CHAPTER VII

FINDINGS, SUGGESTIONS AND CONCLUSIONS

INTRODUCTION

The main objective of this chapter is to present a summary of the work and to draw conclusions from the analysis. The present work is undertaken with a view to understand the need for augmenting exports from India and to suggest the strategies for growth and development of export based industries in India. The various findings relating to Gems and Jewellery exports, Textiles and Readymade Garments exports, and Engineering goods exports, which are lacunal in nature with possible remedial solutions are already presented at the end of each chapter. However, a nutshell presentation of various salient findings of the study are presented in this chapter.
Foreign Trade of India

Strategies in the New Trading Environment

Within the parameters of the extraneous factors such as protectionist measures by stronger countries, collapse of the USSR (biggest buyer of Indian goods) and blooming trade blocks in the world such as EEC, Japan led East Asian Countries, US led Canada group, the entire strategy for stepping up Indian exports with the various states' support in Indian Union and the necessary adjustments thereto, have to be given a serious thought. Especially, India needs urgently to sharpen its barter negotiations with the constituent republics of the erstwhile USSR.

Better coordination among the infrastructural agencies is needed

India is greatly handicapped in the shipping and allied services. To augment the competitive muscle of our exportables, infrastructural facilities like ports, air cargo complexes etc., need gear up as they constitute the back-bone of our export trade.

Quality and Confidence

Quality is the bed rock for continuous growth of exports. Not only the quality* but also unshakable confidence

* It is pertinent to note that EXIM Policy 1992-97 of Govt. of India contains launching of National campaign for quality awareness as one of important policy items.
in our labels, a good attractive and scientific packing, correct measurements - all these pave way for building up good foreign market.

**Consortium approach for small manufactures and the exporters.**

It is significant that our latest exports are the small manufacturers. This is where competition is sharpest, but expertise and infrastructural support are the least.

Major attention needs to be paid in this area. This is where the consortium approach would pay high dividends. Such approach backed with the necessary infrastructure of marketing management and export promotion and by eliminating competitive quotations, would help secure largest orders, reduce export expenses and adverse pressure on prices, terms of trade, modes of payment, deliveries and shipping.

**Government policies Needs Stability.**

Policy changes on exports or imports should not be too frequent as it affects the preparedness and confidence of the exporter. It takes time for the exporters and gain confidence in supplying those products/groups.

**Foreign Exchange - Need of the Hour:** The study reveals the importance of earning more and more foreign exchange by burgeoning India's trade with other countries and also by encouraging import institution to lessen the burden on the limitedly available
foreign exchange reserves. It is therefore, clear that the need for augmenting foreign exchange earnings is of paramount importance for the gigantic task of economic growth and industrialisation after the advent of independence.

**Rising Deficits in India's Foreign Trade:** India's balance of trade has all along been negative since the beginning of five year plans. In fact, rising trade deficits has become a feature of India's foreign trade. However, since the beginning of nineties, deficit in India's trade has started receding of course inconsistently.

**Growth in India's global trade visible:** It can be noticed through this study the value of exports has grown phenomenally during the beginning of nineties especially since 1991-92 by covering a larger portion of import burden. Of course imports also have out grown exports, reflecting the growing needs of India's industrial requirements.

**Coverage of Imports by Exports:** When viewed exports as a per cent of imports, the study reveals an interesting feature i.e. the sharp increase in the coverage of exports during eighties. This coverage ratio which was only 52.4 per cent led in the beginning of eighties, improved to about 70 per cent at the end of the decade (80s).

**India's share in world exports - Not satisfactory:** India's share in global trade is one of the lowest in the world. Notwithstanding all that growth witnessed in exports, India's share in world
exports diminished from 2 per cent in 1950 to 0.5 per cent in 1991. However, it slightly picked up by one point at the end of 1992.

Foreign trade profile greatly diversified: India's foreign trade profile has diversified to a large extent in terms of commodities since independence. The total commodities trade, either for export or import number nearly 6,700. Although India's traditional exports—tea, textile fabrics—continued to dominate the export scene, many non-traditional manufacturing items of various other industries, even project exports moving to the foreign markets.

Among imports, importance of industrial raw-materials and intermediates, capital goods and scarce chemical elements has gone up considerably. The importance of imports of manufactured consumer goods has declined very significantly.

