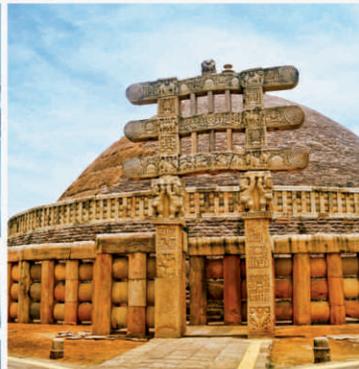




EXPORT STRATEGY FOR MADHYA PRADESH



Working Paper No: 78

EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 78

EXPORT STRATEGY FOR MADHYA PRADESH

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EXECUTIVE SUMMARY

Madhya Pradesh is one of the fastest growing States of India. Since its formation in 1956, Madhya Pradesh has grown from being an agriculture and mining based economy to an industry/services based economy. With an area of more than 150 lakh hectares being under cultivation, agricultural crops such as soybean, wheat, paddy, jowar, maize, gram, masur, tuar and mustard are the main crops. The state has a well-built infrastructure that has attracted investments in various sectors. The emergence of industrial goods among the top export items is an indication of the rise of the industrial sector in Madhya Pradesh.

Macroeconomic Profile

Madhya Pradesh has been performing well in terms of economic growth with its GSDP (at constant 2011-12 prices) witnessing a consistent increase from ₹3651.3 billion in 2013-14 to ₹4991 billion in 2017-18. The per capita GSDP also registered a healthy annual average growth of 6.8% during 2013-14 to 2017-18. In terms of the composition of the Gross State Value Added (GSVA), the primary and tertiary sectors are the major contributors. The advance estimates of 2017-18 show that the share of tertiary sector in the GSVA was the highest at 39%, followed by the primary and the secondary sector, with shares at 37% and 24%, respectively.

A monthly comparison of the Consumer Price Index for the 18 months upto February 2018 at the State and the All India level shows that the CPI (Base: 2012=100) for Madhya Pradesh has remained at a lower level during the period September 2016 to February 2018 than the all India level. Moreover, the volatility in the CPI during the last 60 months is much lesser in case of Madhya Pradesh (Standard Deviation=7.4) than for the all India level (Standard deviation=8.5), reflecting more price stability.

Exports: Performance and Potential

Exports is an area where the State has significant scope for improvement. As against its 11th position in terms of output¹, the State ranked only 15th in terms of its share in India's total exports, with exports valued at US\$ 4436.8 million in 2016-17. Other landlocked states like Haryana (3.9%) and Punjab (1.9%), which are much smaller in area, have contributed more to India's exports than Madhya Pradesh.

Export Target

With the Government of India providing a special thrust on pushing exports from the country, it becomes critical for Madhya Pradesh to contribute effectively to propel India to achieve the national export target of US\$ 1 trillion over the next 5 to 7 years. Under a baseline scenario, which assumes that Madhya Pradesh continues to maintain its share in India's merchandise exports (at 1.6%), the State may end up achieving approximately US\$ 10.6 billion of goods exports in seven years' time, i.e. by 2024-25. However, with an enabling policy environment, Madhya Pradesh has the potential to perform far better on the export front. Under such an optimistic scenario, the share of Madhya Pradesh in India's merchandise exports is projected to increase from the current level of 1.6% to 2.0% by 2024-25. This would propel exports from the State to reach the US\$ 10 billion mark by 2021-22 and further increase to approximately US\$ 13.3 billion by 2024-25. In the next 5 years, even if Madhya Pradesh is able to increase its share in India's exports by 0.2%, and at the same time, India progresses well in its export target of US\$ 1 trillion by 2024 complemented by the reviving world demand, Madhya Pradesh can easily achieve a target of US\$ 10 billion by 2021-22.

¹Net State Domestic Product

Current Scenario

The top 10 principal commodities from Madhya Pradesh contributed 65.4% to the State's total exports in 2016-17. The highest exported commodity was Drug Formulations and Biologicals at US\$ 1026.3 million (share of 23.1%), followed by Cotton Yarn at US\$ 345.5 million (7.8%), Oil Meals at US\$ 294.4 million (6.6%), Cotton Fabrics, Made ups etc. at US\$ 253.1 million (5.7%) and Aluminium, Products of Aluminium at US\$ 213 million (4.8%).

Whilst the top 10 principal commodities contributed nearly two-thirds to the total exports of Madhya Pradesh in 2016-17, the top 10 exported products at 6 digit level constituted 46.0% of the State's total exports in 2016-17, reflecting the narrow base of its exports, exposing the State to concentration risk. In 2016-17, at HS 6-digit level, the top exported commodity from Madhya Pradesh was 'Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses, including those in the form of transdermal administration or in forms or packings for retail sale' (HS Code- 300490), registering a healthy annual average growth of 48.2%, as its exports increased from US\$ 193.3 million in 2012-13 to US\$ 789.0 million in 2016-17. The product contributed 17.8% to the exports of Madhya Pradesh, which accounted for 8.1% of India's exports of this commodity in 2016-17. A country wise analysis of the exports from Madhya Pradesh reveals that the US (share of 27.6%), Bangladesh (7.6%), China (4.4%), Germany (3.3%) and Japan (3.2%) were the major export destinations in 2016-17.

In order to identify focus sectors, the Study has analysed exports of 71 products at the HS-6 digit level of classification, which together contributed 80.6% to the total exports of Madhya Pradesh in 2016. Out of these products, 42 products have been classified as Product Champions, i.e. these products have not only witnessed robust demand in the international market over the last 5 years – and are likely to follow the increasing trend going forward – but have also

been the ones where Madhya Pradesh has exhibited increasing export competitiveness.. The combined exports of these products from the State was US\$ 2.4 billion in 2016. The remaining 29 products can be categorised as 'Growers in Declining Market', i.e. these are the products where the State has increased its share in world exports although the demand for such products has been waning. Such products had combined exports of US\$ 1 billion from Madhya Pradesh in 2016. Out of the 42 Product Champions, Madhya Pradesh had a share of more than 30% in India's exports in 14 Product Champions, with 14 of them being those for which Madhya Pradesh was the highest exporter from India, and another 12 being those where the State was the 2nd highest exporter from India. The Product Champions can be further narrowed down to 22 products for which imports were not only higher than the overall AAGR of world imports but were also positive during 2012 to 2016. The combined exports of these 22 products from Madhya Pradesh amounted to US\$ 1523.7 million in 2016 (share of 36.4% in the total exports of MP in 2016). These are the products which the Government of Madhya Pradesh could particularly focus on to provide the much needed impetus to the State's exports.

FDI

The importance of attracting FDI can hardly be over-emphasised, especially for a State like Madhya Pradesh, which has been actively seeking investments. FDI inflows encourage exports from the recipient country through better use of the additional capital, transfer of superior technology, upgradation of technical and management skills, access to newer markets etc. However, if the focus of FDI inflows is to target the host market by taking advantage of locally procured cheaper raw materials through transfer of outdated or inappropriate technologies, then the tendency of that investment to engender exports would only be limited. Hence, it becomes critical to ensure that the FDI inflows feed into the exports from Madhya Pradesh over the medium to long term.

According to the Department of Industrial Policy and Promotion (DIPP), Madhya Pradesh and Chhattisgarh together received FDI equity inflows to the tune of US\$ 1.4 billion cumulatively during April 2000 to December 2017. The recent annual trends in FDI to both these States indicated that combined equity inflows amounted to US\$ 80 million in 2015-16 and fell to US\$ 76 million in 2016-17. During April-December 2017, FDI equity inflows amounted to US\$ 20 million.

Using a combined data on FDI to represent any individual State could provide a misleading picture. In order to get a fair indication of foreign investment flowing into Madhya Pradesh, the DIPP data is supplemented by using the data from fDi Markets database of the Financial Times, which provides disaggregated data not only at the State level but also breaks it up at a sectoral level. According to the fDi Markets, during 2008 to 2017, Madhya Pradesh accounted for 2.1% of the estimated total foreign capital expenditure received by India. The USA accounted for the largest number of FDI projects announced in Madhya Pradesh during 2008 to 2017, with 25% the total announced projects originating from the USA, during this 10-year period. This was followed by Germany at 16%; the UK at 9%; Japan at 9%; and Singapore at 6%. In terms of the value of foreign capital expenditure announced, Oman was the leading source, accounting for 26% of the total foreign capital expenditure announced in Madhya Pradesh. This was followed by the USA at 19%; Germany at 13%; Singapore at 12%; and Israel at 5%. Coal, oil and natural gas sector, with total foreign capital investment announced worth US\$ 2400 million, was the leading sector in terms of the value of foreign capital expenditure in Madhya Pradesh during 2008 to 2017.

Challenges and Strategies

Focussed Export Sectors

Providing special focus on the identified Product Champions could help Madhya Pradesh in achieving its targets. Within the 42 identified Product

Champions, priority policy actions could be accorded to 22 products whose global demand has witnessed considerable dynamism during 2012 to 2016. This can then be supplemented by ironing out the export infrastructure and policy bottlenecks prevalent in the sectors to which the Product Champions belong to. This would further facilitate exports of nearly US\$ 2.2 billion from Madhya Pradesh (the untapped export potential), almost half the present total exports of the State.

Attracting FDI as a Source of Future Exports

In order for Madhya Pradesh to achieve an export target of US\$ 10 billion in the next 5 years, an important component will be to attract the FDI, especially those that beget exports. Achieving this objective would entail not only encouraging foreign companies to participate in the 'Make in India' initiative on the soils of Madhya Pradesh in a significant way but also incentivising foreign companies to invest into high-technology sectors, especially those that are a part of the Global Value Chains (GVCs). This would not only improve the quality of products and inculcate professionalism, but more importantly provide a strong push to the exports from the State. As the quality of the 'Make in India' products from Madhya Pradesh picks up, they will naturally get integrated into the GVCs, a strategy that has so successfully been implemented by China, where a large part of exports can be attributed to foreign companies, unlike India or for that matter Madhya Pradesh, where a major proportion of exports are accounted for by home-grown companies.

Given the relatively low levels of FDI inflows that Madhya Pradesh has received, it is important for the State to identify key sectors where a thoroughpaced focus could yield positive results, not just in terms of investments, but also in terms of triggering exports from the State down the line. A top-down approach with the objective of attracting export-oriented FDI would entail mapping international demand with current and prospective capacities of Madhya Pradesh across sectors and shortlisting sectors which have shown dynamic international demand and for

which capacities are either not present in the State, or even if present, are too low to serve the export market. Additionally, the approach should lay special emphasis on sectors with high value and job creation capabilities.

As an essential first step, this would entail widening the list of items undertaken for the earlier analysis of identification of products with export potential and taking on board the complete list of products currently being exported by Madhya Pradesh at HS 6-digit level of classification. This analysis throws up another category of focussed products which can be classified as 'Underachievers', i.e. the products in which the State does not have competitiveness, although their global demand has grown significantly over the last 5 years. These products are the ones where an improvement in competitiveness of the State would significantly push up exports. One of the main instruments of achieving competitiveness would be attracting FDI inflows, which would bring with it better technology and the associated improvement in efficiency and economies of scale and scope. A further prioritization for FDI could be undertaken based on the level of technological curve the product is at, implying that greater focus could be given to high-technology high-value sectors. In addition, the sectors / products categorised as 'Product Champions' would be a natural fit for attracting investments.

In most of the sectors identified for the purpose of attracting FDIs, Madhya Pradesh has clearly lagged behind even the other landlocked states. There have been some sectors such as Business Machines and Equipment; Non-Automotive Transport OEM; Engines and Turbines; Medical Devices; and Biotechnology, where Madhya Pradesh has not been able to attract even a single foreign capital expenditure project over the past fifteen years. Some of these sectors not only have a tendency to increase exports but are also considered as huge job creators. Here, the State government can identify select cities in Madhya Pradesh and undertake a focused and dedicated approach by creating a sector specific environment to attract the FDI in these segments.

Realising the Untapped Potential of Tourism as a source of Foreign Exchange

Although Madhya Pradesh was the 4th largest destination for domestic tourists in 2016, with 15.05 crore people visiting the State, it did not even feature among the top 10 States of India in terms of number of foreign tourist arrivals in 2016. One of the steps that can be taken to promote and enhance the export earnings from the tourism sector is 'stressed marketing'. The marketing by the Madhya Pradesh Government of its tourism potential has been able to capture people's imagination in recent times. However, the marketing efforts have majorly concentrated on the overall tourism of the State. The State Government can try and explore stressed marketing strategies for select identified destinations. The marketing efforts can focus on what the State can offer that is different than what other states with similar structures or spots have to offer, so that a different image could be developed around a tourist destination, rather than just promoting the destination. In terms of advertisement campaign in the print media or the television media, the State could possibly target select countries from where the influx of tourists has been majorly from.

Another step that can be taken up is to improve the connectivity of select vital tourism destinations with the major centres of India. For example, the distance of Khajuraho and Udaipur is almost the same from India's capital. However, the number of foreign tourists visiting Udaipur is almost 3 times more than those visiting Khajuraho. A stark difference that can be observed here is of the air and the rail connectivity which the State Government of Madhya Pradesh has also taken note of. The improvement in connectivity as well as other physical infrastructure would not only benefit the destinations identified under the stressed marketing plan but also the smaller destinations in the State that have a lot to offer to foreign tourists if connected well with the rest of the State and the country.

Warehousing and Storage Capacity

The State could consider developing a multi-modal cold-chain network which can involve two or more modes of transport for facilitating transportation and storage of perishable products. Investment in development of last mile connectivity can also serve as an objective for this proposed multi-modal network. Further, another opportunity for the State in terms of cold storage facilities lies in rectifying the skewness of the locations of these facilities. Only 5% of the total cold storage capacity lies in the eastern part of Madhya Pradesh. The State needs to initiate steps in order to not only upscale this capacity to meet future needs but also address the locational biasedness, so as to reduce the overall cost for the exporters.

Inland Container Depots (ICDs)

Although Madhya Pradesh has 6 Inland Container Depots, the eastern part of the State does not have any ICD of its own. Coincidentally, a good number of industrial centres are located in and around Jabalpur in the eastern part of Madhya Pradesh. Further, various interactions with the State's industry has borne out the need for establishing an ICD. If the Government of Madhya Pradesh plans to set up an ICD in this part of the State, the exporters can have a range of benefits such as concentration point for long distance cargo and its unitisation; availability of customs clearance facility near the centres of production and consumption; reduced level of demurrage and pilferage; competitive transport cost; reduced inventory cost; and increased trade flows.

Setting Up the Madhya Pradesh Export Promotion Council (MPEPC)

The Madhya Pradesh Export Promotion Council (MPEPC) can be set up with support from the State Government, industry associations and exporters for providing information and guidance to exporters. Exporters, generally, have to go to various departments and agencies to execute their work. This Council can serve as a link between the exporters and the Government, and help alleviate

the constraints for export growth. MPEPC can be set up with an organization structure incorporating equal representation from the private (export oriented firms across sectors) and the public sector, unlike Madhya Pradesh Trade & Investment Facilitation Corporation Limited (MP TRIFAC) which is wholly owned by the Government of Madhya Pradesh. As the institution will have representation from both the exporters as well as the Government, it will help in building and sustaining an export-oriented focused approach. In this case, the State can actually assess the amount of investment, kind of investment (domestic or foreign), policy changes, policy challenges, sectoral issues etc. which can facilitate exports. At the same time, the organization can internally divide itself into departments based on the relevant sectors for the State. In addition to putting in place measures that engender exports, the proposed MEPC would also encourage expanding the number of exporters from the State. In fact, one of the key annual performance metric of the MEPC would be the number of new exporters added in the State. This is of vital importance, since primary research based on various rounds of interactions with the stakeholders, has clearly established that there is a fairly high level of reluctance among the industry to venture into cross-border trade, especially exports. Helping overcoming this mind-set would be one of the main objectives of the MEPC and a reasonable amount of its resources and activities would have to be initially dovetailed to surmount this impediment.

Identifying and Branding of Geographical Indication (GI) Products

The reference to geographical origin along with the use of traditional practices and processing methods, provides substantial marketing potential. GIs are considered important tools for marketing strategies, and function as product differentiators. To reap the benefits of GI status, it is important for the GI brand to be recognised as a reliable and preferred brand in the market with a distinguished positioning. In order to leverage the GI certification, Madhya Pradesh could consider adopting a two-pronged approach – first, identifying newer products from different categories

such as Chanderi Sarees from Chanderi, Mawa Jalebi from Burhanpur, Poha from Indore, Jali (Lattice) work from Gwalior etc., which can be conferred GI status, and second, branding the existing GI products. The State can also team up with the neighbouring states, and identify the products that have regional significance which can further be taken up by the Central Government in order to represent the product at the international level. In this context, the State Government could set up a Brand Equity Fund which can function under the aegis of Department of Commerce, Industry and Employment of Madhya Pradesh Government. This will be aimed at building globally competitive brands for products originating from the State. The fund can also assist in marketing of these branded products in the international arena. Export related brochures, interactive CDs, etc. can be created for popularizing the products from the State in international markets.

Centralised Export Administration

One of the main challenges that have curtailed the potential of exports from Madhya Pradesh and which was also established during the carrying out of primary research was the relatively high transaction cost of exporting from the State, a critical contributor to which was the absence of all agencies, including regulatory and support institutions involved in exports, being spread across various parts of the State. It is suggested that an integrated building, which would house all agencies required to be visited by the exporters be constructed at one place as a one-stop shop for existing and potential exporters. Agencies like FIEO, Transport agencies, DGFT, concerned Central and State Government departments should have their offices in this building. The coordinating organization functioning as the single window could be the proposed Madhya Pradesh Export Promotion Council. Trade facilitating agencies like the various sectoral Export Promotion Councils can also be encouraged to set up offices in the same building. For this, the State Government could consider providing spaces at preferred rates to the interested organizations to set up their offices.

Export Awards

To encourage exports from the State, Export Awards can be introduced, recognizing the efforts of exporters across the key sectors – agricultural and allied products, chemical and allied products, engineering goods, textile and garments, drugs and pharmaceuticals, and services. State level awards are already being given to Micro, Small and Medium entrepreneurs in the MSME convention. A selection committee comprising officials from key Government agencies and eminent industrialists can evaluate the applications taking into consideration the value of exports, ratio of exports to sales, level of value addition, adoption of best practices, product and process innovation, R&D activity, etc. The Awards, once established, could over a period of time, potentially foment the industry to venture into the export market more aggressively.

SUM UP

The Study has undertaken a detailed analysis of the State's export potential, identifying potential commodities, and highlighting various strategies in order to eventually achieve the export target as laid down therein. Madhya Pradesh has a host of fine industrial policies in place and has been able to perform well in terms of exports vis-à-vis the national average in the past few years. While in isolation the performance may appear satisfactory, it has to be seen in the light of the potential that the State has to export, a large part of which still remains untapped, reflected in the low ranking of the State in the country's exports, lower than even some of the smaller landlocked States. The export growth trajectory has to be significantly elevated and the export basket has to be diversified into high valued added, high technology exports with a high employment intensity. With appropriate strategies and measures which not only improve the ease of exporting but also stimulate inflows of foreign investment, Madhya Pradesh can achieve its US\$ 10 billion export target over the next five years by 2021-22.

1. INTRODUCTION

1.1. Overview

Madhya Pradesh, a landlocked State situated in the central part of India, shares its borders with five States, namely Rajasthan in the north-west, Uttar Pradesh in the north, Gujarat in the west, Maharashtra in the south, and Chhattisgarh in the north-east. Spread over an area of 308.3 thousand sq. km., it is the second largest State in India by area. The State is part of the peninsular plateau of India, and is endowed with rich natural resources which begets a vibrant agricultural and industrial sector.

Madhya Pradesh has the country's largest forest cover of 77.5 thousand sq.km, and also has large reserves of minerals such as iron ore, diamonds, copper ore, magnesium ore, limestone, coal, marble and granite. These natural resources are complemented by substantial human capital. According to the Census 2011, the State of Madhya Pradesh had a population of more than 72 million, with a literacy rate of nearly 64%.

Agriculture is an important source of livelihood in the State, with more than 150 lakh hectare area being under cultivation. A vast majority of the working population depends on agriculture sector with

soybean, wheat, paddy, jowar, maize, gram, masur, tuar and mustard being the main crops. Agriculture activities in the State are largely supported by rivers such as Narmada, Chambal, Mahi, Tapti, Betwa, Sone, Banganga, Ken, Pench, Tawa and Shipra.

The State also has a well-built infrastructure, with the total road network being 64719 km until January 2018. The State also accounts for approximately 7% of the national highways in the country². In terms of electricity, as on 28th February 2018, the installed power capacity in the State was 20119.3 MW, with 19.3% being sourced from the renewables. Out of the total installed capacity, 45.6% was owned by the private sector. The State accounts for nearly 6% of the total installed power capacity in India³.

1.2. Macroeconomic Profile

The Gross State Domestic Product (GSDP) is a key measure of growth and economic development in a State, and serves as an important tool to gauge the structural changes in a State economy. It refers to the income generated by the production of goods and services within the geographical boundaries of a State.

