CHAPTER - VI
STATE TRADING AND ROLE OF PUBLIC SECTOR IN INDIA'S FOREIGN TRADE
STATE TRADING AND ROLE OF PUBLIC SECTOR IN INDIA'S FOREIGN TRADE:

The present chapter deals with the state trading activity that assumes importance in face of the ongoing changes in the foreign trade scene in the international stage. The introductory sections would attempt to explain the state trading activity as it is understood and given meaning to by the WTO. The relevant definitions and the binding rules and regulations would find mention at appropriate places. The subsequent sections would deal with the state trading activity as it is being carried by the designated institutions of the country. The critical observations of the state-designated institutions by the CAG would conclude this chapter.

State Trading: A WTO perspective

Definition in the WTO Understanding

The results of the Uruguay Round of multilateral trade negotiations include the Understanding on the Interpretation of Article XVII of GATT 1994. One of the main features of the Understanding is the "working definition of State trading enterprise" contained in paragraph 2 of the text, which reads: "governmental and non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports". Three fundamental elements are identified in this "working definition":

(i) a governmental or non-governmental entity, including marketing boards;
(ii) the granting to the enterprise of exclusive or special rights or privileges; and
(iii) a resulting influence, through the enterprise's purchases or sales, on the level or direction of imports or exports.

Particularly important in this definition is the phrase: "in the exercise of which they influence through their purchases or sales the level or direction of imports or exports", because this goes to the heart of what the regulation of State trading in the WTO is aimed at: that is, the potentially distorting effects of the operations of STEs on trade. However, although this text provides considerable clarification of Article XVII, it still leaves room for differing interpretations of what is intended.

Once again, it must be emphasized that an enterprise need not be State owned, nor need it have a monopoly position, in order to be covered by Article XVII and subject to
WTO rules on STEs. The important criteria are that it enjoys exclusive or special rights or privileges, and that in the exercise of these rights and privileges it influences imports or exports by its buying and selling activities.

**Types of State Trading Enterprises (STEs)**

The World Trade Organisation (WTO) further attempts a categorization as regards the state trading enterprises as they are/could be found working across the nations of the world. These are discussed below.

(i) **Boards or corporations resulting from nationalized industries**

In some cases STEs have been chosen by governments to assume responsibility for nationalized industries. In developed countries, this is typically done to minimize social disruption, i.e. unemployment due to an industry’s decline.

(ii) **Foreign trade enterprises**

Foreign trade enterprise is the term used for the State trading enterprises of some current and former non-market economies. Such STEs are also known as foreign trade organizations.

(iii) **Canalizing agencies**

Canalizing agency is the term used by a number of developing countries to describe the STEs they maintain. The term refers to the channelling, or "canalizing", of imports and/or exports through a designated product-specific enterprise. Such STEs aim to provide some degree of price stabilization, particularly for producers, as well as to ensure availability of supplies for domestic consumers.

(iv) **Fiscal monopolies**

Fiscal monopolies are a type of STE typically established to cover trade in goods for which domestic demand is relatively price-inelastic and foreign demand is relatively price-elastic, and with respect to which the government may have a policy of protecting public health. Ethyl alcohol, alcoholic beverages, tobacco, salt, and matches and related inflammables are products frequently covered by such monopolies.

(v) **Regulatory marketing boards**

Regulatory marketing boards have functions similar to statutory marketing boards, with one distinctive feature: they do not themselves engage in foreign trade operations, but rather contract out the actual trading operations to private entities.
(vi) Export marketing boards

Export marketing boards could largely be classified as a form of statutory marketing board, with their defining feature being that they deal only with exports. They generally are producer-controlled bodies that pursue export promotion and advantageous terms of sales on foreign markets.

WTO State Trading Rules and Regulations – A synoptic view

The main GATT Article on STEs is Article XVII. Numerous other Articles relate either directly or indirectly to STEs, including parts of Articles II, XX and XXXVII. The most recent addition to the rules on State trading is the Understanding on the Interpretation of Article XVII, which is legally part of GATT 1994. The results of various GATT dispute settlement proceedings which touch on the issue of State trading also help to clarify some of the complex issues involved in this area of trade. The rules on State trading essentially try to ensure that STEs:

- operate on the basis of commercial considerations and in a non-discriminatory manner; do not erode or nullify the value of negotiated tariff concessions;
- do not serve to implement otherwise WTO-inconsistent measures, such as quantitative restrictions or subsidies; and
- are fully notified to the WTO on a regular basis.

The WTO members are required to notify the STEs in their countries. The requirement to notify STEs and their operations is in paragraph 4(a) of Article XVII: "Members shall notify... the products which are imported into or exported from their territories by enterprises of the kind described in paragraph 1(a) of this Article". The notification requirement is an essential element in the rules on State trading. One reason for notifications is to make it possible for Members to judge the extent to which State trading enterprises serve as a substitute for other measures covered by the General Agreement, e.g. quantitative restrictions, tariffs and subsidies. Another is to allow Members to assess the possible trade distortion resulting from the operations of notified STEs.

The State Trading Corporation of India Limited (STC)

The State Trading Corporation of India Ltd. (STC) is a premier international trading house owned by the Government of India. Having been set up in 1956, the Corporation has developed vast expertise in handling bulk international trade. Though, dealing largely with
the East European countries during the early years of its formation, today it trades with almost all the countries of the world.

