Chapter III

ROLE OF STATE TRADING CORPORATION

The State Trading Corporation of India (STC) was registered in May 1956 under the Indian Companies Act. It has to comply with all the obligations and requirements of the Companies Act like any other limited company because it is not a statutory corporation. The main objective of the Corporation is to broaden and enlarge the scope of India's exports and to arrange for essential imports. Its activities are directed towards diversification of exports, expanding existing markets, development and promotion of export of commodities on a long-term basis and handling canalised imports. It also undertakes price support and buffer stocks operations in certain commodities on the Central Government's direction. The Corporation works in close association with the trade and industry. The STC group includes STC, the Cashew Corporation of India (CCI), Handicrafts and Handloom Export Corporation (HHEC), Project and Equipment Corporation (PEC) and Chemicals and Pharmaceutical Corporation of India (CPC).
This organisation serves as:

1. The leading export house of India with branches all over the world.
2. An explorer of trading potential and identifier of opportunities.
3. A catalyst and pace-setter for Indian exporters.

The STC has been playing a pivotal role in the diversification of India's export trade by increasing exports to the existing markets and exploring new ones, maintaining exports of the traditional items, development and promotion of exports of selected commodities on a long term basis, canalisation of imports of certain bulk commodities, supplementing private trade in sphere where it finds difficult to function effectively, processing and manufacturing certain indigenous materials into finished products so as to raise their unit value for export, and undertaking price support and buffer stock operation in certain commodities which have a hearing on exports. It has also played a dominant role in effecting imports of essential goods and raw materials vitally necessary for the economy of the country.

Among the public sector agencies created by the Government of India for increasing state participation in India's foreign trade, the STC has been playing the most important and
effective role in the achievement of the Government objectives. Apart from the rapid strides made in the enlargement of its turnover year after year the Corporation is getting itself more and more involved in the various fields of imports as well as exports of the country. The Corporation's performance in the last few years had created considerable interest in the public sector. Ever since its inception, the STC's main objective has been to trade mainly with the USSR and the East European countries and to ensure fulfilment of the Government's socio-economic objectives. It has now grown into India's premier trading house, both in size and profile-action and activities.

With a view to implementing the Government objectives STC has played a dynamic and extensive role in the growth and development of India's foreign trade infrastructure. The Corporation has been restructuring itself from time to time to meet the challenges it needs to face. The new system of accountability introduced and management and techniques employed has paid rich dividends inasmuch as the total turnover more than doubled within twelve years from Rs. 167 crore in 1968-69 to Rs. 346 crores in 1979-80.

In 1958-59 the total turnover of the STC was Rs. 35.95 crore which increased to Rs. 42.82 crores in 1959-60. In 1960-61 the turnover increased to 64.69 crores. Again it increased to Rs. 77.39 crore in 1961-62. In 1962-63 it increased
### Table 1

**30 years at a Glance**

Total Turnover Between 1956-57 to 1984-85

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Turnover (Rs. in crores)</th>
<th>Years</th>
<th>Total Turnover</th>
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<tbody>
<tr>
<td>1956-57</td>
<td>9.19</td>
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<td>28.58</td>
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<td>1958-59</td>
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<td>1962-63</td>
<td>86.81</td>
<td>1976-77</td>
<td>975.45</td>
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<td>1963-64</td>
<td>55.98</td>
<td>1977-78</td>
<td>1069.57</td>
</tr>
<tr>
<td>1964-65</td>
<td>46.46</td>
<td>1978-79</td>
<td>1138.54</td>
</tr>
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<td>1965-66</td>
<td>61.55</td>
<td>1979-80</td>
<td>1529.07</td>
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<td>1966-67</td>
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</tr>
<tr>
<td>1967-68</td>
<td>141.23</td>
<td>1981-82</td>
<td>1866.81</td>
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<tr>
<td>1968-69</td>
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<td>1982-83</td>
<td>1832.14</td>
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<tr>
<td>1969-70</td>
<td>210.72</td>
<td>1983-84</td>
<td>2215.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1984-85</td>
<td>2865.53</td>
</tr>
</tbody>
</table>

**Source:** Different issues of Annual Reports of the State Trading Corporation.
to Rs. 86.81 crore. In 1963-64 the turnover went up to Rs. 55.99 crore. This shows an increase to Rs. 210 crore in 1969-70.

The table also shows an increase in turnover from Rs. 200 crore in 1974-75 to Rs. 2,866 in 1984-85. From the table it is clear that the total turnover has increased every year which indicates the progress of STC in the promotion of exports and imports.

In the course of 30 years the Corporation's turnover increased from Rs. 9 crore in 1956-57 to Rs. 2,866 crores in 1984-85. Such phenomenal growth could only be achieved with the active support of the Government as well as the utilisation of its own resources. It trades in heterogeneous fields and covers more than 90 countries of the world. It has 21 offices abroad and in addition several branches within the country located in port towns and important business centres.

The Corporation, besides trading in a variety of commodities, also has four subsidiaries to handle homogenous groups of commodities. It is presently dealing in the export of bulk commodities like sugar, cement, salt, rice and castor oil. It also deals in other primary commodities, such as tobacco, rubber, coffee, processed commodities such as processed food, chilled meat, finished leather, shellack and a host of industrial manufactures.

The country has planned to export larger quantities of
bulk commodities and also maximise the export of high unit value as well as greater value-added products. The Corporation's efforts are directed to achieving the national objectives. The STC has achieved reasonable success in the export of items like sugar, castor oil, cement, shillac and has introduced several non-canalised items supplementing the efforts of private exporters. In the field of imports, the Corporation has serviced the industry with necessary raw materials to maximise the capacity utilisation of the industries and to maintain the price level of essential items. In the case of sensitive items like drugs and edible oils, stocks are maintained to make off-the-shelf deliveries. It has been undertaking price support operations whenever called upon by the Government, for rubber, tobacco and raw jute.

The STC's activities can mainly be divided on the following basis:

**Imports**

- Canalised
- Non-canalised and ad hoc imports and those under IRMAC
- Other stock and sale imports.

**Exports**

- Canalised
- Non-canalised

**Domestic trade**

- Price support and buffer stock operations
- Sale of imported cars
The STC may undertake any activity which is necessary or incidental to the fulfilment of its overall trading responsibilities. For instance it may hire warehouses for storage or arrange transportation of goods, or finance processing or otherwise assist exporters in the discharge of their functions.

Imports

(1) Canalisation of import of major items as a policy of the Government instituted mainly with a view to obtaining benefits of economies of scale in purchase, equitable and timely distribution of raw materials and avoidance of malpractices in distribution. The important function of the State Trading Corporation in regard to imports are:

i) To undertake import of commodities at competitive and cheaper prices where bulk procurement and bulk shipping are possible.

ii) To undertake import of commodities in short supply and essential to the country's economy.

iii) To undertake imports from state trading countries or where monopolies are involved.

iv) To handle imports of certain commodities trading in which is highly speculative, yielding high margin of profit which can best be handled by a public undertaking and to utilise the profits thus earned for the promotion of exports of difficult-to-sell items.

v) To undertake the distribution of imported commodities in an organised manner to satisfy needs at fair prices.
vi) To ensure implementation of trade plans with the State trading countries and other special agreements entrusted to the Corporation.