On the export front, gems and jewellery, mineral, fuels and lubricants, chemical and allied products, ready made garments, machinery, transport equipment have registered greater gains, then such conventional items viz., tea, iron-ore, cashew, spices, etc.
Role of Government Institutions and Other Organisations in the Promotion of Foreign Trade

Promotional role by trading organisations: The study reveals that both public sector and private sector promotion organisations/institutions have been very helpful in augmenting exports of gems and jewellery, engineering goods and textiles from India. The organisations, namely, Trade Fair Authority of India, Export Promotion Councils of the respective items, Department of Commerce, Federation of Indian Export Organisations, Indian Institute of Foreign Trade, State Trading Corporation, Minerals and Metals Trading Corporation, Board of Trade, Export Processing Zones etc., have played their due role in the promotion of exports from India.

Trade fair and exhibitions played significant role: The supplementary role of various trade fairs and exhibitions in the promotion of exports has been well recognised. The various trade fairs and exhibitions arranged so far have boosted the image of our textile, gems and jewellery and engineering exports. The Government has come forward to help organising trade fairs, exhibitions, conduct of market surveys, export publicity, sending of trade delegations and teams through its market development assistance.

Novel and liberalised export measures: The Government of India has been undertaking from time to time measures to boost exports with a view to improve foreign exchange reserves position. These
measures include announcement of necessary changes in various policies such as trade, industrial, fiscal, monetary and exchange rate policies as also provision of adequate infrastructural support and institutional framework. Government's policies have also aimed at removing irritants on the way for successful implementation of its trade policies.

New Industrial Policy - Its renewed thrust on exports: The new economic policy of Government of India encourages foreign investment and provides enhancement access to the state of the art technology to enable advances in production techniques and to help attain international competitiveness. For instance the use of foreign brand name or trade mark of goods is also now being permitted freely. Recognising the potential for export growth in the readymade garments sector, the investment ailing in plant and machinery has been raised to Rs. 3 crores to permeate high doses of technology for quality improvement of exportables. The Export Promotion Capital Goods (EPCG) Scheme offers entitlement to import capital goods at concessional rates. Thus the study reveals freedom in the field of foreign trade with fewer restrictions and less administrative controls.

Gems and Jewellery Exports

Gems and Jewellery - A Major growth sector: Jewellery making has been a major growth sector in India's exports. Indian diamonds have become the most sought-after mineral all over the globe. Apart from its attraction as a gem, it has varied uses.
Therefore, the demand for the crystal is ever increasing.

India - The largest exporter of diamonds: India is now one of the largest exporters of cut and polished diamonds in the world. It accounts for 70 per cent of the world scales. India supports a large diamond cutting and polishing industry.

Diamond Exports: A phenomenal growth: A phenomenal growth in India's exports of gems and jewellery is visible from a meagre amount of Rs. 4 crores in 1960-61, the trade has shot up to more than Rs. 11,000 crores during the first half of nineties. This shows the magnitude of this sector's contribution to India's foreign trade earnings.

Import oriented nature of gems and jewellery exports: The gems and jewellery export sector is highly import oriented. Imports of items comprising raw materials for this industry namely rough precious, semi-precious stones had also grown over the years. Overall imports of the industry rose from Rs. 402.9 crores in 1980-81 to Rs. 3732.3 crores in 1991-92. The study also reveals that the net exchange earnings of the industry also rose considerably. Imports of raw materials of gems and jewellery as percentage of exports of these items remained sizeable proportion throughout the eighties.

Cut and Polished diamonds contributed major share: Diamonds alone accounted for more than 90 per cent. In fact cut and polished diamonds remain single-largest items which has made
significant contribution to the export effort of this sector. The other two main items in the order are gold jewellery and pearls. Diamond exports whose worth was just Rs. 550 crores in 1979-80 rose to more than 4000 crores at the end of eighties.

USA - An important destination: The USA is an important destination for India's gems and jewellery exports with an intake of more than 3 per cent at the end of 1993-94. The share of Hong Kong in the total intake of gem and jewellery from India rose significantly during the early nineties.

Majority of our gold, jewellery exports are made to UK, UAE, Kuwait and Dubai, taken together, the USA, Japan, Belgium and Hong Kong which account for about 80 per cent share in India's total exports of this thrust sector. The share of Hong Kong in the total intake of gem and jewellery from India significantly increased from 11.3 per cent in 1987-88 to 22.4 per cent in 1993-94.

Number of registered exporters increased: The number of members and registered exporters of Gems and Jewellery Export Promotion Council has increased during the last five years (1990-94). The number of members and registered exporters increased from 4859 and 4385 in 1989-90 to 5895 and 5590 in 1993-94 respectively.

