CHAPTER 6

ORGANISATIONAL FRAMEWORK

--ROLE PLAYED BY THE MINISTRY OF COMMERCE

--ROLE PLAYED BY VARIOUS AGENCIES

--OFFICE OF THE DIRECTOR-GENERAL FOREIGN TRADE
ORGANISATIONAL FRAMEWORK

The subject of foreign trade was initially handled by the Department of Commerce and Industry\(^1\) set up in 1905. In 1921, the Government of India created a separate Department of Commerce. After 1948, the Department of Commerce was redesignated as the Ministry of Commerce. Subsequently the Ministry of Commerce was clubbed with the Ministry of Industries & Supplies, and later with the Department of Textiles. Recently the Ministry of Textiles has been carved out to look after the export development of the textiles sector. It was created to devote exclusive attention to the export development and expansion of textiles.

At present the Ministry of Commerce, is headed by a Secretary and a Minister and is responsible for the country's external trade and all matters related to it. This includes the formulation of policies relating to foreign trade, the import and export policy of the country, state trading, export promotional measures, commercial relations with other countries and regulation of export-oriented industries and commodities.

The organisational structure under the Ministry of Commerce is shown in Fig-6.1. In the context of the structure indicated, the functions of each of the organisations has been outlined below.

The Department of Commerce has six functional Divisions\(^2\)-the Economic Division, Trade Policy Division, Foreign Trade Territorial Division, Export Products Division, Export Industries Division, and Export Services Division, apart from the Administrative and Finance Division.

The Economic Division

This is headed by the Economic Adviser. It plays an important role in the evolution of export strategies, export planning, appraisal, periodical review of policies, maintenance of coordination and contacts with various organisations under the administrative control of the Ministry which assist the country's export drive.
The Trade Policy Division

This deals with the aspects of the country's trade policy to the various international bodies such as WTO (GATT), UNCTAD, ESCAP, EEC, etc. It also looks after trade cooperation among developing countries, multinational trade and tariff negotiations.

Foreign Trade Territorial Division

The Division deals with work relating to the development of trade with different countries and regions of the world. This Division also handles state trading, barter deals, trade fairs, commercial publicity etc. It maintains liaison with Indian trade Missions abroad.

Export Products Division

This division pays attention to problems relating to production, generation of surpluses, development of markets abroad, marine products, minerals and mineral products; industrial products such as engineering goods, chemical and allied products, plastics and leather manufactures.

Export Industries Division

This Division looks after the development and expansion of export production in relation to plantation products like jute, tea, coffee, rubber and cardamom.

Export Services Division

This Division provides several types of services to assist exports. The scope includes export assistance, incentives, quality control, pre-shipment inspection, removal of transport bottlenecks and guidance to Indian entrepreneurs to set up joint ventures abroad. The Division also looks after ECGC, Export Inspection Council, DGCIS, ITPO, FTZ's, 100% EOUs and Market Development Assistance.

Cabinet Committee on Exports

This was formed under the Chairmanship of the PM in
1986, to instil confidence among the exporting community, and to provide a new dynamism and direction to the country’s effort.

**Cabinet Committee on Trade and Investment**

This was reconstituted in October 1991, with the PM as its Chairman, and the Ministers of Finance, Agriculture and Commerce as its members.

**ADVISORY BODIES**

(Board of Trade) / Central Advisory Council on Trade

The Board of Trade, was reconstituted on 13.8.1991 to advise the Government on trade matters. After it was abolished in February 1978 till 1991, there was the Central Advisory Council of Trade. The Board of Trade is chaired by the Commerce Minister. It has wider terms of reference, and higher level representatives namely the Governor, Reserve Bank of India, the Presidents of FICCI, ASSOCHAM, CII, FIEO and FASSI, representatives of trade and Industry and some specialists.

The functions of the Board of Trade are to review all aspects of trade and commerce including production for export expansion, product development, product adaptation, improvement in the marketing mechanism, commercial services such as export credit, shipping etc, and adoption of sound trading practices. The subjects include the review of the country’s foreign trade, export finance, quality control, free trade zones, shipping and freight problems, port infrastructure, cost reduction for exports, export publicity and commercial arbitration.

