International Journal of Advanced Research in
Management and Social Sciences

ISSN: 2278-6236
Impact Factor: 4.400

EXPORT PROMOTION EFFORTS IN ODISHA - POLICIES ISSUES & INTERPRETATION

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INTRODUCTION:

In the modern development philosophy, Industrialization is being regarded as synonymous with economic development. For a country like India with an army of labour force, abundant and varied treasure of resources and continental dimensions industrialization has been considered as a challenging necessity for stimulating growth, Moreover, India is striving hard since plan periods to create a sound industrial base and establish her excellence in manufacturing exports in view of continuous deterioration of demand for her export of primary goods in the markets of developed countries. Higher export earnings are being needed to pay for imports of machinery, components, raw materials and technology from abroad in order to make the industrial sector cost effective, internationally competitive and export oriented. However, establishment, expansion, diversification and modernization programmes of industrial units as well as imports and exports are governed and regulated by the prevailing industrial and trade policy guidelines of the country.

Since July, 1991 spectacular changes have been incorporated in the economic Policy framework of the country. Now, Indian economy has been throwing the yoke of controlled regime and switching over to globalization, based on international market system. A new industrial policy in tandem with the new trade policy has been adapted to capitalize on the gains of globalization. Government of Orissa has followed suit and formulated a new industrial policy in 1992 in the light of the changing environment of liberalization in the Country.

Therefore, an attempt has been made in this chapter to highlight the policy provisions of the new industrial policy of the state along with the new Industrial and Trade Policies of the Central Government.

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RESEARCH METHODOLOGY AND DATABASE-:

The present study will be based primarily on secondary data .The secondary data will be available from govt. reports of Odisha Mining Corporation, Odisha economic survey, magazines, journals and other research studies. The information and data on the export potentiality, export promotion measures, composition, trends and direction of exports in the post reform period so collected will be analysed and suitable measures will be suggested for future policy framing in boosting of exports from Odisha.

In order to access the export potentiality of Odisha government policies relation to foreign trade and export promotion the past action plans to boost exports from the state will be revived. Similarly the role played by the organized institution in the industrial and export growth will be assessed. The review of world trends, all India export trends and trends in export of Odisha,and extensive survey of data and literature will be undertaken. The data on all these will be collected from the handbook of trade policies and procedures(government of India and odisha), reports of export potentiality survey of odisha. Action plan reports to boost exports from Odisha by export promotion and marketing department of odisha and also from different research studies.

REVIEW OF LITERATURE :

Foreign Trade Propels the process of industrialisation and thereby accelerates the pace of economic development in a country. Since the time of classicals and neoclassicals, a substantial amount of literature have been produced to substantiate the co-relation between foreign trade and economic development . In the theoretical framework, a good number of scholars and researchers have contributed a lot to establish the nexus between trade and economic growth. Some of the valuable studies are by Gunnar Myrdal (1956) , " An International Economy", Ragner Nurkse (1961), " Patterns of Trade and Development", Bela Balassa (1964), " Trade prospects for developing countries". A.K. Dasgupta (1965) , Eds, " Trade Theory and Commercial Policy in Relation to UDCs", H.G. Johnson(1968) , " Economic Policies towards less developed countries". C.P. Kindleberger (1968) , " Foreign Trade and National Economy", Francis Stewart (1976), " The Direction of International Trade: Gains and Losscs for the Third World" in G.K. Helleiner (Eds)., " A World Divident", New York, 1976.

Similarly, the other important and authentic studies are by Demetrios Moschos (1989), "Export Expansion, Growth and the Level of Economic Development". Rostam M. Kavoussi (1985), "International Trade and Economic Development. The Rent Experience of Developing Countries", Michael Michaely (1977), "Exports and Growth", Edmund J. Sheehey (1992), "Exports and Growth" Additional Evidence'', Bela Balassa(1978), "Exports and Economic Growth", R. Y Maurya (1987), "Foreign Trade still an Engine of Growth", Bela Balassa(1981), "The newly industrialising countries in the world economy" and "Development strategies - Semi-industrial countries", Jagdish Bhagwati(1969), "Trade, Tariffs and Growth : Essays in International Economics", W,R.Clive(ed.) 1982, "Can the East Asian Model of Development be generalised?", W. Tyler(1981), "Growth and Export Expansion in developing Countries", P.C.Y.. Chow (1987) "Causality between Export Growth and industrial Development".

In the opinion of most of the eminent scholars, foreign trade is one of the crucial factors that accelerates economic development and development would be higher with trade than without trade. The history of development of countries like UK., U.S.A., Germany and Japan and more recently of Asian Tigers (Korea, Singapore, Taiwan and Hongkong) and ASEAN - 4 (Malaysia, Phillippines, Thailand and Indonesia) proves this generalisation.

However, Economists are divided on the issue whether trade accelerates or impedes growth in a developing country. That is why, contrasting policy prescriptions have been poured in from both camps for selecting the Trade Policy, appropriate to these countries. The controversy between "Import-substitution" and "Export Promotion" therefore, has become the burning issue on which the house of economists is divided. The challenge and the counter challenge go on and on.