As an instrument for the implementation of Government's trading policies, the Corporation has been arranging imports of capital goods, and industrial raw materials at international price from diverse sources of supply and also of certain scarce commodities required for the country's economic and industrial development. With its capacity for bulk buying and handling, the Corporation is in a position of considerable bargaining strength so as to arrange supplies at most competitive prices. This helps also in keeping down the international prices of imported essential commodities. Fertilizers, alkalies, mercury, sulphur, newsprint, tractors, printing and textile machinery, copra, palm oil, soya bean and many other items have been imported in this manner in large quantities with substantial price advantages to the country.

The STC renders assistance to private traders for the development of their industries in the fields of chemicals, drugs, vanaspati, synthetic and woolen textiles and the newspaper, tools, tractors, construction and road building machinery, printing machinery, bearings, spare parts, electronic and electrical measuring instruments, spares, drilling equipment, photographic goods including X-ray, films, chemicals

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and pharmaceuticals.

The import trade of the Corporation can be classified into three broad categories:

1. Items whose imports are wholly canalised through this Corporation.
2. Items whose imports are arranged by established importers and actual users.
3. Indirect imports where imports are effected by Indian agents of foreign suppliers.

A major objective of canalisation has been to ensure regular supply at the best possible prices. Canalisation of imports of edible oils helps in bridging the large supply gap and in holding the price line. Compared with 80,000 MT in 1984-85, STC delivered about 2.7 lakh M.M. in 1985-86 to the vanaspati industry. Substantial savings in foreign exchange were achieved by successful purchase of a major portion at prices $200 PMT lower than the current level. In addition to expanding the MT storage capacity by 50% from 90,000 MT to 1,30,000 MT, new distribution points near the consuming centres were also opened.

The STC could obtain the material at much lower prices than what was quoted in the American market whereas India has been paying a premium of 40 PMT over the New York delivered prices for newsprint, due to bulk buying. The Corporation was able to get, for the first time, supplies at $12 less than the
New York delivered prices. Favourable payment terms were also obtained with interest free credit facility. A total profit of around Rs. 9 crores spread over the next 4 years has been recently made.

As the canalising agency, STC ensured supply of raw material to actual users equitably. This is particularly important in regard to the raw materials required of the small sector which gets imported raw materials at the same price as the large scale sector and this has been a distinct advantage of canalisation. Also the STC has been able to maintain buffer stocks of newsprint, edible oils etc. to meet the ready requirements of the related industries.

Elimination of speculative marked tendency is an important objective of canalisation. In the past, large units could obtain bulk quantities of imported raw materials and re-selled them to the actual users at higher prices. The STC's handling of canalised imports has helped in bridging the gaps between the demand and the supply of industrial inputs and avoiding shortages through regular bulk buying.

As a result of canalisation, the STC has been able to diversify the supply sources for several raw materials. New sources of supply have been identified for commodities like newsprint, chemicals, etc.

Advantages occurring to the country as a result of the
policy of canalisation of imports are:

1. Timely and regular availability of the raw materials in the country.
2. Economies in bulk buying.
3. Stabilisation of internal prices.

**Imported Cars : Purchase Procedure**

Another domestic trade of STC is the purchase of imported cars. The STC buys cars from the following categories in accordance with the procedure laid down by the Ministry of External Affairs/Chief Controller of Imports and Exports:

(a) Diplomats and other privileged persons.
(b) Official cars of diplomatic missions.
(c) Privileged institutions like Ford Foundation and U.N. and its allied agencies.
(d) Exports coming under various programmes sponsored by the Government of India.
(e) Foreign nationals, foreign firms and Indian nationals.

The Ministry of External Affairs, the sponsoring Ministry, has laid down a purchase procedure in respect of categories (a), (b), (c) and (d). This procedure provides that the STC will buy a car at the C.i.f. value as evidenced by customs' signed bill for entry supported by manufacturers invoice,
freight and insurance certificate without any depreciation.\(^1\)
The procedure also requires that the cars will be made
available to the STC for purchase in normal running condition.
Since it is not always possible in actual practice for the
diplomats to bring their cars in normal running conditions,
a reduction is made for such deficiencies from the price payable for the car on a mutually agreed basis after the
inspection of the car.

In respect of category (e) the price is determined on the
basis of c.i.f. value plus customs duty and is reduced by
20 per cent per annum on the diminished value.

The CCI & E has recently amended the above rules as
applicable to Government servants. A Government servant who
is compelled to sell his car before completion of no-sale
period for reasons beyond his control or is transferred abroad
as certified by the administrative ministry to be in public interest, is allowed to sell his car to the STC at a concessional depreciated formula of 5 per cent per annum for the
initial period of 2 years and 5 per cent for each half year thereafter on the landed cost of the car as against the present depreciated formula of 20 per cent per annum.\(^2\)

**Sales Procedure**

The Government has authorised the following to place their

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2. Ibid., p. 40.
indents directly on the State Trading Corporation:

a) Tourism promotion agencies
b) Rashtrapati Bhavan
c) Vice-President of India
d) Raj Bhawans in the various states
e) Ministers of Cabinet rank of the Central Government
f) Chief Ministers of the State Governments.

Cars are sold to the above categories at STC's cost price plus a margin of 12\(\frac{1}{2}\)\%, i.e., 10% service charges and 2\(\frac{1}{2}\)\% garage charges.

Cars sold to the Rashtrapati Bhawan, the Vice-President of India and the Raj Bhawans are exempt from payment of customs duty irrespective of whether it attracts duty or not.

State Government and Central or State public undertakings are entitled to place their indents directly on the STC but cars are released to them only at market prices which are based on the prevailing auction prices.

Eligible export houses are also entitled to purchase cars once in two years at market prices.

Persons who intend to purchase a car against payment in foreign exchange are entitled to buy it at the market price less 15 per cent.

Cars to all other are sold under a public tender system. Auctions are held regularly in Bombay, Calcutta, Madras and New Delhi for disposal of such cars. The Government has
recently entrusted the STC with the sale of imported cars of the ministries and public undertakings on their behalf at a service charge of 12 1/2 on sale value.

**Custom Duty**

The Corporation is liable to pay customs duty to the customs authorities on the sale of imported cars which are acquired by it within three years from the date of import. The duty becomes payable as soon as the car is sold.