By virtue of infrastructure and experience possessed by the Corporation, it plays an important role in arranging import of essential items into India and developing exports of a large number of items from India. It exports a large number of items ranging from agricultural commodities to manufactured products from India to all parts of the world. Because of Corporation's in depth knowledge about the Indian market, STC is able to supply quality products at most competitive prices and ensure that the goods reach the foreign buyer within the prescribed delivery schedule. It also imports bulk agricultural items for Indian consumer in case of scarcity in the domestic market. Some of the items imported by the STC in recent past include wheat, pulses and sugar. STC is also one of the 14 agencies nominated by the Government of India for import of gold into the country. It imports gold in large quantities for the requirement of jewellers and traders.

The eventful track record of 47 years has helped STC to gear itself to face the fierce competitive challenges, seize business initiatives and build on its core competencies.

With a global vision in effective management, result oriented approach, strong belief in productivity and accountability, STC is future ready to take advantage of the opportunities in the 21st century and help propel India towards the new frontiers in world trade.

Exports by STC

STC exports a diverse range of items to a number of destinations throughout the world. Exports by STC vary from traditional agricultural commodities to sophisticated manufactured products.

Besides negotiating, contracting and shipping, STC seeks to introduce new products, explore new markets and undertake wide ranging ancilliary functions such as Product Development, Financing, Quality Control and Import of machinery and raw materials for export production.

STC makes purposeful use of its world-wide connections, abundant experience, up-to-date information about the market trends and long term perspective on various commodities to ensure competitive prices, right quality and adherence to delivery schedules to the buyers abroad.
Imports by STC

STC imports a number of essential commodities to cover the domestic shortfalls and hold the price line. STC serves the national objective by arranging timely imports at most competitive prices. In the process, the Corporation makes best use of its strength in handling bulk imports, vast infrastructure and above all an experience of over four decades in fulfilling the needs of the industry.

Services Rendered By the STC

While undertaking import and export operations, the Corporation renders following services

(i) **To the Overseas buyer**: STC acts as an expert guide for buyers interested in Indian goods. For them, STC finds the best Indian manufacturers, undertakes negotiations, fixes delivery schedules, overseas quality control - all the way to the final shipment to the entire satisfaction of the buyer.

(ii) **To the Indian Industry**: The Indian manufacturers, whose products sail the seas via STC, benefit a lot from its expertise. STC helps thousands of Indian manufacturers to find markets abroad for their products. STC assists the manufacturers to use the best raw materials, guides and helps them manufacture products that will attract buyers abroad. Some of the other services offered by STC to the Indian manufacturers include:

- Financial assistance to exporters on easy terms.
- Taking products of small scale manufacturers to international trade fairs and exhibitions.
- Import of machinery and raw material for export production.
- Assistance in the areas of marketing, technical know-how, quality control, packaging, documentation, etc.
- Supply of imported goods in small quantities as per convenience of buyers.
- Market intervention on behalf of the Government.

(iii) **To the Indian Consumer**: The Indian consumers also benefit from STC's expertise and infrastructure. STC imports essential commodities for them to cover shortfalls arising in the domestic market. During the last 5-6 years, STC imported sugar, wheat and pulses to meet domestic requirements at a very short notice.
Operational Performance of STC

The following table summarises the performance of the Corporation during the years 1999-2000, 2000-2001, performance during April - October, 2001, vis-a-vis figures for the corresponding period of the previous year and estimates for the full year 2001-2002:

Table 6.1
Operational Performance of STC (Rs. In Crores)

<table>
<thead>
<tr>
<th></th>
<th>1999-2000 Actuals</th>
<th>2000-2001 Actuals</th>
<th>April – October Provisional</th>
<th>This Year</th>
<th>Estimates</th>
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<tbody>
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<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-canalised</td>
<td>283</td>
<td>436</td>
<td>168</td>
<td>389</td>
<td>771</td>
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<tr>
<td>Counter Trade</td>
<td>162</td>
<td>27</td>
<td>90</td>
<td>35</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td>445</td>
<td>463</td>
<td>258</td>
<td>424</td>
<td>771</td>
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<tr>
<td><strong>Imports</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Govt. Account</td>
<td>378</td>
<td>63</td>
<td>61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STC Account</td>
<td>284</td>
<td>362</td>
<td>158</td>
<td>409</td>
<td>816</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>662</td>
<td>425</td>
<td>218</td>
<td>409</td>
<td>816</td>
</tr>
<tr>
<td>Domestic</td>
<td>56</td>
<td>152</td>
<td>34</td>
<td>73</td>
<td>108</td>
</tr>
<tr>
<td><strong>Total Turnover</strong></td>
<td>1163</td>
<td>1040</td>
<td>511</td>
<td>905</td>
<td>1695</td>
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<tr>
<td><strong>Profit After Tax</strong></td>
<td>28</td>
<td>3</td>
<td>–</td>
<td></td>
<td>8.52</td>
</tr>
</tbody>
</table>

Operational Performance of STC During 2000-2001

(a) Non-Canalised Turnover

During the year, the turnover of the Corporation from competitive trading amounted to Rs. 978 crores as compared to Rs. 786 crores in the previous year – an increase of about 25%. However, the total turnover at Rs. 1,040 crores declined marginally when compared to Rs. 1,163 crores in the previous year. The turnover during the year would have been much higher but for a number of factors beyond the control of the Corporation e.g. earthquake in Gujarat in the month of January, 2001 affecting castor oil and wheat exports in the last two months of the financial year.

(b) Net Profit

During the year, the Corporation earned a Profit After Tax (PAT) of Rs. 3 crores. It is lower than the PAT of Rs. 23 crores earned during last year because of decline in imports on Government account which has in consequence resulted in the trading profit of the
Corporation on such imports coming down from Rs. 43 crores last year to about Rs. 9.5 crores this year.

