

**STRATEGY FOR DOUBLING
EXPORTS IN NEXT THREE YEARS
(2011-12 to 2013-14)**

**Government of India
Ministry of Commerce & Industry
Department of Commerce**

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STRATEGY FOR DOUBLING EXPORTS

IN NEXT THREE YEARS (2011-12 to 2013-14)

INTRODUCTION: THE STRATEGIC IMPERATIVE

Objective/Mission of Department

The mandate of the Department of Commerce (DoC) is regulation, development and promotion of India's international trade and commerce. Goals are realized through the formulation of appropriate international trade and commercial policy and its effective implementation. The long-term vision of the Department is to make India a major player in world trade by 2020, and assume a role of leadership in international trade organizations commensurate with India's growing importance.

Foreign Trade Policy 2009-14

2. The Department formulates, implements and monitors the Foreign Trade Policy (FTP) which provides the basic framework of a medium term strategy to be followed for promoting exports and trade.

3. The world has faced an unprecedented economic slow-down since 2008. In the wake of the financial crisis, economies and markets world-wide were in turmoil. International trade contracted sharply, as did global investment flows. Unemployment rose, rendering over 50 million people jobless. The crisis which erupted from the heart of the capitalist world spread like a contagion, affecting all countries big and small. Most of all, it created a crisis of confidence, forcing many developed countries to resort to protectionist measures, adversely impacting the vulnerable and developing economies.

4. India's FTP 2009-14 was announced on 27th August 2009 in the backdrop of this economic turmoil, just as the Great Recession had taken roots. The Foreign Trade Policy 2009-14 sets out a goal of doubling India's exports of goods and services by 2014, with the long term objective of doubling India's share in global trade by the end of 2020 through appropriate policy support.

5. The short term objective of the FTP was to arrest and reverse the trend of decline in exports and provide additional support to those sectors that had been badly hit by the Great Recession. Specifically, the target was to achieve exports of US \$ 200 billion by 2010-11, and resume a high growth path in the last three

years of the policy. We are on track to exceed the \$ 200 billion export target in the current financial year.

6. To attain the policy objectives, it was decided to use a mix of policy instruments including fiscal incentives, institutional changes, procedural rationalization, obtaining enhanced market access across the world, and diversification of export markets. Improvement in infrastructure related to exports, reducing transaction costs, and providing full refund of all indirect taxes and levies, were three crucial pillars of the policy.

7. The recovery of the world economy so far has been slow and fragile. During 2010, there was some improvement in a few of the developed economies like US, UK and Japan. Germany fared the best amongst the developed countries. However, serious concerns subsist as regards the fiscal position of several high-income countries in Europe. Sovereign indebtedness is a serious problem in many developed economies; in Europe there is now concern that some countries are not merely facing a liquidity problem but a more serious solvency crisis. Prospects of a robust economic recovery in the immediate future seem remote. With these surrounding uncertainties, developed countries are naturally going to aim at realising economic recovery through both fiscal consolidation and export-led growth. This will pose a challenge to our exporters in accessing overseas markets. This is why we persevered with the multi-pronged strategy enunciated in August 2009. The Annual Supplement to FTP which was released on 23.08.2010 essentially carried the strategy forward with some minor rationalization.

8. In 2011, growth of output in both advanced and emerging economies is expected to slowdown from the levels achieved in 2010. The US economy grew at 2.8% in 2010 and is likely to struggle to maintain this rate in 2011; current indications are that the growth will be much lower. China is expected to slowdown from 10.3% in 2010. In the periphery of the Euro area, concerns continue about sovereign banking risk and the political feasibility of implementing austerity measures. Japan is faced with a stiff challenge to handle the recovery after the recent nuclear and natural disaster. Moreover, this will impact and adversely affect the manufacturing supply chain and other economies in East and South East Asia. There are signs of overheating in China's economy and international pressure persists for revaluing of the Chinese currency. Political developments in the Middle East are likely to have a perceptible adverse impact on our trade in 2011. Developments in Japan and the Middle East will have their adverse effects on economic performance the world over. Oil, food, metals, and raw material prices have risen rapidly in 2010 and the upward pressure is expected to persist in 2011. The uncertainty caused by these international developments will pose a challenge in sustaining the growth of exports in future. Clearly, prospects in the near-term are not rosy.

Trends in Exports and Imports

9. Annual data on merchandise exports, imports and the balance of trade from 2002-03 to 2009-10 are set out in Table 1.

Table 1
Exports, Imports & Balance of Trade

(Values in US \$ billion)

Year	Merchandise Exports	Growth Rate (%)	Merchandise Imports	Growth Rate (%)	Balance of Trade
2002-03	52.7	16.9	61.4	16.3	-8.7
2003-04	63.8	21.1	78.1	27.2	-14.3
2004-05	83.5	30.9	111.5	42.8	-28
2005-06	103.1	23.5	149.2	33.8	-46.1
2006-07	126.4	22.6	185.7	24.5	-59.3
2007-08	163.1	29	251.6	35.5	-88.5
2008-09	185.3	13.6	303.6	20.7	-118.3
2009-10	178.6	-3.6	286.8	-5.5	-108.2
Source: DGC&S					

10. In the Tenth Plan period (2002-07), merchandise exports grew at an average annual growth rate of 23.7%. Merchandise imports increased by 29.6% annually during this period, reflecting a buoyant economy. India's exports increased three and a half times during the five year period 2002-03 to 2008-09 but declined by 3.6% in 2009-10. This was the outcome of the deepening global economic slowdown from September 2008 onwards. The downward trend was arrested from October, 2009 onwards and exports ended up at US \$ 178.6 billion in 2009-10 against the highest ever US \$ 185.3 billion posted in 2008-09.

11. During the Tenth Plan period (2002-07), growth in world trade and output witnessed a significant upswing. The subsequent years in the middle of the Eleventh Plan were characterized by a downturn, a product of the Great Recession. Growth in trade during the period since 2002-03 is thus, a fair and representative average to project the growth for the immediate future.

12. Despite the robust growth of exports, India's merchandise trade deficit has risen, and continues to rise, as import growth has regularly outpaced export growth. The trade deficit has increased from a meagre US \$ 8.7 billion at the beginning of the Tenth Plan in 2002-03 to US \$ 118.3 billion in 2008-09. After a marginal decline to US \$ 108.2 billion in 2009-10, the trade deficit was at US \$ 97 billion after the first 11 months of 2010-11. It is likely that the merchandise deficit for 2010-11 will end up in the range of US \$ 110-115 billion.

Medium Term Forecast: Balance of Trade Deficit in a "Business as Usual" Setting

13. What if exports and imports grow as they have in the recent past? Is it sustainable? An attempt has been made to forecast the merchandise trade

trends over the next three years, based on the Compound Annual Average Growth Rate (CAGR) during 2002-03 to 2009-10. The projections for exports and imports for the period 2010-11 to 2013-14 are presented in Table 2.

**Table 2: Projections for Exports, Imports and Balance of Trade for 2010-14
- Business as Usual Scenario**

(in US \$ billion)			
Year	Exports	Imports	Trade Balance
2010-11	246.0	360.0	-114.0
2011-12	292.9	448.7	-155.8
2012-13	348.7	559.2	-210.5
2013-14	415.1	696.9	-281.8

(Projections based on CAGR of 19.05% and 24.63% for Exports and Imports respectively during the period 2002-03 to 2009-10 with base level as currently expected).

14. In this scenario, imports in 2013-14 are projected to be about US\$ 697 billion, against exports of about US \$ 415 billion. The highest Balance of Trade (BOT) deficit so far has been US\$ 118 billion in 2008-09. As per these projections, the BOT deficit will increase by nearly two and a half times to US\$ 282 billion in 2013-14. This is unprecedentedly large, not just in absolute terms but also as a percentage of Gross Domestic Product (GDP). Table 3 highlights exports, imports and BOT as a percentage of GDP during 2003-04 to 2009-10 and Table 4 shows estimates of the projected BOT as a percentage of the estimated GDP over the next three years.

Table 3: Exports and Imports as % of GDP

(values in US \$ billion)							
Year	GDP at Market Price	Exports	Imports	BOT	X as % of GDP	M as % of GDP	BOT as % of GDP
2002-03	507.1	52.7	61.4	-8.7	10.4	12.1	-1.7
2003-04	599.5	63.8	78.1	-14.3	10.6	13.0	-2.4
2004-05	720.9	83.5	111.5	-28	11.6	15.5	-3.9
2005-06	834.1	103.1	149.2	-46.1	12.4	17.9	-5.5
2006-07	948.9	126.4	185.7	-59.3	13.3	19.6	-6.2
2007-08	1238.5	163.1	251.6	-88.5	13.2	20.3	-7.1
2008-09	1213.9	185.3	303.6	-118.3	15.3	25.0	-9.7
2009-10	1381.3	178.6	286.8	-108.2	12.9	20.8	-7.8

(GDP at Market Prices (MP) in Rupees from CSO and converted in dollars by using the average annual exchange rate).

Table 4: Projections of Exports and Imports as % of GDP

(values in US \$ billion)							
Year	GDP at Market Price	Exports	Imports	BOT	X as % of GDP	M as % of GDP	BOT as % of GDP
2010-11	1592.6	246.0	360.0	-114.0	15.4	22.6	-7.2
2011-12	1836.3	292.9	448.7	-155.8	15.9	24.4	-8.5
2012-13	2117.3	348.7	559.2	-210.5	16.5	26.4	-9.9
2013-14	2441.2	415.1	696.9	-281.8	17.0	28.5	-11.5

(GDP at Market Prices projected at CAGR of GDP during 2002-03 to 2009-10; Exports, Imports and BOT from Table 2).

15. As per the projections, the proportion of merchandise trade to GDP is expected to increase from 38% in 2010-11 to 45.5% in 2013-14. This is plausible as the Indian economy is expected to progressively integrate with the global economy. However, the BOT deficit is also projected to increase from 7.2% of GDP in 2010-11 to 11.5% of GDP in 2013-14.

Consequences and Options

16. There is no hard and fast rule to determine the numerical size of a sustainable Balance of Trade (BoT) deficit. For economies with large remittance earnings and positive net services earnings plus large invisibles flows, even a 10% deficit on the merchandise account is manageable. Equally, however, economies with lower invisibles earnings, including net services and smaller remittances may not be in a position to even sustain a 5% BoT deficit. The real point is that sustainability is best gauged with respect to the Current Account Deficit (CAD). The projected BoT deficit on merchandise account of 11.5% is clearly a cause for serious concern because it can lead to an unsustainable CAD. Services earnings will certainly grow over the next few years. However, it is unlikely that even their growth can sustain a ballooning of the BoT deficit of the size of 11.5 % of GDP.

17. The Indian economy is back on a high growth path, and is aiming to maintain GDP growth rates of around 9%, if not more. If we want to maintain a growth rate of 9-10% over the medium term, and ease domestic supply constraints, a relatively high growth of imports is going to be unavoidable. The demand for major items of bulk imports such as petroleum (\$ 96 billion in 2009) is likely to keep rising. We have, therefore, no option but to focus on higher export growth, and devise a strategy for rapidly increasing merchandise exports to ensure that the BoT and CAD remain within manageable limits.

18. It is possible to simulate a more optimistic scenario. In this, we assume that the export growth trend would be 22% that was maintained in the immediate recent past before the Great Recession. The simulations below are based on a growth rate of 22% for exports and 25% for imports for the next three years, and are set out in Table 5.

Table 5: Projections for Exports, Imports and Balance of Trade for

2010-14 - Business as Usual Scenario

(in US \$ billion)			
Year	Exports	Imports	Trade Balance
2010-11	246.0	360.0	-114.0
2011-12	300.1	450.0	-149.9
2012-13	366.1	562.5	-196.5
2013-14	446.5	703.1	-256.6

19. Even in this more optimistic scenario, we still end up with a trade deficit of \$ 257 billion in 2013-14, which works out to 10.5% of GDP.

20. Clearly, “business as usual” growth rates of exports will just not suffice; these can lead to an unacceptable widening of the BOT deficit to 11.5% of GDP. As evident from the Balance of Payments Summary (Table 6 below), the current account has turned into deficit in 2004-05, and the deficit has been widening ever since. Even if we expect a rebound in services, exports and invisible earnings rise, the CAD would widen substantially at the projected level of BOT deficit. The large growth in the size of the BoT deficit on merchandise account will result in a significant expansion of the CAD, in turn, leading to a reliance on foreign capital inflows to finance the deficit. Foreign portfolio investment is still a major part of capital inflows and past experience suggests that such flows are indeed volatile. Hence, a large widening of the trade deficit can potentially result in payments difficulties. And, such a situation is simply unacceptable because it may jeopardize the entire growth process. It is, therefore, of paramount importance that the BoT deficit be kept within manageable bounds.

Table 6: Summary Balance of Payments

(in US \$ billion)									
Year	Trade Balance	Invisibles	Total current account balance	Foreign Investment (Net)	Of which FDI (net)	Other capital flows*	Total Capital account balance	Errors and Omissions	BOP
	(i)	(ii)	(iii)=(i)+(ii)	(iv)	(v)	(vi)	(vii)=Sum of (iv) and (v)	(viii)	(iii)+(vii)+(viii)
2002-03	-10.7	17.0	6.3	41.6	3.2	5.8	10.8	-2	17.0
2003-04	-13.7	27.8	14.1	137.4	2.4	1.7	16.7	-6	31.4
2004-05	-33.7	31.2	-2.5	13.0	3.7	.7	28.0	-6	26.2

2005-06	-51.9	42.0	-9.9	15.5	3.0	1.2	25.5	-.5	15.1
2006-07	-61.8	52.2	-9.6	14.8	7.7	4.2	45.2	-9	36.6
2007-08	-91.5	75.7	-15.7	43.3	15.9	10.9	106.6	1.3	92.2
2008-09	-118.7	89.9	-28.7	3.5	17.5	-1.5	7.1	1.4	-20.2
2009-10	-117.3	78.9	-38.4	52.1	19.7	-12.7	53.6	-1.7	13.4

* Loans, Banking capital, Rupee Debt Service, Other capital flows
(Source: RBI)

21. Can exchange rate policy help? The exchange rate impacts macro variables like trade and investment flows and also affects domestic inflation level. For a long time, the Reserve Bank of India (RBI) followed a policy of careful monitoring and management of exchange rates, while allowing the underlying demand and supply conditions to determine exchange rates movement in an orderly manner. RBI's major goal on exchange rate has been to reduce excessive volatility, prevent emergence of speculative activity, and maintain adequate levels of reserves. Explicit control on capital inflows has not been found to be costless, as it has implications for managing domestic inflation and for foreign investment flows.

22. Our approach towards the exchange rate has been that compensatory actions are called for only if and when major exchange rate swings occur, as these will surely adversely affect trade flows. During the period 1994-95 to 2009-10 the 36 Country REER Index fluctuated between 104.81 and 92.43. In case the nominal and real exchange rate appreciates sharply our exports would be adversely affected and compensatory action would be necessary to realize the targets. However, in this Paper, for the purpose of fixing the targets, the exchange rate is considered as an exogenous variable. Nevertheless, it is clear that exchange rate volatility and excessive appreciation will call for corrective policy action if export target are to be realized.

What we must do:

23. To address the challenges, we need to build upon the gains from the successful implementation of the Foreign Trade Policy (2009-14) in its first two years, and aim higher. We, therefore, propose a strategy to double merchandise exports in the next three years i.e. 2011-12 to 2013-14. As against the export target for 2010-11 of US \$ 200 billion, we have achieved US \$ 246 billion. Taking this \$ 246 billion in 2010-11 as the baseline, we must aim for more than a doubling of exports in three years to US\$ 500 billion. This target requires exports to grow at a compound average growth rate of 26.7% per annum. This is achievable, with a determined effort. More importantly, we cannot afford any less than this. Even with the achievement of an export target of US \$ 500 billion and with imports and GDP as indicated in Table 4 in 2013-14, the BOT deficit is still likely to be 8 % of GDP which may be regarded as manageable.

24. From a longer term perspective, accelerating growth in merchandise exports would build up the manufacturing strength of the economy. Production of goods meeting international standards requires awareness of how frontiers of

technology are widening, how innovation is opening up uncharted territories, and how consumers' preferences are taking shape. It is vitally important that entrepreneurs are exposed to such competitive environs. With increasing integration of the Indian economy with the rest of the world, we cannot bask in the comfort of our large domestic market. Production has to tailor itself to the more demanding standards of the international market. The strategy for doubling of exports in three years to reach at least an export level of US\$ 500 billion by 2013-14 would help accelerate this process, which would be in the long term interests of the country.