Changes in EXIM Policy: The Government has made appropriate change in the Export-Import Policy and procedures for boosting the exports of gems and jewellery. These changes mainly relate
to a) import of rough diamonds and thereafter export of cut and polished diamonds, (b) to streamline the imports of rough diamonds the basic raw material for gems and jewellery exports (c) introduction of two new schemes for export of silver jewellery and article against silver supplied by the foreign buyer and the export promotion and replenishment scheme for silver jewellery and silver articles. All these schemes are intended to boost up exports of gems and jewellery from India.

**Liberalisation of import of machinery and equipment boosted exports:** The impressive growth of gems and jewellery sector has been due to the response of the industry to the liberalisation of import of machinery and equipment needed in that sector. 107 items of machinery, tools and equipment used in the gems and jewellery industries have been placed under OGL with a concessional import duty of 35 per cent.

**Special Export Processing Zones:** As an incentive the Government has modified the value addition requirement to be 15 per cent for studded jewellery and 10 per cent for plain gold jewellery for the gold jewellery units set up in special 100 per cent export processing zones.

To encourage exports, the Government has initiated gold jewellery manufacturing in export zones. These units are allowed to import directly all the gold, gold components or alloys
they required. The new export-import policy treated gems and jewellery exports as a thrust area and incorporated a number of provisions to boost up exports.

**Organisation Role**: There are many organisations playing an important role in the promotion of gems and jewellery exports, important among them are Jhandewalan Complex in Delhi, Minerals complexes, Inter Gold (India) Limited, Handicrafts and Handlooms Export Corporation (HHEC), Diamond Trading Company (DTC) etc.

**Diamond Exploration - Gate opened for foreign participation**: The government has liberalised its industrial policy by opening the door to foreign participation in various industrial sectors requiring modernisation and the introduction of state of the art technologies. Earlier such exploration and exploitation of diamonds in India only by the Government or the public sector.

**Marketing practices need gearing-up**: Notwithstanding the praise-worthy export performance of the Indian diamond industry, its marketing practices still lack compatibility. Unlike Belgium and Israel, India lacks the facility of trading in diamonds. Establishment of a full-fledged Diamond Exchange with all the necessary infrastructure and incentives to widen the range of merchandise through import for export of medium and large size diamonds can help this sector further expand its exchange earnings.

Product and market diversification, research and development, special infrastructure for hallmarking and design development, publicity campaigns etc., are some areas which need immediate attention.
**Nood for effective marketing infrastructure:** There has been no systematic distribution and marketing arrangements in tune with the customary trading practices prevailing in the leading centres of the world. An effective marketing infrastructure is needed for gold jewellery exports in order to fully exploit the potential demand from such countries as North America, Latin America, Japan, Belgium and Switzerland.

**More concentration is required on Japan market:** Japan used to be the second largest importer of diamonds from India. Now it is slowly switched to Israel. This has been attributed to erratic supplies of Indian diamonds. India has failed to adopt any long-term strategy, which is so indispensable for gaining a firm foothold in this market. India should undertake a publicity campaign in Japan as an intensive scale to open up potential demand.

**Gold Imports are essential:** Gold imports into India should be allowed on a condition that the rupee proceeds of such imported gold shall be non-repatriable. This is suggested with a view to discourage smuggling of gold into country and to that extent reduced the demand for foreign currency in the open market, consequently increasing the values of in rupee in terms of US dollars and other major world currencies. Direct import of gold by Government agencies can also be considered with a view to create a buffer stock and sell the metal in the market whenever abnormal situation arise.
More R & D Efforts Required: R & D efforts are not in commensurate with the requirements of the diamond industry. It maintains close contacts with similar institutions in the country and obtains assistance from various institutes abroad. The R & D efforts are being directed towards the development of large-sized diamonds sawing machines and tools. India is famous in the field of cutting small diamonds, but the realisation per caret is low due to outmoded processes, techniques and tools which after result in an average quality finish with the modern techniques of cutting and polishing a net three to four per cent increase in the yield would be possible.

Infrastructural inadequacies: Most of the diamond cutting units are using traditional methods of cutting and polishing, resulting in higher weight loss and poor quality. By and large, artisans work on piece rate basis and use outmoded tools and techniques. Some of the in the industry are casual workers who do cutting and polishing work to supplement their agricultural income. This casual involvement is not conducive to the healthy growth of the industry.