(c) Exports

Total exports during the year stood at Rs. 463 crores were marginally higher than the previous year’s export turnover of Rs. 445 crores. This was despite a reduction in the counter trade exports from Rs. 162 crores during 1999-2000 to only Rs. 28 crores this year due to counter trade obligations coming towards an end. Excluding counter trade, exports increased by 55% from Rs. 283 crores to Rs. 436 crores.

One of the noteworthy achievements of the Corporation during the year was export of wheat worth Rs.164 crores in line with the policy of the Government of India. Increases in exports over previous year were also achieved in respect of castor oil, rubber (deemed exports), chemicals & drugs, tea, rice (off shore), etc. The Corporation has been successful in making an entry into the Iraq market. Orders for export of wheat, timber and black tea were obtained. While, initial order for black tea for 100 MT has already been executed, another order for 200 MT has been obtained. Shipments of wheat shall commence after the visiting delegation from Iraq is satisfied with the arrangements made for cleaning of Indian wheat. As already stated, the export turnover could have been higher but for the disturbance in the exports of wheat and castor oil caused due to earthquake in Gujarat in January, 2001.

(d) Imports

In the absence of any authorization from the Government of India for import of edible oils, urea, pulses or any other item, import turnover on Government account during the year amounted to only Rs. 63 crores – that too by way of sale of carry over stocks of edible oil. Imports on Government account had contributed a turnover of Rs. 377 crores during the previous year.

The import turnover of the Corporation on commercial account, however, increased by 27% from Rs. 284 crores in the previous year to Rs. 362 crores during this year. As a result of strenuous efforts made by the Corporation in meeting the expectations of the customers, the import turnover of edible oils on commercial account increased from Rs. 174 crores in the previous year to Rs. 224 crores during this year. The Corporation diversified into import of crude de-gummed soyabean oil and crude palm oil in addition to import of palmolein made in the earlier years. The import turnover of bullion also increased from Rs. 102 crores to Rs. 132 crores.
The total import turnover, thus, declined from Rs. 662 crores in the previous year to Rs. 425 crores this year.

(e) Domestic Trade

The Corporation was successful in disposing of the entire stocks of tobacco purchased during 2000-01 as also the stock purchased during 1999-2000. Similarly, the Corporation is not holding any stock of natural rubber also. During the year, the Corporation was able to generate a turnover of Rs. 31 crores (last year Rs. 28 crores) by way of participation in Defence tenders for supply of pulses. The Corporation was also successful in making and implementing a deal for import of coal worth Rs. 63 crores and supplying the same to Gujarat State Electricity Board. The total turnover from domestic operations during the year amounted to Rs. 152 crores as against only Rs. 56 crores in the previous year.

(f) Voluntary Retirement Scheme

During the year, the Corporation launched a Voluntary Retirement Scheme (VRS) which was opted by 313 (241 managers + 72 staff) employees. This will help STC in reducing its overhead expenses in the coming years. However, this caused some organizational problems temporarily because of large number of senior managers opting for VRS. A large number of managers in the Finance Group and also a number of BMs of the Corporation opted for the VRS. Suitable re-organisation has since been carried out.

(g) Foreign Offices Rationalization

During the year, the Corporation closed its offices at Singapore and Moscow.

(h) Domestic Branch Offices Rationalization

Three domestic branch offices which were not contributing much to the Corporation’s business namely - Lucknow, Tuticorin and Kakinada have been closed. The Coimbatore office of STC has been designated as a sub-branch of the Chennai Branch. Likewise, the Vizag Branch of the Corporation has been designated as a sub-branch under STC’s Hyderabad branch.

Operational Performance Of STC During : April–October, 2001

(a) Total Turnover on STC's Account

The total turnover of the Corporation during April - October, 2001 amounted to Rs. 905 crores which is 77% higher than the total turnover of Rs. 511 crores achieved during the corresponding period of previous year. In fact, the turnover on STC's own account during
the period under review increased by 143% from Rs. 371 crores in April - October, 2000 to Rs. 900 crores.

(b) Exports

During April - October, 2001, the exports of the Corporation at Rs. 424 crores were 64% higher than the exports of Rs. 258 crores achieved during the corresponding period of the previous year. The major item contributing to this increase was wheat, export shipments of which amounted to Rs. 292 crores during April - October, 2001. Other items in respect of which the Corporation achieved significant increases in exports over previous year were sugar, textiles & garments and drugs & chemicals.

(c) Imports

The import turnover of the Corporation during April - October, 2001 amounted to Rs. 409 crores, which is higher by 87% than the import turnover of Rs. 219 crores achieved during April - October, 2000. In fact, the import turnover of the Corporation on its own account increased by 159% from Rs. 158 crores during April - October, 2000 to Rs. 409 crores in April - October, 2001. During this period, the Corporation was able to undertake import of gold/silver on a larger scale and effected import sales of gold/silver worth Rs. 335 crores as against no import sales of these items during the corresponding period of the previous year. The Corporation could also undertake import sale of pulses amounting to Rs. 36 crores on its own account during April - October, 2001.

(d) Domestic Sales

The Corporation's domestic trade turnover at Rs. 73 crores during April - October, 2001 was higher by 115% when compared to Rs. 34 crores in the corresponding period of previous year. Domestic sales of pulses increased substantially from only Rs. 14 crores in April - October, 2000 to Rs. 70 crores during April - October, 2001.

Export Promotion Measures by STC

It has always been the endeavor of the Corporation to increase non-canalised exports. The efforts made by STC in this direction have yielded results and as a consequence, the non-canalised exports by STC have grown up from Rs. 220 crore in 1998-99 to Rs. 445 crore in 1999-2000 and Rs.463 crore in 2000-01. During the current financial year up to November 30, 2001, non-canalised exports of the Corporation have already reached Rs. 450 crores.
As an export development tool, the Corporation assists its associate suppliers in exporting their products by offering the services of its foreign offices, market intelligence, marketing expertise, financial assistance, and above all the STC goodwill.

