CHAPTER II

EXPORT TRADE AND PROMOTION MEASURES - AN OVERVIEW
CHAPTER II

EXPORT TRADE AND PROMOTION MEASURES - AN OVERVIEW

Introduction

Ever increasing trade deficit portrays a dismal external trade scenario for India during the fiscal year 1992-93. "Exports showed a growth of 38.7%, while import grew at 51.37%". It is also pertinent to note that export target of $20,132 million has been fixed for the 1992-93. With the galloping trade deficit, it is inevitable that efforts are being made to encourage exports.

"The RBI has also fixed the export credit target for scheduled commercial banks at 10% of the total net bank credit". RBI has also asked banks to review the existing system and procedure followed in their banks for sanction of limits for export credit and ensure that exporter's needs were promptly taken care of. The


export target for 1992-93 is fixed at Rs.58,000 crore and the targeted growth rate of export is around 12.5\% in dollar terms.

Balance of Payments

The mounting trade deficit and plummeting foreign currency assets, amidst Government's liberalisation drive have once again sparked off frightful, speculation of a balance of payments (BOP) crisis. The fear emanates from the increasing trade deficit, which widened to $ 2,301.4 million in the first five months of 1992-93 from $ 919.49 million during April-August 1991-92.³

"The higher foreign exchange reserve means higher external debt liability, comprising multilateral and bilateral assistance, commercial borrowings and NRI deposits".⁴ According to Finance Ministry's figures, foreign loans outstanding as at the end of September 1992 are estimated to be US dollar 57.125 billion, equivalent to Rs.1,71,310 crores at the exchange rate prevalent on that date. The debt figure as given by the

---


Finance Ministry, however, does not include short term debt and NRI deposits. If these are included, India's debt liabilities at the end of March 1992, will stand at US $ 68.8 billion (Rs.2,01,671 crores) compared to US $ 67.1 billion at the end of March 1991. The debt-services ratio is estimated to have increased to 26% during 1991-92 from 25.2% in 1990-91.5

The Eighth Plan projections are based on increase in the growth rate of exports from 8.5% to 13.6% per annum with only a modest increase in import growth from 7.5% to 8.4% per annum. In view of the balance of payments constraints operating in India and mounting trade deficit, it becomes essential that efforts should be mobilised to encourage exports.

Export Promotion Measures

Apart from the present policies, to promote export Trade and to reduce the gap between between exports and imports, the government has introduced some of the measures and concessions for the speedy acceleration of export. A review of such measures and concessions are taken for discussion for presenting a clear picture on the emerging export trade.

1. **Cash Compensatory Support (CCS)**

"The Cash Compensatory Support Scheme was one of the important measures undertaken to reduce the anti-export bias and thereby to boost exports". CCS was allowed on a selective basis primarily with the objective of making the exported items more competitive in the international market. Keeping in view the changes in the exchange rate of the rupee as also an account of the expansion and restructuring of the Replenishment Licence Scheme, the CCS scheme was abolished with effect from 3rd July 1991.

**Deemed Exports**

"Consequent upon abolition of CCS Scheme with effect from 3rd July, 1991, the benefit of CCS @ 75% of what was admissible on physical exports has been withdrawn for deemed export supplies made within India". However, the other two benefits have been continued upto 31st March, 1992 and have been renamed as "Refund of duty drawback and Refund of terminal excise duty, wherever admissible, on deemed exports".

---


Duty Drawback

The working of Duty Drawback Scheme was constantly monitored and a number of changes effected during the year 1991-92, as a part of Government's drive to ensure more realistic and expeditious payment of Duty Drawback to Indian exporters. "A comprehensive review of the All Industry Rates of Drawback was carried out during the year and in the new Schedule effective from 25.10.91, the rates were considerably improved for a large number of items covered by different industries".8

The facilities for extending reduced rates of Drawback for exporters availing of Advance Licensing facilities of specified items was not only continued but expanded to a number of other export products as a measure of procedural simplification for the exporters.

