



INDIA'S SHIP VALUE CHAIN - GS III MAINS

Q. Despite having a strategic geographic location and a long coastline, India has not capitalized on these advantages to strengthen its position in the global maritime industry. Discuss (10 marks, 150 words)

News: *India's stationary course in the shipping value chain*

What's in the news?

- Boosting ship owning, chartering, financing and building would not only push India on the centre of the global maritime industry but also enhance its international trade presence.

Shipping Industry in India:

1. Early Tradition and Modern Beginnings:

- India has a long tradition of seafaring and maritime activities, evident from its historical trade routes and cultural exchanges with other civilizations.
- In the modern era, India started to develop its shipping industry, establishing a foundation in ship owning and maritime operations.

2. Post-Independence Growth:

- The Indian government played a significant role in supporting the industry through public sector enterprises, and India became recognized for its capabilities in shipping.

3. Ship owning and Seafaring:

- The country produced skilled seafarers and began to gain a reputation in the global maritime industry for its proficient workforce.
- India's participation in the International Maritime Organization further bolstered its standing.

4. Expansion and Diversification:

- The shipping sector in India saw diversification with private players entering the field, previously dominated by large public sector entities.
- Shipyards in India started showing the potential to build ships competitively for the global market, leveraging labour arbitrage much earlier than in other sectors like IT.

5. Focus on Seafarer Training:

- Training centers in Mumbai and Kolkata, and later across the country, churned out seafarers of various grades, enhancing India's presence in global shipping.

6. Ship Management and Foreign Exchange Earnings:

- Indians ventured into ship management, bringing their negotiation skills and operational efficiency into this arena.



- Indian seafarers and management companies contributed significantly to the country's foreign exchange earnings.

Strategic Imperative for India in Shipbuilding:

1. Integral to Industrial and Naval Power:

- Shipbuilding is essential for strengthening both industrial and naval power.
- It provides a seat at the global maritime table and enhances India's presence in international trade.

2. Military Significance:

- A robust shipbuilding industry is integral to a strong naval base. Nagasaki's shipyard, chosen as a target during World War II, exemplifies the intertwined nature of naval strength and shipbuilding capabilities.

3. Economic Competitiveness:

- Improved shipping infrastructure enhances India's role as a global trade hub, boosting economic growth and expanding export opportunities.

4. Geopolitical Significance:

- India's strategic coastal position makes robust shipping infrastructure vital for geopolitical influence and ensuring national security.

5. Employment and Skill Development:

- Developing shipping infrastructure generates employment for seafarers, addressing unemployment challenges and promoting skill development.

6. Integrated Supply Chains:

- Efficient shipping infrastructure reduces logistics costs, enhancing industrial competitiveness and attracting domestic and foreign investments.

7. Regional Connectivity and Trade Facilitation:

- Improved infrastructure fosters regional trade partnerships and strengthens diplomatic ties.

Challenges of Shipping Industries in India:

Despite having a strategic geographic location and a long coastline, India has not capitalized on these advantages to strengthen its position in the global maritime industry.

1. Lack of Advancement in Shipbuilding and Owning:

- Despite several strengths, India has not significantly advanced in shipbuilding or owning.
- The state-owned Shipping Corporation of India and other shipyards have seen declining orders, and Indian shipowners often rely on purchasing second-hand ships.

2. Increasing labour supply instead of industry:

- It has been the major focus of successive governments to increase the foreign exchange earnings by the supply of labour.



- Similarly, in shipping as well, India's focus has largely been on expanding the seafarer population rather than moving up the shipping value chain leading to India's lacking behind in ship owning, chartering, financing and building.

3. Government policies:

- India's Maritime Agenda 2020 and the government's Maritime India Vision 2030 have not adequately addressed the need for growth in shipbuilding and owning.

Contrast with China:

In stark contrast, China, with a dedicated government plan, has become a dominant player in shipbuilding, making half of the world's ships by 2020. Chinese shipowners primarily build their ships at state-owned yards, showcasing a strong government-industry partnership

1. Yangtze River's Role:

- The Yangtze River is a central artery for China's shipping industry. It's not just a historic and cultural symbol but also a hub of modern shipping and engineering marvels.

