CHAPTER V

Export Promotion Efforts
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EXPORT PROMOTION EFFORTS

Rise in synthetic fabric exports during the past quinquennium has revolutionised the traditional formulae that governed the world textile trade. Through a new concept of blends the synthetics seek a harmonious development of all fibre types to meet the rising fabric demand for clothing and industrial uses. The world wide acceptance of synthetics accompanied by its growing trade offers opportunities to India to establish itself in the international market.

Augmenting synthetic exports is essential to pay for imports of caprolactum, DMT, and other auxiliaries. Import of technical facilities are required for fostering R & D work further. Also imports of sophisticated processing and weaving machines are needed for expanding production base. Lastly the inviting opportunities abroad especially in West Asia markets encourage India to enhance its exports.

The exporters need support, both financial and non-financial, to overcome certain impediments. The support to exporters is extended through three channels, viz., replenishment, drawbacks and financing facilities. Import replenishment entitlements have been changed in accordance with fabric, and
market diversification. Allowing draw-backs on imports of production inputs reduces the cost of export production. Since majority of export sales are credit sales, money is locked up for a fairly long time thereby straining exporter's liquidity position. Exporters' liquidity position is maintained and strengthened by providing packing and post-shipment credit by various government and semi-government institutions under various financing and refinancing schemes.

The changes in prices and demand structures, currency realignments, inflation, recession, political developments and the like, compel the Indian exporter to reorient and readjust his own strategies to keep in tune with the world trading environment. Accordingly the export policy of the Government had to be changed since the bulk of synthetic exports are subsidised directly or indirectly to enable the Indian exporter face the stiff competition in the world market. Separate export promotion councils have been set up to regulate and promote the synthetic fabrics export trade.

Before devaluation of 1966, the Government policy linked the imports of raw-materials with that of fabric exports. In subsequent years the major plank of new import policy has been to allow import of raw-materials to actual users directly through central canalising agency of State Trading Corporation and provide assistance to exporters in the form of replenishment and cash support through such agency. In
1977-78 to augment exports, the import policy was liberalised. The present chapter is an attempt to analyse such promotional efforts.

1. Development of Export Promotion Strategy

The natural fibres especially cotton have been unable to meet the increasing world textile demand. Fixed availability and high cost of cotton production are the major impediments. This has helped synthetics to come to stay in the developed world and its increasing demand poses a stiff competition to the natural fibres. Obviously the logic of producing synthetics in an economic way is highly resorted to.¹

Most of the developing countries in Asia have established this synthetic fibre textile manufacturing industry with fairly good and up-to-date equipments. These countries are engaged in export trade, at one means to earn foreign exchange. Such countries as Taiwan, South Korea, and Hong Kong are characterised as export oriented, in so far as synthetic fabrics and garments are concerned - U.S.A., Western Europe in particular. Indeed, U.S.A. has negotiated the agreement regarding International trade in textiles, more commonly referred as the "Multifibre Arrangement (MFA)", which came into force on January 1, 1974.

The Advisory Council on Trade held its deliberations in New Delhi in November 1968, where both the Government and trade expressed its complacency over the impressive results of the past export performance. Further stress was laid on sustained efforts on the export front, and it was felt that targets proposed for certain commodities under the Fourth Plan might prove small if the country kept up the past upward trend in exports. ²

Since there are no protected markets in international fabric trade, it must be obvious that gains of present year can't be retained and improved upon in the coming years without vigorous effort for sales promotion, market research and provisions of satisfactory after sales service. In this context role of export houses is to be complimented in providing expertise to manufacturers to export their synthetic fabrics to competitive markets. Also the use of foreign exchange on Export Promotion may not be viewed as an avoidable expenditure of foreign currency, but as an investment capable of yielding returns over a period of years.

It is essential to raise volume of exports and also secure a higher unit value for each of these fabric varieties, keeping in view the continually increasing cost of production. Thus realising the need for active market research and an export strategy attuned to the changing

needs of importing countries.

With all sort of import restrictions for synthetic textile products imposed by developed countries, the developing countries need to develop a system of marketing intelligence on their targets, so that their export marketing decisions would be made effectively.

The Government of India must seriously pursue the suggestion it made to World Bank President, Mr. Robert S. McNamara, for Bank's assistance in providing rediscounting facilities to some of India's export goods, which could be sold in international markets only on a long-term deferred payments basis. It provides an impetus to India's non-traditional exports.

Export promotion of synthetic fabrics has been emphasised because they provide adequate and economic clothing to all sections of society and also it has been stressed so as to enable the synthetic industry to generate export surpluses particularly of those varieties which can earn additional foreign exchange.

As an outcome of consumers movement, the export promotion strategy must pay increased attention to performance standards and product reliability. Consumer movement has caused

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3 Ibid.

* Consumer movement and Consumerism are synonymous, both refer to the adoption of marketing concept where products are manufactured in accordance with the needs and conveniences of the consumers.
exporters to supply more complete information about finance charges and terms of sales to overseas credit customers.\textsuperscript{4} This in turn must determine the financing policy of the Government towards exporters. In short the export performance is closely inter-woven with the efforts of the individual exporter and the export promotion policy as laid by the Government.

2. **Scope of Export Promotion Policies**

The schemes for building an export base of synthetic fabrics and other man-made fabrics were drawn up in late fifties, but it did not provide sufficient incentive to the exporters. First extensive measure of export promotion of synthetic fabrics and other man-mades was reflected in the revised "Export Promotion Scheme" announced by Government of India with effect from 15th of May, 1964.\textsuperscript{5}

In order to enable Indian exporters of synthetic fabrics and textiles to face the stiff competition in international market, the bulk of exports were subsidised directly or indirectly. Until 1966, the Government adopted the policy of linking import of raw materials with that of exports of finished fabrics. In subsequent post-devaluation period the


major plank of present import policy has been to allow import of raw-materials to actual users directly through a central canalising agent like State Trading Corporation and provide assistance to exporters in the form of replenishment and cash support through such agency.

The 'export assistance scheme' was first introduced in 1958. However, many changes were introduced in this scheme with an objective to enlarge the coverage of assistance scheme, add more benefits and alter the existing provisions so as to help enhancing the export trade from time to time. The changes incorporated from the inception of export assistance scheme in 1958 upto the present day can be discussed in two parts namely:

B. Post-devaluation period

A. The Export Promotion Policy in Pre-devaluation Period (1957-1966).

Under the import assistance scheme first introduced in 1958, the exporters of synthetics and other man-made fabrics registered with export promotion council were granted import entitlements against the f.o.b. value of the fabrics and textiles exported. The import entitlements were $66^{2}/3$ % of f.o.b. value for sarees and 100% for other man-made textile.\(^6\)

\(^6\) Import Trade Control Policy (for registered exporters), for the year April 1957-58, Ministry of Commerce, Govt. of India, New Delhi.
The import licences also further provided that 10% of the face-value of licence could be utilised for the import of spare parts and 15% for synthetic textiles.

In July 1959, the scheme was modified which brought the extension of export assistance to processors registered with the Council. The weavers were given import licence for art silk yarn up to 100% of f.o.b. value of sarees and other art silk fabrics.\(^7\) The exporters and processors were given import licences for coaltar dyes and chemicals each of 2% of the face value of the yarn entitlement. Out of the yarn licence, 10% of the licenced value could be utilised for import of machinery.\(^8\) However, the licence was conditioned that synthetic textiles including sarees should conform to the minimum standard specifications laid down by the Textile Commissioner and the Pre-shipment inspection was made compulsory. The imported yarn was denoted to be utilised by the weavers for their own consumption and a ceiling on export of Rs. 6,000/- per loom per year was fixed.

Once again the process of modification of the scheme introduced in 1959 set in consequently took place in April 1961. The modified scheme provided that 30% of the art silk yarn entitlements had to be surrendered compulsorily to

\(^7\) *Import Trade Control Policy, April 1959 to March 1960.*

Loc. cit.

\(^8\) Ibid.
indigenous spinners for import of rayon grade wood-pulp. The indigenous spinner on his part had to provide 0.75 lb of indigenous rayon yarn for every Rs. 1/- of the entitlement surrendered at concessional price fixed by the Textile Commissioner. The export ceiling was raised to Rs. 7,500/- per loom per year. In October 1961, it was further stipulated that the import entitlement should be restricted to 100% of f.o.b. value or international price as fixed by Textile Commissioner, which ever was lower.

In the year 1962-63, the export assistance scheme was further modified whereby the export ceiling was raised to Rs. 15,000/- per loom per year. The fabrics purchased from other weavers were allowed to be exported within the export ceiling and manufacturers/exporters were also allowed to sell imported as well as indigenous yarn obtained under the export assistance scheme.

Again in May 1964, the Government of India in case of synthetic fabrics export trade, a further modification trimmed the import entitlement from 100% to 70% of the f.o.b. value or international price which ever was lower. The facility

11 Ibid.
of indigenous yarn to exporters at concessional price was also withdrawn. In the following years the Government of India further specified that the 70% import entitlements should be utilised for both import of synthetic yarns (50%) and import of machinery (20%).

The export promotion policy declared in 1965-66 contained certain changes in its assistance to exporters. It carried incorporations that the imported yarn should not be sold but should be utilised by the exporter himself and the contract for such imported yarn should be registered with the Council. The exporters were allowed to accept the option for import of machinery or art silk yarn up to 20%. It was made obligatory and compulsory for the manufacturer/exporter to work as associates of either RAYEX or STC or AMFI which were made eligible for import entitlements against exports and these bodies were authorized to sell imported yarn to any actual user for his own consumption on the installed loomage basis. The nylon spinners and manufacturers of nylon ribbons, hosiery, and other art silk fabric producers were permitted to export man-made textiles and earn entitlements as manufacturers/exporters of fabrics. This modified export assistance scheme continued up till June 1966, when the devaluation of Indian rupee put an abrupt end.

13 Ibid.
B. Export Promotion Policies in Post-Devaluation Period (from 1967 onwards)

On account of devaluation of Indian rupee, the export assistance scheme remained suspended till March 4, 1967. On that date the partial canalisation of export trade of cellulosic art silk fabrics through State Trading Corporation of India was announced. The STC, as envisaged in the policy announcement operates in its own name as well as through the registered exporters and export associations who were authorised associates of STC.

Such partial canalisation of the export trade was considered by synthetic industry as such as an extreme step and the Silk and Rayon Textiles Export Promotion Council (SRTTMC) strongly protested to the authorities. By the end of 1967, it was decided that the STC of India Ltd. would neither trade directly nor would it deal with the individual manufacturers/merchant exporters and their associations directly but would operate through its sole business associate, RAYEX, the wholly owned subsidiary of the Council. The exporters and their associations desirous of participating in the export trade were required to get themselves registered as associates of Rayex and member of Silk and Rayon Textile Export Promotion Council.

An assistance scheme was announced in October 1967, which mainly concentrated on the export promotion measures of cellulosic varieties only. The scheme provided against the
exports of rayon filament fabrics and rayon mixed fabrics, the exporters were granted cash assistance and indigenous viscose filament yarn at concessional rates on the basis of the provisions given below:

(a) The quantum of cash assistance varied from 25 to 33% of the F.O.B. value subject to the type and construction of the fabric exported.

(b) Rayon spinners agreed to allot first quality bright viscose filament yarn on cones (equal to the weight of yarn used in the exported fabrics) as certified by the Textile Committee at concessional rates fixed from time to time. Such concessional yarn was allotted to manufacturers in their capacity as manufacturer/exporters or as nominees of the merchant exporters, associations and societies.