Amendments were also carried out in Customs & Central Excise Duties Drawback Rules, 1971, as follows:-

i. No drawback shall be allowed in respect of any goods or class of goods if the export value of such goods is less than the value of the imported materials used in the manufacture of such goods or class of goods;

ii. Denial or recovery or adjustment of drawback in case of non-repatriation of export sale proceeds within time limit as provided under FERA.

iii. Incorporation of penal provision under which action can be taken against exporters in case of misdeclaration/fraud etc., on account of their filing wrong/incorrect information for the purpose of fixation of drawback rates.

Existing Infrastructure

1. Air Cargo Complexes

Air Cargo Complexes have been set up at the gateway airports of Delhi, Bombay, Madras and Calcutta and at the inland airports of Bangalore, Ahmedabad, Hyderabad, Varanasi, Jaipur, Trivandrum, Amritsar, Srinagar and Cochin in order to provide air cargo booking, pre-shipment inspection, customs clearance, etc., under one roof. The Trivandrum Airport has been upgraded as an international airport with a view to further improving these facilities.

No air cargo backlogs have been noticed during 1991, because of the availability of more capacity and better handling; but at present there is a problem in air cargo.
Rail Transport

In coordination with the Ministry of Railways attempts were made to overcome problems being experienced by the exporters in transporting their export goods by rail to the outlet ports and neighbouring countries.

Intermodal Transport

Containerisation and multimodal transport has been a prominent manifestation of an increasingly efficient logistics arrangement. "Containers today are an integral part of trade and consumer flows, enabling transportation of goods from origin to destinations, offering a multimodal transport system over sea, rail, road and inland water base".9 In today's trading scenario, most importers in the developed world accept containerised cargo. In order to provide boost to the containerisation in India, Multimodal Transport Bill is being finalised by Ministry of Surface Transport. Once enacted, it would provide the basis for the operations of multimodal transport operators and for the combined Transport Document in accordance with international practices.

Simplification Of Customs Procedures

"A study has been Commissioned for the "Simplification of Customs Procedures for Promotion of Exports" so as to identify areas for improvement. In pursuance of the recommendations of the study, improvement in the procedures and documentation has been effected by Customs, wherever possible". 10

Import - Export Policies

With this background, an attempt is necessary to the recent policies of the Government regarding Imports Exports which plays a major role in the B.O.P. operations.

The Government has introduced a number of measures to facilitate capacity expansion for export production, upgrade technology, make export sector more competitive through improved access to capital goods and raw materials at or near international prices, and provide additional fiscal and monetary incentives for exports. Apart from supporting the export effort in general, thrust areas have been identified in terms of

products, sectors and industries with good export potential. Special action plans have been prepared for these identified sectors in order to strengthen their medium and long-term export prospects.

**Import-Export Policy During 1985-90**

Prior to 1985-86, the annual import-export policy was announced at the beginning of the financial year. In 1985-86, a stable policy framework was provided by having a three-year import-export policy, covering the period April 1985 to March 1988. On its expiry another policy for three years, 1988-91, was announced. The new policy laid even greater emphasis on promotion of exports. A significant feature of the new policy is the provision for "flexibility" in regard to the Replenishment (REP) Licences, which continue to be freely transferable. The REP licences are now automatically endorsed for a certain degree of flexibility permitting import of limited permissible and canalized items. The range of export products qualifying for import replenishment has also been widened.

The Registered Exporters can avail of the Duty Exemption Scheme under which they can obtain the necessary inputs for export production at international
prices without payment of customs duty so as to make the
exports highly competitive in the international
market. The scheme covers three categories of licences:
(i) Advance Licences, (ii) Intermediate Advance
Licences, and (iii) Special Imprest Licences. A licence
issued under this scheme to a Registered Exporter is
subject to actual user conditions. Exempt material
imported by a Registered Exporter, when given to
supporting manufacturers for production as prescribed in
the scheme, is also subject to Actual user conditions.
The scope of the Intermediate Advance Licencing scheme
which was hither to limited to only a few specified
products has now been extended to cover all items where
two stage operation is conceivable. Other important
changes introduced in the three-year policy include the
following:

i. Ninetynine items of machinery have been added to
the list of open General Licences. These capital
goods relate to the electronics, the silk and the
tea sectors.

