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# UNIT 14 INSTITUTIONAL SET-UP FOR EXPORT PROMOTION IN INDIA

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## 14.0 OBJECTIVES

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After studying this unit, you should be able to :

- explain the importance of the institutional infrastructure for export promotion in India
- describe the role of government policy making and consultative body in the export promotion
- explain the functions of export promotion councils and commodity boards
- describe the role of various service institutions engaged in export promotion
- explain the importance of government trading organisations engaged in the export of specified commodities.

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## 14.1 INTRODUCTION

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Export business requires special knowledge and business acumen. Exporters need guidance and assistance at different stages of the export effort. For this purpose, the Government of India have set up several institutions whose main functions are to help the exporter in his work. In this unit, you will learn the role of these institutions in export promotion.

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## 14.2 IMPORTANCE OF INSTITUTIONAL INFRASTRUCTURE

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Export marketing effort is of vital importance for the success of export-promotion programme in any country. For undertaking international marketing operations, an exporter needs special guidance and assistance in critical areas like packaging, market promotion and publicity, quality certification, risk coverage, market intelligence, finance and credit support etc. It is only with the support and services rendered by specialised institutions, exporter is able to successfully convert his 'production' into 'sales' in international market. Consequently, any country, including India, engaged in the task of export promotion, has to establish specialised

institutions for strengthening export-marketing effort for the country as a whole. This along will have the way for creating an export environment and export-culture, on the foundation of which the export marketing effort at the corporate level can be effectively launched on an intensive and sustained basis.

With this object in view, Government of India have established a number of specialised institutions in the country for providing the necessary services and assistance to individual corporate unit for a successful export effort. In view of the widely diversifying nature of the export markets in different parts of the world and an equally diverse and varied nature of products and services traded in international market, Government of India have established specialised institutions at production/industry level for assisting exporters from different sectors.

Institutions engaged in export efforts fall in six distinct tiers. At the top is the Department of Commerce of the Ministry of Commerce. This is the main organisation to formulate and guide India's trade policy. At the second tier, there are deliberate and consultative organisations to ensure that export problems are comprehensively dealt with after mutual discussions between the Government and the Industry. At the third tier are the commodity specific organisations which deal with problems relating to individual commodities and/or groups of commodities. The fourth tier consists of service institutions which facilitate and assist the exporters to expand their operations and reach out more effectively to the world markets. The fifth tier consists of Government trading organisations specifically set up to handle export/import of specified commodities and to supplement the efforts of the private enterprise in the field of export promotion and import management. Agencies for export promotion at the State level constitute the sixth tier. Let us now discuss each of them in detail.

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### 14.3 GOVERNMENT POLICY MAKING AND CONSULTATIONS

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Appropriate government policies are important for successful export effort. In view of the increasingly important and critical role of foreign trade in economic development, a separate Ministry of Commerce has been entrusted with the responsibility of promoting India's interest in international market. The Department of Commerce, in the Ministry of Commerce has been made responsible for the external trade of India and all matters connected with the same. The main functions of the Ministry are the formulation of international commercial policy, negotiation of trade agreements, formulation of country's export-import policy and their implementation. It has created a network of commercial sections in Indian embassies and high commissions in various countries for export-import trade flows. It has set up an "Exporters Grievances Redressal Cell" to assist exporters in quick redressal of grievances.

**Board of Trade :** For ensuring a regular consultation, monitoring and review of India's foreign trade policies and operations, Government of India have set up a Board of Trade with representatives from Commerce and other important Ministries, Trade and Industry Associations, and Export Service Organisations. It is an important national platform for a regular dialogue between the Government and the trade and industry. The deliberations in the Board of Trade provide guidelines to the Government for appropriate policy measures for corrective action.

**Cabinet Committee on Exports :** "With a view to ensure regular and effective monitoring of India's foreign trade performance and related policies, Cabinet Committee on Export has also been set up.

**Empowered Committee of Secretaries :** For speedier and quicker decision-making, an Empowered Committee of Secretaries has also been established to assist the Cabinet Committee on Exports.

