FINDINGS AND CONCLUSIONS

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 Andhra Pradesh and to suggest the strategies for growth and development of export based industries in Andhra Pradesh. The various findings relating to the work are lacunial in nature with possible remedial solutions as given under.

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 blossoming trade blocks in the world such as ESC, 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 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.

* It is pertinent to note that the EXIM Policy 1992-97 of Govt. of India contains launching of National campaign for quality awareness as one of important policy items.
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 Need 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 to make contacts with the importers and gain confidence in supplying those products/groups.

A) **EXPORT OF AGRICULTURAL AND AGRO-BASED INDUSTRIAL PRODUCTS FROM ANDHRA PRADESH**

**Thrust Product/Groups Identified: Constraints and Suggestions**

Andhra Pradesh is endowed with natural resources such as fertile land, rivers, forests and energy. The Government of India has consulted Andhra Pradesh recently.

* Consortium approach refers to making a united effort by small manufacturer - exporters by eliminating competition between them.
for a planned production programme for export purpose in the product/group like (a) Basumati rice, (b) fruits and vegetables; (c) meat and meat preparations and (d) marine products which were identified as 'Thrust Product Groups' by the Govt. of India.

(a) Basumati rice from Andhra Pradesh is gaining acceptability in the markets of Persian Gulf, U.K. and Common Wealth Independent States (C.I.S.).

Generally Basumati rice is used by rich people only in India. So there would be no problem of affecting the poor if Basumati rice is exported more and more. But adulteration of other varieties is affecting our credibility. The other constraint is that hitherto our Government is permitting to export the surplus of rice after meeting domestic needs. But if we want to earn more of foreign exchange, exports of cereals like Basumati rice should be encouraged without reference to domestic needs.

(b) Fruits and juices and vegetables

There are 55 units processing fruits and vegetables in the State, out of which 14 are large and medium scale industries, 14 are small scale and the rest
are in cottage homescalised.

Most of the small and medium scale units are situated in Chittoor and Nuzvid areas. All the units are seasonal and work only around three months in mango season. It is noted that most of the units do the job work on behalf of some exporter or other and the major part of the profit is taken away by the middlemen.

Clean food exporters a unit of NIMCO group have their own export house, other units such as Krishna Fruit Products and Navras Fruit Products mainly depend on the erstwhile Russian market and the position of this market fluctuates every year.

Other problems faced by these units are lack of modern processing technology and packaging material which need immediate attention. Global demand for fruits and fruit juices and vegetables is fast increasing. According to Swiss trade circles observation that the trend in syrups of Lynches and mangoes is fast increasing and that of Guava and papaya is stable. Among other juices, orange and pine-apple, tomatoes are the most popular

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items and in vegetables, beans and peas are picking up in world trade.

A special reference for Andhra Pradesh in this connection is that the trade in mangoes. A study conducted in this regard, showed that the European markets are dominated by 12 - 15 varieties of mangoes of Venezuela, Peru, Brazil, West Indies, Mexico, Kenya, South Africa and even U.S.A. Most of the varieties are characterized by brilliant colour, mostly red, crimson, pink and golden yellow.

At present Andhra Pradesh exports mostly mangoes and its products. Reportedly there is a growing market in West Asian countries for certain mixed fruits drinks (based on orange, banana, apple etc.).

Product range has to be diversified. Hence, the product range of our exports of fruits and juices has to be expanded in the light of changed circumstances in the world - a trend towards natural foods. Scientific discoveries proved that artificial flavours and substitutes to natural juices such as carbonated waters are causing

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health hazards. So the competition from substitute raw materials for juices will greatly be reduced.

**Strengthening the Horticultural base and modernising the processing industries**: Andhra Pradesh is endowed with a fairly rich horticultural resources. There is every need to establish progeny orchards for specific varieties of fruits like mango, guava, banana etc., and organising seed production and plant protection programmes as we have to dispel some misapprehensions about the susceptibility of Indian fruits, particularly mango, to certain pests.

**Market intelligence**: It is better to integrate the production, transportation, processing and marketing majority of Andhra Pradesh units are in small and cottage industries. So they are not in a position to undertake direct exports as they do not have specific marketing opportunities abroad. Government must give a helping hand through its organs like Department of Commerce and Export Promotion, Agro Industries Corporation and Andhra Pradesh State Trading Corporation and explore a scope for joint venture with buy-back arrangements.