ii. Export-oriented firms which sell 25% of their
production abroad subject to minimum of Rs.1
Crore, or units with export achievement of a
minimum of Rs. 10 Crores will be allowed to
import capital goods on merit, not with standing
their indigenous availability, Provided that there is direct nexus between the capital goods sought to be imported and the exported products.

iii. The Import-Export Pass Book Scheme has now been extended to manufacturers having a three-year average turnover of Rs.15 crores or more.

iv. The scheme of Export House and Trading Houses has been modified to provide more facilities and incentives.

v. It has been decided to grant Diamond Imprest Licences for diamonds without Actual User conditions in order to assist numerous independent small units engaged in the cutting and polishing activities.

vi. Export licences, which were earlier valid for 45 days will now have validity period of six months or up to 31 March of the licensing year, whichever is earlier.

vii. The number of items, exports of which are permitted under specified conditions, has been reduced from 107 to 67. Exports of 67 items have been totally decontrolled.
Subsequent Changes in Three-year Trade Policy (1988-91)

With a view to promoting industries with promising export possibilities, imports of 27 items of machinery required for the manufacture of bicycles and components thereof, 10 items of textile machinery, one machinery items which required for the silk industry and for the wollen industry were included under open General Licence. The Technical Development Fund created to promote technological upgradation and modernization provides for import of machinery and technical know how. The aggregate foreign exchange that can be financed for any unit under the scheme has been enhanced from US dollar equivalent of Rs.1.25 Crores per year to Rs.2 Crores per year. The following further important changes were introduced, subsequent to the announcement of the three-year policy, for boosting export promotion:

i. The REP and Additional licences issued to Export Houses and Trading Houses on their exports have been made valid for import of samples too.

ii. Additional licences issued to Export Houses and Trading Houses for periods prior to 1988-89 have been made freely transferable without Actual user condition, like the Additional licences for 1988-89 onwards.
iii. The procedure for the grant of Intermediate Advance licences and for the execution of the corresponding Bond and Bank Guarantee/Legal undertaking has been simplified.

iv. Exports of automobiles have been made eligible for the grant of flexibilities at higher level when made both under the normal REP scheme and the Duty Free schemes.

v. Scope of the Import-Export Pass Book has been widened to cover the merchant-exporters in the garment sector.

**Import-Export Policy 1990-93**

1. A three year Import-Export Policy for 1990-93 was announced on 30th March, 1990. The principal objectives of the policy were to encourage rapid and sustained growth with special emphasis on exports which generate higher net foreign exchange earnings, to facilitate the availability of necessary imported inputs for sustaining with industrial growth including concessionary imported capital goods for modernisation and technology upgradation, to simply and streamline procedures for import licensing and export
promotion, and to promote efficient import substitution and self-reliance.

2. The replenishment scheme was simplified to provide full flexibility and transferability to encourage export of products with higher domestic value-addition.

3. The policy for the first time gave recognition to the important role played by service exports towards export earnings for the country. Services and management consultancy service abroad in connection with various utility managements, were recognised for benefits under this scheme.

4. A new category of Star Trading House was introduced. Exporters having certain minimum average earnings in diversified products are granted this status with better incentives, to augment their international business status and to strengthen their global marketing capability.

5. For the purpose of grant of Export House status, exports from small scale sector is given double weightage and export of Handicrafts from SSI sector is given triple weightage.
6. Eligibility criteria for grant of Export House/Trading House/Star Trading House have been revised. Effective from April, 1992 an exporter will have to show a minimum average net foreign exchange earnings of Rs.6 crores, Rs.30 crores and Rs.125 crores respectively during the preceding three years. Further, the aforesaid status can also be granted based on export performance of one year only, instead of three years. The exporters having an export performance of net foreign exchange earnings of Rs.12 crores, Rs.60 crores and Rs.150 crores during the preceding one year can also attain the status of Export House, Trading House and State Trading House respectively.

Freight Rates

"Efforts were made to ensure that freight rates, surcharges and terminal handling charges are maintained at reasonable levels so that the cost of transportation does not act as a constraint on the export efforts of the country". 11

Power

Continued efforts have been made to ensure that the export endeavour does not suffer on account of power-cuts and energy deficits. "Government has evolved a scheme whereby units exporting 25% or more of their production and which have installed captive power generating sets, are supplied diesel oil at prices comparable to international prices". The Scheme provides the quantity of fuel required for captive power generation for the production of goods exported in proportion to the total production of the unit.