**Canalisation**

The Government has adopted two devices for canalising imports through the Corporation. One device is the formal one wherein the item is first brought under part (c) of Section 2(ii) of the Import Trade Control Policy (Red Book) for the given period, and then by a separate public notice Government orders are issued saying that the State Trading Corporation will be the agency for the import of that item. The second device is that the item is mentioned in part 'D' of section 2 of the Import Trade Control Policy and is thus declared non-licensable for both actual users and importers. By separate orders allocations are made in favour of the State Trading Corporation of India for making import arrangements. These imports appear to fall under two categories. In the first category are items which are easily available from the rupee payment countries and, therefore, the Corporation can naturally
and effectively act as the canalising agency for purchases from such sources. The other category consists of items of imports from the free foreign exchange areas, in respect of which, owing to certain vital consideration like the advantage of bulk buying and shipping, etc. the government considers the Corporation useful as the importing agency.

Similarly items of export can be divided into two categories. Some items have been formally canalised for export by including them in part 'B' schedule of the export Trade Control Order, 1962, and through a public notification such items have been selected for being formally canalised through the Corporation. The second category consists of export items which, though not formally canalised, have in effect to be routed through the Corporation by various administrative orders.

The Government policy of canalisation is a desirable one and may be defined as the right of giving monopoly power to State agencies for the export of a particular commodity at reasonable rates without an undue margin of profits.

The purpose of canalisation of exports as, it is understood, is to provide technical know-how, samples, latest trends in foreign markets, total requirements, secrets of their competitiveness, latest machinery and methods which the exporting countries are using etc. By giving such services, they have a legitimate right to collect service charges. It is like a
privy purse given to them by the government by adopting the policy of canalisation.

At present 28 items are being canalised for exports -- 13 items are canalised through the State Trading Corporation of India while Government's decision to go slow with canalisation of exports is to be welcomed, it is necessary to ensure that the export performance of items already canalised improves steadily and substantially. There are many canalised items whose exports have suffered because of inadequate availability of supplies, increasing competition from other countries, lack of transport facilities or other causes. Whatever may be the reasons for the lack of steady progress, the canalising agencies should see to it that only the falling trends in exports are checked, but they are also able to add sizeably to the earning of foreign exchange of the public sector. The STC has come to assume a dominant role in the canalisation of exports and should gain the confidence of the users in the country by offering goods and equipment at reasonable rates without any undue margin of profits. It should also strive to keep up and enhance the confidence of the importing countries in it by adhering to the time schedules for deliveries guaranteeing quality and charging competitive price. The over-all performance of the STC can be seen from the following table which gives the amount of canalised and non-canalised export yearwise:
<table>
<thead>
<tr>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Export sales (Total)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canalised</td>
<td>4,845</td>
<td>5,515</td>
<td>1,058</td>
<td>7,861</td>
<td>17,015</td>
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<tr>
<td>Percentage</td>
<td>2,115</td>
<td>2,706</td>
<td>3,417</td>
<td>3,604</td>
<td>12,656</td>
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<td></td>
<td>43.70</td>
<td>49.10</td>
<td>48.40</td>
<td>45.80</td>
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<tr>
<td>Non-canalised</td>
<td>2,730</td>
<td>2,809</td>
<td>3,641</td>
<td>4,257</td>
<td>4,359</td>
</tr>
<tr>
<td>Percentage</td>
<td>56.30</td>
<td>50.90</td>
<td>51.60</td>
<td>54.20</td>
<td>25.70</td>
</tr>
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</table>

Non-canalised and ad hoc imports

From time to time to meet temporary shortages or for some other reasons the STC is asked to import by the Government non-canalised items which are otherwise banned for imports, on an ad hoc basis. The procedures for effecting purchases, sales receiving payments etc, are the same as for the canalised imports except that the system of allocation is different. For these items, the allocation is made either by or in accordance with the instructions of the competent authority, which often is the ministry of the Government of India at whose behest such imports are allowed. Release orders are not normally required to be issued by the CCI&E for such items.

Canalised items

To determine its growth within the parameters of Government's economic policy, the STC plans to adopt a selective approach.
In the field of canalised items there are a number of areas in which the Corporation has to further improve its operations. They include:

- Improve item responsiveness to its clients by promotiers and pay more effective attention to its customers.
- Plan its operations in canalised product, groups in specified new markets.
- Build buffer stocks of selected items like sugar and castor oil and open warehouses abroad for such items where exports have to be organised on a continuing basis.
- Continue efforts for taking maximum freight advantages by booking of cargoes.

The area of canalised items will be in the following commodities:

- Sugar
- Cement
- Castor oil
- Rice
- Rubber
- Salt
- Footwear

Non-canalised items

The major thrust of STC's export operating will be in the non-canalised field. The selective approach will be applied to areas where export potential is large, production base is capable of expansion and product development measures can yield substantially better results over a given period. For example, the areas that offer opportunities for such growth are:
1. Leather and leather products:
   Finished leather
   Shoe uppers
   Garments
   Travel goods

2. Agro-based and allied products and manufactures:
   Fruit slices and juices or fresh fruits in bulk or canned.
   Meat-chilled, packed in bulk or canned
   Linseed oil
   Coffee
   Tobacco

3. Timber and its manufactures
   plywood
   Flush door
   Wooden furniture
   Sports goods
   Leisure time equipment

4. Construction and building materials
   builders' hardware and fancy fittings
   Sanitaryware, tiles, and other ceramics or brickware items.

5. Textiles:
   Readymade garments
Table 2

STC EXPORTS AND IMPORTS

(Canalised & Non-canalised)

<table>
<thead>
<tr>
<th></th>
<th>Canalised</th>
<th></th>
<th>Non-Canalised</th>
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<tbody>
<tr>
<td></td>
<td>Total</td>
<td>%</td>
<td>Total</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Volume</td>
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<tr>
<td></td>
<td>1971-72</td>
<td>74*</td>
<td>37</td>
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<tr>
<td></td>
<td>1972-73</td>
<td>158</td>
<td>117</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>1973-74</td>
<td>260</td>
<td>229</td>
<td>88</td>
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<td></td>
<td>1974-75</td>
<td>549</td>
<td>515</td>
<td>94</td>
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<tr>
<td></td>
<td>1975-76</td>
<td>744</td>
<td>681</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>IMPORTS</td>
<td>(CIF)</td>
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</tr>
<tr>
<td></td>
<td>1971-72</td>
<td>125*</td>
<td>93</td>
<td>73</td>
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<tr>
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<td>1972-73</td>
<td>126</td>
<td>94</td>
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<td>1975-76</td>
<td>158</td>
<td>115</td>
<td>12</td>
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* Excluding engineering items transferred to PEC.

Source: Handbook of Statistics of 1971-72 to 1975-76, p. 21

(Contd.)
Table 2 (Contd.)