**Grievances Cell :** Grievances Cell has been set up to entertain and monitor disposal of grievances and suggestions received. It is a cell meant for speedy redressal of genuine grievances. Grievances Committees headed by Director General of Foreign Trade and head of concerned Regional Licensing Authority have been constituted in the respective licensing offices. The Committee also include representatives of FIEO, concerned Export Promotion

Council/Commodity Board and other departments and organisations. The grievances may be addressed to the Grievance Cell of the concerned Licensing Authority in the prescribed proforma.

**Director General of Foreign Trade (DGFT) :** DGFT is an important office of the Ministry of Commerce, to help the formulation of India's Export-Import Policy and implementation thereof. It has set up regional offices in almost all States and Union Territories of India. These offices are known as Regional Licensing Authorities. There is an Export Commissioner in the DGFT office who functions as a nodal point for all export promotion schemes. The Regional Licensing offices also act as Export facilitation centres.

**Director General, Commercial Intelligence & Statistics (DGCI&S) :** DGCI&S has been entrusted with the task of compilation and publication of data on India's Foreign Trade. It brings out various publications relating to Foreign Trade of India. The major publications are as under:

1. Monthly Statistics of Foreign Trade of India
2. Monthly Press Notes on Foreign Trade
3. Monthly Brochure of Foreign Trade Statistics of India (Principal Commodities and Countries)
4. Indian Trade Classification based on Harmonised Commodity Description and Coding System
5. Indian Trade Journal

**Ministry of Textiles :** Ministry of Textiles is another Ministry of Government of India which is responsible for policy formulation, development, regulation and export promotion of textile sector including sericulture, jute and handicrafts, etc. It has a separate Export Promotion Division, offices, advisory boards, development corporations, Export Promotion Councils and Commodity Boards. The advisory boards have been constituted to advise the government in the formulation of the overall development programmes in the concerned sector. It also devises strategy for expanding markets in India and abroad. The four advisory boards are as under :

1. All India Handloom Board
2. All India Handicrafts Board
3. All India Powerloom Board
4. Wool Development Board

There are Development Commissioners, Handicrafts and Handlooms, who advises on matters relating to the development and exports of these sectors. There are Textile Commissioner and Jute Commissioner who advises on the matters relating to the growth of exports of these sectors. Textile Committee has also been set up for ensuring of textile machinery manufactured indigenously, especially for exports. It also issues certificates of origin and other special certificates.

**States Cell :** The cell has been created under Ministry of Commerce. Its functions are to act as a nodal agency for interacting with State Governments or Union Territories on matters concerning export or import from the States or Union Territories. It provides guideline to State level export organisations. It assists them in the formation of export plans for each cases.

**Development Commissioner, Small Scale Industries Organisation :** The Directorate, has the headquarter in New Delhi and extension centres located in almost all States and Union Territories. They provide export promotion services almost at the doorsteps of the small scale industries and cottage units. The important functions are :

- i) to help the small scale industries to develop their export capacities
- ii) to organise export training programmes
- iii) to collect and disseminate information
- iv) to help such units in developing their export markets
- v) to take up the problems and other issues related to small scale industries

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## 14.4 EXPORT PROMOTION COUNCILS AND COMMODITY BOARDS

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Export promotion councils and commodity boards are the key institutions in the institutional framework established in India for export promotion. These are established for servicing export-effort for specific products and/or industrial sectors. Accordingly there are 20 Export Promotion Councils and 7 Commodity Boards. They have been entrusted with the task of promoting exports of specific products from India. Let us first discuss the functions of the Export Promotion Councils which are as follows :