Study of Infrastructure Constraints

The Government undertook an exercise to identify infrastructural constraints affecting export growth, with particular emphasis multimodal transport, railway, air transport and coal during the year. The constraints so identified have been communicated to the purpose of finding ways and means to overcome the bottlenecks.

Institutional Support

i. Cabinet Committee on Trade and Investment

The Cabinet Committee on Trade and Investment (CCII), which was reconstituted in October, 1991, with the Prime Minister as its chairman and the ministers of Finance, Agriculture, and commerce as its members, continued to provide the forum for co-ordinated consideration of various proposals in regard to export promotion, export production and performance. After its reconstitution, "the Committee has considered the revised export targets for 1991-92, proposal regarding India’s initial and conditional offer of market access in services and related issues (Uruguay Round negotiations on Trade in Service), Logistical issues for Export Cargo, participation by private Sector in ownership, management and operation of Inland container Depots (ICDS) and Container freight stations (CFSs) and Interest Rates for Export Credit". 13

ii. Board of Trade

The Ministry of commerce constituted on May 5, 1989 a Board of trade to provide a forum for ensuring

continuous dialogue with Trade and Industry in respect of major developments in the field of international trade. The board of Trade was reconstituted on 13.08.91. "The Chairman of the Board of trade is the Commerce Minister and the membership of the Board includes the Governor, Reserve bank of India; Secretaries of the Ministries of Commerce, Industry, Finance and Textile; Special secretary, Prime Minister's office; Presidents of FICCI, ASSOCHA, CII, FIEO; representatives of trade and Industry and a few specialists".14

iii. State Cell

"A new Cell Called State Cell was set up in Ministry of Commerce on 19.06.1990 under the overall charge of an Additional Secretary. The functions of the state Cell are as under":15

a. Act as a nodal agency for interacting with the State Governments/Union Territories on matters concerning imports and exports from the State and for handling references received from them;


b. Process all references of a general nature emanating from State Governments and state Export Corporations which do not relate to any specific problem pending in a Division in the ministry;

c. Monitor proposals submitted by the State governments to the ministry of Commerce and co-ordinate with other Divisions in the Ministry;

d. Act as a bridge between state level corporations and associations of industries and commerce and Export Organisations at the Centre like TDA, TFAI (now ITPO), FIEO and EPZs;

e. Disseminate information regarding export and import prospects to State Governments and other State-level Organisations; and

f. Provide guidance to State-level export organisations and assist in the formation of export plans for each state where export possibilities remain untapped.

Centre-State Interface

With a view to boosting exports, during 1992 Ministry of Commerce strongly urged the state Governments to devote greater attention to the problems of exporters. Suggestions made to the state Governments
include creation of institutional machinery by setting up exclusive export promotion cells in the State Secretariates; creating apex level councils; setting up Board of trade with representatives from trade and industry; removing levies on exports; allowing unrestricted inter-sate movements of raw materials and providing infrastructural facilities like power, land and water. The State Governments response is quite positive.

iv. Appellate Committee

The Appellate Committee was constituted in 1966 with Commerce Secretary as Chairman and two joint secretaries and Director (Vigilance) as members, to hear appeals preferred by the appellants in term of the provisions contained in Section 4M of the Import Export Act, 1947 as amended from time to time. The appeals considered by the Committee are against statutory orders passed by CCI & E or Additional CCI&E imposing fiscal penalty or debarring the parties from import facilities for a certain period or cancellation of Import/Export Licence for violation of the provisions of the Import - Export Act, 1947 and Imports (Control) Order, 1955. The Appellate committee had 5 sittings during the period from January, to December, 1991 and heard 20 cases.
v. Grievance Cell

A Grievance cell under the overall charge of an Additional secretary has been functioning in The Ministry of Commerce since 1977 to deal with complaints and grievances of exporters and importers.