(c) **MEAT AND MEAT PREPARATIONS**

Meat and meat products presently occupy a
significant place in the wide range of processed foods. These items were identified as one of the 'thrust product' groups for exports from India.

Storage facilities lacking: There are no good, modern hygienic slaughter houses with cold storage facilities in Andhra Pradesh. Only two units are exporting meat products from Medak and Nellore. Most of the exports are indirect.

Modernisation of slaughter houses: There is good export potential for buffalo meat. Though the state is regarded as surplus in buffalo population, there is large scale migration of buffaloes to neighbouring states, mainly for slaughter. The existing slaughter houses in Andhra Pradesh have to be modernised so as to be acceptable to foreign buyers. But slaughtering buffaloes appear to hardly hit the sentiments of the people.

Port facilities: As the Hyderabad Airport was declared as International Airport for customs clearance, fullest use may be made for export purposes, particularly to Gulf countries.

Port facilities for export may be made available in Andhra Pradesh to sailings to middle East which constitute the major market for India's meat products.
(b) **Tobacco and Its Products**

Though exports of tobacco are showing a declining trend, the use of its variants like tobacco paste, guwah are gaining ground for their medicinal values. Problems faced by the industry are:

1) Non-existence of minimum standards for the quality of raw materials used in the manufacture of guwah;

2) Lack of overseas market information pertaining to prices, product requirement, packaging etc.

**Central Government, Cooperation solicited:** The entire exports of tobacco from India are from Andhra Pradesh state only. So the responsibility of increased exports falls entirely on Andhra Pradesh. Hence the state needs the active cooperation of the Centre.

Improvement in the quality of raw material, product diversification like tobacco toothpaste, tobacco oil and cakes and market intelligence are the most important aspects to improve the export performance of this commodity. Sophisticated machinery should be used in the manufacture of cigarettes. Tobacco cortex may also be used in cigarette industry to be price competitive and explore the possibility of exporting cortex which is
reportedly finds use in drug industry and de-oiled cakes as a fertilizer and cattle feed.

(b) DE-OILED CAKES

Quality Controls: Indian cakes are not acceptable to some of the West European countries owing to high contents of aflatoxin. The only solution lies in detoxifying the cakes as has been developed by Senegal.

Stiff competition: India is facing stiff competition from soyabean exporting countries like U.S.A., Brazil and Argentina. It is reported that soyabean has more protein value than Indian de-oiled cakes.

Lack of stability in Government policy: Lack of stability in the policy of Government of India regarding quota announcements has affected the commitment of our exporters. Now with the liberalisation of trade policy and announcement of long run exim policy, this hardship may greatly be minimised.

Finding surplus for export by suitable amendments in the levy procedure by the Government of Andhra Pradesh is to be done, if the main objective is to export. At present, much of the production is restrained to local cattle feed industry and the Government levy price is lower compared to export price.
(P) SN-OILED RICE BRAN

Though there is good potential for export of rice bran, it is supply as well as quota restraint.

The processing material namely, Hexane is presently imported from Bombay adds to the transportation costs and pilferage. Hexane, the main processing material can be produced at Visakhapatnam. If the production is to be operated on a large scale, the surplus can be supplied to neighbouring paddy rich states like Orissa and Madhya Pradesh.

Minimum standard specifications in rice-bran are not being observed as regard to oil content, silica, albuminoids etc. Silica content is as high as 10 - 12 per cent, while Nepal, Burma reduced silica content to bare 3 per cent.

Andhra Pradesh has large paddy resources. There is bright future for Andhra Pradesh for export of these items provided certain measures are taken up:

Ways to find export supply by an Integrated Approach by modernizing the milling sector, stability in Government policy and restricting the feeding of rice-bran directly to cattle.
Primary producers who are small are depending heavily on middlemen both for domestic and overseas marketing. The exporters are also content with their present establishments, because of the heavy fluctuations in overseas demand.

**Competition from synthetic products**: The industry is producing a few items like brooms, brushes which are facing competition from synthetic products.