STC EXPORTS AND IMPORTS
(Canalised & Non-Canalised)

<table>
<thead>
<tr>
<th></th>
<th>Canalised Value</th>
<th></th>
<th>Non-canalised Value</th>
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<tr>
<td></td>
<td>Value</td>
<td>%</td>
<td>Value</td>
<td>%</td>
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<tr>
<td>EXPORTS</td>
<td>(FOB)</td>
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<tr>
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<td>416</td>
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<tr>
<td>1980-81</td>
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<tr>
<td>1981-82</td>
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<td>42</td>
<td>315</td>
</tr>
<tr>
<td>1982-83</td>
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<td>258</td>
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<td>361</td>
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<tr>
<td>1983-84</td>
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<td>1984-85</td>
<td>879</td>
<td>460</td>
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<td>471</td>
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<tr>
<td>IMPORTS</td>
<td>(CIF)</td>
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<tr>
<td>1979-80</td>
<td>260</td>
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<td>1980-81</td>
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<td>1981-82</td>
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<td>1982-83</td>
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<td>1983-84</td>
<td>1067</td>
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<td>25</td>
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<tr>
<td>1984-85</td>
<td>1087</td>
<td>1062</td>
<td>99</td>
<td>35</td>
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</table>
Necessity of Export

Though India is an agricultural country, it cannot provide food for its people because of its very heavy concentration of population. In order to feed the population and to meet the different requirements it is essential that India should buy large amount of food-stuffs and raw materials each year from other countries. To earn the currencies of those countries in order to pay for the country's imports, it must export goods to them in return. A country, like an individual, can not continue for long to live beyond its income. It cannot import goods from abroad without matching them with exports, except in the short term. It must later be in the clear by exporting more than it imports. When a country imports more than it exports, it creates for itself balance of payments difficulties. There have to be limit of imports to prevent the drain on the country's resources resulting from the adverse balance of trade.

Another and better remedy of course would be to increase exports and this is why exportation are being constantly bearing to increase exports in order to keep pace with the growing imports an affluent society is demanding. There is no doubt at all about the necessity for the country to put in
every effort in this direction. Exports are also increased
by maintaining and improving the country's competitive
position in world markets in which India faces intensive
competition from other nations.

Many well-organised industries and firms in this country
are doing an excellent job in exporting their goods and
earning foreign exchange. Banks, commodity market, shipping
firms and insurance concerns also sell their services abroad
and contribute to the country's foreign exchange earnings.
But in the light of present developments many small and medium
sized firms must give more thought to exports. The challenge
of the European Common Market means that India must reconsider
what its export position will be in five, ten or twenty
years from now rather than rest content with the present sales
and markets.

Selling goods abroad has the characteristics and problems
of home trade plus a number of additional hazards. For
example, quota restrictions, tariffs and customs regulations
vary from country to country and must be known in order to
avoid rejection of the goods and frustrated sales.

Exports must be planned under a consistent policy in
which the needs of the overseas customer are taken into consi-
deration and met and other countries must not be regarded simply
as dumping grounds for surplus goods when the home market is
temporarily depressed. Search for new markets should be
preceeded by careful research into the prospects for the goods in those markets.

There may be a further hazard in some areas in the form of political risk. Contracts may be frustrated because Indian Government may suddenly stop all trading with a country. For example, India has to trade through state importing agencies of socialist countries which will virtually dictate the terms on which the business will or will not be done and what India must take in exchange for its exports.

Role of State Trading Corporation in Export Promotion

Foreign trade organizations and institutes play an important role in creating export consciousness in the country. There was an acute shortage of training courses and training institutions in the field of foreign trade in India. Without proper knowledge and guidance, it will be extremely difficult to understand the intricacies of India's export and import trade. Export and import organisations provide various services to the exporters and importers. These services include information and guidance, assistance for participating in and organizing international trade fairs, and exhibitions, promotion of joint ventures with other countries, conducting market surveys, preparation of special reports,

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1 The following discussion leans heavily on a note on the "Export Organizations of India", provided by Indian International Trade Centre, Bombay.
publication of foreign trade directories, and handling of export and import trade. To overcome such difficulties to provide expertise to Indian manufacturers and to help them in stepping up their exports, various foreign trade organizations and institutes have developed in India. Important organisations among them are State Trading Corporation, Export Promotion Council, Minerals and Metals Trading Corporation, Indian Institute of Foreign Trade, Indian International Trade Centre, Board of Trade, Export Import Council, Directorate of Export Promotion, Export Development Authority, Export Promotion Advisory Committees, State Export Promotion Boards, Commodity Boards, Handicrafts and Handloom Export Corporation, Export Houses, Export Credit and Guarantee Corporation, Export Inspection Council, Indian Council of Arbitration etc. In view of the fact that export promotion has become the crying need of the hour, 'export or perish' being the most appropriate slogan. But this can only be achieved, if there is proper coordination between these organisations.

It is an established fact that international trade particularly exports, are crucial for the country's progress and essential activity for any country striving to develop a self reliant economy. In the Second Five Year Plan priority was accorded to exports due to acute foreign exchange difficulties the country faced. At that time state trading was
a new concept and therefore there were mis-givings about its need and feasibility of establishing a Government owned Corporation to undertake trading operations. The basic task facing the developing nations, including India, is to make their economies export oriented as far as possible. This requires not only augmentation of exports but also ensuring import substitution and effective control over bulk exports and imports. Most of the developing countries have designed short-term policies as well as long-term management of trade. One of the important steps is the creation of an institution either within the ministry or outside to own, control and manage foreign trade. The STC is one of the bodies set up by the Government of India as an autonomous organisation for the purpose.

The State Trading Corporation was established with the sole objective of enlarging the scope of India's exports and to arrange for essential imports. Its activities are directed towards the diversification of exports, expansion of existing markets and development of new markets for traditional and non-traditional products. The Corporation works in close cooperation within the Government, the trade and the industry.

The STC occupies special position in export promotion. One of the major objectives of the State Trading Corporation of India is the promotion of country's exports. In evaluating
visiting foreign delegations in India, and (vii) participation in global tenders for rolling stock, equipment and turn-key projects.¹

The STC's main objective is export promotion. Unlike some other bodies which seek to achieve this objective by undertaking non-commercial responsibilities such as exchanging delegations, advertising in India and abroad, circulating information to member suppliers and the STC aims to do all this by actual marketing of Indian products.

For this purpose, the Corporation acts as a trading body, enters into commercial contracts, accepts all the responsibilities of a seller of goods and draws heavily on modern management and marketing techniques.

The STC has a network of 21 foreign offices which are engaged in the task of export promotion and are connected with telexes and telephones (for details see Appendix 1).

The foreign offices of the Corporation assist exporters from India in stimulating demand for Indian goods in foreign countries. This is done by maintenance of bonded warehouses-cum-depots where stocks of merchandise of various exporters are stored and business concluded on the spot or on consignment basis. Further, samples along with the realistic export prices and delivery schedules are kept in readiness to

¹ Manual of Trading Operation, STC, New Delhi, p. 29.
the performance of the corporation towards the achievement of this objective, one very important thing has to be kept in mind, that is, that the Corporation is not free to export any commodity it likes. It is the instrument for the implementation of Government policy in the field of international trade and, therefore, in the sphere of its operations it is regulated and guided by the Government. The Corporation has been entrusted, by and large, with trade in such commodities as are difficult to sell or have peculiar problems of their own and those in which trade is well-established and no special problems or difficulties have been left in the hands of those who are already established as traders in these items.

