Excerpts from
Strategy Paper for Growth of Engineering Exports (2005-06 to 2009-10)

Considering India's growing competitiveness in the manufacturing sector and healthy growth in exports of Indian engineering products, Engineering Export Promotion Council (EEPC) appointed M/s. A. F. Ferguson & Co., a leading management consultancy firm, for developing a strategy paper for growth of engineering exports from India.

The Strategy Paper was formally released by the Hon'ble Union Minister of Commerce and Industries Shri Kamal Nath on 10th August, 2005.

The Strategy Paper recommends a focussed approach in terms of identified thrust products and thrust markets based on India's competitiveness, market features, trade block and associated features, strategic advantages, supply capacity etc.

Salient points of the Strategy Paper are given hereunder :

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Action Plan and Timelines

As outlined in various sections there are a number of constraints and inhibiting factors that have been identified across relevant sections of this report. It is important to overcome these constraints and inhibiting factors to successfully implement the strategy proposed in this chapter and achieve overall objective of doubling the Engineering Products exports over the next five years, which corresponds to a CAGR of 15% p.a. over the next 5-years, viz. 2004-05 and 2009-10.

This section provides broad action plan and indicative timelines within, which various projects/plans could be implemented. Table given below shows details of the same.

Broad Action Plan with Indicative Timelines

Sr. No.	*Action Areas*	*Short Term (1 Year)*	*Medium Term (3 Years)*	*Long Term (5 Years)*
(A)	**Infrastructure**			
	(1) Ports	▸ Currently JNPT is the only gateway port in India, which handles 58% of container traffic. ✔ Focus on reducing congestion at JNPT port. ✔ Increase draft at port by dredging so that larger size container vessels could be handled at the port. ✔ Augment capacity by upgrading container handling equipment at the port.	▸ Greater focus on using other ports like Mundra, Pipavav, Chennai, Cochin through improving past infrastructure and container handling capacity. ▸ Key focus should be on reducing cycle-time once goods are in port stockyard. ✔ Clear performance targets for ports should be identified and achieved in terms of throughput, waiting time for vessels, etc. ▸ Add new container terminal capacity at ports like JNPT (for example, Terminal No. III and IV at JNPT).	▸ Develop world-class Greenfield container ports on west, south and east coast of India in addition to JNPT. ▸ Few part locations trust could be develop as gateway ports include ✔ Vallarpadam (South) ✔ Mundra (West) ✔ Gangavaram (East). ▸ It is important to attract FDI in port sector/private participation to improve performance. ▸ Achieving global performance standards at all gateway ports in line with leading ports like Singapore, Jebel Ali, etc.
	(2) Rail	▸ Greater focus on improving existing capacity/services of CONCOR. ▸ Attracting private investments in container handling services. Especially on routs connecting major manufacturing hubs. ✔ It is important to provide level playing field to private players. ▸ Focus on improving/removing bottlenecks at ICDs/ CFSs across the country. ✔ It is important to attract private investments in these areas.	▸ Clear focus on reducing time required for goods movement. ▸ Putting in place new infrastructure in terms of container handling equipment, etc. ▸ Ensuring that major ports are well connected with rail lines in terms of container movement/capacity augmentation, if required. ▸ New ICD/CFS to improve container movement performance.	▸ Enhancing capacity to ensure goods/movement are efficient so that global container movement standards are achieved. ✔ For example, Delhi - Mumbai goods should be moved in less than 24 hours with online container tracking facility for exporters.