**Cut-throat competition among private exporters**: There is cut-throat competition among private exporters. They are at times supplying sub-standard quality products. Hence, the image of the exporters is being affected in overseas markets.

**Creation of export supply base**: For the present, Andhra Pradesh state palmaya cooperative Federation at Nidadavolu may be strengthened through adequate financial and organisational support to make it an effective instrument for organising production and marketing efforts from the State.

**Mechanisation**: There is every need for introducing atleast partial mechanisation at the fibre extraction
stage to reduce the druggery of the worker and to improve the quality of the fibre.

*Diversification of product-range*: Though traditional items like brushes, brooms are facing competition from synthetic products, there is scope for increasing these exports, because vegetable fibres like palmyra have some unique characteristics notably their hard scrubbing property. Ladies hand bags and purses, baskets and hand fans made out of palmyra fibre are finding place in the overseas markets.

**Need for Market diversification**: At present, Andhra Pradesh is exporting much of the production to Japan only. Over dependence on a single market is risky. So export promotional effort to be taken to strengthen in other markets.

Black listing of substandard products to consistent defaulting export who are supplying substandard products may be black listed to enforce discipline in the trade.

* There is a proposal to set-up a brush making unit at Kakinada with foreign collaboration to suit the products for overseas markets.
(H) CHILLIES

Direct contacts with overseas buyers to be established

There are no direct exports of chillies from Andhra Pradesh. The principle factor which does not enthuse merchants in the state to export directly is the lack of contacts with overseas buyers though chillies exported to nearly 40 countries from India.

Need for diversification of markets: At present, exports of chillies from Andhra Pradesh heavily depend upon Sri Lanka market. There is scope to step-up exports to U.S.A. and Canada which are known to be switching over to this commodity as a substitute to pepper. Attempts may also be made to export chilly powder to Middle eastern countries.

(I) CORIANDER

India exports coriander to more than 45 countries, but Indian coriander is known to be not competitive in prices compared to Morocco and Romania etc.

Low standard of quality: The produce marketed from Andhra Pradesh is said to be containing foreign matter. So in order to increase exports, the urgent need is to improve the quality of the produce.
Need to stabilize overseas markets: It is learnt that orders are coming from foreign buyers occasionally to Hyderabad merchants. So attempts may be build for regular exports.

Andhra Pradesh State Trading Corporation may supplement the efforts of private exporters and/or contacts may be made with the big Indian Corporate houses like I.T.C., Brooke Bond, U.B. Group which have entered recently in the spices export business.

(J) TURMERIC

Need to undertake direct exports from the State:
IIFT survey finds that Andhra Pradesh accounts for 36 per cent of production in India. Turmeric is not exported directly from Andhra Pradesh though the state accounts for the largest share in exports. Only commission agents are functioning in Andhra Pradesh having links with the traders in Bombay and Madras. The fact that Bombay exporters are exporting Andhra Pradesh turmeric means, that the product is acceptable in foreign markets.

Some exporters from Hyderabad exporting turmeric powder to middle east countries. So, they may establish contacts with developed countries. Andhra Pradesh State
Tracing Corporation may also explore overseas market and fully utilise the services of India Spices Board.

(K) CASHEW

Among the cashew growing countries, India occupies the first position. Andhra Pradesh grows a sizeable quantum of about 9 per cent of total cashew production in India.

Demand for cashew kernals is dependent mainly on price. Recently cashew products like shell liquid, etc., are also exported from our country.

Establishment of viable factories Most of the factories in cashew industry in A.P. are of un-economic size. The grading and packing of cashew kernals adopted in Andhra Pradesh do not conform to export standards.

Establishment of viable factories manufacturing not one product, but the whole range of products including cashew kernals, cashew-mut shell liquid, and jams from cashew apples appears to lead to economies of scale.

Andhra Pradesh State Trading Corporation may organise exports of kernals from the state to supplement the efforts of private exporters.
(L) MEDICINAL HERBS AND HERB EXTRACTS

Exploitation of the existing potential: In the recent years, there is a phenomenal return to nature in formulating medicines and cosmetics all over the world. India and so is Andhra Pradesh, with its varied agro climatic conditions is suited to cultivate wide range of medicinal plants and herbs.