The Corporation has taken a number of steps to expand its exports, viz., (i) organising manufacturers in India and giving them assistance including finance for increasing exports, (ii) developing new items with export potential and assisting producing agencies to train personnel in specialised handling, packing and transportation of goods for export, (iii) providing export assistance to small manufacturers under the EASI scheme (Export Aid to Small Industries), (iv) promoting exports through the mechanism of link and barter and allied deals, (v) participation in international trade fairs and wholly Indian exhibitions in foreign countries, (vi) establishing offices abroad, (vii) negotiating sales with
negotiate on the spot contracts and business with the prospective buyers. On the basis of these samples, importers are contacted and induced to deal in or expand their existing purchases of Indian goods by offering facilities of ex-stock deliveries from the depots. The offices undertake, where necessary, in cooperation with other organisations, market surveys, market studies, etc., in respect of specific commodities. The foreign offices also participate, if required, in trade exhibitions, displays, etc., and maintain liaison between the Indian parties and foreign suppliers and try to eliminate unhealthy competition.

Broadly, exports consist of locating a demand abroad and organising supplies to meet it and at some profit. It can start from either of the two ends. A customer may be looking for something which the STC can offer from India or the STC may have a product for which it is looking for a customer. One step further, the STC may develop a product for which it may anticipate a demand, or there may be a demand for which STC may develop a product.

Steps Involving Export Sales

Among other things, the following specific steps are involved in export sales:

- Preliminary spade-work
- Making an offer
- Negotiating the terms
- Concluding the deal and entering into contract
- Procurement
- Quality inspection
- Transportation
- Storage, warehousing
- Freight
- Insurance
- Customs clearance
- Reserve Bank formalities
- Receiving payments
- Disbursing payments

**Preliminary Spade-work**

Before an offer is made, the STC must ascertain through contacts abroad probable areas of mutual interest. This can be done either by writing to the commercial secretaries in the Indian embassies, STC's branch offices, chambers of commerce abroad or by finding names and addresses of prominent import houses and dealers through trade and commodity journals and directories. In a few cases, to attract inquiries a product may be advertised in foreign papers.

Letters are addressed to parties informing them in general terms of the product which are on sale together with such printed or other literature which they may like to send.

**Making an offer**

Upon receipt of reply, detailed specifications and a quotation, keeping sufficient margin for negotiation and for

any upwards increase in local procurement prices is given. At this stage the customer should be advised about all other conditions which will govern the firm offer which is likely to be subsequently made.

Samples are sent in case the product in question allows for the same and the customer asks for them. When business is done on the basis of samples, the Corporation is required to collect four samples which are to be sealed and signed by the suppliers and the STC. Three samples are to be sent to the customers who are required to keep one for his reference and return the other two in token of his approval. Out of the two, one is retained by the STC and the other is handed over to the inspecting agency to enable it to compare the bulk shipment which the approved sample at the time of pre-shipping inspection.

**Negotiating the Terms**

The customer will probably bargain on prices so long as the transaction is at a profit, the STC can be flexible in its attitude. Some commodities allow for larger margins, others for less. For non-traditional items of export, it may agree even to work on nominal margins.

No transactions will be accepted if it involves a foreseeable element of loss. Only in exceptional cases, to support Indian exports, STC's management may decide that they
maybe undertaken even at a loss. The government may also direct the STC to undertake trading operations at a financial loss.

Concluding the Deal

Once the customer gives his written acceptance by talex, cable, etc., accepting the offer unconditionally and within the time specified by the office, the deal is treated to have been closed and becomes binding on both parties. Then there is no going back. Preparation of documents, signatures of respective parties to the contract thereafter are mere formalities which must, however, be executed expeditiously. ¹

Before starting negotiations, there must be a proper tie-up with suppliers of high reputation who agree to work as STC's business associates. For each commodity, business associates should be selected and confidential status report should be obtained from their bankers.

Quality Inspection/Statutory Inspection

For some commodities statutory pre-shipment inspection is enjoined upon the STC and the government has set up special agencies for this purpose. This does not debar the customer from insisting on an independent inspection of the goods for quality.

¹ Ibid., p. 33.
There are quite a few independent well-known organizations which specialise in inspection and are acknowledged to be impartial and neutral between the buyers and the sellers. They possess the technical skills necessary for giving appropriate quality and weight certificates.

It is negotiable as to who should bear the charges of inspection. The normal practice is that the charges are borne by the seller.

**Transportation**

Inland transportation is organised by the suppliers. In the event of export of bulk liquid cargo, the same is brought in the tankers at the port and pumped directly wherever possible into the tankers upon arrival of the ship. Packed liquid cargo has often to be sent in drums, the specification of which must be carefully checked and in case of edible items it has to be ensured that the contents will be protected from any kind of contamination.

**Warehousing**

Since all goods must reach the port towns well before the arrival of the steamer, warehousing has to be arranged there either by the STC or by the shippers.

**Booking Freight**

Where things are sold on c.i.f. basis, arrangement has
to be made for ocean freight. Firm or provisional booking (as the case may be, depending upon the stage of negotiations) must be made with the agents of steamer companies as much in advance of the date of shipment as possible. Options must be held during negotiations.¹

**Insurance**

Where the customers take out an insurance, they should be notified by a telegram of the date and time of loading and the quantity and value of the cargo to enable them to cover the risks. But in such cases L/C should provide for full payment to be realised on sight.

In the case of c.i.f. sales, all risks have to be covered which the buyer may want and suitable provision has to be made in the pricing of goods for covering the premium which will have to be paid on the policy. The policy is made out in the name of the Corporation and sent to the customer duly endorsed along with the documents.

**Customs Formalities**

For purposes of getting customs clearance for export cargo the following documents have to be presented to the customs authorities:

¹ Ibid.
1. Declaration regarding truth of the statements made in the shipping bill.

2. A copy of the invoice usually pasted at the back of the duplicate copy of the shipping bill.


4. Export Licence (where required).

5. Inspection Certificate.

6. Original contracts, if available, or copies of correspondence.

7. Letter of credit (where prescribed).


9. Packing list

10. AR-4 Form, AR-5 Form (in duplicate or triplicate).

11. Any other relevant document. ¹

Note: Registration of contracts is necessary in respect of certain items with the authorities concerned for the purposes of payment of incentives or for export price control, etc. The procedure in vogue from time to time is followed in such cases.

In case of items subject to export licence or quota restrictions, necessary authorisations from CCI & E have to be produced.

In the case of dutiable exports, the classification numbers of the items and the rates of duty have to be shown on the documents and duties paid to the accounts department of the customs.

¹ Ibid.
Reserve Bank Formalities

While presenting the shipping bills to the customs, Form duty filled in triplicate has to be submitted. The original of this form is retained by the customs and its copies are returned. The GR-I form is sent to the RBI by the bankers and the triplicates retained by them until payment is received for the value of the goods and is later forwarded to the RBI.

