Customs Department than with the DGTD. Vesting of the entire operational work, including the initial issue of licence with the Customs Department would thus lead to reduced transaction time and cost for the exporters. In particular when the process of introducing Electronic Data Interchange System and Electronic Declaration of Imports and Exports at all the 'ports' is completed by the Customs Department, the saving in transaction time for the exporter will be considerable. It will therefore be necessary for the government to examine, say two years down the line, whether the task of grant of advance licenses should not be vested in the Customs Department. The responsibility for fixing the input-output norms in consultation with the other Ministries as also the policy issues could however continue to remain with the Department of Commerce.

**b. Directorate General of Commercial Intelligence**

4.4 At present the Centre for Monitoring Indian Economy (CMIE) headquartered at Mumbai and with an office at New Delhi, is also bringing out comprehensive data on the trade statistics with a much shorter time lag than the

DGCIS. More importantly the CMIE data also captures items like income earned in foreign exchange by way of dividend, royalty, consultancy fees etc and thus project a more complete picture of the export statistics than the DGCIS reviews.

4.5 But then the CMIE analysis is based essentially on DGCIS data. Thus the DGCIS data would continue to be the basis on which the trade statistics will have to be compiled. The major problem however has been the inordinate time lag in DGCIS bringing out the 8 digit level results. With the efforts already taken to streamline the procedures it is expected that before the end of this year the time lag would be brought down to about 8 weeks only. This should remove a major drawback in the DGCIS data.

4.6 The DGCIS staff strength had earlier been determined with reference to the manner in which the data was received from Custom Houses and the work involved is 'cleaning', compilation and analysis of the data adopting the procedures in vogue and facilities available then in DGCIS. As indicated earlier already 85% of the data now received from the Custom Houses is on magnetic media thus reducing considerably the workload in cleaning up as well as compilation of these data. This itself would call for a considerable reduction in the support staff levels (423 at group B, C &D) in DGCIS. Further the Customs Department has launched a massive computerisation drive and it is expected that the present practice of export-import data being entered into tapes would undergo a major change when the export shipping bills are being generated electronically. This process when completed would virtually eliminate the need for verification and also reduce the compilation workload in DGCIS. The small Custom Houses, which now send the data on manual DTRs, would also be shifting to the magnetic media in the coming years. When these changes are put through by the Customs Department, the staff strength requirement of DGCIS would come down further. It is ascertained that IIM, Kolkata has been entrusted with the task of reassessing the staff strength requirement of the DGCIS. They should be specifically required to take into account the improvements in the quality and type of data availability that has already taken place as also the further improvements expected in the coming years and give the report

expeditiously so that it can be put into effect from 1.4.2002. In case the IIM study is expected to take an year or more to be completed, the SIU could be requested to take up this assessment on a priority basis.

**c. *Custodian of Enemy Property, Mumbai and branch office at Kolkata***

4.7 It would be necessary to determine as to which of the assets are still required to be maintained in their present form and identify those, which could be disposed off, and the proceeds kept in a special account. There is not much merit in continuing to 'preserve and manage' all these properties indefinitely. Likewise it would also be necessary to examine the claims for ex-gratia payments by Indian nationals/companies whose properties were seized by Pakistan in the 1965 conflict and settle these one way or other quickly. All these aspects of work should be completed in a time bound manner – say within two years – so that the organisation can be wound up and such items of work that remain entrusted to the Ministry of Home Affairs.

**d. *Export Processing / Special Economic Zones***

4.8 As pointed out earlier, the support staff strength has been kept low in FEPZ, Kolkata through outsourcing of some services. The feasibility of introducing similar arrangements should be explored in the other EP/SE Zones so that the staff strength is kept down to the minimum. This will facilitate greater attention to the problems and issues relating to the zones limiting the time and effort to be allocated for staff managing issues to the minimum.

4.9 The Special Economic Zones, though approved, are yet to take off. As these will be set up and maintained in the private sector, only monitoring will be the responsibility of the government. Hence there may not be any need for additional staff.

**e. *Commodity Boards***

4.10 The functioning of the Commodity Boards has been examined recently by Shri P.P.Prabhu, former Secretary (Commerce) at the instance of the

Department of Commerce. The report presented to the Department in May 2001 covers an extensive ground – the organisation structure and functions and activities of these boards and contains a large number of specific recommendations. These recommendations *inter-alia* stress the need for broad basing of these Boards, while at the same time reducing government representation, giving these Boards greater financial, administrative and management responsibility, making export promotion and research the main focus of activities etc.

4.11 Shri Prabhu has suggested closure of the five foreign offices of the Tea Board leading to an annual saving of about Rs.5 crore and also a drastic downsizing of the staff strength in the Tea Board, Coffee Board and Rubber Board. In the case of the Tea Board a 25% reduction of the staff strength is visualised. Closure of the offices at Chennai, and Cochin, withdrawal of all compulsory registration and licensing, and privatisation of the tea houses, except in the head office and in Parliament House have been recommended. In the case of the Coffee Board, the proposals envisage *inter-alia*, privatisation of the Coffee houses and downsizing in non-technical cadres and in extension work and administration. The measures are expected to lead to a reduction of nearly 330 out of the present staff strength of over 1100. In the case of the Rubber Board, the report places the surplus in the production department at over one third (about 450), while abolition of licensing work and phasing out of subsidies is expected to lead to a reduction of over 230. Reduction in administrative, finance and support staff on the research side has also been recommended. Possibly in the final analysis no more than 60% of the present strength of 2274 would be required. The report has pointed out that in spite of this surplus position, the Board has been recruiting staff every year, with the result in the last 10 years the staff strength has gone up by 60% in Group A, 35% in Group B and 50% in Group D! Clearly there is a case for issuing directions to all the Boards to stop recruitment at all levels forthwith, pending re-fixation of the staff strength based on the recommendations given by Shri P.P.Prabhu. For facility of easy reference the summary of recommendations contained in that report is given at Annex-IV.