But the industry in Andhra Pradesh is mostly unorganised. The industry is concentrated at Vijayawada, Hyderabad, Kamini and Tirumalai hills. There are no direct exports from the state, but the raw material is exported to other states in India.

With proper coordination of efforts and implementation of an integrated project involving research and cultivation and collection of medicinal plants and herbs, it should be possible to step up exports to about Rs. 10 lakhs.

(M) POULTRY PRODUCTS

Andhra Pradesh contributes 16 per cent of all India poultry production. There is a lot of scope to develop the industry as there is good availability of feed ingredients and favourable temperature climate in Andhra Pradesh.
Transportation facilities to be geared up: There has been no direct export of this item from the state. Despite immense potential, exports could not develop due to lack of infrastructure. Many times, there are sudden demands from various institutional buyers in the Middle East for eggs and one-day old live chicks, but the opportunities are difficult to be exploited for want of quick transport. Now, the facilities provided at Hyderabad Airport which was declared as International Air Port may be availed of to increase exports. Andhra Pradesh Meat & Poultry Development Corporation may augment to the export efforts of private traders.

(3) LEATHER EXPORTS

Andhra Pradesh has abundant livestock population. But Andhra Pradesh's share in the processing of hides and skins is less. Tanneries in Andhra Pradesh are reported to be processing only 12 per cent of hides and 30 per cent of skins and the rest being sold to other states.

Tapping the potential: Most of the tanneries in the state have gone out of action. No doubt LIDCAP is helping in the marketing of the product i.e., in internal sales, but it has not made dent in the development and modernising the industry.
Due to strict anti-pollution measures and high labour costs in developed countries, they are importing leather products from developing countries. Leather products especially foot wear has become one of the necessities. So there will be continuous demand for these items. India now treats leather as an export thrust sector.

So there is every necessity to develop the leather industry in Andhra Pradesh. Leather industry development corporation has chalked out a plan for increasing production of finished leather in two phases to meet the internal and export demand; to mechanise the tanneries in the first phase and to establish leather complex at Hyderabad. In the mean time, it is desirable to make the two centres at Vizianagaram and Warangal as nodel points in establishing more small scale tanneries for manufacturing semi-finished leather.

(0) MARINE PRODUCTS

There is growing acceptance of our warm-water marine products, particularly shrimps in the markets of Europe and America. Hence, India now treat this product group as 'One of the thrust product groups.'
Fishing/production should be augmented both by intensive and extensive cultural practices. Andhra Pradesh Government has established a separate corporation, A.P. Fisheries Corporation, to monitor the production, storage and marketing of fish.

**Diversification of product/market:** At present, the entire catching effort in Andhra Pradesh is shrimp and is heavily dependent on Japan market. Over concentration on a single product and market is risky. Tastes may change from time to time and so demand. Exporters in the state are of the view that prima-facie there is good demand for products like pomfrets, mackrial, cuttle fish, lobster tails and dried fish.

**Infrastructural facilities:** Facilities available at Visakhapatnam and Kakinada ports are by and large sufficient. But landing facilities at Kakinada are primitive.

**Establishment of refrigerated warehouses:** Private sector have some refrigerating units at Visakhapatnam. But it is better refrigerated warshouses to be owned by a public agency. It is learnt that Central Warehousing Corporation is making efforts to take lease of a private refer warehouse.
Textiles constitute one of the most dynamic product groups in the world today. More so, this is the age of readymade garments.

Low yield of cotton yarn: The yield of cotton in Andhra Pradesh is very low i.e., 71 lbs. per acre as compared to 184 lbs in Kerala, 145 lbs in Bombay, whereas in countries like U.S.S.R. and Israel, it is 736 lbs and 1000 lbs respectively.\(^4\)

Traditional type of production: It is found by IIFT survey that there are a mere 2,500 working handlooms in the state compared to 25,000 in Tamilnadu and 80,000 in Kerala.

Multi-fibre Agreement (MFA): The Indian Apparel Industry has been severely affected by the M.F.A. Quantitative restrictions have affected almost every firm in the industry. The most undesirable feature of the M.F.A. is the discriminatory restrictions on exports of textiles/apparels from developing countries. But restrictions do not apply to such exports from developed market economies.