Table 1: GSDP of Madhya Pradesh at Current and Constant (2011-12) Prices (₹ Billion)

Year	GSDP at Current Prices	Growth (%)	GSDP at 2011-12 Prices	Growth (%)
2013-14	4394.8	-	3651.3	-
2014-15	4801.2	9.2	3841.1	5.2
2015-16*	5304.4	10.5	4079.7	6.2
2016-17@	6392.2	20.5	4651.4	14.0
2017-18#	7070.5	10.6	4991.0	7.3

*Provisional, @ Quick estimates, # Advance estimates

Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

²As on 30th June 2017; Ministry of Road Transport & Highways

³Central Electricity Authority

Table 2: Per capita GSDP of Madhya Pradesh at Current and Constant (2011-12) Prices (₹)

Year	Per Capita GSDP at Current Prices	Growth (%)	Per Capita GSDP at Constant 2011-12 Prices	Growth (%)
2013-14	52129	-	42778	-
2014-15	56093	7.6	44357	3.7
2015-16*	61204	9.1	46324	4.4
2016-17@	73268	19.7	52406	13.1
2017-18#	79907	9.1	55442	5.8

*Provisional, @ Quick estimates, # Advance estimates

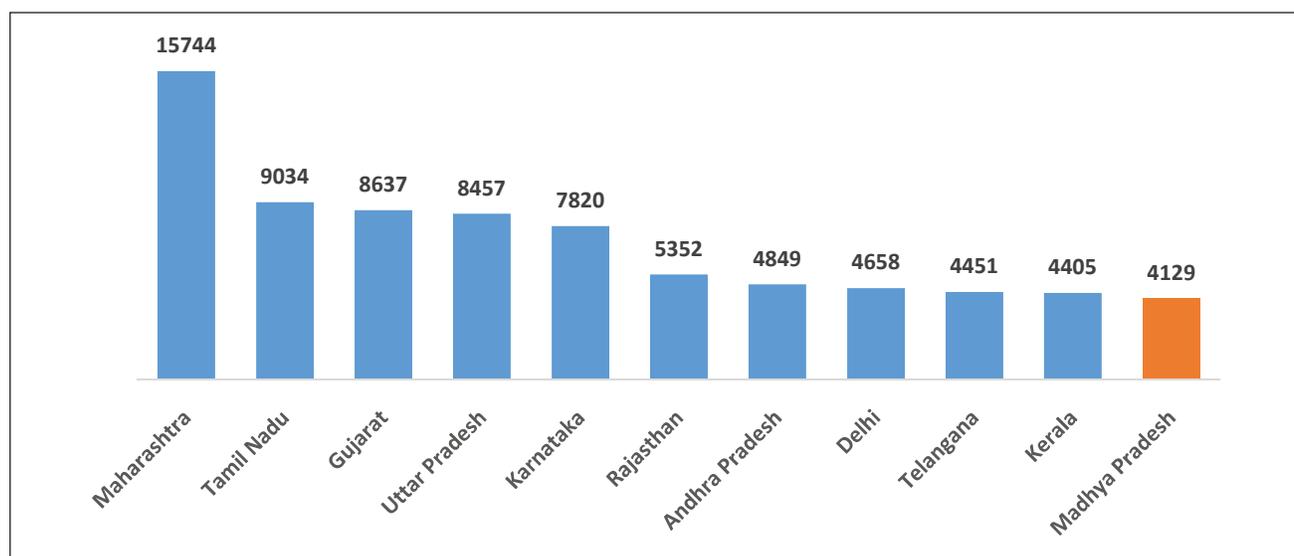
Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

The GSDP of Madhya Pradesh at constant 2011-12 prices witnessed a consistent increase from ₹ 3651.3 billion in 2013-14 to ₹ 4991 billion in 2017-18. At constant 2011-12 prices, there has been a consistent acceleration in growth over the past few years. During 2013-14 to 2017-18, the State economy registered an average annual growth rate (AAGR) of 8.2% (Table 1). This growth was driven by the primary and tertiary sectors. At current prices, the economy grew from ₹ 4394.8 billion in 2013-14 to ₹ 7070.5 billion in 2017-18, registering an AAGR of 12.7% (Table 1).

The per capita GSDP of Madhya Pradesh at constant prices (2011-12) increased from ₹ 42778 in 2013-14

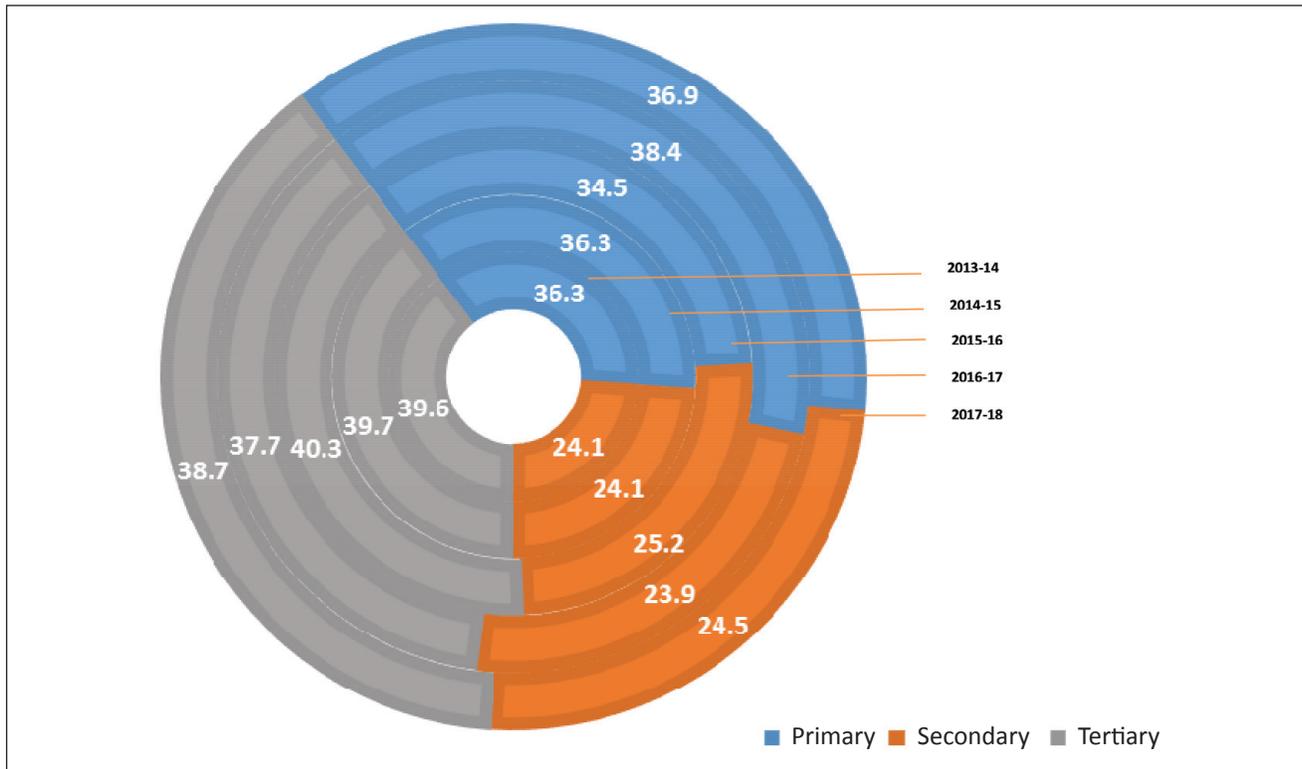
to ₹ 55442 in 2017-18, with a consistent acceleration in growth over this period. At the current prices, the per capita GSDP increased from ₹ 52129 in 2013-14 to ₹ 79907 in 2017-18 (Table 2).

The State, in terms of economic growth, has performed fairly well as compared to the country as a whole. In fact, in the context of the Net State Domestic Product (NSDP) at factor cost at constant prices, the State of Madhya Pradesh has been consistently among the top 15 States of India. In 2016-17, the state stood at the 11th position with NSDP of ₹ 4129 billion (Exhibit 1).

Exhibit 1: State wise NSDP at Factor Cost at Constant (2011-12) Prices for 2016-17 (₹ billion)

Source: Ministry of Statistics and Programme Implementation; Exim Bank Research

Exhibit 2: Share of Sectors in the Gross State Value Added of Madhya Pradesh at Constant Prices (2011-12) in %



Note: Figures for 2015-16 are provisional estimates, 2016-17 are Quick estimates, and 2017-18 are Advance estimates
 Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

Table 3: Share of Sectors in the Gross State Value Added of Madhya Pradesh at Constant Prices (2011-12)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Primary	33.8	37.5	36.3	36.3	34.5	38.4	36.9
Secondary	27.1	24.0	24.1	24.1	25.2	23.9	24.5
Tertiary	39.1	38.5	39.6	39.7	40.3	37.7	38.7

Source: Ministry of Statistics and Programme Implementation; Exim Bank Research

Note: The total of share of primary, secondary and tertiary sectors may not add to 100%, due to rounding off at single decimal point

The GSVA by the primary sector at 2011-12 prices witnessed the highest growth of 8.2% during the period 2013-14 to 2017-18, while the growth in case of the secondary and tertiary sectors was 7.8% and 6.7%, respectively. This robust growth in primary sector was majorly led by 'Livestock' which recorded an AAGR of 19.5% during this period, followed by 'Fishing and Aquaculture' at 12.7%.

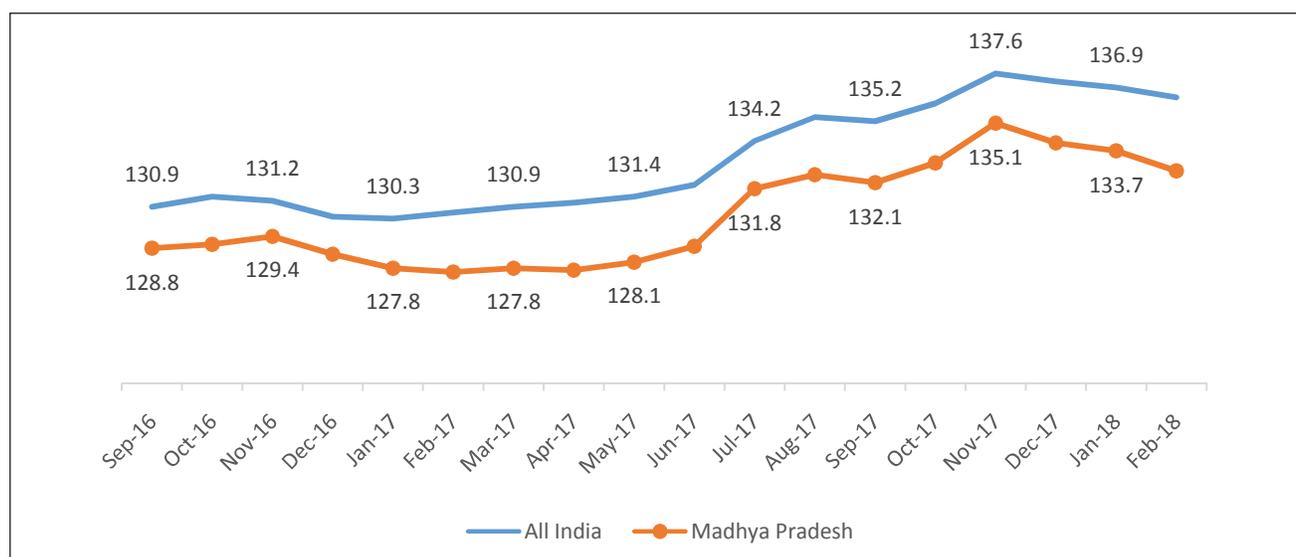
Price stability is also an important factor for the growth and development of any economy. There are several inflation indicators which measure the rise in the general price level. Consumer Price Indices (CPI) measure changes over time in general level of prices of goods and services that households acquire for the purpose of consumption⁴.

⁴Ministry of Statistics and Programme Implementation

Table 4: Yearly Consumer Price Index for Madhya Pradesh and All India

Year	Madhya Pradesh	Growth (%)	All India	Growth (%)
2013-14	112.7	-	112.2	-
2014-15	118.8	5.5	118.9	5.9
2015-16	124.0	4.4	124.7	4.9
2016-17	128.4	3.5	130.3	4.5
2017-18 (April-Feb)	131.8	2.6	134.9	3.5

Source: Ministry of Statistics and Programme Implementation; Exim Bank Research

Exhibit 3: Monthly Movements in Consumer Price Index (Base: 2012 = 100)

Source: Ministry of Statistics and Programme Implementation; Exim Bank Research

A year-on-year CPI (Base 2012=100) analysis for Madhya Pradesh and India for the last 5 years reveals that the average growth in CPI for Madhya Pradesh remained lower than the all India CPI during the same period (**Table 4**).

A monthly comparison of the CPI for the last 18 months at the State and the All India level shows that the CPI (Base: 2012=100) for Madhya Pradesh has remained at a lower level during the period September 2016 to February 2018 than the all India level. In February 2018, the CPI for Madhya Pradesh witnessed a growth of 3.9% as compared to the corresponding period of the previous year, while the all India CPI grew by 4.4% during this same period. Moreover, the volatility in the CPI during the last 60

months is much lesser in case of Madhya Pradesh (Standard Deviation=7.4) than for the all India level (Standard deviation=8.5) (**Exhibit 3**).

1.3. Broad Economic Activities

Primary Sector

The GSVA at constant 2011-12 prices in the primary sector for Madhya Pradesh increased from ₹ 1253.6 billion in 2013-14 to ₹ 1688.9 billion in 2017-18, with crops accounting for the largest share in the GSVA. 'Crops' is not only the largest segment of the primary sector, but is also the largest contributor to the total GSVA of Madhya Pradesh, accounting for nearly 25.6% of the overall GSVA (**Table 5**).

Table 5: Key Economic Activities under the Primary sector (₹ Billion)

Item	2013-14	2014-15	2015-16*	2016-17@	2017-18#	AAGR (2013-14 to 2017-18) in %	Share in total GSVA (2017-18) in %
Crops	921.4	933.3	890.0	1193.8	1174.6	7.3	25.6
Livestock	122.6	150.5	182.3	212.9	249.8	19.5	5.5
Forestry and logging	79.8	109.5	110.8	112.0	114.0	10.3	2.5
Fishing and aquaculture	8.3	9.4	9.9	11.9	13.3	12.8	0.3
Mining and quarrying	121.5	116.5	121.4	130.6	137.2	3.2	3.0
Primary Total	1253.6	1319.1	1314.3	1661.3	1688.9	8.2	36.9
GSVA Total	3453.3	3636.4	3815.2	4322.2	4582.2	7.4	100.0

*Provisional, @ Quick estimates, # Advance estimates

Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

Table 6: Key Economic Activities under the Secondary sector (₹ Billion)

Item	2013-14	2014-15	2015-16*	2016- 17@	2017-18#	AAGR (2013-14 to 2017-18) in %	Share in total GSVA (2017-18) in %
Manufacturing	366.5	375.9	420.7	451.7	499.4	8.1	10.9
Electricity, gas, water supply & other utility services	112.9	142.1	181.3	203.9	223.3	18.9	4.9
Construction	351.9	357.3	360.1	376.2	398.1	3.2	8.7
Secondary Total	831.4	875.3	962.1	1031.9	1120.8	7.8	24.5
GSVA Total	3453.3	3636.4	3815.2	4322.2	4582.2	7.4	100.0

*Provisional, @ Quick estimates, # Advance estimates

Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

It is observed that the GSVA of the primary sector registered an AAGR of 8.2% during 2013-14 to 2017-18 vis-à-vis an AAGR of 7.4% recorded by the total GSVA for the State of Madhya Pradesh. In the primary sector, the highest AAGR was recorded in the 'livestock' segment of nearly 19.5%. (Table 5).

Secondary Sector

The GSVA of the secondary sector of Madhya Pradesh at constant 2011-12 prices increased from ₹ 831.4 billion in 2013-14 to ₹ 1120.8 billion in 2017-18. Manufacturing; Electricity, Gas, Water

Supply and Other Utility Services; and Construction, were the key components of this sector contributing 10.9%, 4.9% and 8.7% in the total GSVA, respectively (Table 6).

The Secondary Sector's GSVA registered an AAGR of 7.8% during 2013-14 to 2017-18, which is higher than the AAGR of 7.4% witnessed by the overall GSVA during this period. The growth in the secondary sector was majorly driven by the 'electricity, gas, water supply and other utility services' segment which registered an AAGR of 18.9% during 2013-14 to 2017-18 (Table 6).

Table 7: Key Economic Activities under the Tertiary sector (₹ Billion)

Item	2013-14	2014-15	2015-16*	2016-17@	2017-18#	AAGR (2013-14 to 2017-18) in %	Share in total GSVA (2017-18) in %
Trade, repair, hotels and restaurants	389.0	406.3	413.3	443.6	472.3	5.0	10.3
Transport by other means and Storage	111.9	122.7	132.0	141.8	153.9	8.3	3.4
Railways	42.8	43.5	50.6	53.5	59.7	8.8	1.3
Communication & services related to broadcasting	68.0	78.7	91.5	108.5	127.6	17.0	2.8
Financial services	185.2	189.4	217.5	196.6	212.6	3.9	4.6
Real estate, ownership of dwelling & professional services	191.4	205.6	220.5	241.7	263.4	8.3	5.7
Public administration	184.4	187.4	197.0	210.4	227.3	5.4	5.0
Other services	195.5	208.5	216.4	232.9	255.7	7.0	5.6
Tertiary Total	1368.3	1442.1	1538.8	1629.0	1772.5	6.7	38.7
GSVA Total	3453.3	3636.4	3815.2	4322.2	4582.2	7.4	100.0

*Provisional, @ Quick estimates, # Advance estimates

Source: Department of Planning, Economics and Statistics, Government of Madhya Pradesh; Exim Bank Research

Note: The total of share of primary, secondary and tertiary sectors may not add to 100%, due to rounding off at single decimal point

Tertiary Sector

The GSVA of Tertiary Sector, increased from ₹ 1368.3 billion in 2013-14 to ₹ 1772.5 billion in 2017-18, with the largest contribution being made by Trade, repair, hotels and restaurants at 10.3% (Table 7).

The AAGR of 6.7% recorded by the GSVA of the Tertiary Sector during 2013-14 to 2017-18, was lower than the AAGR of 7.4% for the total GSVA. It may be noted that four segments under the Tertiary Sector, recorded an AAGR greater than that for the overall GSVA, namely, 'Transport by other means and Storage' (8.3%); 'Railways' (8.8%); 'Communication & services related to broadcasting' (17%); and 'Real estate, ownership of dwelling & professional services' (8.3%). However, it is to be noted that all the segments of tertiary sector, barring 'Trade, repair, hotels and restaurants' have registered a higher y-o-y growth in 2017-18 than the registered AAGR of overall GSVA

during 2013-14 to 2017-18 (7.4%), showing signs of recovery (Table 7).

1.4. Scope of the Study

Madhya Pradesh has a huge resource potential, complemented by investor-friendly policies. While the tertiary sector has been the major growth driver for the State economy, the agriculture sector has also been doing well lately. This robust growth bodes well for exports from the State.

The exports from Madhya Pradesh in 2016-17 stood at US\$ 4436.8 million, up from US\$ 4182.4 million in 2012-13, registering an AAGR of 1.7%. This is much higher than AAGR of (-) 1.7% recorded in India's overall exports during the same period.

The positive sentiments in the State economy are also evident in the investment scenario. According to fDi

Intelligence of the Financial Times, in the last decade (between January 2008 and December 2017), a total of 67 FDI projects by 58 companies were recorded in Madhya Pradesh. These projects represented a total capital investment of US\$ 9.1 billion, which implies an average investment of US\$ 136.1 million per project⁵.

Set against this background, this Study makes an effort to analyse the performance of the State in terms of production, exports and investments, and

identifies commodities which have a high export potential and can propel the State economy on a higher growth path. In doing so, the Study has underlined the importance of setting a medium term Export Target for Madhya Pradesh which could help the State to assess its performance and take timely corrective actions in case of under-performance. The Study also highlights select strategies which can help realise this potential.

⁵fDi Intelligence from the Financial Times tracks cross border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

2. EXPORT POTENTIAL

Madhya Pradesh has a diverse resource potential and a robust production network. However, given the size of the State – it is the second largest in India in terms of area – its performance on the export front leaves a lot of scope for improvement. The State ranked only 15th in terms of its share in India’s total exports, valued at US\$ 4436.8 million in 2016-17.

Table 8: State wise share in India’s exports (2016-17)

S No.	State	Share in India's exports (2016-17)
1.	Maharashtra	24.4%
2.	Gujarat	19.7%
3.	Tamil Nadu	9.6%
4.	Karnataka	7.1%
5.	Uttar Pradesh	4.5%
6.	Andhra Pradesh	4.3%
7.	Haryana	3.9%
8.	Delhi	3.8%
9.	West Bengal	3.0%
10.	Odisha	2.2%
11.	Telangana	2.2%
12.	Rajasthan	2.1%
13.	Punjab	1.9%
14.	Kerala	1.8%
15.	Madhya Pradesh	1.6%

Source: DGCIIS; Exim Bank Research

Other landlocked States like Haryana (3.9%), and Punjab (1.9%), which are much smaller in area, have contributed more to India’s exports than Madhya Pradesh (Table 8). With the Government of India providing a special thrust on pushing exports from the country, it becomes critical for the State of Madhya Pradesh to contribute effectively to propel India to achieve a national export target of US\$ 1 trillion over the next 5 to 7 years. In order to do so, the State

Government itself should set itself a medium-term export target as one of the performance parameters and keep monitoring the progress on a periodical basis. The following section aims to put together what this export target could be, taking cognizance of the current export trends from the State, its untapped potential and the export target of the country as a whole.

2.1. Setting an Export Target

The Indian economy currently stands at an inflexion point – while the growth over the recent past has been below potential, the blend of present domestic macroeconomic conditions coupled with the strong recovery in global output places the Indian economy in a promising position. Given the improving prospects of India, Madhya Pradesh as an aspirant economic State will have a vital role and an opportunity to play in contributing to India’s export growth.

Baseline Scenario

India is on the threshold of a high growth trajectory with a vision to achieve US\$ 5 trillion GDP by 2024. One of the key enablers for this would be the country’s exports sector, with the Government targeting exports of goods and services to be at least 20% of the GDP, that is, US\$ 1 trillion by 2024-25. Going by the current trend, almost two-thirds of the exports are expected to be generated by merchandise goods and the remaining one-third by services. Under a baseline scenario, which assumes that Madhya Pradesh continues to maintain its share in India’s merchandise exports (at 1.6%), the State may end up achieving approximately US\$ 10.6 billion of goods exports in seven years’ time, i.e. by 2024-25.

Optimistic Scenario

However, with an enabling policy environment, Madhya Pradesh has the potential to perform far

better on the export front. In its endeavour to augment exports, the State Government should encourage diversification of products as well as export markets, inter alia by creating an ecosystem which engenders exports in general and by designing an export policy framework which promotes entrepreneurship in new high-technology and dynamic sectors, in particular. This would enable the State to not only increase its exports in absolute terms but also its share in the total exports from India. Under such an optimistic scenario, the share of Madhya Pradesh in India's merchandise exports is projected to increase from the current level of 1.6% to 2.0% by 2024-25. This would propel exports from the State to reach the US\$ 10 billion mark by 2021-22 and further increase to approximately US\$ 13.3 billion by 2024-25.