Those who applauded the policy of " Import Substitution" for the developing countries include Gunnar Myrdal, Hans Singer and Raul Prebisch. More recently, studies of Padma Desai (1969 & 1972), " Alternative Measures of import substitution" and " Import substitution in the Indian Economy, 1951-63", A.K. Bagchi (1979), "Export-led growth and Import substituting Industrialisation", M.K.Dutta Choudbury (1981), "Indu stria! isation and foreign Tradr; The development Experience of South Korea and Phillippins", V.K. Panohmukhi(1967) "Planning for import substitution, Some methodological and empirical results m Economic-Analysis in input - output framework",B. Majumdar (1990), "Import substituting industrialisation strategy in Indian Economy - A critical Evaluation" have raised doubts on the efficacy of "Export-led Growth" strategy for developing countries like India. Rather, they show the evidence that ISI strategy in India has increased manufacturing activities and reduced import dependance.

However, consequent upon the failure of the import substitution trade policy adopted by many developing countries including India and tremendous success achieved by countries with outward looking strategy, more and more countries are being attracted towards this strategy of development A good number of stalwarts of economics are stressing the need for free world trade, liberalised policies and outward orientation for- achieving higher rate of industrialisation and growth. Noted among them are Jagdish Bhagawati (1969), "Trade tarriffs and growth : Essays in International Economics", Bhagawati and Snnivasan(1993),"India's Economic Refurms", D.T.Lakdawala, J.B1 lagawati and R. Bliaradwaj(Eds.) 1973,"Readings iu the theory of International Trade and Commercial Policy", G.M.Meier(1989) "Leading issues in Economic Development", S.Chakrabarty (1984)," Trade and Development'', Sridhar Behera (1991)," Trade and Development -- its implications for India", Bela Balassa (1965), * Trade liberalisation and Revealed Comparative Advantage", W.E. James, Naya, Seiji and G.M. Meier (1987) “ Asian Development : Economic Success and Policy Lessons", Naya, Seiji, M. Urrutia, S. Mark and A. Fuentes(1989),Lessons Development : A comparative study of Asia and Latin America".V.R. Panchmukhi (1978), "Trade policies of India : A quantitative Analysis:" Yama Zuwa (1986), "Industrialisation through the Full Utilisation of Foreign Trade : The are some East Asian Economies", V. N. Attri(1980), "India's Foreign Trade and Economic growth since 1947"(Ph.D.Thesis submitted to Kurukshetra University).

The above cited studies have drawn similar conclusions that export growth increases competitive strength of the country in the world market, improves capacity utilisation of the plants and results in economics of scale, technological upgradation and quality management.

Bela Balassa (1978), and Clive(1982), in their studies have established empirically the relationship between exports and economic development. They argue that export oriented policies provide similar incentives to sales in domestic and in foreign markets. This leads to resource allocation according to comparative advantages leading to greater capacity utilisation and exploitation of economies of scale. Thus, technology improves in response to competition abroad and employment potential increases.

There are two aspects of the relation between export and. economic growth Economic growth and particularly, growth in manufacturing industries can help expansion of exports. On the other hand, export can promote economic growth by increasing aggregate demand in the economy This two way relation has been studied in the development economics literature from various angles. Michaely (1977) and Tyler(1981) in their studies conclude that export can not only promote national income growth, it can have also scale effects and externalities. Further. Kavoussi (1985) studied the impact of export growth on total factor productivity, while Balassa (1981) and Chow (1987), have explored empirically the relation between export growth and growth of manufacturing industries.

S. Nandi and B, Biswas (1991), in their study in the Indian context, tired to test empirically with the help of an econometric model, the nexus between export growth and national income and concluded from the result that there exists one way causality, i.e. growth of exports causes growth of national income and thus the hypotesis that export can help economic growth is established.

V. N. Attri (1991) in his study has tried to test the hypothesis that rapid and efficient industrialisation is possible by fully utilising foreign trade. He has taken the r.ata of manufactured exports of India for the period 1970-88. The regression equation used by him reveals that total exports are possitively correlated with growth, and exports cause growth through ensuring economies of scale. He concluded on the basis of the econometric results that foreign trade plays an important role in the industrialisation process of the country. Export sector happens to be the next important factor after domestic demand in the determination of industrial growth as elasticity of demand for exports of India at aggregated and disagregated level is greater than one and sufficiently high. So he suggested for more trade liberalisation and outward looking policies for rapid and efficient industrialisation of the country.

J. Bhagwati and T. N Srinivasan undertook the- study on reforms and liberalisations underway in India since July, 1991. This study highlighted the need for momentum building on the reforms to date with a number of new steps winch would complete the transition to the new outward looking policy framework and promote greater efficiency, growth and there with a surer and deeper attack on poverty alleviation. They suggested consolidating on the reform process with new steps to increase productivity and export. They concluded that full dividends from reforms would come only when the transitions is largely complete.

There is dearth of literature on export performances of different states of Indian union as a result of the new industrial and trade policy . No sincere and serious attempt has been made so far, to analyse and assess the impacts of such liberalisation measures on export sectors at regional level.

Many scholars have attempted to highlight the performances of the Indian economy, on the aftermath of the outward looking policies, adopted in India of late, A study by I. J. Ahluwalia (1991) shows that one of the important factors responsible for the slow down of industrial performances in India during the Mid 1960s to the late 1970s, was the restrictive industrial and trade policies. Turn around in Indian manufacturing sector started in the 1980s due to better productivity performance, higher investment and outward looking policies of Govt.. She opines that liberalisation, decontrols, debureaucratisation added some flexibility to the economy and facilitated the upgradation of technology in Indian industry sector.

