Subject: Summary Record of Discussions in the First Meeting of the Steering Committee on Industry held under the Chairpersonship of Shri Arun Maira, Member (Industry) on 13th April, 2011.
(List of participants is at annexure-A.)

Adviser (Industry) welcomed the Members of the Steering Committee and informed that Planning Commission had constituted the Steering Committee under Chairpersonship of Member (Industry) with a view to preparing a National Manufacturing Plan. The Steering Committee would attempt to identify measures and initiatives required for putting the domestic manufacturing sector on a strong foothold.

2. In his opening remark, the Chairman stated that despite an overall growth, the share of manufacturing in GDP had remained stagnant since 1980s and the manufacturing sector had not been able to fully leverage the opportunity offered by globalization. As a result, the economy had not been able to take benefit from the multiplier effect in terms of local value addition and creation of employment. National Manufacturing Competitiveness Council (NMCC) is already in the process of finalizing a National Manufacturing Policy and Planning Commission has proposed to come up with a comprehensive ‘National Manufacturing Plan’, as a part of its 12th Plan exercise. This would include a set of strategies and tasks required to give a boost to the manufacturing sector so as to ensure that it grows at a faster rate and on a sustainable basis. The ultimate goal would be to raise the share of manufacturing to 25% of GDP and to create 100 million additional employment opportunities by 2025.

3. A presentation was made by the Chairman on the proposed Manufacturing Plan. The salient features of the said presentation are as under:

- Share of Manufacturing Sector in GDP remained almost stagnant at about 15% post–1980s till date. This was contrary to the consistent rise exhibited between 195 to1980.

- India’s share of manufacturing in its GDP at 15% is abysmally lower than the fastest growing economies like China, Thailand, Malaysia, South Korea where this percentage is between 26% to 40%. Further, Indian manufacturing contributes to only 12% of employment compared 28% in China.

- In order to ensure sustainability in growth, it would be essential to raise the share of manufacturing to 25% of GDP by 2025. This would require manufacturing to grow at 3%-4% higher than GDP growth rate. This level of growth would lead to creation of additional 100 million gobs assuming improvement of labour productivity by 4%.

- The proposed Manufacturing Plan would keep 5 objectives in view:
  - Increasing manufacturing growth by 2%-4% to acquire 25% share of GDP by 2025
  - Creating 100 M additional job by 2025
  - Increasing depth and value addition
  - Enhancing global competitiveness
  - Ensuring environment sustainability
• To achieve the above objectives, the Manufacturing Plan would have address ten identified cross-cutting issues and would focus on priority sectors such as employment-intensive industries, capital goods, industries with strategic significance and industries with comparative advantages.

• Separate Working Groups to address each cross-cutting issue would be set up. These would relate to Business Regulatory Framework, Environmental Sustainability & Energy Availability, Land & Water, Technology & Depth, Human Resource Development And Management, MSME Growth, Clustering & Aggregation, National Manufacturing And Investment Zones, Boosting India’s Manufacturing Exports And Reforming Role of PSE’s.

• Of these, an Expert Committee was already in place to look at reforming of PSEs, while the issue of NMIZ was already being dealt by Department of Industrial Policy & Promotion.

• Similarly, separate Working Groups would be constituted under the aegis of various Departments or Ministries in respect of each of the priority industries already identified.

• The Steering Committee would function as the apex body to consider, collate and put together the ideas generated by the Working Groups. It would be translating these ideas views into set of actions / initiatives, policies suggestions and plan for sub-sectors which would unfold over time to achieve the objectives. Overall, a paradigm shift in approach to plan formulation is being contemplated by involving more stakeholders, more consultations and more inclusiveness.

4. The issues highlighted in the presentation were deliberated at length in the meeting. The major points emerging from the said discussions are summarized below.

A. Domestic Manufacturing Sector

• It would be required to look at the history of the domestic manufacturing and its present status and carry out a comprehensive Critical Route Cause Analysis to take lessons from past failures and devise an appropriate strategy for growth.

• It is also required to examine the persisting problems of regional disparity in industrial development at state level and identify enabling factors that would bring the lagging states in the growth trajectory. Likewise, it would be essential to go into a detailed inter-sectoral comparison of performances so as to stimulate a complete rethink on the sectors which have not performed well despite their potential.

• Investment in technology, innovation and skill up-gradation should be given the priority in order to put the manufacturing sector on a strong foothold.

