

State Centre Linkages

Preparing an export strategy for states

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present challenges

- Export registered a growth rate of 37.5% in 2010-11 and 21 % in 2011-12, reaching 303.7 BN USD.
- Target to double India's merchandise exports to USD 500 Bn by 2013-14
- Consistent RoG of 28% required to reach FT target
- 4% share of the World trade by 2020

Present challenges (Contd.)

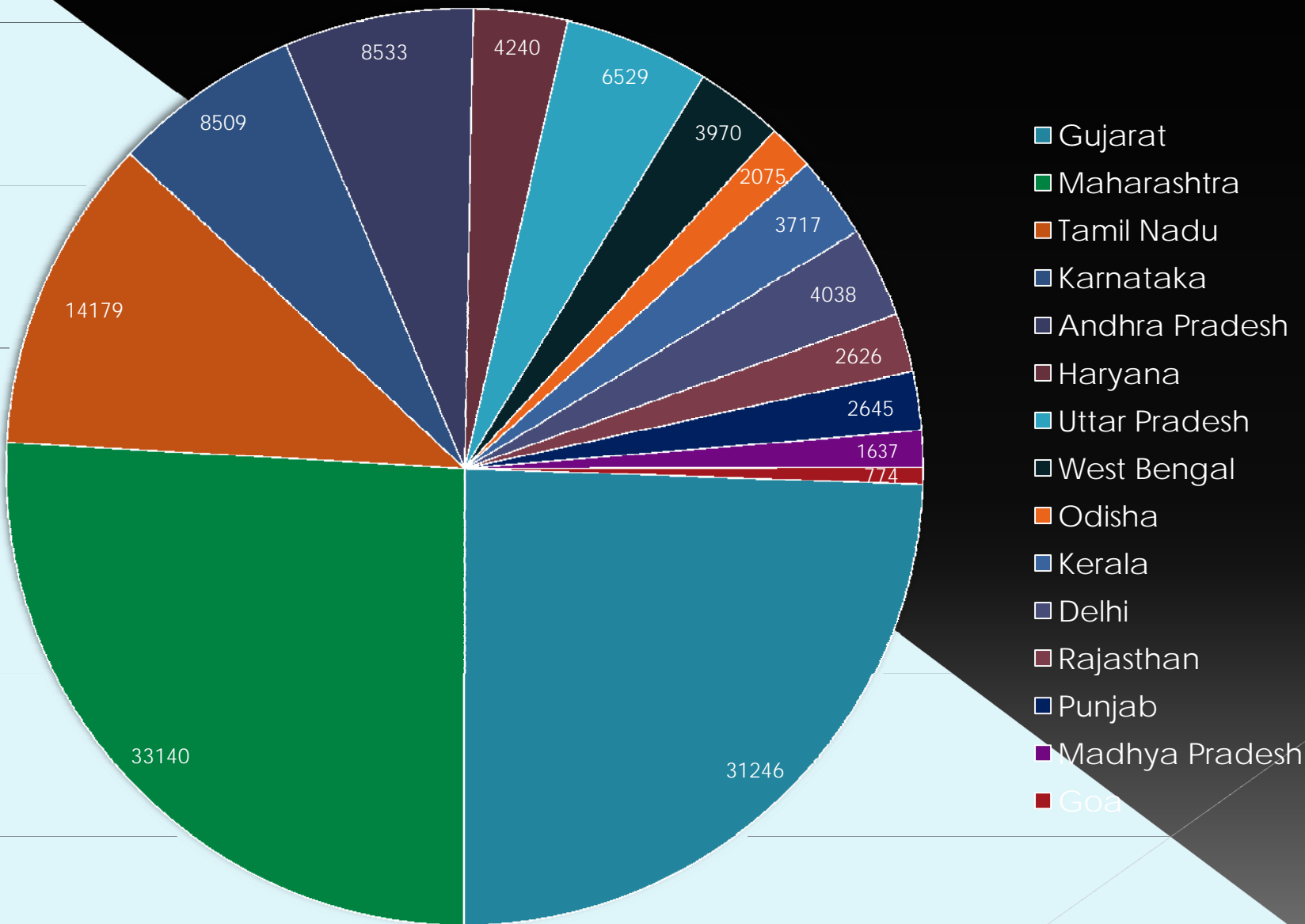
- ⦿ Lack of clarity about WTO laws and regulations including ASCM
- ⦿ Less awareness about FTAs signed by India and entailing benefits particularly on market access
- ⦿ Uneven geographical distribution of SEZ
- ⦿ No rebating of taxes on export goods

Present challenges (Contd.)