The exporters normally got the same denier as used in the exported fabrics duly certified by the Textile Committee, but conversion was allowed with the approval of the 'Concessional Yarn Committee'. There was no provision of advance allotment for rayon yarn and was allotted only after the performance and against documentary proof of shipment as prescribed in the procedure.

(c) The assistance scheme also provided for cash assistance upto 33% against export of viscose staple fibre fabrics. There was no provision for concessional staple fibre or spun yarn.
Under the replenishment scheme announced during 1968 exports of Nylon filament fabrics, and nylon rayon mixed fabrics, including embroidered fabrics and ready-made garments, the exporters were entitled for imported nylon yarn as replenishment on the basis of 1.20 kg for every 1 kg of nylon yarn content in the exported goods.

The imported nylon yarn as provided by the STC at landed cost including import duty, export duty and other incidental charges, though a large percentage of the duty element went back to the exporters in the form of drawback. In 1968 the Council Rayex prepared F.O.B. price schedules for about 200 varieties of rayon and nylon fabrics. Later these schedules were replaced by a formulae determining the prices on the basis of weight of fabrics. As regards exports of nylon fabrics, a further cash subsidy of 10% of F.O.B. value was introduced and replenishment for nylon hosiery and garment was fixed on the basis of 1.30 kg as against 1 kg of yarn content in the exported goods.

The Import Trade Control Policy of 1970 envisaged an extension of the export assistance scheme to cover the export of polyester fabrics, polyester/cotton blended fabrics, acetate and acrylic fibre fabrics. The replenishment ratio was kept unchanged at the level of 1.2 kg against 1 kg of yarn content in the exported goods for polyester filament, and acetate fabrics, and 1.25 kg against 1 kg of yarn content
in exported fabrics in case of acrylic fabrics. The operative details of the scheme were being worked out by STC and exporters. Against exports of dyed and printed goods, exporters were also eligible for import licence for dyes and chemicals for 4% of the F.O.B. value.

C. Present Scheme for Export Promotion - Market Development Fund.

As discussed earlier, the process of stimulating exports continued further. In 1973 two schemes were drawn up under which marketing development fund was created in the year for meeting expenditure to be incurred on schemes and projects for stimulating and diversifying the export trade and for developing markets for Indian products and commodities in foreign countries.

A major share of the funds is spent on schemes of compensatory support for the non-traditional, industrial and other products. Under the scheme, the commercial banks and other financial institutions are also eligible to receive subsidy for the low rate of interest charged by them from the exporters in respect of loans, advances and other credit facilities for export purposes. The rate of subsidy is 1\(1/2\) % per annum. In addition, out of the Marketing Development Fund, grants-in-aid are given to Export Promotion Organisations.

which in case of synthetics is Silk and Rayon Textile Export Promotion Council; Export Houses, etc., with special reference to the undermentioned activities:

(a) Market Research, Commodity Research, and Area Surveys Research Programmes;
(b) Export Publicity and dissemination of information;
(c) Participation in Trade Fairs and Exhibitions;
(d) Trade delegations and study teams;
(e) Establishment of offices and branches in countries abroad;
(f) Grants-in-aid of Export Promotion Councils and other organisations for the development of exports and the promotion of foreign trade;
(g) Quality control and Pre-shipment Inspection; and
(h) Any other scheme which is calculated generally to promote the development of markets for Indian Products abroad.

The Fund is administered by a Committee consisting of Secretaries of the Department of Expenditure and Economic Affairs, and the Ministry of Commerce. Funds to the extent of estimated requirements for the above purpose are transferred to the Market Development Fund after necessary provision in the demand for Grants.

The breakdown of the budget provision for Marketing Development Fund is presented in Table V.1.
### TABLE V.1

**SHOWING BREAKDOWN OF BUDGET ALLOTMENTS OF THE MARKETING DEVELOPMENT FUND FOR 1972 TO 1974**

<table>
<thead>
<tr>
<th>Heads of Activities</th>
<th>Budget estimate 1972-73</th>
<th>Revised estimate 1972-73</th>
<th>Budget estimate 1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Product Promotion Assistance</td>
<td>30.72</td>
<td>31.93</td>
<td>34.98</td>
</tr>
<tr>
<td>(b) Commodity Development Assistance</td>
<td>14.87</td>
<td>12.93</td>
<td>13.34</td>
</tr>
<tr>
<td>(c) Export Credit Development Scheme (subsidies to be paid by Reserve Bank of India for Export Credit)</td>
<td>4.50</td>
<td>4.50</td>
<td>5.00</td>
</tr>
<tr>
<td>(d) Grants-in-aid and Contributions to export Organisations</td>
<td>7.60</td>
<td>9.84</td>
<td>9.55</td>
</tr>
<tr>
<td>(e) Grants-in-aid for market development</td>
<td>1.41</td>
<td>3.09</td>
<td>3.09</td>
</tr>
</tbody>
</table>

**TOTAL**

59.10  | 62.29  | 66.77

A major portion of the market development fund is expended on schemes of compensatory support for the non-traditional and industrial products, particularly those with export potential for growth, on the basis of a broad judgement as to the need for assistance owing to the lack of economies of scale inherent in nascent industries and factors like incidence of non-refundable taxes and levies, all of which affect their competitiveness in international markets. This scheme for compensatory support against export of selected products as discussed in preceding lines was introduced in June 1966, after the change in the par value of rupee.  

In order to secure increase in exports of some specified non-traditional commodities, levels of compensatory support are viewed from time to time in keeping with needs of the time and export strategy. The rates of compensatory support at present generally vary between 3% to 25% of f.o.b. value.

Product promotion assistance covers compensatory support for a variety of items among which only two are of our interest. They are:

1. Woolen carpets (including blended ones).
2. Natural Silk and Art silk fabrics/garments.

15 Credit Facilities for Indian Exporters, Directorate of Commercial Publicity, Ministry of Commerce, Govt. of India, New Delhi, 1967.
The provision for grants-in-aid and contributions to the Export Promotion Development organisations/ meant for grants-in-aid for promotion of exports to various Export Promotion Councils.

Grants for Market Development to "Approved Organisations" other than the Export Promotion Councils and Indian Cotton Mills Federation are given from the head "Grant in Aid for Market Development".

Besides, recognised Export Houses and individual exporters are also eligible for assistance for activities relating to commodity surveys within the country, market studies abroad, exploration of new markets publications, brand publicity, participation in exhibitions, foreign offices, setting up of warehouses, and research and product development schemes.

It has been decided that rates of cash compensatory support on export products, including project exports, and air freights subsidy/ocean freight subsidy, wherever available, sanctioned for the year 1976-77 will remain valid upto and including 31st March 1979. The cotton textiles and jute etc., have been excluded from the decision. Decision regarding the continuance of the cash compensatory rates upto 31.3.1979 will not apply to Supplementary Cash Compensatory support rates available in lieu of duty drawbacks.17

17: Contained in letter No. 12(23)/7C-EAC, dated 18th Oct., 1976, issued by Ministry of Commerce, Govt. of India, to Export Commissioner, New Delhi, who further forwarded it to TDA, STC, and Silk & Rayon Textile Export Promotion Council.
D. New Export Promotion Measures Under Consideration.

The Ministry of Finance, Government of India, is considering to liberalise foreign exchange allocations for Indian exporters operating in Middle East and other market regions with high export potential for India. The provision of meagre foreign exchange inhibits effective sales promotion of Indian fabrics and other goods in Gulf countries.

Competitors from developed countries which may have to sell goods that would not normally stand competition with Indian exports, gain an edge over Indian exporters because developed countries are liberal in their sales promotion expenses.

A package of measures, including modification of some income tax rules has been also under consideration. The latest official assessment shows that if inhibiting factors including some lengthy official procedures, are modified, export loped countries the Middle East would receive a big boost. Gulf area is intensely realising that by buying goods and services from developed countries the Middle East may unwittingly be importing inflation.

Prohibitive shipping cost incurred in exporting fabrics from India to Gulf is an inhibiting factor and poses a serious problem. This problem was solved by Japan by introducing an element of subsidy. The Government of India is considering a

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similar proposal which calls for the introduction of subsidy to reduce shipping costs.

Another inhibiting factor in export trade with Middle East areas is the ceiling of 5% imposed on the agency commission allowed by Indian contracting companies to agents abroad. Rules regarding these commissions may be liberalised and in some cases a higher commission should be allowed. The Reserve Bank of India being directed to ensure that payment of agency commission by Indian companies to agents abroad is quick.

The Government of India, took a number of innovative decisions helping Indian exporters to reorient their marketing strategies to keep in tune with the world trading environment. Some of the measures giving relief to synthetic fabric exporters are:

(a) The decision to provide duty-free imports against advance licences for export promotion and possibility of waiving excise duty in such cases. 19

(b) The proposal to permit payment of duty drawbacks to exporters directly by their bankers.

(c) The decision that, when Replenishment licences are issued for imports, 20% of the licence should not be deducted on account of freight and insurance. 20

(d) The decision to make the export wing of the IDBI the single centralised agency for clearance of export finance problems (This is directed to cater to the


20 Ibid.
long-term needs of Indian exporters).

(e) The recent relaxation in regulations governing the use of blanket foreign exchange permits and procedures for their renewal, and decision to grant foreign exchange in dollars.

The synthetic’s fabric industry being largely dependent on imports of raw materials (Caprolactum, DMT and dyes) for manufacturing yarns, has to survive by fostering export promotion strategies for fabrics for which concessions given above are likely to help.

3. Export Promotion Constituents

Recognising the need for promoting overseas sales, the Government of India introduced certain measures from time to time to render relief to exporters. However, the following are the main vehicles which stimulates an exporter when he avails of these benefits.

A. Import Replenishment Policy

To push up exports the Ministry of Foreign Trade, Govt. of India allows import of certain essential ingredients or machines used in the process of manufacture of the export product. However, on such products, certain relief in the form of rebate in import duties is granted to exporters. This process of allowing import of goods against certain exports and the mechanism of relief granted is termed as "Import
The Ministry of Foreign Trade, Govt. of India issues a "Replenishment Licence" to manufacturer exporter or to a manufacturer nominated by registered exporter/eligible Export House on request. Under this provision a manufacturer may seek the import of machinery items by combining more than one valid licence.

Request for import of plant and machinery is considered only if these are accompanied by an essentiality certificate issued by the sponsoring authority concerned certifying the quantity and value of the machinery items applied for.

A radical shift in import control policy was observed in 1977-78 towards the liberalisation in policy for import of tradeable inputs for export production. The system of "shopping lists" of import items for different export products, which was an important feature of the policy, was done away with in the Import Trade Control Policy, for 1977-78. This means that, within the value of replenishment licence, an exporter is free to import his requirements of all tradeable inputs at international price.

This is, however, subject to certain discipline in order to safeguard interests of and prevent

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injury to domestic industry. This step is envisaged to go a long way in strengthening export production base.

Discontinuance of shopping list has led reclassification of export products into broader categories and simplification and speeding up of licence issue process. Several other changes in the licensing system include simplification of the system of nominations, and extension of the scope of utilisation of replenishment entitlements for the import of machinery. Further exporters will now be granted a single replenishment licence against which they are to import both canalised and non-canalised items required by them, with the exception of a few items.

The system of issuing a separate licence for canalised items in the name of a canalising agency with a letter of authority to the exporter, has been dispensed with. The scheme for supply of indigenous materials for export production has been made more workable and attractive.

(1) Eligibility for Availing Import Replenishments

Synthetic fabrics and garments are exported both by manufacturer exporters and the merchant exporters too. They are entitled for following replenishment concessions, as per the Import trade control policy.

23 Ibid.

(a) Registered exporter can nominate manufacturers of cellulosic/non-cellulosic fibre/yarn to which he is entitled for replenishment in particular.