• Domestic industrial development had taken place on a model based on demand and supply and creation of capacity according to demand and the market. There is a need to devise a new approach where capacity creation and supply would precede the demand to take care of distributive shortages. The 12th Plan exercise would attempt for a paradigm shift in policy making and change in mindset of all the stakeholders including financing agencies in this direction.
B. The issues of cross-sectoral relevance / implications

• Clustering and Aggregation

➢ During the mid-term appraisal of 11th Plan, relevance and effectiveness of the extant initiatives or schemes of the Government were deliberated at length amongst the stakeholders and implementing Ministries / Departments so as to propagate a learning process. The consultation found the approach more or less very useful across all the sectors albeit some problem in few cases. It would be essential to draw lessons from them and devise appropriate models of agglomeration so as to inspire entrepreneurship and industrial investments.

• MSME Growth

➢ Creation of clusters and supportive ecosystems should not be imposed to trigger growth in medium and small and micro enterprises (MSME). Rather, the endeavour should be that this happens naturally. One way could be to design an appropriate framework to encourage inter-meshing of vendor bases.

➢ Risk to reward ratio in case of MSME sector is largely unfavourable and impedes entry of new entrepreneurs, fresh investments and innovation. Appropriate measure would be required to reverse the trend.

➢ In order to ensure sustained growth of MSME sector, other enablers like (a) bringing innovative initiative for providing finance, (b) improving management, (c) creating additional markets potentially through exports by having innovative measures like trade treaties, etc. and (d) fine-tuning the labour regime merit consideration in the planning process.

➢ Persisting problems of access to finance had throttled the growth of MSME sector and would have to be addressed so as to put in place a supportive regime without requirement of archaic paperwork and burdensome collaterals.

• Technology & Competitiveness of Indian Manufacturing

➢ Phenomenal growth in manufacturing sector in China was possible due to adoption of innovative models / concepts. Establishment of direct linkage between manufacturing and demand and a policy enabling accelerated transfer of technology as well as nurturing and internalisation of those technologies through home-grown institutions played important role in the process. It would be relevant to explore possibility of trying similar models for domestic manufacturing growth.

➢ Quality assurance has played an important role in giving German and Japanese enterprises pioneering positions at global level. It would be beneficial for India to improve quality as an element for enhancing global competitiveness of its produce.

• HRD & Skill Resources for Indian Manufacturing

➢ Lack of talent and non-availability of quality manpower of requisite skill had greatly crippled the domestic manufacturing. One of the major factors for this has been a continuous drift of quality manpower towards the service sectors with lucrative emoluments
like IT, financial services etc. The same should be viewed as low value addition by highly-skilled work force. It would be essential to bring back the attractiveness of the domestic manufacturing sector so as to retain talent and technical manpower. The overarching issue of talent crunch in domestic manufacturing could be resolved by some incentivization.

- For a vibrant manufacturing sector, the country should make a concerted effort to have a large pool of efficient manufacturing managers in place of mere technical personnel with traditional skill sets.

- Labour productivity is important implement for manufacturing sector to combat fierce competition. On this count, reasons for its wide-scale variance from one state to another state need to be gone into and prescribe appropriate measures to have a uniform and efficient labour productivity regime all over the country.

### Governance & Regulatory Framework

- Efforts would have to be made to build trust amongst the stakeholders and the Government.

- Complexities associated with various clearances and approvals required in India for entry act as barriers to investors. It would be essential to create single-window system with full collaboration and cooperation of the relevant departments/ ministries/ authorities of both Central and State Governments. These single-window systems in practice will be more like a "seamless" interconnection of multiple windows which effectively for the user would act as a single window.

- The Government processes would need to become "result-oriented" instead of "procedure-oriented" and multiplicity of authorities and/or approvals eliminated in order to instil efficiency and promptness in the governance and regulatory infrastructure.

- Realization of potential advantages of specific regions is of immense importance in endeavour to boost manufacturing growth. There is a need to look at competitive advantages across the states in devising strategies to ensure growth of various sectors in manufacturing. A core group consisting of members from the Central Government and the relevant states could be formed for each sector.

- In order to bring efficiency in system, it would be worthwhile to think for an appropriate mechanism reward/ incentives for promptness and penalty for delayed action by the Government departments/ authorities.

- We would have to recognize excellence as an inseparable part of the favourable business environment, essential for having a buoyant manufacturing sector in the country. Leveraging excellence would essentially call for high degree of transparency in governance and regulation with ease of functioning. Raising of performance bar for all government employees would remain futile unless growing presumption of guilt and “fear of conviction" are alleviated.

### Environmental Sustainability

- India does not need to ape the western practices in terms of environmental sustainability. The aspects of environmental sustainability should be looked at in a completely different perspective, which would be in conformity with the local characteristics and requirements
and which would propagate concept of users instead of polluters and inspire users to become contributors.

- **Land & Water**
  - Problems of inadequate water and availability of land decelerated growth of industry in many states. Gujarat had recently experimented with a concept of "area planning", which was stated to have yielded a lot of benefits. Some learning from this could potentially be applied in other states.