During the past 2-3 years, STC has developed castor oil/seed as one of its major items of exports. Exports of castor oil/seed have increased from only Rs. 23 crores in 1998-99 to Rs. 120 crores in 1999-2000 and Rs. 129 crores in 2000-01.

The Corporation has been exporting substantial quantities of wheat since 2000-01 in line with the govt. policy. While the Corporation exported wheat worth Rs. 164 crores in 2000-01, shipments worth Rs. 292 crores have already been effected during the current year till November 15, 2001.

With continued efforts, STC has been able to make a headway in undertaking export of sugar on its own account. Shipments worth Rs. 30 crores have been effected during the current financial year upto Nov. 30, 2001.

The Corporation’s non-canalised exports are expected to increase by 66% from Rs. 463 crores in 2000-01 to Rs. 771 crores in 2001-02. These have been projected to grow further by over 15% to Rs. 894 crores during the next financial year i.e. 2002-03.

Activities of STC in the North Eastern Region

During the year, STC’s branch office at Kolkata imported RBD palmolein on commercial basis for distribution against specific requirements. The branch also undertakes supply of tea to defence.

Minerals and Metals Trading Corporation of India Limited (MMTC)

MMTC happens to be a flagship company of the Indian government. It is India’s first superstar trading house which continues to be the country’s leader in mineral exports for four decades during the last decade with a standing the stiff competition in the world market. MMTC through its efforts diversified its markets, enlarged its product range, expanded its infrastructure facilities and expert ties in mineral operations. It has received the CAPEXIL (Chemical and Allied Products Export Promotion Council) Award for highest mineral exports tenth time in a row. MMTC has improved its performance for the ports especially at Vizag port, Chennai port, Marmugoa port and Paradip port. It trades in the iron ore, Manganese ore, chrome ore, and others (such as Barytes, Bentonite, Mud Chemicals, Bauxite, etc.).
MMTC is also a global player in the agro trade. It sources the items from established suppliers and competitive prices. It maintains strong links with the government and state marketing agencies. It deals in Soyabean Meal, Soyabean Oil, rice, wheat, sugar, cotton etc. has maintained trade links with Bangladesh, Indonesia, Sri Lanka, Phillipines etc.

MMTC, further, is India’s largest bullion trader. It imports around 50 tons of gold and 500 tons of silver annually. It is authorized for duty free imports of gold, silver and platinum for supplying to the exporters in India. It is also a leading retailer of quality jewellery. It has set up links with the reputed international suppliers listed with the London Bullion Market Association. It has a wide network of outlets for precious metals spread all over the country divided into four major zones and many sub-regional sales centers. It trades into gold, silver, platinum, diamonds, colored gemstones, gold and studded jewellery.

Table 6.2
Operational Performance of MMTC LIMITED (in Rs. crores)

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total Exports</td>
<td>1,603.56</td>
<td>1,153.84</td>
<td>1304.86</td>
</tr>
<tr>
<td>Canalised</td>
<td>1,275.46</td>
<td>953.84</td>
<td>964.91</td>
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<tr>
<td>Non-canalised</td>
<td>328.10</td>
<td>200.00</td>
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</tr>
<tr>
<td>TOTAL IMPORTS</td>
<td>3,641.14</td>
<td>3,526.77</td>
<td>4128.56</td>
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<tr>
<td>Canalised</td>
<td></td>
<td>85.41</td>
<td>34.04</td>
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<tr>
<td>Non-canalised</td>
<td>3,641.14</td>
<td>3,441.36</td>
<td>4094.52</td>
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<tr>
<td>DOMESTIC TRADE</td>
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<td>56.96</td>
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<tr>
<td>TOTAL TURNOV</td>
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<td>5301.66</td>
<td>4697.15</td>
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</tbody>
</table>

P: Provisional

MMTC EXPORTS

As per the current Export- Import Policy of Government of India (1997-2002), Iron ore of 64 % Fe. and above is only canalised through MMTC. The rest of the grades are allowed for export under OGL. Exports of manganese ore and chrome ore are canalised through MMTC subject to Government’s ceiling with respect to quantity and specifications.
During the year 2000-2001, MMTC's turnover of the above items reached Rs.1,268.89 crores as against Rs. 941.15 crores achieved in the year 1999-2000, an increase of 35%. The growth of the World crude steel industry by 7.1% to 843.7 million tonnes in 2000 from 787.8 million tonnes in 1999 helped to improve the export performance of the minerals. During this period, the Steel industry performance in Japan, S. Korea and China, which are our major markets for steel industry raw materials, also increased by 12.9%, 5.1%, and 1.9% respectively.

Iron ore is the major export item in mineral category. Japan, China and S. Korea continued to be the major markets for Iron Ore exports. MMTC's Iron Ore exports during the year 2000-2001 which were of the order of 15 million tonnes in quantitative terms, registered an increase of 29 % over the corresponding tonnage exported during the previous year. The growth was achieved mainly due to increased export of Iron Ore to Japan, S. Korea and China. While exports of Iron ore to Japan increased by 4.5 % and by 13 % to S. Korea, growth of export to China was 70 %. MMTC was able to increase its market share in China from 4.8 % in FY 1997-98 to 9.7 % in FY 2000-2001. The results could have been better but for infrastructural constraints especially at Chennai port. Export of Iron ore from Paradip reached 2.74 million tonnes during the year as against 0.94 million tonnes in the previous year reflecting a three fold increase. Similarly, MMTC's export of Iron ore from Vizag increased by 30 %.