Pitou Van Dijik and K. S. Chalpati Rao (1994) have analysed the evolution of trade policies in India and the export performance of the country during the plan periods. Dijik's analysis shows that India lost her major share to the Newlv Industrialised countries and Semi Industrialised countries. With the growth of world trade, exports to sales ratio of manufactunng sector of India started declining. He thinks that inward oriented protective trade police, limited the role of foreign trade in India. Chalpati Rao has tried to analyse the export performances of 405 Indian Private Sector companies. His study shows a continuous decline lies in export orientation of companies and their net foreign exchange, earnings during 1975 to 1984.

Some other studies have focussed export performances of Indian industries as a result of import liberalisation measures adopted in India. The relationship between export performance and imported raw material requirement has been analysed by Sarma (1990) in an input-output: framework of Indian industries He finds that the rank correlation coefficient between sectoral export growth and their respective import intensities are quite high for the period 1983-87.

A recent study by ICICI (1994) is based on the 455 ICICI sample companies for the period from 1988-89 to 1992-93, This study shows a rise in export, intensity between 1988-89 to 1992-93. A similar attempt has been made by Sathe (1997) to study the relationship between imported raw materials and exports by taking 1521 manufacturing companies of 96 industries. The sample exports showed high rates of growth and the performance of sample exports was better than the performance of total exports of the economy. The export intensity of the sample industries has increased between 1989-90 to 1992-93. The industry level analysis showed that the export intensitites of most of the industries have been on the rise during this period. The net foreign exchange inflow ratio has also increased for the sample. This study further shower! that the coefficient between export performance and imported raw material requirement for exports has been quite high for most of the period and shows a declining trend. Thus, the relationship between exports and imported raw material has got weakened and import intensity of exports has fallen between 1989-90 to 1992-93.

From the review of literature it emanates that there exists a close aud positive relationship between foreign trade and economic development. Most eminent scholars have applauded the recent outward looking trade and industrial policies India along with the dismantling of quantitative restrictions and bureaucratic controls. Orissa, being a potential state of Indian Union, can look forward and explore the opportunities of the external sector to the maxium, and thereby, can not only add to foreign exchange earnings for the country, but also add to industrial growth and efficiency in the state, in particular. Since, no study so far has been undertaken to assess the correlation between export promotion and economic development of the state, the present study claims to be the first of its kind to focus on economic development of the state as a result of export promotion.

BROAD OUTLINES OF IPR - 1991 OF GOVERNMENT OF INDIA:

The new industrial policy initiatives announced by the Central Government on 24th July, 1991 have been designed to deregulate the industrial economy in a substantial manner and to attain international competitiveness and standards for integrating the Indian economy with the global economy.

A series of policy changes to liberalize the provisions of the industrial policy framework have been adopted relating to the following areas:

A. Industrial Licensing.
B. Foreign Investment.
C. Foreign Technology Agreements.
D. Public Sector Policy.
E. MRTP Act.

A. Industrial Licensing:- Infliction of liberalization in Industrial Licensing Policies and procedures in the past-is called for a continuation to fully realize the industrial potential of the country. Reforms in policies and procedures have been incorporated in order to' enable Indian entrepreneurs to exploit and meet the emerging home and global opportunities and challenges. They are encouraged to attain technological dynamism and international competitiveness by swiftly responding to fast changing external conditions. Thus, the system of reservation for public sector has been evolved towards the ethos of greater flexibility and private sector enterprise has been gradually allowed to enter in to many of these areas on a case by case basis. "This calls for bold and imaginative decisions designed to remove restraints on capacity creation, while at the same time, ensuring that over-riding national interest are not jeopardized" (Hand Book of Industrial Policy and Statistics, 1995). Henceforth, industrial licensing is abolished for all projects except I7 industries on security and, strategic grounds and 8 industries (As per Annexure-I of the policy) are continued to be reserved for the public sector. Industries reserved for the small scale sector continued to be so reserved. Automatic clearances were allowed to projects where imported capital goods are required provided that where foreign exchange availability is ensured through foreign equity and if the value of imported capital goods is maximum Rs. 2 Crores.

The System of phased manufacturing programmes are now, not applicable to new projects. Existing industrial units were provided a new broad banding facility to produce any article without additional investment. Exemption from licensing was applied to all substantial expansion of the existing units. The mandatory convertibility clause is not applicable for term loans from the financial institutions for needy projects.

B. Foreign Investment:- Foreign investment was regulated earlier by Govt. Now Govt. realized that foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. Therefore, Govt. welcomed foreign investment in high priority industries requiring large investments and advanced technology. "Approvals will be given for direct foreign investment up to 51 percent foreign equity in the high priority industries which includes 34 broad areas" (Bernard, 1991). Foreign equity is required to cover the foreign exchange requirements for imported capital goods. Other foreign equity proposals which did not meet the criteria, continued to need prior clearances.

Promotion of export of Indian products calls for a systematic exploration of world market possible only through intensive and highly professional marketing activities. So, Government has to attract foreign trading companies to assist in our export activities. Therefore, to provide access to international markets, majority foreign equity holding up to 51 percent equity are allowed for trading companies primarily engaged in export activities. A special empowered Board has to be constituted to negotiate with a number of large international firms and approve direct foreign investment in selected areas.

C. Foreign Technology: IPR 1991 recognized the need for technological capability in the first changing world of technology and admitted that competitiveness of Indian industry with the rest of the world necessitates withdrawal of regulatory environment. The policy spelt out that injection of desired level of technological dynamism in Indian Industry will be provided with automatic Govt. approval for technology agreements related to high priority industries within specified parameter. "In respect of industries other than those in Annexure - III, automatic permission will be given... if no free foreign exchange is required for any payments. Further, no permission will be required for hiring of foreign technicians and foreign testing of indigenously developed technologies. Payment may be made from blanket permits of free foreign exchange according to RBI guidelines" (Hand Book of Industrial Policy & Statistics, P-15).