- **Depth & Technology**
  - There is a pressing need to recognize the fact "Revenue is vanity but value added is sanity". The focus should be redirected towards creating Indian products instead of just "Made in India" products which do not have high value addition in India.
  - In the telecom sector, which could be one of the sun-rise industry in India because of its immense potential, would be able to achieve maximum value addition in case our R&D efforts in this area become intensive and IP regime strong from current feeble status. Likewise, Electronics would needs a push for demand in India.
  - Public procurement policy and process would require a comprehensive relook towards their overhauling and refurbishment. Apart from bringing efficiency, the process can be gainfully utilized as a means to stimulate domestic manufacturing.
  - The country had underperformed relative to its innovation potential and that had impacted our competitiveness. To sustain its competitiveness and economic growth over the long term, India needs to aggressively harness its innovation potential. In this process, it would have to develop a complete understanding of unevenness and inadequacy of domestic innovation and find out ways and means to inspire whole-hearted role of all the stakeholders including the private sector in innovation.

- **Tax / Duty Structures**
  - In spite of considerable rationalization efforts in the recent years, problems of inverted duty structures continued to cripple growth in certain sectors like Electronics. The same would need a closer look. In addition, it would be extremely important to put in place a stable tax regime so as to build investors’ confidence.
  - Making a departure from current practice of frequent review and modifications in bits and pieces, a comprehensive review of FDI policies must be attempted so that India remains preferred destination for FDI without compromise in interest of domestic manufacturing. It would be worthwhile to have a cross-country comparison of FDI policies and practises for putting in place ‘best of the lot’ in India. In this process, it may be relevant to learn from mechanism / provisions prevalent in China as well as "100% FDI policy" of USA.
  - Besides, complexities of trade in post-liberalization era call for moving away from a system of comparative advantage to a competitive advantage. This, in turn, underscores the need for a holistic study of cost structures to make them more competitive.
• **Boosting exports**

- Achievement of a stiff target of 13-14% growth in manufacturing would be possible if we look beyond the rise in domestic demand and actively promote exports by exploring new destinations and new basket of products. The new export policy being mooted by the Department of Commerce makes similar prescriptions. However, for this, we would have to identify the specific industries / sectors / products that have proven comparative edge and can act as the growth drivers.

- Additionally, it would be essential to look into the aspects of curbing imports as a critical factor from the perspective of industry in place of present partial emphasis on enlarging scope of exports alone as a measure of "Boosting trade".

5. In course of discussions, following points were also highlighted.

- In case, India has to leverage benefits of large endowments of mineral resources, it would have to intensify and expand scope of local value addition. For this it would be essential to give additional stress on improvement of R&D focus on complex metallurgy to make available all the metals (e.g. Aluminium, Titanium, Nickel, etc.) relevant for today's manufacturing practices.

- The Committee views infrastructure as an essential and crucial enabler to boost growth of manufacturing and related investments. It was noted that a separate group was looking at this core issue to come up with appropriate recommendations.

- Likewise, the issues pertaining to National Manufacturing Investment Zones (NMIZ) were being examined by a separate forum under DIPP. The group would be looking at the ways and means to ensure comparative advantage to NMIZ without any relaxations and concessions in statutory requirements. The group would have to ensure that NMIZs do not create constitutional and legal problems owing to two different sets of laws and regulations in the country.

- It was also observed that the Planning Commission should have a separate mechanism for constant tracking and monitoring of implementation of the plan.

- Resource Management was found to be a critical constraint adversely choking the growth of manufacturing sector in India. It was noted that a separate working group would be examining some of the issues and come up with appropriate recommendations. In addition, the sector-wise working groups would examine the constraints and problems pertaining to respective sectors and convey their views to the Steering Committee for consideration in the manufacturing plan.

- The Committee noted the sustained trend of high growth rate in "Consumer Durables" sector. In regard to suggestions for having a separate working group on the same, a view emerged that suggestions from industry associations, especially those representing this segment of industry could be gainfully utilised instead of having a separate working group.

- The participants also stressed on the need to look at status, vintage and standard of technology being used or acquired so as to ensure minimum level of quality and prohibit frequent obsolescence.
6. In concluding remarks, the Chairman thanked the participants for their valuable contribution and suggestions. He stated that it is expected that these points would be kept in view by the different working groups during their deliberations. The Steering Committee, at the subsequent stage would put together the viewpoints and recommendations / suggestions of the respective Working Groups in 10 major areas of cross cutting issues and sector-specific Working Groups. The Steering Committee would convert these recommendations into action points and would also generate some additional action points, policies and plan for sub-sectors and manufacturing sector as a whole. The result of these various actions would unfold over time. Success of the entire exercise would critically depend on a seamless involvement and sincere participation of all the stakeholders including Ministries and Departments.