(b) Such nominations are allowed only up to the value for which the import of fibre/yarn is permitted. The nominee is allowed only those raw-materials which are needed for the manufacture of the said fibre/yarn used in the export quality fabric.

(c) Nominations are also allowed for the import of dyes and chemicals and other auxiliaries (excepting soaps, fatty acids, and synthetic detergents) used in the processing of synthetic fabric products. Such nominees may include manufacturers of dyes, textile auxiliaries and of synthetic resin-finishing agents.

(d) Against exports of non-cellulosics, nominations may also be made in favour of processors engaged in textiles industry. Such processors are considered as manufacturers of the product exported provided they are recognised by any of the authorities namely, Textile Commissioner, Bombay, State Director of Industries, State Director of Handlooms or Handloom Board.

Under this provision it is not necessary that the processor should be engaged in the processing of the particular textile fabric which has been exported. Therefore against exports of nylon fabrics, nominations
may be accepted in favour of processors engaged in silk textile etc. The nominees under this provision are, however, allowed only permissible types of dyes and chemicals up to the extent indicated in the Import Trade control policy of 1976-77 and 1977-78, against relevant export product.

(e) The export of acrylic fibre fabrics and hosiery, mixed and blended yarn of nylon filament, polyester, filament and acrylic filament, polyester/nylon fibre fabrics and made-up articles, include embroidered fabrics also. An additional replenishment of 1% of f.o.b. value of exports was granted to this group against exports of embroidered fabrics\footnote{Ibid., p.235} under the Import Trade control policy of 1976-77.

The import REP entitlements to various fabrics and fabric groups as per the import trade control policy declared recently are being discussed in the following lines. It may be kept in mind that all replenishments are allowed as a percentage of the f.o.b. value of the export fabric.

(ii) Import Replenishment Entitlements Against Exports of Nylon Fabrics.

The import replenishment entitlements against various nylon fabric varieties usually varies between 50 to 60% of the
f.o.b. value under the new ITC policy for 1977-78. The following discussion on each varieties may help.

(1) Import Replenishment against export of Nylon Filament yarn fabrics and made up articles other than hosiery and embroidered fabrics: Under the ITC policy for 1976-77 and before, the registered exporters could nominate manufacturers of metallic yarn for import of polyester films, laminated sheets and metallised film and permissible lacquers, adhesives and colours for an amount upto 1.5% of the f.o.b. value of exports against exports of nylon fabrics and made up articles certified in the inspection certificate of the Textiles Committee to contain metallic yarn.

Import of nylon filament yarn and dyes and chemicals (permissible varieties) (15%) is allowed against the exports of nylon filament yarn fabrics and made-ups. The import of dyes and chemicals (permissible varieties) is allowed only against exports of products other than grey fabrics. Import Replenishment upto an extent of 35% was allowed by Ministry of Commerce.26

But as the liberalisation of policy for import of all tradeable inputs for export production, followed in 1977-78, the value of import replenishment was raised to 50% of the f.o.b. value of the exports fabrics.27

26 Ibid., p.235
# TABLE V.2

**IMPORT REPLENISHMENT OF VARIOUS SYNTHETIC FABRICS UNDER ITC POLICY - 1977-78**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Export Product Against which Import is Allowed</th>
<th>Import-Replenishment percentage of f.o.b. value</th>
<th>Products Allowed to Import Against Replenishment Entitlements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I</strong></td>
<td><strong>NON-CELLULOSICS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fabrics made-up articles including the embroidered:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) made of polyester/acrylic fibre</td>
<td>10</td>
<td>(1) DMT (against polyester fabrics and madeups)</td>
</tr>
<tr>
<td></td>
<td>2) made of nylon filament yarn; nylon quilted fabrics and nylon quilted blankets.</td>
<td>50</td>
<td>(1) Caprolactum, (2) Synthetic filament yarns (excluding nylon filament yarns).</td>
</tr>
<tr>
<td></td>
<td>3) made of other synthetic fibre-yarns.</td>
<td>40</td>
<td>(1) Synthetic filament yarns (excluding nylon filament yarns)</td>
</tr>
<tr>
<td></td>
<td>Nylon tyre yarn/cord/fabrics</td>
<td>60</td>
<td>(1) Caprolactum.</td>
</tr>
<tr>
<td><strong>II</strong></td>
<td><strong>MIXED/BLENDED TEXTILES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mixed/blended yarn, fabrics and made up articles, including embroidered:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Made from a combination of two or more of any fibres.</td>
<td>10</td>
<td>(1) Synthetic filament yarns (excluding nylon filament yarns)</td>
</tr>
</tbody>
</table>

(Contd.)
TABLE V.2 (Contd.)

   ii) Made from a combination of two or more of synthetic filament yarns. 40
   iii) Made from a combination of any filament yarn and fibre 20
   iv) Not elsewhere specified 15

III READY-MADE GARMENTS, HOSIERY AND KNITWEAR

   i) Hosiery and knitwear made up nylon/polyester/acrylic/acetate filament yarn, or any combination thereof. 60
      (1) Caprolactum (against nylon) (2)
      Synthetic filament yarns (excluding nylon filament yarns)
   ii) Ready made garments of:
       a) Acetate fibre/yarn 40
          (1) Caprolactum (against Nylon) (2)
          Synthetic/Synthetic blended fabrics.
       b) Synthetic fibre/yarn 40
       c) Mixed/blended material containing synthetic fibre/yarn more than 50% by weight. 40
          (1) DMT (when polyester content is more than 50%)
   iii) Ready-made garments, hosiery and knitwear not elsewhere specified 20

SOURCE: Compiled by the present author from:

Ministry of Commerce, Government of India, New Delhi, pp. 29, 30, 34, 71, 72.
(2) REP Entitlement Against export of Nylon filament yarn fabrics embroidered and hosiery: The manufacturer nominee was allowed to import metallised film and laminate sheets, permissible lacquers, and polyester films and colours for an amount upto 1.5% of the f.o.b. value of exports. Also import of hosiery needles was allowed upto 1.5% of the f.o.b. value against exports of hosiery only. In addition import of nylon filament yarn was also allowed. The import of permissible dyes varieties of dyes and chemicals was allowed only against exports of fabrics other than grey varieties.

The extent of Import replenishment entitlement on the export of nylon filament yarn fabrics embroidered amount to 36%28 upto 1976-77. But in 1977-78 the replenishment was raised to 60% of f.o.b. value against the exports of Nylon hosiery and 50% of f.o.b. value against the exports of simple nylon embroidered fabrics.29

(3) Against the exports of nylon quilted fabrics and blankets import of nylon filament yarn was permitted upto 1976-77, carrying an import replenishment percentage of 35%. Also import of dyes and chemicals (permissible varieties) is allowed only against the exports of nylon quilted fabrics and blankets other than grey ones.

According to the Import Trade Control Policy 1976-77, the

29 ITC, 1977-78, loc cit.
application for import licences/release orders should be accompanied by preshipment inspection certificate issued by the textile Committee in addition to other prescribed documents.

But the ITC policy of 1977-78 envisages the relaxation by allowing the import of Caprolactum and all synthetic filament yarns, excluding nylon filament yarns unlike the previous policy. The import replenishment has, however, been increased to 50% of the f.o.b. value of exports of nylon quilted fabrics and blankets.

(4) The import replenishment percentage carried by the export of Nylon Tyre fabric was 40% as denoted in ITC policy in 1976-77, but has been raised to 60% of f.o.b. value. Under the ITC 1976-77 about 1.10 kgs of caprolactum is permitted to be imported against the export of each 1 kg of nylon tyre/cord/fabric. It may be borne in mind that the direct export of Nylon Tyre yarn/cord/fabric did not qualify for import replenishment. This provision was intended only for supplier made under approved arrangements. It was denoted in the ITC (1977-78) that both value and quantity on import of caprolactum would be a limiting factor. Though import of caprolactum is still canalised through STC, but no such restriction as stated earlier continues under the new ITC policy of 1977-78.
(iii) Import Replenishment Entitlements Against Polyester Fabrics Exports

The replenish entitlements against different polyester fabric varieties varies between 10% to 60% of f.o.b. value of export fabrics. The import REP entitlements are discussed individually for each item.

(1) Against the export of polyester filament yarn fabrics and made-up articles (other than embroidered and hosiery), the polyester filament yarn, dyes and chemicals (permissible varieties) (15%) were allowed to import upto 1976-77, and the replenishment percentage amounted to 35%. Here again the import of dyes was allowed on the export of fabrics other than grey varieties.

In order to enjoy replenishment entitlements it is obligatory on the part of registered exporters to nominate manufacturers of metallic yarn for import of polyester films, laminated sheets and metallised film and permissible lacquers, adhesives and colours for an amount upto 1.5% of the f.o.b. value of exports against export of polyester filament yarn fabrics and made-up-articles certified in the inspection certificate of the Textile Committee to contain metallic yarn.

The ITC policy for 1977-78 allows the import of any synthetic filament yarn excluding nylon filament yarns. The import entitlements amount to 40% of f.o.b. value of the export fabrics.
(2) The import replenishment carried against the exports of hosiery and embroidered fabrics of polyester filament yarn amounted to 36% of f.o.b. value of exports till 1976-77. But in 1977-78, the import replenishment entitlements were raised to 40% of f.o.b. value against the exports of embroidered polyester filament yarn fabrics and 60% of f.o.b. value against the exports of polyester hosiery. Against exports of fabrics only synthetic filament yarns excluding nylon filament yarns can be imported, but against the exports of hosiery both caprolactum and synthetic filament yarns (excluding nylon) as well can be imported. However, earlier imports of dyes and chemicals against the exports of fabrics other than grey varieties was allowed.

The exporters of embroidered polyester filament yarn fabrics could nominate manufacturers of metallic yarn for import of polyester film, laminated sheets and metallised film permissible lacquers, adhesives and colours for an amount upto 1.5% of f.o.b. value of exports. Import of hosiery needles could be allowed upto 1.5% of the f.o.b. value against exports of hosiery only.

(3) The import replenishment carried by exporting simple polyester fibre fabrics was reduced to 10% of f.o.b. value under 1977-78, ITC as against 31% of f.o.b. value originally envisaged upto 1976-77.
(iv) Import Replenishment Entitlements Against Acrylic Fabric Exports

The Acrylic fibre fabrics and hosiery are exported out of India. The fabrics do carry a lower rate of import replenishment than the hosiery. The following discussion will throw a light on this aspect:

(1) The import replenishment on exports of Acrylic fibre fabrics and made-up articles excluding hosiery was reduced to 10% of the f.o.b. value in 1977-78 as against 35% it carried up 1976-77. The replenishment allowed, in 1977-78 can be utilised for the import of DMT, through the nominee manufacturers. Originally polyester film, laminated sheets, adhesives, colours, permissible lacquers upto 1.5% of the f.o.b.value could be imported.

(2) The exports of acrylic hosiery and knitwear carries an import replenishment of 60% according to the liberalised ITC policy announced in 1977-78. Originally only 36% replenishment was granted upto 1976-77. Against the value of replenishment the synthetic or acrylic filament yarns excluding that of nylon can be imported. Earlier 1.5% out of total of 36% replenishment could be utilised for the import of adhesives, colours, acrylic yarns, hosiery needles, and laminated sheets, metallised film, permissible lacquers, etc.
(v) **Import Replenishment on Mixed/Blended Synthetic Fabrics Exports**

The confusing import replenishment policy of the Government of India was simplified in the ITC policy of 1977-78. Earlier different replenishment entitlements were allowed on the mixed/blended fabrics of 50% and 50%, 64%, 36%; 65%, 35% and 67% and 33%. Combinations of fabrics blended out of two or more synthetic fibre/yarns of one synthetic and one cellulosic fibre/yarns. But under the simplified procedure it is the 50% synthetic content which forms a border line below which a lower replenishment entitlement is allowed. The Table V.3 carries a comparative study of the import replenishment on various mixed/blended fabrics of synthetics with cellulosics and synthetics with synthetics. In 1976-77 the import replenishment for most of the varieties of mixed/blended was lower. The lowest replenishment of 5% of f.o.b. value was carried by blended fabrics made from 5% mixture of natural silk or cotton/cellulosic fibre yarn other than nylon. But under the liberalised ITC of 1977-78, this percentage of import replenishment has been raised to 15%.