Export target

In the next 5 years, even if Madhya Pradesh is able to increase its share in India's exports by 0.2%, and

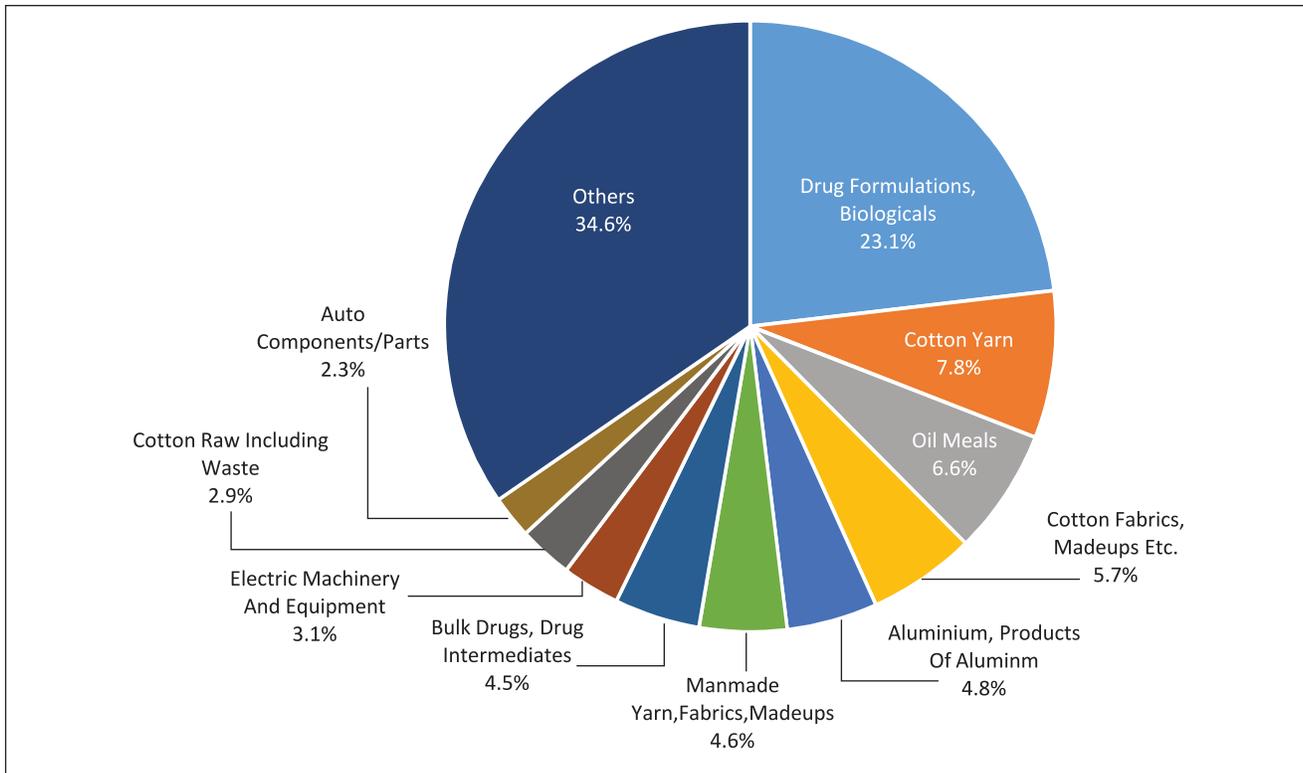
at the same time, India progresses well in its export target of US\$ 1 trillion by 2024 complemented by the reviving world demand, Madhya Pradesh can easily achieve a target of US\$ 10 billion by 2021-22.

2.2. Current Scenario

The top 10 principal commodities from Madhya Pradesh contributed 65.4% to the State's total exports in 2016-17. The highest exported commodity was Drug Formulations and Biologicals at US\$ 1026.3 million (share of 23.1%), followed by Cotton Yarn at US\$ 345.5 million (7.8%), Oil Meals at US\$ 294.4 million (6.6%), Cotton Fabrics, Made ups etc. at US\$ 253.1 million (5.7%) and Aluminium, Products of Aluminium at US\$ 213 million (4.8%) (**Exhibit 4**).

Whilst the top 10 principal commodities contributed 65.4% to the total exports of Madhya Pradesh in 2016-17, the top 10 exported products at 6 digit level constituted 46.0% of the State's total exports in 2016-17, reflecting the narrow base of its exports.

Exhibit 4: Principal Commodities exported from Madhya Pradesh in 2016-17



Source: DGCIS; Exim Bank Research

Table 9: Top 10 commodities exported from Madhya Pradesh in 2016-17 (US\$ million)

HS Code	Item/ Commodity	2012-13	2013-14	2014-15	2015-16	2016-17	Share of the commodity in MP's total exports in % (2016-17)	Share of MP in India's total exports of the commodity in % (2016-17)	AAGR (2012-13 to 2016-17)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale	193.3	168.7	314.0	440.5	789.0	17.8	8.1	48.2
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	1044.6	1126.4	443.1	119.5	286.9	6.5	51.7	3.6
300420	Medicaments containing antibiotics, put up in measured doses including those in the form of transdermal administration or in forms or packings for retail sale	134.3	142.5	132.5	167.4	171.4	3.9	17.8	6.9
760110	Aluminium, not alloyed, unwrought	0.5	22.6	210.6	211.0	170.8	3.9	9.0	1250.9
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dishcloths and dusters)	0.1	-	18.6	75.8	133.1	3.0	12.3	191.2*
520100	Cotton, neither carded nor combed	78.3	64.9	40.8	134.1	125.2	2.8	8.1	41.9
520524	Cotton yarn; (not sewing thread), single, of combed fibres, 85% or more by weight of cotton, less than 192.31 but not less than 125 decitex (exceeding 52 but not exceeding 80 metric number), not for retail sale	68.3	85.8	115.6	127.2	106.6	2.4	14.0	13.5
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials	50.6	49.3	95.4	102.3	95.9	2.2	20.8	23.0
520523	Cotton yarn; (not sewing thread), single, of combed fibres, 85% or more by weight of cotton, less than 232.56 but not less than 192.31 decitex (exceeding 43 but not exceeding 52 metric number), not for retail sale	81.7	69.6	78.3	86.0	84.3	1.9	11.8	1.4
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	71.1	45.1	62.5	60.7	77.6	1.7	25.1	6.8
Top 10	-	1723.0	1774.9	1511.5	1524.6	2040.9	46.0	--	5.7
Total	-	4182.5	4351.9	4129.5	3967.6	4436.8	100.0	1.6	1.7

Source: DGCIS; Exim Bank Research

* AAGR of last 3 years

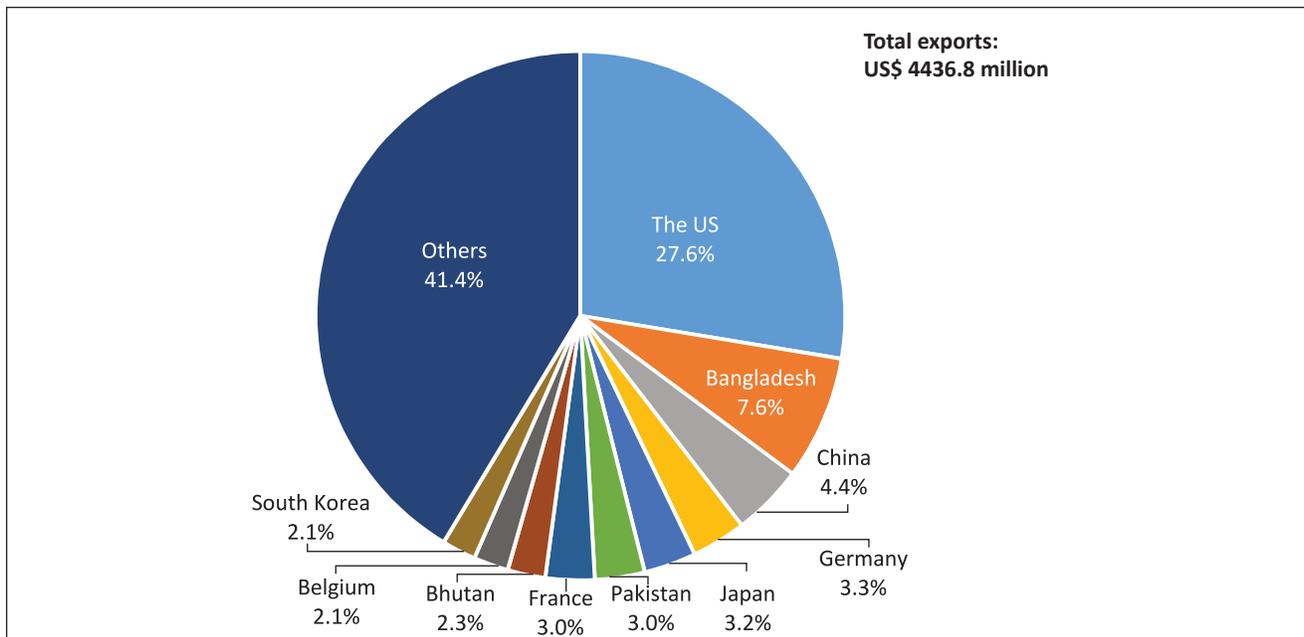
In 2016-17, at HS 6-digit level, the top exported commodity from Madhya Pradesh was ‘Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses, including those in the form of transdermal administration or in forms or packings for retail sale’ (HS Code- 300490), registering a healthy AAGR of 48.2%, as its exports increased from US\$ 193.3 million in 2012-13 to US\$ 789.0 million in 2016-17. The product contributed 17.8% to the exports of Madhya Pradesh and also accounted for 8.1% of India’s exports of this commodity in 2016-17 (Table 9).

The second largest exports from Madhya Pradesh in 2016-17 was ‘Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil’ (HS Code- 230400), although its exports recorded a decline from US\$ 1044.6 million in 2012-13 to US\$ 286.9 million in 2016-17. It is to be noted that whilst the exports of this commodity in Madhya Pradesh’s exports had a share of 6.5%, the share of the State was as high as 51.7% in India’s exports of this commodity in 2016-17 (Table 9). The fall in the exports of this commodity can be attributed to the

sharp fall in domestic production of soybean during the past couple of years owing to drought conditions which has led to a reduction in soymeal supplies and pushed up local prices. Additionally, a sharp fall in the international prices of the commodity during the same period has rendered Indian soymeal uncompetitive even in neighbouring countries like Sri Lanka. Finally, the local demand for oilcakes has also increased due to the increased demand of animal feed.

Within the top 10 commodities exported by Madhya Pradesh in 2016-17, there were 3 other commodities, namely, ‘Medicaments containing antibiotics, put up in measured doses including those in the form of transdermal administration or in forms or packings for retail sale’ (HS Code- 300420); ‘Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials’ (HS Code- 630532); and ‘Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning’ (HS Code- 550410) for which the State had a share greater than 15% in India’s total exports, reflecting the importance of Madhya Pradesh as a contributor to the country’s exports of these products (Table 9).

Exhibit 5: Major Export Destinations for Madhya Pradesh (2016-17)



Source: DGCIS; Exim Bank Research

A country wise analysis of the exports from Madhya Pradesh reveals that the US (share of 27.6%), Bangladesh (7.6%), China (4.4%), Germany (3.3%) and Japan (3.2%) were the major export destinations in 2016-17 (**Exhibit 5**). It is to be noted that the US has remained the top exporting destination for Madhya Pradesh for all the last 5 years, barring 2013-14, when the top destination for the State's exports was Iran. Exports to Iran in 2013-14 amounted to US\$ 700.6 million, which declined to US\$ 33.6 million in 2016-17, relegating the country to 30th position as an export destination for Madhya Pradesh. The reason for this is essentially related to the gradual easing of sanctions on Iran, implying more competition for Indian exports to that country. One such instance is the exports of soybean, where processing units in Indore (hub of soya processing in India) increasingly found it difficult to compete with countries like Argentina and Brazil.

One of the biggest gainers as an export destination of Madhya Pradesh has been the US, whose share increased from 10.5% in 2012-13 to 17.1% in 2014-15, and further to 27.6% in 2016-17. Around 48% of the exports to the US from the State in 2016-17 were 'Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses, including those in the form of transdermal administration or in forms or packings for retail sale' (HS Code-300490). This was followed by 'Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dishcloths and dusters)' (HS Code- 630260) and 'Medicaments containing antibiotics, put up in measured doses including those in the form of transdermal administration or in forms or packings for retail sale' (HS Code- 300420), with shares of 10% and 9%, respectively. It can, therefore be inferred, that almost 60% of the exports to the US from Madhya Pradesh were pharmaceutical products in 2016-17, exposing the units in the State to a high

concentration risk – both in terms of destination (the US accounts for more than one-fourth of the exports from Madhya Pradesh, a share which has been consistently increasing), as also products.

Other major exporting destinations for Madhya Pradesh in 2016-17 included Bangladesh and China. Here again, the range of products being exported was rather narrow, with almost 50% of the exports to each of these countries being related to the cotton industry.

2.3. Granular Analysis of Products

Given its geographical location, Madhya Pradesh is known as the 'Heart of India'. Its location gives the State an added advantage, in terms of accessibility, coupled with good road and rail infrastructure. The State has 229 Notified Industrial Areas, 19 Growth Centres, 4 notified Special Economic Zones (SEZs) and 12 product specific industrial parks.

While the exports from Madhya Pradesh have shown a modest average annual growth rate of 3.5% during 2012 to 2016 (calendar year), the world exports during the same period have actually fallen; and at almost the same rate. The exports from India also fell at an average rate of (-) 2.4%, annually, during 2012 to 2016. Seen in this context, the exports from Madhya Pradesh can be considered to have performed fairly well, vis-à-vis both the Indian and the world exports during 2012 to 2016⁶. However, in order to provide a strong impetus and make exports as the engine of growth, there is a need to identify dynamic products and markets, and create an enabling ecosystem of supporting exports from Madhya Pradesh. This would also include an attempt at changing the mind-set of entrepreneurs, who are either content at serving the domestic market or consider exports as too risky an option to venture into. This Chapter aims to identify products and markets that could help the State realise its export potential, by assessing both the supply and demand side dynamics.

⁶Directorate General of Commercial Intelligence and Statistics; and ITC Trade Map

The analysis focuses only on significant products, meaning, products that constitute a significant chunk of the present exports of Madhya Pradesh at HS-6 digit level of classification. To arrive at a focussed list of products, the following methodology has been undertaken:

- From the top 100 exported commodities at HS-6 digit level from Madhya Pradesh in 2016, the top 70 commodities are taken⁷.
- With the exclusion of one commodity (HS Code - 820713), these 69 commodities contributed 80.3% to the total exports of Madhya Pradesh in 2016.
- From the remaining 30 commodities, only those commodities have been taken into account, which had a share of more than 1% in the total exports of Madhya Pradesh in at least one year during the period between 2012 and 2016. Based on this, two more commodities have been included, which had a combined share of 0.34% in the exports of Madhya Pradesh in 2016.
- Hence, the final list includes 71 commodities (69 commodities from top 70 commodities and 2 commodities from rest of the 30 commodities), with a share of 80.6% in the exports from Madhya Pradesh in 2016.

The section undertakes an analysis of the products where the State's exports have demonstrated comparative advantage. Quantification of comparative advantage will help in identifying not only products where exports from the State have been performing well but also those where success has been limited. For this purpose, the Study aims to classify the exports into four categories, namely, Product Champions; Underachievers; Losers in Declining Sectors; and Growers in Declining Markets.

2.3.1. Competitiveness Indicators

Revealed Comparative Indices are used to identify categories of exports in which an economy has a comparative advantage by way of comparison of the country's trade scenario with the world scenario. The basic assumption underlying the concept of revealed comparative advantage is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects. As per Balassa's (1965) measure, index for country i, commodity j is-

$$RCA_{ij} = \frac{(X_{ji}/X_i)}{(X_{jw}/X_w)}$$

Where,

X_{ji}: exports of commodity j from country i

X_i: total exports from country i

X_{jw}: total exports of commodity j from world

X_w: total exports from world

The RCA index ranges from 0 to infinity, with 1 as the break-even point. That is, an RCA value of less than 1 means that the product does not have a comparative advantage, while a value above 1 indicates that the product has a comparative advantage. The Normalized Revealed Comparative Advantage (NRCA) index has been demonstrated capable of revealing the extent of comparative advantage that a country has in a commodity more precisely and consistently than other alternative RCA indices in the literature. NRCA can be defined in the following manner-

$$NRCA_{ij} = \frac{RCA_{ij} - 1}{RCA_{ij} + 1}$$

NRCA ranges from -1 to 1 with 0 as the breakeven point. That is, an NRCA value of less than 0 and

⁷Excluding one commodity, 'Rock-drilling or earth-boring tools, interchangeable, with working parts of sintered metal carbides or cermets' (HS Code- 820713), which is an outlier as its was exported only in 2016

greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of Madhya Pradesh has been mapped with respect to the global demand. This has been undertaken with a view to outline a market specific approach for exporters. An overarching analysis has been attempted in order to identify products for which the State has existing capabilities to export. The current markets for these exports and the key competitors which India faces for these products in such markets have also been analysed. These products and markets are the potential export growth drivers for Madhya Pradesh and need to be suitably targeted. The section also attempts to identify the products where Madhya Pradesh could focus on, to realize potentially higher values, especially when considering that the State already possesses manufacturing capabilities for these products. The objective is to construct a product market matrix for products in demand along with the major demand centres (importers), and the key exporters to these regions (competitors).

The analysis in this section considers three major determinants of the State's performance in overseas markets, namely the NRCA for products at the State level, Annual Average Growth Rate (AAGR) for global imports and the trend in the State's exports of the product being analysed. On the basis of these three considerations, a four quadrant matrix is prepared for product identification. The four quadrants imply the following:

- **Product Champions (Product AAGR > World Import AAGR; Positive NRCA):** These products have the maximum potential, as the world import demand for these products has shown robust AAGR over the period 2012-2016, while Madhya Pradesh's exports of these products to the world

are also competitive, reflected in positive NRCA values for such products.

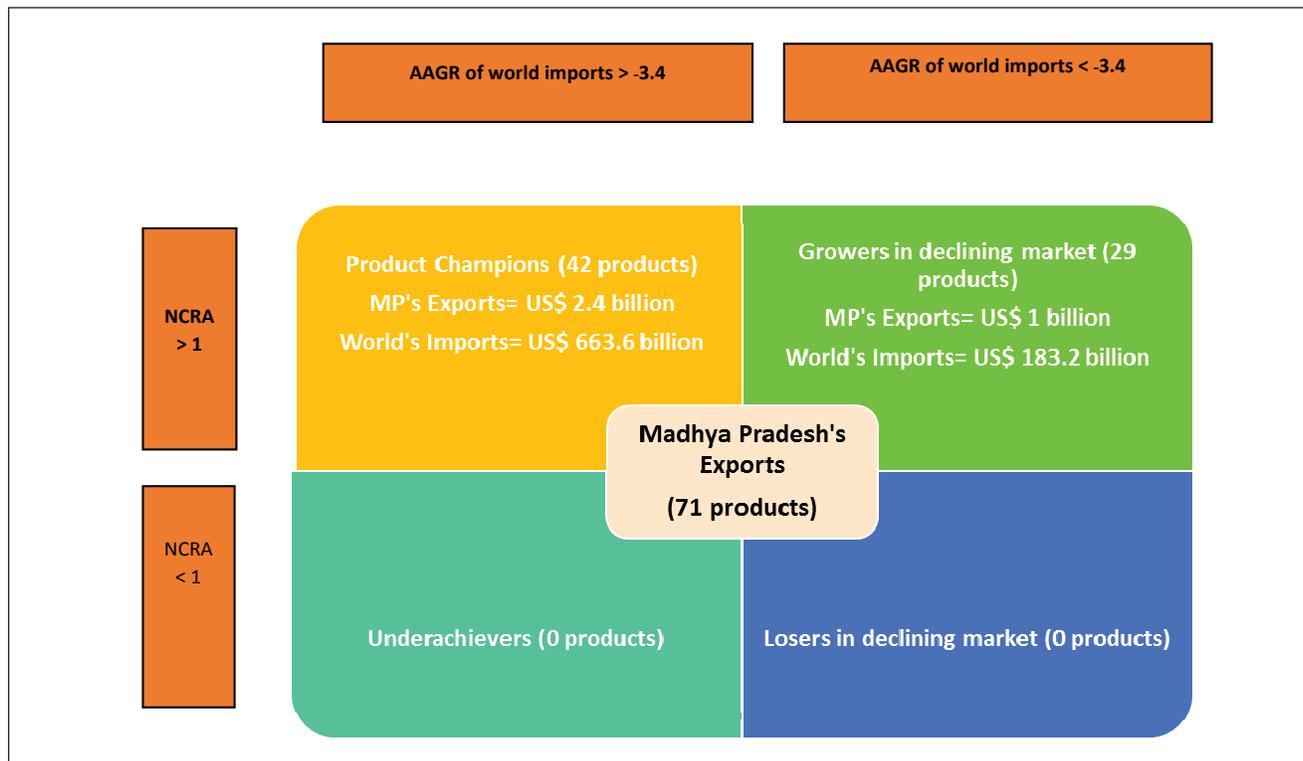
- **Underachievers (Product AAGR < World Import AAGR; Negative NRCA):** Madhya Pradesh does not have competitiveness in these products, although their import demand has grown significantly over the period under consideration, globally. The State can strive towards increasing competitiveness in these markets for the identified products.
- **Growers in Declining Sectors (Product AAGR > World Import AAGR; Positive NRCA):** Madhya Pradesh has competitiveness in these products, even though the world import AAGR for these products has been negative.
- **Losers in Declining Markets (Product AAGR < World Import AAGR; Negative NRCA):** Madhya Pradesh does not have competitiveness in these products, and these sectors have also registered weak global import growth during the period under consideration.

2.3.2. Product Identification based on Competitiveness

In order to identify the products based on their competitiveness, the four quadrant analysis has been undertaken based on the HS Code classifications at 6 digit level, whilst calculating their NRCA and mapping them against the AAGR of global imports of all products (**Exhibit 6**). The quadrants are drawn by comparing the overall AAGR of global imports for all products during 2012-16 (which was -3.4%), to the NRCA of the products during the same period. This exercise aims to identify products whose imports over the period 2012-2016 has performed better than the global average for all products during this period, implying that the share of such products in the world import basket has witnessed an increase, a reflection of their rising demand and dynamism.

As mentioned above, a total of 71 products have been considered for categorization at HS 6 digit level

Exhibit 6: Product Classification based on Competitiveness



Source: Exim Bank Research

of classification. Based on the methodology outlined above, 42 products can be classified as Product Champions from Madhya Pradesh. The combined exports of these products from the State was US\$ 2.4 billion in 2016. The remaining 29 products can be categorised as 'Growers in Declining Market' and had combined exports of US\$ 1 billion from Madhya Pradesh in 2016.

Various parameters like world demand, top importers, value, share and rank of India in the global trade, along with the share of Madhya Pradesh and its major export destinations have been analysed for the 'Product Champions' category, as it is the most promising quadrant in terms of export potential (**Table 11**).

A comparison of the major exporting destinations (top 5) of Madhya Pradesh for the 42 Product Champions and the major importers (top 5) in the world of the same product champions (42 in count), shows that there are 65 instances where one of

the top 5 exporting destinations for the State is also one of the top 5 importers in the world of that commodity. These 65 instances are spread over 34 commodities, which means that, only for the remaining 8 commodities, there is a mismatch of top 5 export destinations with the corresponding top 5 importers in the world. Further, there are 10 commodities out of 42, for which the top-most exporting destination for the State is also the top-most importer in the world.

Out of the 42 product champions, Madhya Pradesh has a share of more than 30% in India's exports in 14 product champions. Also, there are 14 product champions for which Madhya Pradesh is the highest exporter from India, and for another 12 product champions the State is the 2nd highest exporter from India.

An analysis of the commodities exported by Madhya Pradesh (at HS 6-digit level of classification) in 2016 shows that only 3 of the top 100 commodities exported

by Madhya Pradesh have been present in the top 50 globally imported commodities consistently over the last three years. This clearly reflects the divergence between the dynamic products demanded in the international market and what Madhya Pradesh is currently supplying by way of exports. The 3 commodities are 'Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale' (HS 300490; rank of the

product in exports from MP: 1; rank of the product in global imports: 3); 'Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles' (HS 870899, rank in exports from MP: 29; rank in global imports: 24); and 'Soya beans, whether or not broken (excluding seed for sowing)' (HS 120190, rank in exports from MP: 18, rank in global imports: 35).