4.12 The Expenditure Reforms Commission recommends that the suggestions for restructuring of the Boards, with reduced government representation, making export promotion and research the main focus of activities, closure of Tea Board's foreign offices, privatisation of the coffee houses, and downsizing of the staff strength in the Tea Board, Coffee Board and Rubber Board should be implemented straightaway. Having said this, the Expenditure Reforms Commission would also underline the need for carrying the thrust of these recommendations forward. To be specific, these boards should be enabled to become independent of government control and government procedures and function more on the lines of the export promotion councils, except for the addition of developmental role, which will be focussed on research rather than field level support activities. Action should be initiated straightaway in the Department of Commerce for reducing the financial, administrative and management control over these Boards. This process may also require either repeal of or effecting major amendments in the Acts under which these Boards have been set up. This aspect would therefore need to be taken up on an urgent basis. All this should be put through expeditiously, and the practice of an officer of the Department functioning as the Chairman of the Board should be dispensed with. Once foreign offices are closed and the organisations downsized on the lines suggested by Shri P.P.Prabhu there should be a fresh evaluation of the funds required for meeting the annual recurring expenditure of each of these Boards. These Boards should be required within a specific time frame – 2 years and no more – to meet all their recurring and non-recurring expenditure from the funds released out of the cess amounts collected by government and through internal cash generation and there should be no further demand on government budgetary support. The Boards should be given full functional autonomy, subject only to broad guidelines on the range of functions to be undertaken and restrictions on the disposal of assets and creation of new posts and making any commitments of a medium or long term nature.

**f. Autonomous Organisations**

**i. Indian Institute of Foreign Trade**

4.13 IIFT should be encouraged to become a premier institute in training as well as the research in trade and related matters. It has a potential for increasing its internal cash generation to a point where it should not be dependent upon Government for its day-to-day expenditure requirements. A time bound programme should be drawn up for achieving this objective, say in 2 to 3 years. When this is achieved, the Institution could be freed from Government controls altogether. It can then become a governing body managed organisation. The practice of a government official functioning as the Chief Executive could be dispensed with.

**ii. Export Inspection Council, New Delhi**

4.14 While in some cases export of substandard goods by some unscrupulous exporters has adversely affected the entire exports in these sectors, the fact remains that the export certification should be largely demand driven. It will therefore be necessary for the Ministry to review the list of items for which the export certification is prescribed mandatory and restrict it to only those areas, when non-insistence of certification could jeopardise the entire export efforts in that area. In all other cases export certification should be demand driven. Apart from the Export Inspection Council, other organisations, including agencies like MPEDA etc. could also be authorised to provide such certification if they have the necessary facilities. Such competition could lead to improvement in quality of, and reduction of charges for, the certification work. The workload of the Export Inspection Council will then be largely demand driven and in a competitive environment and this could well call for a redetermination of the staff strength in its various offices, in line with the actual work load. Pending such a review in all field offices of EIC, action should be taken straightaway to implement the IWSU report which had, after examining the staff strength of the Kolkata office, recommended that 183 of the employees deployed on the jute scheme out of the total strength of 277 be declared surplus.

**iii. Indian Institute of Packaging, Mumbai and Indian Council of Arbitration, New Delhi**

4.15 The nature and range of activities of both organisations are such that it is not essential for government to participate in, or control these organisations. The governing body of both organisations could be suitably recast to provide for management responsibility to vest totally in the various concerned interests and government could withdraw from both organisations. Government's budgetary support for the Indian Council of Arbitration should be phased out over the next two years. For both these organisations, government could extend assistance, on a case-by-case basis, for specific projects, as is now being done for the Indian Institute of Packaging.

**iv. Marine Products and Agricultural and Processed Food Products Export Development Authorities**

4.16 The recommendations earlier made in respect of the Commodity Boards would apply equally to these two organisations also.

**v. Federation of Indian Export Organization**

4.17 Though visualised as an apex body for various export promotion organisations, FIEO today functions primarily as a servicing agency and some of the funds of the Government meant for rendering assistance to exporters are routed through FIEO. As in the case of export promotion councils, there is no need for government to participate in or control this organisation. Government Budget support should be limited to providing market development assistance for specific projects.

**vi. Indian Diamond Institute**

4.18 This Institute has the potential for being developed, as a premier Institute for meeting the training and research needs of the gem and jewellery industry. Towards this end government's role in, and control over this institute should be

phased out in the coming two years. The Institute should be allowed to adopt such procedures – financial administration and management – as are best suited to its requirements and the gem and jewellery industry should have a greater role in the Institute’s management.

**vii. Export Promotion Councils**

4.19 The present arrangement whereby export promotion councils are run by the industries in the respective group and government giving market development assistance for specific activities as and when they consider it necessary can be continued. The government does not exercise any control over these organisations and this arrangement should continue.

**g. Department of Commerce**

4.20 Department of Commerce is manned at the top by a Secretary and a Special Secretary. Special Secretary deals with WTO matters, trade policy issues and also foreign trade matters relating to Europe. While it can be argued that WTO matters could be considered on a stand-alone footing, in the general scheme of things, for several years to come, WTO and trade policy issues and trade promotion and bilateral trade matters would have to be looked at in an integrated manner. For this, the Secretary of this Department should be directly responsible for the efficient functioning of both areas of work. The present arrangement whereby an equivalent level officer, though designated as Special Secretary, looks after WTO and Trade Policy divisions undermines this unified approach. The post of Special Secretary should therefore be downgraded to that of an Additional Secretary so that the Secretary is fully accountable for all functions of this Department.

4.21 As pointed out at the end of section I, WTO and multilateral issues, an integrated trade policy that seeks to optimise the export efforts, and protection of domestic industry from “dumping” have now emerged as the more important functions of the department. The department would need to be strengthened at the senior levels to handle these tasks efficiently. As far as WTO and

multilateral issues are concerned, the Department of Commerce should also have the capability to give sound and timely advice to other departments like Agriculture, Industrial Policy & Promotion etc. Given the procedural bottlenecks in quickly assembling a highly qualified professional team of 'in house' experts for this purpose, one option would be to explore the feasibility of having a think tank of eminent experts. This think tank need have just one full time senior level professional, appointed on a contract basis, to function as the coordinator. There could be a large panel of experts, who could take part in the deliberations and consultations of the think tank, for short periods, depending upon their convenience. This think tank could be located in the IIFT campus so that it has access to the facilities there, including the library. At the same time it has to be a separate entity with a management council on which could be represented the Departments of Commerce, Industrial Policy and Promotion and Agriculture etc. The expenditure on the think tank could be shared by the different user departments.