The Import Trade Control policy of 1976-77 allowed different replenishments on various blendeds depending upon synthetic yarn percentage content, but the ITC of 1977-78 makes no such distinction. It allows 40% import replenishment of an embroidered or unembroidered mixed/blended yarn or
### TABLE V.3

**SHOWING IMPORT REPLACEMENT ENTITLEMENTS ON EXPORT OF MIXED/BLENDED FABRICS FROM COTTON/NYLON/POLYESTER/SILK/RAYON**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Export Product Against which Import is Allowed</th>
<th>Import-Replenishment Percentage of F.O.B. Value</th>
<th>Products allowed to Import against Replenishment Entitlements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1976-77 1977-78</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Blended or mixed fabrics from 5% mixture of natural silk or cotton/cellulosic fibre yarn/than Nylon/Polyester fibre or yarn including such made-up articles and hosiery.</td>
<td>5  15</td>
<td>1. Permissible coaltar dyce, (2) special optical whitening agents for polyester acrylonitrilate (3) sodium nitrate (4) Napthanic and (5) Titanium oxide (rutile grade only), (6) Potassium ferrocyanide, (7) Synthetic resin finishing agents used on textiles excluding some varieties, (8) cellulosic acetate (9) Gum tragacanth and Arabic (10) Photographic films and chemicals (other than banned ones) required for photo-enzymeing and screen making. (11) Brotasul 15%, etc.</td>
</tr>
<tr>
<td>II</td>
<td>Fabrics and make-up articles of cotton/polyester fibre blended or mixed materials other than for suiting with fibre blending in the ratio of 65% and above polyester fibre content.</td>
<td>36  40</td>
<td>(1) Polyester Fibre.</td>
</tr>
</tbody>
</table>

(Contd.)
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>Fabrics and made-up articles of cotton/ polyester fibre blended or mixed materials for suiting with fibre blending in the ratio of 65% and above of polyester fibre content.</td>
<td>31</td>
<td>40</td>
</tr>
<tr>
<td>IV</td>
<td>Fabrics and made-up articles of cotton/polyester fibre blended or mixed materials other than suiting with polyester fibre content not less than 50% and not more than 64%.</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>V</td>
<td>Fabrics and made-up articles of cotton/polyester fibre blended or mixed materials for suiting with polyester fibre content not less than 50% and not more than 64%.</td>
<td>24</td>
<td>40</td>
</tr>
<tr>
<td>VI</td>
<td>Fabrics and made-up articles of polyester fibre/viscose fibre blended or mixed articles with fibre content in the ratio of 65% and above of polyester fibre content.</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td>VII</td>
<td>Mixed fabrics and made-up articles produced from cellulosic/non-cellulosic filament yarn or/and blended yarn of cellulosic-non-cellulosic natural fibre origin, produced from cellulosic/non-cellulosic filament yarn or/and blended yarn of cellulosic-non-cellulosic natural fibre origin</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>

(1) Polyester fibre and other synthetic fibres/yarns used in product exported, (2) Permissible type of dyes and chemicals, (3) Polyester film, (4) Laminated sheets and metallised film, (5) Permissible lacquers, (6) Adhesives and colours upto 1.5% of f.o.b. value of exports.
<table>
<thead>
<tr>
<th>TABLE</th>
<th>V.3 (Contd.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIII</td>
<td>Fabrics and made-up articles of polyester fibre/viscose fibre blended or mixed articles with polyester fibre content not less than 50% and not more than 64%.</td>
</tr>
<tr>
<td>IX</td>
<td>Fabrics, made up articles and hosiery of mixed/blended yarn of nylon filament/polyester filament/ acrylic-filament yarn and/or acrylic nylon/polyester fibre</td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled by the present author from Import Trade Control Policy for 1977-78 and 1976-77.
fibre fabrics and made up articles made from combination of
two or more synthetic filament yarns and ready-made garments
and knitwear made from mixed/blended material containing
synthetic fibre/yarn more than 30% by weight.

To sum up the increased replenishment on exports under
the ITC policy of 1977-78 is expected to help the exporters
mainly the manufacturers as the industry is to a great
extent depends on imports for basic raw-materials like
D.M.T., caprolactum, dyes, chemicals, laminated sheets for
printing, etc. To further foster exports through import
liberalisation, recently a committee of experts headed by
the Commerce Secretary, Dr. P.C. Alexander submitted its
report. This panel has recommended drastic changes in the
course of import trade. The freer flow for imports has been
envisioned by two major innovations. The first is the
drastic reduction of canalisation; the second is by
simple categorisation of imports of raw materials, spare
parts and components for industrial purposes under two
lists: one is "restricted" and another "banded", leaving every
other item free to be imported on an Open General Licence
or without a licence at all. No quota licences are recommended
for "established importers" but first indications are that we
are going back to the period, as before the Second Plan, when

30 "A Transformation In Import Policy", Monthly Commentary -
on Indian Economic Conditions, The Indian Institute
of Public Opinion, New Delhi, Vol. XIX, No. 6, 222,
"established" importers can rehabilitate themselves by providing services to industrial users who are unwilling to undertake the task of importing on their own account.

Under the recommendations licences will be issued in respect of restricted items by regional offices of the Chief Controller of Imports and Exports instead of undue dependence on Delhi. For Export Houses additional import licences of the value of one-third of the f.o.b. value of the export of the selected product manufacture of small-scale and cottage industries and 5% of the f.o.b. value of exports of select manufacturers by other units would be provided subject to a ceiling of Rs. 2 lakhs as against Rs. 1 lakh under the present ITC policy declared for 1977-78.

3. Export Financing Facilities

Both Foreign and Indian banks including their subsidiaries provide export finance to Indian exporters of synthetic fabrics. The Reserve Bank of India and the Industrial Development Bank of India (I.D.B.I.) function as refinance institutions for short and medium term finance respectively. The State Trading Corporation also provides export finance through its "Export Aid for Small Industries Scheme", while Export Credit and Guarantee Corporation, plays a reasonable role in the export financing of synthetic fabrics through its various policies providing cover for commercial and political
risks involved in Export Trade.\textsuperscript{31}

The term "export finance" traditionally refers to credit facilities and techniques of payment at the post-shipment stage, i.e., after the goods have been exported. However, in the present day context of competitive overseas selling, cheaper and additional post-shipment finance can have a limited and temporary effect on export performance.\textsuperscript{32} Providing finance, therefore, at pre-shipment, i.e., production stage as well is necessary. Export finance may be required for a shorter or longer period depending upon the payment settled with the overseas buyer and the type of synthentic fabric (pure, mixed or blended) exported. The export finance for synthentic fabrics may be studied under (i) Short Term Credit and (ii) Medium Term credit, and the discussion proceeds.

\textbf{(1) Short-Term Credit}

Short-term including pre-shipment credit (also known as "packing credit"), is provided by banks which are authorised dealers in foreign exchange and transact such business. This includes both foreign and Indian banks. Financing is manifested in various forms such as:

\textsuperscript{31} \textcite{Agarwal, C.P., \textit{Export Methods and Services In India}, op.cit., p.110.}

\textsuperscript{32} \textcite{Paras Ram, \textit{Export—What, where, How: Export Marketing and Management Services (P) Ltd., New Delhi, 1974, pp. 243-244.}
(a) Negotiation
(b) Purchase or discounting of bills
(c) Advances against bills, etc.

When bills are drawn under letter of credit or guarantee established by the importer's bank, the fabric exporter has little difficulty in getting the finance, but where no such arrangement exists, he may have some difficulty in getting his bills discounted. Under present exchange control regulations, the period should not normally exceed 180 days. The usance bills are, however, usually for shorter duration of 30, 60, 90 or 120 days sight.

Under the current practice, the fabrics are exported either against a letter of credit — which includes letters of authority to purchase, orders to negotiate, orders for payment, etc., or guarantee of importers bank. Where the importer is well known to the exporter, a letter of credit or bank guarantee, which involves additional cost to the importer, may not be insisted upon and fabrics may be exported against a firm order only. Fabrics may be exported on consignment basis.

In case of the letter of credit, the drafts — whether demand or usance are tendered to the bank for negotiation. If there is a guarantee as usually is the case of exports on

deferred payment basis in various other countries, the payment of instalments on specified dates will be received through the guaranteeing bank and ordinarily no drawing of drafts and consequent negotiation or discounting is involved unless specially provided for.

Where, however, the fabrics are exported against a firm order only, the exporter approaches a bank either:

(a) to purchase or discount his bills.
(b) to make a loan or advance on the security of bills sent for collection.
(c) or collect the bills and pay the proceeds on realisation.

When the bills are demand bills, they are paid on presentation to the drawees and their negotiation involves locking up of funds for a very short period.

When the bills are usance bills, they require acceptance by the drawees and are paid on the due date unless the importers pay them earlier in order to become entitled to a rebate interest.\(^\text{34}\)

Again, these bills may either be D/P (Documents against payment) bills in which case the shipping documents are delivered against payment or D/A (Documents against acceptance) bills where the shipping documents have to be released against acceptance only, so that after the documents have been realised no tangible security is available excepting the

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34 Credit Facilities For Indian Exporters, op.cit., 1973, p.11.
signatures of the parties on the bills. The usance bills attract ad valorem stamp duty. Quite frequently, the exporters require pre-shipment advance, i.e., to meet the expenses of manufacturing and processing of fabrics to be exported, particularly the synthetics as they involve considerable expenditure as is obvious from their cost structure.* This is normally allowed by banks on the strength of letter of credit for firm order and against a general letter of hypothecation of fabrics.35 There is also an undertaking that the shipping documents will be handed over to the financing bank. Where considered necessary, an additional security may also be demanded. Pre-shipment finance may also be authorised under letter of credit with what is called as "Red Clause" sometimes also known as Green Clause36 where advance is granted at the instance, and therefore on the responsibility of the foreign banks establishing the credit.

In addition, the short-term export credits also exist. Credits beyond six months and less than five years is referred to as 'Medium Term' and beyond five years as 'Long Term' credits. These are usually granted in respect of engineering goods in accordance with the guidelines given by the Exchange Control Authority.37 Since Synthetic Fabrics both

* Consult the section on Pricing in the Chapter on International Marketing Operations.

35 Ibid., p.12
36 Ibid.
manufacturer and merchant exporters do not take advantage of medium and long term credit facilities, therefore these credit facilities do not find any discussion in the present study.

(ii) Role of Banks (RBI and Commercial Banks)

Reserve Bank of India indirectly plays a role in export promotion by granting refinance against export credit under its 'Export Bill's Credit' to commercial banks. RBI Act was amended to authorise it to purchase and rediscount exports bill's maturing within 180 days and to lend against eligible usance promissory notes maturing within 180 days arising out of export trade transactions.

The export credit scheme is meant for subsidising interest charges on export finances provided by the banks. The RBI announced and revised bank rate policy from 1967-68 onwards whereby a maximum interest chargeable by commercial banks in respect of export credits stands at 7% and subsidy upto 1 1/2 % per annum.38

To enable banks in granting further advances to exporters, the RBI has exempted export credit given by banks for the purpose of 'norms' relating to unsecured advances and guarantees.