Appropriate changes in marketing techniques: There is need for appropriate changes in marketing techniques with emphasis on direct selling. While existing marketing arrangements have yielded good dividends, changes should be tought of in view of new players entering the international market for instance, efforts must be made to sell directly to west Asian buyers who have
both the purchasing power and the desire to acquire diamonds instead of exporting to New York and Hong Kong which in turn do switch trade with West Asia.

Greater Cooperation from Industry sought: India can become a leading diamonds, precious stones and jewellery manufacturing centre and compete with world centres. But what does India need to convert the scope into reality and potential into realisation. This could come about if there was more interest and support from government and greater cooperation from the jewellery and gem industry associations.

Measures needed to boost diamond exports: For the promotion of exports of jewellery and precious stones, the following measures are suggested; legislation to protect the buyer against getting substandard jewellery; more participation by India jewellers in international fairs, setting up a very profile public relations campaign promoting Indian Jewellery consumer markets such as the USA and Japan; taking bold steps such as allowing jewellers to take gold jewellery abroad for sale or return without bank guarantee etc.

It can be concluded here that the gems and jewellery industry has become a dynamic export sector of our economy, for a very large percentage in the total exports of our country belongs to this sector. A further strengthening of infrastructural base and easing of certain norms for import of raw material will
go a long way in boosting the exports of gems and jewellery from India.

Textiles Exports from India

Textiles Industry: A thrust sector for exports: Textiles industry occupies a pride of place in Indian economy with a considerable weightage of production and export. Exports of textiles account for about thirty per cent of India's total exports. Identified as one of the thrust sectors for exports, textiles products hold very good prospects for exports development.

Large Scale Employment in Textile Industry: This industry provides employment to about 10 lakhs workers and if we take their families into account, it amounts to 55 lakh workers at the rate of 5 persons per family. The un-organised sector too is a big employer, presently catering for over hundred lakh workers, and holding prospects of greater expansion.

Textile export sector - Highest net foreign exchange earner:

Textile exports have emerged as one of the highest net foreign exchange earners for India and the import content in textile exports production is relatively low.

Tremendous strides in recent times: Textiles exports from India have made considerable strides in the recent past and occupy a significant share in our total exports. Exports grew from Rs.443 crores in 1982-83 to Rs. 12881 crores in 1992-93. In other words in percentage of textile exports in the total exports of India increases from 5 per cent in 1982-83 to 24 per cent in
1992-93. This percentage share was consistently increasing.

**Composition of textile exports** : Textile exports from India comprises ready made garments, cotton yarn fabrics, made-ups, natural silk textiles, wool and woollen manufactures, coir and coir manufactures, jute manufactures, etc.

**Prominace of Woollen Knitwear exports** : Exports of woollen knitwear is expected to register 25 per cent increase by the end of the Eighth Plan. An annual level of exports of Rs. 1327 million is estimated for 1994-95 with about a quarter of its total production being exported, the woollen knitwear industry is one of the export - oriented industries of India.

Exports of woollen and woollen manufactures which constituted 0.5 per cent of the total textiles exports in 1988-89 increased to 0.9 per cent at the end of 1992-93. When compared to 1988-89, woollen and woollen manufactures increased by five and half times in 1992-93.

**Readymade Garment Exports**

**Readymade garments - Remarkable progress** : Exports of ready-made garments from India have witnessed remarkable progress during eighties. Readymade garments constituted a consistent share of more than 50 per cent from 1988-89 to 1992-93. There was three and half times increase in export of readymade garments in 1992-93 when compared to 1988-89.
Major markets for readymade garments: Nearly 81 per cent of exports of readymade garments from India are absorbed by USA and West European countries.

Composition of Readymade garment exports: Major portion of the exports consists of sensitive or restricted items which fall under quota restriction in the major markets. Such items in terms of quantity accounted for 65.23 per cent at the end of 1992. The share of non-restricted and that of outside bilateral agreement were 19.4 per cent and 15.4 per cent respectively at the end of 1992. During eighties, mill made cotton cloth constituted a large part of total cotton textile exports. The share of made-ups and powerlooms was consistent in the total exports of cotton textiles. One can observe that value of various constituent exports of cotton textiles had an overall increase in absolute terms during eighties. Similarly cotton yarn fabrics, made-ups, man-made textiles, natural silk textiles, coir and coir manufactures, jute manufactures have had their contribution in the overall textile exports.