STRATEGY STATEMENT

1. Our target is to double the country's merchandise exports in dollar terms over the next three years (2011-12 to 2013-14) from US \$ 246 billion in 2010-11 to US\$ 500 billion in 2013-14. To realize this, exports have to grow at a compound average growth of 26.7 % per annum. The overall strategy to realize this goal is articulated below.

Product Strategy

2. From a medium term perspective we need to build on our strength in certain critical industries, namely, engineering and chemicals. If manufacturing is to occupy a larger share of GDP and absorb the increasing numbers of the labour force, the engineering and chemical industries are the way to the future. Within engineering, we need to move up the value chain both in terms of domestic production and exports. Similarly, our basic chemical industries and organic and inorganic chemical industries hold out great promise for the future. The pharmaceutical industry (including biotech) has done really well in establishing a global reputation for quality products. There is an opportunity for India to become a pharmacy of the world. So far, our pharma exports have been dominated by generics. And, prospects for expansion in this segment are very good. Patents for many drugs are due to expire in a year or two. Developed economies are facing fiscal problems and wherever public health is a major charge on the national exchequer, solutions will have to be found, an integral piece of which will be increasing reliance on high quality generics instead of patented or brand-named drugs. This is an opportunity we cannot miss.

3. Aggressively promoting export growth of high value products that have a strong domestic manufacturing base will be the lynchpin of our overall export growth strategy. Most important in this category are exports of engineering goods, which now account for over 20% of our total export basket. Increasing exports of engineering goods has to be a major goal in any strategy for doubling exports in three years. Machinery and transport equipment is the dominant sector of world export and accounts for more than one-third of world exports, but India's share of this sector was only 0.3% during the period 2003-07. There is thus huge potential for growth.

4. Similarly, based on domestic manufacturing capabilities and potential demand, exports of drugs and pharmaceuticals, chemicals and the electronic sector (all high value products reliant on our manufacturing base) would need to grow significantly to realize the overall growth targets, and these sectors would be prioritized accordingly.

5. Another important category that needs to grow is that of exports based on light manufacturing sectors, i.e. leather products and textiles. These are important because they generate employment, have high domestic value addition, and have historically been areas of strength in our export markets. In

leather, the product basket must be diversified; instead of exporting finished leather, we must move into value-added products, especially high-end shoes and leather garments. In textiles, we need to realize more effectively the scope for growth made possible since the dismantling of the quota regime. Product diversification in garments is essential; we must break into women's garments, value added cotton products, and a large thrust on synthetic textiles. In both these sectors, scaling up operations and increasing export growth rates will be aimed at.

6. Another important labour intensive export sector that must be encouraged is that of gems & jewellery. This sector has relatively low value added, but contributes to a high volume of exports and employment and is therefore important.

7. There is also potential in the category of natural resource based exports. This category covers agriculture, plantation crops, marine products and iron-ore exports. Revitalizing plantations, enabling a less controlled regime for agriculture, and aiming at greater value addition and processed products would help increase value of exports. For instance, processed foods and vegetables, organic agricultural produce, and fresh agricultural produce for retail in supermarkets, holds out greater promise. In the case of iron-ore, efforts at increasing value-addition within the country would be required, so that, unlike as at present, more finished products based on iron ore rather than raw material are exported e.g. pelletization of iron ore fines.

Market Strategy

8. A market diversification strategy based on the changing dynamics of growth in the world economy is necessary to ensure sustained growth of exports. The demand in the traditional markets of the developed western world, North America and Europe, is projected to be relatively sluggish due to slowing output expansion in these economies. Against this, emerging economies are expected to grow at about 6.5%.

9. The core of the market strategy must therefore be:

- (a) Retain presence and market share in our "old developed country markets";
- (b) Move up the value chain in providing products in these old developed country markets; and
- (c) Open up new vistas, both in terms of markets and new products in these new markets.

10. We would have to focus on markets in Asia (including ASEAN), Africa and Latin America. We must establish new beachheads and strengthen our presence in newly opened up markets. At the same time, we aim to deepen engagement in the older markets, by increasing volumes, by targeting increased

shares for our exports in the import baskets of large importers of our export products, and by diversifying the product basket of exports.

Technologies and R&D

11. Rapidly changing technology requires us to adapt production and export strategies to provide products that meet consumer/ producer demands in our exporting markets. The areas that hold out promise and where strategy must focus are:

Pharmaceuticals: Entering in a big way in the formulations market and expanding the generics base as more drugs come off-patent.

Electronics: Establishing at least one fabrication facility in the next three years, which, in turn, will spawn a large growth in the domestic electronics industry.

Automobiles: Upgrading auto-component production to higher value-addition, and progressively expanding it from the small, to the medium car segment, by becoming internationally competitive.

Computer and software based smart engineering.

Environmental products; green technology and high-value engineering products.

High end areas in electronics, aerospace, and engineering products.

Building a Brand Image

12. To establish greater credibility and acceptance of our critical export products and sectors in foreign markets, we would strengthen efforts to build up a brand image for important Indian exports, and promote a thrust for quality upgradation. Domestic standards for export related products would be raised, assurances put in place of quality enforcement through appropriate agencies, such as BIS, EIC, etc., and expanded certification of export products encouraged, where needed. To back up these efforts, a Brand India promotion campaign for key export products would be supported.

13. To achieve the export target of US \$ 500 billion for 2013-14 requires differentiated strategies for different product groups. These differentiated strategic initiatives have been formulated on the basis of the critical assessment of strengths, weaknesses, opportunities and challenges facing the Indian economy and the export sector, following discussions within the Department, analysis of expected trends of growth in world economy and trade and consultation with stake holders i.e. premier industry organizations and Export Promotion Councils. Accordingly, detailed sectoral action plans for achieving the desired targets in different product export sectors have been worked out and presented in the following chapters of this document. A summary statement of the projected 2013-14 targets for different sectors is set out below (Table 7).

Reining in import growth through domestic policy

14. Complementary measures to rein in import growth through domestic policy are needed as follows:

Agriculture: We have large agricultural imports both in terms of pulses, edible oils and other commodities. An aggressive policy reform package with medium term objectives to increase yields and domestic production needs to be put in place immediately. This will ensure stability in our export regime, give a boost to domestic exporters and gradually reduce reliance on imported supplies.

Fertilizers: Rationalise fertilizer pricing and production policy to encourage efficiency in use, consumption and production; a by-product will be reduced dependence on imports.

Electronics: Electronic machinery and electronic goods imports will balloon unless we establish a domestic fabrication facility and dramatically expand domestic production of down-stream industries from the fab facility. Priority attention is necessary if we are to check the huge growth in imports on this account.

Pharmaceutical Industries: Resuscitation and resurgence of domestic production of Active Pharmaceutical Ingredients (API). This is essential to ensure quality assurance of our generics and formulation exports, control and curtail dependence on imports.

Engineering: An across-the-board focus on electronics, automotive and metals (ferrous and non-ferrous) industries is imperative to upgrade quality, expand production, and reduce import reliance.

Coal: Domestic policy reform is essential to provide adequate domestic supplies of coal for thermal power and other uses; without this core infrastructure requirements will become heavily import-dependent in a matter of few years.

Petroleum: Rationalized pricing to promote efficiency in use, promote conservation, and temper the growth in demand for petroleum products.

Essential Support

15. Essential policy support needed to realize the ambitious export targets for 2013-14 and beyond is:

- Stable policy environment: Continuation of existing incentive schemes
- Preferential access to new markets: putting in place conducive trading arrangements
- Reduction in transaction costs: Implementation of recommendations of Task Force
- Substantial step up in overall Plan support
- Priority strengthening of trade related infrastructure

16. These are spelt out further in the section on “Essential Support & Policy Directions” (*Annexure I*).

Table 7: Exports: Strategic targets for 2013-2014

(Values in US \$ billion)

Exports				Exports (2009-10)	Share in total Export (%)	Exports (2010-11) (Quick Estimates)	Projected Exports (2013-14)	Share in total projected Exports (%)
Gems and Jewellery				29.08	16.27	33.54	70.00	14.00
Engineering Goods				32.55	18.21	60.15	125.00	25.00
<u>Textiles</u>				18.29	10.23	21.02	42.00	8.40
Cotton Yarn Madeups	3.97	5.67	11.50					
Manmade Yarn Madeups	3.61	4.19	9.00					
RMG	10.71	11.16	21.50					
<u>Other Textiles</u>				0.96	0.54	1.58	3.00	0.60
Carpets	0.74	1.13	2.00					
Jute Manufacturers	0.22	0.45	1.00					
Drugs, Pharma & Fine Chemicals				8.97	5.02	10.32	25.00	5.00
Other Basic Chemicals				6.84	3.83	8.62	19.00	3.80
Electronic Goods				5.45	3.05	7.38	17.00	3.40
Leather & Leather Manufacturers				3.28	1.83	3.68	9.00	1.80
Plastic & Linoleum				3.37	1.88	4.59	10.00	2.00
Iron Ore				6.03	3.37	4.50	9.00	1.80
Mica and Other Ore				2.69	1.50	6.07	9.00	1.80
Marine Products				2.10	1.17	2.54	5.00	1.00
Agricultural Products				12.62	7.06	16.99	22.00	4.40
Petroleum Products				28.19	15.77	42.45	80.00	16.00
Miscellaneous				18.33	10.25	22.44	55.00	11.00
Total:				178.75	100.00	245.87	500.00	100.00

ENGINEERING GOODS

India's Engineering Exports have witnessed a Compound Annual Growth Rate (CAGR) of 31% over the period 2003-2008. There was a break in this growth path in the year 2009-10 due to the global economic crisis. In the current fiscal year, Engineering Exports have grown by 61% for the period April-December 2010 and have reached USD 38.80 billion over USD 24.08 billion in April-December 2009.

Thus, more than doubling of engineering exports from USD 51.5 billion in 2010-11 (estimated) to USD 125 billion in 2013-14 implies a CAGR of 34.39%, which appears quite possible keeping in view the encouraging trends. While under normal conditions, this seems an achievable target, but given that most economies of the world are coming out of the crisis coupled with unwinding of the stimulus in some of the important markets in Europe, it is felt that the possibility of achieving the target of USD 125 billion for the engineering sector goes up substantially if the supportive measures that have been outlined in the strategic action plan are implemented. Widening of India's engineering markets, reduction in transaction costs and moving up the value chain are a combination of measures which will give a major thrust to achieve the target of USD 125 billion for the engineering sector and is in line with the trend rate of growth.

Sub-sector targets for the engineering product exports are indicated in the Table below:-

SECTOR TARGETS : ENGINEERING GOODS

Estimates of Engineering Goods Exports in 2010-2011 and 2013-14

Exports in USD Billion

S.No.	Engineering Products	Achievements 2009-10	Estimated Achievements 2010-11	Targets for 2013-14
1	Iron & Steel and Products made of Iron & Steel	6.17	11.12	26.99
2	Non-Ferrous Metals and Products made of Non Ferrous Metals	3.43	4.93	11.96
3	Industrial Machinery	5.25	8.01	19.44
4	Electric Machinery and Equipment	3.46	5.30	12.86
5	Auto and Auto Components	5.77	8.03	19.49
6	Aircrafts, Spacecraft and Parts	1.03	1.75	4.24

7	Ships, Boats and Floating Structures.	2.55	4.38	10.63
8	Miscellaneous	4.91	7.99	19.4
	Total Exports	32.57	51.50	125

ENGINEERING GOODS : ACTION PLAN TO ACHIEVE THE TARGETS

1. Formulate a Technology Upgradation Fund Scheme for the MSME Engineering Industry

The Main Problem/Issue: In spite of huge growth of Indian engineering sectors in the last few decades, the industry is suffering from severe technological obsolescence and lack of economies of scale. This is because 40% of India's engineering exports is in the MSME sector which is exporting low value added products. There is need to concentrate on exports of higher value-added items so that the contribution of value added items in India's engineering exports increases from current level to about 20% to 25% in near future.

For this purpose it is important for the MSME sector to upgrade its technology to enable it to move up the value chain. Thus, a **Technological Upgradation Scheme for the Engineering Industry catering to the Low Value Added MSME sector** needs to be formulated to provide the necessary policy wherewithal for modernization of the MSME units.

What is the benefit?: Technology upgradation would involve induction of state-of-the-art technology in the MSME which would improve productivity, and/or quality of products. It would also bring about use of environmental friendly or green technology that would substantially improve the working environment.

How do you do it?: It is suggested that a corpus of Rs 500 crore be created in a phased manner with contributions from both industry and Government. In the first year the funds to be provided could be Rs 100 crore to be enhanced to Rs 200 crore each in the second and third year.

2: Provide Credit at Low cost for investment in Capital Goods/Equipment

The Main Problem/Issue: The interest rate on the term loans to buy capital equipment is very high in India. For instance the Indian Banks have a base rate in the range of 8%-9%, which implies term loans to purchase capital equipment could be as high as 12% for exporters.

It is therefore suggested that credit in the form of term loans at low interest rates may be provided and the following steps may be considered:

- (i) The RBI may allow Term Loans in Foreign Currency at Libor plus a certain spread, say between 3.5%-5%, for such long term credit allowing

exporters to invest in capital equipment at low cost of finance. The RBI may provide safeguards to ensure that the term loans are used for capital equipment purchase by exporters and not for any other use. *(It may be mentioned that the RBI allows exporters to take Foreign Currency Export Credit which is for a shorter duration and for which the rates prescribed by RBI is Libor plus 3.5%).*

RBI could consider the following Safeguards to prevent misuse:

- a) Pledging of Receivables
- b) Bank Guarantees
- (i) The other option could be that **Rupee Term Loans for investment in capital equipment by exporters registered with Export Promotion Councils** be included in “priority sector lending” by banks. Further, the rate of interest should be at the **base rate** and no premium may be charged on such term loans over the base rate in the range of 8%-9%.
- (ii) **Continue with the Interest Subvention Scheme on Rupee Export Credit till 2013-14**

At present, the RBI provides a subsidy of 2%, which is called interest subvention for Rupee export credit. This Scheme is to lapse on March 31, 2011. With the RBI tightening its credit policy, it is suggested that this interest subvention scheme on Rupee export credit be extended for another three years, which is till 2013-14, the period for which the doubling of exports is required.

3. Skill Development Fund for Engineering Industry

The Main Problem/Issue: At present Engineering industry and particularly manufacturer-exporters in engineering sector are facing serious problem of skilled manpower. The plant and machinery are becoming more and more high-tech and the required level of skill is badly missing.

What is the benefit?: This will meet the acute shortage that the general engineering sector is facing. Further, as the industry becomes more capital intensive, the need for skill development will become an indispensable pre-requisite.

How do you do it?: In the case of textile industry, which also faced the same situation, with Government support, they have established so far 58 Apparel Training and Design Centres across the country.

Unfortunately in the engineering sector we only have ITIs, which hardly have the required expertise to train skilled manpower required at present. Accordingly, the following option may be considered:

- The National Skill Development Corporation of India be requested to promote general engineering skill development. It may be noted that NSDC priority areas do not include general engineering except the Auto and Auto Components. Thus, NSDC may be requested to fund projects relating to the general engineering industry as well.

4. Need for a National Shipping Regulator

The Main Problem/Issue: Freight constitutes a substantial portion of the cost of engineering exports. In many cases it accounts for between 20-25% of the total cost of exports. In India, the main problem faced by the user groups like the engineering exporter members of EEPC India, with respect to freight rate fixation at conferences are the following:

- Freight rates are decided unilaterally which leads to considerable uncertainty, especially when there is a pick-up in world trade;
- Shipping Liners have a tendency to impose other extraneous charges during peak time such as rollover charges like peak season surcharge, fuel surcharge, etc, which are generally over the “reasonable increase” in freight rates that can be expected when demand increases more than supply;
- Given that India has only one national carrier, the Shipping Corporation of India (SCI), which account for about 2% of total sea cargo from India, the ability of the national carrier to set the competitive rates like the case of COSCO of China, is rather limited, thereby creating substantial monopoly profits for the cartelized shipping liners.

What is the benefit?: The curtailment of the current nature of oligopolistic freight fixation by a cartel of shipping companies will create competitive conditions in the shipping industry leading to competitive exports and general all round welfare gains.

How do you do it?: The time has come to set up a **National Shipping Regulator** in lines of the Electricity Regulator or the Telecom Regulator or the Insurance Regulator to provide a level playing field and fair competition.