Payment under Reservation Unacceptable

However, it must be ensured that the documents are negotiated clean, without conditions and without reservations of any kind. All dealing officers in finance and commodity divisions must know that receiving payment under reserve is as good as not receiving payment at all and may tantamount to dereliction of duty.

Disbursing Payments

Where L/Cs have not been assigned to local suppliers, payments are to be released to them immediately and not later than one week from the date on which the STC has negotiated the documents in accordance with the price and other terms that may be agreed upon with them.
Participation in Exhibition

With a view to giving publicity to Indian exports, the Corporation participates in international fairs and exhibitions. Business is also negotiated on the spot wherever possible. In the past, the Corporation arranged for India's participation in several international fairs, e.g., in Izmir (Turkey), Leipzig (East Germany), Zagrab (Yugoslavia), Plodivo (Bulgaria), Poznon (Poland), Brnio (Czechoslovakia) etc. Participation in international fairs has enabled the Corporation to step up the exports of traditional items and also to introduce new items such as bicycles, sewing machines, electric fans, tinned fruits and juices, etc.

Assistance to Manufacturers

The Corporation renders useful assistance to manufacturers for promoting their exports. It helps its associates enter into new market and expand their sales in the existing markets for export of various items. For instance, the Corporation provides guidance for production of various footwear items in accordance with the exacting requirements of the foreign buyers. It operates a scheme of supplying in part the raw materials to the footwears manufacturers so that they get good quality material at reasonable prices. It develops improved varieties of accessories used in the manufactured of footwear like shoe grindery, shoe shanks,
laces etc. Where there is wide gap between the procurement price paid to the Indian manufacturers and the FOB realisation, the Corporation tries to bridge the gap out of the Market Development Fund.

With a view to exploring new markets for Indian goods, the Corporation collaborates with private parties in opening foreign offices as in the case of M/s Capexil (Agencies) Ltd., Calcutta, who have opened their foreign offices in Australia with the financial assistance from the Corporation.¹

In case of non-traditional items like tyres, machine tools, steel tubes, refrigerators, etc., the Corporation provides pre-shipment finance to assist and attract the manufacturers for exporting their products. Exporters are supplied raw materials like raw wool, nylon yarn, etc., at international prices either as advance against export orders or as replenishment against export entitlements obtained by them under the export promotion scheme.

The Corporation provides short term loans to manufacturers, exporters and their associates to meet their immediate requirements for the manufacture of export goods against valid export orders. Cash assistance is given to bridge the gap between the export prices and the local manufacturing cost of a particular commodity in accordance with the approved policies of the Government. For example, there is a cash assistance scheme for the export of fabrics.

The Corporation sponsors sales teams to foreign countries to finalise business on the spot. For example nylon and art silk fabrics team are sent to the United States, Canada and Europe.

The Corporation assists exporters of heavy engineering goods in several ways. It obtains advance information regarding foreign enquiries, tender documents and drawings. It supplies foreign specifications and technical data to the Indian manufacturers. It maintains liaison with Ministeries of Steel, Finance, Railways and Transport to expedite the related matter and also obtains help from the Research Design and Standards Organisation of the Ministry of Railways in matters concerning the design of the rolling stock. It makes assembly arrangement of wagons in foreign countries where needed.

The foreign offices of the Corporation render service to private traders in several ways -- contacting the prospective buyers, concluding the contracts, following up the orders and finally receiving payments for their exports. They disseminate marketing information to Indian exporters. Samples of private parties which have a market abroad are kept in the foreign offices and displayed before prospective buyers. The Corporation's foreign offices maintain contacts with the buying organisations in the countries of their accreditation and ascertain their interest in various items. They feed
the exporters with designs prevalent in the markets of the buyers, prices and other market intelligence. The visiting Indian businessmen are taken round the markets, assisted in meeting the local traders and in selling their products.

The foreign offices of the Corporation have been reorganised to serve not only as bases for the Corporation's own trading but also as service bases to the public and private sector firms. They are expected to serve as useful adjuncts to the commercial section of the Indian embassies who cannot trade abroad, but can utilise the Corporation's services as instruments in the enlargement of Indian foreign trade.

**Items**

With a view to diversifying and expanding the country's exports, the Corporation has developed new lines and explored new markets for traditional as well as non-traditional items. Some of the new markets explored by the Corporation are mentioned in Appendix II.

With an experience of about 30 years at its back, the STC can claim a fair amount of success taking into account the increase in the exports made through its agency. The STC has been endeavouring to diversify India's trade and find new markets for traditional and non-traditional export items. It has arranged a number of link and barter deals. The STC has also launched price support schemes for certain
commodities in order to stabilise export prices. Also, the Corporation has been assisting small scale and cottage industries to find several new markets and to expand the existing ones. It provides them raw materials, credit, technical guidance, publicity and marketing facilities. At present the STC has as its subsidiaries, the Cashew Corporation of India Ltd. (CCI), the Handicrafts and Hanlooms Export Corporation of India Ltd. (HHEC), the Project Equipment Corporation of India Ltd. (PEC), the State Chemicals and Pharmaceuticals Corporation of India Ltd. (CPC), the Central Cottage Industries Corporation of India Ltd. (CCIC) is a subsidiary of the HHEC.

The STC has undertaken certain exports to help diversify foreign trade, activate internal economy and alleviate the distress of the traders. Its major exports have been railway wagons and other equipments, engineering goods, lemon grass oil and tobacco. In 1984-85 the largest export item was coffee, after which came semi-processed leather, castor oil, tobacco, tea, sugar, jute goods, finished leather, opium, textile fabrics, readymade garments, shoe uppers, meat and marine products, molasses, footwear and components, chemicals, diamonds, groundnut extraction, black pepper, leather goods and garments, chillies, food/processed food, shellac, misc. extractions, tyres and tubes, drugs and pharmaceuticals, cosmetics, soyabean oil, cardamom,
light engineering goods, shoes, engineering goods, rice, salt, mango pulp, lemongrass oil, vacuum flasks, dry fish, dry cell batteries, turmeric, shrimps, sheet glass, groundnut kernel, gramophone records, rapeseed extraction, slate stone, beedi wrapper leaves, steel tubes, plastic goods, henna powder and SB meal extraction.¹

The Corporation has also been asked to undertake price support operations for commodities of vital interest to foreign trade, such as jute, seedlac, lemongrass oil, and tobacco. It has also been asked to take up processing, conversion and manufacture of certain products such as wig from human hair and footwear from Indian leather. It has received orders for minting the coins of Thailand and Greece.