The "Export bill scheme" introduced in 1963 provides refinance to commercial banks in the minimum amount of Rs. 1 lakh. The export bills cease to be considered for purposes of

38 Annual Reports of Reserve Bank of India, 1972-73.
refinance under this scheme in following eventualities:

(a) On receipt of relative realisation advice,
(b) On their being re-discounted;
(c) On dishonour by non-acceptance or non-payment on the due dates;
(d) In the case of bills negotiated under letters of credit, on receipt of the relative reimbursement; and
(e) On the happening of any other contingency in which the liability on the bills ceases.

The main advantage of this scheme as an export promotion measure, is that refinance (but not re-discounting facilities) is made available to the banks at concessional rates. It is found to be very useful by fabric exporters, particularly during busy season and tight money conditions.

The commercial banks look after the financial needs of exporter who travels abroad to boost up his fabric export trade. For him the banks issue and encash foreign currency traveller's cheques, traveller's letters of credit to/from them.

The commercial banks also grant foreign exchange remittance facilities to their exporter-importer customers in addition to financing their trade. Banks also buy foreign currencies from their customer who receive remittance from other countries.

Since the buyer of Indian synthetic fabric is located in another country, the seller must be sure no obstruction will occur in the movement of goods to the buyer's country and
transfer of funds from that country to India. Obviously, the seller requires the information on the buyer's credit worthiness, on the import trade control and exchange control regulations as well as the market conditions in the buyer's country. The commercial banks render this credit and trade information service.

Also the international debt which arises out of trade is settled through the banks who arranges for the transfer of funds from the debtor's country to creditor's country. This foreign exchange business in India is governed by the Foreign Exchange Regulation Act 1973. The RBI which is the exchange control authority has licenced certain scheduled commercial banks to deal in foreign exchange, without which commercial banks cannot undertake any international transaction having financial implications.

(iii) Role of Export Credit and Guarantee Corporation (ECGC)

The Export Credit and Guarantee Corporation (ECGC) insures against a variety of commercial and political risks in case of exports. The main commercial risks covered are the insolvency of the overseas buyers and his protracted default to pay for the fabrics accepted by him. The political risks covered include:
(a) war insurrection, (b) sudden import restrictions, and (c) embargoes on remittances from abroad.

To provide for widely differing trade pattern and suit varying requirements of exporters, ECGC issues two types of
policies:

(1) shipment (comprehensive/Political risks) policies;
(2) Contracts (comprehensive/Political risks) policies.

These policies indemnify the exporters to the extent of 80% of the loss in case of "Commercial risks" and 85% in case of "Political risks".

To assist exporters more effectively in securing export finance, ECOC has introduced three financial guarantees as follows:

(1) Packing Credit Guarantee,
(2) Post-shipment Export Credit guarantee,
(3) Export Finance guarantee.

The Packing Credit Guarantee is, specially designed to help the exporters to secure a line of credit from banks for the purpose of buying, processing and packing fabrics destined to export market. Often synthetic fabric exporters have firm orders in hand for the finance of which they need credit which is in excess of the bank's normal rating of their capacity. In such an event ECOC share 66 2/3% of the risk with lending banks for a nominal premium.

In addition ECOC also issues and sponsors certain special policies namely:

(1) Manufacturer's Credit Insurance Policy,
(2) Exporter's Credit Insurance Policy: The exporters frequently supply fabrics to overseas buyers on credit. To
replenish their resources the exporters often have recourse
to their own suppliers for similar credits. Conversely, exporters
may have to finance the supplier to produce fabs due to be exported.
In either event, a credit risk would be involved which ECGC
is able to undertake.

(3) Market Development Policy: This policy assists
exporters to conduct market surveys, publicise their fabrics and
hold stocks in foreign markets. The premium rates are reasonable
and are designed only to cover the costs, as ECGC works on a
no profit-no loss basis.

However, it is worth noting that in spite of all the above
mentioned facilities, the big merchant export house like STC
and largest manufacturer exporters like JK Cotton & Synthetics
do get their export fabric consignments insured with General
Insurance Company - the reason being efficient and larger
package of services rendered by it.

C. Duty Draw backs As a Tool of Export Promotion

Goods imported into India attract a levy of Customs Duty
by virtue of the provisions of the Customs Act 1962 (Act 52 of
1962). Such a duty is levied at the rates specified in the
Indian Traffic Act, 1934, or any other law for the time being
in force in our country. Normally the import levy is
intended to be imposed only on the goods that are imported for

39 Section 12 of Customs Act 1962, As amended upto date.
40 Indian Traffic Act 1934, Bear Act 1976 as Amended upto date.
being used or consumed in India. Similarly, a large number of goods produced or manufactured for being consumed or used within India attract an internal levy in the form of Central Excise and Salt Act 1944 (Act 1 of 1944) and the Central Excise Rules, 1944, framed thereunder.

The imported duty-paid goods may be re-exported out of India in the same form as they were imported, or they may be used either as raw-materials or components of some other articles manufactured in India for being exported to foreign countries.

Similarly, Central Excise Duty-paid materials may be used in the manufacture of articles exported out of India. Whenever such duty-paid goods are exported out of India, a part of the amount of duty collected either as an import or internal levy is refunded to or allowed to be drawn back from the Government by the exporter of the goods. Such refund or draw back of the duty once paid is termed as "DRAWBACK".

It may be pointed out that the Central Excise Duty paid on the finished articles manufactured in India and exported to foreign countries is also refunded to the exporter but such refund is termed as REBATE\(^41\) under the Central Excise Rules.

The main reasons for refund of duty once collected is to provide an EXPORT INCENTIVE to the producers and manufacturers of goods in India. With the remission of the import or internal levy, the Indian exporters of goods should be in a better

\(^{41}\) Central Excise Rules, 1944.
position to compete in the international market by offering the goods at competitive prices thereby promoting exports.

(i) Duty Draw-Back Benefits Extended to Synthetic Fabrics Exporters.

To avail of the benefits of drawback of duty, the exporters of synthetic fabrics are required to comply with certain conditions of procedural formalities. Appendix V shows the proforma of the receipt of duty paid fabric on which the exporters or manufacturer wants to avail of the provision of getting duty drawback concessions. Appendix VI shows the proforma on which drawbacks can be enjoyed.

The law and the rules only contain the permissive provisions for grant of drawback of duty on fabrics and garments exported, but the class, or description of goods on which and the extent upto which drawback of duty is permissible are flexible and everchanging. On fulfilment of certain conditions and formalities, fabrics in receipt of which drawback is not permissible at present may be got included in the list on which drawback fixed and announced in receipt of any article may be got revised on application and on explaining reason for the receipt of the duty drawback.

(ii) Duty Draw-Back Rates on Various Synthetic Fabric Varieties

For the purpose of our study we discuss the drawback entitlements in three main parts depending upon the type of
fibre combination used. The combinations include:

I. Fabrics and Hosiery made wholly out of Synthetic filament yarn - Pure Synthetic Fabrics.

II. Fabrics and Hosiery made wholly out of spun Yarns containing Synthetic fibres, cotton/silk/wool but not jute fibre - Blended/Mixed Fabrics (with natural fibres).

III. Textile Fabrics or laminated with preparation of polyvinyl chloride compound - (Intra Synthetic Blends).

We discuss elaborately on the duty drawback concessions enjoyed by each of the above groups in the proceeding part.

(iii) Fabrics Made wholly out of Synthetic filament Yarns.

This part carries discussion on duty-drawbacks allowed by Government of India on Polyester, Acetate, viscose and polyamide yarns. The concessions were announced by Govt. of India, Ministry of Foreign Trade in the year 1974.42

(a) Polyester Filament Yarn Fabrics

The amount of drawback concessions vary on the denier quality of the polyester fibre used. There is a reciprocal relationship between the amount of drawback and the denier content; that is lower the denier higher is the amount of

42 Public Notice No. PN-26/74, Dated 1st June, 1974, Ministry of Foreign Trade, Govt. of India, New Delhi, p. 44.
drawback and as the denier content increases the rate of drawback decreases. Upto 30 denier fabrics Rs. 66.50 per kg is the drawback enjoyed. The highest of 750 and above this denier polyester filament yarn fabrics attract a drawback of Rs. 15.50 per kg. The drawback concession of Rs. 47.90/kg is uniform between the fabrics of 100 denier to 750 denier. In lower denier quality a small decrease in denier content causes a disproportionate increase in the drawbacks. Obviously from this it appears that the Ministry of Foreign Trade is interested in stimulating people to export lower denier fabrics, which has got an expanded market abroad. Appendix VII contains a detailed account of drawbacks enjoyed by various denier polyester filament yarn fabrics.

(b) Polya-ide Filament Yarn Fabrics

Lower rates of drawback are enjoyed by the fabrics made out of polyamide filament yarn. Here again lower the denier higher is the duty drawback carried by fabric exports. The 35 denier fabrics and below carry a drawback to the extent of Rs. 42.45 per kg. Above 750 denier yarn fabrics enjoys as low as Rs. 9.35 per kg of (fibre or yarn used in the fabric) as the drawback.* The medium quality denier yarn of 110 and 150 denier carried Rs. 27 per kg of the drawback. Obviously it appears that the exports of lower denier fabrics desired as the higher drawback realisation results in cost reduction of the

* See Appendix VIII.
fabric in order to enable both polyester and polyamide low
denier fabrics to get price advantage in the overseas market.

(c) Viscose Filament Yarn Fabrics and Acetate
Filament Yarn Fabrics.

The duty drawback allowed on export of viscose filament
yarn fabrics is much lower than polyester and polyamide yarn
fabrics and still much lower is for Acetate filament yarn fabrics.
The Acetate fabrics carry a maximum relief of Rs. 10.35 per kg
and minimum relief of Rs. 2.55 per kg in the form of duty
drawbacks to the exporter. On the other hand the viscose
variety earns maximum of Rs. 12.02 per kg drawback for fabrics
with the yarn content of 75 denier and below, and a minimum
of Rs. 2.62 per kg drawback is allowed on fabrics with yarn
content of above 1100 denier. Hence among pure synthetics it
is the polyester fabrics whose exports the Govt. is encouraging
by giving the highest relief in the form of duty drawbacks.
Again among the polyester group the fabrics made out of below
35 denier filament yarn content which attract the highest draw-
back owing to their high market acceptability overseas.

(iv) Fabrics and Hosiery made wholly out of spun yarns
containing cotton/silk/wool/and synthetics - Blended/
Mixed Fabrics.

Since blended/mixed fabrics con ain two or more fibre/yarn
contents but one is essentially a synthetic fibre/yarn. The

* Appendix IX contains list of duty drawbacks.
two yarns/fibres are blended/mixed in a particular proportion and therefore on the basis of the %age content of synthetic and cellulosics the drawback is allowed. We discuss each on the same basis:

(a) Where Synthetic is 90% and Cotton 10%
the Cotton is 90% and synthetic is 10%

The fabrics containing yarn spun wholly out of synthetic staple fibre of cellulosic origin and cotton make two possible combination. First combination contains 90% synthetic yarn content rest 10% constitutes cotton and the second fabric type is made by combining 90% cotton and 10% of synthetics. However, both these fabrics do carry the similar drawback relief. The maximum drawback amounts to Rs. 2.60 per kg and minimum of 10 paisa per kg on 14 n.f. and less count. The Table given in Appendix 4 shows the extent of duty drawbacks given on each.

(b) Fabrics made from 10% wool/silk and 90% synthetics.

