

PRESS RELEASE

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON COMMERCE

Hundredth Report on “Demands for Grants (2012-13)” of the Department of Commerce (Ministry of Commerce and Industry).

The Department Related Parliamentary Standing Committee on Commerce, under the Chairmanship of **Shri Shanta Kumar, MP, Rajya Sabha** presented the Hundredth Report on the Demands for Grants (2012-13), pertaining to the Department of Commerce, Ministry of Commerce and Industry to the Rajya Sabha on 30th April, 2012. The Report has simultaneously also been laid on the Table of Lok Sabha. The full Report is available on the website www.rajyasabha.nic.in.

The major recommendations made by the committee are as follows:

PLAN OUTLAY AND BUDGETARY ALLOCATIONS

The Committee, while examining the budgetary allocations of the Department noted that the outlay for 2012-13 is Rs. 5023.00 crore which has declined by nearly 23% compared to last year. 16 new schemes in addition to the existing schemes in Gem & Jewellery Sector, Leather & leather Product Sector, Pharma Sector, Tea Board, Rubber Board and DGFT have been included in the year 2012-13 and in respect of the new schemes token provision has been made. The Committee was optimistic that after giving in principle approval to the new schemes the Planning Commission will allocate adequate funds for effective implementation of the new schemes. (Para 1.4)

EXPORT PERFORMANCE

The Committee noted that while recent depreciation of the rupee provided some cushion to exports, the high volatility in the exchange rate is creating uncertainty in exports and adversely affecting sectors with high import intensity. The Committee urged upon the Department to take up the matter with Ministry of Finance and the RBI impressing upon them the need to initiate measures necessary for ensuring stability in exchange rate with a little variation within a narrow band for the benefit of exporters. Such stabilization would boost the morale of all exporters. (Para 2.10)

The Committee firmly believed that the export figures must also be released in terms of quantity so that one can capture true picture of the state of exports in the country. This is all the more important since quantity-linked exports is one of the important bases for employment generation in the country. The Committee recommended that the Department release its export figures henceforth in terms of both value as well as quantity. (Para 2.11)

The Committee was of the view that marketing support needs to be extended to MSME sectors as being done in most of the countries. Aggressive marketing can provide a platform for future exports as in the present scenario of global trade slowdown, exporters are not venturing into untapped markets in a big way. The cost of development of market is quite substantial for a small manufacturer and therefore, the government should provide the much needed support. The Committee strongly felt that an Export Marketing Fund with a corpus of at least Rs. 1000 crore may be established to subsidize the marketing efforts of MSME segment. (Para 2.12)

The Committee expressed its deep concern over the decrease in the exports of handicrafts and carpets. Since the two sectors are labour intensive, any decline in the exports of these sectors will have an adverse effect on the labour of the country. The Committee, therefore, recommended that all possible efforts be made by the Department to promote the exports of handicrafts and carpets by providing special incentives and finding new markets. (Para 2.13)

The Committee also learnt that the carpet industry is suffering due to imposition of excise duty on hand-made products. This excise duty on hand-made carpet industry has obviously created unnecessary hardships to carpet manufacturers and also eroded the competitiveness in terms of price in international market. It is also important to appreciate that the artisans involved in carpet making and other handicrafts work at homes. Their family owned crafts cannot handle documentation and other requirements, nor can they afford excise duty. The Committee desired the Department to take up the matter with Ministry of Finance on priority for waiver of excise duty for handicrafts and hand-made carpet industry. (Para 2.14)

The Committee was of the considered opinion that the Department of Commerce should take up the matter with Ministry of Finance/RBI to ensure that the Interest Subvention Scheme is continued. (Para 2.15)

The Committee recommended that maximum investment limit in Plant and Machinery of MSME units should, therefore, be increased from the existing level Rs.10 crore to Rs.25 crore so that the export units could increase their competitiveness in the global market. (Para 2.16)

FOREIGN TRADE POLICY

While examining the export related issues and the foreign trade policy, the Committee recommended that EDI connectivity should be accorded priority as we have not achieved the desired levels in this area in the last five years. (Para 3.4)

ASSISTANCE TO STATES FOR DEVELOPMENT OF INFRASTRUCTURE AND OTHER ALLIED ACTIVITIES (ASIDE) SCHEME

The Committee was unable to appreciate the reply of the Department. It wanted to impress upon the Department that upward or downward revision in allocation is not done by the Planning Commission/Finance Ministry without reason. The Committee directed the Department to spell out the reasons for the reduction in the Scheme outlay for the year 2011-12. The Committee in view of the significance of the Scheme was also of the considered opinion that a revolving fund head may be created for the Scheme so that the unspent allocations do not get lapsed and are carried forward for their utilization in future for the purpose. (Para 4.4)