vi. Inter-Ministerial Committee on Joint Ventures Abroad

There is an Inter-Ministerial committee on joint ventures Abroad (IMC) which consists of the representatives of Ministry of commerce, department of economic Affairs, Department of company Affairs, of India. This Committee is presided over by Additional secretary in the Ministry of commerce and is empowered to decide, subject to certain guidelines, all matters which fall under the jurisdiction of Ministry of commerce. "The IMC gives approvals for the establishment of joint Ventures/wholly owned subsidiary under Section 27 of Foreign Exchange Regulation Act 1973 (FERA). As on 31st December, 1991 there were 245 joint ventures. Out of these, 161 joint ventures were in operation and 84 were at different stages of implementation".16

vii. Market Development assistance (MDA)

"The Government of India had established the Market Development Fund (Now called Marketing Development assistance (MDA) in 1963 with a view to stimulating and diversifying the export trade along with the development of the marketing of Indian products and commodities abroad".17

It is utilised for the following purposes:

a. Market research, commodity research, area survey and research.

b. Export Publicity and dissemination of information.

c. Participation in trade fairs and exhibitions.

D. Trade delegations and study teams.

e. Establishment of offices and branches in countries abroad.

f. Grants-in-aid to export promotion councils and other approved organisations for the development of exports and the promotion of foreign trade, and

g. Any other scheme which is calculated generally to promote the development of markets for Indian products and commodities abroad.

viii. Indian Institute of Packaging

"The establishment of the Indian Institute of packaging (IIP) in the year 1966 as a registered Society for providing multifarious services in the field of packaging to the industries with a view, to assisting the export effort of the country". It provides various services such as consultancy, training and education, testing facilities and information service, etc. Which have gone a long way in improving standards of packaging in the country.

a. Trade Fair authority of India

The Trade Fair Authority of India (TFAI), which is the nodal agency for organizing trade fairs and exhibitions, has made notable progress during recent years in promoting trade through the medium of fairs and exhibitions.

"In 1991-92, TFAI organised participation in 38 trade fairs and exhibitions abroad. Of these, 12 were General International Fairs, 24 Specialised commodity fairs and two exclusive Indian exhibitions at Moka (Mauritius) and Manila (Philippines)." During the participation in trade fairs and exhibitions abroad till December, 1991, business booked on-the-spot amounted to Rs.34,377.44 lakhs according to reports furnished by the Indian participants. Further business worth Rs.78,257.76, lakhs has been reported to be under negotiation.

b. Trade Development Authority

The Trade Development Authority (TDA) established in 1970 as a Society under the Societies Registration Act continued its efforts towards export promotion by identifying and nurturing specific buyers in select overseas markets, bringing about durable contacts between Indian suppliers and overseas buyers thereby providing package of services to execute such contracts.

"During the years 1991-92, IDA organised an India promotion with Harrods Department Store of U.K. from May 4 to June 20, 1991, and another one with the Galeries Lafayette, France from April 4 to May 4, 1991. TDA also organised two Buyer-Seller Meets, the first one at
Osaka, Japan during June 25-27, 1991 and the other one at Tokyo, Japan during December 9-11, 1991. Also TDA organised participation by selected Indian companies in International Exhibitions/Fairs in Germany, Singapore and Italy. An Integrated Marketing programme for builder's hardware in U.K., Germany and France was initiated under technical and financial assistance from the Commonwealth Secretariat, London.

It also carried out forecasts of Indian exports, supply studies for selected products and overseas surveys, etc., apart from providing vital trade intelligence through seminars, publications and display of foreign product catalogues.

ix. Indian Institute of Foreign Trade

The Indian Institute of Foreign Trade (IIFT) established in 1964, has been broadly engaged in export promotion through training and research in the field of International Trade. The Institute runs three foundations courses namely, (i) Two years' Masters course international Business, (ii) One year Post-Graduate Diploma course in International trade and (iii) Four-Months' certificate Course in Export Marketing (Part-time basis). The one-year PGDP takes foreign participants from co-developing countries on a regular
basis. It also offers special tailor made programmes for Indian Administrative Service officers, Commercial Counsellors working in Indian missions abroad, Indian Foreign, Economic Trade and statistical Service probationers and senior Defence officers.

