Chapter V

CONCLUSION AND SUGGESTIONS

State participation in foreign trade plays a vital role in the planned economic development of a country. In the centrally planned economies like the USSR, China and other East and Central European countries, the State hold a complete monopoly of both exports and imports. It also plays an important role in the countries of Western Europe, the United States, Canada, Australia, New Zealand and a large number of newly developing Afro-Asian countries.

In India the idea of establishing a state trading agency to handle foreign trade was first mooted during the Second World War and remained a live issue for a long time. It was only in 1949 that actual steps were taken to examine the necessity for setting up a state trading organisation in India.

At last the State Trading Corporation of India Ltd. was registered on 18th May 1956 under the Indian Companies Act. Its success depends on the quality of the Board which is responsible for its direction and governance. To avoid overlapping of responsibility and to maintain the integrity of political life, the legislators should be excluded from the membership of the Board. All members of the Board should be persons of high calibre and business ability. The Chairman of the Board should
not only be a person of high calibre but he should also have a towering personality to exercise the influence of his presence in the Board as well as to resist the internal ministerial interference so that he can take independent actions in accordance with the policy of the Board. The Corporation has achieved tremendous success in reaching its goal of diversifying India's foreign trade.

The STC plays a vital role in India's economy. It is an organisation that serves as a focal point in India's trade with the rest of the world. Its turnover was 9.19 crores in 1956-57 which rose to Rs. 2,855.53 crores in 1984-85; its authorised capital increased from Rs. 5 lakhs to Rs. 30 crores and its paid up capital jumped from Rs. one crore to Rs. 15 crores within the same period. These figures indicate its steady growth over the years. The STC's financial soundness has also improved considerably with its general reserves swelling from a meagre Rs. 0.29 crores in 1956-57 to Rs. 144.82 crores in 1984-85. All these facts reveal that the Corporation is a growing organisation with a bright future ahead of it.

The STC was initially set up to promote and supplement the efforts of the private sector in the external trade of the country; and with the primary objective of trading with the centrally planned economies which proved to be markets with great potentialities. In addition to these objectives, the STC's operations also included managing of various items of import
and export canalised by the Government. Another aspect of its functioning was to undertake prices support operations to protect the farmers' interest and buffer stocking to ease the shortage of essential items. The Corporation, while exporting both traditional and non-traditional products to many developed and developing countries, also imports industrial raw material for the core industries in the country and essential commodities to ensure continuity of supply and stabilisation of the price level. In all, the Corporation has entered into contracts with over 100 countries and trades in over 300 products with all the countries of the world.

The Corporation helps the small scale industry in the country in modernising their technologies, importing the raw materials, products, designs, vital information relating to market behaviour, supply-demand situation, quality, consumer preferences etc. It also promotes exports from small scale industries sector by introducing their products to the world markets through trade fairs, exhibitions and advertising etc. As much as 45 per cent of the Corporation's exports directly originate from the small scale industries sector.

Among STC's canalised exports are sugar, castor oil, molasses, shellac, opium, semi-processed leather and groundnut extraction. Its canalised imports include edible oils, newsprint, white printing paper, cement and drugs and chemicals.

The STC has shifted to non-canalised products. It is
aware that Indian industry has a wealth of export potential, that Indian entrepreneurs and manufacturers can offer products to match exacting international standards and that India's rapid development necessitated imports.

STC's range of exports cover a good part of the country's entire production base and its imports meet the essential needs of the community and the industry at large. It procures for industries raw materials like newsprint, natural rubber, chemicals, drugs, etc. and essential commodities like edible oils. Such imports are aimed at reducing the supply-demand gaps and ensuring continuous flow of goods and resultant price stability. It seeks to introduce new products, explore new markets and undertake wide ranging ancillary functions -- product development, finance, quality control etc.

The STC is expected to fulfil national as well as international obligations. It carries round the year a large variety of Indian products, conforming to stringents specifications, to numerous destinations.