The exported fabrics which have been woven out of 90% synthetic yarn of cellulosic origin and the fibre content contains wool and or silk not exceeding 10% of its weight carries a duty drawback to the extent of Rs. 7.85 per kg.*

(c) Fabrics in the blend of synthetics upto 50% or more and rest cellulosics.

The fabrics which contain yarn spun wholly out of synthetic polyester or polyamide staple fibres or partly out of staple

* See Appendix XI for further details.
fibres aforesaid and partly out of acrylic fibre/cellulosic
staple fibre/wool/cotton/silk/provided that wool/cotton/silk
content, does not exceed 18% of its weight and if the non-
cellulosics (polyester or polyamide) fibre content is:

<table>
<thead>
<tr>
<th>Fibre content</th>
<th>Duty Drawback (in Rs./kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% or more</td>
<td>15.69</td>
</tr>
<tr>
<td>Less than 50% but not less than 25%</td>
<td>12.55</td>
</tr>
<tr>
<td>Less than 25% but not less than 10%</td>
<td>10.46</td>
</tr>
<tr>
<td>Less than 10%</td>
<td>7.84</td>
</tr>
</tbody>
</table>

Obviously higher the synthetic content, higher is the
drawback enjoyed.

(d) **Fabrics in the Blend of 90% Acrylic**
and **10% wool/cotton/silk**

Fabrics containing yarn spun either wholly or partly out
of acrylic fibre and partly of cotton/silk/wool provided their
content is not more than 10% of its weight. When worsted hand
knitting yarn is used the drawback is Rs. 7.32 per kg. But
when the worsted yarn used is not hand knitted then the drawback
on 40 n.f. counts and above is Rs. 14.64 which is higher than
non-worsted yarn of the same count which carry Rs. 8.37 per kg.
The detailed rate of drawbacks as given in Appendix——makes
it clear that worsted other than hand knitting yarns do attract
the highest rates of drawbacks in the group and the lowest
rates of drawbacks are carried by un-worsted.

(e) **Drawbacks on fabrics containing 50% or more synthetic and rest wool.**

The content of yarn containing 60% or more synthetic staple fibre of non-cellulosic origin and partly wool, then the amount of drawback is Rs. 15.69 per kg. and as the synthetic content goes on reducing the drawback lowers. When synthetic content is between 50 and 60% then the drawback amounts to Rs. 12.37 per kg, and when the synthetic yarn content is between 50% and 56% and the yarn count is 34 n.f. or less the duty drawback amounts to Rs. 8.37 and yarn content above 34 n.f. count carries Rs. 10.46 drawback per kg.

(f) **Blended fabric containing 50% or more synthetic and 50% or less cotton or wool.**

The fabric containing partly 40% to 50% of synthetic staple fibre of cellulosic origin and/or cotton and partly wool, provided the wool fibre content is of 34 n.f. count or less then the duty drawback is Rs. 6.27/kg. The highest drawback of Rs. 8.37 per kg is carried when the wool content is between 40 and 50% and the wool count yarn used is above 34 n.f. The lowest drawback of Rs. 2.09 per kg is allowed on the fabric blend containing less than 20% wool content. The duty drawbacks are detailed in Appendix.
(g) **Drawback on wool, Acrylic and synthetic Blended Fabrics.**

The fabric where the content of yarn containing partly Acrylic fibre and or wool not more than 50% by weight and partly any other fibre then the drawbacks enjoyed on worsted hand knitting yarn is Rs. 2.09 per kg incidentally is same as carried by 20 n.f. counts and below yarn other than hand knitted. The lowest drawback of Rs. 0.78 is extended when yarn (containing not less than 60% of wool and more than 5% of virgin wool) commonly known as choddy. The highest drawback amounting to Rs. 14.12 per kg is enjoyed by fabric containing 40 n.f. counts and above yarn other than hand knitted one. Appendix——reflects the current drawbacks.

V. **Textile Fabrics or Laminated with Preparation of Polyvinyl chloride compound.**

Here the basic fabric are non-synthetics or cellulosics (bot: natural and man-made), and they are covered with thin coverings of polyvinyl chloride when the basic fabric is cotton/rayon the coarse grey/bleached/dyed fabric fetch a drawback of Rs. 5.80 per hundred square meters which is the lowest. The highest drawback of Rs. 18.50 per hundred sq. meters is carried by medium "A" bleached or dyed fabric.* However the finer varieties are not laminated with polyvinyl chloride as it lowers its quality from technical point of view. The better the quality of

* See Appendix XII for further details.
base fabric the higher is the amount of drawback got. Obviously the rate of drawback in this case is independent of quality and amount of polyvinyl chloride lamination. The drawbacks can be claimed in this case provided that where such textile fabric coated or laminated with preparation of polyvinyl chloride compound have not been manufactured in accordance with the producers prescribed under Rule 96D or 191A of Centre Excise Rules 1944, the above mentioned drawback shall apply in toto.

The rate of drawbacks are given in detail in Appendix XII for using various base fabrics.

4. **Export Promotion Efforts by Semi-Government Agencies**

The export promotion efforts directly by Government are conceived through drawback duty extension, granting replenishments and providing adequate financing facilities to carry and expand exports, and the earlier portion of the present chapter dealt with this aspect. However, in order to supplement and reinforce the export promotion measures and efforts further, certain semi-Govt. organisations like Silk and Rayon Textile Promotion Council, State Trading Corporation, Trade Development Authority, etc. have been set up. It is worthwhile to evaluate the efforts of each individually towards this direction.

A. **Silk and Rayon Textile Export Promotion Council**

Presently the synthetic fibre fabrics have revolutionized the world's buying motives. A radical change has been reflected
in the buying patterns of people in favour of synthetics in whole of the world. India has also been making its fortune by selling synthetic fabrics to other countries in various continents. The export earnings realised by this sales has shown a steady increase year after year. With this in mind and to boost up the export sales of synthetic fabrics and allied fibres and fabric varieties an export Promotion Council called "Silk and Rayon Textiles Export Promotion Council" (SRTFC) was set up in December 1954 with its head office located at Bombay.

The Council is jointly sponsored by the Government of India and the Industry and Trade. The Council's membership at present numbers more than 1,000. It has two regional offices at Surat and Amritsar besides its registered office at Bombay. The Council's purpose is building up of an export base for rayon and synthetic textiles industry, and to organise its export activity besides expediting new international markets to boost up exports.

The synthetic industry entered the export trade almost from scratch. The Council has been instrumental in opening up business opportunities to the industry in export trade. Its efforts have always been aimed at backing up sales efforts of individual units by organising the export effort and providing such joint services as:

(1) publicity
(2) market research

(iii) Building up of business contacts in foreign trade.

The SRTEPC has been based on three fold objective attainment of

(i) Export Promotion
(ii) Export Planning
(iii) Export Production

and all of them have been achieved through extensive services rendered by the Council to overseas buyers as well as to the Indian Synthetic manufacturers/exporters.

(i) Institutional Efforts by Silk and Rayon Textile Export Promotion Council in Pre-devaluation period.

SRTEPC has been always sharp in reinforcing the export promotion measures taken by the Government. Encouraged by the performance of exports upto 1963-64, and the consequent announcement of a modified and revised export promotion scheme by Govt. of India in May (21st May), 1964, the SRTEPC outlined certain measures at a special meeting of its members.

The export plan drawn by SRTEPC covered institutional arrangements and steps to build up goodwill and confidence. In order to eliminate unfair internal competition, realise maximum export prices and improve the competitive capacity of the Indian exporter by making a coordinated approach, market-wise panels of exporters were formed on the lines as already set up for

Morocco. The panels were open to all manufacturers at all times and nobody need have any fear of being left out. A special panel was formed for East European and other rupee-payment countries as the trade with them had suffered on account of its being less remunerative. There was also a proposal to set up a panel of processors who were required to abide by a code of good business practices and they might then become qualified to get export promotion benefits.

To regulate the then existing exports the Council set up a new trading body named RAYEK (India) Ltd. This new organisation helped to create a pool for the surrender of entitlement certificates and import licences and to arrange for the import of yarn in bulk.

The SRTEPC decided to set up an export "Assistance Committee" to review the working of the export promotion scheme and other measures of assistance, and an "Inspection Committee" was put in charge of preshipment inspection. Regional Offices were established in 1965 in certain important manufacturing centres (as already discussed) with a view to developing and organising local initiative for export promotion effort. The "Regional Committees" took steps to remove the local hurdles coming in the way of export trade and thereby try to ensure the implementation of 'regional export targets'. The organisational effort also included the sending of delegations and study teams abroad, inviting overseas buyers to acquaint them with Indian

material and the progress made of the rayon and synthetic textile industry.

(ii) Present Promotional Efforts of SRTEPC

The Silk and Rayon Textile Export Promotion Council has creditably established close liaison with a huge number of importers in more than 80 countries of the world. It has made possible for importers in any overseas market to get in close touch with appropriate exporters in India. The overseas buyers are kept continuously informed about the industry and its export range. This is achieved through a system of planned promotional measures such as:

(1) Active participation in international fairs and exhibitions at various centres where there are prospects of increasing exports for Indian synthetic fabrics.

(2) Extensive advertising in overseas 'textile trade journals' to acquaint overseas buyers about the range of materials available from India.

(3) Direct mail literature and making available samples of Indian export quality synthetic fabrics through the Council's export Oriented publications and product literature to 2,000 overseas importers, agents and Indian Trade missions abroad.

Obviously the council acts as an institutional link between the prospective overseas buyers and the Indian exporters.

The SRTEPC helps the synthetic fibre fabrics industry to adopt
to meet the specific needs of different buyers by providing continuous comprehensive and integrated export service to the trade. This includes disseminating information on various foreign markets such as:

1) Price structure  
2) Current fashion trends  
3) Import policies  
4) Tariff rates, and  
5) Trade opportunities.

These are available through market surveys and deputing study teams. The Council processes overseas enquiries with manufacturers and exporters for finalisation of business.

The most of the trade enquiries are started as a result of the promotional work done by the Council. The Council arranges meetings between foreign buyers and Indian exporters/manufacturers and assists in negotiating business. The "Man-Made Textile Fair (MMTC) 76" which was organised by the Council in March 1976 provided ample opportunity for establishing useful contacts between the overseas buyers and Indian manufacturers/exporters.

(iii) Market Testing of Innovated Fabric Products

Through SRTEPC the synthetic producers get a distinct and continuous perspective of the improvements in weaving prints, designs and trends in growth and fashions. The Council helps the manufacturers to test their products in foreign markets.
The samples along with the necessary details are sent abroad and random check is made with importers/dealers to assess the market activity of these products.

With a view to develop new products suitable for overseas markets as well as adaptation of these products, a "Print and Design Centre" has been set up where samples of foreign material fabrics have been put on display. The Council encourages the adoption of quality control methods and has paved the way in implementing a system of compulsory preshipment inspection for exports.

The Council also acts as an agency to bring about an amicable settlement in case of any trade dispute between the buyer and exporter, as the export trade grows in mutual confidence.

The Council, through its multipronged promotional activities helps to streamline, direct and organise the exports and has been able to build an infrastructure for growing international trade of Indian synthetic fabrics. As reflected by trade performance, the council's vigorous activities have brought dividends in the form of spectacular increase in exports.

(iv) **Man-Made Textile Fair- (MMFT 76)**

The man-made textile industry of which synthetic fabrics form a part has been making a modest but increasing contribution in the direction of export earnings. Exports of these textiles
touched Rs. 33 crores representing about 10% of the country's production and is expected to increase its contribution in the export trade. In this context a man-made Textile Fair (MMTF 76) the first of its kind in India, assumed significance. It was held at Delhi in March 1976. The main objectives of the fair can be summed up as under:

1. Present to the overseas buyers a varied collection of Indian synthetic and man-made cellulosic textiles born out of our traditional skill and artistry coupled with modern technology.