During the period April-December, 1991. "the Institute organised 64 training programmes with a total of 1978 participants, including 46 from other countries viz. erstwhile USSR, Mongolia, Australia Vietnam, Nepal, Bhutan, Uganda, Czechoslovakia, Burma, Ethiopia, and Srilanka": The institute often conducting studies relate to market survey, problems of foreign Trade, and export promotion measures.

x. The Chief Controller of Imports and Exports

Import Export Trade Control Organisation is headed by the Chief Controller of Imports and Exports. The office of the chief controller of imports and Exports has its Headquarters at New Delhi. Subordinate offices located at Ahmedabad, Amritsar, Bangalore, Bhopal, Bombay, calcutta, Chandigarh, Cuttack Cochin, Coimbatore, Gandhinagar, Guwhati, Hyderabad, Jaipur, Kanpur, Ludhiana, Madras, Madurai, Moradabad, New Delhi Panipat, Pune, Srinagar, Varanasi, Rajkot, Shillong, Panjim (Goa), Patna, Pondicherry, Vishakapatnam, and
Tuticorin have been set up for the benefit of the trade and Industry.

The principal function of the Directorate, will henceforth be promotion of exports and facilitation of imports to promote export trade.

During the period April-december 1991 the office of Chief Controller of Imports and Exports received a total number of approximately 4.5 lakhs of applications for grant of import licence/Exim Scrips and cash compensatory Support. Upto January 1992, a sum of Rs.1260 crores was disbursed as Cash Compensatory Support (CCS). The Scheme of CCS has however, been withdrawn with effect from 3.7.91 and only back log is being cleared.

Computerisation of the Organisation was undertaken some time ago. To start with, major port offices at Bombay, Calcutta, Madras, Delhi and DGIT headquarters were selected for this purpose. A network of computer terminals has been created in the regional offices at Madras, Calcutta, Bombay and Delhi Headquarters. An environment of complete computer based processing has been created wherein the activity, right from the receipt of application till its final disposal, is put on the computer. The system has a provision of servicing on-line queries on the status of processing of
a case. The Exim-scrip system was launched on a computer-based full-automated centre at the office of the JCCI & E, Bombay.

Import and export policy for the period 1990-93 which was announced on 31st March, 1990 remained in operation. However, after 4th July 1991 several far-reaching changes in Trade policy were introduced. The main objectives of these changes were to stimulate industrial growth by providing easy access to essential imported capital goods, raw material and components to make the industries internationally competitive and to give impetus to export promotion by improving the quality of incentives and eliminating a substantial volume of import licensing/minimising control. Replenishment licences were replaced by a new performance. Replenishment licenses were replaced by a new instrument called Exim scrip which was tradeable and was the means of obtaining access to certain categories of imports of raw materials, components and spares. The categories of unlisted OGL was abolished and the system of advance licences as an instrument of export promotion was strengthened. A large number of items of exports and imports were decanalised and the procedure for import of capital goods was simplified.
Creating Export Parks

Of late, a new concept known as Hi-Tech Park has been experimented in some countries. "The Park operates on a single window clearance basis where everything including all approvals of the Central State/Local governments are given". The investor/entrepreneur need not visit any office in connection with the setting up of the project in the Park. With a comprehensive package of rules and regulations, the Park houses the services of customs, commodity inspection, taxation, bank, insurance, foreign trade transportation, post office, telecoms, consultancy, as well as the departments of electricity water and gas etc. providing a one-stop service, apart from hotels and restaurants. In addition, certain incentives are also provided to encourage foreign direct investment, import of capital goods, raw materials etc. The facilities available to entrepreneurs/investors in the export parks in China include, reduction in the exemption from enterprise Income Tax and the Consolidated Industrial and Commercial Taxes, exemption from licences, non-application of pollution control guidelines etc.

The Government may consider replacing the existing 100% EOUs/FTZ schemes with the Export Park Schemes.