In order to carry out its functions effectively, the Corporation has set up 21 foreign offices in vital international markets and nearabout the same number of branches in the country. While the foreign offices help the Corporation in identifying and exploiting the potential markets, the Indian branches serve the domestic industry by supplying raw materials, finding outlets for their products abroad, etc.
In addition, the Corporation has four subsidiaries dealing in specialised products. The Project and Equipment Corporation of India (PEC) for turnkey projects abroad engineering equipment and railway rolling stock and equipment. It was established in 1971. It exports to the countries including Korea, Taiwan, the Philippines, Malaysia, Thailand, Burma, Sri Lanka, Bangladesh, Nigeria, Zambia, Sudan, Iran, Hungary, Yugoslavia, Libya, Indonesia, Algeria and Vietnam.

Handicrafts and Handloom Export Corporation, established in 1962 (HHEC), is another subsidiary of the STC for exporting handicrafts and handloom products, manufactured by the cottage and small scale industries. Central Cottage Industries (CCI), a subsidiary of HHEC, undertakes retail sales for promotion of crafts in India and thereby helps in improving the economic condition and social status of artisans, craftsmen and weavers.

The Cashew Corporation of India (CCI) was established in 1970 to export and import cashew.

In order to increase quality production and establish a reliable supply base, the Corporation has increased the number of its export units. Its shoe upper unit has already started production of quality shoe uppers and is expected to make a big headway in the export of shoe uppers.

A project is coming up with the Bulgarian collaboration for the manufacture of fashion leather gloves. Recently the
Corporation has entered into an agreement with Gujarat Agro Foods for asceptic bulk packing of tropical fruit pulp. It has also taken up a project on tuna fishing which is considered to be one of the goods with a great export potential.

Range of STC’s Exports and Imports

STC’s exports cover items such as coffee, semi-processed leather, castor oil, tobacco, 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. extraction, tyres and tubes, drugs and pharmaceuticals, cosmetics, soya-bean oil, cardamom, light engineering goods, shoes, engineering goods, rice, salt, mango pulp, lemon grass 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.

The direction of export covers countries such as USSR, Japan, UK, USA, Spain, Italy, France, Spain, GDR, Czechoslovakia, W. Germany, Holland, Romania, Australia, Bulgaria, Ireland, Egypt, Belgium, Libya, Algeria, Aden, Iran, Iraq, Poland, UAR, Morocco, Malta, Yugoslavia, Sri Lanka, Bangladesh, Nepal, Saudi Arabia, Somalia, Canada, Switzerland, Tanzania, Portugal,
Korea, Singapore, Malaysia, UAE, Thailand, North Korea, Rostock, Afghanistan, Nigeria, Kuwait, China, Zimbabwe and Mozambique.

STC imports items such as soyabean oil, palmoliene, rape-seed oil, newsprint, sugar, RBD Palm oil, caprolactum, neutralized palm oil, LA benzene, natural rubber, palm fatty acid, sunflower oil, SPS fatty acid, viscose staple fibre, cement, coconut oil, Til Dioxide, 6 APA, DDT 75 %, CHL phosphate, Al., fluoride, ood, borate, DD benzene, cal. berate, methyl dope, sy. cryolite, vitamin 'a', crude palm stearine, pentaety Thritol and crude palm oil.

The countries from which these items are imported are: Brazil, USA, Argentina, Spain, Belgium, Malaysia, Holland, Canada, Poland, China, USSR, Romania, Finland, Bangladesh, Sweden, New Zealand, GDR, Norway, Yugoslavia, Korea, Cuba, Phillipines, Bulgaria, France, West Germany, U.K., Italy, Japan, Singapore, Sri Lanka, Thailand, Australia, Taiwan, France, Turkey and Switzerland.

With a small beginning in 1956-57 when the turnover of STC was nearly Rs. 9.2 crores, there has been a rapid increase in its turnover. It touched Rs. 975 crores in 1976-77, Rs. 1,529 crores in 1979-80 and in 1984-85 it was Rs. 2,865.5 crores, representing an increase of 56.8 per cent in 1979-80 over 1976-77 and of 87.4 per cent in 1984-85.