Table 10: Export of Madhya Pradesh vis-à-vis World Imports

HS code	MP Exports (US\$ mn)			World Imports (US\$ mn)			Share of MP in World Imports		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
300490	292.13	410.18	744.01	285954.20	281632.70	283457.70	0.10%	0.15%	0.26%
870899	25.37	27.27	30.78	89937.31	80255.96	78479.56	0.03%	0.03%	0.04%
120190	83.15	88.20	54.71	66416.27	56801.86	54808.91	0.13%	0.16%	0.10%

Source: DGCIS; ITC Trade Map; Exim Bank Research

Table 11: List of product champions and their major export destinations for the state of MP (2016)

HS Code	Item/Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	The US (72.5), Mozambique (2.3), Belgium (2.2), Brazil (1.9), Russia (1.5)	283476.2	The US	18.1	Ireland (17.4), Switzerland (16.3), Germany (9.6), Israel (8.5), Italy (5.6)	12.7	3	5	7.6
				Germany	7.9	Switzerland (19.5), The US (17.1), The Netherlands (9.3), Ireland (8.4), Italy (7.9)	0.9	16		
				Belgium	6.4	The US(37.1), Italy (20.5), France (10.7), Germany (6.3), Ireland (6)	0.6	12		
				The UK	5.7	Switzerland (19), Germany (17.2), Belgium (11.4), Ireland (8.9), The Netherlands (8.6)	2.4	9		
				Japan	5.1	Ireland (17.7), The US (16.9), Germany (14.2), Singapore (10.1), Switzerland (8.5)	0.3	18		

HS Code	Item/ Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	The US (65.7), Belgium (9.6), Russia (2.3), South Africa (2.2), France (2)	14527.6	The US	11.3	Portugal (13.1), Italy (12.5), Canada (10.2), Israel (6.3), Ireland (6.3)	26.2	1	2	17.0
				Switzerland	10.7	Germany (51.2), Italy (28.2), The US (10.1), France (4.5), Spain (3.4)	0	22		
				China	7.1	Japan (14.8), France (13.5), The US (13.4), Italy (12.5), Ireland (11.3)	0.2	23		
				Belgium	6	The US (26), Italy (14.6), The Netherlands (11.1), France (10.3), Taipei, Chinese (9.6)	2.5	9		
				Germany	4.8	Switzerland (30.1), France (12.7), Italy (12.2), The US (11.3), Spain (5.3)	4	7		
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dish-cloths and dusters)	The US (86.2), Sweden (3.6), Italy (1.7), China (1.5), Belgium (1.1)	5506.4	The US	17.5	Canada (58.1), Russian Federation (22), United Arab Emirates (7.9), Argentina (4.2), South Africa (1.7)	0.9	8	3	9.3
				Japan	10.4	Australia (24.3), Russian Federation (16.4), Brazil (10.8), New Zealand (10.1), United Arab Emirates (8.1)	2	11		
				The Netherlands	8.9	Russian Federation (38.3), Iceland (32.3), Mozambique (8.6), Brazil (4.8), Canada (2.8)	0	48		
				South Korea	8.8	Australia (35.8), Canada (10.1), Saudi Arabia (8.3), United Arab Emirates (4.8)	23.1	2		
				Germany	6.3	Russian Federation (29.5), The Netherlands (27.4), Iceland (9.7), France (6.5), United Arab Emirates (5.3)	0	35		

HS Code	Item/Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	Bangladesh (31.3), China (29.8), Hong Kong (7.6), Pakistan (6.8), Sri Lanka (6.8)	1433.0	China	44.6	Viet Nam (27.2), Indonesia (5.2), South Korea (2.4), Malaysia (1.7)	46.5	1	4	14.0
				Bangladesh	17.5	China (15.7), Indonesia (3.4), Sri Lanka (0.2), Pakistan (0.2)	80.3	1		
				Hong Kong, China	10.9	China (71.1), South Korea (5), Viet Nam (2.7), Indonesia (1.3)	17.4	2		
				Viet Nam	3.3	China (51), Thailand (3.2), Malaysia (1.6), South Korea (1.5)	41.3	2		
				South Korea	2.4	China (33.6), Viet Nam (12.8), Indonesia (8.6), Thailand (5.7)	38.5	1		
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials	The US (28.6), The UK (15.5), The Netherlands (9.4), Spain (8.7), Germany (8.6)	2012.0	Japan	16.7	China (75.2), Viet Nam (15), Indonesia (5.9), Thailand (1.7), Cambodia (1)	0.2	6	1	21.8
				The US	15.9	China (35.1), Mexico (18.1), Turkey (2.9), Indonesia (1.9)	37.6	1		
				Germany	8.7	Turkey (36), Romania (7.4), Czech Republic (6.3), Poland (6)	26.8	2		
				South Korea	8.4	Viet Nam (59), China (39.9), Indonesia (0.6), Turkey (0.2)	0.1	5		
				France	5.3	Turkey (15.5), Bangladesh (6.8), Belgium (5.5), China (5.4)	35.3	1		

HS Code	Item/ Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	Pakistan (31.6), Algeria (16.8), Sri Lanka (12.1), UAE (11.1), Saudi Arabia (7.9)	1745.5	India	39.4	NA	-	-	1	54.9
				Bangladesh	7.1	Australia (95), Myanmar (3.7), Ethiopia (1.3)	0.1	4		
				Pakistan	6.6	Australia (26.1), Russian Federation (19.6), Tanzania, United Republic of (10.5), Ethiopia (10.2), Canada (7.0)	2.2	10		
				UAE	5.7	Australia (47.5), Ethiopia (8.5), Mexico (8.1), Argentina (6.7)	13	2		
				Algeria	5.4	Mexico (51.7), Russian Federation (6.0), Morocco (3.3), The US (3.1)	30.3	2		
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale)	Bangladesh (28), China (28), Portugal (9.8), Colombia (3.7), Peru (3.1)	1216.5	China	20.4	Viet Nam (20.1), South Korea (16.3), Indonesia (7.0), Malaysia (2.7)	42.5	1	4	12.4
				Bangladesh	16	China (11.4), Indonesia (3.2), Sri Lanka (0.6), Pakistan (0.3)	84.3	1		
				Portugal	6.2	Turkey (35.2), Spain (4.5), Pakistan (2.8), Germany (2.5)	47.7	1		
				South Korea	5.9	China (37.1), Pakistan (17.7), Viet Nam (10.1), Thailand (2.9)	31.8	2		
				Hong Kong, China	5.2	China (45.4), South Korea (23.9), Viet Nam (10), Indonesia (4)	12.7	3		

HS Code	Item/Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705 (excluding those with engines and cabs)	Bangladesh (46.2), Uzbekistan (15.6), South Africa (14.8), Philippines (4.5), UAE (4.3)	3597.7	France	6.2	Germany (63.2), Spain (20.9), China (5.2), The Netherlands (3.3), Sweden (1.6)	0	16	3	12.7
				Argentina	5.6	Brazil (97.8), Turkey (1.4)	0.7	3		
				Singapore	5.2	Malaysia (31.5), Sweden (30.4), Poland (27.2), Germany (8.1), Austria (0.7)	0.3	8		
				China	5.1	Malaysia (45.3), Sweden (33.7), Germany (8.6), The US (3.8), United Kingdom (3.3)	-	-		
				The UK	4.6	Sweden (81.2), China (6.7), Spain (4.4), The Netherlands (3.1), Germany (1.5)	0	16		
120190	Soya beans, whether or not broken (excluding seed for sowing)	The US (81.4), Canada (8.4), Belgium (4.5), Germany (2.5), France (1.8)	54327	China	62.5	Brazil (45.8), The US(40.5), Argentina (9.5), Uruguay (2), Canada (1.8)	-	-	1	56.9
				The Netherlands	3.2	The US(47.4), Brazil (34.9), Uruguay (11.2), Canada (3.8), Paraguay (1)	0	16		
				Mexico	3	The US(89.8), Paraguay (7), Brazil (3.3), China (0), Canada (0)	-	-		
				Japan	2.8	The US(68.9), Canada (14.7), Brazil (14.5), China (1.9), Paraguay (0)	0	8		
				Spain	2.3	Brazil (56.2), The US(28.5), Paraguay (8.4), Canada (3), Ukraine (1.6)	0.2	9		

HS Code	Item/ Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	Bangladesh (25.1), China (15.3), The US (11.9), Pakistan (9.8), Turkey (8.7)	2358.0	Turkey	20.7	China (36.3), Austria (19.3), Indonesia (14.4), Thailand (14.2)	10.3	5	2	24.6
				China	11.2	Austria (46.3), Thailand (12.3), Japan (10.4), Indonesia (8.2)	13.5	2		
				Pakistan	9.6	China (32), Indonesia (26.6), Taipei, Chinese (19.4), Thailand (12.6)	8	5		
				The US	8.5	China (43), Germany (19.7), Austria (14.7), Taipei, Chinese (4.3)	12.9	4		
				Indonesia	7.7	China (61.9), Thailand (11.4), Hong Kong, China (10.9), Taipei, Chinese (7), Austria (4.1)	1.1	7		
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a fan, whether or not fitted with filters, having a maximum horizontal side > 120 cm (excluding vacuum pumps, hand- or foot-operated air pumps, compressors for refrigerating equipment and air compressors mounted on a wheeled chassis for towing)	The US (49.6), Turkey (10.9), Italy (9.4), The UK (9.2), China (8.4)	18855.0	The US	10.4	Mexico (29.9), China (21.8), Germany (12), Japan (7.2), Belgium (5.5)	2.7	8	2	21.7
				Germany	6.2	The Netherlands (18), Romania (11.1), China (8.5), Switzerland (7.6), The US(6.4)	1.7	15		
				China	6	Germany (26.5), South Korea (13.9), The US(12.6), Japan (9.5), Italy (7.9)	1.2	12		
				The UK	4.4	The US(22.2), Italy (15.6), Germany (11.1), China (10.1), France (9.9)	1.1	11		
				France	3.7	Germany (15), Czech Republic (13.6), Hungary (9.2), China (8), Italy (7.9)	5.8	8		

HS Code	Item/Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
960200	Worked vegetable or mineral carving material and articles of these materials n.e.s.; moulded or carved articles of wax, of paraffin, of stearin, of natural gums or natural resins or of modelling pastes, and other moulded or carved articles n.e.s.; worked, unhardened gelatin, and articles of unhardened gelatin, n.e.s.	The US (45.5), The Netherlands (11), Bangladesh (7.2), Brazil (4.6), Iran (4.6)	812.1	The US	24.4	Mexico (20.8), China (20), South Korea (8.6), Colombia (8.5)	19.7	3	1	47.6
				Germany	7	Belgium (44.7), France (19.5), Spain (9.4), Colombia (8.4), China (3.1)	3	6		
				Spain	4.3	France (39.1), Romania (35.5), South Korea (11.3), Belgium (3.4), The Netherlands (3.4)	1.1	8		
				The UK	4	Belgium (34.9), The US(34.8), China (9.1), Germany (5.1), South Korea (4.6)	2.3	7		
				Canada	3.9	The US(74.4), Mexico (8.2), South Korea (5.6), China (5.1)	2.6	5		
760120	Unwrought aluminium alloys	Mexico (64.5), Israel (8.9), Ecuador (6.5), Spain (5), Portugal (3.8)	25431.0	The US	16.2	Canada (46.5), United Arab Emirates (19), Russian Federation (9.4), Qatar (7.3), Bahrain (4.3)	0.3	16	2	15.8
				Germany	13.5	Norway (14.6), The Netherlands (14.5), United Arab Emirates (11.7), United Kingdom (10.4), Austria (9.7)	0	70		
				The Netherlands	9.1	Norway (62.3), Iceland (19.1), Russian Federation (4.9), United Arab Emirates (3.2), Spain (2.1)	0.1	13		
				Japan	7.5	China (30.6), Russian Federation (25.6), United Arab Emirates (15.8), Canada (5.2), Nigeria (3.8)	0	42		
				Mexico	4.7	The US (34.1), Canada (29.6), United Arab Emirates (10.9), Russian Federation (6.5)	7.2	4		

HS Code	Item/ Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
392062	Plates, Sheets, Film, Foil And Strip Of Plastics, Not Self-adhesive, Non-cellular, Not Reinforced Etc., Of Polyethylene Terephthalate	Germany (13.4), Nigeria (9.8), South Africa (8.9), Bangladesh (7.6), Poland (7.2)	7322.3	China	28	Japan (36.8), South Korea (19.6), Taipei, Chinese (16.1), The US(8.8), Belgium (8.2)	0.7	10	2	30.5
				The US	9.8	Oman (28.1), South Korea (9.9), Mexico (8.3), Canada (7.8), Bahrain (6.6)	2.7	11		
				Japan	5.6	South Korea (36.2), Taipei, Chinese (15.5), Malaysia (15.4), Indonesia (13.2), China (12.5)	0.1	15		
				Germany	5.2	Italy (12.6), South Korea (10.4), The US (8.5), United Kingdom (7.3), Austria (6.9)	4	11		
				South Korea	5	Japan (72.1), Thailand (7.8), China (6.4), Taipei, Chinese (4.4), The US(2.8)	0.6	10		
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced", painted, varnished or coated with plastics	Spain (23.8), Italy (16.5), Greece (15.2), Romania (12.2), UAE (7.1)	8024.2	Poland	7.1	Germany (24.6), Italy (12.4), South Korea (11.5), France (9.7), Belgium (9.1)	3.6	9	2	15.4
				Viet Nam	5.7	China (85.4), South Korea (9), Taipei, Chinese (3.3), Thailand (1.7), Japan (0.3)	0	7		
				Germany	5.4	France (25.5), Belgium (23.2), The Netherlands (22.4), Austria (8.3), Italy (6.5)	0.7	14		
				The US	5	Taipei, Chinese (46.1), South Korea (25.7), Mexico (4.5), Australia (4.2), China (3.9)	1.6	10		
				Russian Federation	4.8	China (47.2), South Korea (15), Belgium (12.6), Kazakhstan (5.1), Finland (4.6)	0.3	15		

HS Code	Item/Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
292320	Lecithins and other phosphoaminolipids, whether or not chemically defined	The Netherlands (47.4), Italy (6.7), Turkey (5.7), Germany (5.3), South Korea (3.5)	781.3	The Netherlands	15.2	Brazil (15.8), Argentina (14.8), Germany (12.7), The US(10.1)	26.9	1	1	37.5
				The US	9.9	Germany (29.9), Brazil (13.7), The Netherlands (11), Israel (9.9)	6.6	5		
				Germany	9	The Netherlands (45.1), The US (17.4), Brazil (5.9), Spain (3.3)	11.3	3		
				China	5.2	Germany (45.6), The US (15.5), Japan (12.8), South Korea (6.9), Sweden (5.9)	3.6	6		
				Spain	3.8	The Netherlands (22.1), Germany (16.2), Russian Federation (10.4), Argentina (5)	16.7	2		
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles, n.e.s.	The US (45.4), Japan (14.2), Bangladesh (7), Thailand (5.7), France (5.3)	78112.8	The US	17.5	Mexico (28.4), Japan (15.7), Canada (15), China (14.6), South Korea (9.7)	1.5	8	10	1.3
				Spain	10.9	France (54.5), Germany (17.7), Italy (3.8), Portugal (3.4), United Kingdom (2.8)	0.2	25		
				Germany	7.4	Czech Republic (14.2), Poland (9.5), Italy (9.3), Austria (8), France (7.8)	0.8	22		
				Canada	4.7	The US(63.9), Japan (13), Mexico (7.9), China (6), South Korea (2.5)	1.2	7		
				France	4.5	Germany (23.7), Italy (11.1), Spain (10.7), Belgium (5.3), United Kingdom (5.1)	0.4	21		

HS Code	Item/ Commodity	Major exporting destinations for MP (share in %)	World Imports (US\$ Million)	Major Importers	Major Importers' share in total imports (%)	Major competitors for India in major importing countries (% share in imports by major importers)	India's share in major importing countries (%)	India's Rank in major importing country	MP's Rank in India's exports	MP's share in India's Exports (in %)
550953	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with cotton (excluding sewing thread and yarn put up for retail sale)	Turkey (26.9), Honduras (12), Colombia (11.9), Argentina (9), Egypt (5.9)	690.8	El Salvador	9.1	The US(65.2), Honduras (26.5), Mexico (2.6), Guatemala (2.5), Viet Nam (1.7)	0.4	7	2	21.5
				South Korea	8.4	Viet Nam (55.2), Thailand (19), China (17.3), Indonesia (4.9), Taipei, Chinese (1.3)	0.9	7		
				Colombia	8.3	Viet Nam (27.7), Thailand (20.9), Indonesia (18.2), The US(1)	30.4	1		
				Portugal	5.2	Pakistan (34.7), Indonesia (17.5), Viet Nam (12.3), Spain (5.1)	21.9	2		
				Turkey	4.7	Indonesia (24), Pakistan (3.3), Viet Nam (1.2), South Korea (0.4)	70.2	1		
610711	Men's or boys' under-pants and briefs of cotton, knitted or crocheted	Germany (57), The US (28.2), South Africa (13.2), Canada (0.9), UAE (0.3)	3622.1	The US	24.9	Viet Nam (29.3), El Salvador (18.3), Bangladesh (7.5), Honduras (7.1)	15.8	3	2	10.7
				Germany	8.5	China (22.7), Bangladesh (15.3), The Netherlands (7.5), Czech Republic (5.6)	14.1	3		
				The UK	6.5	Bangladesh (27.4), China (27.3), Sri Lanka (9.2), The Netherlands (6.6)	14.1	3		
				The Netherlands	5.9	China (23.3), Bangladesh (19.3), Pakistan (13.5), Cambodia (9.3), Viet Nam (6.6)	2.3	11		
				France	5.2	China (23.4), Bangladesh (17.5), Viet Nam (9.2), Morocco (8.5), Romania (5.7)	5.5	6		

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520527	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 83,33 decitex to < 106,38 decitex "> MN 94 to MN 120" (excluding sewing thread and yarn put up for retail sale)	Pakistan (84.1), Bahrain (9.5), Bangladesh (2.5), UAE (1.7), Japan (0.9)		Germany	18.1	Austria (17.9), China (16.5), Egypt (9.8), Italy (8.3)	32.2	1	2	20.8
				Pakistan	13.1	Egypt (2.3), China (2), United Arab Emirates (0.4), Indonesia (0)	95.4	1		
				Italy	12	China (44.7), Egypt (17.2), Bosnia and Herzegovina (14.6), Turkey (11.3)	9.3	5		
				Japan	9.5	China (24.8), Thailand (18), Indonesia (5.8), Pakistan (5.3)	35.2	1		
				Czech Republic	5.9	Egypt (28.9), Italy (26.9), China (25.4), Germany (6.6)	9.4	4		
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread or four-thread twill, incl. cross twill, dyed	Bangladesh (82.2), Sri Lanka (5.4), Vietnam (2.8), Egypt (2), The US (1.9)	916.8	Bangladesh	26	China (40.6), Pakistan (31.8), Hong Kong, China (10.3), South Korea (1.1)	14.6	3	1	36.6
				Hong Kong, China	10.2	China (84.7), Italy (2.3), Bahrain (2.2), Turkey (2.1), Japan (1.8)	0.1	14		
				Viet Nam	10.2	China (27.4), Japan (25.5), Thailand (14.5), Hong Kong, China (11.9), Pakistan (9.1)	1.4	7		
				Mexico	7.6	The US(82.8), China (8.6), Brazil (4.5), Pakistan (1.7), Hong Kong, China (0.6)	0.2	10		
				Sri Lanka	3.9	Pakistan (43.5), China (39.9), Hong Kong, China (4.5), Brazil (0.5)	11.2	3		

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290621	Benzyl alcohol	Japan (27.7), The US (23.4), Germany (16.6), South Korea (11.6), China (4.3)	146.7	The US	16	China (30.1), The Netherlands (22.9), Germany (14.9), Belgium (0.7)	30.4	1	1	76.8
				Germany	8.3	The Netherlands (42.4), China (11.7), Belgium (6.7), The US(2)	34.3	2		
				Japan	7.1	The Netherlands (35.5), China (21.4), Germany (5.2), The US(1.6)	36.2	1		
				The UK	5.8	The Netherlands (48.8), Germany (33.9), China (7.6), The US (2.3)	5.7	4		
				Italy	5	Germany (58.8), China (16.3), The Netherlands (8), Belgium (4.2)	10.2	3		
293729	Steroidal hormones, their derivatives and structural analogues, used primarily as hormones	Belgium (51.8), The US (11.9), Israel (5.3), Spain (4.5), Pakistan (3.9)	2828.3	France	19.6	Belgium (92.4), The US(2.4), Ireland (2.1), Germany (1.6), Italy (0.5)	0	12	1	40.0
				Canada	18.9	The US (50.3), Belgium (49.2), Israel (0.2), China (0.1)	0.1	4		
				Belgium	11.1	The US(69.8), France (22), China (4), Mexico (2.2), Italy (1.2)	0	15		
				Australia	11.1	Sweden (99.7), Italy (0.1), China (0.1), The US(0), Switzerland (0)	0	7		
				Italy	9.1	Belgium (58.9), China (15.9), Germany (10.7), Switzerland (6.3), France (4.1)	0.5	9		

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840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for the propulsion of vehicles of chapter 87	Thailand (97.5), Germany (0.8), Sweden (0.8), France (0.3), Singapore (0.2)	30290.3	Germany	14.5	Austria (39.9), Hungary (33.8), United Kingdom (9.5), Poland (9.2), France (4.8)	0	17	2	21.7
				Mexico	12.1	The US(91), Germany (3.2), Brazil (2.7), Hungary (1.6), Italy (0.6)	0.1	11		
				The US	10.5	Mexico (36.6), Germany (19.4), Austria (14.9), Italy (10.7), Japan (7)	0.1	17		
				Turkey	6.5	United Kingdom (38), Poland (23.2), Italy (15.7), Germany (13.2), South Korea (3.4)	0.4	10		
				Spain	6.3	France (41), Germany (24.1), Poland (14.6), United Kingdom (9.7), Hungary (4.3)	0	25		
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a gross vehicle weight > 5 t but <= 20 t (excluding dumpers for off-highway use of subheading 8704.10 and special purpose motor vehicles of heading 8705)	Bangladesh (99.5), Bhutan (0.5)	19380.6	The US	22.7	Mexico (70.2), Canada (13.8), Japan (11.6), Germany (3.7), Argentina (0.6)	-	-	3	9.4
				The UK	7.8	The Netherlands (35.6), Germany (20.1), France (16.5), Italy (11.8), Sweden (7.1)	-	-		
				Canada	6	The US(71.5), Mexico (25.5), Japan (2.3), Finland (0.4), Canada (0.1)	0	9		
				France	5.4	Germany (74.9), Italy (11.2), Austria (3.2), United Kingdom (2.3), Finland (1.8)	0	19		
				Germany	4.6	Austria (42.2), Italy (20), France (18), The Netherlands (9.7), Sweden (1.9)	0	48		