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Limited product range: At present, Andhra Pradesh is exporting only a limited varieties of textile items such as light weight shirts, Mouses, real Madras kerchiefs, bed covers etc., 50 per cent of the handloom textiles from India are garments. But the garment industry in Andhra Pradesh is in its nascent development.

Indirect exports: Direct exports of handloom products so far have been undertaken only by a limited number of state and private sector enterprises. Most of the exports are on indirect basis through traders at Bombay and Madras.

Increase the productivity of cotton: The first thing is to ensure minimum support prices to the growers. And the other thing is to grow varieties suitable to Andhra Pradesh land and its climatic conditions. It is found that extra long staple cotton varieties like Sujatha, Mev-3 and Andrews are most suitable varieties for Andhra Pradesh.

Creating common facility centres: The fading away of colours is reported to occur in those units where dyeing

5. Economic Survey 1990-91, (Table 5.81) Govt. of India.
of yarn is done in individual household units. So a common dyeing facility centre may be created on modern lines for permanent colours.

**Establishment of library of fabrics:** Establishing a library of fabrics will not only contribute to a better awareness of handlooms, but also trigger off a renewed export effort. The library is designed basically to serve as a repository of information on the various types of handlooms fabrics manufactured in the State.

**Setting up a design centre:** Handloom products basically belong to the category of fashion-wear which has a high mortality rate in any market. Survival in this trade entails continuous innovation in styles and designs as well as the ability to monitor fashion changes abroad.

**Strengthening State Textile Agency:** Keeping in view the advantages offered by the ready-made garment industry, by way of high employment potential, low capital base and increased foreign exchange earnings, the State Government needs to tone up the working of the textile agencies. IPITEX promoted by the Orissa Govt. in collaboration with a leading exporter to fabricate garments for exports is a point for case study.
As the liberalization in picking up within the S.S.C. markets, it is learnt that some of the Indian items like Kurta, Pavada, Odhani, basic wall pieces, Kalamkari, Namdhai, Choli, Temple hangings etc., have got export potential. So these items can be manufactured in the State and exported.

**Export Market Intelligence**

The units in the State feel that there is no effective feedback on the fast changing designs and colour preferences in foreign markets. Apart from this, certain information gaps in respect of prospective import channels of trade, buying seasons and price structures which precluded the effective participation in the export trades.

The State Directorate of Commerce and Export Promotion could perhaps take the lead in this regard by organising market orientation tours for some of the potential exporters, organising seminars, workshops with the cooperation of Handloom Export Council, Indian Institute of Foreign Trade and Trade Development Authority.

**(Q) SILK GOODS**

India in its 1992-1995 export policy recognised silk goods as one of the 'thrust product groups' for
export. According to a F.A.O. report, there is shortage of supply competitive to world demand for silk goods.

**Bright prospects**: India, which is renowned for her textile goods can capture the world market. Andhra pradesh State has recently achieved the distinction of being the second largest mulbery silk producer in the country. Infrastructure facilities at Hyderabad Air Cargo Complex were also conducive for export of the silk goods. So Andhra Pradesh has bright prospects for the export of silk goods.

(R) **WOOLEN GOODS**

**Modernisation needed**: Andhra Pradesh ranks second in sheep population. Availability of raw wool is certain. But the wollen industry is not modernised and the product range is also limited. Modern dyeing and finishing plants almost absent in the State.

Overseas demand is on the increase mostly for synthetic blended blankets as these are light weight. So the industry can be geared on those lines and for marketing of goods APCO wool should play a vital role by establishing close links between cooperative societies.

"Deccan rugs" - originating from Warangal and Eluru are the pride of Deccan. 80 per cent of the
production is now exported. So, effective steps may be taken up to increase the production and thereby exports.

(3) HANDICRAFTS AND JEWELLARY

PICCI finds that this is a product group which would be given thrust by the exporters and the Government. Andhra Pradesh specialises in a few varieties of handicrafts. Though handicrafts from Andhra Pradesh are increasing, the volume of export trend is about Rs. 30-40 lakhs only.