Global imports of clothing growing: Global imports of clothing touch a stupendous level of US $ 66 billion in 1994. USA and EEC together accounted for almost 70 per cent of the global imports. During eighties, garments of woven fabrics have a higher share in world trade knitted garments. Hong Kong, Italy, Republic of Korea and Germany figure as the most prominent suppliers of garments.
Government policy initiatives: A number of policy and procedural initiatives have been taken up to help textiles achieve its full potential. The initiatives include setting up joint venture with garment manufacturers of Singapore, Hong Kong, Japan and South Korea; reservation of five per cent of the export quota of fabrics and made-ups under bilateral agreements exclusively for powerloom manufacturers; special steps to combat sickness in the industry; announcement of a three year garment export policy aimed at achieving higher unit value realisation; and bringing an orderly development of stability in export trade, etc.

AEPC role laudable: The institutional role played by the Apparels Export Promotion Council (AEPC) by undertaking various promotional measures for textiles export promotion is praiseworthy. The council organises participation in important international trade fairs, exhibitions, buyer-seller meets in various countries. The council also monitors trade information centres for the benefit of Indian garment exporters.

Taking organisance of global development is important: Development by the Indian industry merely on the basis of export labour-cost advantages may prove illusory in future. In view of world garment industry beaming highly specialised, technological innovations have ushered in a sea-change in apparel industry. In some countries technological improvements have been brought about in garment manufacture through the introduction of micro-electronic process in pre-assembly and post-assembly.
operations. This development is reported to have effected saving in terms of labour and time related costs, policy initiatives, promotional programmes and support measures have to take cognizance of the international developments in clothing industry.

Garment sector achieved but only limited growth: The existing bilateral arrangements, the Indian garment sector will achieve the permitted growth even with the present range of products. But this alone will not assure a quantum jump in the future exports of the garment industry. It is pertinent to note that India's share in global trade in garments has been hovering around two per cent for a number of years. It is obvious that Indian garment industry has not been able to better its share in all these years.

Competition from other countries is a challenge: It is clear that Indian garment industry cannot afford to live with illusory growth in view of the fast up-coming competition from China and other neighbouring countries. To counteract this, the garment sector has to look beyond the quota markets and the present line of exports. Then only it will be able to maintain and improve the present rate of growth of over 20 per cent during the Eighth Plan period and beyond and also strive for better share in international trade.

Strategies for Export Promotion: The following are some of the strategies suggested for export expansion.
(a) **Product diversification** : The future growth of the industry is largely dependent on the diversification of product and markets. India's garments trade is very much concentrated in the leisure-wear market that too with a limited large of items, India is yet to enter on large scale the fashion garments whose unit value realisation is the highest. Hi-fashion garments can be ultimate goal.

(b) **Market diversification** : Product diversification will be greatly dependent on the extent of market diversification. India's exports are primarily directed to quota countries i.e. USA and EEC. Garments industry's dependence on these markets cannot be minimised as they are the world's largest importers of clothing. The process of developing the markets will have to be taken up in stages. A few exports units can be identified and entrusted with the responsibility of developing each identified market.

(c) **Removal of marketing constraints** : Export efforts of the woollen knitwear industry suffers from numerous problems like lack of commercial intelligence and market information, lack of customs duties an import of spinning machinery, weak financial position of the industry. All these irritants have to be tackled for argumenting overall exports of textiles.

(d) **Insufficient number of flights and accumulation of export cargo** : Often exporters in India fear of cancellation of orders by foreign buyers owing to accumulation of export cargo at airports like
Bombay and Delhi. Sufficient number of flights have to be arranged by the air-port authorities.

(e) Agronomists have to evolve high yielding varieties to cotton and other inputs for increasing productivity of cotton. Effective sufficient measures for quality control at the level of mills and further inspection are very important for product development research.

(f) Some other important measures like bilateral import of fabrics rigorous checking system within the factory before the garments are packed, commissioning of designers of international repute, adopting of good packing system of international standards, enhancing of good scope of business through product diversification, uninterrupted supply of raw material at international prices are some of the suggestions for increasing the share of Indian textile in the Global trade.

Textile industry - Besieged with sickness: While some textile organisations prospered, expanded and became the leading the industrial organisation in India. Wherein the some environment others became anaemic and ailing. Thus the spectre of sickness is haunting the textile industry. Strategic planning for textiles industry is suggested so that external factors such as slow growth in demand for conventional fabrics and buyers market, changing consumer preferences and developing market segmentation which require high speed automatic capital intensive technology.
Active selling, good designs, hi-tech machinery, higher marketing skills and more trained personnel called to considered for combating sickness.

It can be as a whole concluded that India's textile industry will continue to have a prospective time for its exports in future and the textile exports have made a steady progress during the last few decades.