5. Existing FTP Instruments – Further improvements:

Align MLFPS and FPS to Big, Niche and Tough Markets

There is a greater need to align MLFPS and FPS benefit to tough and big markets to encourage exporters to target high potential markets. Also these benefits may be provided to those tariff lines where the growth in world trade is lower in relative terms

OTHER BASIC CHEMICALS

The exports under the sector for the period from April to Dec., 2010 were to the extent of 5.85 US Billion Dollars as against 4.88 US Billion Dollars for the corresponding period in the previous year; thus registering a growth of about 20%. As it has been observed in the past, exports in Chemical Sector are higher during the last quarter of the year and thus the same would cross the growth rate of 33% for the whole year.

The doubling of other basic chemicals exports given below from USD 8.00 Billion in 2010-11 (estimated) to USD 19 billion in 2013-14 implies a CAGR of 33.42% which would be possible keeping in view the present trends.

Out of total export of chemicals, 60% is through Small and Medium Sectors and 40% is through Large Sector. The empowerment of Small and Medium Sectors as well as the implementation of Action Plan suggested for Chemical Sector should substantially enable industry in achieving this target.

Figures in Billion USD

S.No.	Panel	Achievements 2009-10	Estimated Achievements 2010-11	Targets 2013-14
1.	Dyes, Intermediates, Pigments Dye	2.41	2.57	5.89
2.	Inorganic Chemicals	0.85	0.90	2.03
3.	Organic Chemicals	1.80	1.91	4.50
4.	Agrochemicals	0.95	1.02	2.52
5.	Cosmetics, Toiletries	0.70	0.75	2.14
6.	Essential Oils, Perfumes and Caster Oil	0.80	0.85	1.93
	Grand Total	7.51	8.00	19.01

OTHER BASIC CHEMICALS: ACTION PLAN TO ACHIEVE THE TARGETS

1. INDIAN CHEMICAL INVENTORY:-

Problem:-

India does not have her own **Chemical Inventory** and **Chemical Management Programme** although India is supplier of quality chemicals at most competitive price in the world.

Why:-

To make India the preferred destination for sourcing the world class chemicals manufactured in the state-of-art facilities at most competitive prices, situated in friendly Export Environment with Focus on Green Chemistry, which would increase flow of Foreign Direct Investment in to India.

Benefits:-

- **Chemical Inventory** is a listing of industrial chemicals in commerce manufactured or imported by a country.
- It is primarily use to distinguish between new & existing chemicals.
- It is a data base created from information submitted to government authorities by manufacturer, processor, users, & or importers.
- This will helps us for preparing draft on India's chemical management programme.
- Also help in implementing other regulatory compliances.

How would we do it:-

This activity may be undertaken with the help of Chemexcil, Central Excise, Customs, Ministry of Chemicals and Fertilizers and Ministry of Environment & Forests under MAI. Although this activity may not be completed in next three years but this would be a continuous process.

2. CHEMICAL MANAGEMENT PROGRAMME (CMP):-

Benefits:-

- ☞ It would be Science-based and specifically designed to protect human health and the environment.

- ☞ This will support SAICM (**Strategic Approach for International Chemical Management**). SAICM is a policy framework to promote chemical safety around the world. its overall objective is the **achievement of the sound management of chemicals throughout their life cycle so that, by 2020, chemicals are produced and used in ways that minimize significant adverse impacts on human health and the environment.**

How would we do it:-

- ☞ Establish a centralized database of chemicals, their hazard, exposure scenario, risk assessment and risk mitigation and management, etc.
- ☞ Government can be the data holder which can be made available to public selectively creating transparency.
- ☞ This activity may be undertaken with the help of Chemexcil, Ministry of Environment & Forests, various research institutes, and experts in this field across the globe.
- ☞ Our India's Chemical Management Programme will be in line with Canada's Chemical Management programme and European Union's REACH compliance.

This activity will also not be completed in the next three years. This would continue beyond that period.

3. UPGRADATION OF SKILLS OF SME'S OF MANUFACTURERS/EXPORTERS OF CHEMICALS:-

Why?-

Today the SME sector especially in chemical industry needs to upgrade their knowledge, skill about the product, export and upcoming legislations.

Benefits:-

- ☞ Provide a training institute (graduate level) which will create
 - Human resources,
 - upgrade the skills of existing resources for better understanding in building national competence of global level and
 - Also provide platform for consultative support on various technical issues related to human health and environment
- ☞ Create public awareness and thus create a platform for Sound Chemical Management
- ☞ Indian expertise would be developed in Product safety and Regulatory affairs.
- ☞ Provide various short and long duration courses to employees of the chemical industry on chemical regulation, exports and imports.
- ☞ Indian chemical industry will be benefited by getting common testing facility for physical-chemical, toxicological, eco toxicological testing under one roof at reasonable costs.

How would we do it:-

- ☞ Putting up of centre of excellence in the chemical cluster and wherever it has already put up continuously upgrade the facilities
 - i. By giving trainers training,
 - ii. The common facility for upgrading skill development especially for the already developed cluster facilities.

EXISTING FOREIGN TRADE POLICY INSTRUMENTS

1. **Focus Product Scheme:** The basic chemicals and specialty chemicals which have high potential growth may be included under Focus Product Scheme.
2. Incentives for new value added/innovative products such as biopesticides may be provided.
3. The Export Promotion Council may also be consulted while finalising the Foreign Trade Policy for providing incentives to the products/markets having higher growth potential.

PLASTIC AND LINOLEUM

The exports under this Sector for the period from April to December, 2010 were approximately to the tune of 3.21 US Billion Dollars as compared to 2.36 US Billion Dollars for the same period last year, thus, registering a growth of 35.94%.

Going by the trends of exports for the current calendar year, it is expected to reach exports of 4.2 US Billion Dollars in the current financial year 2010-11. The target of achieving exports of 10 US Billion Dollars by the year 2013-14 implies a CAGR of 35.50% which appears possible given current trends. The initiatives being suggested in the Action Plan will greatly facilitate industry in achieving this target. A product wise break-up of the proposed targets is indicated in the Table below:-

<u>SECTOR TARGETS : PLASTIC & LINOLEUM</u>			
Product	Achievements 2009-10	Estimated Achievements 2010-2011	Targets 2013-2014
	USD Bn	USD Bn	USD Bn
Plastic Raw materials	1.38	1.58	3.38
Moulded & Extruded goods	0.62	0.71	1.92
Plastic sheets, films, plates etc (incl PET Film)	0.58	0.67	1.73
Packaging materials	0.40	0.46	0.98
Other plastic items (Leather Cloth, Floor coverings, electrical items, photo films etc.	0.22	0.26	0.65
Human Hair & Products thereof	0.19	0.22	0.47
All types of optical items (incl optical frames, lenses, sunglasses etc)	0.15	0.17	0.37
Stationery/Office & School Supplies (incl writing instruments)	0.12	0.14	0.50
TOTAL	3.66	4.21	10.00

ACTION PLAN TO ACHIEVE THE TARGETS

1. To create a TECHNOLOGICAL UPGRADATION FUND for the plastics sector

What is the Issue : The plastic process industry lacks economies of scale in production (present production volumes are low in comparison to fierce competition from Asian Tigers)

The Indian plastic industry, that commands a global import potential of over 400 billion US Dollars per annum, is unable to get a respectable world share (which at present barely stands at 0.5%). In fact in some segments of the plastic industry, smaller countries like Thailand, Malaysia etc command a much better world share than what India commands. The major cause for this situation is that the plastic process industry (which adds value to the plastic raw materials) is mainly dominated by the small scale sector. This sector lacks the economies of scales in production which is very necessary to be globally competitive and the issue of obsolescence in machinery required to achieve the economies of scale in production also needs to be addressed.

What is the benefit:- This issue can be effectively addressed by creating a Technological Upgradation Fund (TUF) that provides capital and/or interest subsidy for upgradation of machinery etc. and make small scale sector products more competitive by means of increase in productivity and use of green technology. This initiative has been successfully applied to the textile sector that was facing a similar problem of obsolescence in machinery to achieve the economies of scale in production.

What is needed to be done : It is suggested that a corpus of Rs 150 crores be created for this purpose in a phased manner with contribution from Government and industry. In the first year the funds to be provided could be Rs 40 crores which may be increased to Rs 50 crores and Rs 60 crores during the next two years respectively.

2. Policy initiatives for creation of plastic processing parks

The Issue : Another key to attaining a respectable share in the global plastic imports is to create additional capacities in plastic processing. This could effectively be done by creating plastic processing parks which are also housed with common facilities like design and prototyping centres; tool rooms etc. The plastic processing parks will essentially be set up to attract fresh investments in plastic processing both from within India and the overseas. These plastic processing parks may be set up preferably in the PCPIR centres that are coming up or will come in future and the SEZs.

What is the benefit : The concept of plastic processing parks is bound to add additional capacities in plastic processing to serve global markets

competitively which in turn will facilitate Indian plastic process industry in achieving a respectable global share.

What is needed to be done : In order to put this concept into reality, a packaged scheme of incentives has to be evolved (mainly on the tax front as has been done by many countries) so that developers are motivated into developing such parks and investors are motivated to set up plastic processing units. In fact, it is understood that the Department of Chemicals & Petrochemicals is in the final stages of announcing a scheme for plastic processing parks.

3. To Set up common facility centres for design and prototyping of plastic items

The Issue : There is an urgent requirement of development of prototypes, moulds and dies for plastic items particularly for the small scale sector. The plastic sector is dominated by SMEs who are not in a position to invest large sums for this purpose.

The benefits: This will facilitate development of moulded and extruded items and subsequently manufacturing them with much shorter lead times to effectively serve overseas markets and thus lead to rise in exports.

What needs to be done: Grants under MAI Scheme could be effectively used to fund this initiative.

4. Existing FTP Instruments – Further improvements:

In order to encourage export of new products to the existing markets, to tap other overseas markets and to add high technology and high value-added products to the export basket, the Focus Product Scrip Scheme and Market Linked Focus Product Scrip Scheme needs to be aligned. The list of these products/countries needs to be finalized in consultation with the Export Promotion Council so that the concerned industry is able to make use of the same for achieving the targets.

PHARMACEUTICAL PRODUCTS

Task Force Report prepared by Department of Commerce in December 2008 on strategy for increasing export of pharmaceutical products has laid out a roadmap for increasing India's global presence in pharmaceutical sector. The recommendations of the Report were discussed at the highest level. The concerned departments viz., pharmaceuticals, Health and Family Welfare, Ayush have already initiated some actions on the recommendations. The fact that pharmaceutical exports can be doubled is thus already flagged.

2. Department of Commerce has also taken a number of steps for putting the pharma sector on fast track. Some of the measures initiated are listed in **Annexure-IV**.

3. The details of category-wise exports of pharma products during the last three years is indicated below:

Category	2007-08	2008-09	2009-10	CAGR	% Share	2013-14 expected growth at Normal rate	2013-14 (in US\$) @ US\$1=INR 45/- targeted
Total Sector	29,824.02	40,415.60	42,448.76	19.30%	100.00%	71,172.98(15.8 bn US\$ approx.)	15.8 bn US\$
Bulk Drugs	12,647.51	16,360.71	17,307.02	16.98%	40.77%	25,641.11	5.7 bn US\$
Formulations	16,706.39	23,460.03	24,570.98	21.27%	57.88%	44,617.16	9.9 bn US
Herbals	470.12	594.87	570.76	10.19%	1.34%	914.14	0.2b US\$

In the current year, exports are expected to be US\$ 10 billion. It may be noted that exports during 2009 and 2010 have been more or less same as in 2008-09. In the global recession, the impact of global slowdown has not been noticed in the bulk drugs and formulations. However, in herbals or life style drugs sector there has been a fall vis-à-vis 2008-09. It may also be noted that in the overall exports from the country, formulations segment comprise 58% while bulk drug are 41%. Herbals at present are only 1.34%. Keeping in view the interest in the herbal sector and with the anticipated improvement in the world market, this sector is expected to grow substantially. The data for exports for the last 3 years also indicated that with the CAGR of 19.3% the exports would touch US\$ 15.39 bn by 2013-14. Thus, a strategy has to be evolved whereby the target of US\$25bn is achieved.

Enhancing India's market share in regions

4. Region-wise exports from 2007-08 along with percentage share is indicated at **Annexure-I**. A detailed analysis of top 25 destinations of Indian pharmaceutical exports with values has been carried out by PHARMEXCIL (**Annexure-II**). Segment-wise viz., formulations, bulk drugs, being imported into top 10 countries in Europe and India's share therein has also been carried out. The details are indicated in **Annexure-III**. It may be noted from the details enclosed that India's pharma exports growth is coming from North America and Africa. The growth rate however, is in single digit in the major markets of European Union, LAC and Asia. Any strategy to increase exports should therefore have two pronged approach. Firstly, efforts should be made to maintain and where possible enhance market share in markets where India's presence is already robust such as the North America, European Union and Africa. Secondly, even within groups of countries such as European Union and Africa, identify those countries where the rate of growth and market share have been substantially low. It can be seen that in Europe, Germany, Turkey and Italy have shown less than 10% growth. Similarly, in Africa many countries except Kenya, Ghana and South Africa have shown less than 10% growth. Africa is a fast emerging market for generic medicines. Therefore, focus must come on those countries. In Latin America, Mexico and Brazil offer huge potential. Canada has seen a slow growth. Canada by itself is a generic producer. Therefore, special efforts need to be made to increase rate of growth of exports to Canada.

5. The second part of this approach would involve special emphasis on CIS countries, South East Asia, Japan and countries like Egypt and other West Asian territories. In CIS among top twenty five destinations (globally) only Ukraine and Russia have less than 10 % CAGR. They offer huge potential besides other CIS countries where substantial amount of work needs to be done to facilitate registration processes and removing non-tariff barriers. South East Asia is a relatively less explored market for Indian pharma. Only Viet Nam and Thailand have shown reasonable growth, but there is a huge potential in Indonesia, Malaysia and some other similar South Eastern countries. These countries by themselves are not major generic producers, but there is a strong stranglehold of large pharma in these countries. Special efforts are required to enter and propagate in these countries. Japan is a fast ageing society. Japanese requirement for medicines are increasing rapidly. In order to reduce their cost of healthcare, Japanese have shown interest in accepting Indian generic pharma. In the recently concluded CEPA, Japan has agreed to offer national treatment to Indian generic pharma. This is a huge opportunity waiting for us. Industry would have to aggressively pursue Japanese market. It is reported that generic pharma has about 12% share in the Japanese market. Therefore, substitution potential is

substantial and Indian industry must explore it. Government would have to help industry with marketing and regulatory efforts.

6. Interestingly, CAGR in China over the last five years has been recorded at –6.44%. This is extremely embarrassing for the Indian industry. It is noteworthy that at one point of time in the recent past India produced more than 70% of its bulk drugs. Today, it produces only 30 to 40%. Most of its bulk drugs come from China. Thus, a large part of Indian exports is formulation of Chinese bulk drug. This is an extremely disappointing and critical aspect of Indian pharma industry. Action is required at two levels. First of all, critical policy interventions need to be made in the API sector for bringing back bulk drug manufacturing to India. This would require concerted government action over the next few years. Secondly, special efforts need to be made to increase India's presence in China in the formulation sector. This could be negotiated as part of an understanding between India and China. India should also negotiate with China cooperation in the regulatory and enforcement area. This is an extremely sensitive area, therefore, cautious and calibrated approach would be required.

7. Herbals/ traditional medicine is another significant area requiring substantial policy interventions. We have been approaching the European Union to deal with problems arising out of their registration process and the simplified version of it called THMPD with little success so far. It is important that we explore other markets also. Two approaches need to be taken. Firstly, as suggested in the Task Force Report, we need to focus our attention on twenty five more important traditional medicine products selected purely on the considerations of their acceptance in the export markets and then work around those products for pharmacopeia development, marketing tie-ups and regulatory facilitation. Secondly, we should institutionalize cooperation agreements with territories where traditional medicine has strong roots such as South Asia, South East Asia (ASEAN) some CIS countries and some African countries. The agreement within South Asia is the first effort required. We also need to work towards getting traditional medicine practitioner access to these markets because they will carry with them traditional medicine from India.

8. **Improving the composition of production/ export basket in India**

- a. Global Contract Research and Manufacturing opportunity was approximately US\$26bn. in 2008-09 and is expected to touch US\$44bn. as of 2013-14 growing at approx.14.5% CAGR. India has potential to capture 10-20% of which is between US\$4.4 to US\$8.8bn.