As compared with the above, the commodities exported in 1970-71 were jute goods, knitted woollen garments, shoe components, leather and leather goods, textile machinery, rice, art silk fabrics, molasses, tobacco readymade garments, construction material, heavy engineering (electrical), salt, plywood, lemon grass oil goods, rayon tyre cord, light engineering products, coffee seeds, heavy engineering goods (mechanical), ethyl alcohol, cotton yarn goods, N.S.D. washing powder, woollen textiles, vacuum flask and sugar. It is interesting to note here that sugar, which accounted for the bulk of STC's exports in 1970-71 and 1975-76 when they were of the accounts of Rs. 2.98 crores and Rs. 464.13 crores

¹ See Appendix 4.
respectively, gradually came down to the bottom in the export list and in 1984-85 it was included in the imports list of STC instead of that the total sales turnover of the STC of exports during 1970-71 amounted to Rs. 217.84 crores. In 1975-76 it rose to Rs. 980.99 crores showing an increase of Rs. 763.15 crores. During 1984-85 the total turnover was of Rs. 2,865.53 crores as against Rs. 1,669.88 crores in 1980-81 respectively record increase of Rs. 1,195.65 crores.

From the above it is clear that the STC has made striking progress since its inception in 1956 and its activities have expanded in all directions. Many new tasks have been undertaken by it and many unknown markets have been explored and the Corporation's activities are now focussed on a wider range. It may therefore be hoped that the Corporation will play a more important role in the years to come. It is recommended that as a catalyst for progress and change, the STC should not only continue to pioneer new activities in the furtherance of India's internal trade but it should also adhere to its ideals as a service institution. It is, therefore, hoped that if the Government is really sincere in its concern for export promotion it will create conditions under which the STC can function as an effective and autonomous undertaking in the real sense, and in this connection it would encourage the STC to become a commercial body.
<table>
<thead>
<tr>
<th>Commodity</th>
<th>1970-71 Absolute Term</th>
<th>1975-76 Absolute Term</th>
<th>1980-81 Absolute Term</th>
<th>1984-85 Absolute Term</th>
<th>(Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soyabean oil</td>
<td>23.68</td>
<td>16.68</td>
<td>-</td>
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<tr>
<td>Rapeseed oil</td>
<td>4.30</td>
<td>3.03</td>
<td>4.00</td>
<td>1.64</td>
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<td>News prints</td>
<td>13.75</td>
<td>9.68</td>
<td>33.27</td>
<td>15.33</td>
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<tr>
<td>Capralactum</td>
<td>-</td>
<td>-</td>
<td>5.08</td>
<td>2.34</td>
<td>-</td>
</tr>
<tr>
<td>Coconut oil</td>
<td>0.57</td>
<td>0.40</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutton tallow</td>
<td>23.94</td>
<td>16.87</td>
<td>1.58</td>
<td>0.72</td>
<td>-</td>
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<tr>
<td>Tractors</td>
<td>20.58</td>
<td>14.50</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Art silk</td>
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<td>1.69</td>
<td>1.11</td>
<td>0.51</td>
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<tr>
<td>Titanium Dioxide</td>
<td>1.05</td>
<td>0.73</td>
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<tr>
<td>DDT</td>
<td>0.21</td>
<td>0.14</td>
<td>6.96</td>
<td>3.20</td>
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<tr>
<td>Wool</td>
<td>5.29</td>
<td>3.72</td>
<td>18.96</td>
<td>8.73</td>
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</tr>
<tr>
<td>Palmolein</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Palm oil</td>
<td>-</td>
<td>-</td>
<td>15.91</td>
<td>7.33</td>
<td>129.03</td>
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<tr>
<td>Rubber (Natural)</td>
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<td>Cement</td>
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<td>-</td>
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<td>118.02</td>
</tr>
<tr>
<td>Sunflower oil</td>
<td>-</td>
<td>-</td>
<td>2.13</td>
<td>0.98</td>
<td>21.30</td>
</tr>
<tr>
<td>Alky/Dod Benzene</td>
<td>0.74</td>
<td>0.52</td>
<td>3.02</td>
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<td>15.00</td>
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<tr>
<td>Sugar</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>113.60</td>
</tr>
<tr>
<td>LA Benzene</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34.10</td>
</tr>
<tr>
<td>Others</td>
<td>45.54</td>
<td>32.04</td>
<td>125.26</td>
<td>57.63</td>
<td>411.87</td>
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<tr>
<td><strong>Total imports</strong></td>
<td><strong>141.90</strong></td>
<td><strong>100.00</strong></td>
<td><strong>217.00</strong></td>
<td><strong>100.00</strong></td>
<td><strong>1214.04</strong></td>
</tr>
<tr>
<td>including other items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2119.00</strong></td>
</tr>
</tbody>
</table>

**Source:** Compiled by the author from the following:

Statistics given in Table 3 reveals that STC was the major importer of soya bean oil, newsprints, mutton tallow, wool, rapeseed oil, art silk in 1970-71. The relative share of these items in the total imports made by STC stood at 16.68, 16.87, 14.50, 9.68, 3.72, 3.00, 3.27 and 1.69 respectively. In 1975-76 newsprints stood at top with a share of 15.33 per cent of the total followed by wool, 8.73, palm oil 7.33, DDT 3.20, etc. In 1980-81 soyabean oil ranked first with a share of 23.47 followed by newsprints 11.20, palmolein 10.62 per cent, cement 9.72 per cent and rapeseed oil 6.51 per cent. In 1984-85 soyabean oil stood at 2.77 per cent followed by palmolein 19.25, rapeseed oil 10.91 per cent, newsprint 6.62 per cent, palm oil 4.77 per cent etc. This all indicates that in absolute terms total imports made by STC have been increasing but in relative term, the growth is not steady.
Table 4

Trends in STC's Import (Countrywise) Between 1970-71 to 1984-85

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>53.84</td>
<td>37.94</td>
<td>20.41</td>
<td>9.40</td>
<td>86.35</td>
<td>7.11</td>
<td>82.10</td>
<td>3.87</td>
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<tr>
<td>Australia</td>
<td>13.49</td>
<td>9.50</td>
<td>19.03</td>
<td>8.76</td>
<td>7.86</td>
<td>0.64</td>
<td>0.30</td>
<td>0.00</td>
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<td>Canada</td>
<td>12.98</td>
<td>9.14</td>
<td>26.55</td>
<td>11.77</td>
<td>136.46</td>
<td>11.24</td>
<td>133.16</td>
<td>6.28</td>
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<tr>
<td>Czechoslovakia</td>
<td>6.34</td>
<td>4.48</td>
<td>1.06</td>
<td>0.48</td>
<td>0.02</td>
<td>0.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.K.</td>
<td>5.52</td>
<td>3.89</td>
<td>2.37</td>
<td>1.09</td>
<td>13.77</td>
<td>1.13</td>
<td>6.70</td>
<td>0.31</td>
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<tr>
<td>U.S.S.R.</td>
<td>4.61</td>
<td>3.24</td>
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* Denotes value of Rs. 50 thousand.

**Source:** Compiled by the author:
Data displayed in Table 4 revealed that the largest imports made by STC from the U.S.A. stood at 37.94 per cent in 1970-71. Australia comes next with a share of 9.50 followed by Canada 9.10, Czechoslovakia 4.48, U.K. 3.89, USSR 3.24, Poland 2.86, Romania 2.79 etc. In 1975-76 largest imports made by STC from Canada 11.77 per cent followed by Japan 9.02, Australia 8.76, USSR 4.94, Switzerland 3.33 per cent, etc.

