CHAPTER - VIII

TRADE PROMOTION PROGRAMME
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In many historical cases of successful development, the importance of international trade is clearly confirmed and not only for countries that export industrial products, but also for primary product exporters. At the same time, however, that some countries which were poor a century ago have developed through foreign trade, other countries have still remained poor until the present day, notwithstanding an expansion in their foreign trade.¹

In developing countries like India, export promotion has been the paramount plank of their policies. Exports not only earn foreign exchange for the country, but convert less productive resources of the country into more productive resources. In fact, at the present juncture when the Indian economy is faced with a large debt-serving burden, exports constitute the kingpin in our policy towards a stable balance of payments position. Stressing the need of export expansion, a cabinet meeting of the Central Government in a resolution in 1970 regarded the export drive as being "Second only to defence".²

¹Gerald M. Meier, -- International Trade and Development, Harpershire, New York, p.159.
India needs raising her exporters substantially in order to bridge the now widening trade gap. A few of the more important promotion measures have been introduced to boost up export efforts in the import-export policy. In pursuance of the objectives enunciated in the export policy resolution of July, 1970, the Government of India undertook several measures during last decade for the export promotion.

61.1 - Duty-Draw-back

The prime cause for the low export growth rate is the vivid disparity in the domestic and international prices of different products exported by India. In the case of cotton fabrics, for instance, the price difference is as large as 20 percent. Dyes and chemicals are costlier by 10 to 20 percent, drugs and formulations by a bigger margin and engineering items including stainless steel utensils by 10 to 30 percent.¹

The problems narrowing the difference between domestic and international prices has to be tackled differently. It is the most common experience of manufacturers-cum-exporters here that they cannot compete effectively in the world market, because of relatively high production cost. In a number of cases, this is due to high costs of inputs but in almost all the cases and manufacturers would vouch for this one of the main reasons for the increase in the cost is the series of

¹. - The Economic Times, 7 August, 1982, p.5.
taxes levied by the Central, State and Municipal authorities. In most of the cases, inputs which go into the manufacture of finished products not only attract customs and excise duties, but also central sales tax, state sales tax and octroi. The burden of these duties stands compounded since at each stage the duty is collected on the value basis.

The Government has devised a scheme of duty draw-back in the year 1977 whereby the manufacturers-cum-exporters are supposed to get back the duties which they pay on the products exported. The scheme has been modified in June, 1982, to make it more effective. The basic aim of this scheme is to help their prices being competitive in the international market.

The scheme cover 500 exportable items and nearly 90 percent of the gross foreign trade. It has also, for the first time, made project exports covering 13 groups eligible for duty draw-back.

81.2 - Cash Compensatory Support

The cash compensatory support has been a significant tool of India's recent export promotion policy especially for non-traditional products. Operative since June 1972, the scheme has been extended in scope and coverage with a view to making it more responsive to the needs of exporters or to fit in with the changing

The purpose behind giving cash compensatory support on exports is to compensate the exporters for various non-refundable taxes and to neutralise the disabilities which are inherent in our present stage of economic development and help to make Indian goods competitive in the international market.

81.3 - Duty Exemption Scheme

The duty exemption scheme providing for duty-free imports to certain specific raw materials for executing export orders was introduced in 1976 covering 55 items and this now covers 193 items.¹

The cascading effect of indirect taxes on cost of export production is offset to only a limited extent by the tidy draw-back procedure or the offsetting of excise duties under Rule 56-A.

81.4 Export Credit and Guarantee Corporation (E.C.G.C.)

E.C.G.S. is one of the positive steps for encouraging the export trade. The main object of this policy is to insure the seller against loss arising out of buyer's failure to pay.²

The E.C.G.S. provides insurance facilities covering risks which are peculiar to export transactions. This is primarily aimed at eliminating export risk which

are not covered by the usual marine and war risk policies. The premium rates charged by the E.C.G.C. vary according to the risk involved and to the countries to which export is intended.¹

81.5 - Free Trade Zone

The Union Ministry of Commerce, with a view to improving the balance of trade deficit, conceived a scheme of export of 75 percent production from the units set up in the areas exclusively earmarked for them. This area called Free Trade Zone (F.T.Z.). This was established first at Kandla in 1965. In spite of the best efforts made by the Government to offer all facilities to the units in this area, only a few went on stream.