The buoyancy in canalised mineral exports continued in the current year April-November, 2001 also. During the current year i.e., April – November, 2001, the export of canalised minerals increased to Rs. 879.70 crores as against Rs. 830.97 crores in the corresponding period of April – November, a growth of 5.86%.

With projections of sea borne trade of Iron ore to increase marginally for the year 2001-2002, China continued to offer growth potential for Iron ore exports. MMTC would be servicing this growing market from four ports in the east coast and one from the west coast viz., Haldia, Paradip, Vizag and Chennnai and one from the west coast viz., Goa with a wide range of lumps and fines of Iron ore to meet the varying needs of the Chinese customers. Further, MMTC has consolidated its marketing strategy by entering into long-term arrangements with Japan and S. Korea for the next five years. Long-term agreements have also been finalized with a few leading Chinese Steel Mills.

Mica waste which is obtained by processing Mica and which because of size and color is considered below the specifications of the processed mica is also allowed to be
exported through MMTC. During the year 2000-2001, Rs. 6.57 crores of this item was exported as against Rs. 12.70 crores exported in the year 1999-2000. In the current year, April- November, 2001 exports were of the order of Rs. 2.36 crores as against Rs. 2.76 crores in the corresponding period of the previous year.

The export of agro products during the year 2000-2001 were of the order of Rs. 174.4 crores as against Rs. 4.00 crores recorded in the year 1999-2000. However, during the current year i.e., April – November, 2001, export of agro products reached Rs. 184.99 crores as against Rs. 29.33 crores in the corresponding period of the previous year. During this period, exports of agro products like rice, wheat, sugar, soyabean meal, etc. were pursued aggressively.

During the year 2000-2001, exports of Gems & Jewellery were of the order of Rs. 18.75 crores as against Rs. 7.91 crores in the year 1999-2000. However, during April – November, 2001 exports were of the order of Rs. 2.95 crores as against Rs. 14.98 crores in the previous year. Exports are effected through overseas exhibitions and sales through duty free shop at Sahar International Airport at Mumbai. During the year, MMTC has successfully bagged allocation of 5 additional Duty Free shops, 3 at Mumbai International Airport and one each at Chennai and Thiruvananthapuram. Work is in progress for commissioning of these shops at the earliest.

In order to expand business, MMTC is entering into special trading arrangements and third country trade. During the year 2000-2001, exports under this category reached Rs. 21.62 crores as against Rs. 14.12 crores in the year 1999-2000. The main items traded under this category are Sulphur, Urea, DAP and Rock Phosphate to neighboring countries like Nepal and rice to Vietnam. During the current year also, MMTC has been participating regularly in tenders floated by Govt. agencies in the neighboring countries of SAARC and other countries.

Under General Trading, MMTC has been exporting items such as building materials, engineering item etc. Exports under general trade in the year 2000-2001 were of the order of Rs. 9.35 crores as against Rs. 13.55 crores in the year 1999-2000. In the current year viz., April – November, 2001 exports were of the order of Rs. 4.61 crores as against Rs. 8.56 crores during the corresponding period of the last year.

In the year 2000-2001, MMTC has diversified its portfolio to seek new business opportunities and for the first time an export order for 50,000 MT of pig iron was bagged.
and exported. Action plans have been drawn for further export of this item during the current year also.

**MMTC IMPORTS**

Canalized imports are restricted only to urea. Along with MMTC, import of urea is allowed by two other companies viz., IPL and STC. During the year 2000-2001, import of urea by MMTC was nil, as Department of Fertilizers had not allocated any urea under Government account due to sufficient availability of domestic material. However, in the current year, imports were of the order of Rs. 33.16 crores as against nil imports in the corresponding period of the previous year.

Import of urea is undertaken by MMTC as per allocation / authorization and delivery schedule given by the Department of Fertilizer.

In the year 2000-01, MMTC's non-canalised imports were of the order of Rs. 3,641.14 crores as against the import level of Rs 3,441.4 crores in the year 1999-2000, an increase of 5.8%. During the current year i.e., April – November, 2001, imports were of the order of Rs 3,674.02 crores as against Rs 2,523.35 crores imported in the corresponding period of the previous year, an increase of 45.6%. Non-canalised imports consist of mostly NFM, Fertilisers, Gold and Silver, Agro items, Coal & Hydrocarbons. The details of these imports are given below:

The import of precious metals reached Rs. 2,941.85 crores during the year 2000-2001, as against Rs. 2,556.1 crores in the year 1999-2000. During April – November, 2001, imports reached a level of Rs. 3,323.05 crores as against Rs. 2,013.08 crores in the corresponding period of the previous year, an increase of 39.4%.

The performance was achieved despite all round global depression, high volatility in international prices of gold, stiff competition from 16 other designated agencies by the Government of India. Innovative scheme of bullion supply with commitment to provide off the shelf supply to customer across the country are fetching better market penetration for the company.

During the year 2000-2001, the import turnover of Metals was of the order of Rs. 262.12 crores as against Rs. 295.6 crores in the year 1999-2000. During April – November, 2001, MMTC's Metal import is of the order of Rs. 69.12 crores as against Rs. 216.86 crores in the corresponding period of the previous year.
CHAPTER - VI
STATE TRADING AND ROLE OF PUBLIC SECTOR IN INDIA'S FOREIGN TRADE

The slow down in the industrial sector world-wide as well as in the domestic market continued to influence prices of the manufactures driving down demand as well as prices of base metals. Metal prices which are at new low are expected to remain depressed as the demand continue to remain sluggish.