2. Rapid Development in Shipbuilding:

- By 2020, it was reported that China was responsible for making half of all ships globally.
- This growth is largely attributed to a focused government strategy to enhance shipbuilding capabilities, with Chinese shipowners primarily building their vessels at state-owned yards.

3. Global Presence in Shipping:

- Chinese ships are involved in global trade, bringing in raw materials from across the world, including from Chinese-owned mines in distant locations like Peru and Africa, and exporting finished products globally.

4. Contrast with India's Shipping Industry:

- Despite a strong start and a history of modern ship ownership, India has not significantly advanced in shipbuilding or ownership.
- The Indian government's focus has been more on expanding the seafarer population and ship management rather than on owning and building ships.

Government Measures:

1. Sagarmala Project:

- Launched in 2015, the Sagarmala Project is a national initiative to modernize India's Ports so that port-led development can be augmented and coastlines can be developed to contribute to India's growth.
- It aims to reduce logistics costs for both domestic and EXIM (Export-Import) cargo with minimal infrastructure investment.

2. Maritime India Vision 2030:

- It is a comprehensive initiative aimed at transforming the Indian maritime sector.



- It focuses on several key areas including modernizing and enhancing port infrastructure, improving efficiency in logistics, increasing the use of inland waterways for transportation, and developing coastal shipping.

3. National Shipbuilding Policy:

- The Indian government has proposed a National Shipbuilding Policy to promote the development of the shipbuilding industry in India.
- This includes financial support and incentives for shipyards and aims to boost domestic shipbuilding and repair facilities.

4. Make in India in Defence Shipbuilding:

- Under the 'Make in India' initiative, the government is encouraging the production of defence ships in India.
- This initiative aims to reduce reliance on imports and to make India a global shipbuilding hub.

5. Coastal Berth Scheme:

- Part of the Sagarmala program, this scheme is designed to develop coastal shipping in India.
- It involves setting up new berths and modernizing existing berths at various ports for coastal cargo and passenger movement.

6. Direct Port Delivery (DPD) and Direct Port Entry (DPE):

- These initiatives are aimed at reducing congestion, dwell time and cost of handling containers at Indian ports.

7. GST Exemption on Bunker Fuel:

- The Indian government has exempted bunker fuel for use in vessels in foreign-bound voyages from the Goods and Services Tax (GST), which is expected to reduce costs for Indian shipping companies.

8. Relaxation of Cabotage Law:

- The Indian government relaxed its cabotage law, allowing foreign-flagged vessels to engage in coastal shipping of certain commodities, with the aim of reducing the cost of transporting goods and boosting the efficiency of ports.

WAY FORWARD

1. Investment in Shipbuilding Infrastructure:

- India should focus on upgrading and expanding its shipbuilding facilities.

2. Government Support and Policy Reforms:

- The government could implement policies that encourage investment in the shipping industry. This includes financial incentives for building new ships, tax breaks and subsidies for shipyards.

3. Focus on Innovation and Technology:

- Embracing modern shipbuilding technologies and practices could be pivotal which might involve investing in research and development to innovate in areas like eco-friendly ships, digitalization, and automation.

4. Enhancing Maritime Education and Training:



- Strengthening maritime education and training can ensure a skilled workforce for the industry.

5. Strategic Collaborations and Partnerships:

- Forming partnerships with leading global players in shipbuilding and maritime services could provide the necessary expertise and market access.

6. Fostering a Competitive Environment:

- Encouraging competition among domestic players and reducing bureaucratic hurdles can foster a more dynamic and efficient maritime industry.

7. Expanding into Niche Markets:

- India might look into specializing in certain types of vessels where it could develop a competitive advantage, like small to medium-sized ships or specific types of specialized vessels.

8. Leveraging Geographic Advantage:

- Utilizing India's strategic geographic location for developing ports and shipping routes can help in strengthening its position in the global shipping network.

9. Sustainability and Green Initiatives:

- Investing in sustainable and environmentally friendly shipbuilding practices could position India as a leader in green shipping.

Shipbuilding has strategic and economic importance for India, given its long coastline and pivotal geographic location. Advancing in shipbuilding and owning would not only bolster India's position in the global maritime industry but also strengthen its overall industrial and military capabilities.