- b. New Drug Delivery Systems (NDDS) (sustained release, extended release, etc., over 100 NDDs are there) and Specialty formulations have an estimated global market size of over US\$50bn. Post generics the market size is approx. US\$25bn. India could potentially capture 10 to 20% which is around US\$2.5 to 5 bn.
- c. The world biotech market including monoclonal anti-bodies is estimated at US\$150bn by 2013-14. Post generics the market size is approx. US\$50bn of which India can capture approx. 5% to 10%. In value terms the opportunity is US\$2.5 to 5bn.
- d. APIs market estimated at US\$135bn. Out of which complex APIs is about US\$30 to US\$40bn. India can capture easily 10% or approx. US\$ 3.5bn.

The total additional market which India can capture is US\$4.5bn. +US\$2.5bn. in NDDS + US\$2.5bn in biotech +US\$ 3.5 bn. in complex APIs which is approx. US\$ 13 bn.

(Note: Source of estimated growth: Taking Wings, OPPI & E&Y)

9. **Suggested Initiatives**

In the regional analysis in para 4 to 7, a roadmap has been suggested for improving India's market share in significant destinations. Besides we would require to adopt following initiatives for bringing in significant change in India's export performance.

- a. Target of 20% growth in European Union for which two important issues to be addressed are breaking the knowledge barrier and high bio equivalence cost for product registration. Extensive training programmes, free/online on EU regulation should be offered to Indian companies aggressively.
- b. Increasing India's share in domestic market of China which is growing @ 10% per year. There exists an opportunity for Indian exports of pharma products to China of at least US\$ 2 billion per year. India would have to leverage its position as a key export market for China and negotiate preferential access to Chinese market involving the following:
 - i) Faster registration of specific generic drugs and unique combinations which are available in India and not in China and can contribute to reducing China's healthcare costs.
 - ii) A period of exclusivity in China for such generic drugs to ensure a sustainable opportunity for India in the Chinese market.
 - iii) China undertaking buying missions to India to source these drugs from approved vendors.

- c. The need for special financial package for pharma sector has been highlighted in various foras. Pharma sector is a capital intensive sector. Besides R&D expenditure, regulatory requirements require large funds. Establishing large number of Bioequivalence centers through soft funding would lower the costs of Bioequivalence tests and more registrations/exports can happen from our country. All quality investments should be treated on par with R&D to provide incentive to the industry as cost of quality investments is very high in EU. To maintain the leadership of Indian pharma research in frontier areas would have to be taken up through a government supported R&D programme to boost innovation and enterprise especially in the MSME sector. An Indian Pharma Innovation Fund should be created to operate a For Profit Model with the goal of generating at least 10-15 IPRs per year. Further action on this is separately being initiated by the Division. The issue has already been flagged and discussions have been held with concerned authorities.
- d. To attract more contract manufacturing business, developing capability in existing clusters and providing concessional finance for large scale advanced testing centers, stability testing centers, effluent treatment infrastructure, bioequivalence centers, etc. to enable the individual entrepreneurs build relevant manufacturing capacities and successes in CRAMS space, is the way ahead. Clusters such as Jawaharlal Nehru Pharma City, Vizag should receive special investments and such clusters could be developed in various parts of the country. The infrastructure in these clusters should be augmented for community science and technology services.
- e. In LAC countries such as Mexico, local bioequivalence and separate data requirements which are major barriers. India should therefore fund acquisition of a local bio equivalence center in Mexico (as also in countries where local BE requirements are mandated such as Japan, etc.). A Consortium may be funded by EXIM bank to buy local company/Bioequivalence center to launch products in those countries.
- f. In all key countries of Asia India should open local liaison offices which can provide local agency support for drug registration with local FDAs for both APIs and formulations. These local offices can further provide market information, samples and regulatory and distributor information. Such agency support for multiple companies is permitted universally. Local liaison offices should be opened in 20-25 countries such as Australia, New Zealand, Canada, USA, Mexico, Brazil, Argentina, Peru, South Africa, Vietnam, Ghana, etc.

- g. Herbal industrial parks in line with model concept of JNPC should be developed wherein the national priority 25 herbals are processed into GMP facilities and infrastructure for necessary conversion into end use formulations is provided. Most herbal dealers do not enjoy this infrastructure and the value addition is unnecessarily lost.
 - h. It is imperative of an aggressive approach that a Brand India should be evolved and campaigned for in the next three to five years. A comprehensive proposal for launching a Brand India Pharma globally has been prepared. Initially, it was proposed to be funded through a partnership between MAI, Indian industry and IBEF. However, it is felt that while involvement of industry is critical and IBEF could be used to develop the initiative, the scale of operations for a proper brand creation for next five years would require substantial funding. Thus the source of funding needs to be under a special scheme during the XII Plan rather than be dependent on the limited resources under MAI.
10. Policy initiatives as above would require total commitment by the industry to address strict compliance with WHO GMP requirement as also adhering to quality parameters at all stages of manufacturing. Government can only create an environment for faster growth. However, the real implementation and commitment has to come from the industry.

With the road map indicated above, the targeted exports of US\$ 25 billion by end of 2013-14 are within our reach.

ELECTRONICS GOODS

Electronics goods sector is characterized by a large variety of products which are imported and significant exports as well. The volume of exports is about US\$ 7.5 billion annually. There is a huge domestic demand for electronics products which is met largely by imports and some local manufacture. Large and rising domestic demand fuelled by the growing middle class has resulted in companies not actively looking for export opportunities. The Indian electronic hardware manufacturers also experience a higher level of taxation, cost of power, finance and freight and poorer infrastructure compared to their competitors from China, Taiwan, Korea and Japan. Consequently the cost of production of most electronic goods in India is at least 8 to 10% higher than in other countries of South East Asia.

2. China, our main competitor in this sector, with its state of the art infrastructure, manufacturing competitiveness due to lower factor cost and pricing power and other reasons including the artificially low exchange rate of the currency has an even bigger advantage. It is, therefore not surprising that China has been able to attract large market leaders in the electronics sector with established international brands by offering land at low cost, high quality infrastructure that reduces transaction costs, low wages, subsidized credit and extremely liberal capital structure. This has led to economies of scale which in turn have made the Chinese electronic goods industry competitive. A strategy to double exports of electronic goods from India in 3 years will have to address the disabilities vis-a-vis China and leverage our competitive advantage.

3. Indian exports of electronics hardware can increase faster if we are able to increase exports of high value added items, products embedded with IPRs and diversify our export basket. The strength of Indian electronics industry in design, system integration and diagnostic skills needs to be leveraged for catering to niche markets. While some interventions will have major impacts in the long term, if implemented effectively, they will make a difference sooner. After ITA-1 in 2005, with zero or very low duty rates already prevalent in this sector, reforms like simplification of procedures can have a significant impact in raising exports.

4. Taking the above into consideration the contribution of different items and categories of electronic goods to the export target of US\$ 17 billion by 2013-14 has been estimated to be:

(USD Million)

	Category	2010-11	2011-12	2012-13	2013-14
1	Mobile Phones	1560	2050	2680	3540
2	Sub Assemblies	1070	1400	1840	2410
3	Electronic Components	1020	1330	1750	2330
4	Audio-Video Products	1000	1310	1720	2250
5	Computer Peripherals & Parts	450	590	770	1010
6	Power Equipments	420	550	720	940
7	Solar Energy Products	400	520	690	900
8	Medical Equipments	300	390	520	680
9	Telephone Sets	250	330	430	580
10	Industrial Equipments	200	270	350	460
11	Computers	80	100	140	180
12	Trans. Apparatus & Parts	40	50	70	90
13	Watches and Clocks	30	40	50	70
14	Others	680	890	1170	1560
Total		7500	9820	12900	17000

Strategy to Achieve Export Targets

5. The target of exceeding US\$ 17 billion of electronic goods exports by 2013-14, and substantial import substitution as a by-product, would require addressing some of disabilities related to infrastructure, labour productivity, costs and common facilities. More specifically the target can be achieved by adopting the following:

A. Setting up Manufacturing Clusters or Industrial Parks

Electronic goods that are manufactured for exports require infrastructure facilities, a large number of imported components and skilled labour. Mass production of these items can be competitive if components are available on time and the ecosystem ensures that transaction costs are low and inventory carrying costs are borne by the component manufacturers. In the Indian context this is possible if units manufacturing major product lines are set up in SEZs along with units producing (or warehousing) essential components on the lines of the Nokia SEZ in Tamil Nadu. The clusters should also have employee hostels and other facilities like clinics and sports facilities to enable employees to stay on site, be more productive and put in extra time if required by production schedules. In addition, logistics, warehousing and testing facilities need to be provided on site. Each such cluster needs to be anchored by one or more dominant international brands. To attract such mother units for manufacture of computers, tablets, cell phones, medical electronic equipments, telecom equipment etc industrial parks need to be promoted with the 'Make in India' tag.

B. Diversification by Promoting Repair/Reconditioning/Refurbishment of Electronic Goods

The American market for repair/reconditioning/refurbishing of electronic goods is estimated to be US\$ 10 billion annually. The EU market size is of the same order. The major countries servicing the American market are China, Vietnam, Philippines & Thailand. India has a few large emerging companies which are beginning to provide these services but the combined turnover is of the order of only US\$ 5 million. Indian workers are recognized as having better diagnostic skills and thus enjoy a core competence in the area of repair and re-export and this should be used as a major opportunity. Further, due to excellence in the software sector Indian industry has very good brand equity in the US. An export volume of US\$ 1 billion can be targeted in the US market over the next three years (creating 5 lac jobs) by merely simplifying the procedure for one-to-one correlation of units like laptops, mobile phones, mother boards, memory cards, etc. (both having unique identification numbers and others) at the time of import and re-export. Since repair and refurbishment services are related to warranties/guarantees and require time-bound delivery the maximum time for inward and outward custom clearance needs to be specified (say 48 hours). Units under this category may be asked to provide monthly declarations of imported and exported quantities for each type of hardware to customs subject to periodic audit and deterrent penal provisions for wrong declarations. Also the maximum time for export of any imported item after repair or being scrapped needs to be fixed as six months.

C. Promoting 'Intelligent Manufacturing'

In the evolution stage advanced technology products require huge engineering support and a combination of hardware, software and system integration skills. This niche area is called intelligent manufacturing. These are usually high tech products which provide high value addition but low volumes in highly quality conscious capital goods sector. India has a competitive advantage in this sector where a large proportion of value addition is through software and system integration. Such electronic items are widely used as part of telecom and power equipment. Establishing joint ventures with Chinese companies like Huawei, Zte etc. which have manufacturing strengths and substantial market share in third world countries, can help in increasing high tech exports in the short term to Africa and the Middle East. Such joint ventures can either be independent or part of industrial parks set up with Chinese investment as proposed by China during the visit of the Chinese Premier.

D. Reform by Simplification of Customs Procedures

Customs procedures were designed during a regime when customs duties were much higher than excise rates. With the signing of the ITA-1 electronic hardware sector was the first sector to open up with zero duty on most items and overall low duty rates. However, the customs procedures have not undergone any simplification which is the need of the hour. All raw materials, components, intermediate products if imported by an excise-registered manufacturing unit should be allowed at zero duty based on self-declaration. The local excise range, with which these units are registered, can ensure that there is no misuse.

In other words, the customs procedures should move from a refund regime to a self-declaratory regime as is the case with excise duties. This will go a long way in reducing a major non-tariff disability faced by the electronic goods exporting units.

E. Support for R&D for Generating IPRs and Development of High Technology Products

Each line of mobile phone capacity that we add results in an outflow of US\$ 15 on account of royalty payments for IPRs held abroad. Viable manufacture and export of value added electronic goods require domestic companies to possess IPRs for such products. This is the main reason why Taiwan which is a leader in manufacture of consumer electronics has not been able to make any headway in manufacture (or export) of telecom products like mobile handsets. IPRs can be generated only with a government supported R&D programme which gives a boost to innovation and entrepreneurship.

A programme of entrepreneurship development in telecom equipment, called the India Telecom Innovation Fund should be created to operate a for-profit model with the goal of building at least 20 innovative and successful techno- enterprises focused on providing telecom solutions for the rural sector within the next three years. These solutions would be of use for rural India as well as result in exports. This intervention will involve setting up of a physical incubator to provide access to technology platforms, test labs, office space and help mentor and provide managerial inputs to start-ups. It would support commercialization of technologies by providing seed fund for moving from the concept stage to prototype stage, an angel fund for progress from prototype to product and a venture capital fund for commercialization of products. This activity could be funded by the Universal Services Obligation Fund of the Department of Telecom. This will result in accelerating the conversion of various prototypes already developed by academic and research institutes into marketable products that could be exported even in the short period of three years.

F. Nurturing Skill Development

For doubling exports of the electronics goods the manufacturing base of industry will have to increase manifold. However the shortage of skilled workers is likely to impact this unless urgent efforts are made to augment skill development for this sector. The capacity of ITIs for producing skilled workers suitable for employment in the electronic hardware sector needs to be increased and in the short run the scheme of adoption of ITIs by private companies needs to be made more user friendly. This scheme is a non-starter in many states like UP which have a concentration of electronics hardware manufacturing. Most of the schemes of the National Skills Development Corporation also need to be revamped. The challenge of making available adequate and better skilled manpower to Indian companies to enable them to make products for the export market needs to be tackled urgently.

G. Setting up a Semiconductor Wafer Fabrication Facility

Government of India is considering inviting a leading international player to set up a fab facility in India. This has a great potential of expanding downstream

manufacturing related to assembly, testing, packaging and marketing of products that use semi-conductor chips. This decision needs to be expedited as a fab will act as a magnet for attracting a vast array of export- oriented units. Once the location of this facility is decided, an industrial park/SEZ/cluster with state of the art infrastructure needs to be established for downstream units. Setting up of a fab which is likely to take one and a half years and an attached electronics cluster will create an eco-system for attracting reputed original equipment manufacturing units to set up base for exports of electronic components specially to Asia and Africa.

H. Infrastructure Improvement

A major constraint faced by electronic goods exporters based in the northern part of the country is the difficulty in getting containers for transporting goods to Mumbai and the inordinately long time required to move consignments from container terminal to port to ship. The absence of coordination between the Container Corporation of India (CCI), the Railways and the port authorities makes matters worse. This is further compounded by the fact that ship berthing assignments often get shifted from JNPT to Mundra at short notice due to port congestion. Since it is not possible to divert consignments in the time available this often results in missed shipments. Thus there is an urgent need to expand container capacity on trunk routes to Mumbai and develop an integrated solution involving CCI, the railways and ports to minimize shop-floor to ship transportation times.

GEMS AND JEWELLERY

Gem and Jewellery exports have increased by 82% in 2009-2010 as compared to 2006-2007. During this period, the export of diamonds has increased by 73%, gold jewellery by 57% and colour gemstones & others by 219%. During the period April-December 2010, G&J exports have increased by 18.10% as compared to the corresponding period in 2009. G&J exports comprised 16.27% of our global exports in 2009-10 as compared to 12.64% in 2006-07.

1. Projected incremental growth in gem and jewellery sector up to 2013-14:

(in Billion \$)

Items	Actual Exports April 09 to March 2010	Export Target sent to MOC & I for 2010 to 2011	Estimated exports 2011-12	Estimated exports 2012-13	Estimated exports 2013-14
Cut & Polished Diamonds	18.24	20.44	26.57	34.54	44.90
Gold Jewellery	9.68	11.14	13.81	17.12	21.23
Col. Gem Stones	2.87	0.31	0.33	0.35	0.37
Others	1.51	1.97	2.39	2.90	3.50
Total Gem & Jewellery	32.30	33.86	43.10	54.91	70.00

Source: GJEPC

2. Action Plan to achieve the targets

I. Sourcing and Supply of Rough Diamonds/Coloured Gemstones

Rough diamonds are mostly imported by India. With pro-active involvement of the Government in the Kimberley Process and continuous follow up within the framework of the existing bilateral institutional mechanisms, our industry could source roughs directly from Russia, Namibia and Zimbabwe. These efforts need to be pursued with greater momentum and an aggressive policy needs to be developed to ensure continuous supply of roughs from countries and additional diamond mining companies. Similarly there is a need to explore continuous supply of coloured gemstones from countries like Brazil, Russia, Tanzania, Myanmar etc. during the bilateral meetings.

II. Credit Availability

The Gem & Jewellery industry is an import based industry which requires foreign currency i.e US Dollars. To ensure easy and continuous availability of roughs from overseas mining companies and for its marketing and infrastructure needs, there is a need to ensure bank finance in foreign currency at international interest rates and costs. Special reserves may be created by the Reserve Bank of India for this industry.