4.22 The functioning of the Economic Division would need to be fully integrated with the Trade Policy Division so as to give the Trade Policy Division an added edge. Its links with the commodity and technical divisions would need to be put on a firm footing.

4.23 The Office of the Directorate General of Anti Dumping is of comparatively recent origin and the organisational set up and procedures are yet to be fully evolved. With the removal of most of the quantitative restrictions w.e.f. 1.4.2001 it is only now that the capabilities of the organisation and in fact the government itself, to respond quickly to the challenges will be fully tested. As the number of cases to be dealt with increases the technical capabilities of this organisation for timely examination of the cases coming before it would have to be strengthened. After a clear idea on the demands on this organisation and on the Directorate General of Safeguards under the Department of Revenue emerges, the question whether these functions could be combined along with the task of tariff revision and be entrusted to an independent statutory commission could be examined.

4.24 As far as work relating to Commodity Boards is concerned, it would be necessary to retain in the Department, only a minimum complement of staff necessary for putting through the intended delegation of powers, amendments/repealing of the concerned Acts etc. All other positions, now sanctioned exclusively for dealing with Commodity Boards should be abolished forthwith.

4.25 There are 66 trade missions abroad under the Department of Commerce to attend to trade enquiries and also assist in settling trade disputes and in organising exhibitions, fairs etc. An expenditure of nearly Rs.60 crore was incurred on these missions last year. Out of the 171 officials deployed in these missions only 12 were officials of the Ministry of Commerce. In the review of the functions, activities and structures of the Ministry of External Affairs, it has been suggested that the need for offices abroad of all Ministries/Departments other than MEA should be examined afresh and wherever considered feasible the activities of these other Ministries should be undertaken by MEA's offices abroad within the budget and staff allocated to them. In is only in those cases where full justification is advanced for other Ministries to have their own offices abroad should they be allowed to post their own officials in such offices. In such cases the expenditure on establishment of such offices would naturally be reflected in the budget of that Ministry/Department. The same procedure should be followed in respect of 60 odd trade missions abroad of the Department of Commerce. The trade missions abroad should be equipped to handle all enquiries from not only the organisations under the Department of Commerce, but from private sector parties as well, thus obviating the need for establishment of separate offices by these other organisations.

4.26 While the functions and activities of the five public sector undertakings are not examined in this report, three issues of a general nature merit mention. First, in line with the decision already in place to privatise the State Trading Corporation and the Mines & Minerals Trading Corporation, there is a case for privatising the Project and Equipment Corporation also, while the Spices Trading Corporation could be made autonomous on the lines suggested for the

Commodity Boards. The ECGC ownership and management would also need to be broad based bringing about government's role considerably. Following these changes, the staff specifically sanctioned in the Department for overseeing these undertakings would need to be correspondingly downsized. Second as highlighted earlier the Federation of Indian Export Organisation has not been able to function as the apex body for various export promotion organisations. The feasibility of ITPO playing this apex role in a complimentary and supportive manner, rather than in a control mode, should be explored. Thirdly while some overlap, between ITPO and IIFT in undertaking research studies is unavoidable, and in fact may even be desirable, there needs to be a mechanism for coordinating the research activities of both these organisations.

4.27 Except in the case of DGFT where the administration of a large number of personnel is involved, the other functions of the department of Commerce are such as could be handled by an officer oriented system supported by the Desk Officer system. The officers/support staff requirements should therefore be redetermined division by division and the new arrangements put in position in a phased manner within the next one year. Likewise the implementation of the suggestions for giving full autonomy to the Commodity Boards and Autonomous Organisations should also lead to reduced staff requirements in the Department over the next two to three years. In any case, even the suggestions, which could be implemented straightaway, would call for one post of Joint Secretary, along with the support staff being declared surplus immediately. Moreover in 1992 it was mandated that, of the sanctioned staff strength in 1992, 10% should be reduced. It is seen that in the department proper, as against a total staff strength of 671 only 32 posts have been reduced, while of the 1560 posts in the subordinate offices only 67 have been reduced so far. The department should take action for completing action on these economy instructions within the next three months.

## **Annex-I**

### **A BRIEF HISTORY OF THE MINISTRY OF COMMERCE & INDUSTRY**

1. A separate Department of Commerce was first created in the Government of India in 1921. Earlier, the subjects under the Department were dealt with by the Department of Commerce and Industry (set up in 1905). In 1937, when the Department of Commerce and Industries and Labour was bifurcated into the Department of Communications and the Department of Labour, the Department of Commerce also took over certain subjects pertaining to Industries. These subjects were, however, transferred in 1943 to the newly created Department of Industries and Civil Supplies.
2. After independence, the Department of Commerce was re-designated as the Ministry of Commerce and was placed along with the Ministry of Industries and Supplies under the charge of a Cabinet Minister. The two Ministries were amalgamated in February 1951 to form the Ministry of Commerce and Industry. This arrangement continued for about five years when in September, 1956, the Ministry of Commerce and Industry was split into two separate Ministries, viz. the Ministry of Commerce and Consumer Industries and the Ministry of Heavy Industries. The two Ministries were again merged in April 1957 to form the Ministry of Commerce and Industry. The new Ministry also took over the work connected with most of the public undertakings previously dealt with in the Ministry of Production, which was abolished in 1957. In 1958, the Department of Company Law Administration was transferred from the Ministry of Finance to the Ministry of Commerce and Industry, which was subsequently reorganised, into three Departments, viz. Industry, Commerce and Company Law Administration.
3. In April 1962 the subject 'Heavy Industries' was taken away from the Ministry of Commerce and Industry and the Ministry was reconstituted into the following three Departments:
  - I. Department of International Trade;
  - II. Department of Industry; and
  - III. Department of Company Law Administration

4. In July 1963, the Ministry of Commerce and Industry was bifurcated into the Ministry of International Trade and the Ministry of Industry (Department of Industry and Department of Company Law Administration). The Ministry of International Trade took over all subjects under the Department of International Trade. In June 1964, the Ministry was redesignated as Ministry of Commerce.

5. In February, 1969, the Ministry's designation was changed as 'Ministry of Foreign Trade and Supply' with two Departments, namely;

- (a) Department of Foreign Trade; and
- (b) Department of Supply

6. In November 1969, the Department of Supply was separated and the Department of Foreign Trade was redesignated as Ministry of Foreign Trade.