**AUTONOMOUS BODIES**

**ITPO (INDIA TRADE PROMOTION ORGANISATION)**

The Trade Fair Authority of India (TFAI) and the Trade Development Authority (TDA), were merged with effect from 1st January 1992 to form a new organisation named "India Trade Promotion Organisation", (ITPO), which came into effect.
from 23.4.1992. The ITPO has been set up under Section 25 of the Companies Act 1956. It organises general international fairs, specialised commodity fairs and exclusive Indian exhibitions abroad.

The ITPO plays a key role by organising fairs and exhibitions in India and abroad, buyer-seller meets; organises the exchange of business delegations; product development programmes, etc. It has developed as a service organisation, and it maintains regular and close interaction with trade, industry and government to fulfil the objectives laid out. It also explores the possibilities in new markets, develops exports of new items, provides market intelligence, and publicity support to the business community in India. Visits of buyers and trade delegations to industrial and trade establishments in India are organised.

During 1994-95, ITPO organised 33 events abroad and 48 events in India. Of these, 19 fairs were supported from the organisation's budget, and 13 fairs were on self-financing basis. The events within India included the International Shoe Fair 1995, Printpack India, 1996, Tex Styles, India 1995 at Bombay, India International Leather Fair at Madras and the International Leather Goods Fair at Calcutta. The Trade Information Centre and the Computer Centre are designed to help the new and established manufacturers and exporters in their efforts. The Computer Centre is a unique establishment. In 1995-96, the Company generated a surplus of Rs 7.94 crores.

EXPORT INSPECTION COUNCIL

This is a statutory body, which was set up in 1963 to provide quality control and preshipment inspection. The Abid Hussain Committee, in 1984, felt that "it is now time to move to a system of self-certification and voluntary quality control or pre-shipment inspection". It was felt necessary to ensure quality consciousness, without harassing genuine exporters. Deterrent punitive sanctions were at the same time thought necessary. The need to encourage professional agencies which could do the certification, to the acceptability of international buyers was also thought necessary.
The Export (Quality Control and Inspection Act) was amended in July 1984 to provide more deterrent provisions to search and seize commodities, initiate adjudication proceedings and to cancel or withhold the certificate of inspection. There are five export inspection agencies (EIA's) at Bombay, Calcutta, Cochin, Delhi and Madras. By 1995-96, Government had recognised 21 private and 7 government agencies for quality certification. The EIA's also conduct seminars and workshops in the context of ISO-9000 standards to upgrade the quality products.

INDIAN INSTITUTE OF FOREIGN TRADE (IIFT)

The Indian Institute of Foreign Trade (IIFT)\textsuperscript{4} was established in 1964 for (1) training of personnel (2) Research in aspects of foreign trade (3) Organisation of marketing research, commodity and marketing surveys and (4) dissemination of information. This was established as an autonomous institution, to meet the growing needs of the trade and industry for trained export management personnel, and to provide marketing information in relation to products as well as countries of export interest to India.

The principal activities of the Institute include:
(a) training of export management personnel drawn from trade and industry, export institutions, Government Departments, and Government Trading Corporations.
(b) undertaking market surveys in India and abroad.
(c) research in functional problems relating to foreign trade.
(d) dissemination of market information emanating from its various surveys and research studies.

The Institute has earned recognition both in India and abroad. It has undertaken the training of Export Management Personnel, Marketing Research, Market Orientation Tours, Functional Research and Consultancy Service. Apart from conducting diploma courses, seminars and workshops, it has also been doing research work and operates as a service organisation.

The 1984 Report of the Abid Hussain Committee felt that there was need for improvement of the scope and the quality of its work. In particular, emphasis was placed on faculty
development and specialisation. It also suggested the development of consultancy services in the Institute. Since then efforts have been made to improve the performance of the Institute. It has a post-graduate diploma course in International Business, and a four week Certificate Course in Export Marketing. It has been training personnel from several developing countries also.

INDIAN INSTITUTE OF PACKAGING

This institution is registered under the Societies Registration Act. The main aims of the Institute are to undertake research into raw materials for the packaging industry, to develop new types of packaging for export products and to organise training programmes on packaging technology.