Engineering Exports of India

Engineering Industry - A fact developing sector: Engineering Industry today occupies a strategic place in the India's economy. Engineering industry is regarded as one of the fast developing sectors of the Indian economy. It accounts for nearly one-third of the productive capital and value added output in the organised sector and 40 per cent of the India's joint ventures abroad. Described as the mother industry and engine of growth, engineering industry has a major role to play.

Thrust basis for augmenting engineering exports: Government of India has planned to have a major break through in engineering goods by making the industry internationally competitive in terms of the level of technology and quality. Therefore, development of new product designs and quality for prevailing levels of technology to gear up our export capabilities have become imperative.
Engineering industry helped satisfy indigenous needs: Development of some selected engineering industries on a thrust basis was contemplated long back in the Fifth Plan not only to augment our exports but also to develop import substitution.

Engineering goods - An important segment in India's exports: The past four decades of engineering industry in India has been a story of growth and accomplishment of export targets of items. Exports of engineering goods rose from a meagre level of Rs. 5 crores in 1955-56 to about Rs. 4,858.4 crores in 1992-92. During sixties and seventies export of engineering goods from India attained highest growth rates.

Ups and downs for engineering exports during 80s: There were many ups and downs in the growth of India's engineering exports during eighties. In the first half of eighties, the annual growth in the engineering exports was barely 5 per cent in the face of stiff competition from Taiwan, South Korea, China and other emerging nations. The share of engineering goods in India's exports reached maximum at 14.03 per cent in 1982-83 and started falling in the subsequent years. The reasons for this low performance could be attributed to the steep increase in the cost of domestic inputs during eighties which had eroded the price competitiveness enjoyed by the engineering exports during seventies.

Engineering exports - A breakthrough achieved: A breakthrough in the export of our engineering goods is, however, discernable
towards the end of eighties. The growth in India's engineering exports never looked back and the percentage increase in exports since 1989-90 and the annual rate of Rs. 5052 crores (average export value of 1989-90 to 1993-94). In other words, engineering exports grew by almost three times from Rs. 3277 crores in 1989-90 to Rs. 9484 crores in 1993-94.

**Consistent increase in the GNP**: The percentage of engineering exports in the GNP was on the whole consistently increasing. For the first time the percentage of engineering exports in GNP crossed 1 per cent and it was 1.36 per cent in the GNP at the end of 1993-94. The increasing share of engineering exports in the GNP also indicate the growing capabilities of indigenous industry.

**Important items of engineering exports**: The main item under engineering sector exports comprises ferro alloys, non-ferous metals, machine tools, machinery and instruments, transports, transport equipment, residual engineering items, iron and steel bar/rods and primary and semi-finished iron and steel.

**Engineering sector: largest contributor to India's non-traditional exports**: The non-traditional items of exports that have assumed a considerable significance in recent years are from the engineering sector only. The share of engineering items in the non-traditional exports rose to 24.07 per cent from 19.5 per cent in 1984-85 which is nearly 48 per cent of the total
non-traditional exports during 1992-93. It can, thus, be concluded that the overall lead held by engineering goods to the contribution of non-traditional exports from India has been a well established fact.

**India's share in world engineering exports is meagre:** India is miles to go before it can establish herself as a major exporter of engineering goods in the world market. India's share in the sector is only 0.13 per cent. However, it has been forecast that the share of India's engineering exports in world exports would grow in considerable terms by the end of 2000 A.D.

**Engineering imports on the rise:** The total value of imports of engineering goods has almost been rising throughout the period. India's need for engineering items did not decline despite the indigenous capabilities it has developed over the years. Engineering imports rose to Rs. 20,660 crores in 1993-94. Of all the engineering imports capital goods constituted a premier share in the engineering imports of India. Capital goods imports having formed the basis for India's industrial infrastructure, thus, have become the prominent component of India's engineering exports.

**Growing engineering exports as percentage of engineering imports:** It can be noticed that the growth in the percentage share of engineering exports in engineering imports had been due to the
enormous increase in the total engineering exports from India during the eighties. The percentage share of engineering exports in engineering imports had reached the highest over i.e. 50 per cent in 1992-93 but later fell to 45.9 per cent in 1993-94. It could be concluded that our engineering exports have poised to relieve India much of her foreign exchange crisis in the years to come.

