

CHAPTER 9

SUGGESTIONS OR POLICY RECOMMENDATIONS, SCOPE FOR FUTURE RESEARCH AND CONCLUSION

9.1. SUGGESTIONS/ POLICY RECOMMENDATIONS

For any economy to become highly export-oriented that would boost inward investments in a region, it is important that state intervention and market freedom, open trade and selective transitional protection together with fine-tuned mix of macro and micro policies and public-private partnerships is available for the creation of a dynamic business environment. Drawing from the experiences of countries that have successfully promoted the export competitiveness of firms operating in those countries and the study made forth, the following suggestions are recommended:

- To build on Assam economy's strength in certain critical industries such as Cement, Plastic, Food-processing and Handloom. If manufacturing has to occupy a larger share of Assam's GSDP, few selected industries can become the way to the future.
- Within manufacturing, the value chain has to move up both in terms of domestic production as well as exports.

- Aggressively promoting export growth of high value products that have a strong domestic manufacturing base can act as the lynchpin of the state's overall export growth strategy.
- Based on domestic manufacturing capabilities and potential demand, exports of few select categories need to grow significantly to realize overall growth targets, and should be prioritized accordingly.
- Exports based on light manufacturing such as handloom also need to be emphasized. These sectors are important as they generate employment, have high domestic value addition, and have historical importance.
- There is also potential in the category of natural resource based exports in sectors like agriculture, coal and limestone extracts. Enabling a less controlled regime for fresh agricultural produce and aiming at greater value addition and processed products would help increase value of exports.
- Market diversification strategy has to be incorporated to ensure sustained growth of exports. The demand in the old traditional markets of developed western world, North America and Europe is becoming sluggish due to output expansion in these economies. Opening up new vistas in markets of South East Asian countries through existing and new products can turn out to be beneficial. At the same time, deepening engagement in the older markets, by increasing volumes of exports and diversifying the export basket would definitely help the region to move up the value chain.
- Rapidly changing technology would demand changes in the production and export strategies to meet the needs in the exporting markets.
- To establish greater credibility and acceptance of our export products and sectors in foreign markets, it is important to strengthen efforts to build up a brand image for Assam exports, and promote a thrust for quality up-gradation. Domestic standards for export-related products have to be raised, assurances have to be put in place of quality enforcement through appropriate agencies such as Bureau of Indian Standards (BIS), Export Inspection Council (EIC) etc.
- A stable policy environment must be created and continuation of existing incentive schemes must follow.

- To develop competitive advantage of business firms by improving their efficiencies and developing increasingly sophisticated products, improvements should be made to imported technologies; through extensive joint venturing and heavy investments in trade-related infrastructure (roads, telecommunications and ports).
- The focus of the export strategy should be on further improving the business environment through revisions in regulatory arrangements (customs, taxation and company law). Strategy should assist prospective exporting firms to extend their capabilities within the international value chain. As production shifts from commodities towards manufacturing, sector-level strategy should seek to support greater value-addition nationally within the value chain. While promotion of FDI should, of course, continue to be a strategic priority, strategy-makers should focus increasingly on encouraging in-country business alliances in the form of domestic investments.
- Strategy should focus on technological diffusion and on establishing an increasingly efficient national environment for innovation. The emphasis should be on supporting institutions and extending incentives that reinforce innovation within the business sector. Companies should be encouraged to compete on the basis of unique strategies. The development of service export capacities should be a priority objective.
- It is important to provide credit at low cost for investment in capital goods and equipment. The interest rate on the term loans to buy capital equipment is very high in India. It is therefore suggested that credit in the form of term loans at low interest rates may be provided. Rupee term loans for investment in capital equipment by exporters registered with Export Promotion Councils may be included in 'priority sector lending' by banks. Further, the rate of interest should be at the base rate and no premium may be charged on such term loans over the base rate.
- At present engineering industry and particularly manufacturer-exporters in engineering sectors are facing serious problem of skilled manpower. The plant and machinery is becoming more high-tech and the required level of skill is badly missing. The National Skill Development Corporation of India be requested to promote general engineering skill development.