D. Public Sector Policy:- The IPR of 1956 gave the public sector- a strategic rule in building the industrial framework of the economy. But a number of problems have surfaced over time in the form of inefficient growth in productivity, lack of continuous technological up gradation, inadequate attention to R & D & Human resource developments. As a result, a high cost industrial structure has come to exist, making it a liability on the economy.

Therefore, the new policy proposes to review public sector investment. The policy intends to make this sector more efficient, growth oriented and dynamic.

A part of the Govt. share holdings in the public sector was offered to Mutual Funds, Financial Institutions, General Public and Workers.

The management Board of Public Enterprises was made more professional by offering it more autonomy. Greater thrust was put on performance improvement through the memoranda of understanding (MOU) system. Management was granted greater autonomy and made accountable. Technical expertise on the part of the Govt. was to be upgraded to make the MOU negotiations and implementation more effective.

E. MRTP ACT: - The new policy felt that with the growing complexity of industrial structure and the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the global market, Undue MRTP control in investment decisions of large companies has affected industrial growth. So the MRTP Act was to be amended so that requirement of prior approval for establishing new undertakings, expansion of undertakings, merger, amalgamation and taken over and appointment of Directors under certain circumstances was eliminated. The provisions regarding restrictions on acquisitions and transfer of shares was incorporated in the companies Act. Emphasis was put to control and regulate monopolies restrictive and unfair trade practices. Accordingly, the MRTP Act was to be amended and a new MRTP commission to be constituted with more of power.

BROAD OBJECTIVES OF THE IPR - 1992

IPR of 1992 encompasses the following objectives and approach.

a. Simplification of procedures to reduce bureaucratic delays;
b. Prompt administering of subsidies and Tax incentives;
c. Marketing support to tiny and small scale sector and encouragement's for successful entrepreneurs;
d. Institutional support to prevent industrial sickness and rehabilitate the sick units;
e. Equity participation in setting up industries which are of special advantage to the state; and
f. Improvement of infrastructure including training.

Broad outlines of the policy approach:

Labour Policy: The policy envisages healthy industrial relationship by amending existing industrial and labour laws and protecting rights of labour. It aims at developing work-culture and checking unnecessary labour strikes of all kinds that hamper production. The policy further promises to encourage long term wage agreements and enhancements along with deputation of an officer of labour department to solve labour disputes.

Public Sector Policy- Corollary to IPR of 1991 of the Central Govt. pertaining to public sector policy, the State Govt. provided that their involvement in industrial and commercial activities will be limited and selective in the core areas like infrastructure and strategic industries. The other highlights of the policy are disengagement from industries best managed by private enterprises, winding up of loss making units and introduction of a system of memorandum of understanding between Govt. and Public Sector undertakings to ensure greater autonomy and accountability.

Incentive Parameters:- For the purpose of providing incentives depending on industrial backwardness of areas and no-industry areas, the policy deviled the state Is to 3 zones.

Zone A This zone envelopes 27 industrially backward sub-divisions of 19 districts of the State;

Zone B consists of 19 Sub-Divisions of 14 districts; and

Zone C covers 12 Sub-Divisions of 10 districts.

The State Govt. came with various incentive schemes to be allowed to entrepreneurs as per the guidelines prescribed in the policy. The rate of exemption/subsidy/concession are to be different for entrepreneurs of different mows. The basket of incentive proposals include (a) Capital Investment Subsidy (b) Tax Exemptions (c) Exemption of Octrai (d) Exemption of Electricity duty (e) exemption of Stamp duty and Registration Fee (f) Provision of land at concessional rate etc.

As per the policy provisions, new industrial units and the expansion/ modernization diversification projects would be provided with capital investment subsidy For Zone A, B and CC it is 30 percent, 20 percent and 1.0 percent respectively subject to maximum of Rs.30, Rs.20 and Rs. 10 lakes. Special class entrepreneurs or pioneer units are to get 5 percent extra or maximum of Rs.10 lakhs.

Sales tax exemptions are provided to existing and new Khaki, Village, Cottage and Handicrafts industries, new small, medium and large industrial units and tension/modernization/diversification of industrial units after the effective date. Sales tax is exempted for 7 years from the date of commercial production for new khadi, village and cottage industries on purchase of spare parts of machinery's and materials.

The existing and new khadi, village, cottage and handicrafts industries would avail sales tax exemption on sales of finished products at prescribed sales outlets. New small, medium and large-scale units including pioneer units are now eligible for sales tax exemption for 5 years on raw materials, spare parts and finished products at prescribed rates for different zones. Similarly, new medium & large-scale units might opt. for deferment of sales tax on finished products for 5 years and pioneer units to get extension of deferment for another 2 years.

The above incentives were made available for expansion/ modernization/ diversification of existing units taken up after the effective date.

The policy prescribes that the machinery and equipment's to set up new Industrial units, spares, raw materials and packing materials used by existing units and new generation, transmission or distribution projects of OSEB are to be exempted from Octrai payment for 5 years.

Industrial units could avail anti-pollution incentives on installation of pollution control and monitoring equipment's by way of subsidy calculated on cost of installation. Industries utilizing fly ash, municipal wastes and other pollutants get all benefits of pioneer units and units of Zone A.