2. Provide an opportunity to the prospective buyers to assess the scope in the country for adaptation to cater to their needs.

3. Give an opportunity for exchange of views between the foreign buyers and Indian exporters.

4. Bring into focus for the benefit and subsequent action of the industry to the special requirements of the buyers.

The MMTF 76 provided an ample opportunity to transact and conclude business and an exhibition where the manufacturers had ample scope to display their wares and disseminate information. A large number of overseas buyers attended the fair.

The products displayed at the MMTF 76 included hosiery and knitwear, garments and made ups with latest designs, tapstry, blended dress materials and fabrics — plain, dyed, printed
in exquisite designs, gorgeously embroidered with metallic yarn beads etc. to satisfy the most choosy customers.

(V) Awards For Outstanding Export Performance In Synthetic Fabric Textiles.

The Silk and Rayon Textiles Export-Promotion Council introduced a scheme in 1970-71 for grant of awards for the outstanding export performance in rayon and synthetic textiles with an objective to develop a spirit of healthy competition among manufacturers and exporters not only to produce quality export performance but also to excel each other. The scheme as originally introduced stipulated that any exporter having an export performance in any of the Rayon and Synthetic Textiles Group, viz., Fabrics, Hosiery and Knitwear, Ready-made Garments and Tyre Yarn/cord to the extent of Rs. 80 lakhs or over in a year or if his exports were at least 60% of his production, he would be entitled to receive a Trophy.\footnote{\textit{Financial Express, 13th March, 1976, p.10.}} The exporter having a performance of Rs. 15 lakhs and above or exporting at least 40% of his production during the year was eligible to receive a certificate of merit. This scheme was in force for 3 years, i.e., 1970-71, 1971-72 and 1972-73.

The Council, therefore, decided that in order that the scheme for awards serves a real purpose as well as to be a source of pride to the winners, the award should be granted to only a limited number of exporters on the basis of their
excellent performance and on consideration of special merits.

The scheme as amended and in force at present stipulates that the exporter with the highest export performance in any of the textile groups would be granted a special Trophy subject to his performance being at least Rs. 2 crores in a year. After excluding the special award winner, other awards are to be given in the following manner:

Two awards for the exporters from Fabric group on the basis of highest and 2nd highest export performance; two awards to the exporters from ready-made garments group on the basis of highest and 2nd highest export performance and one award, each to the exporter having highest export performance in embroidered and hosiery knitwear.

Besides, these two awards are granted on the basis of special merits which include successful introduction of a new type of product into the export trade, successful break-through in a foreign market where conditions are difficult, carrying out market surveys which have led to the significant increase in the exports of the areas surveyed; development of a market for a new fabric, high percentage of export in relation to the production of exporting unit or any other significant contribution in the field of production and promotion. The Appendix XIII carries a list of award winners for exceptional export performance in synthetic and rayon textiles for various years.
(VI) Shortcomings of Silk and Rayon Textile Export Promotion Council.

In sustaining and boosting up the tempo of exports of synthetic fabrics, the role of SREPC is significant, but it has not been always effective. The basic approach to export promotion has greatly been deficient in one respect. Export promotion schemes have generally been operated on the basis of generic principles or product categories. The policies and procedures were devoted to commodities, territories and functions, but the exporter was not actually playing a pivotal role in the policies. The important need was to have an agency with emphasis on specifics rather than generalities, on the exporter rather than exporting community, the product rather than product categories and the importer rather than market. With this in mind Trade Development Authority (TDA) was set up in 1971 to render a package of services to put up export oriented facility to actual securing of export orders and their execution.

B. Trade Development Authority (TDA) and its Efforts in Export Promotion of Synthetic Fabrics and Garments.

The Trade Development Authority (TDA) was set up on 18th February, 1971, and is neither a publicly owned corporation nor a Government department but it is a registered society with charter of its own. TDA has been conceived as an institutional innovation in the context of export trade development
where it uses new operating techniques.

The adaptation of OSS by industrial countries have opened their markets to import from developing countries of many products with high demand velocity. The TDA identifies these products, and studies the existing environment and potential for producing them in India. It also has evolved and offers a package of services to develop the overseas marketing and production capabilities of interested enterprises to meet and overcome competition in overseas markets.

Paragraph 19 of the Export Policy Regulation says, "Product and market research is currently the responsibility of several bodies, official and non-official. Their work will be coordinated and the results of research will be pooled so as to promote effective utilisation." The Research and Analysis Division of TDA, which is the coordinating body in this field, does plan the product and market research activities with a view to make them more purposeful and overlapping. The R & D Division is also concentrating on resources planning and short term and long-term projections of international trade and hoists danger signal when shortfall occurs in exports performance. The TDA in its information and research functions is not so much the performer but the gatherer, coordinator and disseminator. The markets to which the fabrics and garments are to be

47 TDA Inauguration Bulletin - 18th Feb.1971, Published by TDA through Manakalaya, 9 Bahadur Shah Zafar Marg, New Delhi.
48 Revealed in a discussion at TDA, New Delhi.
beamed should also be those which are expanding rather than shrinking. Obviously exports of synthetic fabrics have to be result of purposeful action-oriented programme which takes into account:

1. Specific growth-oriented international markets;
2. Fabric types which are best produced competitively; and
3. The quality requirements of the clientele in these markets.

The micro approach calls for concentration rather than diffusion of efforts. The TDA helps exporter’s of synthetics in pushing up synthetic export trade in the following ways:

1. Additionality of Services and Improvement:

   For identified exporters of synthetic fabrics and made ups with their identified export propositions and the total package of services required and which organisations can provide them are the jobs carried out by TDA. If the services rendered by other organisations or departments helping exporters of synthetics effectively lag behind, with its selective approach the TDA assists the Silk and Rayon Textile Export Promotion Council in improving the quality of its services and the speed of servicing in the case of certain promising exporters of synthetic fabs.
(ii) **Coordination and Focussing of Services.**

With the export promotion set-up (SRTEPC) based on generic activities and dedicated to broad product-categories, efforts get thinned out and appear centrifugal in character, with single point devotion to exporter as the central concept of TDA, the attempt has been to make the application of services to the exporter of synthetic fabrics reinforcing and centripetal in their total impact. This implies coordination of all the services required from all the export promotion organisations for synthetics and Govt. departments concerned in a well-planned manoeuvre that would transfer the intentions of an exporter to export with successful export order.

Communication gaps with the vast network of export promotion organisations and Govt. departments are to some extent inevitable. Before conducting any research or buying any information of relevance to the exporter, for instance, one must be able to draw upon a store-house and memory bank to ascertain what research and information already exists, and thereafter build up further to the extent necessary. For its exports, products (synthetic fabrics and garments), the TDA has built up such a system with facilities for quick retrieval.

(iii) **Expanding clientele**

To boost up export trade TDA has been adding more and more exporter clients to its already existing list. Upto the end of 1975 there were 78 clients enrolled, during 1975-76 five got
de-enrolled and twenty one new clients were added bringing the total effective position to ninety-five enrolled clients who are the exporters of synthetic and other ready made garments and home furnishings.

(iv) Product Development and Product Adaptation

Mr. Mademann, a knitwear expert from USA visited India for a period of six weeks during May-June 1975, under a UNIDO project to assist the knitwear industry to adapt their products for the GCA countries. Mr. Mademann observed, that woolen knitwear industry which also uses cashmilon - a synthetic wool, was more or less geared to the needs of the East European markets would have to incorporate modifications in their manufacturing process for competing in GCA countries. To produce quality fabrics to enhance exports he observed:

I. Automatic knitting machines installed in some of the factories in Ludhiana were not operating in a dust-proof atmosphere, these machines were also not equipped with modern auxiliary equipment to control tension and weight.

II. While the spinning process was found to be satisfactory, the spun yarn was not right, for producing light weight garments for the GCA markets. Dyeing of the yarn also required substantial improvement for colour fastness in the finished garments.

49 TDA - Sixth Annual Report, 1975-76, TDA, Bank of Baroda Building, New Delhi, p.5.
III. Yarn should be imported till such time domestic facilities for spinning and combing were improved. Units anxious to enter GCA markets should strictly follow the standards laid down by the International Wool Secretariat.

Hence, in order to have effective export sales turnover, the prescribed international specifications are to be adhered to and in this regard Indian Standards Institute (ISI) shall have to revise its specification as denoted by the latest ISI Handbook. Hence TDA helps to make us quality conscious which is a step towards purposeful export promotion.

(V) Buyer-Seller Meets.

Every year TDA organises buyer-seller meets both in India and abroad. The motive behind this meet is to enable prospective and existing Indian exporters to have a dialogue with the importers of other countries and consequently to end in securing orders for exports of such products needed by foreign importers. A buyer-seller meet was organised by TDA in USA with financial and technical assistance from the "Commonwealth Fund for Technical Cooperation (CFTC)", London, at American Hotel in New York City from Jan 25-30, 1976.

The 2nd meet was held at World Trade Centre from Feb. 8-13, 1976, at Dallas and was financed by the "International Trade Centre (ITC)", Geneva.
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of Organisation</th>
<th>Items of Interest</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>West German Chain Store &quot;KARSTADT&quot;</td>
<td>Acrylic blended woolen knitwear, children's wear, ready-made garments, gents under-</td>
<td>As this was more of a fact finding mission, the delegation on the basis of merchandise available</td>
</tr>
<tr>
<td></td>
<td></td>
<td>garments</td>
<td>from India, decided to send groups of 6 or 7 buyers later in 1976.</td>
</tr>
<tr>
<td>2</td>
<td>Jugoslovia Reogres (Dept. Store of Yugoslavia)</td>
<td>Readymade garments, costumes, and sports goods and jewellery.</td>
<td>Orders worth Rs. 4.5 lakhs were placed for costumes, jewellery and sports garments.</td>
</tr>
<tr>
<td>3</td>
<td>Preduzeta Robnich Kuce Beograd (Dept. Store of Yugoslavia)</td>
<td>Readymade garments, sports garments and goods.</td>
<td>Orders worth Rs. 10 lakhs were placed on one of the TDA clients for sports garments and goods.</td>
</tr>
<tr>
<td>4</td>
<td>Arty Fashion Imports Ltd., Montreal.</td>
<td>Readymade garments, ladies blouses and gents patchwork shirts.</td>
<td>Sample orders were placed on a few clients.</td>
</tr>
<tr>
<td>5</td>
<td>World Wide Incorporated of Minneapolis, Minnesota.</td>
<td>Men's shirts, woolen blankets, towels, pillow cases, and other readymade garments</td>
<td>Orders for men's shirts and towels placed to be in the immediate future.</td>
</tr>
</tbody>
</table>

Source: Compiled from the list of buying delegations who visited India, contained in Trade Development Authority, Sixth Annual Report, 1975-76, New Delhi, p.12.
(vi) Buying Delegations.

At the invitation of TDA many buying delegations of synthetic fabrics and readymade garments visited India during 1975-76. These delegations were sponsored by various organisations and included delegations from West Germany, Yugoslavia, Montreal, Minnesota, in addition to others.

During 1975-76 about five buying delegations visited India* and the list of these is given overleaf (Table V.4).

It is obvious that overseas buying delegations visiting India reflect enough intentions to purchase fabrics and garments and the trend goes in favour of the blendeds. Further to boost up synthetic's export trade (of both fabrics and garments) TDA has developed liaison with many industries and Trade Associations of various countries. Presently for synthetic fabrics and garments alone TDA has liaison with sixty associates in about twenty-two countries. 50 Maximum of 29 associates are located in U.K., and Federal Republic of Germany seven each; France, U.S.A. and Ireland five each. A complete list of these is given in Appendix XIV.