- The Indian Plastic Industry in the world market is unable to get a respectable world share. The major cause for this reason is that the plastic process industry is mainly dominated by the small scale sector. This sector lacks the economies of scale in production which is very necessary to be globally competitive and the issue of obsolescence in machinery required to achieve the economies of scale in production also needs to be addressed. The issue can be effectively addressed by creating a Technological Upgradation Fund that provides capital and interest subsidy for upgradation of machinery etc. and make small scale sector products more competitive by means of increase in productivity and use of green technology
- Another key to attaining a respectable share in the global plastic imports is to create additional capacities in plastic processing. This could effectively be done by creating plastic processing parks which should be housed with common facilities like design and prototyping centres, tool rooms, etc. The plastic processing parks will essentially be set to attract fresh investments in plastic processing both from within India and the overseas. In order to achieve this concept into reality, a packaged scheme of incentives has to be evolved so that developers are motivated into developing such parks and investors are motivated to set up plastic processing units.
- There is an urgent requirement of development of prototypes, moulds and dyes for plastic items particularly for the small scale sector. The plastic sector is dominated by SMEs who are not in a position to invest large sums for this purpose. This will facilitate development of moulded and extruded items and subsequently manufacturing them with much shorter lead times to effectively serve overseas markets and thus lead to rise in exports.
- A substantial increase in production capacities is required in handloom industry. Investments have to be increased in garmenting. This infusion of investments is critically required if Assam has to compete with other competitors.
- Rising input costs are a major factor affecting exports of handloom products. Since Assam has the advantage of having its own source of raw material, this advantage needs to be leveraged so as to gain a competitive edge over other regions. A huge

potential exists for exports by undertaking capacity building in this sector. The following initiatives are recommended for capacity building:

- Increased funding for Handloom Infrastructure Development
 - Productivity Improvement Programmes
 - Budget needs to be substantially enhanced for technology Upgradation Fund Schemes.
 - Creation of domestic production centres for hand looms as well as power looms.
 - Setting up of design studios for encouraging Indigenous Design Development.
- According to the export figures of Assam, agricultural products account for a large revenue generation through exports. There is a great potential of agricultural products to boost exports from the state. Additional funds under Assistance to States for Infrastructure Development (ASIDE) and Vishesh Krishi Gram Upaj Yojana (VKGUY) will be required to boost exports.
 - The periodic and recurrent spurts in price of essential commodities do not augur well for exports. It is therefore essential to have a very clear policy about food grains based on the buffer norms and strict implementation of the same. As for the perishable products like fruits and vegetables are concerned, it is proposed to have a system whereby critical reserves could be procured and stored at strategic locations by a centralized agency to ensure that any unusual rise in the price of a perishable essential commodity can be offset by prompt delivery of sufficient quantities to control the prices.
 - This kind of centralized procurement and storage will require substantial infrastructure to be built in terms of warehouses, cold storage, reefer vans, food processing plants with provision to press in service special railway rakes for swift distribution in the domestic market and shipment to the exporting ports.
 - Appropriate schemes can be devised for providing incentives for warehousing in the private sector while the govt. can create the required infrastructure by going in for common facilities for packaging, creating corridors and cargo handling centres for perishable commodities at airports.

- Food processing and value addition will be crucial for any strategy to boost exports and agricultural products. Encouraging development of post-harvest technology and incentivising food processing in the producing areas will be central to any sustainable strategy to boost exports of agricultural products from the state. Appropriate schemes can be devised to offer incentives for setting up food processing units in the rural areas which will not only generate employment but provide platform for value addition and diversification of food products to meet the standards and requirements of the importing countries. It is in this segment that the potential is infinite.
- It is also important to disseminate information about the quality requirements of major markets, create a network of certifying agencies backed with laboratories manned by trained technicians.
- It is also important to enhance production through increased acreage and increased productivity by adopting Good Agricultural Practices.
- Backward linkages have to be strengthened for increasing the supply of raw materials.
- Aggressive promotion activities have to be incorporated.
- Institutional mechanism to be set up to impart knowledge among farmers about quality, statutory and procedural requirements of importing countries.
- To ensure availability of adequate and cheap export credit in foreign currency.
- Harmonization of state laws/ procedures/ taxation issues relating to agro-commodities having huge export potential.
- Small and Medium Enterprises (SMEs) operating in the state can access outside markets by exploiting the opportunities that inward FDI can offer them to engage in indirect exporting activities. In order to enhance their production and export capacity, SMEs can link up with Multi-National Corporations (MNCs) or Trans-National Corporations (TNCs) to integrate into global chains of production.
- As UNCTAD recognises the impact of FDI on the export competitiveness of domestic firms, it is recommended that such linkages between SMEs and TNCs could be a great way for SMEs to access certain critical resources, like access to international markets, finance, technology and managerial skills.