Quality Consciousness

Any endeavour to export would be meaningless without consideration of the quality aspect. "The high quality requirements of European Community countries, the USA, Japan, the Gulf Countries and others have to be met stringently which calls for a high degree of quality consciousness, research and testing facilities". 20

Technological Upgradation

It is generally recognised that a major factor underlying the inefficiency and high cost structure of the Indian industry is the slow pace of technological progress. Continuous upgradation of technology which is crucial for developing and maintaining the competitive edge has not emerged in many areas. The pace of technological change in the world has accelerated. In order to keep abreast of the various changes in different industries, it is vital to make investments in

research and development. Countries such as USA, Brazil and China which are now contributing a large share of GNP towards research and development and, have thus been able to build up their trade to an appreciable extent. In order to encourage investment in the R & D sector, the Government should also provide certain incentives to the industry to overcome the problems of bureaucratic hurdles, procedural delays and inadequate financial support.

I. Role of State Governments in Exports

So far export promotion policies have been decided by the Central Government. In view of the changed global scenario, however, there should be closer involvement of the States in the country's export activity: In fact, it should be carried out jointly by the Central and State Governments. The exporting units are dispersed all over the country and unless and until there is a complete coordination between the Central and State Governments, export promotion will not receive the required support in the country.

The exporting units have to be in constant touch with the State Government agencies almost every day. Therefore, the urgent need to motivate the State Governments to promote exports without which there may
not be substantial growth. One way of motivating the State Governments would be to find out an acceptable mechanism under which foreign exchange earnings out of exports is shared between the Centre and the State Governments. It is suggested that each State Government should be allowed a share equivalent to 5% of the foreign exchange earned through exports originating from that state. This amount should be utilised by the concerned State Governments for the development of infrastructure like ports, harbour, roads, power, water supply, telecommunication facilities, etc. which are required for export promotion. This is part quite apart from raising the share of the States in the revenue yield from excise and customs duties exclusively for export development, the possibility of which has to be explored.

The uneven tax structure in the country is also an irritant, and a major hurdle to the exporters. Exporters have a multiplicity of taxes and duties at various levels starting from the Panchayat to the Municipal, State and finally the Centre. While rebates and refunds are available to exporters for Central levies, for the taxes paid at the State level and below, there is no system of compensation. This burden of taxes at the State, municipal and lower levels badly affects the competitiveness of the Indian exporters in
the international market. And, what is more disturbing is that in the prevailing resource crunch, the States and local bodies have started levying, and raising taxes indiscriminately.

The State Governments should be persuaded to create a separate Cell for assisting exporters in resolving their problems with reference to the State authorities. The State should be further persuaded to exempt all inputs going into export production whether locally procured or imported as well as the final product exported from the State taxes like sales tax and octroi. In this connection it may be relevant to point out that recently the Bombay Municipal Corporation had levied Octroi but subsequently decided to withdraw the levy from export goods as well as raw materials imported from other states for export production.

The Planning Commission and the Ministry of Finance may consider allocating funds to the States as reimbursement for investments made by the latter to strengthen export related development and tax concessions that they may be providing.

States also must realise that any export production activity from their territories will contribute to the generation of more employment, accelerate development of backward areas, facilitate
better utilisation of installed capacity and together contribute to higher growth of the State’s economy.

In this regard, State Governments should play an active role in exposing export products to the businessman of India and overseas by setting up full-fledged Niryat Bhawans with display centres presenting the range of products available to the foreign buyer.

3. Export Culture

While in the higher echelons of Government there is appreciation of the exporters’ needs, problems and aspirations, the same understanding has not percolated down the line. The result is that many of the well conceived policy decisions do not get translated into action at the operational levels. One way in which an appreciation of the role of exports in our economy can be effectively communicated is by imparting regular training to people at the middle and lower levels in all export-related Central and State Governments departments and agencies. This is imperative because a lot of procedural hurdles arise out of wrong interpretation of rules, and inflexibility on the part of lower-level staff. An integrated training programmes can lead to better coordination among the Reserve Bank, the Ministry of Commerce, the Customs and other agencies to
ensure synchronisation of announcements and appropriate notifications among the various departments. In its export zones, China allows free hiring and removal of the workforce to ensure smooth production flows at low cost. It is necessary to protect export production units in India from strikes, 'go-slow', bandhs etc. by amending labour legislation within the framework of the overall social needs and compulsions. Under the present labour dispensation, many companies find it difficult to employ extra labour on temporary basis for meeting large ad hoc orders because they are prevented from laying off such labour once the need is over.