The STC is playing a major role in setting the pace in
the field of exports and is the largest single exporter in the country today accounting for over 6 per cent of India's total exports. The table below shows the overall picture of India's foreign trade and STC's contribution in it during the period from 1970-71 to 1984-85.

### India's foreign trade and the share of STC during 1970-71 and 1984-85

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports</th>
<th>Total Imports</th>
<th>Exports through STC</th>
<th>% Share of STC in Total Export</th>
<th>Imports through STC</th>
<th>% Share of STC in Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>1,535</td>
<td>1,634</td>
<td>71</td>
<td>4.6</td>
<td>142</td>
<td>8.7</td>
</tr>
<tr>
<td>1975-76</td>
<td>4,043</td>
<td>5,265</td>
<td>760</td>
<td>18.8</td>
<td>217</td>
<td>4.1</td>
</tr>
<tr>
<td>1980-81</td>
<td>6,711</td>
<td>12,549</td>
<td>441</td>
<td>6.6</td>
<td>1,214</td>
<td>9.7</td>
</tr>
<tr>
<td>1981-82</td>
<td>7,806</td>
<td>13,608</td>
<td>555</td>
<td>7.1</td>
<td>1,291</td>
<td>9.5</td>
</tr>
<tr>
<td>1982-83</td>
<td>8,834</td>
<td>14,360</td>
<td>631</td>
<td>7.1</td>
<td>1,188</td>
<td>8.3</td>
</tr>
<tr>
<td>1983-84</td>
<td>9,727</td>
<td>15,588</td>
<td>796</td>
<td>8.1</td>
<td>1,403</td>
<td>9.0</td>
</tr>
<tr>
<td>1984-85</td>
<td>11,555</td>
<td>17,092</td>
<td>720</td>
<td>6.2</td>
<td>2,119</td>
<td>12.4</td>
</tr>
</tbody>
</table>

**Source:** Compiled by the author from relevant Annual Reports of STC.

From the above table it is clear that except for the year 1975-76 when the percentage of the share of STC in total export was 18.8 per cent, its share has not been so impressive as compared with the total value of imports.

Although the contribution of STC in the total export of the country had been constantly rising from 1970-71 to 1983-84...
but in 1984-85 it declined by nearly 2 per cent over the previous year mainly due to shortfall in canalised exports. STC's total imports has been increasing rapidly over the year. It rose to 12.4 in 1984-85 compared with 8.2 per cent in 1970-71.

Destinationwise, USSR stood first in the list of exports in 1970-71 and is still on the top in the list of STC's exports, followed by UAR, Sudan, and U.K. in 1970-71 and in 1984-85 after USSR, USA, UK, Italy and Iran accounted for the bulk of STC's exports. In the list of imports, USA topped the list in 1970-71, followed by Canada, Australia, Czechoslovakia, UK and USSR whereas in 1984-85 Brazil, topped the list of STC's imports followed by USA, Canada, Argentina and Belgium.

Among the major commodities exported by STC jute goods formed the bulk of its share when in 1970-71 it fetched Rs. 10.4 crores followed by knitted garments, shoes, leather components, and leather goods. In 1984-85 coffee accounted for the bulk of STC's export with Rs. 77.31 crores followed by semi-processed leather Rs. 65.91 crores, castor oil Rs. 65.82 crores, tobacco Rs. 65.41 crores, tea Rs. 44.90 crores and sugar Rs. 36.11 crores. It is interesting to note that sugar which accounted for the bulk of STC's exports in 1970-71 and 1975-76 when they amounted to Rs. 2.98 crores and Rs. 464.13 crores respectively has come to the bottom in the export list and is not found at all in the export list in 1984-85.
In the list of STC's imports, mutton tallow accounted for Rs. 23.94 crores followed by soyabean oil, Rs. 23.68 crores, tractors Rs. 20.58 crores and newsprint Rs. 13.75 crores. In 1984-85, soyabean oil was on the top of STC's import list when its imports amounted to Rs. 461.40 crores, followed by palmoliene Rs. 408.10 crores, rapeseed oil Rs. 231.30 crores, newsprint 140.30 crores, sugar 113.60 crores and palm oil Rs. 101.50 crores. Interestingly, sugar which was on the export list of STC has emerged in the import list and palmaliene which was not in the import list till 1975-76 emerged as a big item of import in 1980-81 and also in 1984-85. Thus there are constant convulsions in the magnitude of commodities exported and imported by the STC over the year.