7. In February 1973, the Ministry was again redesignated as Ministry of Commerce and the Department of Internal Trade added to it. The Ministry had two Departments under its control at that time, namely:

- i. Department of Foreign Trade;
- ii. Department of Internal Trade

8. In January, 1974, the Department of Foreign Trade under the Ministry of Commerce was bifurcated into two separate Department, namely-

- (c) Department of Foreign Trade; and
- (d) Department of Export Production

The third Department viz., the Department of Internal Trade remained unchanged.

9. In October, 1974, the Department of Internal Trade was transferred to the charge of reorganised Ministry of Industry and Civil Supplies, leading to restructuring of the Ministry with two Departments;

- i. Department of Foreign Trade; and
- ii. Department of Export Production.

10. In March 1976, this Ministry was further reorganised and one more Department, namely, the Department of Textiles was added to the charge of this

Ministry. In June 1977, this Ministry was restructured as a single organisational entity as Ministry of Commerce with a Department of Textiles within the Ministry.

11. In November 1977, all functions, being dealt with in the Department of Textiles were transferred to the charge of Ministry of Industry (Department of Industrial Development) and from out of textile items only the export activities in respect of textiles; jute, handicrafts, etc. remained under the charge of this Ministry.

12. In February, 1978 this Ministry was reorganised with the nomenclature “Ministry of Commerce, Civil Supplies and Cooperation” consisting of the following two Departments:

- ii. Department of Commerce; and
- iii. Department of Civil Supplies & Cooperation

13. The work relating to the Textile Industry, with the exception of exports, continued to remain under the charge of the Department of Industrial Development till a full fledged Department of Textiles was revived in April, 1980 in the Ministry of Commerce. In April, 1980, the work relating to the development of textile industry was retransferred from the Ministry of Industry to the newly created Department of Textiles in the Ministry of Commerce and the organisational structure of this Ministry at that time consisted of the following three departments:

- i. Department of Commerce;
- ii. Department of Civil Supplies; and
- iv. Department of Textiles

14. In July, 1980, the erstwhile Ministry of Commerce and Civil Supplies was further restructured organisationally with the nomenclature of “Ministry of Commerce” consisting of the following two Departments:

- i. Department of Commerce; and
- ii. Department of Textiles.

15. In January 1985, the Department of Supply was also brought under this Ministry. The Ministry of Commerce then comprised of the following three Departments:

- i. Department of Commerce;
- ii. Department of Textiles; and
- iii. Department of Supply.

16. In November 1985, an independent Ministry of Commerce with the following two Departments was constituted.

- i. Department of Commerce; and
- ii. Department of Supply.

17. In October, 1999, the Ministry was merged with the Ministry of Industry and renamed as the Ministry of Commerce & Industry, consisting of four departments:

- i. Department of Commerce
- ii. Department of Industrial Development
- iii. Department of Industrial Policy & Promotion and
- iv. Department of Supply

18. In April 2000, the Department of Industrial Development was merged with the Department of Industrial Policy & Promotion, reducing the number of departments in the Ministry to three.

19. Further, in August 2000, the number of departments was pruned to two with the abolition of the Department of Supply.

### LIST OF SUBJECTS UNDER THE CONTROL OF DEPARTMENT OF COMMERCE IN ACCORDANCE WITH THE ALLOCATION OF BUSINESS RULES, 1961

#### DEPARTMENT OF COMMERCE (VANIJYA VIBHAG)

##### 1. GENERAL INTERNATIONAL TRADE POLICY

1. International Commercial Policy.
2. International Agencies connected with commercial policy (e.g. UNCTAD, ESCAP, ECA, ECLA, EEC, EFTA, GATT, WTO and related bodies, ITCB).
3. International Commodity Agreements other than agreements relating to Wheat.
4. All matters relating to international trade policy including tariff and non-tariff barriers; preferential trading arrangements; regional trade blocs and economic groupings.
5. All matters relating to anti-dumping investigations and duties faced by the Indian exporters abroad and all work relating to the Designated Authority under the Anti-Dumping provisions of the Customs Tariff Act.

##### II. FOREIGN TRADE

6. All matters relating to foreign trade including monitoring of trade performance, trade negotiations and agreements (including all matters and agreements under General Agreement on Tariffs and Trade/WTO, Commonwealth Tariff Preferences and other preferential trading arrangements viz. Bangkok Agreement, SAPTA, GSTP etc.), trade missions and delegations, trade cooperation and promotion and protection of interests of Indian traders abroad.
7. Import and Export Trade Policy and Control excluding the matters relating to:
  - (i) Import of feature films;
  - (ii) Export of Indian films – both feature length and shorts; and
  - (iii) Import and distribution of cine-film (unexposed) and other goods required by the film industry.

8. Directorate General of Foreign Trade

### **III. STATE TRADING**

9. Policies of State Trading and performance of organisations established for the purpose, including:

(i) State Trading Corporation and its subsidiaries excluding Handicrafts and Handlooms Export Corporation and Central Cottage Industries Corporation.

(ii) MMTC Limited and its subsidiaries.

### **IV. TRADING WITH THE ENEMY: ENEMY PROPERTY**

10. Trading with the enemy; enemy firms and enemy property reparations (other than German industrial equipment); Controller of Enemy Trading; Controller of Enemy firms; Custodian of Enemy Property for India.

11. International Customs Tariff Bureau including residuary work relating to Tariff Commission.

12. Development and expansion of export production in relation to all commodities, products, manufacturers and semi-manufacturers, and projects including the following:

(a) Agricultural produce within the meaning of the Agricultural produce (Grading and Marking) Act, 1937 (1 of 1937);

(b) Marine products;

(c) Industrial products (engineering goods, chemicals, plastics, leather products etc.);

(d) Fuels, minerals and mineral products;

(e) Specific export oriented products (including plantation crops etc. but excluding jute products and handicrafts which are directly under the charge of this Department);

(f) Consultancy, civil construction and turnkey projects.

13. All organisations and institutions connected with the provision of services relating to the export effort including:

(a) Export Credit and Guarantee Corporation.