**Diminishing share of engineering imports in the total imports:** Nearly 50 per cent of India's imports were constituted by engineering items in the beginning of nineties. Since, India was embarking upon building up of infrastructural strength it has to import huge capital goods. Since 1991-92, the percentage share of engineering imports in the total imports could be brought to a very respectable level of around 24 per cent (an average of the three years 1991-93).

**Diversified directional pattern:** The directional pattern of India's engineering exports has also been diversified to a large extent in recent times. Continentwise, Asia consumed 40.7 per cent of India's engineering exports, followed by Europe, America, Africa, Australia and Oceanic islands.

**The USSR - Once largest buyer:** The value of engineering exports to Russia declined since the beginning of nineties mainly because of the disintegration of the Soviet Union.
USA—the biggest customer: The USA is the biggest customer for India's engineering items at present. At the end of 1994-95, the share of the USA increased to 12.4 per cent in the total engineering exports from India. The other important countries are U.K., Germany, France, Italy, Belgium etc.

Mending exporting practices and marketing approaches: Indian exporters will have to do a lot towards mending their exporting practices and marketing approach. The following areas viz. finishing and packaging, general upgradation of India's hand tool industry, qualitative improvement of selected engineering appointment of consultant for related items fully acquainted with industrial norms, production processes, standards, marketing requirements etc., satisfactory delivery schedules of Indian manufactures, full exploitation of opportunities in sub-contracting by providing quality standards, instant communications through latest electronic media to overcome the handicap of time and distance are some of the aspects need immediate attention for augmenting engineering exports from India.

Prospects for engineering goods: A sectoral analysis indicates a mixed picture of the fortunes of the Indian engineering industry. While some sectors have shown commendable growth rate and foresee continuing growth, there is cause for concern in other sectors. Bright prospects are forecast for food processing equipment, pump industry industrial furnaces sector, entertainment electronics sector, alloy and special steel sector,
secondary steel industry, consultancy projects in African countries, compressors and parts to the USA and watch products.

**Institutional role laudable:** Government have also taken initiative to pave way for the establishment of various public and private organisations/corporations especially to facilitate engineering exports from India. The organisations like Confederation of Engineering Industry (CEII), Engineering Projects India Ltd (EPIL), Export-Import Bank, Indian Institute of Foreign Trade, Indian Overseas Construction Corporation (IOCC), State Trading Corporation of India, Engineering Export Promotion Council (EEPC), etc., contributed their lot to the growth of engineering exports from India.

**Simplification of export documentation:** Government have initiated many measures to boost exports of engineering goods by making them cost competitive, technologically viable and profitable. Government initiated to simplify export documentation by replacing the list of too-many documents. The Government have also taken steps to revise the classification of engineering commodities to bring it on harmony with international practice.

**Measures to promote export projects:** The Government has taken number of measures to promote the export of projects and consultancy services. These include grant of project assistance of 10 per cent of the net foreign exchange earnings from the services, portion of the contracts market development assistance, reimbursement of 50 per cent of the cost of preparation and
submission of birds and extension of line of credit by Export-Import Bank of India besides suppliers credit, etc. All these are intended to encouraging the export of projects in the face of still competition from other countries.

**Other Suggestions relating to Engineering Exports:**

(a) Major export-industries should as those which export more than one-fourth of their output should be provided with higher cash compensatory support and relatively lower duty on raw materials and inputs. Such sectors should be declared as "priority areas" including for the purposes of ensuring uninterrupted power supply and essential services and application of labour legislation.

Certain issues relating to duty drawback refund which have been pending with the Government for quite some time must be settled.

(b) A striking feature of Indian tariff code is the high levels of tariff for intermediate goods and capital goods as well which is quite unusual when compared with other countries which have high tariffs.

Therefore, a serious attempt must be made (i) to bring down the average rate of tariff from the existing 100 to 130 per cent to a reasonable level and (ii) to remove existing anomalies in the present structure that no industry suffers from negative protection. Such a reform would also imply adjustment of our exchange rate policy.
Our exchange rate policy must be more aggressively weighted in favour of exporters. The depreciation of the U.S. dollar with respect to other hard currencies has helped us to depreciate with respect to some of our major trade partners. The gains in exports to these countries are obvious. As the U.S. dollar stabilises it will become important that they continue to be in competitiveness with respect to some of our competitor countries. This implies that we must maintain an aggressive exchange rate stance with respect to our competitor countries along with those of our trading partners.

(c) Collection and dissemination of the detailed information regarding market requirements of the importing countries including their import regulations, tariff structures, etc., and also carry out detailed studies of the activities of the competitor countries in respect of products to be exported from India are necessary.