The Corporation has provided tremendous opportunities to the state agencies to achieve the objective of checking the leakage of foreign exchange and simultaneously curtailing the malpractices prevalent in the country in the form of over and under invoicing in foreign trade. It has been acting as a shock absorber and has been giving export advice to the Government on policies of price stabilisation. It has thus been possible for the government to remove certain structural weakness in India's foreign trade with the help of the STC. It established a human hair "Wig India" plant on January 31, 1967, at Madras, which is equipped with most modern machinery with up to date processing methods and with trained and skilled workers. The Corporation is striving hard to reach the best
standards of world trade organisation, so that it may transact its entire business under highly competitive and stringent conditions.

The well-known EASI (Export Aid to Small Industries) was started by the Corporation to develop sound traditions and promote export of goods manufactured by small scale and medium sized industries. It has been extending all possible facilities required by such units, e.g., availability of raw materials, provision of finance, enhancement of the production capacity of such units, tendering of expert advice in the field of publicity, packing, designing, pricing techniques, shipments and transportation, follow up of import entitlement and provision of advice on various technical aspects of export-import trade like insurance, custom clearance, negotiations of commercial documents and letters of credit, conduct of export market surveys, training of workers, etc.

The Corporation is also entrusted with the purchase and sale of imported cars brought into the country by diplomats and other privileged persons. It prepares a priority list for the disposal of these cars in consultation with the Government and sells these vehicles to indentors belonging to priority categories and also through open tenders.

The Corporation also acts as the Government representative for undertaking exports of commodities produced by
several public sector undertakings in the country, e.g., the Hindustan Machine Tools Ltd., Indian Telephone Industries Ltd., Hindustan Antibiotics Ltd., etc.

The STC is the largest shareholder in the Indian Motion Picture Export Corporation, set up in 1963 for promotion and diversification of export of Indian films. It plays its role as a catalytic agent in initiating, regulating, supervising and actual performance of these Corporations in exports and imports trade.

The Government of India appointed a Review Committee which submitted its report on September 3, 1969. This Committee which was headed by Sri P.L. Tondon made certain thought-provoking recommendations.

Amongst its other recommendations, it was suggested by the Committee that an import and price policy should be evolved for the STC, and it should be given full operational freedom in matters relating to buying. Most of these recommendations have been accepted. It is hoped that as and when these recommendations (regarding the export strategy of STC) are translated into action, it will be possible for the STC to fulfil its responsibilities in a more befitting and efficient manner.

The STC has successfully passed several rigorous checks and tests, e.g., internal financial audit, audit by qualified chartered accountants, commercial audit by the Auditor General,
the regular monthly scrutiny by its Board of Directors as officers of the Ministries of Finance, Commerce, Food and Agriculture, ad hoc audit by the relevant section of the Ministry of Finance, questions and debates in Parliament, Public Account Committee, Estimates Committee of public undertakings etc.

The STC group plays an important role in India's overall economy. STC's own exports account for 6.5 per cent of India's total exports and its imports account for 12.4 per cent of the country's total imports. STC was assigned by the Government a special role as a modal agency for the promotion of trade with Yugoslavia. Another project is coming up with the Bulgarian collaboration for manufacture of fashion leather gloves.

Handicrafts and Handloom Export Corporation of India is the biggest subsidiary of STC. HHEC is an expert house in the field of handicrafts and handloom products (including hand-knitted woollen carpets and ready-made garments) as well as gold jewellery. The export of specified woollen knitwear has also been canalised through the HHEC.

