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**Export Promotion Council for EOUs & SEZs
(EPCES)**

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

Export Promotion Council for EOUs & SEZs
Ministry of Commerce & Industry, Government of India

Study on Service Sector SEZs and EOUs

Addendum to Final Report

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Addendum to Final Report
Study on Service Sector SEZs and EOUs

Commissioned by

Export Promotion Council for EOUs & SEZs (EPCES)



Government of India
Ministry of Commerce & Industry
Department of Commerce

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1. SERVICE SECTOR IN INDIA

1.1 Overview and Comparative Analysis of logistics sector – Global vis-à-vis India

Global Industry

- Global logistics industry: \$3.54 trillion in 2016

Indian Industry

- India spends around ~15% of its GDP on logistics and transportation sector
- Indian logistics sector is expected to grow from \$120 billion to \$375 billion by 2032.

1.2 Growth Opportunities and Enablers in Logistics sector

India's logistics industry is highly fragmented. While there is a growing presence of large pan-India players, the industry is still dependent on multiple small regional players. Even as manufacturing companies in India resort more to logistics service outsourcing, it will take time to catch up with other economies such as the US and China which have a reasonably mature third-party logistics (3PL) market with large service providers managing the entire supply chain across multiple geographies through enhanced use of appropriate technology, thereby reducing cost. India spends around 14.4% of its GDP on logistics and transportation sector as compared to 8.5% in the US, 18% in China and 20% in Singapore.

Opportunities

- Government's Make in India scheme to enhance the manufacturing sector in India will drive logistics infrastructure as manufacturing sector spends about 2.2% of its revenue on logistics
- Increasing focus on third party (3PL), 4PL and 5PL logistics
- Robust growth in e-commerce market is likely to drive growth of logistic business in India
- Focus on specialised services such as liquid logistics, temperature-controlled logistics or cold chain logistics considering India is an agriculture based economy

Enablers

- Taxation and regulatory structure for making the sector competitive
- Investments in infrastructure for higher efficiencies
- Development of multi-modal hubs including road, railway, ports, aviation and inland waterways
- Logistics costs in India is 16-18% compared to China which is 8-10%, and Europe which is 10-12% - scope for significant reduction in cost
 - National Highways Interconnectivity Improvement Project ensures safe, fast and all weather movement of traffic on National Highways. Logistics Efficiency Enhancement Programme (LEEP) aims to enhance freight transportation by improving cost, time, tracking and transferability
 - In Railways, the Eastern Dedicated Freight Corridor (1,856 km) and Western Dedicated Freight Corridor (1,504 km) projects are under implementation.
 - Multimodal Logistics Parks (MMLP) has been proposed to set up at 15 locations in Maharashtra, Punjab, Gujarat, Rajasthan, Tamil Nadu, Karnataka and Telangana
- Increase in national highway to 200,000 km will lead to 80% of country's traffic moving faster
- Investment of over \$250 billion in the road sector by 2019 (of which \$80 billion has been invested)
- Promotion of inland waterways and construction of 2000 water ports and linkages with railways and highways
 - The Coastal Economic Zones (CEZ) will lead port-led development through coastal economic zones in eight coastal states with balanced ecosystem, large contiguous land, access to urbanisation and supporting infrastructure

2. BROAD IMPLEMENTATION PLAN- STEPS TO ENHANCE SERVICE EXPORTS FROM INDIA

In order to achieve maximum impact with respect to the growth of service sector in India, Frost & Sullivan has analyzed the recommendations that can be looked at short to medium term.