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441299	Laminated wood without blockboard, laminboard or battenboard (excluding of bamboo, plywood consisting solely of sheets of wood <= 6 mm thick, sheets of compressed wood, cellular wood panels, inlaid wood and sheets identifiable as furniture components)	Belgium (95.4), The US (3.2), Italy (0.5), Canada (0.5), Australia (0.4)	2035.1	The US	18.5	China (54.5), Canada (20.8), Finland (5), Malaysia (4), Thailand (3.3)	0	32	1	48.0
				Japan	13.7	China (72.9), Indonesia (8.3), Malaysia (3.5), Viet Nam (2.5), Russian Federation (2.4)		-		
				Saudi Arabia	7	China (45.6), Indonesia (40.6), Russian Federation (5.3), Malaysia (3.8), Viet Nam (0.9)	0.8	6		
				Philippines	6.1	China (60.1), Japan (20.9), Malaysia (16.1), Viet Nam (2), Indonesia (0.2)	0	13		
				Germany	4	Finland (21.7), Austria (18.1), Slovakia (10.5), Italy (9), Bulgaria (6.6)	0.1	28		
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex "> MN 14 to MN 43" (excluding sewing thread and yarn put up for retail sale)	Bangladesh (49.2), China (20.7), Pakistan (5.3), Portugal (4.8), Egypt (2.1)	3345.7	China	64.1	Viet Nam (36), Pakistan (31.8), Taipei, Chinese (6.2), Indonesia (5.3)	13	3	7	4.3
				Turkey	6.4	Turkmenistan (64.6), Viet Nam (16.5), Uzbekistan (3.6), Pakistan (1.6)	4	3		
				Dominican Republic	4.1	The US(97.9), Mexico (1.1), El Salvador (0.2), Guatemala (0.1)	0.7	3		
				Russian Federation	3.2	Uzbekistan (64.5), Turkmenistan (25), Azerbaijan (7.4), Kazakhstan (2.1), Tajikistan (0.4)	0.3	6		
				Bangladesh	2.7	Pakistan (47.1), Indonesia (3.3), China (2.4), Italy (0.9)	45.9	2		

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850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	The US (48), Bangladesh (30.5), Nepal (8.2), Chile (7.7), Colombia (2.8)	4282.4	The US	24.9	South Korea (26.4), Mexico (18.6), Austria (12.4), The Netherlands (12.3), Canada (6.8)	0.5	16	5	4.7
				Saudi Arabia	10.2	South Korea (34), Turkey (25.7), Germany (13.4), Sweden (7.8), Japan (4.7)	0.1	21		
				Canada	4.4	South Korea (16), The US(13.6), Germany (13.2), United Kingdom (12.9), Sweden (12.8)	-	-		
				UAE	3.8	Turkey (33.3), Germany (16.2), South Korea (15.7), Croatia (15.5), Italy (8.2)	2	7		
				Algeria	2.6	Turkey (32.7), South Korea (21.7), Spain (7), Italy (6.6)	27.4	2		
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	Germany (18.2), Austria (15.4), The Netherlands (14.4), Malaysia (13.7), Australia (8.6)	3735.4	The US	41.8	China (22.3), Pakistan (14.1), Bahrain (3.5), Portugal (2.9)	51.6	1	4	5.3
				Germany	6.2	Pakistan (29.6), China (16.5), Turkey (12.7), Poland (8.5), Bangladesh (5.4)	4.9	7		
				France	6.1	Pakistan (31.2), Switzerland (9.3), Portugal (8.2), Bangladesh (6.2), China (6)	2.5	14		
				The UK	6.1	Pakistan (46.3), China (14.4), Bangladesh (8.2), Portugal (5.6)	13	3		
				Japan	4.3	China (91.7), Bangladesh (2.4), Cambodia (1.3), Pakistan (0.9), Viet Nam (0.8)	0.7	6		

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120740	Sesame seeds, whether or not broken	Iran (23.5), Vietnam (23.4), Iraq (15.5), Saudi Arabia (7.9), South Korea (5.6)	2484.2	China	38.5	Ethiopia (34.4), Niger (12.9), Sudan (12.6), Tanzania, United Republic of (11.9), Togo (9.8)	0.7	11	5	3.1
				Turkey	9.5	Nigeria (53.8), Sudan (10.2), Chad (10), Ethiopia (8.5)	3.3	5		
				Japan	8.3	Nigeria (28.3), Paraguay (11.9), Tanzania, United Republic of (11.6), Myanmar (10.5), Guatemala (6.6)	0.1	24		
				South Korea	4.5	China (35.8), Ethiopia (8.6), Nigeria (5.1), Pakistan (3.3)	42.5	1		
				Viet Nam	4	Ethiopia (6.5), Nigeria (4.9), Pakistan (4.6), Paraguay (1.9)	79.2	1		
71340	Dried, shelled lentils, whether or not skinned or split	Sri Lanka (36.1), UAE (19), Pakistan (14), Iraq (6.8), The UK (4.7)	2712.6	India	22.5	NA	-	-	1	53.0
				Turkey	10.1	Canada (92.7), Australia (1.9), Kazakhstan (1.7), Russian Federation (1.1), The US(1.1)	-	-		
				Bangladesh	9	Australia (47.9), Canada (42.9), Turkey (3.2), Egypt (2.6)	1.6	5		
				UAE	6.9	Canada (92.6), The US(2.2), Australia (1.7), Sri Lanka (0.9)	1.3	4		
				Sri Lanka	5.1	Canada (71), Australia (18.2), The US(2.6), Russian Federation (1.1)	5.5	3		

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210610	Protein concentrates and textured protein substances	Saudi Arabia (25.5), Philippines (18.2), Turkey (9.8), South Korea (9.6), UAE (9.1)	1704.9	Canada	6.6	The US(97), China (1.3), Ireland (0.7), United Kingdom (0.2), Germany (0.2)	0.1	9	1	53.6
				The UK	5.7	The Netherlands (28), Belgium (19.9), The US(15.5), France (8.5), Ireland (5.1)	0.2	21		
				Chile	5.1	Brazil (62.3), The US(27.1), China (5.3), Argentina (3.5), Spain (0.5)	0	30		
				The Netherlands	5	United Kingdom (22.6), Belgium (19.5), The US(16.3), France (14.8), Ireland (6)	0	25		
				Spain	3.6	France (26.7), Czech Republic (15.5), The US(10.7), Ireland (7.2), The Netherlands (6.6)	0.2	16		
600121	Looped pile fabrics of cotton, knitted or crocheted	Bangladesh (51.6), Sri Lanka (46.4), Egypt (1), Mauritius (0.7), The US (0.2)	154.9	Viet Nam	28.8	South Korea (48.8), China (45.8), Taipei, Chinese (3.3), Hong Kong, China (1), Japan (0.7)	0	9	1	96.8
				China	12.5	Viet Nam (78.4), Taipei, Chinese (3.7), Japan (2.4), South Korea (1.6), Indonesia (0.8)	-	-		
				Guatemala	9.4	China (62.3), Hong Kong, China (24), South Korea (10.8), Nicaragua (1.7), Viet Nam (1.1)	-	-		
				Bangladesh	9.1	China (61.8), South Korea (1.9), Greece (0.9), Germany (0)	35.4	2		
				Malaysia	6.9	China (74.9), Taipei, Chinese (17.9), Viet Nam (3.3), Indonesia (1.7), Thailand (1.2)	0	20		

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480300	Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls of a width > 36 cm or in square or rectangular sheets with one side > 36 cm and the other side > 15 cm in the unfolded state	UAE (75), Saudi Arabia (7.5), South Africa (5.6), Bahrain (3.5), Qatar (2)	3763.1	The US	13.6	Canada (35), Indonesia (27.3), Mexico (14.7), Italy (6), China (4.4)	0.1	17	1	44.2
				The UK	10.1	Turkey (24.3), Italy (13.5), France (10), Germany (7.8), Sweden (5.6)	0	32		
				Germany	8.2	Sweden (26.6), Italy (19.4), Spain (8.4), France (8.2), Poland (6.2)	0	32		
				Poland	4.3	Germany (48.5), Italy (14.9), Sweden (13.8), Romania (4.7), Russian Federation (3.4)	0	32		
				Australia	4	China (52), Indonesia (34.3), Viet Nam (4.9), Thailand (2.3), New Zealand (1.5)	0.1	19		
560749	Twine, cordage, ropes and cables of polyethylene or polypropylene, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (excluding binder or baler twine)	Singapore (23.1), The Netherlands (15.5), UAE (9.8), Norway (9), The US (8.1)	593.2	The US	13.8	China (38.3), Mexico (11.7), Canada (8.7), Viet Nam (6.3)	8	4	1	30.9
				Germany	4.3	Czech Republic (15.7), Slovakia (14.1), China (11.5), The Netherlands (10.8), The US(10.3)	1.7	11		
				The UK	3.9	Portugal (58.4), China (9.4), The Netherlands (6.4), South Korea (3.7)	4.7	4		
				The Netherlands	3.7	Portugal (54.8), China (10.9), South Korea (8.7), The US (7.5)	6.3	5		
				Australia	3.6	Viet Nam (34.4), China (21.2), The US(11.3), South Korea (5.2)	10.6	4		

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850300	Parts suitable for use solely or principally with electric motors and generators, electric generating sets and rotary converters, n.e.s.	Congo P Rep (17.9), Indonesia (14.1), Austria (11.6), Vietnam (11.5), Canada (10.5)	17221.4	The US	13.3	China (23.5), Mexico (15.6), Spain (10.4), Denmark (9.3), Japan (6.4)	2.8	10	7	5.5
				Germany	10.6	Italy (10.8), Hungary (9.7), Czech Republic (9.1), Serbia (9), China (8.5)	0.9	18		
				France	5	Germany (26.2), Denmark (22.5), Spain (12.3), Italy (8.4), China (4.8)	0.3	24		
				Mexico	4.9	The US (48.2), China (19.3), Germany (4.9), Japan (3.6)	4.1	4		
				China	4.3	Japan (23.2), Germany (13.4), Taipei, Chinese (10.9), South Korea (9.3), The US (3.6)	1	18		
550922	Multiple "folded" or cabled yarn containing >= 85% polyester staple fibres by weight (excluding sewing thread and yarn put up for retail sale)	Turkey (30.9), Egypt (24.4), The US (17.6), Belgium (7), Italy (2.4)	497.8	Bangladesh	15.3	China (98.7), Indonesia (0.2), Taipei, Chinese (0.1), Thailand (0.1)	0.8	2	2	15.7
				Turkey	8.8	Indonesia (19.3), Bangladesh (12.8), Taipei, Chinese (11.8), Egypt (5.5)	42.6	1		
				Viet Nam	5.9	China (84.6), South Korea (12.4), Taipei, Chinese (1.1), Thailand (0.5)	0.6	4		
				The US	5.6	Indonesia (47.6), Thailand (11.9), China (5.3), Canada (3.1)	29	2		
				Germany	5.6	Slovakia (39.2), Indonesia (16.3), Italy (15.5), Turkey (5.1)	7.7	4		

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722592	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced" and plated or coated with zinc (excluding electrolytically plated or coated and products of silicon-electrical steel)	Myanmar (33), Colombia (13.4), Peru (8.8), Djibouti (7.7), Guinea (7.1)	4126.7	Germany	13.6	Austria (49), Belgium (31.2), France (11.3), The Netherlands (6.4), Finland (0.8)	-	-	2	22.5
				Mexico	9.6	The US(56.1), Japan (11.9), Canada (9.3), South Korea (8.7), Germany (4.2)	-	-		
				The US	9.4	Canada (56.9), South Korea (12.1), Germany (6.7), Austria (5.6), The Netherlands (5.5)	0	19		
				China	7.7	South Korea (45.7), Japan (23.8), Belgium (9.7), France (4.9), Austria (4.1)	0	18		
				The UK	6.6	Belgium (33.1), Germany (26.1), France (22.2), The Netherlands (12), Finland (5.1)		-		
520514	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	China (60.9), Hong Kong (30.2), Sri Lanka (3.3), Bangladesh (3), Indonesia (2.5)	896.8	China	86.8	Viet Nam (42.2), Uzbekistan (15.2), Indonesia (7), Malaysia (4.2)	28.9	2	6	2.5
				Hong Kong, China	3	China (40.8), Indonesia (12), Malaysia (4.1), Pakistan (1.8)	38.9	2		
				Russian Federation	2.1	Uzbekistan (99.5), Azerbaijan (0.5)	0	4		
				Bangladesh	1.5	Indonesia (16.6), China (6.3), Pakistan (2.4)	74.7	1		
				Japan	1.3	Indonesia (82.1), Viet Nam (12.3), China (4.6), Malaysia (0.9), Taipei, Chinese (0.1)	0	8		

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610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	Germany (42.5), South Africa (8.5), Japan (8.1), Australia (7.7), The US (7.1)	23382.7	The US	17.2	Honduras (14.1), El Salvador (9.5), China (9.3), Nicaragua (8.2), Dominican Republic (7.9)	5.3	9	11	0.5
				Germany	10.4	Bangladesh (37), Turkey (14.7), China (6), The Netherlands (5.4)	9.3	3		
				The UK	6.7	Bangladesh (28.1), Turkey (13.9), China (6), The Netherlands (4.4)	10.8	3		
				France	5.7	Bangladesh (33.4), Turkey (10.1), China (9.2), Portugal (6.1)	12	2		
				Spain	4.8	Bangladesh (38.9), Portugal (14.6), Turkey (9.5), Morocco (4.4)	7.3	4		
900110	Optical fibres, optical fibre bundles and cables (excluding made up of individually sheathed fibres of heading 8544)	Germany (17), Nigeria (11.8), Kuwait (8.9), Kenya (8.3), Poland (8.2)	1946.8	China	22.1	The US(27.3), Japan (10.8), Hong Kong, China (7.8), South Korea (7.8)	9.2	3	5	4.5
				The US	9	Japan (39.5), Denmark (17.6), The Netherlands (6.6), China (6.4), Mexico (5)	4.3	9		
				Germany	5.3	Japan (25.9), The US (25.8), China (8.4), Denmark (6)	7.4	4		
				France	5	The US(40.2), Japan (22.2), China (5.4), Switzerland (3.7)	7.1	3		
				Hong Kong, China	3.8	China (47.1), The US (26.2), Japan (11.3), Denmark (9), Germany (1.7)	0	22		

Source: DGCIS; ITC Trade Map; Exim Bank Research

The Product Champions can be further narrowed down to 22 products for which imports were not only higher than the overall AAGR of world imports but were also positive during 2012 to 2016. The

combined exports of these 22 products champions from Madhya Pradesh amounted to US\$ 1523.7 million in 2016 (share of 36.4% in the total exports of MP in 2016) (Table 12).

Table 12: Product champions with a positive AAGR during 2012 to 2016

HS Code	Item/ Commodity	Exports from MP (2016) in US\$ million	Share in MP exports (2016) in percent
71340	Dried, shelled lentils, whether or not skinned or split	11.9	0.3
520514	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear density of 125 decitex to $<$ 192,31 decitex " $>$ MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	7.2	0.2
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	79.5	1.9
120740	Sesamum seeds, whether or not broken	12.8	0.3
293729	Steroidal hormones, their derivatives and structural analogues, used primarily as hormones	23.5	0.6
722592	Flat-rolled products of alloy steel other than stainless, of a width of \geq 600 mm, hot-rolled or cold-rolled "cold-reduced" and plated or coated with zinc (excluding electrolytically plated or coated and products of silicon-electrical steel)	10.7	0.3
210610	Protein concentrates and textured protein substances	13.3	0.3
520524	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear density of 125 decitex to $<$ 192,31 decitex " $>$ MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	100.9	2.4
550922	Multiple "folded" or cabled yarn containing \geq 85% polyester staple fibres by weight (excluding sewing thread and yarn put up for retail sale)	9.4	0.2
600121	Looped pile fabrics of cotton, knitted or crocheted	9.6	0.2
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705 (excluding those with engines and cabs)	65.4	1.6
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials	96.3	2.3
520512	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear density of 232,56 decitex to $<$ 714,29 decitex " $>$ MN 14 to MN 43" (excluding sewing thread and yarn put up for retail sale)	18.5	0.4

HS Code	Item/ Commodity	Exports from MP (2016) in US\$ million	Share in MP exports (2016) in percent
480300	Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls of a width > 36 cm or in square or rectangular sheets with one side > 36 cm and the other side > 15 cm in the unfolded state	10.0	0.2
900110	Optical fibres, optical fibre bundles and cables (excluding made up of individually sheathed fibres of heading 8544)	10.0	0.2
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	21.4	0.5
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale)	83.2	2.0
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floorcloths, polishing cloths, dishcloths and dusters)	114.3	2.7
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	744.0	17.8
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	13.9	0.3
560749	Twine, cordage, ropes and cables of polyethylene or polypropylene, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (excluding binder or baler twine)	13.3	0.3
120190	Soya beans, whether or not broken (excluding seed for sowing)	54.7	1.3
Total	-	1523.7	36.4

Source: DGCIS; ITC Trade Map; Exim Bank Research

3. INVESTMENT SCENARIO

Madhya Pradesh has not only been a recipient of domestic investment but also of Foreign Direct Investment (FDI). FDI, an important source of capital, supplements domestic private investment, boosts economic growth, leads to employment generation, and may also facilitate technology transfer in the recipient regions. Recognizing the importance of FDI for economic development, the Government of India started the 'Make in India' programme which aims at promoting the country as an important investment destination and a global hub for manufacturing, design and innovation. Additionally, the Government of Madhya Pradesh has also been organizing the Global Investors Summit (GIS), a flagship investment promotion event, biennially.

3.1. Investment Trends

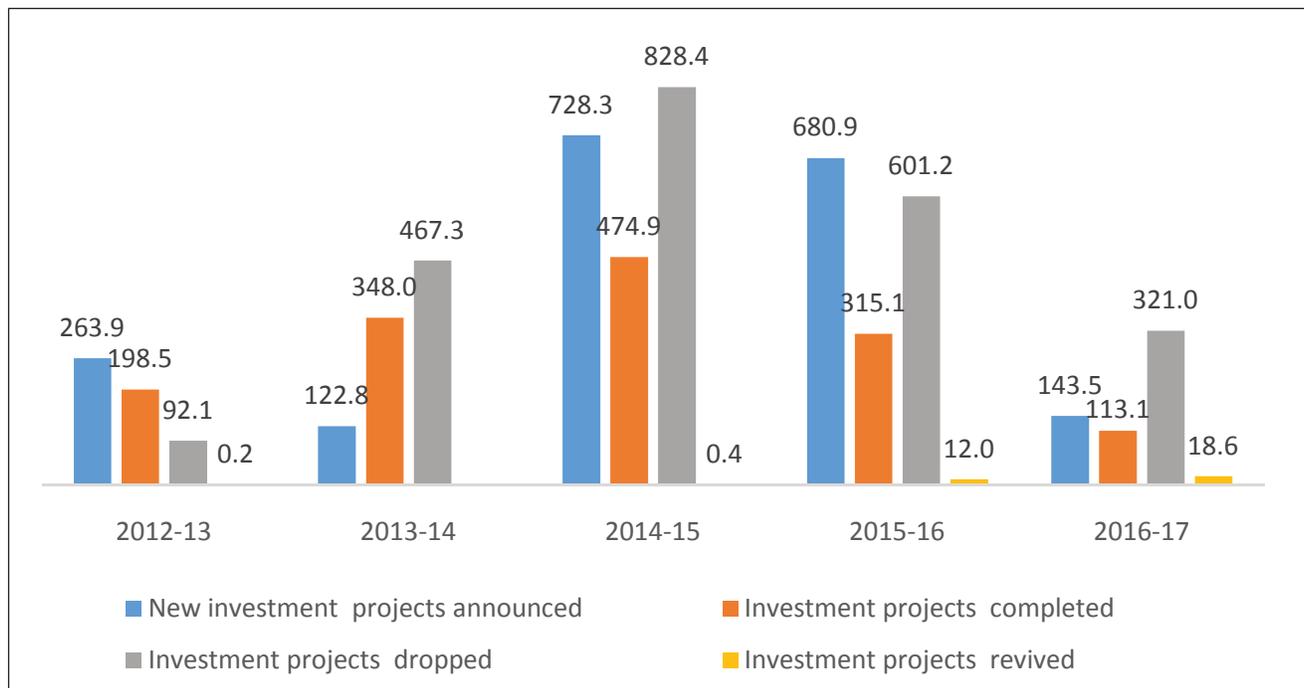
According to the Centre for Monitoring Indian Economy (CMIE) States of India database, new

investment projects worth ₹ 143.5 billion were announced in Madhya Pradesh in 2016-17. The new investment projects announced in 2014-15 and 2015-16 were significantly higher at ₹ 728.3 billion and ₹ 680.9 billion, respectively. However, the number of new projects announced in 2016-17 was 109, which was the highest during the last 5 years (**Exhibit 7**).

In case of investment projects completed, 2016-17 was a lukewarm year for Madhya Pradesh with only ₹ 113.1 billion worth of investment projects completed, vis-à-vis ₹ 474.9 billion in 2014-15 and ₹ 315.1 billion in 2015-16 (**Exhibit 7**).

However, the state of Madhya Pradesh has performed well in some other aspects. The investment projects dropped in 2016-17 amounted to ₹ 321.0 billion, much lower than ₹ 828.4 billion in 2014-15 and ₹ 601.2 billion in 2015-16. In fact, an analysis of the

Exhibit 7: Investment Trend in Madhya Pradesh (in ₹ billion)



Source: CMIE; Exim Bank Research

count of projects that were dropped shows that, only 49 projects were dropped in 2016-17, vis-à-vis, 170 in 2014-15, and 97 in 2015-16. Additionally, projects worth ₹ 18.6 billion (11 projects) were revived in 2016-17, up from ₹ 12 billion (7 projects) in 2015-16 and ₹ 0.4 billion (3 projects) in 2014-15 (Exhibit 7).