- 1) **Marketing Assistance** : These promotional institutions are continuously involved in providing export-marketing intelligence as well as guiding, assisting and advising individual corporate units in their export-plans and effort market-wise as well as product-wise. The primary function of the export promotion council/commodity board etc., is to provide the exporters with market information on a continuous basis. It includes market opportunities, identifying prospective importer, trade and tariff policies of importing countries, product-designs and specifications, agents and distribution-channels, warehousing, publicity and promotion, pricing, packaging, shipping & transportation, buying practices competition, Government regulations etc. In other words, the help and assistance provided to individual exporter firms, encompasses almost all the critical elements involved in export marketing effort at the corporate-unit level.
  - 2) **Continuous Feedback of Market Information** : Besides providing marketing service, these institutions also undertake to provide continuous feedback of market information to individual export firm in India. The council functions through their in-house bulletins, circulars and other publications including statistical information and directories of importers etc.
- For collection of such comprehensive market information, Export Promotion Councils/ Commodity Boards/Special Authorities etc., have established overseas offices in all parts of the world. In addition, they also undertake market-surveys, organise specially in India exhibitions and conferences with prospective importers, sponsor trade delegations etc.
- 3) **Mouthpiece of Industry** : Further, they also act as the mouthpiece of the industry, advising as well as seeking appropriate changes in government policies, influencing export-effort of their specific areas of interest.
  - 4) **Product/Industry Coverage** : Complete list of products/industries currently being looked after by different Export Promotion Councils/Commodity Boards/Special Authorities and Industry Associations.

### Commodity Boards

Commodity Boards are statutory bodies responsible for the development of cultivation, increased productivity, processing, research and development and marketing. They also ensure adequate remuneration to growers by encouraging cooperative ventures, upgradation of quality and marketing the produce through auctions, etc. There are seven Commodity Boards. They are tea; coffee, tobacco, rubber, coir, spices and silk board. All the commodity boards, except central silk board, are the registering authority and issue Registration-cum-Membership Certificate.

**Special Authorities for Some Products** : There are also special authorities established for promoting exports of marine products, processed foods, cinematographic films, and khadi and khadi products. These include (1) Marine Products Export Development Authority, (2) Agricultural and Processed Food Products Export Development Authority, (3) National Film Development Corporation and (4) Khadi and Village Industries Commission. Similarly, for extractions of solvents, groundnut, soyabean and cotton-seed the industry-associations promoting exports of these products are as under:

- 1) The Solvent Extractors Association of India
- 2) The Groundnut Extractors Export Development Association
- 3) Soyabean Processors Association of India
- 4) All India Cottonseed Crushers Association

Further, the office of the Jute Commissioner and Jute Manufactures Development Council look after exports of natural fibre products (other than coir) and Director of Vanaspati looks after Vanaspati.

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## 14.5 TECHNICAL AND SPECIALISED SERVICES ASSISTANCE

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Export marketing effort at the individual corporate level also needs to be reinforced through a number of technical and specialised service inputs. These cover important and crucial areas like packaging, quality control, risk coverage, promotion and finance. Let us now discuss them in detail.

### 14.5.1 Indian Institute of Packaging

Packaging plays a crucial role in export marketing. The task has been rendered extremely complex and challenging because of the conflicting nature of expectations from the foreign buyers. Invariably, they insist on a very strong and sturdy package on the one hand to ensure the physical safety of the goods, and also at the same time insist on a package to be extremely easy to unpack. Good packing reduces the unpacking labour cost as well as saves time. Hence, Government of India have established the **Indian Institute of Packaging**, for rendering assistance, advice and guidance to help Indian exporters to effectively tackle the challenges on the packaging front.

The Institute is primarily engaged in organising training programmes on packaging technology. It has been recognised as an agency for testing and evaluation of packages for hazardous cargo and authorisation for UN certification for exports. It is engaged in developing national standards of packaging and eco-friendly packages. It has been identified to act as the coordinating agency for introduction of Bar Coding technology in the country with special emphasis on export of Indian goods.

### 14.5.2 Export Inspection Council and Agencies

The export inspection agencies established by the Council, certify the quality and export-worthy aspect of the manufactured and processed products exported from India. In this way, Government of India, indirectly, assure the foreign buyers, about the quality and export-worthiness of the products, exported from India. This has been made a statutory requirement. Regular exporting units are also being declared as export-worthy units, subject to periodical inspection by the export-inspection agencies. In addition, these agencies also provide guidance and advice to individual export firms regarding technical standards and specifications required for servicing export markets world over.