**Overseas orientation needed:** The product range in Andhra Pradesh is by and large domestic market oriented and the product base of varieties is also limited. Quality and price of the products are not standardised. So attempts have to be made to produce and market those varieties of handicrafts for which overseas demand is relatively more.

**Supply constraints**: As far as brassware and Bidriware is considered it is supply constraint rather than demand, hindering the growth of exports from the State. Provision of raw materials and ready-made dyes in adequate quantities and at reasonable prices are essential for bulk production. Training of more of artisans may be
taken up besides using the artisans already trained at brass craft centres like Rangasaitpet, Urus, Siddipet and Warrangal and Budithi in Srikakulam. The artisans at Budithi in Srikakulam were once national award winners in brass works. The State Government may take the initiative in organising a Bidri complex at Hyderabad in the lines of the one at Bidar in Karnataka.

Mimal Artware: It is learnt that foreign buyers are evincing interest in products such as wall hangings, depicting birds, animals and flowers, trays, scribbling pads, panels in traditional designs and motifs, furniture etc.

Kondapalli toys: Most important items in the Kondapalli product range identified for exports are Ambari elephants, Dasavatara sets, occupational sets, Rama sets etc.

Improvement in workmanship called for: The annual production of handicrafts at these centres (Madhavamala and Tirupati) is roughly estimated at Rs. 10 lakhs. About 20 per cent of the production is exported presently through the merchant exporters of Bombay, Delhi etc. There is sufficient scope to organise production and export of carvings of panels and individual figures provided care is taken to improve the workmanship and finish.
The following items were identified as export potential. The items are: Sixers set, King and Queen dolls and pen holders.

**LACE GOODS**

**Large potential for exports exists:** World market for lace goods continue to rise high since eighties. Export of lace of goods in India is the pride of Andhra Pradesh. In view of the utility value of these products, the market is not likely to be affected. The industry with its necessary skill and production base in Andhra Pradesh should take due advantage of the overseas demand potential.

**Air freighting:** About 50 per cent of the lace goods exported from India are air freighted. Presently, the lace goods from the Andhra Pradesh State are air freighted from Airport, Hyderabad. Air cargo complex is not fully utilised may be due to historical reasons, contacts with importers, G.S.P. Certification facilities at Madras Office etc. The clearing and forwarding agents at Hyderabad should establish links with the exporters and provide services for transport facilities for issue of G.S.P. Certificate of origin may be created at Hyderabad.
Explore new markets: Indian traditional lace items are facing stiff competition in most of the West European markets from China in terms of quality, price and designs. Considering that the industry in the State is employment oriented and sustains a fairly large production bases, it is suggested that the trade and industry should concentrate in those markets where Chinese influence and penetration is limited particularly to West Asia, Africa etc.

(U) GOLD COVERED JEWELLERY, SEMI-PRECIOUS STONES AND PEARLS

With the abnormal rise in the gold prices, consumers all over the world are switching over to the gold covered jewellery.

Need to develop the gold-covered jewellery industry:
Though Andhra Pradesh can be otherwise termed as India's Gold covered jewellery industry, the industry in Andhra Pradesh has not developed as to export competitiveness in world markets. The range of items is very limited as to be acceptable to the variety tastes of foreigners. At present, only a few items like bangles, chains, ear-studs etc., are being exported.

Need to develop direct exports from Hyderabad: Presently export of these jewellery items is done through the
merchant exporters from Bombay. As these items can be transported by air, the facilities at Hyderabad Airport may be fully exploited.

Need to diversify the market: The major overseas markets for these items are U.S.A. and U.K. But there is immense scope of diversifying the market to West Asia, Middle East as these products certainly be accepted by the consumers of these nations.

(V) CHEMICALS AND ALLIED PRODUCTS

Export prospects for chemical and allied products are encouraging, especially for drugs and pharmaceuticals, dyes and basic chemicals. Government of India is providing incentives to boost these exports.

Non-availability of raw materials: Though the availability of raw material is sufficient for certain industries like wood based industries, processed minerals, in Andhra Pradesh, some other industries like paints and infrastructures, glass and ceramic industries are suffering for want of the same though potential supply is existing. For example, for paints, varnishes, availability of petroleum refineries at Visakhapatnam, vast coast line
possessed with soda ash for glass industries and good clay for ceramic industries in the delta areas of Andhra.