7. The meeting ended with the vote of thanks to the Chair.
List of Participants in the Meeting of Steering Committee on Industry held on 13.4.2011

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<thead>
<tr>
<th>Name</th>
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<td>Arun Maira, Member</td>
<td>In the Chair</td>
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<tr>
<td>Dr. Ashwini Kumar, Hon’ble</td>
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<td>Minister of State, for Planning, Parliamentary Affairs, S &amp; T</td>
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1. Anurag Goel               | Member, Competition Commission of India                         |
2. Rita Menon                | Secretary, M/o Textiles                                         |
3. Mukul Joshi               | Secretary, D/o Pharmaceuticals                                  |
4. P.C. Chaturvedi           | Secretary, M/o Labour & Employment                              |
5. K. Mohandas               | Secretary, M/o Shipping                                         |
6. P.K. Mishra               | Secretary, M/o Steel                                           |
7. S. Vijay Kumar            | Secretary, M/o Mines                                           |
8. Dr. Shyam Agarwal         | AS&DC, MSME                                                     |
10. S. Bhavani               | Senior Adviser, D/o Economic Affairs                            |
11. Ambuj Sharma             | Jt. Secretary, D/o Heavy Industry                              |
12. S. Sahu                  | Additional Dev. Commissioner, MSME                              |
13. Rajeev Gupta             | Jt. Secretary, M/o Shipping                                    |
14. Sesh Kumar Pulipaka      | Jt. Secretary, MSME                                             |
15. Charanjit Singh          | Director, D/of Land Resources                                  |
16. Jasbir Singh             | Industrial Adviser, D/o Chemicals & Petrochemicals             |
17. Dr. Sharat Kumar         | Economic Adviser, D/o Public Enterprises                        |
18. R. K. Jain               | Jt. Secretary, NMCC                                             |
19. Satyajeet Rajan          | Jt. Secretary, D/o Defence Production                           |
20. B. Bhargava              | Director, M/o Non Renewable Energy                             |
21. M.P. Johnson             | Deputy Director General, D/o Fertilizers                       |
22. M. Kannan                | Ministry of Civil Aviation                                      |
23. MGVK Bhanu               | Resident Commissioner, Govt. of Assam                           |
24. M. Sahu                  | Principal Secretary (Industries), Govt. of Gujarat              |
25. Rajeev Arora             | MD, HSIIDC, Chandigarh                                          |
27. N. Venkaswamy            | Tejas Networks                                                  |
28. K.T. Chacko              | Director, Indian Institute of Foreign Trade                     |
29. Sarita Nagpal            | DDG, CII                                                        |
30. Deep Kapuria             | CII                                                             |
31. Chetan Bijesure          | FICCI                                                           |
32. V.K. Agarwal             | Fed. of Indian Micro & Small and Medium Enterprises (FISME)     |
33. S. Ramakrishna           | Chief, Corporate Office, Nokia India                           |
|                            | (Representing ASSOCHAM)                                         |
34. Ravi Uppal               | CEO&MD, L&T Power                                               |
35. Aja Chowdhry             | Chairman, HCL Infosystems                                      |
36. Pradeep S. Mehta         | Secy. General, CUTS International                               |
37. S.K. Roongta             | Former Chairman, Steel Authority of India Ltd.                 |
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<td>R.C. Bhargava</td>
<td>Chairman, Maruti Suzuki India Ltd.</td>
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<td>Ashok Kumar Gupta</td>
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<td>40</td>
<td>A.K. Ahuja,</td>
<td>Executive Director, NTPC, (on behalf of Chairman scope &amp; CMD, NTPC)</td>
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<td>41</td>
<td>Kuldip Goel</td>
<td>G.M, Larsen &amp; Toubro</td>
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<td>42</td>
<td>Ashish Jain</td>
<td>Deputy Director, CII</td>
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<td>Bidisha Ganguly</td>
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<td>44</td>
<td>Gaurav Bothra</td>
<td>Jt. Secretary, Government of Assam</td>
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<td>Satyaparakash</td>
<td>Director, Industries &amp; Mines, Govt. of Haryana</td>
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<td>46</td>
<td>Seema Bansal</td>
<td>Principal, BCG</td>
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<td>Dr. Ashok Sahu</td>
<td>Principal Adviser (DIPD)</td>
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<td>49</td>
<td>L.P. Sonkar</td>
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<td>50</td>
<td>Dr. Renu Singh Parmar</td>
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<td>51</td>
<td>Chandan Saha</td>
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<td>52</td>
<td>O.P. Shemar</td>
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<td>A.K. Khullar</td>
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<td>Anshuman Mohanty</td>
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<td>58</td>
<td>Trilochan Singh</td>
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