- (b) Export Inspection Council
  - (c) Directorate General of Commercial Intelligence and Statistics
  - (d) India Trade Promotion Organisation
  - (e) Free Trade Zones
  - (f) Indian Institute of Foreign Trade
14. Projects and programmes for stimulating and assisting the export efforts.
15. Production, distribution (for domestic consumption and exports) and development of Plantation crops such as tea, coffee, rubber and cardamom.
16. Processing and distribution for domestic consumption and exports of Instant tea and Instant coffee.
17.
  - (i) Tea Board
  - (ii) Coffee Board
  - (iii) Rubber Board
  - (iv) Spices Board
  - (v) Tobacco Board

# Annex-III

## ORGANISATION CHART OF DEPARTMENT OF COMMERCE

### MINISTER FOR COMMERCE & INDUSTRY MINISTER OF STATE FOR COMMERCE & INDUSTRY COMMERCE SECRETARY

#### SPECIAL SECRETARY (NM) – WTO, Trade Policy Issues, FT (Europe)

AS	AS & FA	AS
Plantations Anti-Dumping	Finance IWSU / O & M / CM & T EAC / MDA India Brand Equity Fund Trade Fund	Infrastructure Centre State Interface on exports including States Cell; Science & Technology Coordination; Foreign Trade (State Trading) & Foreign Trade (M&O); Appellate Committee on Enforcement cases; FIPB (EP) EP(OP); EOU/EPZ; ESCAP, FT(SEA)

JS	JS	JS	Presently handled by JS	JS	JS	JS	EA	Adviser
EP (Engg.) Trade Promotion RMTR FT(CIS&B) E & MDA IBEF Estt. & Genl. Admn. Cash & Protocol	TPD EP (G& J)	EP (Agri) Biotechnology Anti-Dumping FT (NEA)	FT(WANA) EP (MP) EI & EP Pub. Grievance (Staff) EP(CAP) Chairman (EIC) Vigilance  (JS(EKBB) Relieved on 31.5.01	FT(AM/LAC) EP (LSG) EOU/FOI/EPZ Export Prom Board & Export Prom.Coordin. Hindi. States Cell North-East Cell Infrastructure TA/TC	FT(Coord) FT (SA/SAARC) & SAPTA FT (AF) EP (Electronics & Computer Software), Projects & Services Exports, Trade Finance Parliament Vigilance	TPD EP(Tex)	Export Plg. Export Policy	Economic Division

Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	AEA	AEC
EP(OP) FT (Coord) TF EP(E&CS)	TPD	EP (Engg.) FT (CIS&B)	TP MDA EAC	Infra. States Cell. North East Cell	Hindi	EDI	Finance IWSU O&M CM&T	TPD	Anti- Dump. EP (Agri.)	PS to M (C & I)	Anti Dump.	Eco. Divn.	Relieved on 22/05/01 (FN)

DS	DS	DS	DS DS	DS	DS	DS	DS	DS	DS (ACK)	DS	DS	DS	DS	DS	DS	DS
TPD	Plantation	ESCAP FT(SEA)	TPD	EI & EP	FT (NAFTA) EP (G&J) TA/TC	Anti Dump	EPZ EOU FOI EP	TPD	Retired On 30.6.01	FT(ST) FT (M & O)	FT (SA)	EP (CAP)	FT (LAC)	General Cash-I & II Protocol R & I	FT (AF) Parl.	FT(WANA) EP (MP) Vigilance Public Griev. (Staff) E-I, II, III

SPL.OFF (GATT)	JDG JD JD	JD	Dir	US	US US US	US	US	US	US US	US	US	US	US, US, US, DO, DO, SO	US
TPD	Anti Dumping	RMTR	Anti Dumping	E-I, E-II, E-III	Finance	Plant B & C	Plant- A	EOU FOI	FT(WE)	FT (WANA)	EPZ	Cash-I Cash-II, DDO, R & I Record Cell	EP (Agri.)	Vigilance TP

US	US DO	US	US	US	US US US	US	US	US	US US	US	US	US	DD, AD	US
EP EAC MDA	FT(EA)	FT(NEA)	EP(E&CSW)	FT (Europe)	FT (Coord) App. Com.	EP(MP)	RMTR	TPD	Eco.Divn.	TPD	IWSU O&M CM&T	FT (WANA)	Anti Dumping	TPD

### **A Study of the Functioning of the Commodity Boards**

**BY SHRI P.P. PRABHU**

#### **Executive Summary**

Plantation Commodities constitute an important segment of India's agricultural economy. Apart from meeting the domestic requirements, the plantation commodities, the marine products and the agricultural and processed food products contribute significantly to the country's foreign exchange earnings.

2. The statutory Commodity Boards formed to look after the development of the plantation commodities, and the Marine Products Export Development Authority and the Agricultural and Processed Food Products Export Development Authority have played a significant role in the growth and development of their respective sectors.

#### **CHAPTER II**

3. Over a million growers are engaged in the cultivation of plantation commodities. In addition, the plantation sector alone provides direct employment to nearly two million. The sector also earns substantial foreign exchange for the country (2.8-9).

4. The growth of production in the last three decades (100% increase in the case of tea to six times increase in the case of natural rubber) as well as the comparatively satisfactory achievement in productivity levels speak for the performance of the Boards (2.11-13)

5. The expenditure on the bureaucracy of the Boards has not been high. The resources requirements have also been mostly generated from the industry itself by way of cess. (2.14-15)

6. The Boards have been able to develop a sense of belonging and establish credibility with the growers. The Boards have thus demonstrated their accountability to the growers and so the grower community want the commodity Boards to continue (2.17-20)

7. Government of India have been allocating sufficient funds to the Boards, much more than the cess amounts collected from the respective sectors. (2.21-22)

8. The suggestion to form a combined plantation Board as a measure of economy is neither practical nor a sound proposal. (2.23-25).