Export Inspection Agencies have also been authorised to issue the GSP certificate of origin which enables exporters from India to be eligible for preferential duty concessions in the markets of developed countries from West Europe, North America, Japan, Australia and New Zealand, etc. The Export Inspection Council has set up a pilot test house at Mumbai for prompt, efficient, accurate and comprehensive testing of engineering products, particularly from small scale sector. It also offers technical support facilities to the industry. The EIC has also set up the **Quality Development Centre** at Madras for providing training to the inspection officers. It has also evolved procedures for assessment, evaluation and settlement of complaints from foreign buyers.

### 14.5.3 Export Credit and Guarantee Corporation

Government of India have established Export Credit and Guarantee Corporation. The ECGC insures the risk of non-payment by foreign buyers as well as the political risk of blockage of

transfer of funds. The corporation assists the exporters through special schemes such as packing credit guarantee, post-shipment credit guarantee and export finance guarantee. The task of an exporter in India has therefore been rendered free from such risks.

Moreover, as an additional service, the ECGC also provides guarantees to the commercial banks providing working capital for financing export-business. Consequently, individual export-firm in India, finds it relatively easy to arrange for necessary financial support from the banks, for undertaking export-business. As regards the risk of physical damage to the export-cargo, the General Insurance Corporation of India provides necessary marine insurance which covers to Indian exporters.

#### **14.5.4 EXIM Bank for Long-term Credit**

Project exports, turnkey jobs and joint ventures including supply of complete plant and equipment or heavy machinery, have become increasingly important in international business. Realising the export potential for India in this field, Government of India have established Export-Import Bank of India for providing the necessary credit-lines for the same. The bank provides assistance through buyers credit, sellers credit, line of credit or venture capital. It helps Indian exporters to increasingly undertake exports of projects and turnkey jobs or joint venture in overseas markets. It also helps in promoting exports of technical consultancy as well as construction services, as these are very much linked with projects and turnkey jobs.

#### **Check Your Progress A**

1. List two important functions of Export Promotion Councils.  
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2. State whether the following statements are True or False :
  - i) Department of Commerce in the Ministry of Commerce is responsible only for the internal trade in India.
  - ii) Export inspection agencies certify the quality and export-worthy aspect of the goods exported from India.
  - iii) ECGC does not ensure the political risk of blockage of transfer of funds.
  - iv) EXIM bank does not provide the assistance in turnkey projects.

#### **14.5.5 Indian Council of Arbitration**

Export business being international in nature, will be extremely time consuming, uncertain and hazardous if all disputes between exporter and importer are to be settled through the usual legal remedies. Many exporters will shy away from undertaking export-business for fear of this. With a view to ensure speedy and less costly settlement of disputes, Government of India have established Indian Council of Arbitration. Consequently exporters in India are assured of speedy and amicable settlement of disputes (if any) and that too, as per the internationally accepted norms and practices evolved over last several years in various countries. With the support of Indian Council of Arbitration, exporters from India are encouraged to undertake export-business without any inhibition on account of settlement of disputes (if any).

#### **14.5.6 Federation of Indian Export Organisations (FIEO)**

The Federation of Indian Export Organisations (FIEO) functions as the coordinating body for various Export Promotion Councils and other service institutions established by the Government for trade promotion purposes. The Federation is the primary servicing agency to provide integrated assistance to Government recognised export houses. It emphasises on intra and inter-regional cooperation in trade and economic matters with a view to promoting harmony and understanding through economic, trade and technical ties. In addition, the national-level trade and industry associations like Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chamber of Commerce (ASSOCHAM) and Confederation of Engineering Industries (CEI) also play the coordinating role for advocating the view-point and promoting the interests of the sectors they represent.