MMTC's imports of fertilizers during the year 2000-01 were of the order of Rs. 18.67 crores as against Rs. 187.2 crores in the year 1999-2000.

Adequate availability of finished fertilizers in the country coupled with support through subsidies contained imports of fertilizers and its raw materials considerably during the year.

During April-November 2001, the imports were of the order of Rs. 22.42 crores as against Rs. 19.87 crores in the corresponding period of the previous year.

MMTC's imports of Coal & Hydrocarbons were Rs. 232.80 crores in 2000-01 as compared to Rs. 137.63 crores in 1999-2000, recording an impressive growth of about 70%. Amidst increasing competition, growth in business has been possible through innovative strategies, by providing value added services to existing customers as well as expanding customer base across the country. During the year, MMTC was successful in developing new business of bitumen by importing cargo worth Rs. 4.9 crores. In the area of parallel marketing of superior kerosene oil (SKO) despite competition from domestic producers, MMTC had imported SKO to the tune of Rs. 15.7 crores during 2000-01.

During April – November, 2001, the imports of coal were of the order of Rs. 99.17 crores. Action has already been taken to source and supply met-coke and coking coal for the NINL and KMCL projects having requirements of about 2 lakhs MT of coke upto March, 2002.

MMTC’s imports of agro products were of the order of Rs. 172.63 crores in the year 2000-2001 as against Rs. 254.32 crores in the year 1999-2000. During the year, there had been reduction in import of wheat, whereas edible oil imported from Malaysia to facilitate project export from India continued to fetch substantial volume of business. Diversification efforts fetched results and the group imported pulses worth Rs. 36.69 crores. During the current year i.e. April-November, 2001, agro imports were of the order of Rs. 156.75 crores as against Rs. 127.68 crores in the corresponding period of the previous year.
MMTC DOMESTIC TRADE

The main items dealt by MMTC under this category are precious metals, fertilizers and agro products. During the year 2000-2001, the total domestic trade of MMTC was of the order of Rs. 56.96 crores as against Rs. 16.53 crores in the year 1999-2000.

During the current year i.e. upto April - November, 2001 the total domestic trade was of the order of Rs. 20.72 crores as against Rs. 13.96 crores in the corresponding period of the previous year.

MMTC PROJECTIONS FOR 2001-2002

For the remaining months of the current year, following plans are on the anvil to achieve the MOU target of Rs. 6,505 crores for the year 2001-2002.

With respect to exports and imports, MMTC is confident of achieving its targets. But there could be some slippage on account of domestic trade due to delay in commissioning of NINL / KMCL projects of MMTC.

PEC LIMITED

The following table gives the performance Highlights for the year 2000-2001:

Table 6.3
Operational Performance of PEC2000-2001 (Rupee in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting</td>
<td>186692</td>
<td>145007</td>
</tr>
<tr>
<td>Sales Turnover</td>
<td>172918</td>
<td>152268</td>
</tr>
<tr>
<td>Income</td>
<td>2537</td>
<td>1858</td>
</tr>
<tr>
<td>Expenditure</td>
<td>2008</td>
<td>1607</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>519</td>
<td>267</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>258</td>
<td>160</td>
</tr>
<tr>
<td>Dividend</td>
<td>53</td>
<td>38</td>
</tr>
<tr>
<td>Equity</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Reserves</td>
<td>2097</td>
<td>1897</td>
</tr>
<tr>
<td>Net Worth</td>
<td>2247</td>
<td>2047</td>
</tr>
</tbody>
</table>

CHAPTER VI
STATE TRADING AND ROLE OF PUBLIC SECTOR IN INDIA’S FOREIGN TRADE

TURNOVER
The Sales Turnover of the Company for the last three years is as under:

Table 6.4
Sales Turnover of PEC (Rupee in Lakhs)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TURNOVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>78788</td>
</tr>
<tr>
<td>1999-00</td>
<td>152268</td>
</tr>
<tr>
<td>2000-01</td>
<td>172918</td>
</tr>
</tbody>
</table>


The Company achieved a total turnover of Rs. 1,72,918 lakhs during the year 2000-2001 as compared to Rs. 1,52,268 lakhs for the year 1999-2000. Thus, the Company has recorded a growth of 13.56% in turnover during the financial year 2000-01. The turnover comprises of export sales worth Rs. 57,216 lakhs, import sales of Rs.1,10,342 lakhs and domestic sales of Rs. 5,360 lakhs during the year. Profit before Tax registered an impressive increase of 94.38% after payment of Rs. 131 lakhs as VRS compensation to 18 employees.

EXPORTS
The composition of the export during the year 2000-01 and the comparative figures for the year 1999-2000 are placed below:

Table 6.5
Export Composition of PEC (Rupee in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>1999-2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>52645</td>
<td>2259</td>
</tr>
<tr>
<td>Engineering Equipment &amp; Projects Materials</td>
<td>4321</td>
<td>2086</td>
</tr>
<tr>
<td>Other Items</td>
<td>250</td>
<td>229</td>
</tr>
</tbody>
</table>


PEC has secured a turnkey contract for setting up 20,000 spindle textile spinning mill worth Rs. 197 million in Vietnam. The project has since been completed on 8th November, 2001. PEC has also successfully developed export of aluminium alloy strip to Vietnam for manufacture of electric bulbs and expects more business to come.

In a major breakthrough, PEC secured a contract for supply of Satellite Meteorological Data Dissemination Reception System worth Rs. 6.2 million to Bangladesh.
The contract has been successfully executed. During the year, PEC also exported buses, jeeps, service equipment, tyres & spares worth Rs. 73 million to Mauritius.