With regard to exemption of electricity duty, this policy prescribes different rates of exemption for 5 years for new industries of different zones on the basis of their contract demand. All units were allowed to pay electricity charges on the basis d actual energy consumption and not on the basis of contract demand in case of power cuts, discontinuance and reduced supply.

The policy offers a number of incentives like complete exemption from electricity duty, allotment of land, and extra capital investment subsidy in case industries installing their own power plants including generation set for 10 KW above or utilize non-conventional energy by installing equipment's or using energy conservation equipments.

This policy promises allotment of land for industrial projects, power projects and sub-stations of OSEB at Pre-determined rates as not fled from time to time. For requisition of private land by IDCO for industrial purposes, the premium is to be fixed on the basis of compensation amount. For plantation other than coffee, cocoa or tea and installation of processing facilities, the available Govt. land is made available under certain terms and conditions.

Additional subsidy was admissible to small scale industrial. units on costs of up sheds by IDCO.

Policy For Sick Units:- Govt. have constituted two committees for the small scale sector and medium/large scale sector. Rehabilitation measures for sick but Potentially viable units are to be recommended by those committees to Industries Department till case of small scale units and State Level Nodal committee in case of Medium and large-scale units. Concessions and facilities for revival are to be extended for once only.

Policy for Transferred Units:- The policy spells out that a transferred units shall enjoy the pending incentives not availed by the unit before such transfer due to suspension of production or closure. It is further provided that a seized unit of OSFC will be treated as a new unit for availing concessions when transferred to a new entrepreneur.

Policy for development of Mineral based Industries:- On behalf of lease holders of mines, the state Directorate of Mining and Geology has to undertake survey, exploration and assessment of mineral deposits by charging 50 percent of the cost of operation The Directorate is to undertake testing and analysis of ores on payment.

Govt. promises to give priority in granting licences and mining leases to cases intending to set up industries for processing and value addition of minerals.

Policy For Electronics And Computer Industries:- Visualizing immense prospects merging sector, Govt. have identified it as a thrust area and intended to make Bhubaneswar as an electronic city. So, development of common and essential facilities is to be made and land at concessional rate will be provided for the purpose.

The policy promises to provide 50 percent of the equity requirement of venture capital subject to maximum of Rs.25 lakhs and equity participation for other categories of entrepreneurs up to 25 percent or maximum of Rs.25 lakhs for a period of 5 years.

If sponsored by the Department o Science and Technology, technical entrepreneurs could get travel assistance to visit abroad for interaction with software industries and organizations likely to offer software assignments.

Further, these industries could avail incentives applicable to Zone A.

Miscellaneous Policies:- IPICOL, OSFC, Orissa State Electronics Development corporation(OSEDC) and the Director of Industries have to put efforts to identify new areas of industrialization and formulation of new projects.

Selected team of entrepreneurs of small scale sector is to visit national/ international trade fairs festivals; growth centre's at confessional travel expenses.

Advanced craftsmen training and foreman training centres would be established to upgrade skill.

The Co-operative network in the artisan sector is to be strengthened, Raw material banks will be set up to supply raw materials to artisans and state level agencies will export the artisan products.

Target recommendations:

The twin forces of liberalization of Indian economy with opening up of the Indian market and globalization i.e. greater integration of the Indian economy with the global economy, poses several challenges as well as opportunities. The entire world today is one market place. The defining principle of international trade today is competitiveness. The future of exports for Orissa will be predicted upon an intense interplay between the domestic policy environment and the enormous external trading opportunities. Under the multilateral trading regime, the ability of the State to seize the opportunities that are opening up in the global market will be driven primarily by the primacy of technology in domestic industry, price and quality competitiveness and achieving global standards in products and processes. The principles of National Treatment and Most Favoured Nation governing the WTO regime will require the domestic export community to aggressively compete with its counter parts in the rest of the world.

The EXIM policy of the Govt. of India provides a national policy framework. At the same time, the State Govt. needs to provide focused facilitation to enable rapid growth of exports from Orissa in sectors in which the State enjoys competitive advantages. It is in this context that a policy framework to give impetus to establishing best practices, providing for capacity building and facilitating quality and competitiveness of domestic exporters becomes critical.Orissa's mission statement on exports is to facilitate the rapid and sustained growth of exports from Orissa and to increase Orissa's share in all India exports from the present level of 2.21% to 10% by 2012. This will be achieved by:

i) Providing an effective, proactive and supportive Institutional mechanism for the rapid growth of exports.

ii) Operationalising sustainable medium term Export Promotion Sectoral Strategies.

iii) Building effective and competitive export Infrastructure.

World trade is approx US$10159 billion(approx)(2005) of which the priority sectors are:

Category A - Machinery, Telecom, Computer, Automotive, Other Transport Equipment, Food Products And Fuels. India has only 0.4% of this market.

Category B- Diamonds, Jewellery, Textiles, Clothing, Iron And Steel Products, Ores, Minerals. Value wise more than 50% of India's trade fall in this category.