The institution was established in 1966 in the wake of efforts to increase the foreign exchange earnings and to achieve expansion of markets especially in consumer products. The functions of the Institute include technical advisory services, applied research, training and information, marketing research, undertaking feasibility studies etc. It conducts 20-25 programmes every year for about 500 participants, in order to provide trained manpower to the industry.

The Institute has an increasingly important role to play. The testing facilities provided by the National Test House have created quality consciousness. The IIP has been organising workshops, for the introduction of EAN Bar Code System, which is already in existence in over sixty countries all over the world.

INDIAN COUNCIL OF ARBITRATION (ICA)

This has been set up under the Societies Registration Act, as a non-profit service organisation. The main objective of the Council is the promotion of knowledge and use of arbitration by the trade as also the provision of arbitration facilities for amicable and quick settlement of commercial disputes. The basic thrust is to promote the smooth flow of trade, particularly our export trade on a sustained and enduring basis. The Council renders advice to
interested parties on arbitration laws and dispute settlement procedures.

The Council utilises the contacts with foreign organisations for obtaining information about the arbitration laws and procedures in foreign countries and in settling disputes with the traders of those countries by taking the assistance of the respective organisations. In short the objectives of the Council include:

(a) propagation and popularisation of the idea of commercial arbitration.
(b) arranging the arbitration of disputes in international trade through its constituent members.
(c) maintenance of panels of persons to act as arbitrators.
(d) Collaboration with international organisations and arbitral bodies in matters concerning international trade.

EXPORT PROMOTION COUNCILS

The Export Promotion Councils are non-profit organisations registered under the Companies Act. While some are under the administrative control of the Ministry of Commerce, a few are under the administrative control of the Ministry of Textiles. The Export Promotion Councils perform both advisory and executive functions. These Councils are also the registering Authorities under the Import Policy for Registered Exporters. Table 6.1 lists out the Export Promotion Councils, which are functioning presently.

The Export Promotion Councils EPC's look after and coordinate the export activities of the products assigned to them. They also help in the distribution of entitlements to exporters. The Councils also sponsor market studies, exploratory surveys, participate in international trade fairs and exhibitions and interact with delegations of foreign buyers. The 19 Export Promotion Councils are given grants-in-aid.
<table>
<thead>
<tr>
<th>Export Products</th>
<th>Export Promotion Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Chemicals and Ceramics, paints, etc.</td>
<td>Chemicals and Allied Products Export Promotion Council</td>
</tr>
<tr>
<td>3. Basic Chemicals, Drugs, Pharmaceuticals, etc</td>
<td>Basic Chemicals, Pharmaceuticals and Cosmetics (CHEMEXIL)</td>
</tr>
<tr>
<td>4. Plastics</td>
<td>Plastics and Linoleum Export Promotion Council</td>
</tr>
<tr>
<td>5. Finished Leather and leather goods</td>
<td>Council for Leather Exports</td>
</tr>
<tr>
<td>7. Cashew Kernels</td>
<td>Cashew Export Promotion Council</td>
</tr>
<tr>
<td>8. Gem and Jewellery</td>
<td>Gem and Jewellery Export Promotion Council</td>
</tr>
<tr>
<td>9. Dewaxed shellacs</td>
<td>Shellac Export Promotion Council</td>
</tr>
<tr>
<td>10. Electronics &amp; software</td>
<td>Electronics and Computer Software Export Promotion Council</td>
</tr>
<tr>
<td>11. Project exports</td>
<td>Overseas Construction Council</td>
</tr>
<tr>
<td>12. Silk fabrics, garments and handlooms</td>
<td>Handloom Export Promotion Council</td>
</tr>
<tr>
<td>13. Garments</td>
<td>Apparel Export Promotion Council</td>
</tr>
<tr>
<td>15. Silk and Rayon</td>
<td>The Silk and Rayon Textile Export Promotion Council</td>
</tr>
<tr>
<td>18. Cellulcs&amp; non-cellulcsic products</td>
<td>Silk and Rayon Textiles Export Promotion Council</td>
</tr>
<tr>
<td>19. Carpets</td>
<td>Carpet Export Promotion Council</td>
</tr>
</tbody>
</table>