The contract for modernisation of Paper Project worth Rs. 59.6 million in Guyana was satisfactorily completed. PEC also completed erection and commissioning of Oxygen Gas Plant, Acetylene Gas Plant and Nuts & Bolts Manufacturing Plant in Myanmar. Erection work of LPG Cylinder Plant in Myanmar has since been completed on 5th September, 2001.

Other major exports during the year were supply of hand pumps to Ghana, cable accessories and support wire for bulb filament to Vietnam, lab equipments to Myanmar and Ethiopia, steel pipes to Abu Dhabi and copper reverts to China and Canada.

PEC supplied goods worth Rs. 37.5 million under India Technical & Economic Cooperation programme, which include agricultural equipments to Benin and wheat to Eritrea.

Wheat exports contributed substantially to Company’s exports. PEC exported about 1 million MT wheat aggregating to Rs. 480 crores. Sustained marketing efforts resulted in export of pulses and soyabean during the year.

Third country export of rice worth Rs. 237 million was undertaken during the year, in the process to liquidate Vietnam debt to Govt. of India.

Defence stores exports during the year include supply of air craft batteries, ammunition and spares to Middle East, Africa, Far East and South East Asia.

**IMPORTS**

During the year 2000-01, the Company achieved import turnover of Rs. 1,10,342 lakhs as compared to Rs. 1,46,836 lakhs in the previous year. The constituents of the import are Industrial Chemicals and Raw Materials, Timber, Edible Oils, commodities and misc. items. The composition of the import is placed below:
Table 6.6
Composition of Imports of PEC (Rupee in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>1999-2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold/Silver</td>
<td>64800</td>
<td>58910</td>
</tr>
<tr>
<td>Industrial Chemical</td>
<td>19165</td>
<td>17418</td>
</tr>
<tr>
<td>Raw Material</td>
<td>10029</td>
<td>-</td>
</tr>
<tr>
<td>Timber</td>
<td>11229</td>
<td>69103</td>
</tr>
<tr>
<td>Commodities</td>
<td>4456</td>
<td>-</td>
</tr>
<tr>
<td>Edible Oil</td>
<td>603</td>
<td>1405</td>
</tr>
<tr>
<td>Others</td>
<td>110342</td>
<td>146836</td>
</tr>
</tbody>
</table>


Bullion continued to be the major item with its import sales reaching Rs. 6,486 million during the year. Drawing upon the expertise gained over the years, PEC tapped sources of supply outside to service home industry by arranging bulk imports of coal and coke, kerosene and furnace oil, steel, timber and industrial raw materials. Agricultural commodities like sugar, pulses, maize, cotton seed oil and other edible oils were also imported.

HIGHLIGHTS OF THE YEAR 2001-2002

Table 6.7
MOU Targets & Actual Performance of PEC Up to Sept.2001

<table>
<thead>
<tr>
<th></th>
<th>Actual up to 30.9.2001</th>
<th>MOU Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in Lakhs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Turnover</td>
<td>76091</td>
<td>145000</td>
</tr>
<tr>
<td>Export</td>
<td>29570</td>
<td>25000</td>
</tr>
<tr>
<td>Import</td>
<td>46521</td>
<td>120000</td>
</tr>
<tr>
<td>Domestic</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Income</td>
<td>886</td>
<td>1760</td>
</tr>
<tr>
<td>Expenses</td>
<td>675</td>
<td>1420</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>211</td>
<td>340</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>189</td>
<td>260</td>
</tr>
<tr>
<td>Dividend</td>
<td>—</td>
<td>35</td>
</tr>
<tr>
<td>Equity</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Reserves</td>
<td>2286</td>
<td>2352</td>
</tr>
<tr>
<td>Net Worth</td>
<td>2436</td>
<td>2502</td>
</tr>
</tbody>
</table>

PEC looks optimistically at future and is gearing up to broaden its range of business. It has drawn a plan of action to increase engineering exports in select thrust markets in SAARC, South East Asia, Africa, West Asia and Latin America. PEC aims to be highly market-focused, flexible and responsive in the international and domestic trade.

PEC shall vigorously engage in linking the Indian farmer to world markets through agri exports. PEC realises agri exports are increasingly relevant in the context of overflowing granaries.

The Corporation has recently secured an export contract for Buses valued at Rs. 610 lakhs from National Transport Corporation, Mauritius and has also won a contract valued at Rs. 480 lakhs for export of family planning devices to Vietnam under international competitive bidding. Another contract valued at Rs. 180 lakhs for setting-up a tea factory in Sri Lanka has also been secured.

**EXPORT PROMOTION MEASURES – PEC LTD.**

1. International trading environment is changing rapidly. Indian economy has also not only grown at a faster pace during the last decade, but has also been integrating with the global economy. These changes would provide ample opportunities for those Indian companies to grow who are focussed, flexible and responsive to the market.

2. PEC have been exporting projects and equipments to developing countries. On the basis of its strength in export of projects and equipment and the prospects of export in the future, markets have been identified. These include 4 countries which are considered as traditional markets of PEC and 13 countries where there are prospects of export of projects and equipments by PEC.

   PEC shall focus its efforts to obtain export contracts from these countries.


**EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LIMITED (ECGCL)**

In 1957 when the Corporation was first established it was known as the Export Risk Insurance Corporation Limited. Later this was changed to Export Credit Guarantee Corporation of India Limited in view of its wider role.
The primary objective of the Corporation is to support the Country's exports, by providing:

(i) a range of insurance covers to Indian exporters against the risk of non-realisation of export proceeds due to commercial, or political causes; and

(ii) Different types of guarantees to Banks and other financial institutions to enable them to extend credit facilities to exporters on liberal basis.

Till now, ECGC is the only premier organisation in the country which offers export credit insurance cover to exporters, banks etc.