As per the brief provided by the Orissa Government (Letter no. I-SI-80/2007/14992/I,Bhubaneswar dated 4th October 2007), Orissa has basic strengths in Category B products which it would like to capitalize on by concentrating on developing MSMEs especially in the downstream and ancillary industries. Orissa has already attracted a total investment of Rs.45 000 crores in Steel, Alumina, Aluminum, Petro-chemical , Power, IT & ITES, etc.Government of Orissa, in this context, has outlined major areas that will focus on the Development of MSME in Orissa.In achieving this Mission, the focus will be on the objectives set out below**:**

a) To Collect, collate and analyse data with regard to exports from Orissa exhaustively. FIEO, Directorate of Export Promotion & Marketing and DGFT's office based at Cuttack and Kolkata as well as local banks can be mobilized to co-ordinate in this respect.

b) To focus on existing exporting industries, and to provide them with necessary support to give further boost to exports from these industries.

c) To motivate Industries in Orissa exporting through merchant Exporters in other States to export directly.

d) To encourage industries/traders with products having good export potential to enter the export field.

e) To provide a conducive environment for motivating new export oriented units to set-up their base in Orissa.

f) To bring about technology and skill up gradation in the traditional export sectors like Textiles, Metals, Mining and Handicrafts to enhance value addition andquality competitiveness.

g) To enhance the export potential of non-traditional sectors like Electronics & Software, Services, Bio-Technology etc.

h) To facilitate creation of hi-tech ITI clusters in different locations in the State.

i) To encourage capacity building for consistently upgrading best practices in exports.

j) To promote innovation for export of new value added products.

k) To increase the unit realization of exports through technical and design inputs, modernization of production processes and skills.

l) To provide institutional framework for developing pool of human resource talent in specialized trades.

m) To provide a simple transparent and responsive regulatory environment for unhindered growth in exports.

In order to achieve these objectives, the following strategy will be adopted:

- To create an exhaustive database for the reference by the State Government of Orissa. FIEO can coordinate the same from Eastern region ports.
- To create a strong networking with Export Promotion Councils, FIEO, and Product Sectoral Associations to give impetus to Public-Private partnership.
- To provide E-Governance support to exporters in Orissa.
- To establish a B2B exchange, which would facilitate even the small and tiny unit in the State to take up online trading activity.
- To create a strong analytical database on exports and exporters in Orissa.
- To promote Public-Private initiative in developing competitive export infrastructure.
- To setup an institutional mechanism in the State for promoting exports like StateLevel Export Promotion Council, State Level Export Promotion Committee and District level Export Promotion Committee.

- To strengthen and restructure Directorate of Export Promotion & Marketing as the Export Promotion Board of Orissa, which shall be the Nodal Agency to plan and execute strategies to sustain Orissa as a major hub for international trade.
- To focus on competitive advantages Orissa has in the global market by increasing its exports in Information Technology, Bio-Technology, Food Processing,Electronics & Communications, Garments, Machine Tools and Precision Engineering Goods, besides the traditional exports.
- To identify sector specific support measures required for acceleration of exports in sectors in which the State has competitive advantages and to encourage them in consultation with the concerned sectoral association.

EXPORT PROMOTION STRATEGIES

The Dept. of Commerce, Ministry of Commerce & Industry, Govt. of India have set a target of US$ 160 billion for the exporters in the country to be achieved by the year 2007, in order to reach 1% share of the world trade. This Orissa policy should target at achieving an ambitious 10% share in the country's exports by 2012. Following strategies have been formulated to achieve this target.

a) Exporters in Orissa are mostly concentrated in few districts. All sections of exporters have their export associations. should closely and actively co-ordinate with all the export associations and take up the following measures.

b) Evolve suitable export oriented strategies focusing on specific product sectors with inputs from the Export Associations/Exporters. This will include taking part in international Trade Fairs/Exhibitions, providing inputs on technology upgradation, packaging, quality, etc.

c) Undertake market research on focus countries, markets and sectors and provide market information to the exporting community.

d) Have a time bound action plan to implement the above strategies and accelerate export growth.

e) For effective export promotion in the districts, the industries and traders may be classified into three categories in each district, as given below:

i) Industries/Traders who are already exporting

ii) Industries/Traders who are exporting through merchant exporters

iii) Industries/Traders who have not yet entered the export field.

Efforts will be made to upgrade industries/traders in categories (ii) & (iii) to take up direct exports.

f) A District Level Export Promotion Committee (DLEPC) in all the Districts will be constituted comprising:

i) A senior level officer of the District Industries Centre

ii) A representative of local Chambers/Industry Association

iii) Two prominent exporters from the District

iv) Lead Bank Manager

v) Concerned Department's Officers

vi) Authorized representative from FIEO

vii) Authorized representative from the office of the DGFT, Cuttack.

The DLEPC will draw upon the expertise of Directorate of Export Promotion & Marketing in export promotion and chalk out a time bound and effective action plan to:

- Prepare a comprehensive database on existing exporters in the District
- Identify Industries/Traders who are exporting through other merchant exporters
- Identify the Industries/Traders with potential products for exports and
- Resolve local problems of exporting community
- Organise various dissemination programmes on export related information for the exporters in various thrust areas.

g) **DLEPCs will adopt following strategy to augment and accelerate exports:**

(a) Identify the bottlenecks/problems faced by the existing exporters and resolve them. The exports will increase significantly in a short period with the creation of a suitable export conductive environment.

(b) The Industries/Traders who are exporting their products through other merchant exporters will be trained to export directly by giving them intensive training in exports,providing regular market information and other related information on a regular basis from Directorate of Export Promotion & Marketing. Since their products have already been accepted in the overseas markets, these

Industries/Traders are expected to become exporters within a short time and help in increasing exports significantly.

(c) After the DLEPC has identified the potential exporters in the District, Directorate of Export Promotion & Marketing will in co-ordination with local DIC/Chamber/Industry Association counsel and train the Industries/Traders to export their products. This will be a long term strategy.