### 14.5.7 India Trade Promotion Organisation (ITPO)

India Trade Promotion Organisation has been formed by merging Trade Fair Authority of India and Trade Development Authority. This is the premier trade promotion agency of the Government of India with the headquarter in New Delhi. It has also set up offices abroad in New York, Frankfurt, Tokyo and Dubai. ITPO is a service organisation which maintains close interaction with the trade, industry and the Government. The organisation serves the industry by providing marketing information and support for participation in fairs. It also helps in developing exports of new items and uses its network of offices in India and abroad for improved trade-related services. It has set up a Trade Information Centre at New Delhi. In specific term, the objectives of ITPO are:

- i) to organise trade fairs in India and abroad;
- ii) to organise trade development and promotion through specialised programmes such as buyer-seller meets, contact promotion, promotion through departmental stores, exchange of business delegations, etc.
- iii) to assist technically competent units in product development and adaptation;
- iv) to encourage and involve medium scale and small-scale industrial units in export promotion efforts,
- v) to conduct in-house and need-based research on trade and export promotion; and
- vi) to enlist the involvement and support of the State Governments in the promotion of India's foreign trade.

### 14.5.8 Indian Institute of Foreign Trade

As an apex institution at the national level, Indian Institute of Foreign Trade (IIFT), established by the Government of India, functions as the main institution for export marketing intelligence. IIFT performs following functions :

1. **Store-house of market information :** It functions as a store-house of export-marketing information, product-wise as well as market-wise. It has conducted market surveys in every part of the world, identifying export opportunities for the entire export sector as a whole.
2. **Provides international business management training :** In addition, the IIFT has been the pioneer and premier institution offering international business management education programme, including basic programmes as well as in service education. Being a Government institution, it also offers training programmes, for Government of India service personnel from Indian Foreign Service, Indian Administrative Service, Central Trade Service, and Indian Economic and Statistical Service.
3. **Advises government on trade policies :** An important function of the Institute has been to advise Government of India on all aspects of foreign trade policies, strategies and operations. Being a premier institution, it is frequently approached for necessary advice and guidance by other export-service organisations including export promotion councils as well as individual export corporate units.

### 14.5.9 National Institute of Fashion Technology (NIFT)

National Institute of Fashion Technology, New Delhi has been established for human resource development for the garment industry. It conducts professional programmes in the disciplines of Apparel Merchandising and marketing, fashion design and garment manufacturing technology. It offers training through workshops and consultancy services. It has entered into technical agreement with the Fashion Institute of Technology, New York and the Nottingham Polytechnica, UK.

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## 14.6 COMMERCIAL WING OF INDIAN EMBASSIES ABROAD

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Assistance in export marketing effort is also provided by the commercial wing of Indian Embassies abroad. Individual export-units as well as export promotion and service institutions can equally utilise the services of commercial wing of Indian Embassies abroad for various purposes such as specific market information, importers and/or import-agents' names and addresses, arranging meetings with prospective importers during the visits of foreign markets by Indian exporters. Further, specific information about various tenders, as well as supply of tender documents, and other project information, including market assessment, marketing practices, technical standards and specifications etc., can also be attained through this channel. Advise the guidance regarding visits of trade delegations, trade fairs and exhibitions, development plans, market-studies, etc., is also given by these offices, on specific requests.

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## 14.7 GOVERNMENT PARTICIPATION IN FOREIGN TRADE

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Though export effort at the corporate level has been primarily in the private sector, Government Corporations have also been established to supplement the same. Besides playing a supplementary role in export promotion, the Government Corporations have also been functioning as major exporters of minerals and other canalised items of exports besides developing India's exports to Eastern Europe. **State Trading Corporation of India** as well as **Minerals and Metals Trading Corporation of India** have emerged as the largest trading houses in India's export sector. They have also provided the small and medium manufacturers, with an effective export outlet. Over the recent past, they have also developed 'counter trading' for augmenting India's exports. Other Government Corporations functioning in the export sector include the Spices Trading Corporation, Handloom and Handicrafts Export Corporation (HHEC), Metal Scrap Trading Corporation, Projects and Equipment Corporation of India Limited, Mica Trading Corporation of India Limited, Tea Trading Corporation of India Limited and Cashew Corporation of India Limited.