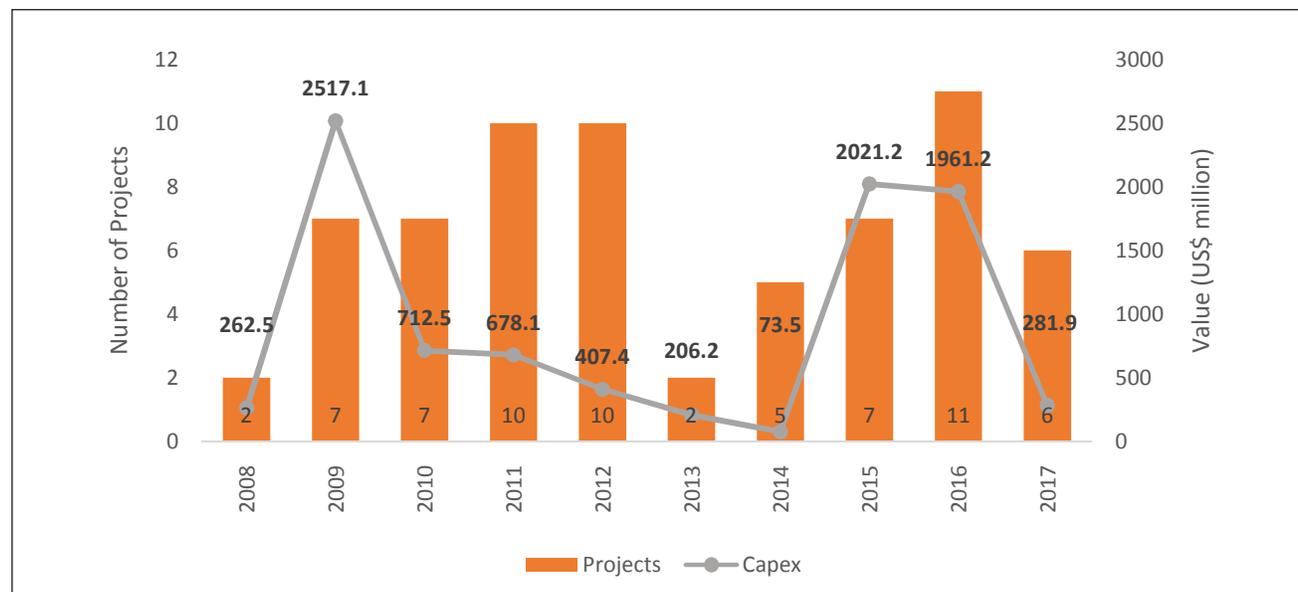
3.2. FDI in Madhya Pradesh: An Analysis

According to the Department of Industrial Policy & Promotion (DIPP), Madhya Pradesh and Chhattisgarh together received FDI equity inflows⁸ to the tune of US\$ 1.4 billion (0.4% of total received in India) cumulatively during April 2000 to December 2017. The data is collated by DIPP from RBI's regional office at Bhopal, which provides combined information for both Madhya Pradesh and Chhattisgarh. The recent annual trends in FDI into both these States indicated that combined equity inflows amounted to US\$ 80 million in 2015-16 and fell to US\$ 76 million in

2016-17. During April- December 2017, FDI equity inflows amounted to US\$ 20 million.

Using a combined data on FDI to represent any individual State could provide a misleading picture. In order to get a fair indication of foreign investment flowing into Madhya Pradesh, the DIPP data is supplemented by using the data from fDi Markets database of the Financial Times, which provides disaggregated data not only at the State level but also breaks it up at a sectoral level⁹. The fDi Market database tracks cross-border investment in a new physical project or expansion of an existing investment creating new jobs and capital investment. It may be noted that joint ventures are only included where they lead to a new physical operation¹⁰. However, to the extent that this database tracks investments announced, it is likely that the data may be an over estimation, given that not all announcements fructify into actual investments. Notwithstanding, the data

Exhibit 8: Foreign Capital Investment in Madhya Pradesh



Source: fDi Markets; Exim Bank Research

⁸The Region-wise FDI inflows are classified as per RBI's – Regional Office received FDI inflows, furnished by RBI, Mumbai

⁹The fDi markets database is a collation of information from secondary sources like newswires and internal information sources; other media and business sources; industry organizations and investment agencies; and data purchased from market research and publication companies

¹⁰The data on capital investment and job creation is based on the total investment the company is making at the time of the project announcement or opening. As companies can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency, the data is different to the official data on FDI flows.

from fDi Markets does throw up a strong indicative assessment of how the State is perceived as an investment destination by foreign investors.

According to the fDi Markets database, during 2008 to 2017, Madhya Pradesh accounted for 2.1% of the estimated total foreign capital expenditure received by India. During the same period, the State received nearly 2.3% of the estimated total foreign capital expenditure registered in Greenfield projects in India. During 2008 to 2017, a total of 67 foreign capital expenditure projects by 58 companies were estimated to have been received by the State of Madhya Pradesh. These projects represented an estimated total foreign capital expenditure of US\$9.1 billion, averaging US\$ 136.1 million investment per project.

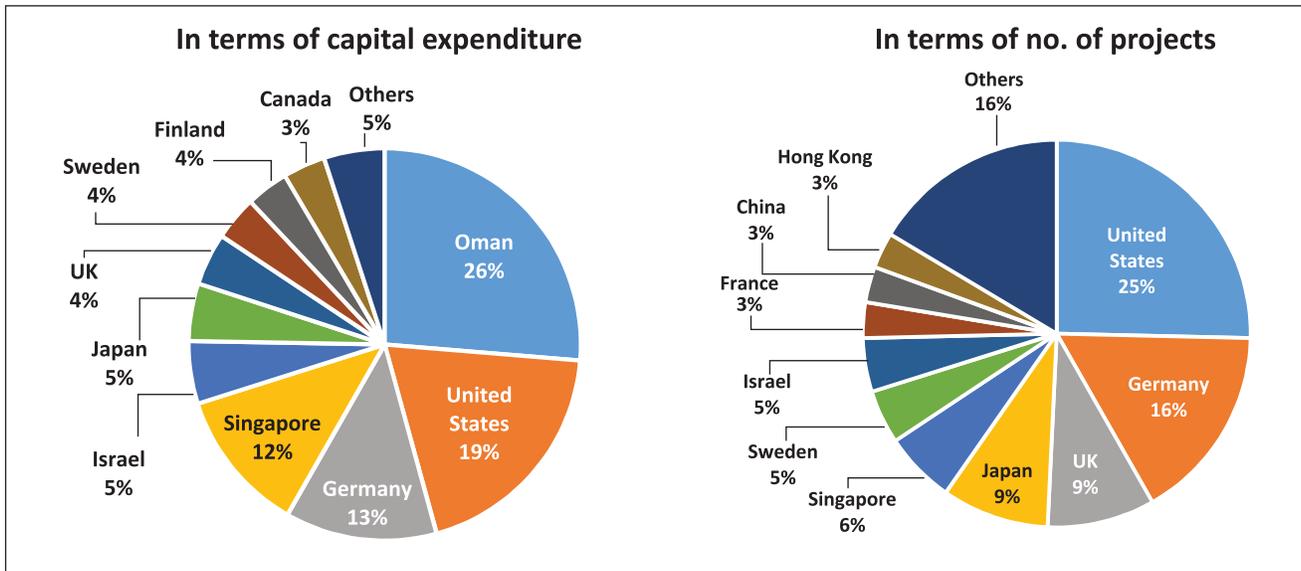
Over a 10-year period, total foreign capital expenditure in Madhya Pradesh registered the highest growth in 2015, when it stood at US\$ 2021.2 million announced from 7 projects, as against US\$ 73.5 million announced from 5 projects in 2014, reflecting the magnitude of increase in the investments made. There was a marginal fall noticed

in the foreign capital expenditure in 2016, which stood at US\$ 1961.2 million. However, the number of projects announced were 11 in 2016, up from 7 in 2015. In 2017, foreign capital expenditure worth US\$ 281.9 million was announced in the State, through 6 projects (Exhibit 8). It is to be noted that out of the 67 investment projects worth US\$ 9.1 billion, 52 projects worth US\$ 8 billion were in the 'new' category, while projects worth US\$ 841.9 million, were registered in the 'expansion' category.

The USA accounted for the largest number of FDI projects announced in Madhya Pradesh during 2008 to 2017, with 25% of the total announced projects originating from the USA, during this 10-year period. This was followed by Germany at 16%; the UK at 9%; Japan at 9%; and Singapore at 6% (Exhibit 9).

In terms of the value of foreign capital expenditure announced, Oman was the leading source, accounting for 26% of the total foreign capital expenditure announced in Madhya Pradesh, although it was just for a single project by Oman Oil Company. This was followed by the USA at 19%; Germany at 13%; Singapore at 12%; and Israel at 5% (Exhibit 9).

Exhibit 9: Top Source Countries for Foreign Capital Expenditure in Madhya Pradesh (2008 to 2017)



Source: fDi Markets; Exim Bank Research

Table 13: Major Sectors of the State by Foreign Capital Investment (Value in US\$ Million; 2008 to 2017)

Industry Sector	Madhya Pradesh	India	Share
Coal, Oil and Natural Gas	2,400.0	35,985.2	6.7%
Alternative/Renewable energy	2,320.0	34,797.4	6.7%
Semiconductors	964.3	2,763.3	34.9%
Electronic Components	425.4	22,567.4	1.9%
Minerals	299.0	509.2	58.7%
Building & Construction Materials	285.4	6,253.1	4.6%
Transportation	253.1	14,834.2	1.7%
Pharmaceuticals	250.0	4,123.8	6.1%
Space & Defence	221.2	805.7	27.5%
Automotive OEM	191.9	24,412.0	0.8%
Warehousing & Storage	189.8	10,967.2	1.7%
Leisure & Entertainment	166.4	2,591.8	6.4%
Automotive Components	164.6	13,561.8	1.2%
Rubber	152.2	4,756.0	3.2%
Industrial Machinery, Equipment & Tools	138.8	16,220.9	0.9%
Others	699.5	2,37,023.4	0.3%
Total	9,121.6	4,32,172.4	2.1%

Source: fDi Markets; Exim Bank Research

Coal, oil and natural gas sector, with total foreign capital investment announced worth US\$ 2400 million, was the leading sector in terms of the value of foreign capital expenditure in Madhya Pradesh during 2008 to 2017, although, this entire capital expenditure was only for one project, announced by the Oman Oil Company. The other major recipient sectors (in terms of absolute value of foreign capital expenditure) were Renewable Energy (share of the State at 6.7% in India), Semiconductors (34.9%), Electronic Components (1.9%), and Minerals (58.7%). Nearly 27.5% of the total foreign capital expenditure announced in India's Space & Defence sector, 6.4% in Leisure & Entertainment sector, and 6.1% in the Pharmaceuticals sector (**Table 13**) were in Madhya Pradesh during the 2008 to 2017 period. The capital expenditure in the Space & Defence sector in Madhya Pradesh was only through 2 projects, as compared to 22 FDI projects announced in this sector for the entire country during 2008 to 2017.

3.3. Attracting Export Oriented FDI

The importance of attracting FDI can hardly be over-emphasised, especially for a State like Madhya Pradesh, which has been actively seeking investments, inter alia, through the Global Investors Summit. FDI inflows encourage exports from the recipient country through better use of the additional capital, transfer of superior technology, upgradation of technical and management skills, access to newer markets etc. However, if the focus of FDI inflows is to target the host market by taking advantage of locally procured cheaper raw materials through transfer of outdated or inappropriate technologies, then the tendency of that investment to engender exports would only be limited. Hence, it becomes critical to ensure that the FDI inflows feed into the exports from Madhya Pradesh over the medium to long term.

In this context, the 'Make in India' initiative would have to necessarily form a part of the long term

export strategy of Madhya Pradesh, with the State weaving together its own “Make in Madhya Pradesh” plan, focussing on export oriented foreign direct investments. In order to do so, it is of utmost importance to not only encourage foreign companies to participate in the ‘Make in Madhya Pradesh’ initiative in a significant way but also incentivise them to invest into high-technology sectors, especially those that are a part of the Global Value Chains (GVCs). This would not only improve the quality of products

and inculcate professionalism, but more importantly provide a strong push to the State’s exports. As the quality of the ‘Make in Madhya Pradesh’ products pick up, they will naturally get integrated into the GVCs, a strategy that has so successfully been implemented by China, where a large part of exports can be attributed to foreign companies, unlike India, where a major proportion of exports are accounted for by home-grown companies.

Box 1: China: Attracting Export Oriented FDI

GU et al. (2008), in their Study¹¹ tried to assess the impact of FDI on exports on a sectoral basis in the Chinese context. The empirical results in the Study suggested that the FDI has a statistically significant and positive impact on China’s exports. More specifically, this effect remained positive in thirteen out of fourteen sectors analysed in the Study. The Study noted that FDI does not function equally in all industries, and therefore, China may realize the differences and specify its policy to FDI by sector. The Study notes that in China’s case, export of electrical machinery and transport equipment industries benefit most from the FDI received, followed by paper and paper products.

A high impact of FDI can also be seen for the city of Chengdu, capital of the Sichuan province in China. The city is one of the important hubs for economic, commercial, finance, transportation and communication centre of southwest China. In fact, the Ministry of Commerce (MOFCOM) of China has designated Chengdu as a national hub of distributive trade and logistics in its development plan (2015-2020). The city is one of China’s major IT bases. Half of the world’s laptop chips, two-thirds of the iPads and one-fifth of laptops are produced in this city. Out of US\$ 26.2 billion exports by Sichuan province in 2016, 85% were exported from Chengdu. Also, out of US\$ 26.2 billion exports, US\$ 15.9 billion were by foreign-invested enterprises. The FDI utilized by the province reached a height of US\$ 10.7 billion in 2014 from US\$ 3.6 billion in 2009, before falling to US\$ 8 billion in 2016. Prominent multinationals like Intel; Sony; UPS; Sanyo etc. have invested in Sichuan, especially in its capital Chengdu. Almost 250 of the world’s largest 500 overseas companies have invested in Sichuan. With respect to exports, exports of new and high-tech products accounted for 56.8% of total exports from the province. Sichuan has 13 state level key laboratories and two state level hi-tech industries development zones – The Chengdu New and Hi-tech Industries Development Zone (CDDZ), and the Mianyang New and Hi-tech Industries Development Zone (MYDZ). These zones have attracted a number of internationally renowned IT companies such as Microsoft, Cisco, Intel and IBM to set up R&D centres.

¹¹The Contribution of Foreign Direct Investment to China’s Export Performance: Evidence from Disaggregated Sectors’

SUM UP

Economic growth, especially exports, driven by FDI provides a good opportunity for growth and development. States like Maharashtra, Karnataka, and Gujarat, have been among the highest recipients of foreign capital expenditure and have performed phenomenally well both in terms of production and contribution to India's foreign exchange through exports. Madhya Pradesh, being proactive in its intent could devise a suitable mechanism which involves creation of an enabling ecosystem that attracts FDI

into the State. Forward looking and successful stories like Chengdu in Sichuan province in China could be studied for similar replication in Madhya Pradesh. One of the key differentiators for attracting export led FDI would be the policy implementation by the State. This would necessitate identification of focus sectors, with preference towards high-tech and high-value added segments, and then designing sector-specific investment policies which provide special dispensation to projects which envisage exports as an integral component of their projected deliverables.

4. CHALLENGES AND STRATEGIES FOR EXPORT PROMOTION

An export strategy is one of the critical components for the competitiveness of any State. While trade and commerce is a subject of Union List, the building blocks of such activities, including agriculture and industry, are at the hands of the State Governments. It is therefore essential that the States create and integrate an export strategy as part of their economic agenda. In order to take a holistic view, planning of a strategy for promotion of exports from Madhya Pradesh would entail strategizing across various levels.

4.1. Focussed Export Sectors

Every State has a latent potential to export which needs to be first identified and then appropriately channelized to garner more foreign exchange revenues for the State. In the earlier chapters, the analysis on exports from Madhya Pradesh was undertaken at HS-6 digit, of which 42 products were

identified as product champions. These products have not only witnessed robust demand in the international market over the last 5 years – and are likely to follow the increasing trend going forward – but have also been the ones where Madhya Pradesh has exhibited increasing export competitiveness. As was highlighted previously, the State should ideally strive to increase its share in India's exports targeting at least 2% by 2024-25, from its current level of 1.6%. Providing special focus on these identified product champions could help the State in achieving its targets. This can be supplemented by ironing out the export infrastructure and policy bottlenecks prevalent in the sectors to which these 42 products belong to. This could further facilitate exports of nearly US\$ 2.2 billion from Madhya Pradesh (the untapped export potential), almost half the present total exports of the State.

Table 14: Export Potential of MP in select commodities (Product Champions) at 6 digit level

HS Code	Item/Commodity	India's untapped potential (US\$ million)	MP's share in India's Exports (in %)	MP's untapped potential (US\$ million)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	11900	7.6	904
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	1800	17	306
760110	Aluminium, not alloyed, unwrought	840	9.3	78
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dishcloths and dusters)	640	10.9	70

HS Code	Item/Commodity	India's untapped potential (US\$ million)	MP's share in India's Exports (in %)	MP's untapped potential (US\$ million)
520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	190	14	27
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials	270	21.8	59
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale)	200	12.4	25
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	110	54.9	61
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	180	24.6	45
870600	Chassis Fitted With Engines For Motor Vehicles	520	12.7	66
392062	Plates, sheets, film, foil and strip, of plastics, non-cellular and not-reinforced, laminated, supported or similarly combined with other materials - Of poly(ethylene terephthalate)	260	30.5	78
120190	Soya beans, whether or not broken (excluding seed for sowing)	100	56.9	59
841480	Air Pumps And Air Or Other Gas Compressors, Others; Ventilating Or Recycling Hoods Incorporating A Fan, Others	210	21.7	45
960200	Worked Vegetable Or Mineral Carving Materials Etc.; Moulded Or Carved Articles Of Wax, Stearin, Gum, Resin Etc. Others; Unhardened Gelatin And Articles	100	47.6	47
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced", painted, varnished or coated with plastics	220	15.4	34
760120	Unwrought aluminium alloys	70	15.8	12
292320	Lecithins and other phosphoaminolipids, whether or not chemically defined	70	37.5	25
550953	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed principally or solely with cotton (excluding sewing thread and yarn put up for retail sale)	60	21.5	14
870899	Parts And Accessories Of Motor Vehicles	2300	1.3	30

HS Code	Item/Commodity	India's untapped potential (US\$ million)	MP's share in India's Exports (in %)	MP's untapped potential (US\$ million)
293729	Steroidal hormones, their derivatives and structural analogues, used primarily as hormones	10	40	5
290621	Benzyl alcohol	20	76.8	14
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	230	10.7	25
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread or four-thread twill, incl. cross twill, dyed	60	36.6	21
520527	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 83,33 decitex to < 106,38 decitex "> MN 94 to MN 120" (excluding sewing thread and yarn put up for retail sale)	10	20.8	3
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex "> MN 14 to MN 43" (excluding sewing thread and yarn put up for retail sale)	110	4.3	5
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for the propulsion of vehicles of chapter 87	0	21.7	1
870422	Motor Vehicles For Goods Transport Others, With Compression-ignition Internal Combustion Piston Engine (diesel), Gvw Over 5 But Not Over 20 Metric Tons	390	9.4	37
441299	Plywood, Veneered Panels And Similar Laminated Wood, Others	10	48	5
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	400	5.3	21
560749	Twine, cordage, ropes and cables of polyethylene or polypropylene, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (excluding binder or baler twine)	80	30.9	24
210610	Protein concentrates and textured protein substances	30	53.6	14
120740	Sesame seeds, whether or not broken	480	3.1	15
850300	Parts suitable for use solely or principally with electric motors and generators, electric generating sets and rotary converters, n.e.s.	100	5.5	5
71340	Dried, shelled lentils, whether or not skinned or split	0	53	0

HS Code	Item/Commodity	India's untapped potential (US\$ million)	MP's share in India's Exports (in %)	MP's untapped potential (US\$ million)
722592	Flat-rolled products of alloy steel other than stainless, of a width of ≥ 600 mm, hot-rolled or cold-rolled "cold-reduced" and plated or coated with zinc (excluding electrolytically plated or coated and products of silicon-electrical steel)	10	22.5	2
850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	230	4.7	11
900110	Optical fibres, optical fibre bundles and cables (excluding made up of individually sheathed fibres of heading 8544)	230	4.5	10
480300	Toilet, Facial Tissue, Towel Or Napkin Stock And Similar Paper, Cellulose Fibre Wadding And Webs, In Rolls Or Sheets	20	44.2	9
600121	Looped pile fabrics of cotton, knitted or crocheted	10	96.8	9
550922	Multiple "folded" or cabled yarn containing $\geq 85\%$ polyester staple fibres by weight (excluding sewing thread and yarn put up for retail sale)	30	15.7	4
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1900	0.5	10
520514	Single cotton yarn, of uncombed fibres, containing $\geq 85\%$ cotton by weight and with a linear density of 125 decitex to $< 192,31$ decitex " $> MN 52$ to $MN 80$ " (excluding sewing thread and yarn put up for retail sale)	20	2.5	1
Total of 42 commodities		24420	-	2236

Source: Derived from ITC Trade Map; Exim Bank Research

The above table (**Table 14**) is a case of business as usual, that is, had the policies been in place and right markets were targeted, the current exports of 42 commodities would have been US\$ 4.6 billion (Actual US\$ 2.4 billion + Untapped US\$ 2.2 billion). Suitable strategies will be required for creating an enabling environment across these sectors, as also for undertaking capacity building in sectors with high potential for exports. Select such strategies are discussed in the following section.

4.2. Attracting FDI as a Source of Future Exports

In order for Madhya Pradesh to achieve an export target of US\$ 10 billion in the next 5 years, an important

component will be to attract the FDI, especially those that beget exports. Achieving this objective would entail not only encouraging foreign companies to participate in the 'Make in India' initiative on the soils of Madhya Pradesh in a significant way but also incentivising foreign companies to invest into high-technology sectors, especially those that are a part of the Global Value Chains (GVCs). This would not only improve the quality of products and inculcate professionalism, but more importantly provide a strong push to the exports from the State. As the quality of the 'Make in India' products from Madhya Pradesh picks up, they will naturally get integrated into the GVCs, a strategy that has so successfully been

implemented by China, where a large part of exports can be attributed to foreign companies, unlike India or for that matter Madhya Pradesh, where a major proportion of exports are accounted for by home-grown companies.

Given the relatively low levels of FDI inflows that Madhya Pradesh has received, it is important for the State to identify key sectors where a thoroughpaced focus could yield positive results, not just in terms of investments, but also in terms of triggering exports from the State down the line. A top-down approach with the objective of attracting export-oriented FDI would entail mapping international demand with current and prospective capacities of Madhya Pradesh across sectors and shortlisting sectors which have shown dynamic international demand and for which capacities are either not present in the State, or even if present, are too low to serve the export market. Additionally, the approach should lay special emphasis on sectors with high value and job creation capabilities.

As an essential first step, this would entail widening the list of items undertaken for the earlier analysis of identification of products with export potential and taking on board the complete list of products currently being exported by Madhya Pradesh at HS 6-digit level of classification. It may be recalled that the earlier analysis took into account only 71 products which together contributed about 80% of exports from the State. Taking all the products exported by Madhya Pradesh into consideration would expand the number of products categorised as 'Underachievers', which, as mentioned before, are the products in which Madhya Pradesh does not have competitiveness although their global demand has grown significantly over the last 5 years. These products are the ones where an improvement in competitiveness of the State would significantly push up exports. One of the main instruments of achieving this objective would be attracting FDI inflows, which would bring with it better technology and the associated improvement in efficiency and economies of scale and scope. A further prioritization

for FDI could be undertaken based on the level of technological curve the product is at, implying that greater focus could be given to high-technology high-value sectors. In addition, the sectors / products categorised as 'Product Champions' in the earlier chapter would make a natural choice for attracting FDI.