Ceramics are fast emerging as an alternative to plastics and glass and glasswares for packaging in comparison with other materials like tin and plastic.

CASTOR OIL - BOOST IN PRODUCTION NEEDED

Another export prospective item is castor oil, which reportedly finds use in drug and pharmaceuticals. For a real break through in exports of castor oil, India has to maintain its production level at 7 lakhs tonnes. Internal demand for castor oil is also fast increasing.

Andhra Pradesh contributes 30 per cent of all India castor production, but the yield in Andhra Pradesh is 300 kg/ha. as against 727 national average. The Indian exporters depend mostly on Rotterdam trades which is hardly in the national interest. Till now the Government included castor oil in chemicals category and there is every need to remove from chemicals category to oil seeds category in order to increase the productivity and production.
Internal inhibition factors: There are many internal and external inhibiting factors on the way to move engineering exports which inhibit the growth of Indian Engineering exports. Among the internal factors, the major causes are:

i) the lack of technological improvements of our goods. Various types of electronic equipments, electrical equipments, automobile ancillaries, diesel engines, air compressors are a case in point;

ii) the logistic support like shipping; and

iii) high and rising prices of non-ferrous metals in the overseas markets.

External impediments: Some of the external factors affecting are:

i) the majority of our engineering exports are exported to other developing countries. These countries are faced with balance of payments and debt problems;

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ii) Severe competition from Japan and China;

iii) Higher labour cost and strict pollution control measures in developed market economies.

Taking into consideration of the status of our Engineering industry, vis-a-vis international quality, cost, the Government of India identified some 35 items as 'Thrust products' which have export potential. Among the 35 items, the following items are the most important ones:

1. Bicycle
2. Hand tools
3. Casting and forgings;
4. Steel tubes and pipes
5. Cutting tools
6. Machine tools

(1) **Electronics : Some Deterrents** : As has been explained in the earlier chapter, the electronics industry in Andhra Pradesh is constrained by small size of units, single product production, technological gap and above all, marketing problems.

**Employment potential industry** : Electronics has been recognised basically an environmentally friendly industry. Hence, the limitation on setting up new units in places with population of more than one million has been
removed by the Government which is relatively employment intensive and generally provides more employment opportunities, particularly for women.

Market surveys so far have been undertaken in developed economies only. A number of developing countries offer considerable potential for electronic components, particularly for entertainment electronics.

Government to supplement the efforts of private exporters: Andhra Pradesh Electronics Development Corporation may consider enlarging its scope of activities by lending marketing support to the entire electronic component industry in the State, both for domestic and export marketing. In order to achieve effective results in this direction, it may approach the Electronics Trade and Technology Development Corporation of India for regular feedback of market intelligence for dissemination to trade and industry.

(ii) Diesel industry exports: Hurdles to be removed: The export effort of the diesel industry in Andhra Pradesh has been hampered by constraints emerging from inadequate finance, problems of logistics, lack of knowledge on overseas markets and export formalities.

Small units with limited resources are reluctant to undertake risks associated with the complexity of
international marketing viz., machine control regulations and warranty requirements, payment delays etc., service is a potent factor in the export marketing like diesel engines. Being small in size many units in the State lack resources to establish their own offices in overseas markets.

Prospects of diesel industry exports: Despite the above problems, export prospects for diesel engines are fairly bright in some of the neighbouring countries like Nepal, Bangladesh and West Asian countries, in view of our products suitability. Under certain climatic conditions, simple technology implying easier operation and maintenance, absence of domestic industry in some of these countries and larger allocation of funds for agricultural programmes in these countries.

Adoption of consortium approach: The small units joining together can adopt a consortium approach and appoint a common agent in each export market to look after after-sales service.

(iii) Exports of wires and cables

Constraints:

1) Domestic price of E.C. grade aluminium is higher than the international price;
2) AAC & ACSR conductors industry's (especially those units effecting deemed exports) problem gets aggravated due to delay in getting refund of excise duty.

Suggestions:

1) The present situation does warrant support to the industry's demand for supply of aluminium at international prices.

2) In view of the huge funds blocked with Electricity Boards, the Government may consider granting new incentives to the industry to enable the industry to export more of its products.