The actual expenditure under Market Development Assistance for EPC's during the last few years was as below;

### Table 5.2

**M.D.A. Assistance for E.P.C's**
(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>22.66</td>
</tr>
<tr>
<td>1992-93</td>
<td>15.06</td>
</tr>
<tr>
<td>1993-94</td>
<td>11.97</td>
</tr>
<tr>
<td>1994-95</td>
<td>12.97</td>
</tr>
</tbody>
</table>

Source: Annual Report, Ministry of Commerce-(1994-95)

**COMMODITY BOARDS**

These are 5 statutory Commodity Boards under the Department of Commerce. These Boards are responsible for the production development and export of tea, coffee, rubber, spices and tobacco. There are actually four Boards with the M/Textiles. These are the Handlooms Board, Coir Board, Handicrafts Board and Silk Board.

The Abid Hussain Committee had in 1984 felt that in particular in the agricultural sector, it would be desirable to establish Commodity Boards. These Boards, created by statute and endowed with sufficient authority could take an overall view in terms of planning, production and marketing, in order to stabilise the volume and value of exports. The Boards could be expected to contribute to increased value-addition before exports, and carry out processing and product adaptation primarily for export. The functions of the various Boards are as below:

**Tea Board**

This was constituted in 1954 with the main aim of
promoting the development of the tea industry. Its functions include organisation of production and exports of tea, and to facilitate the smooth flow of tea trade.

**Rubber Board**

This was also constituted in 1954, by the Government of India, and is a statutory authority. It promotes the development of the rubber industry in India in accordance with the provisions of the Rubber Act of 1947. The Board has organised a Rubber Research Institute which does research on rubber development.

**Coffee Board**

This looks after various aspects of the coffee industry such as production, market development and export promotion.

**Spices Board**

This was formed on 26th February 1986 by merging the Cardamom Board established under the Cardamom Act 1965 and the Spices Export Promotion Council. This Board also undertakes the development, production and exports of spices.

**Tobacco Board**

This was set up on 1st January 1976 under the Tobacco Board Act of 1975 with its headquarters at Guntur in Andhra Pradesh.

**Silk Board**

The Central Silk Board was constituted in April 1949 by an Act of Parliament and is a statutory body under the administrative control of the Ministry of Textiles.

(Marine Products Exports Development Authority) MPEDA

This is a statutory body responsible for the development of the marine products industry, with emphasis on exports.
(Agricultural and Processed Food Products Exports Development Authority (APEDA))

This body came into existence from 13.2.1986. It was created to concentrate on the marketing of processed foods in value-added forms, and to introduce effective quality control measures.

PUBLIC SECTOR UNDERTAKINGS

Two important National level Commercial organisations are the State Trading Corporation of India, the Mineral and Metal Trading Corporation of India and their subsidiaries.

State Trading Corporation

The STC was established in 1956 under the Companies Act, and plays an important development role in the field of international trade. Its principal functions are:

(a) to develop new markets for traditional items and to develop exports of new products.
(b) to undertake the import and/or internal distribution of scarce and other commodities and
(c) to undertake price support and buffer stock operations.

Over the years, the STC has attained the status of being a premier international trading house. It handles exports of almost anything - from coffee to compressors, tobacco to textile machinery and roses to rolling stock. It can negotiate, contract, ship, settle trade disputes, etc.

The subsidiaries of the STC include the Projects and Equipment Corporation of India (PEC) and Handicrafts and Handlooms Export Corporation (HHEC).

The Spices Trading Corporation Limited (STCL)

STCL was incorporated in 1982 and commenced its operations in September 1983. Its activities include, carrying on international trade in spices and its products, to carry on business as dealers, to support projects and to maintain the development of Spices and its products.
The Tea Trading Corporation of India Ltd (TTCL)

TTCL was established in 1971 to create a stable export market for Indian tea particularly in the value-added forms, which include packet tea, tea bags, instant tea, etc. It also manages its tea gardens and warehouses. It has been a subsidiary of STC since January 1986.