4.2.1. Underachievers as Target Sectors for Attracting FDI

Out of the 1806 commodities at the HS 6 digit level exported by Madhya Pradesh in 2016, 1005 commodities can be classified under the 'Underachievers' category. This means that the world demand of these commodities has grown faster than the average demand for all products in the last 5 years. This essentially reflects that the share of such products in world imports has increased, reflecting their growing demand. An added feature of such products is that exports of Madhya Pradesh, of these products, have not been competitive, as reflected in their normalised RCA values. The analysis reveals that the total exports of these commodities from Madhya Pradesh amounted to US\$ 101.6 million in 2016, equivalent to only 2.4% of the total exports of the State during that year. Whilst this value appears low, what is important is to realise that one of the reasons for the low share of these products in the exports of Madhya Pradesh is lack of existing capacities in the State. Thus, for such sectors, the bottleneck is the supply side, given that international demand for such products has remained dynamic and is likely to remain as robust, going forward. This bottleneck can be overcome through attracting FDI for capacity creation.

In order to get a sectoral perspective, these 1806 products have been aggregated at HS 2-digit levels in order to identify the focus sectors for investment. The prioritisation of the sector can be based on the number of products at HS 6-digit level being aggregated at HS 2-digit level and the value of exports. For instance, out of the 1005 items at HS 6-digit level categorised as underachievers, there are 119

(frequency) such items that can be clubbed together under the sector categorised as 84 (machinery and parts) at HS 2-digit level. The following table

(Table 15) lists down only those sectors at HS 2-digit level for which Madhya Pradesh had total exports of US\$ 1 million or greater in 2016.

Table 15: Sectors associated with underachievers with cumulative exports of more than US\$ 1 million from MP in 2016

Unique 2 digit HS codes	Sector	Frequency ¹² in the HS 6 digit products identified as underachievers	Exports in 2016 (US\$ million)
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	119	14.5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles	72	10.2
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	31	8.8
39	Plastics and articles thereof	46	7.6
73	Articles of iron or steel	29	6.0
29	Organic chemicals	46	3.8
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	18	3.7
40	Rubber and articles thereof	12	3.4
10	Cereals	3	2.9
19	Preparations of cereals, flour, starch or milk; Pastry cooks' products	11	2.8
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	57	2.5
61	Articles of apparel and clothing accessories, knitted or crocheted	30	2.5
30	Pharmaceutical products	14	2.4
38	Miscellaneous chemical products	16	2.2
7	Edible vegetables and certain roots and tubers	14	1.9
62	Articles of apparel and clothing accessories, not knitted or crocheted	38	1.9
96	Miscellaneous manufactured articles	22	1.8
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	7	1.7
21	Miscellaneous edible preparations	6	1.6

¹²Frequency here refers to the number of items at HS 6 digit level that have been clubbed together, to arrive at a 2 digit HS code. For example, 119 HS-6 digit codes were clubbed together to arrive at HS Code 84.

Unique 2 digit HS codes	Sector	Frequency in the HS 6 digit products identified as underachievers	Exports in 2016 (US\$ million)
33	Essential oils and Resinoids; perfumery, cosmetic or toilet preparations	20	1.4
83	Miscellaneous articles of base metal	14	1.3
17	Sugars and sugar confectionery	3	1.3
23	Residues and waste from the food industries; prepared animal fodder	6	1.3
76	Aluminium and articles thereof	10	1.2
64	Footwear, gaiters and the like; parts of such articles	10	1.1
69	Ceramic products	7	1.0

Source: ITC Trade Map; DGCIS; Exim Bank Research

As is evident, many of the sectors, in particular, the top three sectors mentioned in **Table 15** are high technology sectors, signifying that the value realisations would typically be far higher if competitiveness in such products are improved to an extent that could help them metamorphose from Underachievers to Product Champions, thereby helping Madhya Pradesh realise its export target of US\$ 10 billion over the next five years. These three sectors can therefore be prioritised for attracting FDI into the State.

4.2.2. Foreign Capital Expenditure: A State-Sector Analysis

It will also be important to analyse the annual trends in foreign capital expenditure across sectors and across different States of the country. This exercise would involve the following:

- Identification of key sectors in terms of foreign capital expenditure into various Indian States over the past 15 years;
- Decipher any perceptible increasing trend or spike in the number of foreign capital expenditure projects flowing into a particular sector in any State. This examination would be based on the number of projects and not the value of those projects because the latter could give misleading

results as one huge investment could potentially distort the picture; and

- If any perceptible trend can be interpreted for foreign capital expenditure in a particular State for any sector, the investment policy of that State (and for that sector, if available) would be studied and mapped with the current policies in place in Madhya Pradesh (and for that specific sector if available). The key learnings would then be analysed and recommendation would accordingly be drawn up as actionable strategy for the State of Madhya Pradesh.

According to the fDi markets database of the Financial Times, during January 2003 to January 2018, cumulative foreign capital expenditure announced into India aggregated to US\$ 487.3 billion. The top 5 States in terms of the value of capital investment received were Maharashtra (17.5%); Karnataka (14.5%); Andhra Pradesh (12.1%); Tamil Nadu (11.6%); and Gujarat (9.3%). These States together accounted for approximately 65% of the total capital investment received during this period. One of the reasons for these States occupying the top spots in foreign capital expenditure announced is their geographical advantage – all these States have a large coastline and are home to well-developed port infrastructure. Hence comparing them with Madhya Pradesh, which ranked 14th in terms of foreign capital expenditure

and accounted for a share of 2.1% during the same period, may not be strictly correct. However, it is to be emphasised that landlocked States of Haryana (5.8%); Delhi (3.9%); Rajasthan (3.7%); UP (2.8%) and even Chhattisgarh (2.3%) were host to a higher value of foreign capital expenditure announced than MP during this period, creating a case for the State to analyse the reasons and take corrective actions accordingly.

Table 16 presents a summary of foreign capital expenditure into some of the medium to high technology or high value added sectors, and makes a comparison of these sectors in terms of foreign capital expenditure received in India and Madhya Pradesh. To put things in better perspective, the table also shows data on foreign capital expenditure inflows to other landlocked States in these sectors.

Table 16: Sector-wise Foreign Capital Expenditure into India and Madhya Pradesh: A Comparison

Sector	India Capex (US\$ million)	Share of the sector in foreign capital expenditure received by India	Number of Projects in India	MP Capex (US\$ million)	MP share by capex	MP's rank by capex	MP's rank by number of projects	Remarks
Automotive OEM	31297.8	6.42%	264	1121.7	3.58%	7	10	Haryana has a share of 5.2% by capital expenditure with 17 projects, while Rajasthan has a share of 4.9% with just 6 projects
Software & IT services	31014.8	6.4%	1836	159.5	0.51%	11	11	The sector has been the largest job creator during 2003 to 2017 in the foreign capital expenditure recipient sectors, amongst others and does not depend on the locational advantage. For instance, Bengaluru has been the highest recipient of foreign capex in the sector with a share of 27.3%. Even Gurugram and Noida have a combined share of 11% in the capex received in this sector in India, during 2003 to 2017. In terms of states, Karnataka, Andhra Pradesh and Maharashtra have a combined share of 67% by capital expenditure. UP has a share of 8.3%, while Haryana and Delhi have a share of 2.9% and 2.3%, respectively. Approx., 2397 jobs have been created in MP in the last 15 years, through foreign capital expenditure in this sector.
Electronic Components	19362.3	4.0%	258	425.4	2.20%	8	11	In terms of capital expenditure, MP has the highest share amongst the landlocked states. Top 4 states, namely, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu account for 70% of the capex. In terms of number of projects, just 3 projects have been registered in MP and its rank is 11 th .
Automotive Components	17950.3	3.7%	421	206.8	1.15%	11	11	Haryana is the third largest and Rajasthan is the fifth largest recipient with 15.5% share and 7.2% share by capital expenditure, respectively.
Industrial Machinery, Equipment & Tools	16527.5	3.4%	715	138.8	0.84%	13	11	Haryana (4.5%), Delhi (2.3%), UP (2.1%) and Rajasthan (2.05%), all have a higher rank than MP by capital expenditure. Even by the number of projects, Delhi, Haryana, UP, Rajasthan, Uttarakhand and Punjab, rank higher than MP.
Chemicals	13929.8	2.9%	374	56	0.40%	15	14	The share of all landlocked states is higher than MP's share for this sector. While Delhi and Haryana, have received 20 and 9 projects, respectively, MP has received mere 2 projects
Semiconductors	10007.5	2.1%	159	964.3	9.60%	4	11	MP has received a cumulative investment of US\$ 964.3 million during 2013 and 2017 through a single project, ranking 4 th in the country. On the contrary UP has received US\$ 1425.7 million through 10 different projects, while Delhi through 9 and Haryana through 3 projects.

Sector	India Capex (US\$ million)	Share of the sector in foreign capital expenditure received by India	Number of Projects in India	MP Capex (US\$ million)	MP share by capex	MP's rank by capex	MP's rank by number of projects	Remarks
Business Machines & Equipment	2148.3	0.4%	152	-	-	-	-	MP has not received any foreign capex in this sector. On the other hand, Delhi is the third largest recipient at 13.1%. Haryana and UP have a share of 7.8% and 7.6%, respectively. Even Himachal Pradesh, has a share of 4% by capex. Foreign capital expenditure into this sector has created 1546 jobs in UP, 1151 in Haryana and 1102 in Delhi.
Pharmaceuticals	6025.6	1.2%	147	250	4.15%	6	13	Among the landlocked states, only Haryana has a higher share of 4.8% than MP, by foreign capital expenditure..
Non-Automotive Transport OEM	5162.6	1.1%	75	-	-	-	-	MP has not received any foreign capital expenditure in this sector. Haryana, on the other hand, has the third largest share by capex at 12.1%, and is the highest job creator at 8383, through foreign capital expenditure in this sector in India. In terms of number of projects however, Haryana was the highest recipient at 15 projects.
Aerospace	5138.3	1.1%	98	41.6	0.80%	8	10	Amongst the landlocked states, Delhi, UP and Haryana have higher shares than MP, by both capex and number of projects.
Consumer Electronics	4348.7	0.9%	163	0.6	0.01%	19	12	UP and Haryana, each have a share of more than 10%, in the capex received in this sector.
Engines & Turbines	3856.8	0.8%	58	-	-	-	-	Among the landlocked states, only Haryana and Delhi have received foreign capital expenditure in this sector.
Medical Devices	3110.2	0.6%	88	-	-	-	-	Among the landlocked states, only Haryana and Delhi have received foreign capital expenditure in this sector.
Biotechnology	1204.4	0.2%	47	-	-	-	-	Haryana had a share of 2.1% in this sector's capex, while Himachal Pradesh and Delhi have a share of 1.3% and 1.2%, respectively.
Space & Defence	670.8	0.1%	19	221.2	33%	1	5	Madhya Pradesh is the highest recipient of capital investment for this sector.

Source: fDi Markets; Exim Bank Research

As is evident from **Table 16**, for most of the sectors identified for the purpose of attracting FDIs, Madhya Pradesh has clearly lagged behind even the other landlocked states. There have been some sectors such as Business Machines and Equipment; Non-Automotive Transport OEM; Engines and Turbines; Medical Devices; and Biotechnology, where Madhya Pradesh has not been able to attract even a single foreign capital expenditure project over the past fifteen years. Some of these sectors not only have a tendency to increase exports but are also considered as huge job creators. Here, the State government can identify select cities in Madhya Pradesh and

undertake a focused and dedicated approach by creating a sector specific environment to attract the FDI in these segments.

While the above analysis was done cumulatively for the past 15 years, it may also be meaningful to analyse some success stories of the States which have successfully transformed themselves into hubs for particular sectors. This examination can be undertaken with a view to identifying any inflection point after which a State, especially a landlocked one, may have witnessed a clear upward trend in the number of FDI projects in a particular sector. This

would help in identification of any policy intervention being put in place in general, or for a particular sector, which triggered the increase in FDI inflows to the State. This would then form a learning curve for Madhya Pradesh Government, which could then introduce a similar or an improved policy measure or package in the State to attract FDI. The analysis is summarised in the following box.

4.2.3. Strategy

The above mentioned success stories of Karnataka (IT sector) and Tamil Nadu (Automobile sector) (**Box 2**

and 3) have one thing in common. Both the States had a vision for select sectors, and thought ahead of time to provide an impetus to the identified sectors, inter alia, through creating an enabling policy environment. Both the States appreciated the relevance of creating an ecosystem. For example, Karnataka had premier research institutions as well as an electronics city by the end of 1970s itself. This made it possible for the software and IT companies to have a ready workforce at place. Similarly, Tamil Nadu in 1990s (even now) had one of the highest number of technical graduates in the country. This,

Box 2: Success Story: ICT Sector in Karnataka

Over the last 15 years, the maximum number of foreign capital expenditure projects were recorded in the ICT sector, involving 2037 projects with total announced capital investment of US\$ 36.8 billion. Within this sector, the distribution of foreign capital expenditure announced was highly skewed towards the State of Karnataka, which attracted 601 projects with announced foreign capital expenditure amounting to US\$ 10.5 billion (29% of the value of foreign capital expenditure flowing into this sector) during this period, with more than US\$ 1 billion in each of the years of 2015, 2016 and 2017.

One of the many factors of Karnataka, or more specifically Bengaluru becoming the hub of ICT was the presence of both institutional infrastructure and some noted high-end manufacturing establishments that provided the needs for creating the necessary business environment. Much before the liberalization of the Indian economy, Karnataka State Electronics Development Corporation Limited (Keonics) established the Electronic City on 332 acres of land in Konappana Agrahara and Doddathogur villages in 1978, reflecting the State's vision. The Electronic City, after its various expansions, at present, is today home to more than 200 IT/ITES companies.

Being a major centre for research and education, Bengaluru became a natural destination for foreign investors. In 1984, Texas Instruments setup an office in Bengaluru to tap the research pool. General Electric (GE) also began shipping back-office work to India in the early 1990s, pioneering the BPO industry in the State. This became the primary core for India's outsourcing boom.

Karnataka began its outsourcing industry journey in 1991 with only 13 companies. It was the first state in India to privatize engineering education and had the largest number of engineering colleges then. This was the time the Government of India set-up first Software Technology Parks of India (STPI) in Bengaluru (STPI-B), giving the industry a major boost.

Most importantly, the factor that justifies the scale of FDI in this sector in Karnataka, is the Information Technology (IT) policy introduced by the State in 1997, the first Indian State to roll out such a policy laying down the vision of the State for this sector. Under this broad policy, there were separate policies for the government, education, industry and infrastructure sectors besides a quality certification scheme and a 100% export oriented unit (EOU) scheme, special assistance, incentives and concessions.

Box 3: Success Story: Automotive Sector in Tamil Nadu

The Automotive sector in Tamil Nadu has grown by leaps and bounds over the last 3 decades. Almost a quarter of the value of foreign capital expenditure received over the last 15 years in the automobile sector in India has gone to Tamil Nadu. The delicensing of auto industry by India in 1993 was a major watershed event helping the country in attracting several international players.

In 1995, Ford Motor Co. decided to set up its first manufacturing plant in the country in Maraimalai Nagar, around 60 km from Chennai, beating competitors such as Maharashtra and Karnataka. Ford was followed by many other giants, namely Hyundai Motor Co., BMW AG, Daimler AG, Renault-Nissan Alliance, Mitsubishi Motors Corp. and Yamaha Motor Co. Ltd. Additionally, with them came an array of auto component makers who built a world-class ecosystem for automobile manufacturing.

Tamil Nadu is today one of the top 10 automobile hubs in the world, and Chennai is rightly known as the Detroit of India. Chennai has the capacity to produce about 1.4 million cars a year, or three cars every minute. In order to sustain the momentum, post the entry of some giants, the Government of Tamil Nadu felt it necessary to bring out an exclusive policy for encouraging the setting up of major integrated automobile projects in the State. Accordingly, the Government formulated and adopted an 'Ultra Mega Integrated Automobile Projects Policy'. The main features of the Policy include the following:

- Land allotment at concessional price. The Government on a case to case basis would decide the concession.
- 100% exemption from Stamp Duty.
- Power Supply will be provided through dual feeder lines by Tamil Nadu Electricity Board (TNEB) with cost of feeder lines being borne by Government/TNEB.
- Exemption from Electricity tax for both TNEB and captive power.

along with some proactive dialogues with different companies, made a perfect environment for the automobile industry to enter Tamil Nadu.

The Government of Madhya Pradesh can take a cue from this, and should take a medium to long-term perspective, and if required, by developing the focus sectors from a scratch. As an initial first step, the Government needs to identify a few export-worthy sectors for which it can create all the requisite infrastructure and policy framework so that going forward, it not only creates employment, but more importantly, provides a strong push to exports from the State. As outlined earlier, the identified sectors should preferably provide for high value addition or should be highly technology oriented as high technology products would not only fetch higher

prices, but also are the ones for which international demand is expected to remain robust in the medium to long term. For instance, the field of robotics is growing exponentially, as the world is moving towards tech-oriented work. Other than setting up a cluster for the same and providing the required skills to the workforce, the State also needs to have a vision for the growth of the sector as well as sustaining that growth. In order to do so, the State can consider tying up with top colleges and offer scholarships to initiate highly specialised courses such as B.Tech in Robotics, Artificial Intelligence, and Machine Learning. This would create a workforce in 4-5 years, which can be a vital factor for driving growth in this sector.

Other than focusing on high tech sectors, Madhya Pradesh can also focus on traditional sectors, which

have high value addition embedded in the output, such as finished products in the textile sector. The State can work on the structural transformation by enhancing the domestic value addition and gradually increasing the share of value added and finished products in textile exports of Madhya Pradesh (a case similar to Bangladesh and Vietnam). Other than the garments, product lines such as technical and home textiles, should increasingly be explored. In the coming years, the State can thus aim to become a net exporter of majorly finished products rather than being a supplier of intermediate products. This would not only fetch a higher price in the world market but also has the capability to provide mass employment.

4.2.4. Select Focus Sectors for Domestic Investment

The Study in the third chapter attempted to shortlist some commodities at 6 digit level, termed as product champions (42 in number), which have the capability to lead the economy of Madhya Pradesh, in terms of export earnings. Other than attracting FDI into these commodities or sectors, the Government should also consider making investments in these sectors, domestically and treat them as priority sectors.

This would provide the required thrust to these sectors. However, for the purpose of a more granular level and practical analysis, the Study shortlisted 22 product champions (can be termed as 'super product champions'), out of 42, which have not only recorded positive growth in imports during 2012 to 2016 but have also registered an improvement in competitiveness, as reflected in increasing NRCA values during this period¹³. In terms of the export share, these 22 commodities comprised 36.4% of the total exports from Madhya Pradesh in 2016. These 22 items can be categorised under 4 different heads, based on the trend in exports of both the State and the country for that particular product. The strategies can then accordingly be different for each of these four categories (**Table 17**).

Table 18 lists down the products from the super product champions and categorizes those under four heads at 6-digit level. Hence, the required kind of investment will be relatively easy to identify and can be planned in these four categories. It should be noted that most of the super product champions fall in the sectors of Textile industry; Products of the Chemicals or Allied Industries; and Vegetable Products.

Table 17: Export share scenario for Madhya Pradesh and India in 2016 vis-à-vis 2012

Scenario of exports in 2016 vis-à-vis 2012	Number of commodities	Possible Strategy
MP's share in India has increased and India's share in the world has increased (Category A)	9	Sustain the momentum with the required investment and thrust
MP's share in India has increased but India's share in the world has decreased (Category B)	6	Maintain and build over the comparative advantage over the other States, with an eventual increased share in India's exports
MP's share in India has decreased but India's share in the world has increased or remained unchanged (Category C)	5	Identify the reasons and incentivise the sub sectors, in addition to the required investment
MP's share in India has decreased and India's share in the world has decreased (Category D)	2	Identify the reasons and build the required sector-specific export friendly policies

Source: Exim Bank Research

¹³The value of NRCA has increased for 13 super PCs in 2016 vis-à-vis 2012. However, other 9 commodities have shown very marginal decline and NRCAs for them have ranged from 0.91 to 0.99 in 2016.

Table 18: Export scenario wise classification of 22 'Super Product Champions'

HS Code	Item/Commodity	MP's exports in US\$ million (2016)	MP's export share in India (2016) in %
CATEGORY A			
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale	744.0	17.8
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding floor cloths, polishing cloths, dish-cloths and dusters)	114.3	2.7
520524	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear density of 125 decitex to $<$ 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	100.9	2.4
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile materials	96.3	2.3
120190	Soya beans, whether or not broken (excluding seed for sowing)	54.7	1.3
293729	Steroidal hormones, their derivatives and structural analogues, used primarily as hormones	23.5	0.6
71340	Dried, shelled lentils, whether or not skinned or split	11.9	0.3
210610	Protein concentrates and textured protein substances	13.3	0.3
900110	Optical fibres, optical fibre bundles and cables (excluding made up of individually sheathed fibres of heading 8544)	10.0	0.2
Sub total		1168.8	28.0
CATEGORY B			
520523	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear density of 192,31 decitex to $<$ 232,56 decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale)	83.2	2.0
71320	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	79.5	1.9
120740	Sesame seeds, whether or not broken	12.8	0.3
560749	Twine, cordage, ropes and cables of polyethylene or polypropylene, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (excluding binder or baler twine)	13.3	0.3
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	13.9	0.3
550922	Multiple "folded" or cabled yarn containing \geq 85% polyester staple fibres by weight (excluding sewing thread and yarn put up for retail sale)	9.4	0.2
Sub total		212.1	5.1

HS Code	Item/Commodity	MP's exports in US\$ million (2016)	MP's export share in India (2016) in %
CATEGORY C			
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705 (excluding those with engines and cabs)	65.4	1.6
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	21.4	0.5
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex "> MN 14 to MN 43" (excluding sewing thread and yarn put up for retail sale)	18.5	0.4
722592	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced" and plated or coated with zinc (excluding electrolytically plated or coated and products of silicon-electrical steel)	10.7	0.3
480300	Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls of a width > 36 cm or in square or rectangular sheets with one side > 36 cm and the other side > 15 cm in the unfolded state	10.0	0.2
Sub total		126.0	3.0
CATEGORY D			
600121	Looped pile fabrics of cotton, knitted or crocheted	9.6	0.2
520514	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale)	7.2	0.2
Sub total		16.7	0.4
TOTAL		1523.7	36.4

Source: DGCIS; Exim Bank Research

4.3. Realising the Untapped Potential of Tourism as a Source of Foreign Exchange

The State of Madhya Pradesh is bordered by 5 states - Gujarat, Maharashtra, Rajasthan, Uttar Pradesh and Chhattisgarh – making it geographically close to major tourist destinations from the North, South,

East and West. The State itself has many destinations to attract tourists, especially foreigners, as it boasts of 25 wild life sanctuaries, 10 natural parks, 6 project tiger reserves, 3 UNESCO world heritage sites and 2 Jyotirlingas.

Although Madhya Pradesh was the 4th largest

destination for domestic tourists in 2016, with 15.05 crore people visiting the State, it did not feature amongst the top 10 States of India in terms of number of foreign tourist arrivals in 2016. The number of foreign tourists in the State was only 3.63 lakh (share of 1.5%) in 2016, down from 4.21 lakh in 2015, though an improvement from the figure in 2012, which was 2.75 lakh.