III. Consignment import of rough diamonds

It is necessary to allow consignment import of rough diamonds for conducting the following operations/activities to make India a major international diamond hub:

- Assortment & re-export of the same:
- Purchase or return:
- Sale of rough diamonds, rough coloured gemstones, cut & polished diamonds and coloured gemstones by a foreign miner without IEC number:
- Establishment of a diamond sale operation in India

Under this system both the cut and polished, and rough diamonds are imported on consignment basis from across the world and are assorted in different lots according to the cut & polished size and displayed for auction. After the bidding, diamonds are taken by the bidder and the unsold diamonds are re-exported back.

IV. Skill Development

In order to address issue of skill development of manpower, the Government has a scheme implemented by the National Skill Development Corporation (NSDC). Adequate funding may be provided under NSDC to strengthen the infrastructure of training institutes and upgrade training methodology in consultation with the Gem and Jewellery industry.

LEATHER

1. INTRODUCTION

The leather sector is amongst the top ten foreign exchange earners for the country. It has registered consistent growth in exports with exports increasing from US\$ 2.22 billion in 2003-04 to US\$ 3.60 billion in 2008-09. Though the Leather sector has shown positive export performance even during 2007-08 when the Indian Rupee appreciated significantly, exports declined by 5.51% during 2009-10 in dollar terms due to continued impact of global financial crisis.

2. SECTOR TARGETS: LEATHER

(Value in Million US\$)

Product	2009-10	2010-11	2011-12	2012-13	2013-14
Finished Leather	625.54	660	720	810	1006
Footwear	1507.51	1670	2150	3000	4870
Leather Garments	428.52	475	660	900	1112
Leather Goods	756.02	850	1200	1400	1789
Saddlery & Harness	83.39	95	120	190	233
Total	3400.98	3750	4850	6300	9000

3. MAIN ACTION POINTS

To achieve the envisaged export target of US \$ 9.00 billion by 2013-14, the following main steps would need to be considered:

(A) Development of Mega Leather Clusters:

Extensive capacity expansion will be critical to realize the full potential for future growth of the leather industry. It is proposed to develop Mega Leather Clusters in about seven states. These leather clusters will house state-of-the-art manufacturing centers with all infrastructural facilities including roads, power, water supply, effluent treatment plants, training centers, export infrastructure etc. at one place. It has been announced in the Union Budget 2011-12.

It is estimated that the financial implication will be about Rs.125 Crore per cluster for the development of the common infrastructural facilities in each cluster on cost sharing basis between Government and the Leather Industry.

(B) Continuation of all existing Support Measures

Even though the impressive growth witnessed by the leather sector during 2010-11 is encouraging, there are several factors which pose a great challenge to the sector in the future. These include the persisting Euro Zone crisis the intense price competition not only from China and other

South East Asian Countries but also countries like Pakistan and Bangladesh; and the rising prices of chemicals/inputs required by the leather/tanning industry. Hence, the existing support measures under Foreign Trade Policy 2009-14 namely Marketing Development Assistance (MDA), Market Access Initiative Scheme (MAIS) and Assistance to States for Infrastructure Development (ASIDE) need to be continued for the next 5 years.

(C) Capital Support

Creation of a Venture Capital Fund under a suitable Nationalized Bank to target export oriented leather units.

Leather units/projects face difficulty in raising adequate capital from sources like public issues or bank loans. By creation of a Venture Capital Fund under an institution like Exim Bank, ECGC or a Nationalized Bank equity participation for capital requirements can be made possible. Such equity can be bought back by the unit in a pre determined phased manner within a span of say 5 years. Creation of such a revolving pool of funds would be useful for capacity enhancement/modernization of existing leather units and also in establishment of new units.

(D) Skill Development

Skill Development is a key requirement for enhancing productivity. Hence, suitable modules on capacity building and training, shop floor level training etc., need to be developed through FDDI to ensure adequate supply of skilled manpower for carrying out floor level operations.

FDDI can play a useful role in imparting training. It has established 5 branches in Fursatganj, Chennai, Kolkata, Rohtak and Chhindwara. 3 more branches FDDI may be set up across the country during next three year. An amount of Rs. 300 Crore may be provided for this purpose @ Rs. 100 Crore per branch.

(E) Raw Material Availability

The Indian leather industry requires an additional 2 billion sq.ft of leather in the next 5 years, over and above the 2 billion sq.ft that is currently available per annum. Considering the domestic limitations, we have to look for new markets for importing the leather to meet our increasing requirement.

TEXTILES

The summary export projections for the textile sector as a whole consisting of the five important sectors is tabulated below.

(Value in US\$ Million)

Year	RMG	Cotton yarn fabrics and made ups	Man made yarn fabrics and made ups	Carpets	Jute	Total
2009 -10	10703	3694	3959	737	300	19392
2010 -11	11238	5644	3900	1100	450	22332
2011 -12	13642	7250	4900	1446	650	27888
2012 -13	16855	9106	6700	1902	800	35363
2013 -14	21500	11500	9000	2500	1000	45500

The strategies for achieving the export targets for each of the product groups in the Textile sector are outlined below.

READYMADE GARMENTS

Readymade Garments are the most significant item in the basket of goods exported in the textile sector by India. India contributes 3.6% share in the total world export of apparel and it is one of the top ten export items of India. The export performance during the last three years has been as under:-

2008-09	-	US\$ 10.93 Billion
2009-10	-	US\$ 10.71 Billion
2010-11	-	US\$ 5.03 Billion (April - September)

After showing a consistent increase since 2005, India's Apparel exports showed a decline in 2009-10. During 2010-11 (April September) the trend is still negative with a decline of 6.6%.

While Readymade Garments is the single largest contributor to exports in the textile sector, it also is the sector which offers the scope for maximum

growth. It is in view thereof that an ambitious target of US \$ 21.5 Billion has been fixed for 2013-14. The year wise projections are as follows:

(US\$ Million)				
2009-10	2010-11	2011-12	2012-13	2013-14
10702.62	11237.75	13642.47	16854.9	21494
	5%	21%	24%	28%

After the end of the Quota Regime in textile in 2004, there has been an increase in the fresh investment in the sector. However, the pace of investment has to be further speeded up if the target of US\$ 21.5 Billion is to be achieved. Towards this end, the following steps are to be taken:

1. A substantial increase in production capacities is required. The increased investment is required to be made not only in garmenting but also in downstream activities. This infusion of investment is critically required if we are to compete with our major competitors like China, Bangladesh and Vietnam. 100% depreciation may be allowed on capital expenditure on Textile Machinery for income tax purposes so as to encourage fresh investment.

2. Rising input costs are a major factor affecting exports of garments worldwide. Since India has the advantage of having its own source of raw material, this advantage needs to be leveraged so as to gain a competitive edge over other countries. The exports of cotton and cotton yarn need to be regulated in a manner which protects the domestic industries from the major fluctuations in raw material prices.

3. A huge potential exists for increasing exports by undertaking capacity building in this sector. The following specific initiatives are recommended for capacity building:-

- i) Improving compliance level in the factories by introduction of Common Compliance Code for Apparel Industry. An estimated sum of Rs. 12.73 Crores is required.
- ii) State Apparel Parks under the SITP Scheme. 40 Projects already approved by the Ministry of Textiles involving investment of Rs. 19459 Crores need to be implemented at the earliest.
- iii) Increased funding of the Textiles Centre Infrastructure Development Scheme.
- iv) Productivity Improvement Programs.
- v) Extension of Knit Wear Technology Mission.
- vi) Budget needs to be substantially enhanced for Technology Up-gradation Fund Schemes (TUFS).

- vii) Creation of domestic production centres for sewing machines and machine for allied activities.
- viii) Setting up of more design studios for encouraging Indigenous Design Development.

4. In order to achieve the additionality in exports, value addition to the existing export products is required. It is further proposed that productivity improvement programmes be run simultaneously.

5. In order to be able to carry out extra production the pool of trained workers needs to increase substantially (1.75 Million Workers need to be trained). This would require liberal Financial Assistance for training initiatives.

MAN MADE YARN FABRICS AND MADE UPS

- I. Manmade yarn fabrics and made ups constitute the 12th largest commodity in India's export basket with the share of 2.02%. This sector has shown consistent export performance over the years, showing decline only during 2005-06. During last five years, exports have grown by nearly 10% CAGR to reach the level of US\$ 3.6 billion in 2009-10.

The performance of this sector during the last 3 years is as under:

2008-09	-	US \$ 3.05 Billion
2009-10	-	US \$ 3.61 Billion
2010-11	-	US \$ 1.85 Billion (April – Sept.)

Indian manmade fibre textile industry has a large production base which is complemented by self-sufficient raw material production base. India offers the entire range of polyester, viscose, nylon, acrylic and blended textile items. This sector also boasts of vertically integrated complete production chain starting with production of raw material to exquisite fabrics and made ups.

Due to durability, vibrancy and the scope for production of diverse range of designs and textures, this sector has unlimited potential as compared to cotton textiles. Considering the past performance and the potential available in this sector the export target has been fixed at US \$ 9 billion by 2013-14.

While this sector has been a consistent export performer there is a need to take the following steps in order to achieve the target of US \$ 9 billion.

1. The high custom tariffs in the importing countries are an important limiting factor in expanding our exports. The tariff ranges from 18 to 35 % in many of the important regions of the world like Latin American MERCOSUR countries, Egypt and Morocco in WANA region, Russia and Uzbekistan in CIS countries. Efforts are required to negotiate with these countries to reduce the tariff structure.
 - a. The Latin American MERCOSUR countries Tariff: Fibre up to 16%, Sewing thread, Yarn up to 18%, Fabrics up to 26%, Made-ups up to 35%.
 - b. WANA countries tariff: Egypt up to 30% on Made-ups, Morocco up to 27.5% on Fabrics and up to 35% on Made ups.
 - c. The CIS countries tariff: Uzbekistan up to 30% on fabrics and Made-ups, Russia up to 20% on Made-ups.
 - d. African countries tariff: Kenya up to 25% on thread, Fabrics, and Made-ups, South Africa up to 22% on Fabrics, Made-ups up to 30%.

- e. European countries tariff: Fibre and yarn up to 5%, Fabrics up to 8%, Made-ups up to 12%.
 - f. South Asian countries tariff: Bangladesh up to 25% on Fabrics and Made-ups.
2. The Non-Tariff issues that have a bearing on the sector and which need to be addressed are as follows
- a. Anti-dumping duty imposed by Turkey vide Notification dated 11/1/09 on the import of “Spun Yarns made out of man-made fibre” originating from India.
 - b. Anti-Dumping Duties imposed by Brazil vide Resolution dated December 16, 2009 on the import of “Viscose Spun Yarn” of Indian origin ranging from US\$ 0.40/kg to US\$ 1.24/kg.
 - c. Anti-dumping investigation initiated by Peru on imports of fabrics made out of Polyester Staple Fibre and Viscose Staple Fibre of Indian origin.
 - d. Child Labour issue raised by the US Department of Labour.
 - e. Foreign Manufacturers Legal Accountability Act (FMLAA) introduced by the United States’ Senate on February 24, 2010. The Act proposes to make it mandatory for the foreign manufacturers and producers to establish a registered agent in the United States in order to export their goods to the United States.
 - f. REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) brought into effect by the European Union. As per the new chemical legislation, the products that are being imported into the EU will have to be registered with the European Chemical Agency (ECHA). Otherwise, the products may not be allowed to come to the EU.
3. Dispense with the requirement of maintaining the average export performance under the EPCG scheme.
4. Exempt Capital goods supplied indigenously under the EPCG Scheme from Terminal Excise Duty (TED).

COTTON YARN FABRICS AND MADE UPS

1. This is the 11th largest item of export from India and the share of India in world export is 5.2%. The export performance during the last three years is as follows:-

2008-09	-	US \$ 4.16 Billion
2009-10	-	US \$ 3.70 Billion
2010-11	-	US \$ 2.642 Billion (April to September)

2010-11 has shown a robust increase in exports of cotton yarn. India has an inherent advantage in this sector because of abundant availability of raw material, long tradition of craftsmanship and design and presence across the entire value chain. Because of these reasons the target of almost doubling exports to US \$ 11.5 Billion has been fixed for 2013-14.

The export competitiveness of this sector is very significantly affected by the cost & reliability of power supply, logistics and transaction costs. In order to boost the export performance, the following steps need to be taken:-

- i) Being a power intensive sector, major steps for improving power supply.
- ii) Having a long term policy regarding export restrictions on cotton yarn so as to ensure stability and predictability for the producers.
- iii) Treating Home Textiles at par with Readymade Garments for all incentives under the EXIM Policy.
- iv) Expand the list in New Focus Market Scheme so as to include some more potential markets like Brazil, Mexico, South Africa, Kenya, Australia, Middle East and South America, Vietnam, Egypt, Morocco.

CARPETS

The current world trade of handmade floor coverings is estimated to be around US \$ 2.56 Billion. India ranks number one in terms of value as well as in volume of exports of handmade carpets. The major competition to the export of Indian handmade carpets is coming from China, Iran, Nepal and Pakistan.

The industry has a huge potential for growth. India has around 29% share of the world market for handmade carpets and floor coverings US is the largest importer accounting for about 50% of the total exports. Considering the potential in the sector and its direct relevance to creation of employment, the export target for the sector has been fixed at US\$ 2.5 billion for the year 2013-14 which works out to CAGR of 31.49%. The projections from 2010-11 to 2013-14 are as under:-

US \$ Million	
2010-11	1100.00
2011-12	1446.41
2012-13	1901.92
2013-14	2500.00

In order to achieve this projected target, the following steps are to be taken:

1. **Refund/ Adjustment of Transactional Cost** - It is a well-known fact that the cycle of carpet production from the date of receipt of order till the date of shipment is very long – 6 to 12 months. Also carpet production is done over a huge geographical area. Therefore it is important that some way be devised to compensate the industry from the very high transaction costs to make it competitive with its foreign counterparts.
2. **Infrastructure** needs to be improved in the major carpet clusters particularly Bhadohi / Mirzapur belt. This may include improvement of road from Varanasi Airport to Bhadohi / Mirzapur town, improving power supply situation and providing better medical facilities to the weavers.
3. **Additional support of 2% as Bonus Benefit under FPS for all sort of carpets and floor coverings w.e.f. 1st April, 2010 :-**

Due to the prevailing conditions in Kashmir Valley, since 1990, only carpet industry has become the livelihood of Kashmiri craft persons and the production has increased from Rs. 50 Crores to Rs. 500 Crores. Keeping in view the importance of Kashmir Carpets, Government has increased the bonus benefit of 2% under Focus Product Scheme on Silk Carpets only whereas woollen carpets, synthetic carpets, chain stitched rugs,

Namdhas also manufactured in Kashmir Valley have not been included. These may be included for the additional bonus benefit of 2% under Focus Product Scheme.

4. Carpet export sector is heavily dependent upon US and European Markets. Effort may be made to explore the new markets like Turkey, Middle East, LAC countries.

JUTE

As per National Jute Policy, the ratio of domestic consumption to exports needs to be improved from 82%: 18% to 65%: 35 %. Export of Jute manufactures, including floor covering, during 2009-10 was US \$ 200 Million. The Department has fixed a target of US\$ 1 Billion Dollar for 2013-14. For this target to be achieved the problems related to labour costs and fluctuations in the prices of raw jute have to be overcome. A significant process improvement in jute and jute products also needs to be brought about.