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## 14.8 ORGANISATIONAL SET-UP IN THE STATES

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The State Governments are increasingly participating in export efforts of the country. State Governments have created independent Department of Commerce. Some Governments have also set up Export Promotion Boards and

Export Corporations for stimulating export business. Liaison officers have also been appointed by the States to develop export trade and maintain links with the Central Government Departments and organisations. Export Promotion Advisory Committees have been established by some States under the chairmanship of the Chief Minister or the Industry Minister.

### Check Your Progress B

1. Name two government corporations which are engaged in the export of canalised items.  
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2. State whether the following statements are True or False :
  - i) Indian Council of Arbitration does not consider international accepted norms and practices of disputes settlement.
  - ii) IIFT functions as the main institution for export marketing intelligence.
  - iii) State Governments have not set up Export Promotion Boards.
  - iv) Commercial Wing of Indian Embassies Abroad are only engaged in political activities.



3. Fill in the blanks :
- There are ..... export promotion councils and ..... commodity boards in India.
  - ..... and ..... are the largest trading houses in the India's export sector.
  - MMTC and STC are also engaged in ..... trading for India's export.
  - ..... is the coordinating body for various Export Promotion Councils and other service institutions.

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## 14.9 LET US SUM UP

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Any country (including India) engaged in the task of export promotion, has to establish appropriate institutional infrastructure for strengthening export-marketing effort for the country as a whole. With this object in view, Government of India have established a number of specialised institutions for providing necessary services and assistance to individual corporate units from the export sector.

At the top is the Department of Commerce of the Ministry of Commerce which formulate and guide India's trade policy. Institutions established for strengthening marketing effort include Export Promotion Councils, Commodity Boards, Special Authorities and Industry Associations. These are the key institutions servicing export-effort at individual corporate level, product-wise. The primary function of these institutions is to provide the exporter with export-marketing guidance and advice. They provide complete information and details covering almost all the critical elements involved in export marketing effort at the individual corporate unit-level on a continuous basis.

In addition, separate institutions have also been established for providing technical and specialised services to the export-sector in India. These institutions provide necessary guidance, help and assistance to individual corporate units, especially in the field of packaging, quality-control, risk coverage, long-term credit, trade fairs and exhibitions, settlement of disputes, package-service, and market-information.

In order to oversee the national effort in export promotion, Government have also established Indian Institute of Foreign Trade (IIFT) at the apex level. The IIFT, besides providing export-marketing intelligence at the national level, also provides foreign-trade management education to business-executives, policy-makers, and service institutions.

For supplementing the export-effort by the private sector, Government of India have also established a number of Corporations in the Government sector for directly undertaking export-import activity. Various State Governments have also established Export Corporations for promoting exports from different states respectively.

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## 14.10 KEY WORDS

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**Counter Trade :** A trade arrangement that contains a requirement to purchase products as a condition of sale.

**Lines of Credit :** A scheme of RBI enables overseas financial institutions, foreign governments, their agencies to on-lend term loans to finance import of eligible goods from India.

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## 14.11 ANSWERS TO CHECK YOUR PROGRESS

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- A 2 i) False ii) True iii) False iv) False  
B 2 i) False ii) True iii) False iv) False  
3 i) 20, 7 ii) MMTC, STC iii) counter iv) FIEO

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## 14.12 TERMINAL QUESTIONS

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1. Analyse the role and functions of the institutions assisting export-marketing effort at product/industry level.
2. Discuss the institutions providing technical and specialised services to the export-sector in India.
3. Describe the institutions set-up for Government policy making and consultation for export promotion in India.
4. Discuss Government participation in foreign trade and enumerate the Corporations established for the same.
5. Analyse the objectives of institutional set-up for export promotion in India.

**Note :** These questions and exercises will help you to understand the unit better. Try to write answers for them. But do not send your answers to the University. These are for your practice only.