One of the reasons for the free trade zone, not being successful may be inadequate infra-structural facilities including transport. The result was that foreign exchange earnings were not up to the mark.

Subsequently, the Government established another free trade zone (Santacruz Electronics Export Processing Zone) SEEPZ, in Bombay, wherein most of the units manufactured electronic items. This Zone proved to be comparatively successful because the entire production of the units was being sold in the vicinity of the zone and transport facilities for both imports and exports of the final products were good.

A decision has already been taken to open four more F.T.Zs. They will be located at Cochin, Madras, Noida in Uttar Pradesh and Falta in West Bengal.

**81.6 - 100% Export-oriented Units Scheme**

There has been a persistent demand from the export community and the units located at different places in the country that the special facilities allowed to the units situated in the free trade zone should also be extended to the other manufacturing units. In consideration of this and in order to bridge the increasing deficit in the balance of trade the Government of India introduced the new scheme called 100 per cent export oriented units in December 1980.

Under the 100 per cent oriented units scheme certain special concessions were given to the industrial units in respect of import of capital goods, raw materials, components and other benefits which undertook to export 100 per cent of their production.

The aim behind the scheme was to augment the export potential of the already existing units. The Government choose certain items for licensing under the scheme which had substantial potential for export.

**81.7 Export Houses**

Particularly in the field of medium and small-scale sector, the export houses play a very significant role in the country's exports. The small-scale sector is an important sector of the economy of
the country. It contributes 40 percent of the industrial production and constitutes 91 percent of the total registered factories. The production ranges from simple consumer goods to sophisticated industrial items.¹

The movement for setting up Export Houses commenced as far back as 1958. But the scheme for establishing Export Houses in the country took shape in 1960, when certain criteria were evolved for recognition of Export Houses by the Government. The criteria were subsequently revised in 1962, 1965 and 1968.²

81.8 - Export-Import Bank

The Government has set up an Export-Import Bank for providing financial assistance to exporters and importers and for functioning as the Apex Body for coordinating the working of the institutions engaged in financing of export-import of goods and services.

The important activities of the Bank are:

a) provision of suppliers credit;

b) refinance facility to commercial banks for deferred exports upto Rs. 2 crores;

c) buyers credit to foreign buyers;

d) loan to Indian concerns for investment in joint ventures abroad; and


2. -Ibid- p.33.
e) guarantee to foreign clients in respect of construction and other projects executed by the Indian firms.

81.9 - Marketing Development Assistance (M.D.A.)

In order to stimulate and diversify the country's export trade the Market Development Fund (now called Market Development Assistance) was established in 1963. The provision is utilised for meeting the expenditure on cash compensatory support for certain exportable goods, grant-in-aid for schemes and projects for the development of commodities and markets abroad. It includes:

a) market research, commodity research, area survey, etc.

b) export publicity and dissemination of information;

c) trade delegations and study teams;

d) participation in trade fairs and exhibitions;

e) establishment of offices and branches in countries abroad.

f) grant-in-aid to export promotion councils and other organisations for the development of exports and the promotion of foreign trade; and

g) any other scheme that would promote the development of market for Indian goods abroad.

81.10 - Trade Development Authority (T.D.A.):

The primary object of the Trade Development Authority is to induce and organise entrepreneurs,

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largely in the medium and small-scale sectors, to
develop their individual export capabilities. While
the Authority takes advantage of existing export
promotion services rendered by the Export Promotion
Councils and other institutions, it provides package
assistance in a personalised form to individual
exporters carrying them from the stage of intention to
export through collection and collation of information,
product development, market research and analysing
export finance and assistance, and assistance in
securing and implementing export orders. Broadly, the
important activities of the T.D.A. are to organise the
Buyer-Seller Meets, Market Surveys and participation
in international trade fairs.

81,11 - The Indian Institute of Foreign Trade (I.I.F.T.)

The Indian Institute of Foreign Trade is a
Society registered under the Society Registration Act.
Its principal activities include :¹
i) Training of export management personnel drawn
from trade and industry, export institutions,
government departments and trading corporations;
ii) conducting market surveys in India and abroad
to identify products and countries offering
potential for exports;
iii) organising research functional areas of foreign
trade; and
iv) dissemination of information to trade and industry.