The following action steps to be followed, responsibility and deadlines are set out below:

Step 1: Formation of a dedicated nodal agency as an export body

Recommended action:

- Ministry of Commerce forms a nodal agency for the promotion of product specific services in India
- Appoint CEO, Board of Directors, and functional teams (R&D, marketing, sales, legal, PR etc.)
- The nodal agency should work on a range of activities and also act as the single window of information in line with the global best practices.
- Key activities under the ambit of such agency should be to drive, demand and develop India as a brand

Responsibility and tentative timeline: Government of India, Ministry of Commerce in the next six months

Rationale behind this recommendation:

- a. A nodal agency with a top leadership, functional teams and KPI driven management is usually more effective in running functional roles
- b. Most of the stakeholders have indicated that they prefer to deal with a nodal agency as a single point of contact directly

Step 2: Activities of the newly formed nodal agency

Recommended action:

- The agency should be accountable for all Trade promotion activities with respect to Service sector in India providing services such as:
 - Research and Development
 - Market Intelligence/Business Matchmaking Services
 - Public Relations and Advertising/Marketing Services
 - Trade representation, liaisoning in foreign countries
 - Monitoring Services
 - Training Services
 - National Export Promotion Campaigns
 - Industrial Trade Fairs
 - Focus on SMEs

- The nodal agency should form trade offices under the Ministry of Commerce ambit in high-potential countries/ regions to promote product specific services in India.
 - This will enable in a structured and more impactful approach to promotion, thereby increasing the effectiveness

 - A targeted campaign should also be carried out that focuses on the high-potential countries

Responsibility and tentative timeline: Nodal Agency in the next 1-2 years. Noted example for the same would be JETRO¹

Step 3: Action Plan for Skills development training

Recommended action:

- **Skills development action plan:** The nodal agency along with the concerned ministry within the Government of India should design an action Plan that can

¹ JETRO, or the Japan External Trade Organization, is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

be implemented for development of skillset

- The training module could be under the Public Private Partnership (PPP) model to build human capital necessary to serve the ever rising demand of employment and growth
- Under this, efforts should be channelized to develop soft skills and sector specific capabilities. This is one of the most important aspects that needs to be developed for enhancing the service sector in India
- National Skill Development Corporation (NSDC) and the Sector Skill Council (SSC) could come together to build and expand the skilling ecosystem in the country.
- A PPP programme should be established that works towards educating Indian service providers on global service sector trends, allowing them to enhance their capabilities

Responsibility and tentative timeline: Nodal Agency, Ministry of Skill Development And Entrepreneurship and all the related Ministries, Departments and Councils in the next 6 months to 1 year

Step 4: Single Window Clearance- Technology to propel business

In line with the government's principle of 'minimum government, maximum governance', the focus on digital transformation should be on minimization of exporter interaction with various stakeholders in the value chain, understandably without sacrificing the effectiveness and integrity of the process.

Recommended Action:

- One-stop shop: To make this possible, there is a need to have a single integrated view of trade related activities preferably through a single website on the lines of SISCOEX – the integrated foreign trade system in Brazil.
 - This single interface for all trade related activities should be linked to the 'one form one portal' being developed as a single window to do business in India.
 - The integrated portal should also be the sole destination for anyone, including exporters, looking for export or investment related information

covering the whole gamut including the Trade related Policies, various forms and FAQs on processes, as well as all communications from all government ministries including but not limited to circulars, public notices and notifications, that have implications for trade activity in and beyond India.

- The portal should act as the first point of contact and information for any foreign importer looking for trade opportunities with India. There should be generic information on processes like how to import from India as well as specific information on various trade promotion activities happening in specific industries or countries or both.
- The site can provide a consolidated database of exporters in the country along with details on their areas of exports. Over time, the database can be enhanced to follow the aggregator model wherein the government collects information on various exporters and their goods as well as provides a trader-based rating system for various exporters and importers.
- Seamless integration of the EDI system: The successful integration of the EDI system across multiple agencies has long been due and needs to be prioritized.
 - Apart from speeding up the process and resolving on-going issues, there is a need to bring non-EDI port information within the system.
 - Introducing a technological device that can scan and transfer the information from a standardized form onto the server across non-EDI ports can be done with minimal investment.
- All policies and procedures for doing business with India must be clearly outlined.
 - Apart from clearly providing a handbook of processes for exporters, it also needs to provide similar information for importers looking to import from India.
 - Any kind of policy changes and announcements must be issued from a centralized system on the trade-related portal.
- Periodical review of the policies must be delivered real-time to this portal removing any ambiguity in the mind of the users.

Responsibility and tentative timeline: Government of India, Ministry of Commerce in the next 6 months to 1 year.

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