States such as Bihar and West Bengal, which are smaller in size and have similar types of tourist attractions to offer vis-à-vis Madhya Pradesh, featured among the top 10 States in terms of foreign tourist attractions in 2016. The number of foreign visitors to West Bengal were 15.28 lakh (share of 6.2%) and Bihar were 10.1 lakh (share of 4.1%) in 2016. Some of the challenges that the State needs to overcome are highlighted below.

4.3.1. Connectivity Challenge

One of the biggest challenges for the State is connectivity, despite the massive marketing being done to invite the private investors in this sector. In terms of air connectivity, Madhya Pradesh has just 5 of the 125 airports in India, most of which are not well connected with the rest of India. In fact, even Bhopal (Administration Centre) and Indore (Commercial Centre) are not directly connected by air with each other. This challenge of air connectivity also hampers the tourism potential of the State with world renowned heritage sites like Khajuraho not being easily accessible to foreign tourists. This UNESCO heritage site, Khajuraho, which is 660 km from the capital of India, does not have a direct flight connectivity from New Delhi. The city (Khajuraho) is only linked to Varanasi and Agra in terms of direct air connectivity.

Even in terms of rail connectivity Khajuraho is connected with just one train from New Delhi, and none from Mumbai, Ahmedabad or Kolkata. Further, an inconsistent road structure makes it even more difficult for foreign tourists to include this site as a part of their travel itinerary.

Even the annual plan of 2016-17 of Madhya Pradesh State Tourism Development Corporation Ltd. (MPSTDC) avers that the relatively smaller foreign tourist arrivals in Madhya Pradesh as compared to some other States like Rajasthan, Goa or Kerala, is due to the fact that Madhya Pradesh is still perceived as a hinterland destination which lacks adequate connectivity.

4.3.2. Accommodation Challenge

The infrastructure deficit can also be seen in terms of the accommodation shortage that the State faces, especially during the peak season. It is estimated that the State has over 13,500 hotel rooms under various categories, with over 900 belonging to MPSTDC. However, given the tourism potential and the present accommodation demand, the State generally falls short of achieving the appropriate serving level.

4.3.3. Strategy

Overcoming the aforementioned challenges would require significant efforts and strategies from the State. One of the steps that can be taken to promote and enhance the export earnings from the tourism sector is 'stressed marketing'. The marketing by the Madhya Pradesh government of its tourism potential has been able to capture people's imagination in the recent times. However, the marketing efforts have majorly concentrated on the overall tourism of the State. The State government can try and explore stressed marketing strategies for select identified destinations. The marketing efforts can keep its focus on what the State can offer that are different than that of the other states with similar structures or spots, so that a different image could be developed around a tourist destination, rather than just promoting the destination. In terms of advertisement campaign in the print media or the television media, the State could possibly target select countries from where the influx of tourists has been majorly from.

Another step that can be taken up is to improve the connectivity of select vital tourism destinations with

the major centres of India. For example, the distance of Khajuraho and Udaipur is almost the same from India's capital. However, the number of foreign tourists visiting Udaipur is almost 3 times more than those visiting Khajuraho. A stark difference that can be observed here is of the air and the rail connectivity which the State government of Madhya Pradesh has also taken note of in its Annual Plan 2016-17 of Madhya Pradesh State Tourism Development Corporation Ltd. (MPSTDC).

In the Annual Plan of 2016-17, the Government of Madhya Pradesh also plans to address the challenge of infrastructure deficit by laying down the goals to double the number of rooms in Madhya Pradesh as well as to build expressways to major destinations.

The improvement in connectivity as well as other physical infrastructure would not only benefit the destinations identified under the stressed marketing plan but also the smaller destinations in the State that have a lot to offer to foreign tourists if connected well with the rest of the State and the country.

4.4. Warehousing and Storage Capacity

The logistics sector, comprising the transportation, storage and distribution components is a key driver of a State's competitiveness in the national and international markets. Transportation accounts for nearly 60% of the logistics market in India, while warehousing accounts for 25%. The rest 15% is accounted by the freight forwarding and the value added logistics.

In the context of Madhya Pradesh, adequate transportation, storage and distribution services is a major constraint as sensitive products such as pharmaceuticals and perishable products account for a significant share of the State's exports. In 2016-17, pharmaceuticals was the highest exported product from Madhya Pradesh and accounted for nearly 23% of the exports. In fact, warehousing becomes quite complex in case of pharmaceutical products as different drugs require different temperature levels

Some drugs cannot be stored together to avoid contamination. In fact, given these situation, in the near future, Devi Ahilyabai Airport, Indore is coming up with Centre for Perishable Cargo which is expected to enhance pharmaceutical exports from the state of Madhya Pradesh.

Similarly, the State also needs substantial expansion of cold storage infrastructure as also multipurpose cold storage facilities, which are critical for ensuring quality and maintaining shelf life of different types of products such as potatoes and dairy products. Currently, the State has over 163 cold storage units, with capacity of over 709.2 thousand MT (**Table 19**). There is need for more such units to meet the growing demand for safe handling of exports, given that fairly large quantities of onion and tomato crops get damaged in the State.

Table 19: Cold Storage Infrastructure in Madhya Pradesh

Ownership	Capacity (Metric Tons)	Number
Private	607989	139
Cooperative	98848	19
Public	2434	5
Total	709271	163

Source: APEDA; Exim Bank Research

The State could consider developing a multi-modal cold-chain network which can involve two or more modes of transport for facilitating transportation and storage of perishable products. Investment in development of last mile connectivity can also serve as an objective for this proposed multi-modal network. Further, another opportunity for the State in terms of cold storage facilities lies in rectifying the skewness of the locations of these facilities. Only 5% of the total cold storage capacity lies in the eastern part of Madhya Pradesh. The State needs to initiate steps in order to not only upscale this capacity to meet future needs but also address the locational biasedness, so as to reduce the overall cost for the exporters, who are spread across the State.

4.5. Inland Container Depots (ICDs)

An ICD is a “self-contained Customs station” like a port or air cargo unit where filing of Customs manifests, Bills of Entry, Shipping Bills and other declarations, assessment and all the activities related to clearance of goods for the purposes mentioned above takes place. An ICD has its own automated system with a separate station code allotted by the Directorate General of Systems and with in-built capacity to enter examination reports and enable assessment of documents, processing of manifest, amendments, etc. The primary functions of an ICD involve receipt and delivery of cargo; stuffing and stripping of containers; transit operations by rail/road to and from serving ports; customs clearance; consolidation and desegregation of Less Container Load (LCL) cargo; temporary storage of cargo and containers; reworking of containers; and maintenance and repair of container units.

Madhya Pradesh has 6 vital Inland Container Depots. First is the ICD Pithampur (Indore), which is a rail cum road linked ICD and was commissioned in 1994, with a warehouse space of almost 2000 sq. mts. The catchment area for this ICD includes Central India including Nagda, Mandideep, Gwalior, Dewas, Ghatabilod, Indore, Pithampur Industrial Area, Ujjain, Shajapur, Mangliya gaon, Rau, Bhopal, Mandsaur, Biaora, Maksi, Ratlam, Neemuch, Banswara, Dhamnod, Mehatwara, Khargone. Second ICD is at Ratlam which is a rail and road linked ICD, and was commissioned in November 2009. It has a modern warehouse with a space of 800 sq. mts. and caters to the area of Mandsaur, Neemuch, Banswara, Chittorgarh, Bhilwara, Ujjain, Nagda, Meghnagar, Dewas, Dahod, Ghatabilod, Indore, Pithampur Industrial Area, and surrounding areas of Rajasthan and Madhya Pradesh. Third is the ICD Mandideep, which covers Tamot, Hinotia, Mandideep, Satlapur, Pilukhedi, Govindpura (Bhopal), and Budhni. Fourth ICD Malanpur, situated in Morena district, covers

industrial areas of Gwalior, Morena, Shivpuri, Banmore, Dholpur, Datia, Jhasi, Lalitpur, Guna and Tikamgarh. Fifth, Composite Logistics Hub at Pawarkheda, covering an area of 88.3 acres, includes development of an entire range of logistics infrastructure including rail sidings for cargo and container movement, rail-side warehouses, ICD, cold storage, food grains warehouse and development of common facilities for putting up processing units. The first phase of the Hub was inaugurated in 2015. Sixth ICD is a rail linked multimodal Logistics Park also being developed at Tihi, Indore by the Container Corporation of India¹⁴.

The eastern part of Madhya Pradesh does not have any ICD of its own. Coincidentally, a good number of industrial centres are located in and around Jabalpur in the eastern part of Madhya Pradesh. Further, various interactions with the State’s industry has borne out the need for establishing an ICD. If the Government of Madhya Pradesh plans to set up an ICD in this part of the State, the exporters can have a range of benefits such as concentration point for long distance cargo and its unitisation; availability of customs clearance facility near the centres of production and consumption; reduced level of demurrage and pilferage; competitive transport cost; reduced inventory cost; and increased trade flows.

4.6. Setting Up the Madhya Pradesh Export Promotion Council

The Madhya Pradesh Export Promotion Council (MPEPC) can be set up with support from the State Government, industry associations and exporters for providing information and guidance to exporters. Exporters, generally, have to go to various departments and agencies to execute their work. The Council shall also serve as a link between the exporters and the Government, and help alleviate the constraints for export growth. MPEPC can be set up with an organization structure incorporating equal

¹⁴As per Infrastructure and Project Monitoring Division of Ministry of Statistics and Programme Implementation. http://www.cspm.gov.in/ocmstemp/PROJ_SUMMARY?prcd=N22000427&stat=0

representation from the private (export oriented firms across sectors) and the public sector, unlike Madhya Pradesh Trade & Investment Facilitation Corporation Limited (MP TRIFAC) which is wholly owned by the Government of Madhya Pradesh. As the institution will have representation from both the exporters as well as the Government, it will help in building and sustaining an export-oriented focused approach. In this case, the State can actually assess the amount of investment, kind of investment (domestic or foreign), policy changes, policy challenges, sectoral issues etc. which can facilitate in enhancing exports. At the same time, the organization can internally divide itself into departments based on the relevant sectors for the State. The role of the agency could, inter alia, include the following:

- Assisting exporters in understanding and leveraging the export policies and export assistance schemes of the State and Central Government;
- Building a statistical database for exports and imports from the State;
- Providing commercially useful information to exporters through market research and identification of key markets and products. This can be made available through the agency's website;
- Providing guidance to exporters on various matters such as standards, certification, export finance, insurance, etc.;
- Providing support for promotional activities such as external publicity, participation in fairs and exhibitions, promotion of exclusive exhibitions and trade fairs of specific products;
- Coordinating the working of all institutions engaged in supporting international trade within the State;
- Identifying the need for export related training and capacity building, and liaison with DGFT and industry chambers for facilitating these activities;
- Organizing awareness workshops regularly, especially focussing on agro-based manufacturer exporters, food processing being a priority sector for the government;
- Organizing regular coordination meeting of all EPCs and governmental departments at a monthly level to address issued related to coordination;
- Preparing a comprehensive database on exporters under each sector, with the help of DGFT, EPCs, FIEO and ECGC, for focused export strategies for various sectors;
- Providing a forum, in line with the State Level Export Promotion Committee (SLEPC) and the District Level Export Promotion Committee (DLEPC), involving Export Promotion Councils, FIEO, Lead Banks, Exporters, DGFT, ECGC and other Export Trade - related bodies, for effective co-ordination of the institutional activities specific to exports from the State;
- Employing consultants by giving target of creating new exporters to them. Specialized personnel should be employed to cater to each of the following broad issues:
 - Potential Markets
 - Helping exporters to exploit policy incentives provided by both the Centre and the state.
 - Helping exporters in export procedures
 - Helping exporters in export logistics
 - Helping exporters to tackle non-tariff barriers like SPS and TBT issues.
 - Helping exporters in financial issues, especially, the inflow of receivables once a good is exported.
 - Helping hedge against risks by availing existing insurance products.
 - Helping exporters exploit the provisions of preferential trading routes by helping those to comply with provisions like rules of origin etc.

The proposed MPEPC can set up Trade and Information Centres/ Kiosks at major industrial growth centres of the State for providing information to the exporters, conducting buyer-seller meet, etc. These centres can provide information pertaining to setting up export business, market and buyer identification, channels of distribution, processing of export order,

export pricing and costing, risk mitigation methods, export finance, and labelling, packaging and marking of goods.

In addition to putting in place measures that engender exports, the proposed MEPC would also encourage expanding the number of exporters from the State. In fact, one of the key annual performance metric of the MEPC would be the number of new exporters added

in the State. This is of vital importance, since primary research based on various rounds of interactions with the stakeholders, has clearly established that there is a fairly high level of reluctance among the industry to venture into cross-border trade, especially exports. Helping overcoming this mind-set would be one of the main objectives of the MEPC and a reasonable amount of its resources and activities would have to be initially dovetailed to surmount this impediment.

Box 4: Key Findings from Primary Research

The Indian Institute of Foreign Trade (IIFT), in association with the Madhya Pradesh Government, held Focus Group Discussion with the exporters from the State to assess the various issues and challenges that the exporters face. The Export-Import Bank of India also organised an industry interaction in Indore and interacted with exporters and senior Government functionaries in Bhopal and Indore. The issues highlighted during these interactions formed a critical input in shaping the recommendations that have been highlighted in the study. The major issues highlighted during various interactions, amongst others, are following:

- Certification problems in ICDs, along with issues of container availability (especially, open containers) and rakes availability.
- Lack of risk mitigation for small exporters.
- High Logistics cost. For instance, logistics cost of Nhava Sheva to Dubai is ₹ 3,500 per container whereas the cost from Bhopal to Nhava Sheva is ₹ 50,000. If logistic companies become exporters, they can save ₹ 10,000 - ₹ 20,000 per container.
- Many exporters procure inputs from the eastern part of the country and the goods are sent through the western part of the country. Additionally, rail network for catering to exports is not adequate. A dedicated freight corridor for perishable commodities is also required.
- The Import Export Code of exporters should be identified to evaluate and assess the problems due to which some exporters are not exporting.
- For Agro-commodities quality control, container availability and warehouse are issues, especially for small farmers.
- Certification for engineering items is procured from Indore which takes three days. A certification agency is required in Bhopal.
- Product-specific training programmes in clusters across the districts were suggested by the exporters. Additionally, programmes such as 'Train the Trainers' should be undertaken. The exporters indicated that at times, the trainers themselves have limited knowledge of an issue.

Most of these issues were shown up in the Survey conducted by IIFT. The objective of the Survey was to understand the requirements of the exporters of Madhya Pradesh and to suggest measures to boost exports from the State. A structured questionnaire including the profile of the exporters and other details was prepared. The awareness among exporters about all the export promotional schemes implemented by the State and Central Government was assessed and exporters rated such measures in terms of their effectiveness. Additionally, impact of infrastructure and other price and non-price factors on exports from Madhya Pradesh was also included.

4.7. Identifying and Branding of Geographical Indication Products

A Geographical Indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production¹⁵. India, as a member of the World Trade Organization (WTO), enacted the Geographical Indications of Goods (Registration & Protection) Act, 1999 which came into force with effect from September 2003.

The reference to geographical origin along with the use of traditional practices and processing methods, provides substantial marketing potential. GIs are considered important tools for marketing strategies, and function as product differentiators. To reap the benefits of GI status, it is important for the GI brand to be recognised as a reliable and preferred brand in the market with a distinguished positioning. Products such as Darjeeling Tea have been able to gain substantial market share on account of this brand building. In order to attain similar levels of success, key value proposition needs to be defined for the products having GI status. The logo and name of the GI brand needs to be developed and marketed, and mechanism needs to be devised for ensuring that all the products marketed under the GI brand meet the minimum specified standards.

Until now, seven products from Madhya Pradesh have been conferred GI status, with most of them being from the category of handloom and handicrafts. However, other States have far higher products registered under GI. Thus, for instance, Andhra Pradesh has 14 products under GI, while Karnataka has over 30 products. Madhya Pradesh could consider adopting a two-pronged approach - first, identifying newer products from different categories such as

Chanderi Sarees from Chanderi, Mawa Jalebi from Burhanpur, Poha from Indore, Jali (Lattice) work from Gwalior etc., which can be conferred GI status, and second, branding the existing GI products.

The State can also team up with the neighbouring States, and identify the products that have regional significance which can further be taken up by the central government in order to represent the product at the international level.

Table 20: Geographical Indications in Madhya Pradesh

Product	Category
Chanderi Fabric	Handloom
Leather Toys of Indore	Handicraft
Bagh Prints of Madhya Pradesh	Handicraft
Bell Metal Ware of Datia and Tikamgarh	Handicraft
Maheshwar Sarees & Fabrics	Handloom
Ratlami Sev	Food Stuff
Kadakhnath Chicken	Food Stuff

Source: Geographical Indications Registry; Exim Bank Research

In this context, the State Government could set up a Brand Equity Fund which can function under the aegis of Department of Commerce, Industry and Employment of Madhya Pradesh Government. This will be aimed at building globally competitive brands for products originating from the State. The fund can also assist in marketing of these branded products in the international arena. Export related brochures, interactive CDs, etc. can be created for popularizing the products from the State in international markets.

4.8. Centralised Export Administration

One of the main challenges that have curtailed the potential of exports from Madhya Pradesh and which was also established during the carrying out of primary research was the relatively high

¹⁵World Intellectual Property Organization (WIPO)

transaction cost of exporting from the State, a critical contributor to which was the absence of all agencies, including regulatory and support institutions involved in exports, being spread across various parts of the State. It is suggested that an integrated building, which would house all agencies required to be visited by the exporters be constructed at one place as a one-stop shop for existing and potential exporters. Agencies like FIEO, Transport agencies, DGFT, concerned Central and State Government departments should have their offices in this building. The coordinating organization functioning as the single window could be the proposed Madhya Pradesh Export Promotion Council. Trade facilitating agencies like the various sectoral Export Promotion Councils can also be encouraged to set up offices in the same building. For this, the State Government could consider providing spaces at preferred rates to the interested organizations to set up their offices.

4.9. Launching Export Awards

To encourage exports from the State, Export Awards can be introduced, recognizing the efforts of exporters across the key sectors – agricultural and allied products, chemical and allied products, engineering goods, textile and garments, drugs and pharmaceuticals, and services. State level awards are already being given to Micro, Small and Medium entrepreneurs in the MSME convention. A selection committee comprising officials from key Government agencies and eminent industrialists can evaluate the applications taking into consideration the value of exports, ratio of exports to sales, level of value addition, adoption of best practices, product and process innovation, R&D activity, etc. The Awards, once established, could over a period of time, potentially foment the industry to venture into the export market more aggressively.

4.10. Skill Development and Capacity Building

Exporters need to have in-depth knowledge of the latest global developments pertaining to

international trade viz., export finance, insurance, packaging / eco-labelling, quality, etc. They should also acquaint themselves with the rules and procedures of importing countries. Hence, there is a need to conduct Workshops / Seminars / Conferences regularly on different aspects of international trade and across different sectors in the State. For instance, the exporters and producers need to be aware of the rules of WTO's 'The Sanitary and Phytosanitary (SPS) Measures Agreement' (sets out the basic rules for food safety and animal and plant health standards) and 'The Agreement on Technical Barriers to Trade (TBT)' (aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade). The Seminars or Workshops, therefore, being organized have to be customised, according to the needs of the stakeholders. Industry associations and agencies, along with the proposed Madhya Pradesh Export Promotion Council can help in organizing these programmes.

Albeit the State already has Madhya Pradesh State Skill Development Mission in place, the Government of Madhya Pradesh could consider setting up sector based skill councils at the State level on the lines of Sector Skill Councils (autonomous industry-led bodies by National Skill Development Corporation (NSDC)). The Government can identify sectors on the basis of factors such as employment generation, export value generated, manpower shortage etc. These can also be leveraged for enhancing the existing capacity of exporters and creating awareness about important procedural aspects.

4.11. Select Tax Provisions

- APEDA provides transport subsidy for agricultural products which are exported both on port-to-port basis (sea as well as air) and also for inland transport through reefer containers. Further, Government of MP also provides a transport

subsidy for agro-products from factory to port equivalent to 15% of the cost up to a limit of Rs.10 lakhs per annum. The same may be extended to all products in MP since it is a landlocked state.

- Several taxes like Mandi tax are being levied which increases the cost of export product. Hence, it is recommended that all such taxes levied by the State Government be reimbursed to the exporters.
- The State Government could contemplate an initiative to incentivize the export efforts by offering to share the export credit risk insurance premium.

4.12. Policies to be pursued by the State Government with the Central Government

- Exporters have complained about inadequate availability of rakes from Railways. A major issue is that there are no dedicated rakes for producers in MP. Only those rakes are available which get empty in nearby areas. The Government can coordinate with the Railways authority so that costs of exporters are reduced by using less of road and other more costly modes of transport. According to industry sources, it costs fifteen times more to take goods from Bhopal to Nhava Sheva than from Nhava Sheva to Dubai. Adequate Railway rakes from MP can reduce these costs.
- Setting up of an Export Infrastructure Development Corporation. The main job of the corporation will be to continue the projects already undertaken under the erstwhile ASIDE scheme or the current Trade Infrastructure for Exports Scheme of the Ministry of Commerce, Government of India and to take up similar schemes in future to boost exports. The main challenge for setting up such an institution would be arranging for capital. In the erstwhile ASIDE scheme, 80% of the funds came from the State and rest from the Centre. In the recommended scheme, the State can continue to contribute the

same share, while the rest may be invested by the private sector.

- It is recommended that adequate certification facilities be provided at the ICDs across MP. It is further recommended that the number of inspectors for food products in all such ICDs be increased adequately, especially for the perishable ones.

4.13. Other Measures

- A yearly exporter training course may be conducted by a reputed institution like the Indian Institute of Foreign Trade to increase the awareness level of exporters regarding different service providers. The State Government could consider encouraging exporters to attend online export training programmes by subsidizing the training fees.
- A Handbook containing procedural details of conducting exports can be published on an annual basis by the Export Commissioner's office of the Government of Madhya Pradesh.
- The State Government can form a patent pool and technological acquisition fund from where the industries can buy or rent a technology or patent against the payment of royalties.
- The Government of MP may also involve Exim Bank and ECGC in the development of clusters with the focus of increasing exports, wherein ECGC can effectively engage itself in providing risk management services to the commodity specific export-groups while Exim Bank could facilitate either financing or providing market intelligence.

4.14. Conclusion

The Study has undertaken a detailed analysis of the State's export potential, identifying potential commodities, and highlighting various strategies in order to eventually achieve the export target as

laid down therein. Madhya Pradesh has a host of fine industrial policies in place and has been able to perform well in terms of exports vis-à-vis the national average in the past few years. While in isolation the performance may appear satisfactory, it has to be seen in the light of the potential that the State has to export, a large part of which still remains untapped. The export growth trajectory has to be significantly

elevated and the export basket has to be diversified into high valued added, high technology exports with a high employment intensity. With appropriate strategies and measures which not only improve the ease of exporting but also stimulate inflows of foreign investment, Madhya Pradesh can achieve its US\$ 10 billion export target over the next five years by 2021-22.

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