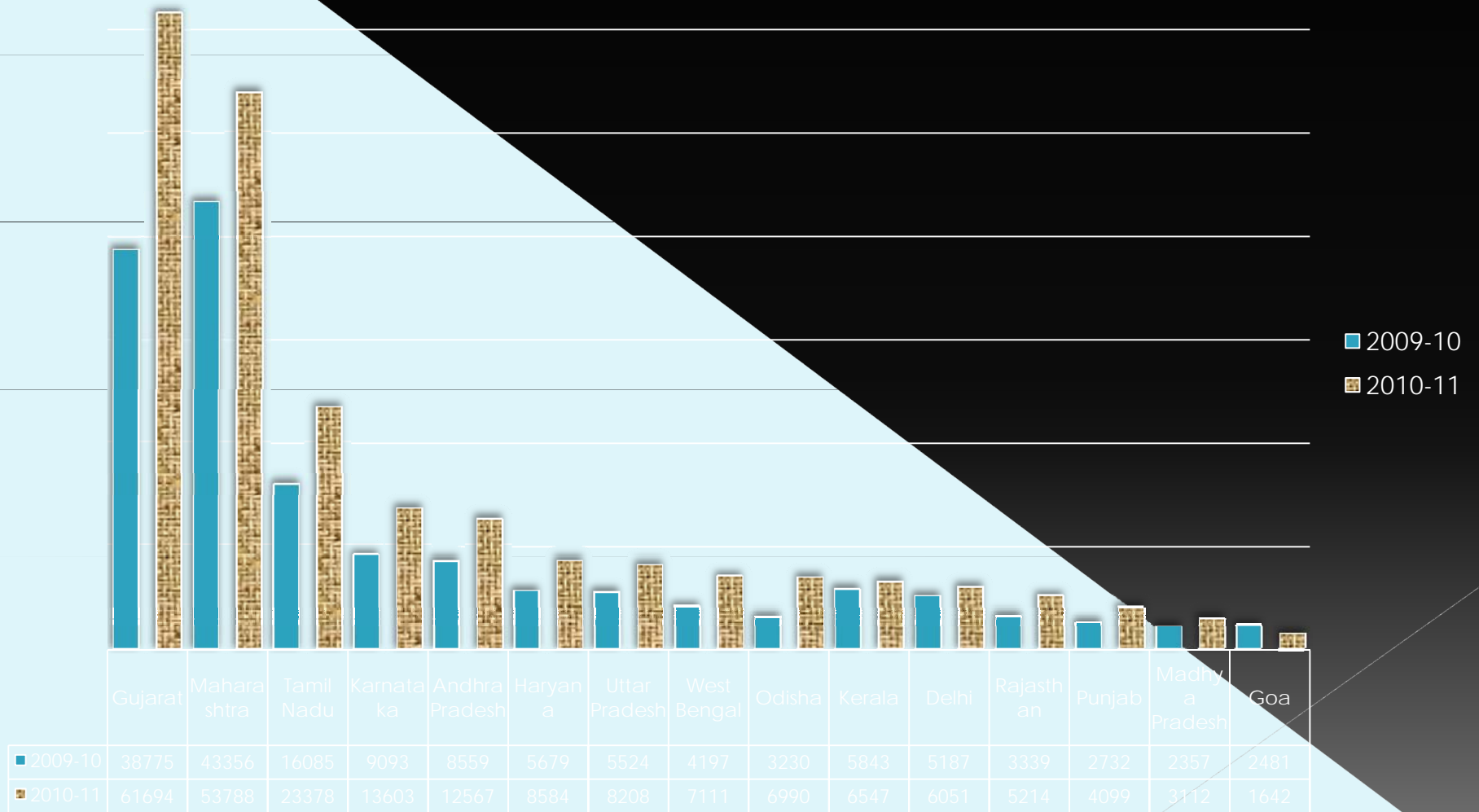
- ◎ ASIDE
 - › States are not in sync with ASIDE scheme, reflected in projects funded through it
 - › Miniscule Fund available to each state and Union Territories under ASIDE scheme
- ◎ Under ASIDE, awareness regarding states' code in shipping bills
- ◎ MAI for recognised association