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	(3) Road	▸ All major manufacturing hubs should be well connected by good quality roads to gateway ports.	▸ Objective should be to improve existing road connecting the major manufacturing hubs with key exporting ports and ensure they are maintained well.	▸ Keep target of achieving global benchmarks for quality of roads. ✔ Better quality of road would facilitate faster movement of goods by road - for example, after implementing world-class road infrastructure, Delhi - Mumbai movement of goods would be possible within 2 - 3 days.
	(4) Power	▸ Set Power Capacity Addition target at the beginning to support the growth in exports. ▸ Existing level of power tariff is high vis-à-vis global standards. ✔ for example, China's reported power tariff for commercial/ industrial use is within Rs. 2/ unit. ✔ Power tariff to be rationalised for exporters.	▸ Ensure the achievement of Target Capacity Additions. ✔ Ensure the support framework such as fuel evacuation infrastructure and ports capacity requirements are available. ▸ Options of setting up distributed generation/captive power plants for key export oriented clusters should be evaluated and policy support to be provided. ▸ Quality of power should be improved. ✔ It is important to ensure quality/consistent power is available to exporters.	▸ Overall objective in long terms should be to bring down tariff for exporting units without compromising on quality and consistency aspects of power supply. ▸ Ensure that the power capacity additions are as per the set Target.
	(5) Shipping	▸ Planning and encouraging National Carriers/Shipping Line.	▸ National Carriers/Shipping Lines to extend services in the region.	▸ National Carriers/Shipping Line services on the East West Trade Lane covering key Markets in phased manner.
	(6) SEZs	▸ Incentivise units to move towards existing SEZs.	▸ Set-up port based SEZs for engineering goods at the identified gateway ports so that cycle time for exports reduces substantially. ✔ Lead-time for importing RM/ dispatch time for expecting goods would come down drastically. ▸ Prioritise and move export oriented engineering clusters to these port-based SEZs. ▸ Aggressively develop relevant infrastructure to remove bottlenecks like roads/rail connectivity, power, water supply, etc.	▸ Long term objective is to make these SEZs completely self-sufficient/independent zones with self-sustaining revenue steams to further develop/ maintain infrastructure. ✔ Also ancillary base for the manufacturing units be moved to such SEZs viz. Hub and spoke model needs to be followed.
(B)	**Technology**	▸ Promote strategic/technologies joint ventures and tie-ups with leading manufacturers for thrust products.	▸ Objective is to move from low technology to medium technology engineering exports in medium term.	▸ Give higher focus on high technology and high value added products. ✔ Exports should be of higher value added items for which

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		▸ It is essential to aggressively promote India as a manufacturing hub for these thrust products ✔ This would also lead to improvement in domestic manufacturing technology. ✔ Also manufacturing technology of domestic ancillary units supplying to such units would improve.	▸ Promote industry to invest in basic R&D infrastructure like ✔ Metallurgy ✔ Design ✔ Product Development ✔ Packaging. ▸ Incentivise industry to invest in R&D infrastructure (capital expenses related incentive - ideally, this should be in the range of 3 to 5% of the annual sales of manufacturer). ▸ Promote joint technology development programmes with premier R&D institutions in the country like IITs/others.	technology should be in place as per medium-term plan. ▸ Continued focus on technology capital expenditure incentives for industry, as mentioned under medium-term target.
(C)	**Cluster Development**	▸ Existing export oriented clusters of engineering products should be recognised and given infrastructure support in terms of Road/ Rail connectivity, continuous/ quality power, water supply, etc.	▸ Key export oriented engineering manufacturers/100% EOUs to be moved to port based SEZs. ✔ This model is followed by our competitors like China - for example, Schenzen SEZ in China. ✔ Also ancillary units supplying to these units should be re-located to these SEZs. ▸ It is important to make these clusters self-sufficient by making available infrastructure support in terms of Rail/Road Connectivity Power, Water Supply, Effluent Treatment, etc. ✔ Other facilities like Testing/ Certification infrastructure is also important from engineering export point of view.	▸ Long terms objective is to move export oriented units to gateway port based clusters. ✔ Clear targets to be defined for these clusters - gateway port based clusters to contribute about 30 to 40% of the engineering exports from the country.
(D)	**Raw Materials**	▸ Inferior quality raw materials for exports affect the quality of products significantly. ✔ Especially for high-end products like Automobiles which require high-quality steel to achieve good finish. ▸ Such raw materials should be identified and domestic sources manufacturing to be promoted. ▸ Sectoral Policy for important raw material industry such as steel, non-ferrous metals, etc. to be formulated to address the manufacturing capacity addition required to support the growth in engineering products exports.	▸ Promote/incentivise industry to set-up export oriented units for such raw materials so that they can cater to domestic as well as export market. ✔ This is important in case domestic consumption of such raw materials is not large enough. ▸ Capacity additions in Steel and other raw key materials manufacturing to support the demand from engineering products exports.	▸ Aim to achieve the envisaged capacity additions in the production of key raw materials. ▸ Incentives R&D/technology development in of such Raw Materials. ▸ It is important to collaborate with leading global manufacturers for transfer of technology. ✔ Competitive advantage in raw material manufacturing would lead to sustainable competitive advantage in products manufactured from these raw materials. For example, Japan, Korea has competitive advantage in various steel products including automobile, shipbuilding as local companies