- The existence of a clear and strong governmental commitment to support business enterprises with potential to export can give a positive signal to investors.
- The design of a coherent policy framework to foster investment, competition, technology transfer, and business firm development would require sectoral and firm-level policies that promote export competitiveness, be consistent with policies implemented at the state level, which includes macro-economic stabilization, taxation, trade liberalization and business-related regulations.
- To create a business-friendly environment enabling firms to start exporting, following suggestions are recommended-
 - Simplification of export policies and procedures.
 - Providing timely export subsidies
 - Delivery of appropriate infrastructure especially in transportation, power, telecommunication and other infrastructure that would foster domestic and international trade.
- Improvement in advanced and specialised factors of production would help gaining linkages with foreign affiliates.
- It is also highly recommended to promote continuous dialogue among stakeholders, create a consensus among entrepreneurs, trade unions, policy makers and civil society, and develop a comprehensive state development strategy through promotion of exports through Small and Medium Enterprises (SMEs) and attracting FDI into the state.
- Establishing with various state and central banks, a policy framework for channeling adequate funds to exporting business firms.
- Trading Houses should be created that can provide business firms with various forms of marketing assistance, facilitate access to market, product information, providing trade documentation, insurance and credit needed to trade successfully. Trading houses are export houses that are considered as registered exporters holding a valid export house certificate issued by the Director General of Foreign Trade (DGFT). Trading houses specializes in facilitating transactions between home country and foreign countries. A trading house can be an exporter, an importer, and also a trader that purchases and sells products for other businesses.

They further provide services for businesses that want international trade experts to receive or deliver goods or services. Trading houses acts as purchasing agents and undertake the procurement and maintenance of buffer stock and their distribution whenever and wherever necessary. They also arrange for storage, transportation, packaging and processing to the exporters and traders, thus facilitating supply and storage of commodities on behalf of SMEs.

- Finally, for those business firms in the state who have huge unutilized production capacity, is to increase production and enjoy economies of scale. This would not only lead to fall in production costs but would also help the company fight its competitors in the home state. To further enjoy excess profits and reach profit maximization stage, marketization also has to be increased through exports and exploring outside nations. Since 98 per cent of Assam's boundaries are surrounded by neighbouring allies, the outside markets is a viable option to increase the market size of the company. This would also help the company enjoy comparative advantage over its outside competitors. Exports would also boost the opportunity of getting investments from external sources. If the firm goes into increasing its production, the other important requirement would be increase in investments. If the company is short of investments, it can always look for viable options of investments from within the country or outside the country in the form of domestic or foreign investments, thereby breaking itself free from the vicious circle of unutilized capacity of production. FDI would further help them to enjoy economies of scale and increasing returns to scale.

9.2. SCOPE FOR FUTURE RESEARCH

- The present study is confined only to the state of Assam. But considering the great potentialities that all the North-Eastern States have, in terms of increasing their exporting base in both merchandise and services, the study carries with it a huge possibility of extending it to all the North-Eastern States of India.
- To study the scope of attracting investments and signify the possibility of exports in manufacturing sector in the state, only four sectors have been highlighted in the

study. The study can be further extended to more than four sectors which have great potential to enhance exports and boost investments in the future.

- To study the scope of exports and investments in the services sector of Assam, only two sectors have been chosen. The study can definitely be extended to more than two services sector which have great potential to enhance exports and boost investments in the future.

9.3. CONCLUSION

International competitiveness has become a key issue in the context of the current economic reforms and the global integration thereof pursued by developing countries (*Nagesh, 2005*). In a globalized world, the export success of a nation is ever more critical for its long-term economic performance. Higher export expansion through establishment of export processing zones and a reduction of anti-export bias in inward looking policies can even attract higher quantity and quality of FDI into the economy. And thus generate additional growth impetus.

Although Assam is potentially and significantly located in the geographical map of Assam, but it is clear that Assam is lagging far behind the mainland India in terms of growth and development. Its geographical isolation along with low industrialization has been the major causes of concern for the Centre as well as for the people of Assam. Therefore, to witness inclusive growth in the region, it can use its geographical remoteness as its tool to increase International Trade with its neighbouring allies which would further attract investments in the promising sectors of the region, thereby breaking the shackles of poverty and underdevelopment. Investments not only acts as a vehicle for accelerating the pace of exports but it is also an important variable that alters the level of GSDP of the state. Assam has been bestowed with market accessibility, but what it needs is the much needed investments for developing a well-equipped infrastructure for trade to take place. But this would also depend on how well the state govt. utilises and implements the reforms and policies to enable the business firms to take advantage of the untapped opportunities available abroad and foster exports. Therefore, it is important that the government also

emphasises on selected sectors from the state that can open up for exports and attract heavy investments in the field of manufacturing as has been pointed out in the study in chapter 7. No doubt, Assam has huge prospects for trade and investment and that it is high time that Assam understands it and taps the untapped.

Even the services sector has a very pivotal role to play in terms of trade and investments from the state. It has also been shown in chapter 8 that two sectors in services sector has already opened up for exports. If exports slowly opens up further in the sectors under study, foreign investments in these sectors would definitely turn out into reality.

Hence, it is of utmost importance that the business firms as well as the government understand and take appropriate measures as mentioned in the study through which exports and investments could be boosted in the highlighted sectors both in merchandize and services that would lead to inclusive growth for the economy of the state of Assam.