AGRICULTURE

According to the 2009-10 figures, the total export of agricultural products being looked after by EP Agri Division comes to **12118.56** million USD. The strategic targets projected for 2013-14 are given below:

Quantity: Lakh Tonnes, Value: US \$ million

ITEM	2007-08 (Achieved)		2008-09 (Achieved)		2009-10 (Achieved)		2013-14 (Projected)		Remarks
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
Basmati Rice	11.83	1079.64	15.56	2060.52	20.16	2284	28	3400.00	About 15% annual growth. Price USD 1200 per MT
Non –Basmati Rice	52.86	1841.41	9.31	366.87	1.39	87.42	30	1500.00	Assuming that exports ban/restriction is revoked.
Other Cereals (Maize etc.)	32.28	746.09	40.00	852.42	29.04	633.37	10	500.00	Assuming that exports ban/restriction is revoked.
Wheat	0.002	0.06	0.01	0.32	0.0002	0.05	4	100.00	Limited release of 4 Lakh MT, Price USD 250 per MT
Pulses	1.64	130.81	1.36	117.46	1.00	85.86	4.00	300.00	At the level of best performance years in past.
Meat, poultry & Dairy	-	1277.12	-	1503.49	7.20	1517.72	11.44	3000.00	About 25% annual growth.
Fruits & Vegetables	-	726.74	-	956.53	-	1090.42	-	2630.00	About 30% annual growth.
Processed Foods/ Spirit & Beverages	-	766.44	-	965.86	-	980.20	-	3000.00	About 45% annual growth.
Nuts and Seeds	7.19	1241.52	6.34	1238.98	6.84	1211.16	1.30	1842.00	About 15% annual growth.
Tobacco	1.73	480.08	2.08	752.51	2.31	915.91	-	1122.00	About 7% annual growth.
Sugar & Mollasses	55.82	1407.22	35.04	985.24	0.75	27.40	2.90	700.00	Assuming that exports ban/restriction is revoked.
Oil Meal	69.08	2022.95	67.42	2232.77	46.88	1654.52	84.67	2100.00	About 7% annual growth.
Guargum Meal	2.11	279.75	2.58	291.13	2.16	238.78	3.16	350	
Floriculture Prod./Fruit & Veg. Seeds	-	119.85	-	106.28	-	92.58		171.00	About 23% annual growth.
Miscellaneous	-	1072.24	-	1378.10		1299.17		1300.00	At same level achieved in 2009-10
Total *		13191.92		13808.48		12118.56*		22015.00	

* This includes meat & meat products but does not include Tea, Coffee, Spices etc. details of which have been furnished by Plantation Division.

A. Potential Areas:

1. As can be seen, the highest increase is possible in the **foodgrain** segment where besides the average 15% annual growth in Basmati rice, the policy decision to allow export of Non Basmati Rice, Wheat and other cereals available above the buffer norms can be easily achieved and can overshoot the targets.
2. The other major enhancement that can be achieved is in the field of **value added processed products**, where there is a huge potential and the incentives given for the units manufacturing export products can do the trick.
3. In the case of **meat, poultry and dairy products** and meat products also, the projected doubling of exports can be realized if we can adopt good animal husbandry practices and a uniform policy for slaughtering, maintenance of abattoirs and address the quality concern and backward linkages.
4. In the **fresh fruits and vegetables** segments, the doubling of exports is very much feasible as India is one of the leading producers of these commodities. Ensuring cold chain corridors with cargo handling facilities for perishable commodities can avoid large scale wastage that currently takes place post harvest.
5. In the **nuts and seed** segments also, the exports can double provided some policy incentives are given to the exporters concerning logistics which are common to others and some issues regarding HS classification and VKGUY are addressed.
6. **Oil meals** also have good potential to register substantial gains if some of their demands concerning HS classification and incentives under VKGUY are properly addressed.
7. **Guargum:** The growth of export of guargum has potential subject to consistent supply of Guar Seed and its quality. Lack of infrastructure support, poor technology and poor agricultural practices, the yield of the crop grown in arid zone of the country is low and needs to be addressed.
8. Any substantial increase in the growth of **Tobacco** exports will be constrained by India's obligation under the Framework of Global Tobacco Control. However, over 50% growth can be achieved by improving the curing and realizing better prices in traditional markets and finding new markets.
9. **Pulses and Sugar** will always remain dicey candidate for exports in view of perennial shortage in the case of former and seasonal uncertainty in the case of the latter. Still new initiatives like encouraging organic exports may open up fresh opportunities for these products.

10. **Organic products** though having a low threshold can easily go up substantially with more dissemination of information on compliance, standards and equivalence agreements with importing countries.

B. Fund Requirement

To achieve the above projected export figures, following funds will be required in addition to the normal budgetary provision for APEDA:

S. No.	Product/Sector	Intervention	Requirement in Rs. Crore (over three years)
1.	Fruit, vegetables and other perishables	Dedicated cold chain corridors with assistance to both public and private sectors	200
2.	Fresh fruits & vegetables	Market Promotion	15
3.	Processed foods	Building up of quality / Promoting adoption of HACCP, ISO, GAP, Traceability standards	60
4.	Live stock products	Backward linkages for increasing live stock population and better animal health for meat production	60
5.	Organic products	Capacity building for production &, certification	15
6.	Agro products in consumer packs	Promoting exports in Indian brands for direct retail	100 (fiscal incentives through DGFT)
	Total		450

Besides, additional funds under Assistance to States for Infrastructure Development of Exports (ASIDE) and Vishesh Krishi Gram Upaj Yojna (VKGUY) will be required to boost agricultural exports.

C. Elements of Strategy

1. Supply Management:

In a country like India with over 1 billion population and agriculture largely depending on the vagaries of monsoon with serious issues of food security, any strategy to promote agricultural exports will necessarily have demand and supply at its core with instruments of procurement, storage and distribution to service the same. The periodic and recurrent spurts in price of essential commodities do not augur well for exports. It is, therefore, essential to have a very clear policy about foodgrains based on the buffer norms and strict implementation of the same. As for the perishable products like fruits and vegetables, it is proposed to have a system whereby critical reserves could be procured and stored at strategic locations by a centralized agency to ensure that any unusual rise in the price of a perishable essential commodity can be offset by prompt delivery of sufficient quantities to control the prices. Such centrally procured stocks of perishable commodities if unutilised for price stabilization, can then be offloaded in the retail market / PDS or exported where possible with or without processing before the new harvest of that product comes into the market. This system will need to be fine-tuned to ensure availability of essential commodities at reasonable price in the domestic market and at the same time continue with sustainable exports to remain a credible supplier in the international market.

2. Infrastructure and Technology:

This kind of centralized procurement and storage will require substantial infrastructure to be built in terms of warehouses, cold storage, reefer vans, food processing plants with provision to press in service special railway rakes for swift distribution in the domestic market and shipment to the exporting ports. Dry Port facilities may be created at strategic locations in the growing/ processing areas to avoid any delays in handling procedures and pre-shipment inspections etc. The necessity to develop the post-harvest storage technology cannot be over emphasized in our country where we annually suffer wastage of anything from 20-30% of the crop for want of adequate post-harvest handling facilities and market linkages. Appropriate schemes can be devised for providing incentives for warehousing in the private sector while Government can create the required infrastructure by going in for common facilities for packaging, creating corridors for perishable commodities and cargo handling centres for perishable commodities at all the airports and seaports. Berths may be increased at existing ports and new ports in the private sector may be encouraged to avoid any congestion and delay.

3. Food Processing and Value Addition:

Food processing and value addition will be crucial for any strategy to boost exports of agricultural products. As already mentioned there is lot of wastage for want of post harvest and food processing technology. We only process hardly 3% of our fruits and vegetables. Encouraging development of post harvest technology and incentivising food processing in the producing areas will be central to any sustainable strategy to boost export of agricultural products

from the country. Appropriate schemes can be devised to offer incentives for setting up food processing units in the rural areas which will not only generate employment but provide platform for value addition and diversification of food products to meet the standards and requirements of the importing countries. It is in this segment that the potential is almost infinite.

4. Market and Product Development:

Any international trade in agricultural and processed food products depends on the international demand and supply situation, availability of the concerned product in the domestic market at reasonable price, health safety and quality standards as may be applicable in the importing countries and price competitiveness. For these reasons, it is important to disseminate information about the quality requirements of major markets, create a network of certifying agencies backed with laboratories manned by trained technicians. Besides, we must encourage agreement for conformity of standards, standard equivalence and agriculture market access for our agricultural products in the focus countries.

Certain **generic and product specific measures** required to achieve the above targets have been identified, and are indicated below.

Currently, India's Agri export share in the international market is about 1.4%. Being an agriculture country, there is a tremendous scope to increase India's Agriculture export from US \$10809.95 Million (2009-10) to US \$22015.00 Million (2013-14). However, to achieve this projected target, EP (Agri.) Division has worked out the following generic/common as well as product specific approach.

D. Generic Measures

- i) Enhancing production through increased acreage & increasing productivity by adopting Good Agricultural Practices (GAP).
- ii) Improvement of Infrastructure facilities, especially at post harvest stage.
- iii) Strengthening of backward linkages for increasing the supply of raw material.
- iv) Increasing Market Access and Aggressive Promotion activities.
- v) Research & Development to improve quality of produce at farm level.
- vi) Institutional mechanism to impart knowledge & information among farmers about quality, statutory and procedural requirements of major importing countries with specific focus on European Union, USA, Middle East etc.
- vii) Engaging important trading partners for removal of trade restrictive practices like imposing unfair SPS/TBT measures etc.
- viii) No grant of concessions under FTAs in agriculture sector without redressal of our outstanding issues and based on reciprocity. e.g. Under

EFTA concessions/further market access may not be granted without resolution of issues relating to MRLs on various agri commodities.

- ix) Preferential export promotion policy support for value added products vis-a-vis raw material exports. e.g. Castor oil products, Guar Gum etc.
- x) Allowing exporters to pay ocean freight in dollar terms to the shipping companies in USD from their EEFC account there by reducing transaction cost towards freight by at least 1%.
- xi) Insuring availability of adequate and cheap export credit in foreign currency.
- xii) Harmonization of state laws/procedures/taxation issues relating to agri commodities having huge export potential.
- xiii) Incentive for contract farming drip irrigation for enhancing farm productivity.
- xiv) Engaging major export destination to remove/reduce duties on exports of important Indian agri produce.
- xv) Provision of electricity to cold chain and other agri infrastructure (Green House etc.) at the same rates as provided to farmers.

E. Product Specific Measures

1. Cereals (Rice, Wheat and Coarse Grains):-

- * **Strength:** High acreage of farming and involvement of major chunk of population in the farming of cereals.
- * **Impediments:** Lack of awareness of scientific approach of farming resulting in lower yields, inferior quality produce having unacceptable levels of pesticide residues, etc.
- * **Suggestions:**
 - i) Opening up of exports of non-basmati rice and wheat subject to realistic Minimum Export Price (MEP)/quantitative restriction.
 - ii) Sustainable, long term and stable export policy instead of knee jerk reactions to short term price fluctuations.
 - iii) Promotion in new markets by signing protocols related to Pest Risk Analysis (PRA) with more and more countries.
 - iv) Strongly opposing incidence of imposition of unscientific and unrealistic Pesticide Residues MRLs by important trading partners like the EU.
 - v) Speedy action on registration of Basmati Rice and any other India specific commodities for GI.

2. Live stocks (Cattle, Buffalo, Sheep, Goat and Poultry): -

- * **Strength:** 13% of the world cattle population with 56.6% of world Buffalo population and 15% of world goat population. Bovine meat export, which constitutes almost 80% of total live stocks exports, has huge potential to increase overall exports. Presently major markets of Buffalo meat are Vietnam, Malaysia, Philippines, Egypt, Kuwait, Saudi Arabia, UAE etc.
- * **Impediment:**
 - (i) Lack of uniform slaughtering policy across the all states of India.
 - (ii) Lack of disease free zones in the country.
 - (iii) Non availability of domestic standards.
 - (iv) Market Access issues with quality sensitive countries like EU.
- * **Suggestion:-**
 - a) Increasing the supply of quality livestock through scientific rearing practices.
 - b) Improvement in disease status in respect of diseases like Foot and Mouth Disease (FMD) by creating disease free zones.
 - c) Better implementation of existing Plan Scheme for livestock health and disease control.
 - d) Penetration into new market like Russia, China, EU etc.

3. Cashew:

- * **Strength:** - Installed capacity of cashew processing units of approximately 15 lakh MT. Biggest producer, consumer and exporter.
- * **Impediment:**
 - i) Production which is only 6.13 MT during 2009-10, lagging behind processing capacity.
 - ii) Dependency on imported raw material.
- * **Suggestion:**
 - i) Increment in acreage to improve production and provision for subsidies for replanting senile trees with new high yield varieties. Wastelands can be utilized for cashew cultivation.
 - ii) Modernization of the cashew processing units in the country by financial supporting on sustainable basis the modernization of the units.

4. Fruits and Vegetable:

- * **Strength:** India ranks No. 1 in the production of many fruits and vegetables like mango, ginger, okra etc and 2nd in potatoes, garlic, eggplants, pumpkins, squash, guards, cabbage, cauliflowers/broccoli, onion etc. All together India ranks among the leaders in the production of fruits and Vegetables in the world's production.

* **Impediments:** From 2007-08 to 2009-10, export of fruits and vegetables has registered a growth of 53.42% in quantity terms and 100% in value terms. The share of fruits and vegetable export in the international markets is less than 1%. Also, share of our exports is only 0.69 % of domestic production in respect of fruits and 1.69% for vegetables. An estimated 30% of the produce goes waste during post harvest stage.

* **Suggestion:**

- i) **Pre-harvest:-** Increasing contract farming and retail chain through corporate initiatives to ensure better quality and shelf life of fruits and vegetables for export marketing.
- ii) **Post-harvest:-** Augmenting infrastructure facilities like creation of cold storages, integrated packhouses, centre for perishable cargo at every International Air Port to avoid wastage of fruits and vegetable at post harvest stage.
- iii) Putting in place strong and robust traceability programmes in respect of major fruits and vegetables.
- iv) Clear cut preference in handling perishable cargo export on priority basis at Sea Ports and Airports.

5. Tobacco:

* **Strength:** One of the top tobacco producing countries.

* **Impediments:** Global and domestic anti tobacco sentiment (WHO FCTC, COTPA).

* **Suggestion:**

- i) Introduction of E-auction system across all auction platforms.
- ii) Opening of important markets like China.
- iii) Separate quota for import of Indian tobacco by the USA.
- iv) Increasing percentage share of exports vis-a-vis domestic production through Research & Development, aggressive marketing and grater market access.

6. Oil and Oil meals:

* **Strength:** India is one of the largest producers of oilseeds in the world and exports by this sector amounts to around US \$ 1900 million. This sector promises to enhance India's overall agri exports substantially if appropriate policy interventions are undertaken.

* **Impediments:** Competitive countries are extending extensive support to their oilseeds and oil export sector leading to higher share in world market.

* **Suggestion:**

- i) Exporters of this sector should be charged low interest rates against export credit to provide level playing field (currently interest is payable

by Indian Oil Seed Exporters against export credit is far higher than its competitors in other countries).

- ii) Rationalisation/proper classification of HS codes in respect of sesame seed, groundnuts, oilcake and oilcake meals (solvent extracted).
- iii) Specific focus with financial incentive to the exports of value added 2nd, 3rd, 4th generation derivatives of many oilseeds, vis-a-vis, export of raw material.
- iv) Discouraging import of finished products instead of raw materials (crude oils) through tariff alignments of edible oil to the current market price.

MARINE PRODUCTS

As there is stagnation in the growth of shrimp exports, any strategy to achieve US\$ 4 billion target by 2013-14 should focus on this important item of marine products export basket. With renewed demand for marine products from US who have been affected by BP Oil spill in Gulf of Mexico and India's policy of allowing L. Vannamei shrimp aquaculture, shrimp is expected to contribute better in the total marine products export. MPEDA is also giving thrust for encouraging setting up of value added processing units and for promotion of tuna fishery.

Taking the above points into consideration, the contribution of different categories of marine products to the final target of US\$ 4 Billion by 2013-14 has been estimated as follows:

Export projections:

in US\$ Million

Year / Product category	2009-10	2010-11	2011-12	2012-13	2013-14
Shrimp exports	873	1594	1950	2362	2750
Others including value added items	1256	1594	1800	2012	2250
Total	2129	3188	3750	4374	5000

ACTION PLAN TO ACHIEVE TARGETS

- (i) Overcome the stagnation in export of shrimp which might be on account of stagnation in the production level. This might be due to reduction in the area under aquaculture and reduction in shrimp stock in wild due to destruction and damage caused to the natural environment.
- (ii) Promote export of live items (which mainly consists of crabs, lobsters etc) and chilled items (like tuna) by increasing their production as it is well known that there is a good demand for these items.
- (iii) Promote value addition as it is the only and the best way of increasing the export figures and also generating further employment opportunities for the people dependent on the sector.
- (iv) Discourage over a defined period of time low value exports to countries like China.
- (v) Promote market diversification to increase exports to hither to neglected blocks like East European Countries, Africa and Oceania regions.

- (vi) Promote exports to US and Japan, the largest economies of the world where our commodities fetch very high value realization per unit. These are also the markets which are more quality conscious.
- (vii) Promote product diversification by introduction of new fish species for aquaculture and mariculture in India, development of new value added products targeting niche markets and finally importing / adopting technologies for new processes and products.
- (viii) Closely monitor non-trade barriers being put up by the Developed world and focus on sustainability of both capture and farm fisheries, including traceability issues.