C. Synthetic's Export Development Efforts By State Trading Corporation of India Ltd. (STC).

The State Trading Corporation of India Ltd. (STC) was established as a public limited company on 18th May 1956 under the

* According to latest published data available.

Indian Companies Act with its head office at Delhi. STC is an autonomous corporation with the aim of enlarging India's export trade and arranging imports of essential items. In addition it carries the job of arranging the ancillary services of finance, quality control, shipping and even procurement of scarce materials. On behalf of overseas buyer it takes full responsibility, including product development to suit specific needs.

STC can invest in a product that has an export future and for a buyer it can undertake developmental expenditure if the buyer can assure the market once the quality and the delivery needs are met. The synthetic exports are promoted by the STC through:

1. Diversification of India's synthetic export trade;
2. Effecting exports to the existing markets and exploring a new market;
3. Promoting longterm exports of newly developed fabrics;
4. Assistance to the private trade in order to boost the export of products facing hurdles in sales at international markets.

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51 Handbook of Export Promotion, Directorate of Commercial Publicity, Ministry of Commerce and Industry, Govt. of India, New Delhi, 1965, p.19.

52 Manual of Export Promotion, op.cit., p. 42.
(1) **Fabric Groups Export’s Cananalisation and STC’s Promotional Efforts.**

About a dozen products/product groups exports are **canalised** through STC. Canalisation does not mean that only STC can book or execute orders. Individual exporters interested in the exports of such items can do so on account of STC and are entitled for all the incentives and assistance from the Govt of India. Upto 1973 the entire synthetic fabric export trade was canalised through STC.

Out of seven marketing divisions of STC one deals with exports of textiles exclusively. The fabric group includes:

1. Nylon Fabrics;
2. Polyester/nylon fabrics and ready-made garments;
3. Tereane Polyester viscose suiting;
4. Polyester/cotton fabrics and garments;
5. Filament Rayon fabrics and spun Rayon Fabrics;
6. Woolen knitwear (cashmellone) and woolen, synthetic/blend/mixed textiles;
7. Other ready made garments and textiles; and

The subsidiaries of STC group now also includes Handicrafts and Handlooms export Corporation (HHMC). However, this textiles

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54 India-1974 (A Reference Annual), Research and Reference Division, Publications Division, Ministry of Information and Broadcasting, Government of India, New Delhi, p.280.
division is supported by advisory and services division.

With a view to developing and promoting exports of fabrics of small and medium-scale industries, the STC has organised assistance to these industries through a separate State Marketing Division, which liaises with the small Industries Development Corporation, both at the state and apex level.\(^55\)

For effective marketing STC maintains a network of branch offices in about 21 countries\(^*\) and has associates all over the world. This enables STC to render after sales service consequently to promote India's exports. These branches do provide a feed back system which enables STC to remain in constant touch with the changing trends of trade in the world markets.

STC plunged into trade deficit (import oriented trade balance) as the imports upto 1971-72 were fairly large. But from 1972-73 onwards the exports by STC rose continuously and in 1975-76 exports were Rs. 760 crores against Rs. 217 crores of imports.\(^56\) It follows that the corporation has become export-oriented agency. The Govt. also issued orders for cannalising India's 80% export trade through STC which helped it to concentrate more on market researches and locating new markets.

The cannalisation of import and export trade of Nylon and other


55 Ibid.

56 The Hindustan Times, September 1, 1976, p.1.
synthetic knitwear and garments through STC has led to the rationalization of export oriented industries where chances of unfair trade practices are least. Imports being low, the policy to liberalize the imports has been drawn out from 1975-76 onwards up to 1977-78 as denoted by various ITC policies. The widening of the gap between the exports and imports rate (in favour of exports) reflects the emphasis of concentration of promotional efforts on export trade of India.

(ii) STC/RAYEX Agreement

The Govt. of India who announced the policy of canalization of exports in March 1967 through STC, also simultaneously announced certain export promotion measures. For the exports of synthetic fabrics and other Man-mades the STC entered into an agreement with RAYEX (Export House of the Silk and Rayon Textiles Export Promotion Council). As a result of these joint efforts the exports of synthetic fibre fabrics revived in 1968. Out of the total exports of Rs. 3.03 crores in 1968 exports up to the tune of Rs. 2 crores were effected under STC/RAYEX agreement. 57

The trend of exports during 1967 and 1968 showed that the manufacturer-exporters and merchant exporters were not taking full advantage of the STC/RAYEX arrangement and various other export measures evolved 58 and the STC was required to play a more active role to augment the exports of synthetic fabrics

58 Ibid.
and man-mades as a whole. With this objective the STC undertook either to do direct export business or to enlist certain leading manufacturers-exporters, as their direct associates besides continuing the export efforts under the RAYEX/STC arrangements. With the existing promotion measures it should be possible to achieve exports of synthetics to the tune of Rs. 6 crores in the near future. Accordingly STC must set a target of Rs. 6 crores exports of all types of synthetic fabrics including mixed and blended ones by the end of 1978-79.

However the genesis of this STC/RAYEX arrangement was mainly to regulate the existing export activities for synthetics and man made and to develop new markets. In addition to exports the RAYEX was to create a pool for surrender of entitlement certificates and import licences and arrange for the import of yarn bulk.

5. Export Efforts by Individuals:

Individual Exporters also put in their efforts for boosting exports which is discussed as under:

A. Role of Export Houses in Synthetic Fabric's Export Promotion

With a view to facilitate the development of business houses specialising in export trade, a scheme of recognition of Export Houses was introduced first in 1961. The scheme was subsequently revised in 1965 on the basis of the recommendations
of the Selectivity Committee. The scheme now in force, as announced by Ministry of Commerce on 14th September, 1965, contemplates recognition of Export Houses so as to foster and develop business houses specialised and oriented towards the export of non-traditional commodities which includes synthetic fabrics also. While granting recognition, an export performance of Rs. 10 lakhs per annum has generally been taken into account. The Government considers according recognition as an export house to organisations with experience, ability and performance satisfying the following conditions on the basis of which certain synthetic fabric exporters have qualified as export houses:

(1) Export House should normally be a company registered under the Companies Act 1956, or a cooperative Marketing Society, or Federation registered under the appropriate law. Merchant-exporters, as well as manufacturer-exporters are eligible for recognition;

(2) Members of the Export House should have substantial experience in handling exports to various international markets;

(3) The Export Houses should have adequate resources at its disposal to carry on export business on a large scale.

59 Resolution No.19(40)/65-EC, dated 14th of September, 1965, Ministry of Commerce, Govt. of India, New Delhi.

(4) If the export house is a merchant-exporter, it should have enduring relations with manufacturers and suppliers of goods (fabrics), conforming to international standards for export.

(5) An export house should have a sizeable export turnover, not less than Rs. 25 lakhs of fabrics per annum.

(6) Combine of different trading concerns or manufacturing units, formed to take over this exports in a coordinated manner, is recognised on the strength of export turnover of constituent units.

In case of new companies which are specifically set up for organising overseas sales on modern lines, their applications are considered after taking into account applicants due claim and competence. However, upto the latest information available only six exporters of synthetic fabrics have qualified and obtained recognition as export houses and their list is given in Appendix XV.

Further in order to boost up exports a scheme of registering exporters with Chamber of Commerce, Trade Associates, Export Promotion Councils and Commodity Boards. So far twenty nine exporters of pure synthetic fabrics, and their blends both knitted and woven have got themselves registered with above mentioned organisations. Out of this total twenty one are manufacturers-exporters while as eight are merchant exporters. However, major number of these exporters have preferred to be affiliated with export promotion council (Silk and Rayon Textiles
Export Promotion Council) as it extends greater number of facilities to gear up individual exporter's sales abroad. The list of these exporters is given in the Appendix VI.

However, the number of registered exporters of synthetic fabrics is increasing from year to year and presently it stands at thirty-five. As reflected by table V.5 in 1947 there were only eight exporters of synthetic fabrics and after independence it steadily rose year after year. In 1958 maximum number of exporters got themselves registered taking the total to 21 and again by 1965 the number rose to twenty-seven as the Government of India introduced and expanded existing concessions as replenishment and drawbacks, etc., more and more exporters were affiliated.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>8</td>
</tr>
<tr>
<td>1949</td>
<td>11</td>
</tr>
<tr>
<td>1956</td>
<td>16</td>
</tr>
<tr>
<td>1958</td>
<td>21</td>
</tr>
<tr>
<td>1961</td>
<td>24</td>
</tr>
<tr>
<td>1965</td>
<td>27</td>
</tr>
<tr>
<td>1972</td>
<td>31</td>
</tr>
<tr>
<td>1975</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Compiled from the following sources:
1. Directory of Indian Exporters, 1972, Dept. of Commercial Intelligence and Statistics, Govt. of India.

(Contd.)
However, most of these exporters are private organisations and none of them belongs to the Government except the SIC which is also a corporation.

6. **Quality Control Through Pre-shipment Inspection.**

Quality considerations are vital for increasing India's exports of synthetic fabrics and the one step towards this direction is the introduction of 'Compulsory Pre-shipment Inspection'. Realising the importance to maintain standards and whenever necessary, improve quality of export products and for creating confidence in importers abroad, Govt. of India enacted the Quality Control and Pre-shipment Inspection Act, 1963.

It was realised that "Export Inspection Council" should have its own super-inspection Organisation at different export centres and that this organisation should carry out check-sampling, and apprehensions occurred that testing of preinspected goods increase the cost of preshipment inspection.61

Stimulating of quality consciousness in synthetic fabric producers and made-ups is of immense importance in order to

improve the quality of export fabric mix in view of the most qualitative woven and knitted fabrics (especially Kevlar family and Kelver 6, on one hand and on the other fabrics produced by modern draw texturing etc.) offered by our close competitors to the overseas buyer. Most of the Indian manufacturers of export fabrics are quality conscious, but all do not have the facilities. The Export Inspection, hence, rightly decided to engage technically qualified persons to help establish a chain of laboratories and test houses for the benefit of exporters. The Council decided to have a four-tier system of laboratories — Central and regional laboratories, technical universities and research institutions, private specialised houses and agencies — in order to increase the scope of facilities available to exporters and to devise quality-control methods. The specialised agencies were also given financial assistance to establish new laboratories and to extend existing ones. The Export Inspection Council operates by dividing its functions into four spheres and one of them relates to Textiles.

The textiles include all natural fabrics, synthetics, garments and blended fabrics.

Realising the importance of packaging in quality control, the Council decided that pre-shipment inspection should include also a check on packaging. The Ministry of International Trade set up an Institute of Packaging in Madras, which coordinates

62 Aggarwal, C.P., Export Methods and Services in India, op.cit., p. 279.
its activities with Export Inspection Council to ensure that goods are not damaged in transit.

At present about 85% of exports have already been brought within the purview of Quality Control and Inspection Act 1963. However, the Expert Inspection Council also provides organizational facilities for compulsory quality control and pre-shipment inspection activities of fabrics exported out of India. However, it may be pointed out that the shipment quality control checking can't be successful unless and until lst specifications are akin to the International standards, for example, in case of blended shirts ISI permits a shrinkage up to 5% while as international specifications allow a shrinkage from 0.5 to 2.5% only. This has lead to the rejection of many samples offered by Indian exporters. Hence ISI must update its specifications in line with the competitors like Japan, Taiwan, United States, etc.

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63 Ibid.
64 Export Potential of India's Textile, A Survey Conducted by Indian Institute of Foreign Trade, 1976, New Delhi.