

5.1.11 Enhancing export responsibility of State Governments

Some Indian State Governments have come up with export policies for the State and some are in the process of preparing export policies. But other than these few exceptions, most State governments do not have clear guidelines in preparing state level policies and thus lose out on local level opportunities.

More importantly, State governments' active involvement in exports related discussions with other countries or regarding internal policy is negligible.

Imperatives for involvement of States in Exports:

- The export intensity of states in India varies widely, depending upon the resource endowment and the evolution of industrial clusters.
- While such inter-state variations will, to some extent, continue in future, progress in internal logistics, policies such as EPZs/EOUs/EIPs production in certain product/service categories are creating a new level-playing field for those states which were not initially oriented or ideally located for international business.
- Emergence of new types of demands such as, products based on eco-diversity or organically grown agricultural products, allow the non-traditional hinterlands to get engaged in export business.
- Generation of income and employment through export activity can be an effective supplement to the overall strategic growth plan of the states.

It is because of these imperatives that a scheme for export assistance to states has been devised by the Department of Commerce. This scheme needs to be widened and deepened.

5.1.12 Harnessing SSI Export Potential

SSI sector contributes 35% of India's total exports (45% if indirect exports are also included).

- The export structure of the SSIs is highly skewed. 75 percent of total SSI exports are accounted for by only five product categories, viz., readymade garments, leather products, basic chemicals, marine & processed foods and engineering goods.
- Second, the export-intensity ratio of the SSI sector is estimated at slightly less than 10 percent, lower than the average export-GDP ratio for the country. In China, the export-GDP ratio is 21 percent, while the share of SMEs in total exports is at least double of that figure. In South Korea, these shares are 27 percent and 40 percent and in Taiwan, 44 and 56 percent.

SSI Export Strategy

- Identifying those product categories currently having strong SSI presence which are perceived to record high demand growth in global markets
- Identifying and implementing the specific components of the policy package for strengthening and upgrading the production potential and export-orientation of these SSI sectors
- Developing a high tech and efficient SSI sector.
- The policy package that has been prepared for strengthening the SSI sector need to be pursued for consolidating the role of SSI sector in exports.

5.1.13 Optimizing export growth through SEZs

Many countries, which in general follow a restrictive trade policy, have felt the need for setting up export processing zones/export-oriented units/special economic zones and similar variants. The reasons are basically two:

- First, macro-economic policies, which are more inward-oriented, create distortions reflecting an anti-export bias. If a sudden reversal of the national economic policies is not feasible or desirable, such institutional forms can be set up as open market oases within an economy, that is dominated by trade, macro and exchange rate regulations, and other regulatory governmental controls.
- Another reason is the lack of adequate export infrastructure. Since it is not possible to upgrade the infrastructure nationally within a short time scale to the level required for export operations, EPZ and similar forms allow local up scaling of infrastructure within the budgetary constraint.
- EPZs enhance the incentives to attract FDI.

International Examples

Box 5.1.5: SEZs in China

- China's super-success in exports can be attributed to a substantial extent to the Special Economic Zones it set up in the coastal areas in Southeast China.
- China's initial export thrust was based on 'processed goods', i.e., final processing and assembly of imported materials and components.
 - Even though China's export composition has progressed from its earlier 'processed' nature, China is going ahead with the strategy of SEZs.
 - It proposes to set up a large SEZ in Manzhouli City, near the Sino-Russian border to facilitate trade with Russia

Export Oriented Unit (EOUs)/EPZs/SEZs in India

- India has also made considerable strides in this area. Introduced in early 1981, the EOU scheme is complementary to the EPZ scheme in that it adopts the same production regime but offers wider options in location with reference to factors like source of raw materials, ports of exports, hinterland facilities, availability of technology skills, existence of an industrial base, and larger area of land.
- As against exports of Rs. 697.38 cr. In 1991, the export performance of EOUs during 1999-2000 was Rs. 14200 cr. Exports during 2000-01 is estimated to be Rs. 16302 cr.
- The recent policy is the introduction of SEZs by converting existing EPZs to SEZs and also allowing SEZs in the private sector.

Future Strategies

A broad-based policy for new SEZs has been introduced recently. There is a need for continuation of this policy and adding new features in order to make the package as attractive as possible by providing necessary tax benefits, port based SEZs for reducing transaction costs, providing single window for clearances, providing off-shore banking facilities, etc.

5.1.14 Market Development Programs and Internal Dissemination of Information

Market Development Programmes

It is critical for India to have a single point program that directs all market access; market development and assistance programs for enhancing export growth. Currently this initiative is carried out individually under the Market Assistance schemes like MDA (Market Development Assistance), IBEF (India Brand Equity Fund), Market Access Initiative(MAI) etc.

Market Development Strategy

- Firstly, all Market Assistance programs of India mentioned earlier needs to be combined under a single Market Development Program. The money available from phasing out other schemes can also be included as a corpus for this fund. A beginning has already been done in this regard.
- The main elements of the MDP will include the following:
 - Concessional funding for technology absorption and market development including brand promotion

- Loan guarantees and export credit insurance in difficult markets and medium/long term projects
- Market intervention programs for plantation crops and select agricultural products
- Enhanced funding for existing export promotion activities like trade fairs, trade missions, reverse trade missions, buyer-seller meets, catalogue shows etc.
- Support for Indian companies bidding for international projects along with technical assistance programs for designated countries
- Assistance for attaining international quality standards, certification, etc.

Internal Dissemination of Information

There is a strong need to improve dissemination of information among the Indian exporter community regarding developments in policy and thrust products and markets emerging from studies by the Department of Commerce, Export Promotion bodies and international export agencies.

These would include detailed communication regarding specific initiatives under various Preferential Trading Agreements signed with strategic markets or product specific arrangements. Communication mechanisms such as Industry Newsletters and Internet based information dissemination would help in active participation by the export community in achieving India's export goals. The Indian missions abroad and the Export Promotion Councils/Commodity Boards need to be activated further.