Minerals and Metals Trading Corporation of India Ltd (MMTC)

The MMTC came into existence in October 1963 as a result of the bifurcation of the STC. This was mainly due to the phenomenal increase in the activities of the STC and the difficulties encountered in boosting the exports of minerals especially iron ore and manganese ore. MMTC has also been vested with the responsibility of importing a large number of scarce raw materials for distribution to the various end-users in the country. A subsidiary of this is the MITCO (Mica Trading Corporation). This came into existence as a subsidiary of MMTC in 1st June, 1974. MITCO is sick and has been referred to the BIFR.

EXPORT CREDIT GUARANTEE CORPORATION OF INDIA (ECGC)

The Export Credit Guarantee Corporation of India Limited (ECGC), was established in 1957 as the Export Risk Insurance Corporation. Its primary objective is to support the export promotion drive. This plays an important role in promoting the country's exports. It functions mainly in 2 areas and provides a significant service in the areas mentioned below;

(a) It provides insurance covers to Indian exporters against any loss due to non-realisation of export proceeds due to the occurrence of the commercial and political risks involved in exports on credit terms.

(b) extends guarantees to banks covering possible losses arising from advances made by them to exporters for various export operations, thus enabling a greater flow of finance from banks to exporters.

It is managed by a Board of Directors representing Government, industry, trade and banks and is administered on commercial lines. It charges a premium for its services but keeps the rates at the lowest possible level, while working
on a "no-profit-no-loss" basis. It gives post-shipment guarantee and also packing credit guarantee. This guarantee covers the banks's advances to meet the working capital needs of the exporter. ECGC has a scheme for providing insurance cover to protect exporters against losses arising out of exchange fluctuations.

FEDERATION OF INDIAN EXPORTERS ORGANISATION (FIEO)

This is an apex body created in 1965 with its registered office in Delhi, as a common and coordinating platform for the various export organisations including the Commodity Councils and Boards and service organisations and institutions. The principal functions of FIEO are:

(a) to promote the development of export trade.
(b) to coordinate the export promotion activities of its constituents.
(c) to sponsor study teams to send trade delegations abroad and to invite trade delegations from abroad.
(d) to sponsor and undertake commodity and market surveys.
(e) to undertake publicity
(f) to provide common services for the benefit of exporters.
(g) to provide for settlement of disputes
(h) to advise or to represent to the Central and State Governments, local authorities and other public bodies on all matters relating to export trade.

Exim Bank

The Exim Bank was established in January 1982 to serve several purposes. The Bank provides financial assistance to exporters and importers, and plays a coordinating role as an apex body for agencies involved in the import-export trade of goods and services. The main activities of EXIM Bank include provision of suppliers credit, refinance facility to commercial banks for deferred exports, provision of buyers credit to foreign importers, extension of credit lines to foreign governments, banks, joint ventures abroad, guarantee to foreign clients in respect of construction and other projects executed by Indian Companies.
ATTACHED AND SUBORDINATE OFFICES

Department of Commercial Intelligences and Statistics
located at Calcutta (DGCIS)

This was set up in 1862 as the official agency
responsible for collection, compilation and dissemination of
trade statistics and commercial information. Its functions
comprise commercial intelligence, and collection,
compilation and publication of statistics on trade, tariffs
and shipping. The areas of operation of the Department
broadly encompass collection and supply of commercial
information required by the Government and the trade,
maintenance of registers of Indian and foreign firms,
publication of the Directory of Exporters of Indian Products
and Manufacturers, maintenance of Commercial Library in
Calcutta for the use of the public, and several
publications.

Indian Missions and Commercial Offices Abroad

India has diplomatic representation in all the
important countries. There are 68 commercial offices
attached to Indian Missions abroad. The commercial
representatives monitor the commercial events and
developments of the countries of their accreditation, study
the tariff and non-tariff barriers, government procedures
and shipping. The Missions and commercial offices abroad
will also assist exporters.

With the growing trade and international competition,
export-import business itself having been rendered a complex
venture, the task of India’s commercial representatives has
become increasingly difficult. This job needs to be given
the importance and priority it deserves with a view to
getting the best of service from these Missions to promote
the export of products, projects, consultancy services and
invisibles.