(d) The DLEPC will also submit suitable proposals for developing export infrastructure in their Districts.

(e) The Commissioner for Industrial development, who is the chairman of the Subcommittee of SLEPC shall monitor the work of DLEPCs and ensure their effective functioning.

(f) E-Governance for International Trade: Since many Industries/Traders do not have the wherewithal to take up export activity due to lack of knowledge on the trade, it is proposed to establish an E-Governance facility at Directorate of Export Promotion & Marketing and connecting six major Districts to start with, which would facilitate the existing and potential exporters in Orissa and these districts to have online chatting/video conferencing with experts, concerned departments/organizations and obtain online updating of latest notifications, circulars, clarifying doubts/questions related to exports, generate online trade enquiries etc. at one single place without traveling.

(g) By suitable adoption of the above measures and proper co-ordination of the concerned Depts/Organisations with the exporting community, it is proposed to not only help the existing exporters of the State to export more, but also motivate new entrants in the field.

EXPORT INCENTIVIES

Following Schemes for export incentives are to be implemented by the State:

a) Market Development Assistance (MDA) Scheme

The MDA Scheme of the State Govt. shall focus on the small and medium manufacturing units who wish to enter export field and small merchant exporters of the State and would be administered by FIEO. This Scheme would include among others, financial support for visit of Trade Delegations to other countries, participation in International Trade

Fairs/Exhibitions, Market Survey Reports, Publicity in foreign media etc. initially an outlay of Rs. 1.00 crore per year will be provided under the scheme. A consortium model can be followed to recommend MDA to various small and marginal exporters.

b) Brand Equity Fund

A brand equity fund with an allocation of Rs. 1.00 crore per year will be set up at Directorate of Export Promotion & Marketing under the Scheme. This will be aimed at building strong globally competitive brands for products manufactured/produce originating from Orissa.

c) Market Research Fund

A Market Research Fund with an allocation of Rs. 1.00 crore per year will be set up at Directorate of Export Promotion & Marketing to activate a mechanism for providing live and timely market information on products and markets which will help the SME exporters to enter the export market directly.

d) Export awards

Directorate of Export Promotion & Marketing on behalf of Govt. of Orissa to award export awards to top exporters of various categories of products of the State for their excellence in exports. These awards will be in those sectors that are focus sectors for the State viz., IT,Food Processing, Precision Engineering, Electronics & Communications, Textiles and Machine Tools, Handicrafts and Marine Exports. A one time corpus fund of Rs. 1.00 crore will be set up for this purpose.For the purpose of the incentives as per the above orders a unit is defined as an "Export Oriented Unit" if it exports a minimum of 75% of its production in any financial year and should be considered for waiver of electricity duty. Incentives for units set up in Special Economic Zone will however by governed by the Special Economic Zone Policy

EXPORT INFRASTRUCTURE

Creating good infrastructural facilities in potential export centres will receive utmost priority.Government will encourage participation of private sector in developing export infrastructure with a time bound implementation plan on suitable models like BOT, BOOT, BOST etc. In particular the following infrastructure projects will receive attention DGFT office should be made more pro-active for export data and reducing transaction costs.

(a) Ports/ICD/CFS

At present, there is one major Sea Port, the Paradip Port Trust at Paradip. The Dhamra port which is being set up is expected to cater to major exports in Orissa. In addition the Airport at Bhubaneswar may also be upgraded to cater to handle cargo from Orissa. ICDs may also be set up at various strategic locations in Orissa.

(b) Special Economic Zone

It is also proposed to establish SEZs in other parts of the State based on need and feasibility studies.

(c) Food Parks/ Textiles Parks/Leather Parks It is also proposed to establish Food Parks/Textiles Parks/Leather Parks in other parts of the State based on need an d feasibility studies. This may be set up by inviting private enterprise.

d) Clusters : Clusters for excellence in manufacture of should be encouraged in various areas in the state:

Handicrafts at Raghurajpur & Pipli

Filligree work at Cuttack

Engineering tools, tackles, spares, foundry at Rourkela

For tribal arts & crafts at Kalahandi

Other centres may be added as and when felt necessary.

(e) Permanent Exhibition/Trade Centre

A permanent Exhibition Centre at Bhubaneswar, Orissa to be set up with the assistance of FIEO/IIFT/I & LFS/Local trade bodies i.e. Utkal Chamber of Commerce, etc.

(f) Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE) Scheme

The specific purpose for which the funds allocated under the Scheme can be sanctioned and utilised are as follows:

i) Creation of new Export Promotion Industrial Parks/Zones (including Special Economic Zones (SEZs)/Agri-Business Zones) and augmenting facilities in the existing ones.

ii) Setting up of electronic and other related infrastructure in export conclave.

iii) Equity participation in infrastructure projects including the setting up of SEZs.

iv) Meeting requiremnets of capital outlay of EPIPs/EPZs/SEZs.

v) Development of complementary infrastructure such as roads connecting the production centres with the ports, setting up of Inland Container Depots and Container Freight Stations.

vi) Establishing power supply through additional transformers and islanding of export production centres etc.

vii) Development of minor ports and jetties of a particular specification to serve export purpose.

viii) Assistance for setting up common effluent treatment facilities for which separate guidelines will be issued.

ix) Projects of national and regional importance.

x) Activities permitted as per EDF in relation to North East and Sikkim.

The proposals for the various export infrastructural projects required to be implemented for acceleration of exports and submitted by the DLEPC/ other concerned agencies will be scrutinised and cleared by the State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary of the State.