The above strategies may be achieved on the ground through following initiatives:

- (i) **Shrimp aquaculture** – India has already allowed culture of L. Vannamei (White leg shrimp) by importing brood stock from Thailand, USA etc. This species has been in production in our neighbourhood and in the South and Latin American Continent. Due to its very high productivity, ability to sustain high stocking density and availability of SPF Brood stock the culture of this species is expected to spread rapidly resulting in higher production and probably more area under shrimp aquaculture. The Government agencies like MPEDA need to focus their attention on various issues like processing infrastructure, , hatcheries and feed mills, diseases and quarantine issues relevant to the aquaculture of this species.
- (ii) **Aquaculture and mariculture of new fish species with export potential.** This can be promoted by earmarking funds for impact analysis, import of new technologies, brood stocks and R&D of the main candidate species such as cobia, grouper, pangasius, tilapia and sea bass.
- (iii) **Market diversification** through introduction of new schemes targeting the untapped / so far neglected regions like Africa, Eastern Europe and Oceania Countries.
- (iv) **Encourage setting up of** cold chains, quality testing labs, transportation and preservation and processing infrastructure near the centres of production through innovative schemes. This must also take care of reducing harvest and post harvest losses.
- (v) **Promoting R&D** for export oriented aquaculture and capture fisheries by earmarking funds for such activities to be conducted by various veterinary / agricultural universities / ICAR institutions / MPEDA. **An institutional mechanism for coordinating such export oriented R&D activity for the sector may be essential to achieve time bound results.** This institutional mechanism may take care of the following :
 - (i) Impact analysis of the new species which have been allowed to be imported and cultured in India (Tilapia, pangasius, L. Vannamei).

- (ii) Earmarking and allocating funds for Research by various veterinary / agricultural universities / ICAR institutions / MPEDA on development of Technology for aquaculture and introduction of new species which are directly related to exports.
- (iii) Continuous evaluation of the progress of statutes, rules and regulations governing quality and safety of marine products.
- (iv) Closely monitor non-trade barriers being put up by the Developed world and focus on sustainability of both capture and farm fisheries, including traceability issues.
- (v) Improvements in statistical and other data for the sector by :
 - (a) Strengthening the existing systems of data collection of capture and culture fisheries.
 - (b) Evaluating the potential of capture fisheries for different species, for different time periods and for different zones / depth.
- (vi) Having a look at extending DEPB and VKGUY benefits only to value added products.
- (vii) To encourage India to become a processing hub, the systems and procedures governing the import of marine products for processing and re-export may be streamlined for which an inter-ministerial committee may be set up to sort out the issues.
- (viii) To further our goal of becoming a processing hub of the world EIC may enter into MRAs with as many countries as possible on a mission mode approach.
- (ix) For bringing in more area under aquaculture and for encouraging mariculture, we need to bring on board State Fisheries and Land Revenue Departments to improve and streamline the process of leasing land and oceanic areas.

ANNEXURE I: ESSENTIAL SUPPORT & POLICY DIRECTIONS

Infrastructure bottlenecks remain the single most important constraint for achieving accelerated growth of Indian exports. The targeted \$ 500 billion of exports, along with the expected increase in imports, will imply a near doubling of the physical volume of trade. Efficient and timely movement of EXIM cargo would be fundamental to realizing the export target. The current status of the infrastructural needs indicates critical gaps. An attempt has been made to quantify the infrastructure deficit /gap that is likely to exist in 2014 by assessing the current level of availability of infrastructure for foreign trade and the projections made by the concerned Departments/ Ministries for the sectors of Ports, Road, Rail, Airports, Power, ICDs and capacity building needs of agencies associated with international trade such as Customs and DGFT.

It is clear that the projected capacities in 2014 will not be sufficient to meet the infrastructural needs that can support the projected exports. The analysis quantifies infrastructural gaps/deficits that would exist in case of ports, roads, rail, airport, power and ICDs and the same is at *Annexure – III* of this Report. The major findings are:

- i. **Ports:** In 2014 there will be a shortage of 598 Million Metric Tonnes of cargo handling. To meet this gap, additional financial resources of Rs 24,191 crores (at current prices) will be needed.
- ii. **Roads:** To adequately handle the EXIM cargo, the ideal length of 4 lanes highway should be 112635 kms and that of 6 lanes 6758 kms by 2014. The projected gaps are estimated at 4437 kms for 6 lanes and 66320 kms for 4 lanes highways. The financial implication of filling these gaps would be Rs. 681,042 crores.
- iii. **Railways:** Based on the future projections there would be a gap in railway infrastructure of 746 million tons of cargo handling in the year 2014. It would also be important that such railway lines which are connected by major ports have dedicated freight corridors for carrying goods. The total extra financial implications of filling the gap will be Rs. 24, 09,990 crores.
- iv. **Airports:** Poor infrastructure to handle cargo at the airports needs to be addressed to reduce the dwell time of cargo handling and to increase the overall handling of exports cargo. As per the international benchmarks, dwell time for exports is 12 hours, while for imports it is 24 hours as against 3-5 days at Indian airports.

These investments in the critical infrastructure sectors would be needed to move the export cargo efficiently for achieving the 2014 targets. Additional funds would also be required for building appropriate capacities with Customs and the DGFT for speedy clearances and to stay internationally competitive.

A projection of the estimated **infrastructure requirements** for supporting the enhanced level of exports is indicated in *Annexure III*.

The policy of working out **preferential access to new markets** and putting in place **conducive trading arrangements** with trading partners through Free Trade Agreements (FTAs) and Comprehensive Economic Cooperation/Partnership Agreements (CECAs/CEPAs) needs to be continued and expanded. India has always stood for an open, equitable, predictable, non-discriminatory and rule based international trading system. We see FTAs as 'building blocks' towards the overall objective of trade liberalisation and these should complement the multilateral trading system.

In the past, India had adopted a cautious approach towards FTAs and was initially engaged in only a few initiatives. These engagements, on account of the limited trade liberalisation coverage, achieved inadequate results in terms of increasing trade volumes with the member countries. However, recognizing the fact that the ambitious Comprehensive Economic Cooperation Agreements (CECA) seeking deeper market access as opposed to the limited coverage Agreements have become an important tool globally for achieving economic objectives and increased market access, we have been engaging with our important trading partners with view to conclude such Agreements.

As a result, we have so concluded 10 Free Trade Agreements, 5 Limited scope Preferential Trade Agreements and are in the process of negotiating / expanding 16 more Agreements. At least 7 more proposals for FTAs are under consideration. We aim to conclude these Agreements. When completed, such Agreements would cover over a hundred countries spread across five continents.

Trade related transaction cost is one of the major determinants of export competitiveness of an economy. Trade-related transaction costs refer to a large number of regulatory requirements; compliance measures; procedures and infrastructure related costs, including, communication costs with clients; domestic transport costs to bring goods from the production site to the border; time and money spent in ports on border procedures or to make products ready for shipment; international transport costs and inspection and certification costs. The latest 'Doing Business' report of the World Bank has placed India at 134th position. Simplifying the processing of documentation, trade facilitation, reducing human interface with exporters, working out web based solutions are needed initiatives.

Addressing this issue in a satisfactory manner and bringing these costs in line with the levels available in most competitive countries requires sustained efforts over a long period of time. With the finalization of the Report on Reducing Transaction Costs prepared by a task force headed by MoS (C&I), concrete measures have been initiated to improve competitiveness of Indian exports in the immediate future. The Department would accordingly coordinate with the Ministries/Departments concerned, i.e. Revenue, Banking, Railways, Shipping, Agriculture, Environment and Forest and Civil aviation to smoothen procedures and regulations by implementing the Report for bringing down trade related transactions costs.

Exports of services resulting in a surplus in our services trade have contributed significantly to partially bridging the merchandise trade deficit. This

surplus has in the recent past been meeting more than 40 per cent of the deficit in India's merchandise trade. In particular, net software exports have grown significantly. However, the external environment suggests that despite our efforts to boost exports, because of the asymmetry in the speed of GDP growth between India and the global economy, there is likely to be a challenging environment for growth of services possibly leading to pressures on our current account deficit.

In such a scenario, it is absolutely essential to address some of the critical supply side bottlenecks which have been impeding India's export performance in services. Foremost would be the need to improve our own regulations and legal framework governing some of our key service sectors, such as professional services including engineering, architecture, accountancy, legal services and health related services, software, construction, audio-visual, wholesale and retail trade, education, environment and financial services.

Services exports are a separate, but important, issue. Accordingly, a paper on the strategy to increase services exports over the medium term will be brought out separately.

A commitment to a **substantial step up in the overall Plan support** for the Department beyond historical trends will be needed so that maximum thrust is given through direct interventions to achieve the target. Schemes for market development and access need to be expanded substantially. Greater use has to be made of Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE), which is the flagship scheme of the Department for financing projects to reduce critical gaps pertaining to export related infrastructure in the States and Central agencies. Due to inadequate availability of resources under the scheme, it has so far not been possible to take up large projects which by themselves could make a substantial improvement in the overall infrastructure available for promoting exports. Enhancing funding for the scheme in the last year of the Eleventh Plan and in the Twelfth Plan, as well as improving the quality of output and effective monitoring of the scheme would be a major cornerstone of the strategy.

To achieve the projected export growth targets, we need to provide adequate confidence to our exporters to substantially enhance their market presence in traditional markets and aggressively seek out new markets. A **stable policy environment** is essential for a vibrant foreign trade, and accordingly it will be essential to **continue with the existing incentive schemes** such as duty drawback, tax benefits, and interest subvention scheme. Directorate General of Foreign Trade (DGFT) is responsible for implementation of these schemes under the Foreign Trade Policy and is the main link between the Government and the trading community i.e. the importers and exporters. The thrust of the organization would be to make it user friendly by undertaking business process engineering, and modernizing its offices that have public interface. Enhanced insurance coverage and exposure for exports will also be needed to encourage exporters to capture new markets, and this will be ensured through Export Credit Guarantee Corporation (ECGC) and schemes administered by it.

ANNEXURE II: PLANTATIONS

The plantation sector plays an important role in our economy as it provides gainful employment around 15 lakhs growers and 23 lakhs labourers. The total area under plantation crop is estimated to be around 16.9 lakh hectares, The value of the plantation commodities in 2009-10 is estimated at Rs. 25,443 Crores, , while the export realization is about Rs. 5,645 Crores.

1.2 A wide range of variety is the hallmark of our products be it spices or tea/coffee. We are the world leader in spices and most important player in black tea. Diversity of our products which provides an edge to us needs to be further capitalised. However, lower position on the value chain and inconsistent quality are our major weaknesses. Stagnation in the productivity is an area of concern for the plantation crops. Poor packaging and brand image further increase vulnerability of our exports. Competition from low cost emerging economies is posing a serious threat to our exports of Tea/ Coffee and pepper. Based on the past trends in exports, following projections are made for the year 2013-14

Commodity	Export value			Remarks
	2009-10	Estimated 2010-11	Estimated for 2013-14	
				Percentage Increase
TEA	637.80	637.80	800.00	25
COFFEE	443.17	443.17	500.00	13
RUBBER	54.12	54.12	60.00	11
SPICES	1173.75	1173.75	1800.00	54
TOTAL	2308.84	2308.84	3160.00	37

1.3 In view of long gestation period of these crops it may be difficult to expect any immediate huge growth in the exports. However, we may anticipate about 37% growth in this sector during next three years. Considering limited scope of expansion in the traditional areas, exports could be enhanced only through increase in productivity and promotion of value added products. To attain the above value the following strategies are suggested:

2. Improving the productivity

Replantation and rejuvenation of old and senile plants is one of the focus areas. The rate of replantation with high yielding varieties has been almost doubled, but still there is scope for further improvement in this regard. The programme under the SPTF, aimed at replantaion & rejuvenation, would be strengthened. Though substantial tangible benefits will be visible during later part of the 12th Plan,

some improvements in productivity could be seen in the target period of three years. Some modifications are likely to be brought in 12th Plan to further incentivise higher productivity.

2.2 Integrated modern agriculture practices with balanced nutrition management will be promoted to enhance export realisation. The soil health in the plantation areas will be improved to sustain plant and animal productivity and diversity. Adverse effects on soil health and soil quality arise from nutrient imbalance in soil, excessive fertilization, soil pollution and soil loss process. The Boards are certainly doing some work on this but it requires re-orientation. This needs to be done as a priority as excessive use of pesticides is leading to degradation in quality and rejection of exports on account of exceeding maximum residuary levels. In respect of rubber focused R&D for increasing productivity and initiating measures to boost production would be the cornerstone of the strategy.

3. Reducing the cost of production

The sector is facing serious shortage of the work force due to several factors such as preference to work in plains and urban areas, better job opportunities elsewhere etc. There is a need to retain the labour and improve the efficiency level of workers by developing suitable tools and use of appropriate machineries. Therefore it is felt necessary to encourage mechanization of farm operations wherever feasible in the Tea, Coffee and other plantation crops. This would address the labour shortage and also help in reducing cost of production to make these commodities more competitive in the international market.

3.2 Infrastructure deficit in the plantation areas is a major bottle neck. Darjeeling Tea is facing a daunting task in the poor backward areas. Concerted efforts will be made to improve the infrastructure by availing benefits from NE Schemes and dovetailing various centre/ state govt schemes. Spice parks and labs are being set up to provide common facilities. Efforts will be made to defray the social cost and other overheads to reduce the cost of production of these commodities.

4. Value addition and quality improvement

Good products with consistent quality always fetch premium. Slowly India is establishing itself a reliable supplier of orthodox tea which is preferred in the global market. Efforts will be made to enhance the orthodox green and organic tea production to cater to the needs of the high end markets. Value addition through tea bags, instant-tea, ready to drink tea, iced tea, flavoured teas etc will also be encouraged. Packaging will be given major push to improve the export realisation. Small tea growers will be provided extension/training to improve the quality of better leaf and bought leaf factories will be monitored to enhance the quality of tea produced by them. GI certification and effective implementation of tea logos would help in improving the credibility of these teas and promoting Indian brands in the international market.

4.2 The plan for coffee would also include support to export of value added coffees and high value coffees to key markets. Support will be extended for upward movement in the value chain in roasting, grinding, brewing & drying and packaging segment by subsidy support to prospective entrepreneurs and self

help groups. Good quality bagging and packaging material will be used. Aesthetic packaging should also be encouraged in order to place Indian Coffee/Tea at the best of places where it can fetch better price and recognition.

4.3 Nearly 30% of spice products is coming from value added products. Traditional spices in value added forms like dehydrated / dry flakes, spice oils and oleoresins will be further promoted. Other value added products in the form of sauces and seasonings, natural colours and flavoured products, ethnic blanks and nutraceutical and pharmaceutical products derived from the herbs and spices will also be given priority. Spices Parks are being set up provide basic infrastructure facilities and also to ensure uninterrupted / adequate supply of spices. Other facilities like ware housing, cleaning, grinding and packaging and testing lab will certainly help in value addition and generate sizable volume for exports helping to achieve an export target of US\$ 3 billion by 2017.

4.4 Attractive packaging is an integral part of a marketing a product and helps in delivering it in good condition to the end consumer. A consumer package must be attractive enough to catch the eye of the consumer. Many importers now demand that export packages for certain products can be used as direct selling instruments on the retailers' shelves. Important supermarket chains in Europe require that distribution packages must be usable directly for sale. It is important that the size and contents of transport packages from the exporters are suited to the importing market needs. It may be seen that India sells their products in bulk whether it is tea or coffee. In spices, however, the value added products viz. Oleoresin are exported in good packing and initiative has already been taken by the Spices Board in the form of Spices parks where value addition and modern packaging will be done under one roof. Efforts will be made to introduce a new scheme for packaging or make it a part of our Quality up-gradation scheme of the Boards in the 12th plan.

5. Targeted Market Promotion

While exporters acknowledge the importance of marketing related assistance schemes, there is a need to revamp the strategy and fine tune them as per the felt need of the particular segment. Brand Promotion/ necessary linkages to other critical programmes like product development and research should be encouraged. Market study to explore new markets for sustaining the existing markets will be undertaken jointly by the Board and the exporters.

5.2 There is a need to strengthen value addition to explore new markets and make foothold in high value markets like USA and Japan for coffee. Presently about 70% of the exports are in the green bean form to the European Market which stagnant and rather reeling from effect of the economic depression. For Coffee the largest consumer is USA and a high value destination is Japan. Since we produce a large variety of high quality Robustas, we should make inroads in these markets which value quality of the product.

5.3 India has a low share in several markets due to mismatch in the quality levels demanded by the consumers and teas provided by the Indian Exporters. Department of Commerce has already taken an initiative to target five markets viz. Russia, Kazakhstan, Iran, Egypt and USA.. To achieve this a promotional mix of activities have been proposed which will includes PR events & Road

shows, advertisement, tea appreciation session, campaign through Brand Ambassador and Trade Fairs.