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				have strong competencies in Iron and Steel manufacturing. ▸ Industry and Research institutions should take active participation in joint programmes.
(E)	**Training of Manpower**	▸ Labour Productivity and Workmanship is a key problem faced in engineering exports. ✔ Especially in SME sector. ▸ Training programmes to be developed to provide necessary training to manpower. ✔ Trained workforce with necessary skills would lead to improved quality of products. ✔ This would also enable exporters to meet stringent standards desired in export markets. ▸ Cluster specific specialised training packages to be developed for key manufacturing clusters in association with following stakeholders. ✔ Industry/Industry Associations ✔ Small Industry Services Institute (SISI) ✔ Regional Engg. Colleges/ Polytechnics.	▸ Programmes aimed at labour productivity improvement and workmanship. ✔ Industry - Institute partnership ✔ Key labour in thrust product industries. ▸ Labour reforms could be looked at as a means to improving productivity. ▸ Regional Training Colleges/ Institutes to be set-up at key port based clusters. ✔ Programmes should provide certification to trained engineers. ▸ Set targets for improving labour productivity in thrust product industries and others to that of key competitors like China.	▸ The key target of the action plan should be to improve the labour productivity in the Indian Engineering products industry to International competitive levels. ▸ Continued focus on developing engineering courses/programmes that suit current requirements of engineering industry. ✔ Industry and key Universities/Institutes like IITs should jointly develop courses to suit various requirements so that graduates could be readily absorbed into main-stream manufacturing activity.
(F)	**Foreign Direct Investment (FDI)**	▸ Preparation of FDI Roadmap in Thrust Product categories. ✔ Identify investors in Thrust Product categories. ✔ Identify level of investment required and investors in support areas such as infrastructure, power, etc. ✔ Identify the factors that would increase FDI and prepare plan to address them. ✔ Set target for FDI in Thrust Product categories.	▸ Implementation of the Roadmap for FDI as per the medium-term target. ✔ Thrust Engineering Product Industries. ✔ Support areas such as infrastructure, power, etc. ▸ Address the required factors that would increase investor confidence and aid in increasing the FDI.	▸ The long terms action plan is to achieve increased FDI as per roadmap .
(G)	**Marketing Initiatives**	▸ Market Research on thrust products and thrust markets should be carried out with focus on – ✔ Market size and structure ✔ Key competing nations ✔ Product demand and mix ✔ Key technology and product features ✔ Key entry barriers ✔ Standards and Regularities.	▸ Special market access schemes should be developed for various thrust products and thrust markets after taking into consideration views from key exporters/manufacturers. ▸ Marketing/promotion initiatives should support the efforts of exporters by generating favourable environment in thrust markets for thrust products. ▸ Regional/country specific offices and support staff is necessary for penetration of thrust products in thrust markets.	▸ Overall objective should be to create favourable environment for engineering exports from India. ▸ Competitive advantage would be developed by local presence and better after sales support services/ initiatives. ▸ Focus should be on continuously upgrading local presence in terms of marketing offices and able after sales support network in terms of dealers/distributors in thrust markets for thrust products.

(To be continued at next issue)