(d) Entry Support for Engineering Export: The suggestion given by the Planning Commission sub-group on engineering goods exports in respect of giving entry price support manufacturers needs immediate implementation for achieving a breakthrough into the global market. It has said that if the eight plan is to witness a sharp rise in engineering exports to the developed markets, a critical factor will be entry price which must be 15 per cent lower than that of existing suppliers.

It is suggested with a rising volume of supplies the differential can be reduced from 15 to 10 to 5 over a period
of 3 years. Without this entry price support, the Indian engineering companies are not going to achieve any appreciable success. The Government, therefore, have to give support for the selected products for a specified market. This is the cost of market entry.

The crucial issue is the identification of selected thrust industries for the export drive of the 90s. The priority industries in the engineering sector for export could be vehicles (commercial) /jeeps/ 2.3 wheelers, G.P. machine tools, select auto parts; industrial castings/ forgings/ valves; bicycle and parts; power equipment; pipes and tubes; pumps and railway wagons.

All these thrust industries must have appropriate policy packages framed, announced and implemented by 1989 and should be the base for the export planning for these sectors and companies in these sectors, for the Eighth Plan.

(e) To encourage Research and Development additional fiscal incentives to be considered by the Government and expenditure on product design and redesign and sponsoring of such project work in technical, academic institutions should be considered as Research and Development (R and D) expenditure.

(f) To bring an increase in the engineering production of our country is, no doubt, a laudable object. However, this increase may not necessarily lead to higher exports unless the
factors that influence exports viz., cost of production, marketing support and financing techniques are given due fill up.

(g) The export oriented firms should have access to duty exempted capital goods either through imports or through domestic sources, the current rates of customs duty of 90 per cent and above on imports of capital goods is a significant impediment to modernise for export oriented firms. In a competitive international environment, the rate of capital obsolescence is high and our exporters are unable to keep up with the pace of modernisation with the current burden of customs duties.

It should be possible for the Government to devise a scheme where by all duties on capital goods are reimbursed. The exporters should be allowed to utilise a small portion of their foreign exchange earnings for importing any commodity, except those on the banned list, without any licensing formalities.

(h) Non-availability of railway freight subsidies for up-country units and subsequent rise in cargo handling charges by port authorities, inadequate marketing data and delay in receipt of tenders and overseas enquiries, lack of publicity and campaign, both at unit and institutional level lack of higher lobbying with the multinational funds agencies for maturity of Indian bids and orders, erratic buying pattern of East European
organisations and absence of granting buyers who are facing severe resource crunch are the other problems confronting the Indian engineering exports.

The common constraints on exports are identified as delay in audit in customs book and advance licensing for Western and Southern regions, procedural problems in Eastern region, uncompetitive input prices common to all regions, higher hinterland freight for Northern region, shipping bottlenecks for the Eastern region, higher freight common to all regions, power problems in North-East and South and delaying in IPRS clearances common to all regions.

Suggestions Relating to Project Exports

There is a greater need for augmenting project exports as they could have a substantial role to play in furthering the export of engineering goods. The project export growth has been somewhat limited on account of combination of various factors, such as:

(a) Lack of substantial funds for finance in the form of credit lines being offered by India to the recipient countries of project exports.

(b) Lack of competitiveness in bagging contracts funded by world bank, ADB, African Development Bank, etc.,

(c) Lack of adequate consultancy capability in the country to support a quantum jump for project exports.

(d) Inadequacies in the domestic base of industries structure, project management and implementation capabilities.
It may be recognised that the scheme of various incentives procedures and related matters in respect of project exports presently are in a state of constant modification and improvement which is perhaps partly due to the fact that project exports activities are of relatively recent nature and various problems that are creeping up from time to time require necessary adjustments.

It is clear now that the engineering industry has established weep roots and poised for further growth in exports with all governmental support being meted out to it. Engineering industry is no doubt poised for a big share in India's overall exports.

CONCLUSION: Foreign trade augmentation is imperative for economic growth for any country in the long run. India's exports have gained some rapid strides since the beginning of nineties. Notwithstanding this, as many of the difficulties experienced upto the end of eighties will continue with varying degree of severity during nineties and the economy would be facing a serious balance of payments deficit and foreign exchange crisis, it will be necessary to put in more vigorous efforts to atleast achieve a respectable rate of growth so that share of India in global exports could be increased. Growth in India's exports could be augmented by concentrating the efforts on the thrust sector like engineering, gems and jewellery and textiles which have emerged as the most important contributors to India's foreign exchange exchequer.