Share of exports across top 15 states 2011-12

(Apr-Sept; Mn USD)



export from top 15 States (USD Mn)



Source: Economic Survey 2011-12, Chapter 7, International Trade

Top 20 India Exported Products to World 2010

(Mn USD)

HSC	Product Name	2010 Exports
2710	Oils petroleum, bituminous, distillates, except crude	36,641.31
7102	Diamonds, not mounted or set	22,269.72
7113	Jewellery and parts, containing precious metal	7,833.66
2601	Iron ores and concentrates, roasted iron pyrites	6,146.91
3004	Medicaments, therapeutic, prophylactic use, in dosage	5,153.40
7403	Refined copper and copper alloys, unwrought	4,628.40
8703	Motor vehicles for transport of persons (except buses)	4,510.55
5201	Cotton, not carded or combed	2,973.02
5205	Cotton yarn not sewing thread >85% cotton, not retail	2,757.76
8905	Special purpose ships, vessels, nes	2,721.69
7305	Pipe, welded, riveted iron or steel, diameter >406.4mm	2,504.82
1006	Rice	2,295.81
2942	Organic compounds, nes	2,216.19
7202	Ferro-alloys	2,099.41
8708	Parts and accessories for motor vehicles	1,923.63
6204	Womens, girls suits, jacket, dress, skirt, etc, woven	1,876.28
6109	T-shirts, singlets and other vests, knit or crochet	1,697.99
0202	Meat of bovine animals, frozen	1,676.48
2304	Soya-bean oil-cake and other solid residues	1,652.66
8525	Radio and TV transmitters, television cameras	1,517.26

(Source: Comtrade via WITS, aggregated from 6-Digit data).

export strategy for states

- Identify export potential products
- Identify constraints affecting exports of potential products
- Mapping and strengthening trade related Infrastructure
- Policy support by way of export promotion policies

identify export potential products

Revealed Comparative Advantage indicates that policies should be designed so as to promote exports of items, where the comparative advantage truly lies or is higher.

Scenario 1: If India's RCA is higher, exports can be increased further as India is relatively competitive

Scenario 2: If India's RCA is less, then India/State should identify bottlenecks-policy issues, infrastructure, production process, other issues etc)

RCA

- RCA is the Balassa index of Revealed Comparative Advantage (RCA) which gives an indication of those industries in which a given country may have a comparative advantage.
- The standard calculation of revealed comparative advantage measures how much a country is exporting a given good relative to its total trade, in comparison to the share of that good in world trade.
- Country is said to have a “revealed comparative advantage” in a good when the share of that good in its exports is bigger than the share of that good in world exports.

- RCA is calculated as:

$$RCA_{iw}^k = \left(\frac{x_{iw}^k}{X_{iw}} \right) / \left(\frac{x_{ww}^k}{X_{ww}} \right)$$

- where x_{iw}^k represents exports of sector k by country i to the world, and X_{iw} denotes total exports from country i to the World, and where capital letter subscripts represent total flows of all goods.
- One difficulty with the RCA is that the upper bound is stable across countries but varies across sectors and years. This makes the index very suitable for cross country comparisons