The Committee felt that the funds available to the State Governments under ASIDE Scheme are not sufficient which is a constraint on creation of required infrastructure for exports. The Committee was of the considered view that a meeting of Inter State Trade Council may be convened at the earliest to make the Scheme more effective. It will also provide an opportunity to the Department to thrash out many pending issues with the State Governments so as to develop an effective policy initiative in close cooperation of State/UT Governments. (Para 4.7)

The Committee noted that the Foreign Trade Policy has notified many towns of export excellence, however, no substantive benefit is available to such towns. The Committee therefore recommended that the Department of Commerce may consider allocating 25% of the funds available under ASIDE Scheme for providing infrastructure support to towns, outside of metropolitan areas. (Para 4.8)

NATIONAL EXPORT INSURANCE ACCOUNT (NEIA)

The Committee was apprehensive about the adequacy of the allocation for 2012-13 in view of the fact that up to Rs. 350 crore was provided during the financial years 2008-09 and 2009-10 to provide for short term covers to mitigate the effects of global crisis. Since the gloomy outlook of global economy has still not changed, the Committee wonders whether the present allocation has factored in the requirement arising for short term cover. The Committee directed the Department to reorient its strategy and readjust its priorities while revisiting the adequacy of allocation made under NEIA for the year 2012-13. (Para 5.3)

MARKET ACCESS INITIATIVE (MAI) SCHEME

The Committee strongly felt that there is a need to boost Government's support to schemes like Market Access Initiatives (MAI). The Committee expressed its concern over the pattern of expenditure under the scheme as till 29.2.2012, only Rs. 120 crore could be spent under the scheme. The 'March rush' saw an expenditure of Rs. 20 crore in mere fifteen days, thereby, bringing the expenditure to Rs 140 crore on

15.3.2012 under the scheme. The Committee strongly disapproved the last minute rush in expenditure and recommended to the Department to take corrective measures for disbursement of funds under schemes run by it. (Para 6.5)

MARKET DEVELOPMENT ASSISTANCE (MDA) SCHEME

The Committee noted that the Non Plan allocation was reduced from Rs. 56 crore in 2010-11 to Rs. 50 crore in 2011-12. Even the reduced allocation has not been fully utilized by the Department since only 29 crore (58 per cent) could be spent till 15.3.2012. The Committee was not happy with the progress of expenditure under the Scheme and impresses upon the Department to utilize the allocation made in BE 2012-13 properly. On an analysis, the Committee found that during last six years, the allocation under the Scheme has stagnated with a variation range of Rs. 2-6 crore every year. The Committee was of the opinion that if India has to reach the projected targets, the Department has to aggressively pursue such facilitation schemes. The Committee desired that an evaluation of the Scheme may be carried out by the Department to make it more efficacious. (Para 7.4)

AGRICULTURAL AND PROCESSED FOOD PRODUCTS EXPORT DEVELOPMENT AUTHORITY (APEDA)

The Committee strongly felt that the allocation of APEDA needs an enhancement in view of its multi-dimensional activities towards export promotion of scheduled agro-products and processed food products. The Committee was aware that assistance for efforts towards better research and development of agro-products for improvement in quality as well as the production has adversely been affected for want of funds. Also additional allocation was made to APEDA in 2011-12 to settle the claims under transport assistance scheme. An amount of Rs. 96.45 crore was disbursed till 23.03.2012 under Transport Assistance Scheme to mitigate the disadvantages of freight charges in export of APEDA governed products. In view of the urgency to effectively implement the various schemes and address ever growing challenge in world market for quality and hygienic food products, the Committee recommended that the Department take up the matter for enhanced allocation for APEDA with the Planning commission and the Ministry of Finance at appropriate stage. (Para 8.3)

The Committee, nonetheless, was critical of progress of expenditure of the allocation of Rs 180 crore for the year 2011-12. Out of Rs. 55 crore for disbursement as Grants-in aid, APEDA could spend nearly Rs. 19.75 crore till 29.02.2012. Similarly, against an allocation of Rs. 125 crore under the head subsidies, APEDA could spend only 106 crore by the end of the month of February. The Committee could very well understand that such poor pace of fund utilisation might have compelled the Planning Commission and Ministry of Finance to restrict the BE allocation for the year 2012-13 to the level of BE 2011-12. (Para 8.4)

The Committee appreciated the efforts of the Department and APEDA towards establishment of an efficacious organic certification system being recognised in important world markets. The Committee was optimistic that agreement with Canada, Japan and Taiwan would take place at the earliest. It desired that similar agreements may also be signed with other important markets like Latin America, Africa and CIS countries. (Para 8.5)