In 1980-81 largest imports were made from Brazil by the STC which stood at 23.47 per cent followed by Canada 11.24 per cent and the USA 7.11 per cent. In 1984-85 Brazil remained at the top with a share of 19.03 per cent followed by Canada 6.28 per cent, the USA 3.87 per cent, Argentina 2.36 per cent etc.
Table 5
Composition of STC's Export (commoditywise) between 1970-71 to 1984-85
(Rs. in crores)

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Total exports including other items
| 70.58 | 100.00 | 760.11 | 100.00 | 636.27 | 100.00 | 719.56 | 100.00 |

* Denotes value below Rs. 50 laks.

Source: Compiled by the author from the following:
1. India, Government of India Publication, Various issues.
4. Handbook of Statistics of STC.
Data displayed in Table 5 shows that in 1970-71, the STC exported rice, sugar, jute goods, cement, tobacco, readymade garments, light engineering items, etc. Among them jute goods was the largest item with a share of nearly 15 per cent followed by rice nearly 7 per cent, sugar more than 4 per cent, cement more than 2 per cent.

In 1975-76 sugar was the largest export item of STC with relative share of more than 61 per cent, followed by semi-processed leather with a share of more than 18 per cent, caster oil 2.2 per cent, cement 1.65 per cent.

In 1980-81 coffee emerged as a biggest export item of STC with a share of 11.8 per cent followed by semi-processed leather 8 per cent, sugar 6 per cent, tobacco more than 5 per cent, jute goods nearly 3 per cent, etc.

In 1984-85 remained on the top with a share nearly 11 per cent followed by semi-processed leather 9.15 per cent, caster oil 19.14 per cent, tobacco 9 per cent, sugar 5 per cent, tea nearly more than 6 per cent, jute goods nearly 5 per cent, leather finished more than 4 per cent, etc. This all indicates that the exports through STC are on the increasing side.
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* Denotes value below 50 lakhs.

**Source:** Compiled by the author from the following:

1. India, Government of India publication, Various issues.
4. Handbook of Statistics of STC.
Data given in Table 6 indicates that USSR is the biggest trade partner of STC with a share of nearly 27 per cent in 1970-71 followed by the UK 6.64 per cent, the USA 1.88 per cent, Bulgaria 1.36 per cent, Czechoslovakia 1.28 per cent etc.

In 1975-76 Iran became the biggest trade partner of STC with a relative share of more than 25 per cent, followed by the USA 11.01 per cent, the UK 9.46 per cent, USSR 7.04 per cent, Indonesia 4.27 per cent, Italy 3.41 per cent etc.

In 1980-81 again USSR became largest trade partner of STC with a share of more than 26 per cent followed by the UK 4.77 per cent, Poland 4.23, France 2.98 per cent, the USA 2.20 per cent etc.

In 1984-85 USSR remained on the top with a share of 29.34 %, followed by the USA 9.19 per cent, the UK 5.76 per cent, Holland 4.18 per cent, Italy 4.60 per cent. This all shows that STC has diversified its exports to many countries of the world.
consisting of professional marketing man free from the strings of the bureaucracy. The progress of the STC from 1970 to 1984-85 is given in tables 3, 4, 5 and 6.

CONCLUSION

The progress made by the State Trading Corporation can be viewed in the light of the figures of its overall performance. The major objectives of the Corporation are broadening and enlarging the scope of Indian exports, and arranging for essential imports on an economical basis. In order to achieve these aims the STC has tried to create the necessary conditions so that India's export potentialities are diversified. It is playing a vital role in India's export trade. Its contribution in canalisation of imports is equally important.

The Corporation has organised a 'Railway Equipment Division' which has now been converted into a separate subsidiary as "Project Equipment Corporation". It has also established a new Industrial Raw Materials Assistance Centre, and an Imported Cars Division. It has three more subsidiaries. The Handicrafts and Handloom Exports Corporation of India Ltd. exports annually goods worth Rs. 345 crores. Another subsidiary is the "Cashew Corporation of India Ltd." This organisation
has been importing raw cashew. The STC is looking after the
distribution of a number of essential commodities in the
country. The fourth subsidiary deals with the exports and
distribution of raw films. The STC has also started a novel
scheme called "Export Aid to Small Industries Scheme" (EASIS).
The Corporation has achieved significant progress in the
implementation of this scheme.

It is quite a noteworthy achievement that the exports
and imports business presently undertaken by the Corporation
has recorded immense increases. The year 1984-85 was a
successful year for STC, with the total sales turnover reaching
a new record of Rs. 2,866 crores, an increase of 29% over the
previous record of Rs. 2,215 crores achieved in 1983-84.
However, though the import sales reached a new high level of
Rs. 2,119 crores, the exports declined from Rs. 796 crores to
Rs. 720 crores mainly due to shortfall in canalised exports.
Exports of non-canalised items increased from Rs. 434 crores
to Rs. 501 crores, yet another record. Exports of manufactured
products showed an increase of 15%, reaching Rs. 235 crores.
The Corporation made an entry in off-shore trading and achieved
a turnover of Rs. 15.35 crores. It serviced the domestic
industry and consumer through imports worth over Rs. 2,096
crores. An increase of 61% was recorded in the trading
profit from Rs. 67 crores to Rs. 108 crores.

The STC's net profit of Rs. 0.08 crores was lower
compared with the previous year's figure of Rs. 0.40 crores mainly due to increased over-head consequent on wage revision and increased interest burden.

**Project Equipment Corporation**

The Corporation crossed the highest ever turnover of Rs. 103.42 crores as against 92.30 crores during the previous year representing an increase of 11.5%. Turnkey products and mechanical, electrical equipment and railway equipment exports were the main constituents of this achievement.

In spite of stiff competition in the world market, the Corporation booked fresh orders worth Rs. 68.36 crores during the year as against Rs. 60.80 crores in the previous year indicating an increase of 12 per cent.

The net profit of the Corporation during the year 1984-85 increased to Rs. 1.88 crores from Rs. 135 crores in the previous year. The profit before tax in 1984-85 was Rs. 3.42 crores as against Rs. 230 crores during the previous year.

**Cashew Corporation of India**

The total turnover of the Corporation for 1984-85 was Rs. 4.23 crores which was marginally lower than the turnover of Rs. 4.29 during the previous year (1983-84). The shortfall was due to delays in receipt of LIC for effecting shipments during March 1985.
It made a trading profit of Rs. 0.17 crores during the year 1984-85 against Rs. 0.09 crores during the previous year. Profit before tax (which includes interest income) in 1984-85 was 1.38 crores against Rs. 0.81 crores in the previous year.

The Corporation is evolving a suitable strategy for diversifying its activities by including food business with emphasis on value added exports.

In short since its registration, the STC has worked in accordance with the policy of the Government of India and has helped the country in implementing the plans successfully by earning foreign exchange necessary for the development of the country.