The Corporation continued its promotional and trade development activities abroad to boost exports of Indian handicrafts and handloom products and to work for introducing new range of items for export.

However, it has been noted that such a large organisation
is suffering from many organisational deficiencies which need to be corrected and a complete restructuring of its body is needed. There is, for example, lack of coordination between its various departments and subsidiaries, and the STC finds it difficult to exercise proper control over its subsidiaries. It would therefore be better if the bigger subsidiaries like the HHEC and PEC are made independent entities and delinked from the STC. This would help the HHEC and PEC to expand in the desired direction and right manner and the STC would also be set free to exercise greater control over its other subsidiaries in a more coordinated manner. This would lead to overall efficiency and its functioning would greatly improve.

From the above it may be seen that the STC has made striking progress since its inception in 1956 and its activities have expanded in various direction. Many new tasks have been undertaken by it and many unknown markets have been explored and the Corporation's activities have a wide range. It may therefore be hoped that the role of the Corporation will further expand 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 ideas and activities in the furtherance of India's foreign trade, 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 would create conditions under which the STC can
function as an effective and autonomous undertaking in a real sense, and it is necessary in this connection to encourage the STC to become a commercial body consisting of professional marketing men free from the strings of the Government's bureaucracy.

In the ever-changing pattern of international trade, the Corporation has to undertake every possible measure to increase the exports from the country. Some of the important steps taken by it, as mentioned in the Annual Report of STC for 1985-86 are:

Streamlining of procedures for enrolment of associates to enlarge supply base.

Revival of Industrial Raw Materials Assistance Centre (IRMAC) scheme to supply imported raw materials to units in the small scale sector for export production.

Arranging for the visit of a delegation of buyers from Singapore to identify non-canalised items. Several items have been canalised.

Signing of a memorandum of understanding with Intraco (an organisation sponsored by the Singapore Government) under which the STC will buy palm oil from Intraco and export various agricultural commodities and manufactured products. A similar arrangement has been finalised with a leading trading house in Thailand.

Participation in 35 fairs/exhibitions both in India and abroad. STC for the first time participated in Dubai Spring Fair to explore export potential in the
Middle East.

Production of a film on STC for being exhibited in Moscow.

Provision of short term financial assistance to selected associates of marine products.

Arrangement of a buyer-seller meet in Muscat.

STC's nomination as the modal agency for all exports to Yugoslavia under Indo-Yugoslavia agreement.

playing of pivotal role in the promotion of balanced trade with Argentina.

**Future Prospects**

In order to increase STC's involvement in the export field, it has been decided that from the year 1985-86, STC will take into account only those exports of business associates, wherein the Corporation has provided specific services to the associates. The STC is giving greater attention to the building of reliable supply-base and the augmentation of package of services to associates. The export target of 1985-86 originally envisaged at Rs. 716 crores includes an estimated turnover of Rs. 400 crores of indirect exports. In line with the new decision to discontinue booking indirect exports, STC proposes to take all possible measures to increase its direct exports so as to meet the original target of Rs. 716 crores. The following steps are proposed:
1. To utilise effectively its buying power through counter trade deals.

2. To foster the work ethos which will lead to smooth functioning of the organisation and achievement of best possible results.

3. To strengthen the database and improve the information system including computerisation.

4. To delegate adequate powers down the lines to enable speedy and business-like decisions.

Counter trade will be given major thrust. It was contemplated that the STC would achieve an export turnover of about Rs. 250 crores through counter trade during the year 1985-86.

SUGGESTIONS

Some suggestions for the improvement of the functioning of the STC are given below. These include a few measures suggested by the Committee of Review which submitted its report in 1969.

Marketing -

The Corporation should conduct studies by itself and by inviting other independent research organisations to examine its techniques for the improvement in exports, and imports. At all time, it is important for the Corporation to have a strategy of exports.
1. **Continuity in Exports**:

To satisfy the customers at home and abroad with the quality for both the exports and the imports of the Corporation, it is an essential role of a marketing service.