To maintain a high level of production and productivity, units which export more than 25% of their output should be allowed flexibility in their employment policy. As India's main advantage lies in lower labour costs, the most competitive exports will be from labour-intensive industries. Therefore, labour laws should not be all wed to neutralise this advantage through wasteful deployment of the workforce.

c. Export Education

An ever-growing number of export managers and executives are also required for the export sector, and it is noticed that competent people in this area are in
short supply. The only all India institution which is training export executives is the Indian Institute of Foreign Trade, but it is not able to induct a large number for training. As such, full time professional export marketing and related courses should be started in universities across the country without loss of time. With universities imparting export education, there will be more employment opportunities for young men and women in the country, and an equally good number of export managers will become available in future.

d. Credit and Finance

Availability of Export Credit

"Export credit is a vital component of export business. Adequate, cheap and timely export credit is very essential to motivate exporters and thereby achieve sound growth of export".21 It has been estimated that demand for short term export credit (less than 180 days) constitute approximately 30% of the target export earnings. If the annual growth rate of exports in the Eight Plan of around 15% over the next four years, builds up the gap between the requirement of credit and its availability may rise from the present 24.3% to

31.8% in 1996-97. Obviously, the shortfall in available credit will be reflected directly on export performance. So, there is the urgent need to ensure adequate export credit.

Inventory Norms

The norm for determining the quantum of credit should be made on a more realistic basis as per the requirement of each exporter. The norms evolved by Tandon Committee, Chore Committee for determining net working capital, inventory receivable and inventory of raw materials, Maximum Permissible Bank Finance (MPBF) for making export credit advance/discounting of bills have become outdated in the present context. Recently, Reserve Bank of India has fixed the working capital limit at one-third and inventory norm for raw materials at 50%. So all these procedural hindrances and the outdated norms restricting the availability of the required credit to less than the required amount should not hold in the case of Export Houses, Trading Houses and Star Trading Houses with creditable track record. In this regard, it would be best if the Sundaram Committee’s recommendations are accepted and implemented fully.
Cost of Pre-shipment Finance

The interest rate on export credit for pre-shipment for 180 days and post-shipment for 90 days is 13% compared to these are the truly 'soft' lending rates of competing countries like Thailand (11%), Korea (7%), and Pakistan (10%). It has been experienced by the exporters that the interest forms a good paint of total cost of manufacturing of exportable products. So, it pinches heavily those exporters who have to take resort to bank financing. Therefore, it is an urgent need for reducing the interest rate to a single digit figure as recommended by the Dr. Sundaram Committee to make credit available for export operations and re-discounting of export bills abroad.

Lending Norms

Though it has been clarified by the Reserve Bank of India that banks should achieve a minimum export earning of 10% of the total available loanable funds, exporters still find difficulty with many banks which are not adhering to the RBI's directives. Of course, some banks are reported to have disbursed 8 to 9% of their total advances to their exporter clients. Reserve Bank of India should however monitor the functioning of the banks in respect of export lending to ensure that
banks lending for export up to 10% of their loanable funds in 1993 and thereafter. Again the norms for lending should be framed with an eye on the requirements of the exporters so that no export order remains unexecuted for want of funds.

**Consortium lending**

Though the Reserve Bank of India has allowed banks to extend credit without any ad hoc limit, even up to Rs. 100 crores on their own risk, within the limit of Rs. 5 crores for consortium banks, exporters with big orders find difficulty in getting the required finance. 80% of applications to banks for consortium lending remain pending, and these happen especially with the State Bank of India. Again, it takes a long time for the lead bank to continue the dialogue and arrange with other banks to grant the amount to the exporters. There should be a time limit of 30 to 45 days for granting loans, and there should be uniformity of interest rates charged by different banks. Also, there should be some guidelines for non-fund based limits to ascertain how much the exporters can borrow from outside. The consortium lending extent loan amount should be raised from Rs. 5 crores to Rs. 20 crores to enable exporters to get loans within the time limit as there will be only fewer applications for close scrutiny and disposal.
By and large the agencies as aforementioned set up by the Government have taken steps in the right direction for improving the export trade, however the export promotional measures have to be geared, for augmenting existing export potentials.