CONCLUDING REMARKS:

The New Industrial Policy statement 1991 is a significant departure from the policy framework that was laid down in 1956. The new policy package includes principal elements like market friendliness, privatization and opening up of the economy to foreign capital and trade with a view to solve the financial- and balance of payments crisis. A series of measures have been taken to unshackle the Indian industrial economy from the cob webs of unnecessary bureaucratic control. The policy complements the measures already taken in the areas of Trade policy, exchange rate management, fiscal policy, financial sector reforms and overall macro- economic management.

IPR - 91 provides for abolition of licensing for all projects except for a short list of industries related to security and strategic concerns and social reasons. It proposes for removal of the investment limit of Rs. 100 Crores for MRTP companies and withdrawal of permission for their extension and amalgamation etc.. The limit for foreign equity holdings has been raised from 40 percent to 51 percent and it is provided to give approval for direct investment of up to 40 percent to 51 percent equity in the high priority industries which include 34 broad areas. Partial disinvestment (i.e. 20 percent of equity) of holding of the Govt. in the public sector is another drastic step. The same reservation chart for small scale industries is kept intact. Automatic permission to a foreign technology transfer agreement in the high priority industries up to a sum of rupees one Crore is a mile stone provision in the policy.

Further, from March 1993, Mining of 13 Minerals was deserved for public sector and opened for private participation. Manufacture of Ready-made Garments, an item reserved for SST is now opened to large scale undertakings subject to export obligation of 50 percent and investment not exceeding Rs. 3 Crores.

The new trade policy, inter alia, seeks to (a) accelerate transition to an internationally oriented economy; (b) derive maximum benefits from the expanding global market opportunities; (c) augment the productivity, modernization and competitiveness of India's primary, secondary and service sectors; (d) stimulate India's exports by facilitating access to raw materials, intermediates, components, consumables and capital goods; and (e) to encourage efficient and. internationally competitive import substitution, strengthen and stimulate India's R & D capability for quality and technological up gradation,

The new trade policy has facilitated essential imports for export promotion. In order to make necessary imports available to the registered exporters, the duty exemption scheme or the advance licensing scheme is aimed at export production at international prices without payment of customs duty so as to make the exports competitive. The scheme covered the categories of licences like (a) Quantity-based advance licences; (b) value based advance licensees; (c) self declared passbook scheme (d) Advance intermediate licences; (e) special impress licences; and (f) advance customs clearance permit.

Under the EPCG scheme, the permitted capital goods may be imported at concessional rate of customs duty of 15 percent subject to an export obligation of four times the c.i.f value of imports within five years

In the trade policy reforms, EOUs and units in the EPZs have been given greater autonomy to install not only their own machinery but also machines on lease. Equity above 51 percent is also allowed in projects, which promise substantial exports. They are allowed free import of items (not the prohibited items) free of duty, tax holiday for 5 years, and automatic clearance for setting up of projects in EPZs or outside and many other incentives. Govt. of India has moved to establish Export Promotion Parks with infrastructures and. other common facilities in each State under a centrally sponsored scheme. Besides, seven software technology parks (STP) have already been established in the Country for export Development of software (one at Bhubaneswar, in Orissa). Further, EOUs have been allowed export through Export Houses, Trading Houses, Star and Super Star Trading Houses. Manufacturers holding ISO 9000 or BIS 14000 certificates have been allowed to get the benefits of special import licences.

The New Industrial and Trade Policy have many novel provisions. Export industries are to grow stronger and produce goods of international standard and quality. Govt. of Orissa has also offered a package of incentives to the industry sector in the new Industrial Policy with special focus on export oriented industries. Under the blanket of many faceted incentives, export industries are surely to get charges with new vigor in the State. For the first time, Twelve sectors have been identified in the IPR - 92 of the State govt. as thrust sectors. Export Oriented and import substitution industries have got priority. Industries for cutting and polishing Gem stones and Granite industries producing Pig iron, Sponge iron, Ferro alloys, steel etc. agro and marine based food processing industries, textiles, synthetic fibers, plastic export dedicated floriculture, hardware and software industries which have been for promotion are all export oriented and export promotive in nature.

A peep in to the export basket of Orissa reveals that Ferro alloys, Aluminum and Alumina, Pig iron, Sponge iron, Engineering, Chemicals and allied products, handlooms, Textiles including RMG, Marine and Mineral products constitute the main items of export. The states Govt. have made several provisions/ incentives like capital investment subsidy, Sales tax exemptions, and exemptions from Octrai, Electricity duty, Stamp and Registration fees. Etc. Mineral processing and value addition manufacturing units have been granted licences and mining leases. Export industries coming under Ferro Alloys, Engineering and Chemicals are mostly covered in Annexure-III industries in the IPR-91 of the Central Govt. and are eligible to get automatic approval of foreign technology agreement and 51 percent foreign equity approvals. 13 minerals (Annexure-I) have been de reserved for private sector participation. So, Orissa being the state with largest reserves of minerals is going to get the benefit in large scale from the change. The centrally sponsored “Export Promotion Park” and Software technology Park” schemes are going to produce immense opportunities in the state and the scope for establishment of new exporting units are envisaged.

It is seen that Industrial Policies of the State and the Central and the Import Export Policy of the Central Govt. have a common approach. Each policy aims at industrial growth and export promotion. One policy complements the other. The new environment of liberalization and freedom would certainly take the economy of the State to higher level of industrialization and export growth.

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