(iv) Exports of scientific instruments:

At present only one or two items like surveying items are exported from Andhra Pradesh to a limited number of countries like U.K., Sri Lanka, Hungary etc., Given the availability of wide product range for defence, Civil and medical purposes in Andhra Pradesh and acceptances of the quality in overseas market, the State has to make increased efforts to export more varieties of scientific instruments and diversify the markets. Developing countries offer a good potential for our products.
(v) **Exports of foundries industry.**

Foundry industry is 'a good horse for back' contributing to exports for India. There is vast demand opening up due to countries like U.S. Japan and E.E.C. countries progressively vacating the scene due to strict pollution control measures and the dirty job involved with consequent high labour wages.

**Need for Technology upgradation:** As the growth of foundry industry is dependent on user sectors dimensional accuracy and surface finish are the two prime factors which decide the acceptability of castings outside the country.

Meeting quality standards and properties specifications is the next most important.

Equally critical is the adherence to delivery schedules and the price. In order to meet the above, foundries need to update the technologies in different places of production of castings. The E.E.C. is emerging as a new market for castings. They currently import these castings from countries like China, Korea, Turkey, and Brazil. The point of concern is that Indian castings have been fetching a lower price realisation than the world average. This points
to the need for moving to more sophisticated castings such as vaes and impellers. This calls for technological upgradation.

(vi) **Exports of bicycles**

**Constraints and suggestions:** The units in the Andhra Pradesh State are producing only bicycle parts and operating at under capacity due to stiff competition from other manufacturers in the country as also due to low off-take in the domestic market.

At present, only cycle chains are exported from Andhra Pradesh. The production of gear cases, and cycle dynamoes are sold to Bombay traders on outright sales basis. Efforts may be made to export gearcases and dynamoes provided they stand for international standards. If the proposed bicycle complex in Medak district comes into operation, we can expect a boost to ancillary units in the state and exports from the State.

(vii) **Exports of cutting tools**

**Export initiating needed:** The items hobs and milling cutters are being manufactured on order booked in advance at international standards. But they are not exported as a matter of fact. So, efforts may be
made to arrange tie-up with automobile manufacturers in overseas countries to suit their tailor made requirements. In order to strike a suitable tie-up the units in the State may seek the assistance of the Trade Development Authority as well as Engineering promotion Council.

The conventional hacksaw blades made from high speed steel are facing tough competition from bimetallic hacksaw blades in developed countries. It is high time the industry gears itself to diversifying the product range.

(viii) **Exports of industrial fasteners**

**Streamlining the supply of raw material:** The units in the State are operating at less than 50 per cent capacity owing to the availability of shortage of raw material; added to this, there is stiff competition from Punjab. There is only one raw material depot in Sanathnagar industrial Estate to cater to the needs of all the units located in and around Hyderabad.

The substantial under utilised capacity in this industry could be exploited for export purpose. Supply of tested raw material at controlled prices with an export obligation will make their products competitive in quality and price.
Diversification: From the export point of view, high tensile fasteners offer better prospects. Only mild steel fasteners like bolts and nuts are produced at present in the State.

(ix) Dies and tools

There is dearth of availability of dies and tools in the State. The small Industries Service Institute may consider setting up a die making shop to render this service to the small scale units. This facility, if made available, will help the industry in developing specialised fasteners for sophisticated requirements at home and abroad.

(x) Exports of auto parts

Since majority of the units in the State tied-up to parent units, production should be increased to find export surplus. From the experience of the unit which is exporting leaf springs from the State, it is learnt that it is facing the problem of high prices of spring steel and stiff competition from Japan.

Most of the items produced by the units in the State are being supplied to various automobile manufacturers as OE equipment. Hence, these are
designed for specific vehicles and do not have universal application. So there is need to diversify the production range like fuel tanks, silencers etc.

CONCLUSION

The foregone analysis clearly reveals the possible role of States in the Union of India in supplementing the export efforts of the Central Government since trade expansion is a dynamic element of economic growth. In view of the balance of payments problem and foreign exchange crisis, India needs to gear up her export efforts. The role of States like Andhra Pradesh in contributing to the export kit of India needs no further emphasis.