TEA SECTOR

The Committee found that the Tea Board was able to spend 70 per cent (Rs. 157.00 crore) of the Plan allocation till 29.02.2012. The progress of expenditure under subsidies component has been very disappointing. Out of an allocation of Rs 117.15 crore only Rs. 61.00 crore could be spent. The Committee found the progress of expenditure of the allocation of Tea Board a matter of disconcert. The Committee directed the Department to take necessary measures as the poor pace of utilisation of funds is symptomatic of ineffective planning and delivery by the Tea Board. (Para 9.5)

The Committee welcomed the move of the Department to come up with a full-fledged Scheme to help the small growers unlike the earlier attempts which were patchy and provisional in nature. The Committee noted that total number of small growers registered with the Tea Board is 89,484 (provisional). The Committee impressed upon the Department and Tea Board that the number of small growers are much higher. The Committee directed the Department to initiate a special drive to get more small growers registered with Tea Board so that maximum number of growers gets covered under the scheme. (Para 9.7)

The Committee welcomed the decision of establishing a separate Development Directorate for development of small growers which has been engaging the attention of the Committee for long. The Committee called upon the Department to ensure that the Directorate becomes fully functional within the proposed time-line of September 2012. (Para 9.8)

The Committee desired that the Department revisit the SPTF Scheme and find ways and means to achieve optimal results for replanting and rejuvenation of old and senile tea bushes. (Para 9.9)

COFFEE SECTOR

The Committee noted that the Coffee Board has failed in timely utilisation of the allocation for the year 2011-12. Nearly 25 per cent of the total Plan allocation remained unspent as on 29.02.2012. The Committee desired the Department to look into reasons for slow pace of utilisation of funds. It impressed upon the Department to avoid last minute rush of funds. The Committee hoped the Coffee Board would maintain fiscal discipline in terms of utilisation of funds. (Para 10.5)

The Committee appreciated that the Department is aware of the problems dogging the coffee sector and it, accordingly, intends to modify the Scheme for Coffee Development in the 12th Plan while addressing the problems of growers and other infrastructure investments. The Committee directed the Department to engage the Planning Commission and the Ministry of Finance for adequate budgetary support on priority. The Committee was also of the considered view that benefits of replantation scheme may be extended to cooperatives in addition to the corporate sector as proposed by the Department. (Para 10.8)

The Committee was of the view that there is an urgent need to develop coffee-harvesting machines designed to local conditions along with development of plantation models congenial to mechanization. The Committee felt that mere provisioning for farm machines will not serve the purpose. It is important that due attention is paid to development of machines that are adapted to local conditions, otherwise, the Scheme for Support for Mechanization of Farm Operations will not be able to serve the purpose. (Para 10.9)

PRICE STABILISATION FUND (PSF) SCHEME

The Committee expressed its deep concern over the fact that the Price Stabilisation Fund Scheme has miserably failed to achieve the target of covering 12.77 lakh growers (upto 4 ha landholding) under it even after ten years of its operation. There has been no addition in the number of farmers in last six months. To add to the woes, not a single grower of tobacco has joined the cover. The Committee strongly felt that an effective evaluation of the Scheme needs to be done immediately so that it could be revised appropriately to cater to the needs of farmers. (Para 11.9)

The Committee expressed its discontent over the fact that the Scheme instead of providing succour to the farmers in distress has seen the major chunk of expenditure being incurred to cater to administrative expenses. The Committee was of the considered opinion that this is not a happy situation and it recommends the Department revisit the Scheme so as to make it farmer friendly and also create awareness about the benefits of the Scheme amongst the farmers. (Para 11.10)

SPICES SECTOR

The Committee was concerned over the slow rate of growth of spices production in India. The country has in last few years ceded its dominant position as grower of pepper and cardamom and the sector is facing immense competition from ASEAN region especially Vietnam. The Committee noted that the Spices Board is running replantation programme for both pepper and cardamom in collaboration with Ministry of Agriculture. The Committee desired the Department to make concerted efforts to carry

out re-plantation scheme effectively and also enhance allocation to expand the area under replantation/new plantation/rejuvenation. (Para 12.9)

SPECIAL ECONOMIC ZONES (SEZ)

The Committee desired that the challenges noticed in the effective functioning of the SEZs may be duly addressed. The Committee directed the Department to furnish a note on the remedies devised in the matter to it. The Committee was concerned over the de-notification of SEZ land which is a reflection of policy deficit in guiding the SEZs. The Committee desired that the Department take necessary measures to make SEZs vibrant and to process applications strictly so that only genuine cases get the approval. It had come to the notice of the Committee that though land was acquired for establishing the SEZ no industries have come up there; only 154 SEZs have become operational out of 389 notified. Instead real estate business has become prosperous in the guise of SEZ and the rich fertile land of farmers' were being diverted without bringing real development in terms of establishing industry or IT units. This also belies the employment prospects/opportunities for the people of the area who were promised so while acquiring their land. The Committee recommended the Department to check such a trend which defeat the objective of industrialisation and higher exports but also deny the country of scarce cultivable land resource, and impoverish the farmers. (Para 13.3)