(V) SPICES TRADING CORPORATION LIMITED (STCL)

Establishment of STCL

The Spices Trading Corporation Limited was originally incorporated in the name and style "Cardamom Trading Corporation Limited" as a Private Limited Company under the Companies Act, 1956 in October 1982.

Consequent to the change of name, the Corporation obtained a fresh certificate of incorporation under the name of SPICES TRADING CORPORATION LIMITED with effect from August 1987.

The shares hitherto were held by the Department of Commerce, were transferred to the State Trading Corporation of India Limited as directed by the Department of Commerce and consequently the Company has become a subsidiary of the State Trading Corporation of India Limited with effect from 14.9.1999.

Objectives

The main objectives of the Corporation as adumbrated in its Memorandum of Association are:

- To carry on domestic and international trade in spices and spice products.
- To process and cure spices and manufacture spice products.
- To support, protect, maintain increase and promote the production of spices and spice products as also their sale and export.
- To undertake and promote research and development of spices and spice products.
- To promote and develop markets for spices and spice products.
Share Capital

The Share Capital of the Corporation as laid down in its amended Memorandum of Association is Rs. 5,00,00,000/- (Rupees Five crores), divided into 5,00,000 equity shares of Rs.100/- each (Five lakh equity shares of Rupees One hundred).

The Paid up Share Capital of the Corporation as on today is Rs. 1,50,00,000 (Rupees One Crore Fifty lakhs) comprising of 1,50,000 equity shares.

The purchase centers of Spices are spread over in the State of Tamil Nadu, Karnataka and Kerala whereas main Cardamom Collection Centers and Cardamom auctions are in the State of Kerala and Tamil Nadu.

The Corporation had 36 regular employees on its rolls as on 31.3.2001.

Achievements

The Financial Year in the new millennium has been an important milestone in the growth of the Corporation, as the Corporation achieved a turnover of Rs. 100.37 crores for the first time against previous year’s turnover of Rs. 80.71 crores. This achievement assumes greater importance as the Corporation surpassed the Rs. 100 crores mark in spite of the liberalised Import Policy without cananalised products of Cloves and Cassia which were the main stay of the Corporation during 1999-2000.

During 2000-2001, the Corporation has exported commodities valued at Rs. 53.40 crores registering an increase of 318.40% over the previous year and Rs. 46.97 crores towards Domestic Sales.

Due to Corporation’s sustained hard efforts in maximising its exports of Onion by utilising the released quota before due date, Government of India has nominated SPICES TRADING CORPN.LTD., as one of the Canalising Agency along with other Government Agencies. During the year, the Corporation has exported 12,328 MTs of onion valued at Rs. 1.22 crores and earned a reasonable profit by competing with other nominated agencies.

Besides, for the first time the Corporation has exported 4,228 MTs of Maize valued at Rs. 2.62 crores and subsequently in recognition of our achievement the Government of India has nominated S.T.C.L. as one of the nodal agency for export of Maize by allotting an additional quantity of 40,000 MTs. The Corporation is hopeful of completing the shipment of entire quantity as per schedule.

During 2000-2001, due to STC’s kind support, the Corporation could able to export 64,830 MTs of Wheat valued at Rs. 32.24 Crores for the first time and Corporation has
gained considerable experience in exporting of food grains and this would help the Corporation to enlarge its product portfolio.

The details of actual achievements during 2000-2001 and forecast for the year 2001-2002 are given below:

The performances of the Corporation are briefly enumerated below:

**Table 6.8**

Operational Performance of STCL (Rs. In Lakhs)

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>ACTUAL FOR 2000-2001</th>
<th>ESTIMATES FOR 2001-2002 (1.4.2001 to 31.3.2002)</th>
<th>ACTUAL FOR 2001 (UPTO 30.11.01) (Provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Sales</td>
<td>5339.78</td>
<td>7431.06</td>
<td>3549.93</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>4697.63</td>
<td>3592.35</td>
<td>6945.30</td>
</tr>
<tr>
<td>Total Sales</td>
<td>10037.41</td>
<td>11023.41</td>
<td>10495.23</td>
</tr>
<tr>
<td>Total Imports</td>
<td>2849.42</td>
<td>1564.25</td>
<td>2025.42</td>
</tr>
<tr>
<td>Capital Employed (Net)</td>
<td>569.07</td>
<td>500.00</td>
<td>495.00</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>241.78</td>
<td>195.39</td>
<td>206.63</td>
</tr>
<tr>
<td>Net profit (before tax)</td>
<td>119.51</td>
<td>126.10</td>
<td>113.80</td>
</tr>
</tbody>
</table>

*Source: Annual Report 2001-2002, Ministry of Commerce & Industry*

**STCL EXPORT PROMOTION MEASURES**

1. During the year 2001-02, the Corporation plans to export Spices, Onion, Potato, Red Split Lentils, Wheat, Maize and other Agricultural commodities valued at Rs. 7,431.06 lakhs which includes export on back to back contracts. The Corporation has already received and executed an export order for 15,000 MTs of Onion valued at Rs. 1,037.31 lakhs till 30.11.2001.

2. The Corporation will not take positions in procurement of Spices and other agricultural commodities for exports and would export only on back to back contracts. However, wherever it is possible and if there are no risks of price fluctuations, the Corporation may procure directly on contract to contract basis for exports.

3. The Corporation is in a position to export huge quantities of Cardamom and Black Pepper, if the procurement prices are competitive and matching to the international prices.

4. The Corporation has established good contacts with overseas buyers/importers in potential markets and during the current year, it is proposed to appoint agents globally to look after our trade interests.
References:

1. http://commerce.nic.in/