9. The membership of the Boards can be rationalised and the strength reduced. (2.26-27).
10. Though Tea, Coffee and Natural Rubber Boards have to be basically grower oriented, it would be advantageous to have representation for all interests and stakeholders in the Boards. (2.29)
11. The present practice of election to represent large grower representatives in the Rubber Board can be modified. (2.30)
12. Effective representation has to be given to small growers in the Boards and hence 50% of the small grower nominees may be selected from among those growers owning less than 4 hectares. (2.31-32)
13. The Boards may form three Board Committees – research, executive and development committees; the Boards with prime mandate of export promotion, may also form an export promotion committee (2.33)
14. The financial powers of the Boards be enhanced to rupees one crore, subject to some restrictions. (2.35-36)
15. The organisation of the Boards, as have evolved over the years would need to undergo changes gradually but surely, if the plantation sector has to effectively meet the emerging challenges and demands. (2.37-39)
16. The responsibility for research in respect of all spices except for cardamom is with ICAR. Either the responsibility for major spices should be transferred to the Spices Board practical difficulties. A possible solution could be to place the operational control over the spices research stations with the Spices Board with the scientists/staff continuing to be part of ICAR and continuing to enjoy the privileges. (2.45-49)
17. Annual evaluation of the research programmes as well as periodical evaluation once in 7,8 years by a technical and scientific team to evaluate the performance of research work and programmes and recommend the future course and direction of research is desirable. (2.50-53)
18. The Boards may have to concentrate on research, as very little work is being carried out outside the Boards' research stations. The Boards may also explore the possibilities of entrusting some research work to universities. (2.54-57)

19. Development activity has to continue as an important function of the Boards. The loan and subsidy schemes may have played an important role in the development of the industry but may have to be phased out. Subsidy needs to be confined primarily to quality improvement programmes. (2.58-65)
20. The extension service has also been an important activity, but most of the services, from supply of planting materials to farm advisory services, soil testing to processing techniques are being increasingly provided by the private sector; hence the Boards may gradually withdraw from these activities. (2.66-68).
21. The Boards may take recourse to growers' participatory workshops for dissemination of advice and information. (2.69)
22. The logical further step and progress will be in the direction of harnessing the communication and computing technologies for providing better extension services. Establishment of internet kiosks in production centres and converting field offices into virtual extension offices will go a long way in making available the best of extension services to growers. (2.70)
23. There is no justification to continue the Board's foreign offices. The need for the offices arises because of the dissatisfaction with the performance of our commercial missions that they have not been rendering the needed services to exporters and to the industry, as expected of them. UPASI has brought to notice a recent instance of indifference by our commercial missions (2.72-75)
24. One possible solution could be to place the commercial missions in important countries under the joint control of the Ministry of External Affairs and the Ministry of Commerce. The officers for manning the commercial posts in the missions may be jointly selected out of qualified professionals and held accountable. (2.77)
25. There is little justification to continue domestic promotion outlets, which can be progressively privatised. (2.78)
26. The Boards are not equipped to undertake and may desist from, market intervention operations. The minimum and maximum prices are difficult to implement. (2.79)
27. Processing, post harvest management and quality assurance are the areas deserving more attention from the Boards. (2.80)

28. All the control provisions in the various statutes regarding planting, movement, marketing, etc. need to be given up. Experience with the regulations regarding registration of growers has shown that it cannot be enforced. Periodical census may be a better option. (2.82-88)
29. Registration of exporters and export permit system may also be discontinued once the DGCI&S and customs complete the computerisation of their operations. (2.89-94)
30. Quality certification will become necessary in the future. The Boards may accredit private labs on the basis of transparent criteria for this purpose.
31. Schemes for popularisation of cultivation and marketing of organic products may be evolved (2.96)
32. Most of the Boards have excess manpower. Rubber Board, which has the largest surplus, has been creating posts and recruiting additional staff during the last few years. VRS facility when announced by the Government can be extended to the surplus staff. (2.98-100)
33. Most of the Boards bring out useful publications but delay robs them of their utility. There is also scope for improvement in the contents (2.101 to 106)
34. The Boards have achieved little progress in computerisation and the objectives of achieving efficiency and reducing delay are yet to be achieved. (2.107-115)
35. The web sites of the Boards require to be vastly improved. The Boards have to pay attention to periodical updating also. (2.116-119)
36. There is great potential for the development of plantation commodities in the North Eastern States. The Boards have done commendable work in this regard and are implementing a number of schemes in North East. A well planned programme of development of plantations including the creation of processing and marketing facilities and an effective strategy of implementation will go a long way in making the programme a success. The development of plantations will ensure employment for thousands and steady incomes and help make some parts of North East as well developed as Coorg or Kottayam (2.120-153)

## CHAPTER III

### I. TEA BOARD

37. The strength of membership of the Tea Board may be reduced to 25. (3.1.10)
38. The present system of industry-managed research, with grants from the Board, may continue. The Darjeeling research station may be strengthened for specialised application research relevant to Darjeeling tea. (3.15-23)
39. The orientation of the development activity may be shifted towards the small grower. (3.1.24)
40. Teahouses may be progressively privatised. (3.1.25)
41. The overseas offices of the Board are an unnecessary luxury and the performance does not justify their continuation. (3.1.26-33)
42. Licencing of planting, registration requirements etc may be discontinued. (3.1.35-41)
43. The provision in the Marketing Control Order 1984, which gives authority to the Board to prescribe a minimum percentage of production to be compulsorily sold through auction, may be withdrawn. (3.1.43-53)
44. The auction rules and procedures require to be streamlined. (3.1.54-58)
45. The Tea Warehouse Licensing Order 1989 may not be enforced; the licenses issued to auctioneers may prescribe the specifications for warehouses attached to auction halls. (3.1.59-60)
46. There is no need for any control over distribution or exports of tea. (3.1.61-62)
47. The scope of the Tea Waste Control Order 99 may be restricted only to tea waste moving out of factories for sale. (3.1.63-66)
48. The powers of management or control of tea undertakings or tea units may not be acted upon. (3.1.67-69)
49. The Board is operating a number of schemes; some of them may be phased out; some of the schemes may be reformulated. (3.1.70-72)

50. Tea Board has excess staff; with the withdrawal of licensing work and some of the schemes being phased out, there will be surplus staff in licensing, marketing and development departments-a little over 150 in all. Three offices can be closed. (3.1.73-74)

51. To improve the quality of service, the Board must concentrate on research, productivity improvement, training of labour, improvement of co-op and Bought Leaf factories and training of small growers. The improvement of auction system, assistance for the setting up of quality labs for independent testing, implementation of a price and market information system, improving the content and quality of web pages are other areas for action. (3.1.75-80)

## **II. COFFEE BOARD**

52. The strength of the Coffee Board can be reduced to 24. (3.2. 9)

53. The pool marketing system was the most important activity of the Board till it was disbanded. Now research will have to continue as the most important activity. The extension service will continue to be important. (3.2.12-14)