5.4 There is a need of showcasing the value added commodities in the best of places viz. International retail chains, malls, Super markets with good packaging materials including tin packing. Further we can also have warehouses at some international places to urgent delivery of commodities. Road shows, Publicity, and Awareness is required and is funded in the prevalent schemes.

India is the Home of Spices and no other country in the world produces consumes and exports spices in varied forms and in large volume as India does. The strategy in the Spices Sector aims at making India the premier supplier of quality spices, spice products & herbs in the global market. India is the largest producer of black tea and 4th in coffee production. There is a great scope of exports particularly of value added products of these commodities. The medicinal and nutritional values of tea, coffee and spices are plenty, these should be studied and authenticated through clinical trials and patenting for aggressive marketing. Now, 12th plan preparation are in the offing and Stakeholders meetings are being conducted to take the views of the exporters. The schemes may be suitably modified keeping in view their feedback and allocation for the 12th plan may be enhanced to meet the legitimate needs of the stakeholders. It is estimated that we may need an additional allocation of Rs 20 crore to supplement the existing promotional efforts of the commodity Boards for achieving the exports targets.

ANNEXURE III: INFRASTRUCTURE NEEDS

An internal study on India's Infrastructure Needs by 2014 has estimated the infrastructure requirements based on a projected trade volume of US \$ 1013 billion in 2014. The sector wise projections based on this study are set out in this Annexure. Our export target of \$ 500 billion and import projection of \$ 658 billion implies a level of trade of the order of \$ 1158 billion in 2013-14, as against \$ 1013 billion on which the infrastructure needs are estimated here. In view of the more ambitious export target being fixed, the estimation of needs is therefore on the conservative side; the actual needs are likely to be higher.

1. Ports

In the Study, the Department of Commerce had fixed exports target for 2014 at USD 400 bn. We are assuming that imports would also increase by the same proportion and would reach USD 613 bn, taking total mercantile trade to USD 1013 bn. Using the above methodology, following traffic load will emerge in 2014:

Table 2: Projection for 2014: Capacity Requirements of Major Ports

Year	World Trade (US \$ bn)	India's trade (US \$ Bn) ¹	Traffic (Million Metric Tonnes)	Ideal Capacity (Million Metric Tonnes) ²	Expected Capacity (Million Metric Tonnes)	GAP (Million Metric Tonnes)
2014	37166	1013.49	1301.56	1692.03	1093.50	-598.53

Private sector's share of cargo handling increased to 34 per cent in 2009-10, compared to 27 per cent a year ago and just 5 per cent nearly a decade ago.

¹ India's trade includes India's exports and imports to/from World. In the projections, it is estimated that the exports and imports will increase by the same proportion.

² As per the international norms, a gap of 30% between the installed capacity and traffic is needed for ports to function effectively (source: Ministry of Shipping). The gap is required for taking care of the maintenance works etc. as at any given time, repairs of berths or equipments will be carried out. This was applied to assess the need for other sectors as well.

In future, it is anticipated that the private sector will handle nearly 50 per cent of Indian cargo in the next five years.³

Financial implications:

Eleventh plan (2007-12) lists investing Rs. 2653.41 Crores to create capacity of 65.65 Million Metric Tonnes. From this we derive that to create capacity of one Million Tonne, an investment of Rs 40.417 Crores would be needed. Thus for the gap of 598.50 Million MT an additional amount of Rs. 24191 crores will be required.

2. Roads

Existing National highways and Corridors are as follows:

Table 3: Status of National highways (as on 31.3.2010)

Lane status	Length in km
6 lane and above	731 (1%)
4 lane (2 lane dual carriageway)	14,584 (20.6%)
2 lane (7 meters)	37,488 (52.8%)
Single/Intermediate lane	18,131 (25.6%)
Total length of national highways	70,934

(Source: BASIC ROAD STATISTICS OF INDIA 2004-05, 2005-06, 2006-07 & 2007-08, July 2010, MORTH, Government of India)

Projection and result

Keeping in view the targeted exports of US \$ 400 billion by 2014, load on road transport services is also likely to increase. From the "Physical Targets and achievements for NHDP from Mid Term Appraisal of the Eleventh Five Year

³ The Hindu Business line, September 20, 2010, www.blonnet.com

Plan⁴, average rate of growth of roads is calculated as 26.6% per annum. Therefore, by 2014 (on the basis of these growth rates), the 4 lane roads are likely to increase to 46315 km and 6 lane roads would become 2321 kms. However, there is already a 33% gap which is existing at present in case of time taken in travel from one place to another.

The total road length at present is 70,934. As mentioned earlier, there exists a gap of 33% in the existing road structure, so the ideal road length should be 94342 km. This reflects the gap of 23408 km in the entire length of national highways. 6 lane roads at present are only 1% of the total road network and 4 lane roads are 20.6%⁵. By 2014, share of 6 lane roads and above should increase to 3% and 4 lane roads share should increase to 50%, which translates to 6758 km of 6 lane roads and 112635 km of 4 lane roads (of the total projected road length in 2014), thus showing a shortfall, as detailed in Table 4 below:

Table 4: Roads: Projections for 2014

	2009 (km)	Share of length total road network	Projections in view of India's Exports in 2014 (km)	Projections by concerned agency 2014@ (km)	Gap (km)
4 lane (km)	14584	20.6%	112635	46315	-66320
6 lane (km)	731	1 %	6758	2321	-4437

@ - Physical Targets and achievements for NHDP from Mid Term Appraisal of the Eleventh Five Year Plan)

Financial implications:

Planning Commission is of the view that after factoring the inflation (at 6-7%), the cost of building 4-lane highway would be 9.6 crore per km and that of building 6 lane would be 10 crore per km. Thus, the additional financial implication of covering the gap for 4 lane roads would be Rs 636672 crore and for 6 lane roads it would be Rs. 44370 crore

⁴ Table 16.3 of the report for year 2007-09

⁵ Basic Road statistics of India from the Ministry of Road Transport and Highways, Government of India

3. Railway

At present the network of Indian railways is 64,015 route kilometers carrying 833 Million Tonnes of freight traffic. As per Ministry of Railway's Vision 2020, target for Freight Traffic for the year 2010-11 have been set at 944 MT, for 2011-12 at 1010 MT, using this rate of growth, for 2014 the Ministry's projection amount to 1298.37 MT. Based on the India's exports by 2014, Projected traffic by 2014 would be 2044 MT, thus there is visible a gap of 746 MT.

Table 5: Volume of rail freight traffic

Year	Projected Traffic (Million Tonnes)	Projected traffic by Ministry of Railways (Million Tonnes)	GAP in traffic projected (Million Tonnes)
2009 (As per actual)	833.3	833.3	0
2014	2044	1298.37	-746.52

derived from Railway Vision 2020

Financial implications:

As done in case of Ports, in case of Railways as well it is felt that the ideal capacity should be 30% over and above the expected traffic which thus becomes i.e. 2658.36 Million Tonnes for 2014. If that be the case, the gap will be 1360 Million Tonnes.

The per unit investment for the traffic by Railways is not available and Railways has estimated the financial burden on the basis of creation of new lines or doubling the lines etc.

Railways has projected Rs 7.08 Crore per Km for constructing new lines in vision 2020 document and has projected Rs. 11.27 crores for doubling the lines in vision 2020 document. This is different than the actual cost of construction projected earlier.

It has been estimated that an amount of Rs 170,000 crores will be spent on new lines and Rs 124000 Crores on doubling over 8 years period from 2012-13 to 2019-20. Definitely with such an expansion some gaps would be filled

by doubling, quadrupling, gauze conversion etc. However, to give the likely financial implication appears difficult, hence by a crude estimate the following financial burden is likely to emerge:

As per vision documents (by 2020)

New Lines 25,000 kms x 7.08 = Rs. 177,000 crore
Doubling 30,000 kms x 11.27 Rs. 338,100 crore
Rs. 515.100 core

Table 6: Financial implications: Estimates for Railways

Description	Cost (Rs crore/k m ⁶)	Projected Addition by Railways in 2014 (km)	Financial implication projected by Railways (Rs crores)
New Lines	7.08	11677	82708
Doubling	11.27	13759	155101
Total			237809

4. Airports

India at present has 81 operational airports, driving its economy. Five international airports handled 1270.7 Thousand Metric Tonnes of cargo during 2009-10, showing a shortfall of 131.79 from the target set by Ministry of Civil Aviation due to global slowdown

Projections:

As per the report of working group on civil aviation for 11th plan, the international cargo is expected to grow at the rate of 12.1%. With this rate of growth, Indian Airports by 2013-14 are expected to handle International cargo traffic of 2668 thousand Metric Tonnes :

⁷ As per the Annual Report to the people on infrastructure 2009-10, Ministry of railway set up 258 km of new lines at the cost of Rs 50,400 crores and doubling of 450 km of lines was done at a cost of Rs 12000 crores. The per km cost of laying new lines computes to Rs 195.34 crores per km and Rs 26.66 crores per km for doubling the lines. The Ministry has set the target of 1019 new lines and 767 km of doubling of lines by 2010-11. For 2020, the Vision Document of Railways has set the target for 25000 km of new lines and 30000 km of doubling of lines. By reverse computation, the target for 2013-14 comes to 9012.667 km at the financial cost of Rs 1760614.019 crores and doubling of 10511.33 km at the cost of Rs. 280302.13 crores

Table 7: International cargo in India: Projections for 2014

Year	International Cargo (000 MT)
2010-11	1622.33
2013-14	2668.60

Source: Report of Working Group on Civil Aviation, Planning Commission

Accordingly the cargo handling capacity would need to be increased by 2.5 times by 2014. Due to the lack of any data relating to cargo handling capacity and its financial expenses, the likely financial implications for 2014 cannot be estimated.

5. Power

Electricity generation target for 2010-2011 was fixed as 830.757 Billion Unit (BU). i.e growth of around 7.67% over actual generation of 771.551 for 2009-2010. Generation during April, 2010 was 66.570 BU as compared to 62.780 BU generated during April 2009, representing a growth of about 6.04%. Taking forward this rate of growth, electricity generation by 2013-14 would be 974.06 Billion Units. (Table below)

Table 8: Projected electricity Generation at 6.04% rate of growth

Year	Electricity Generation
2009-10	771.551
2010-11	817.844
2011-12	866.91
2012-13	918.92
2013-14	974.06

The capacity addition has consistently fallen below target in successive plans. Eleventh plan originally envisaged a capacity addition of 78,700 MW. As per mid- term appraisal by Planning Commission, it is projected that additional capacity aggregated to 43,282 MW can be commissioned during remaining period of Eleventh Plan.

Table 9: Anticipated installed capacity at the end of eleventh plan:

	Hydro	Thermal	Nuclear	Total (MW)
Capacity as on 31 March 2007	34,654	86,015	3,900	1,24,569
Eleventh Plan Target	15,627	59,693	3,380	78,700
Likely addition during eleventh plan	8,237 (52.71%)	50,757 (85.03%)	3,380 (100%)	62,374
Likely installed capacity on 31 March 2012	42,891	1,36,772	7,280	1,86,943

* includes other Renewable energy sources like biomass, small hydro projects

(Source: Table 15.9: Mid Term Appraisal eleventh plan)

In view of the prevailing peak and energy shortages, CEA has estimated that capacity addition requirement of 100,000 MW in the twelfth plan (2012-17) to meet the growing needs of the economy. Out of this NTPC would be achieving 75000 MW which would include hydro, nuclear and Renewable energy source for the 12th plan period. Since electricity consumption has various usage and there is no available data relating to the usage share by the industry for exports, the projections or gaps could not be quantified.

6. Customs, DGFT and ICDs

Customs

Recent times have seen a huge spurt in the number of new Ports/ICDs/CFSS/Airports/Courier terminals. With the targets set for the trade which India wants to achieve in 2014 the Customs and DGFT would need to equip themselves to handle an increased workload.

The following volume of work is being carried out by the Customs:

Table 10: Volume of work at Customs

	2009
Bills of Entry (lakhs)	33.6
Shipping Bills (lakhs)	51.2

Source: Cadre restructuring/ reorganization of customs field formations-Report of the Study Group III constituted by CBEC

Keeping in view the increase in India's trade in the years 2014, the number of bills of entry and shipping bills will also increase by at least the same proportion. Therefore, the manpower requirement in Customs at each level, especially the official level would need to match the projected workload. As per a Study Report⁷ for the restructuring of Customs, additional manpower of 3069 is required at various levels. It has pointed out that the current strength is 20,743. The above additional requirement will not be able to efficiently cater to the future needs as this projection is in view of the existing workload.

DGFT

The DGFT operates through a network of 35 regional offices. Main work involves issuance of export incentives to the exporters, licences and monitoring the exports obligations. The staff strength of DGFT as on 31.12.2009 was 1736, witnessing an overall decrease of 1.02 percent.

During April – December 2009, a total of 314974 applications were received, including 63215 application IE Code by DGFT. These were projected for the full year. Following shows the estimated number of applications handled by DGFT during 2009 – 2010.

⁷ Cadre restructuring/ reorganization of customs field formations-Report of the Study Group III constituted by CBEC

Table 11: Projection of Applications by 2014

	2009	2014
Applications	335678	839196
IEC	84286	206836

This quantum of increase in applications by 2014 would require increasing the staff strength, which is already showing a negative growth.

ICDs

Currently 177 ICDs (both rail & road fed) are functioning in India and another 84 are under implementation.

Table 12: Traffic handled by all ports ICDs

TEU (000)	2014	2011	2010	2009	2008	2007
Container	10051.05	7551.5	6865	6585	6712	5541

(Source: UNESCAP Second Session of Committee on Transport, the Regional Expert Group Meeting on the development of Dry-Ports along the Asian Highways and Trans-Asian Railway Network during 1-3 November 2010 at Bangkok (Thailand))

Projection:

Taking the year on year growth of container traffic by all ports, the average rate of growth comes out to be 10%. With this rate of growth, the projection for the year 2014 is 10.051 Million TEUs.

Table 13 : Container Loading by Indian railways (Originating Traffic)

Mn Tonnes	2013-14	2014-15	2009-10	2008-09
Containers (domestic + EXIM)	68.903	81.995	34.36	28.84

Projections:

With the rate of growth of 19% from previous two years, the combined container traffic for the year 2014 would be 68 Million Tonnes

Financial implications:

With the system improvements and using MIS, the employee performance can be optimized by the concerned agency. There is no further financial

investments required in these sectors. The investment in ICDs is privately managed and hence does not require any budgetary support from the Government.

The only financial burden which would be required by these agencies would be in the form of up-gradation of core infrastructural needs including *inter alia* land, building, computerization & EDI and other software-hardware requirements, which in any case may have been prepared by these agencies.

Summary Sheet of Financial implications to meet the likely gap in Infrastructure in 2014

Sector	Unit	2009-10	Projections in view of India's Exports in 2014	Projections by concerned agency	Gap	Additional Financial outlay (Rs crores)
Port	Million Tonnes	574	1692	1093.5	-598.5	24191
Road						
6 lane	km	731	6758	2321	-4437	44370
4 lane	km	14,584	112635	46315	-66320	636672
Total						681042
Airport	000' MT	1270.7	2668	-	-	-
Power	Bn unit	771.55	974.06	-	-	-

Railways

	Cost (Rs.crore/km)	Projected addition by Railways in 2014(km)	Financial implication projected by Railways (Rs. Crore)	Financial implications projected by study ⁸ (Rs. Crore)	Gap
New Lines	7.08	11677	82708	2280985	2198277
Doubling	11.27	13759	155101	366814	211713
Total			237809	2647799	2409990

⁸ As per the Annual Report to the people on infrastructure 2009-10, Ministry of railway set up 258 km of new lines at the cost of Rs 50,400 crores and doubling of 450 km of lines was done at a cost of Rs 12000 crores. The per km cost of laying new lines computes to Rs 195.34 crores per km and Rs 26.66 crores per km for doubling the lines. The Ministry has set the target of 1019 new lines and 767 km of doubling of lines by 2010-11. For 2020, the Vision Document of Railways has set the target for 25000 km of new lines and 30000 km of doubling of lines. By reverse computation, the target for 2014-15 comes to 11677 at the financial cost of Rs 2280985 crores and doubling of 13759 km at the cost of Rs. 366814 crores and for 2020, Financial outlay required would be Rs 4883500 crores for new lines and Rs 799800 crores for doubling