India's Revealed Comparative Advantage (RCA) with World

Selected Products, Year 2010, USD MN

HSC	Product Name	RCA	Exports
2710	Oils petroleum, bituminous, distillates, except crude	0.57	36,641.31
2942	Organic compounds, nes	0.96	2,216.19
5205	Cotton yarn not sewing thread >85% cotton, not retail	0.87	2,757.76
5201	Cotton, not carded or combed	0.87	2,973.02
7305	Pipe, welded, riveted iron or steel, diameter >406.4mm	0.86	2,504.82
7102	Diamonds, not mounted or set	0.86	22,269.72
7113	Jewellery and parts, containing precious metal	0.79	7,833.66
0202	Meat of bovine animals, frozen	0.77	1,676.48
1006	Rice	0.76	2,295.81
8905	Special purpose ships, vessels, nes	0.76	2,721.69
7202	Ferro-alloys	0.68	2,099.41
2304	Soya-bean oil-cake and other solid residues	0.65	1,652.66
7403	Refined copper and copper alloys, unwrought	0.63	4,628.40
2601	Iron ores and concentrates, roasted iron pyrites	0.58	6,146.91
6109	T-shirts, singlets and other vests, knit or crochet	0.55	1,697.99
6204	Womens, girls suits, jacket, dress, skirt, etc, woven	0.44	1,876.28
3004	Medicaments, therapeutic, prophylactic use, in dosage	0.02	5,153.40
8525	Radio and TV transmitters, television cameras	0.28	1,517.26
8703	Motor vehicles for transport of persons (except buses)	0.32	4,510.55
8708	Parts and accessories for motor vehicles	0.41	1,923.63

(Source: TradeSift Indicator using Comtrade via WITS data)

mapping trade related Infrastructure

◎ Road Connectivity

- Internal Roads
- National and State Highways
- Roads leading to ports in Maritime states

◎ Rail Connectivity

◎ Air Connectivity

mapping trade related Infrastructure(Contd.)

- ICD/CFS and CONCOR
- Power Supply
- Water Supply
- Sewerage and Effluent Treatment
Plants
- Telecommunication Facilities
- Technology up-gradation

export promotion policies

- ◉ Why do states need export promotion policy
 - › 40% of India's GDP is contributed by foreign Trade, export performance of each state affects GDP
 - › Lop sided export development
 - › States performing well below potential as no dedicated policy to boost exports

export promotion policies (Contd.)

- ◉ The reluctance is due to limited incentives states receive as FT is centre's subject.
- ◉ DoC can encourage the states to draft export promotion policy by incentivizing it and introduce additional policies on lines of ASIDE
- ◉ FIEO can support states in drafting their policy

export promotion policies (Contd.)

- ◉ Expeditious Refund of VAT
- ◉ VAT on transferrable scrips/licences
- ◉ Exemption from State taxes
- ◉ Raw Material Bank
- ◉ Display Center
- ◉ Warehousing and ICDs
- ◉ Skill Development
- ◉ WTO Compatible Non Actionable Subsidy Scheme.

R&D Support

- assistance for research activities conducted by firms :
- the assistance covers not more than 75 per cent of the costs of industrial research or 50 per cent of the costs of pre-competitive development activity and provided that such assistance is limited exclusively to:
 - costs of personnel
 - costs of instruments, equipment, land and buildings used exclusively and permanently (except when disposed of on a commercial basis) for the research activity;
 - costs of consultancy and equivalent services used exclusively for the research activity
 - other running costs (such as those of materials, supplies and the like), incurred directly as a result of the research activity.

Support to backward region

Assistance to disadvantaged regions

- each disadvantaged region must be a clearly designated contiguous geographical area with a definable economic and administrative identity;
- the region is considered as disadvantaged on the basis of neutral and objective based on at least one of the following factors:
- either income per capita or household income per capita, or GDP per capita, which must not be above 85 per cent of the average for the territory concerned;
- unemployment rate, which must be at least 110 per cent of the average for the territory concerned;

Adaptation to Environment Regulations

Assistance to promote adaptation of existing facilities to new environmental requirements imposed by law and/or regulations

- ⦿ is a one-time non-recurring measure; and
- ⦿ is limited to 20 per cent of the cost of adaptation; and
- ⦿ does not cover the cost of replacing and operating the assisted investment, which must be fully borne by firms; and
- ⦿ is directly linked to and proportionate to a firm's planned reduction of nuisances and pollution, and does not cover any manufacturing cost savings which may be achieved; and
- ⦿ is available to all firms which can adopt the new equipment and/or production processes.

addressing the constraints

- Focus planned schemes w.r.t. regional trade across globe
- States need to be apprised of WTO laws and regulations: Textiles and Annex VII status
- Awareness of FTAs signed by India and entailing benefits
- Fund for infrastructure development in each state need to increase

addressing the constraints (Contd.)

- ◉ States need to focus on physical infrastructure esp. the connectivity between first mile and last mile.
- ◉ Maintenance and monitoring of the existing projects is utmost important, rather than floating new ones.

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THANK YOU