54. The development schemes have been taking much of the attention and time of the extension personnel. (3.2-20)

55. Some of the tasks such as supply of planting materials etc., can be given up gradually; participatory workshops with farmers groups may be increasingly resorted to. (3.2.22)

56. Market development will be hereafter a knowledge based activity and the Board may have to outsource some of these tasks. ( 3.2.24-25)

57. The export permit system may be discontinued once the Board is able to obtain the required information from the customs. (3.2.26-27)

58. The domestic promotion outlets may be gradually privatised to cut down the losses. (3.2.28-29)

59. Processing and quality upgradation require greater attention. The logo scheme may be used to encourage quality. Private laboratories may be encouraged. (3.2.30-33)

60. The Board may evolve a scheme to document cup quality to enable aggregation of same cup quality coffees, which will facilitate the aggregation of minimum quantities for export. (3.2.34)

61. The Board is operating only one scheme in the area of production. i.e., water augmentation which is essential and may continue. In the area of market promotion some of the schemes may be phased out. (3.2.36-40)

62. The Board has around 200 excess non-technical staff in administration and extension departments; with the discontinuation of some development schemes, a third of the extension staff also will be surplus. (3.2.41-43)

63. The research department has performed fairly well and has many achievements to its credit but far short of potential. The evaluation of research activity and programmes by an independent technical committee in 1996 has brought out the deficiencies and weak points. The Board has to devote much more attention to research; the strengthening of scientific staff, improvement of physical infrastructure, ensuring better motivation is some of the important areas requiring attention. Funds allocation may also be stepped up. (3.2.44-57)

64. The service most expected of the Board is in terms of high yielding varieties and improved pest control measures. Better extension service, improved and useful web page, more information cells are the other areas to which the Board needs to pay attention. (3.2.61-69)

### **III. RUBBER BOARD**

65. Rubber production has grown spectacularly in the last two decades as also productivity. Government have extended full protection to the industry and ensured that domestic prices remained at higher levels than international prices. (3.3.5-8)

66. The constitution of the Board may be recast. The election procedure for selection of large growers may be given up. (3.3.12)

67. Among the activities research and production need to be given the highest importance. (3.3.15-16)

68. The production department has established a vast and many tier field set up. Increasing recourse to participatory approach especially with the help of Rubber Producers Societies will help to render better service to growers. (3.3.17-19)

69. The department also undertakes many subsidiary activities. While perhaps the activity of bio gas plants may continue, the rest of the activities may be handed over to specialised organisations meant for them. Nurseries also need to be run on cost recovery basis. (3.3.20-24)

70. The registration of large estates and collecting production data only from them serves no purpose-can be discontinued. (3.3.27)

71. Licenses are prescribed for the dealers, processors and manufacturers and monthly and annual returns--over 2 lakhs in all--are processed every year only to enable the assessment of consumption of rubber and levy the cess. This is avoidable work involves cost to all. The whole system can be given up and the cess amount collected along with central excise. If this is not acceptable, then registration may continue only for the manufacturers and half yearly returns only may be prescribed. (3.3.28-33)

72. As part of the processing and product development activity, a number of commercial activities have been started; substantial capital expenditure has been incurred. Most of them could have been encouraged in the private sector. Most of the units may be gradually privatised. (3.3.35-40)

73. The work of the training and consultancy division is important but the consultancy division should progressively become self-supporting. (3.3.42-43)

74. The Board operates many schemes, some of them have been continuing for decades. Some of the schemes need to be phased out, excepting quality improvement schemes, tappers training etc. (3.3.44-51)

75. The Rubber Board has huge surplus staff; there have been avoidable recruitment. The establishment expenditure has gone upto over Rs.25 crore annually; substantial reduction is called for. (3.3.54-56)

76. The performance of the research institute has been very satisfactory. The productivity improvement has been commendable. Most of the research schemes may continue. The major area of concern is the high dependence on a single variety. (3.3.57-62)

77. Some of the regional stations can be converted into demonstration farms. (3.3.65)

78. The Board has instituted an effective system of annual evaluation of its performance. The Board may subject its research programmes to an independent scrutiny once in 7, 8 years to assess the progress of research efforts and set the direction for future research. (3.3.66-69)

79. The Rubber Board may encourage private service providers and increasingly adopt participating approach in extension. The Board has to become a facilitator and become a knowledge centre. (3.3.70-75)

#### **IV. SPICES BOARD**

80. The export of spices has shown excellent progress but with pepper prices coming down, there will be a set back. Notwithstanding our 40% share in world exports, there is considerable need to step up production to meet the growing domestic needs and to maintain our share in the world market. (3.4.3-4)
81. The strength of the Board can be reduced to 20. ( 3.4.10)
82. The contentious issue of status of cardamom research and development activity has to be settled once for all. The cardamom growers are opposed to the transfer to ICAR, though it is a more logical option; hence the only option feasible appears to be to continue the status quo and strengthen the research activity. (3.4.15-21)
83. The number of offices for the development activities can be reduced. (3.4.23)
84. Post harvest development activity demands more attention and resources. Quality improvement including training and encouragement for the establishment of private laboratories needs to be followed up. (3.4.24-27)
85. Cardamom marketing is well organised; though there is no compulsion to sell through auctions, nearly 2/3rds of produce is bought to auction. (3.4.29)
86. Export promotion is the major function of the Board but the Board may withdraw from some market activities. The system of registration of exporters may also be withdrawn once the customs and DGFT streamline their procedures. (3.4.31-33)
87. Some of the schemes of the Board may continue, but individual exporter oriented export promotion schemes may be phased out; anyway the incidence of subsidy is too insignificant to make any impact. (3.4.34-38)
88. There is scope for some reduction in the strength of non-technical manpower. (3.4.39-40)
89. The performance of research station is not upto expectations though some promising clones are under trials. Lack of irrigation and inadequate attention to farm practices by small growers are the major reasons for low average productivity levels. (3.4.42-45)

90. The Board has to concentrate on research work closely with ICAR/state governments in the matter of widespread adoption of post harvest practices and control of pesticide usage, and ensure that exports meet international standards. Quality certification has to be popularised as also a virtual spices bazaar. (3.4.49-57)