Export Promotion Zones

These comprise of the Kandla Free Trade Zone, Santa
Cruz Export Processing Zone, Falta Export Processing Zone,
Noida Export Processing Zone, Cochin Export Processing Zone,
Director General of Foreign Trade, New Delhi

Upto 1991, this office was known as the office of the Chief Controller of Imports and Exports. It is responsible for the execution of the import and export policies as well as the export promotion policies of the Government. It has regional offices located in all major cities as well as other major commercial centres in India. There is an Export Commissioner in the office of the Chief Controller of Imports and Exports who functions as a nodal point for the execution of all export promotion schemes.

The Alexander Committee had recommended that the designation of the office of the CC(I&E) should be changed to Director General of Foreign Trade. This actually occurred but after a span of several years in 1992. The Committee also felt that the DGFT should be a nodal point for various problems of exporters. It was felt that the staff of DGFT should also be utilised not only for licensing functions but also for promotional activities. It suggested that the DGFT functions should be decentralised and liaison with export promotion councils and state Directorates of Industries established.

Figure 6.2 is the diagrammatic representation of the set up of the Office of the D.G.F.T. It plays a very important role in matters relating to export promotion and licensing. The D.G.F.T. heads an organisation which has a total manpower strength of 2900 employees. There are 13 offices headed by officers of the rank of Joint D.G.F.T. at 13 big cities all over the country like Delhi, Calcutta, Bombay, Madras, Bangalore, Kanpur, etc. There are 10 offices of Dy.D.G.F.T. in smaller cities like Rajkot, Madurai, Hyderabad and Patna, and 8 offices of Assistant D.G.F.T at places like Chandigarh, Amritsar, Shillong, etc. At the Headquarters there are senior officers of the rank of Jt.D.G.F.T., who are in charge of the Export & Import Policy Formulation, Enforcement Matters, licensing, etc.,
The Ministry of Commerce provides infrastructural support to foreign trade. It serves as a nodal point for the setting up of Inland Container Depots, Container Freight Stations and Air Cargo Complexes. To resolve problems relating to quality, adequacy and cost of transportation services faced by exporters, high level **Standing Committees on Promotion of Exports**, known as SCOPE (AIR) and SCOPE (SHIPPING) function in the Ministry of Commerce. These Committees comprise of representatives of bodies of shippers, carriers, terminal operators and the concerned Ministries and meet regularly to sort out existing problems.

In respect of intermodal transport, inland container handling facilities have been created at 24 places in India. Private Sector participation is being allowed in the Inland Container Depots and Container freight Stations to generate competition and get over the problem of resources for development of such stations.

Modern Means of communication such as EDI processing is being encouraged for use by the exporters. 18 State Governments have proposed to set up Export Promotion Industrial Parks (EPIP's), which have been approved. When in operation, these parks are expected to augment the industrial infrastructure for export-oriented production in the country.

Figure 6.3 portrays that exports involve the interaction of players at the field level, the national level and the international level. On the international plane are the organisations like WTO, UNCTAD and ESCAP. The main representatives of the Govt of India abroad are the Commercial trade representatives and the officers of the export promotion councils abroad. At the national level is the Ministry of Commerce and its various organisations. The main offices are the DGFT, EPC's and the EIC. The export effort calls for a close liaison with the Exim Bank, ECGC, the Commercial Banks and the Customs authorities. At the field level the main interaction is between the Controllers of Foreign Trade, the Export Promotion Councils and the Export Inspection Organisation.
Levels

International level

National level

Field level

Players

Missions (Commercial Representatives); shippers; International organisations (WTO; UNCTAD)

Officials of Ministry of Commerce; Customs officials; Bank officials

Controllers of office of D.G.F.T. Staff of Export promotion Councils; Inspecting staff of Export Inspection Council; officers of Banks; Customs officials
The organisational structure for exports has been existent sixties. Only minor additions and alterations have been carried out from time to time to the basic structure. There is a pressing need for the edifice to be more responsive to the needs of exporters. The exporters have always been complaining of delays and most often harassment, particularly at the field level. Although some steps have been taken to simplify the procedures, these are not sufficient. There has also to be an attitudinal change amongst the functionaries, who need to have a helpful approach to facilitate exporters.

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181
Notes
1. Varma, M.L.- Page 243
2. ibid-Page 243
6. ibid, Page 9