The Committee was concerned over the de-notification of SEZ which is a reflection of policy deficit in guiding the SEZs. The Committee desired that the Department take necessary measures to make SEZs vibrant and to process the application strictly so that only genuine cases can get the approval. It had come to the notice of the Committee that though land were acquired for establishing the SEZ but no industries have come up there; only 154 SEZs have become operational out of 389 notified. Instead real estate business has become prosperous in the guise of SEZ and the rich fertile land of farmers' were being diverted without bringing real development in terms of establishing industry or IT units. This also belies the employment prospects/opportunities for the people of the area who were promised so while acquiring their land. The Committee recommended the Department to check such a trend which defeat the objective of industrialisation and higher exports but also deny the country of scarce cultivable land resource, and impoverish the farmers. (Para 13.6)

TRADE AND COMMERCE IN THE NORTH EAST

The Committee was not happy over the progress of expenditure in terms of the allocations of Coffee Board, Spices Board and particularly the Rubber Board. The Committee called upon the Department to impress upon the above Commodity Boards to maintain fiscal discipline and streamline fund utilization pattern. The Committee at the same time also felt that the richness of the region in terms of resources has not been fully

appreciated. It desired that the Department carry out an exhaustive study of the region and identify its export potential on renewed basis. (Para 14.5)

The Committee appreciated the efforts made by the Department to promote ASIDE in the North Eastern region. The Committee impressed upon the Department to utilize the Scheme for creating infrastructure like landing stations, outposts, etc in the area so that foreign trade can be facilitated from the region itself and there can be greater integration with Indo- China and the ASEAN trade zone. The Department should also identify other products from the North East having export potential and promote them. (Para 14.8)

CASHEW SECTOR

The Committee was at a loss to appreciate the activities undertaken by the CEPC and the progress of utilization of funds as there is no mention of these in the information supplied by the Department. The Committee could not find any mention of quantifiable deliverables/physical outputs fixed for CEPC for any year of the 11th Plan. The Committee apprehended that the Department has nothing substantial to share about the activities/achievements of CEPC with the Committee. The Committee disapproved of the lackadaisical attitude of the Department over promotion of cashew exports. It directed the Department to come up with a framework for promotion of cashew exports within three months of the presentation of this Report and revert back to the Committee with its detailed plan of action. (Para 15.3)

The Committee strongly feels that the Department would have done better by being a little serious about cashew sector of the country. The Committee was of the view that the EFC note should have been prepared well in time for placing it before the Planning Commission. The Committee, nonetheless, recommended the Department to look into the adequacy of allocation as well as the working of the institutional mechanism responsible for promotion of cashew exports and take necessary action to improve the situation. (Para 15.4)

The Committee was a little perturbed over the long drawn process for taking a decision on matters of national interest. The Committee desired to impress upon all stakeholders that Allocation of Business Rules is a mere procedural convenience and is not a permanent fixture. No Ministry/Department should take it as a sanctum that cannot be disturbed. The interest of cashew growers and workers of the country are paramount and any move that intends to benefit them must be respected. The Committee strongly recommended the Department to do all needful as desired by the Planning Commission on highest priority so that the Cashew Board may be established at the earliest to help strengthen much-needed inter-linkages between production, processing and marketing activity for the overall development of the cashew sector in the country. (Para 15.7)

MINERAL EXPORTS

The Committee was of the considered view that iron ore is the wealth for our future generation also. Our endeavour should be to attain technology to value-add to the mineral resources and export finished products. The Committee strongly felt that efforts should be made to expand our domestic steel making capacity inasmuch as to consume what is mined. Till the time, the necessary advances are made, the mining of our iron ore and other scarce resources may be limited to our domestic requirement. The Committee wondered as to why no efforts have been made to access the technology to process and value-add the iron ore fines whereas countries like China have been doing the same for years now. The Committee strongly felt that the Department may promote export of our agricultural products but exports of iron ore or similar resources which are scarce and limited should be stopped. The Department could learn from China which despite enjoying huge iron ore reserves has been preserving them for future. It has only been importing the iron ore, processing and value adding it, and selling it at a premium to the world. The Committee recommended the Department to sensitize other line Ministries/Departments about the views of the Committee and come back to the Committee with their response on the subject within three months of the presentation of the Report. (Para 16.7)

The Committee also recommended the Department to come up with policy/guidelines for promotion of exports of value added product made of mineral resources in coordination with Ministry of Mines, Ministry of Steel, Ministry of Finance, banking sector, Department of Industrial Policy and Production and Department of Heavy Industries on priority basis. (Para 16.8)