## **V. MARINE PRODUCTS EXPORT DEVELOPMENT AUTHORITY**

91. The strength of the Board can be rationalised to 20. (3.5.10)

92. Among the major activities, the promotion of capture fisheries has to continue as also the promotion of aquaculture, though the Ministry of Agriculture and the state governments should have taken over the responsibility for aquaculture development. The modernisation of processing is another key activity, which has to continue to receive attention. (3.5.13)

93. MPEDA maintains two foreign trade promotion offices and their continuation is being justified on the ground that they render high quality service to the industry and not only merely to individual exporters. The industry also feels that our commercial missions will not be able to render the required services. (3.5.14-16)

94. The registration and licensing activities can be streamlined and in course of time, accredited private agencies may be encouraged to perform inspection functions. (3.5.18-19)

95. Most of the schemes of MPEDA may continue though some may have to be transferred to the Ministry of Agriculture/state agriculture departments. (3.5.21-40)

96. There is only marginal surplus in the staff strength in one or two departments. (3.5.41-42)

97. To improve the quality of service, the trade information service has to be improved; assistance needs to be given to shrimp farmers in the control of viral attack; dissemination of developments including rules and regulations regarding aquaculture farming has to be organised. (3.5.43 – 46)

## **VI. AGRICULTURAL AND PROCESSED FOOD PRODUCTS EXPORT DEVELOPMENT AUTHORITY**

98. The strength of the Board can be reduced to 23. (3.6-7)

99. The mandate of APEDA is wide and apparently overlaps that of MFPI and the Department of Agriculture but in practice APEDA has been confining its activities to only those aspects relevant for exports (3.6.10-11)

100. The major activities of APEDA – post harvest management infra-structural upgradation, quality improvement and market intelligence-- have to continue. (3.6-12)

101. Most of the schemes of APEDA are relevant for exports. Some of the schemes may though desirable may be phased out, as they are not related to exports. A programme to build capacity for risk analysis may be necessary. (3.6.13-34)

102. The airfreight scheme needs to be critically reviewed and discontinued in respect of those products with limited potential. (3.6.36-38)

103. APEDA may establish standards for all scheduled products and work towards harmonisation of standards with international standards. (3.6.39-40)

104. APEDA may encourage quality and testing labs in the private sector. (3.6.41)

105. Special schemes to encourage the cultivation of organic products and fresh fruits and vegetables may be worthwhile. (3.6.42-44)

106. APEDA has so surplus staff. It may be permitted to engage experts and consultants for specialised work and to carry out projects rather than recruiting personnel on a permanent basis. (3.6.45-46)

107. APEDA's major responsibility will have to be in the areas of dissemination of appropriate post harvest management techniques, quality standards etc. The virtual trade fair of APEDA has to be made a success. The web site needs to be made more comprehensive. (3.6.47-54)

#### **CHAPTER IV**

108. A change in the mandate and functions of the Boards may be necessary in the light of the liberalisation policy initiatives of the Government and the developments in the commodity sector and in the economy.

The Boards have to move away from controls to complete deregulation: the emphasis has to shift from mere development and production, to competitiveness. The incentive based approach should give way to capacity building, information and education. The Boards would need to withdraw from many activities and rather than being providers of services become facilitators. Most important, the Boards should cease to be mere bureaucratic organisations and become knowledge centres.

## **PART II**

109. Plantation commodities are important for many developing countries either because of their contribution to GDP or trade or employment. But the commodity producing countries have suffered adverse terms of trade for two decades now.

110. Prices of commodities especially of coffee etc have been subject to violent fluctuations. In the past stabilisation of prices was achieved through International Commodity Agreements. The International Coffee Agreement restricted supplies through quotas and the International Natural Rubber Agreement regulated the availability through Buffer Stock Operations. However, the possibility of such arrangements hereafter is remote.

111. Commodity Boards if statutorily authorised, could regulate production and supplies and through a combination of deficiency payments and retention of a portion of the prices when the market prices are satisfactory can attempt to stabilise prices and incomes. But with the global integration of the economies the scope for such intervention is limited.

112. Price volatility is a serious problem afflicting the growers in the developing countries only as the farmers in the developed world are fully protected with subsidies and direct income payments.

113. There have been few worthwhile international attempts to help the developing countries to cope with the problems of price volatility. The World Bank had convened an International Task Force on Commodity Risk Management in the Developing Countries. The ITF's recommendation is for the creation of an International Intermediation, which will bridge the gap between the providers of the risk management instruments and the entities in the developing countries.

114. The proposal is for a price insurance scheme under which a guaranteed price based on the quotations of futures exchanges can be ensured against payment of premium. While such an arrangement will no doubt eliminate the uncertainty, the proposal would still fall short of growers' expectations.

115. Growers can be protected from the risks of price volatility either through regulation of production or supplies. Both are not practical. Export tax coupled with deficiency payment is one possible method of stabilisation of prices and indirectly of incomes of growers; but it is an imperfect system and may be possible only in the case of a predominantly export commodity like coffee. Straight subsidy payment to compensate the growers when prices fall to a low level may be one option but can be resorted to only in exceptional cases in view of the financial implications.

116. A price insurance scheme, which will guarantee deficiency payments to growers if there were to be a fall in prices below a threshold level, may be acceptable to the growers. The price threshold has to be attractive and the scheme has to be simple. Such a scheme may be feasible for commodities subject to large-scale fluctuations in prices like coffee, cardamom even cotton or chilli.

117. There will be some practical difficulties and some details may have to be worked out but for some commodities a self-sustaining insurance scheme can be envisaged.

118. A Price Stabilisation Fund for commodities may be created to help the growers. But it has to be commodity specific as otherwise there may be resistance from the growers. The Fund can be built up through transfer of a portion of cess amount and any export tax proceeds and such other amounts generated from the industry.

119. Direct payments to growers from the Fund when the prices fall below a minimum level or collection of a cess amount from the growers when the prices go above a threshold level to augment the Fund may not be a practical proposition. But the Fund may be useful when in exceptional cases direct payments may have to be paid. Such a Fund may be helpful in many ways for making part payment of premium for the proposed price insurance scheme.

120. The scheme may be workable only for some commodities. The suggestion can be tried out for one or two commodities and on the basis of experience refined and expanded to benefit the growers of many commodities.