It was recommended by the Review Committee that in international trade once a new market has been established there must be continuity of supply even if it means depriving the home market of goods being exported. This means that it does not matter how short the country itself goes. This is not a valid suggestion. The country's requirements come first and then the exports.

2. **Selection of the Agents**

In the foreign offices the Corporation should have local contacts to make use of natural distribution channels that are active locally. The selection of the agents has to be carefully done keeping in mind the Corporation's long range interest.

3. **Imports**

To import a product is the decision of the Government, but the responsibility to implement this policy in commercial and economical terms rest with the Corporation. It is therefore suggested that even import decisions should be taken by the Corporation in tune with the Government's overall policies.
4. **Foreign Offices**

Opening an office abroad must be the result of careful planning with emphasis upon productiveness. East and West Africa offer good scope for Indian goods but surprisingly there are many countries in East and West Africa like Nigeria where STC has no offices.

**Financial Aspects**

1. **Cost**

   It is recommended by Review Committee that the Corporation must keep a watch on its costs so that between purchase and sale minimum of overheads are added. There is room for improvement in the Corporation's record in this respect. This needs a conscious effort in three directions—keeping overheads down to the minimum having a staff of high calibre and expanding the turnover to enable it to obtain full benefit from improved profitability.

2. **Finance**

   Where large sums are involved, finance should be a part of the decision making from the very start and the whole functioning made participative rather than through control and criticism.

3. **Capital Employed**

   Debtors and stocks in the Corporation have been
unnecessarily high with a consequent over-employment of capital. The turnover to capital employed ratio therefore needs revision.

Personnel

A fair and progressive personnel policy, with well-defined and objectively handled procedures that inspire confidence in recruitment, selection, confirmation, placement, training and promotion. No partiality of departmental influence should be encouraged.

1. Promotion by Merit

In the field of international trade it is essential to select and train its personnel carefully and then to promote people on the basis of merit rather than mere seniority. The field of international trade is highly sophisticated and competitive, and emphasis should therefore be upon a well-trained and competent management.

2. Staff

The same care should be applied to the recruitment and training of general staff for the management of the Corporation. This is only possible if due regard is given to merit, so that those who respond better to training do not feel frustrated at the time of promotion. The date of joining should not be the sole determinant in the matter. This will provide an incentive for self-improvement to the staff.
3. **Selection**

Modern selection procedures should be adopted and the Corporation, while encouraging talent from within, should at the same time infuse fresh blood into the organisation at managerial and specialist levels. Outside talents should be encouraged to join.

**Organisation**

1. **Board**

More additional directors should be appointed to share the heavy burden of work in some functional areas. The Board should work as a team rather than with a one-to-one equation between a director and the Chairman. The working board should constitute a committee of management, meeting weekly to decide all major issues and at the same time keeping all members in touch to make their responsibility truly collective.

2. **Chairman**

Regular briefing meetings with the Chairman may be encouraged. But the practice of two large divisions administration and economic, reporting to him should be discontinued. All divisions should report to their respective directors.

3. **Vice-Chairman**

The appointment of a Vice-Chairman should be made to attend to day-to-day matters as for coordination of board work at the
'routine' level, to deputise for the Chairman during his absence, to ensure continuity in decision making. This would also help in solving the problem of succession that is always the bane of most public undertakings.

4. **Accountability**

   The Corporation needs a new definition of its accountability. Answering questions in its operations, especially when a crisis occurs, is not real accountability. True accountability is a system in-built in the Corporation to measure, appraise and communicate performance, by showing every week, every month, every quarter and every year, monthly and weekly target. If deviations persist, the causes should be studied in depth and Committee action taken, so that they are not repeated.

**Others**

**EASI** - The Export Assistance to Small Industries Scheme needs fresh thinking, with an emphasis not so much upon what the Corporation itself exports but the help it gives to small producers in increasing their exports. The need of small industries for services is enormous, particularly in finance, locating demands abroad, marketing and packing, quality control, mechanisation, raw materials and management services. EASI should therefore be reorganised with a radically new perspective.