¹ Report 1981-82, Government of India, Ministry of
Commerce, New Delhi, pp.48-49.
The Institute has specialised faculty and researches for undertaking in country studies and overseas market and area surveys. These studies are mainly taken up on behalf of exporters, export servicing organisations and Central and State Governments. Besides, the Institute also takes up export potential surveys of different states. The research into functional areas having a bearing on India's foreign trade is yet another important component of institute activities.

81.12 - Indian Institute of Packaging, Bombay (I.I.P.)

The Indian Institute of Packaging was established in the year 1966.

The object of the Institute is to improve the standards of packaging to reduce the losses and spoilage due to inadequate and non-functional packaging protecting the Indian consumers through better packaging and to make Indian goods more competitive in the world markets. To achieve this objective the Institute has been taking various measures such as organising training programmes for improved technology in the field of packaging, providing testing facilities for quality control in packaging, undertaking applied research in packaging providing consultancy services to individual organisations to achieve over all packaging economies through innovative packaging, organising conferences, seminars and exhibitions for creating packaging consciousness among the Indian Industries.
With a view to obtaining optimum use of the cargo space in containers used for sea transport, the Institute has developed standardised packages for detergents and it is expected that the exporters would adopt these for their exports. Market Surveys relating to packaging are also carried out by the Institute.

81.13 - The State Trading Corporation

The State Trading Corporation of India was formed in 1956. The objectives of the Corporation as set forth in the Memorandum of Association are to organise and effect exports and imports into India of such goods and commodites as the Company from time to time determine, and to do all such other things as are incidental or conducive to the attainment of the above object.¹

Towards building a new export culture, no doubt the S.T.C. is developing new export markets and introducing new items. As part of its support to exporters, the S.T.C. is establishing a design-cum-development centre for sports goods and a textile design centre for small garment exporters. Efforts are also being made to evolve State Corporation in S.T.C.'s. activities.

81.14 - Various Promotion Councils for Promotion Measures

Apart from many export promotional measures, the

¹ - State Trading Corporation; Report, 16 Nov., 1957.
following Export Promotion Councils have also been set up for export of various commodities:

1. Basic chemicals, Bombay.
2. Cashew Export Promotion Council, Cochin.
3. Chemicals and Allied Products Export Promotion Council, Calcutta.
8. Handloom Export Promotion Council, Madras.
15. Sports Goods Export Promotion Council, New Delhi, &

82. PROMOTING INDIA'S EXPORTS IN THE E.E.C.

During the last few years, a number of steps have been initiated to forge strong trade and economic ties between India and the E.E.C.

The first step in this direction was the signing of the commercial cooperation agreement by
by India with the E.E.C. in December 1973. The
Agreement established a frame-work for promoting and
diversifying trade relations between India and the
E.E.C.

Secondly, the Indo-E.E.C. Joint Commission
was also established as an institutional mechanism to
promote commercial cooperation and complementary trade.
At the instance of the Joint Commission, a number of
trade promotional activities were undertaken, covering
India's participation in European Trade Fairs, visits
of Indian delegation to the E.E.C. countries, visits
of European businessmen's delegations to India and
visits of European experts to India for providing
technical assistance to Indian Manufacturers for
product development and product adaptation.

In June 1981, India signed a new five-year
Commercial and Economic Cooperation Agreement with the
E.E.C. for intensified cooperation for transfer of
technology and joint venture programmes. A number of
promotional efforts are envisaged under the new
agreement.

Another attempt to promote trade and economic
cooporation is reflected in the formation of the
council of E.E.C. Chamber of Commerce in India, which
was inaugurated on 2 November, 1982, by His Excellency
H. van Thoren, the President of the European
Community. The Council of E.E.C. Chambers has been

sponsored by the bi-national chambers of the E.E.C. member countries in India, namely, the Belgo-Indian Chambers of Commerce and Industry, the Indo-French Chambers of Commerce & Industry, the Indo-German Chamber of Commerce and the Italian Chamber of Commerce of India. The Bombay Chamber of Commerce and Industry has agreed to represent the interest of the E.E.C. member countries which do not have their own bi-national chambers of commerce in India and has already started forming bi-national business committees for these countries.

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