

Sagarmala 2.0: Targeting Maritime Sector to Drive Economic Growth

Author: G. Padmaja*

Date: 31 May 2016

On April 14, 2016, Prime Minister Narendra Modi released the National Perspective Plan of the Ministry of Shipping at the first Maritime India Summit held in Mumbai in which 42 countries participated. This Plan was titled, ‘Sagarmala’—a term which has now become synonymous with the maritime sector. It was first coined in 2003 by the then Prime Minister Atal Bihari Vajpayee, who through his program of Sagarmala brought maritime sector centre stage in the national discourse. But, not much was heard of Sagarmala after that.

In the above context, this essay revisits the Sagarmala program of 2003 to understand why it did not materialize as envisaged. It then briefly looks at Sagarmala program of 2016 as spelt out by the Modi government.

Revisiting Sagarmala 2003

The Vajpayee government understood the importance infrastructure and logistics play in a nation’s development. It laid the foundation stone in 1999 of the Golden Quadrilateral which is a road highway network connecting many of the industrial and agricultural centres of India and in 2003, the governments focus was on maritime infrastructure.

With globalisation and economies opening up, international trade has become the cornerstone of global economy. This trade takes place through the cheapest mode of transport which is the maritime medium. Thus, ports and shipping infrastructure have

vital roles as parts of logistics chain and become a key link for growth and prosperity of a nation.

During the Independence Day address to the nation on 15 August 2003, Vajpayee announced 'Sagarmala'. By this time India had already hosted the first International Fleet Review (IFR) off Mumbai in 2001. Sagarmala was not just about capacity expansion and modernisation of ports in a globalised world, it was a holistic approach to tap into India's strategic location in key international trade routes; and benefit from peninsular India's maritime assets of a long coastline of 7,500kms. It sought to develop coastal shipping; and connect ports and India's rivers of 14,500 kms of navigable and potentially navigable rivers for inland water transport. This would boost the ship building and ship repair sector too. The proposed investments was estimated at Rs 1000 billion for 8-10 years under public private partnership. Of this 85 per cent was to be from the private sector.

The debates that ensued following the Sagarmala announcement in 2003 consisted of those who opined that finally the maritime sector was being given its due importance; that private investments would not come unless growth in traffic volumes of ships to ports was promised; that ports should be connected to the golden quadrangle of roads thereby improving hinterland connectivity. There were also many who opined that Sagarmala was nothing new except the new name and that it does nothing more than bring different development projects in the maritime sector under one umbrella.

With a new Congress led government coming to power after the 2004 general elections, the Sagarmala project did not continue. However, maritime infrastructure continued to be under focus of policy makers. The Congress-led UPA government formulated the National Maritime Development Programme (NMDP) for the period 2005-12. By 2011, another programme - Maritime Agenda 2020 was announced.

Sagarmala 2016: Focus on Port-led Development

For India, 90 per cent of EXIM trade by volume and 72 per cent by value is through sea. In the financial year 2015-16, more than one billion tonnes of cargo was handled across over 200 ports. Despite the focus on the maritime sector by various governments India lags behind.

Container exports take 7 to 17 days from hinterland to vessel, compared to 6 days in China; EXIM containers in India travel 700 to 1000 km between production centres and ports compared to 150 to 300 kms in China; water transport accounts for only 6 percent of total freight movement in India in tonne km terms despite it being cost efficient and energy efficient; none of the Indian ports rank among the top 20; industrial clusters and zones have not adequately taken into account proximity to ports and the port land has not been adequately utilised for setting up industries and manufacturing. Sagarmala of 2016 sought to address these deficiencies. It's important to note that in February 2016, the second IFR was held off the coast of Visakhapatnam.

The vision of Sagarmala is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment. This is sought to be done among others by lowering logistics cost of bulk commodities by locating future industrial capacities near coast; improving export competitiveness by developing port proximate manufacturing clusters; and reducing the cost of transporting domestic cargo through optimising modal mix.

It clearly comes from the above that the concept of 'port-led development' is central to the Sagarmala vision. This focuses on logistics intensive industries where transportation either represents a high proportion of costs or timely logistics is a critical success factor. These industries would thus be able to deliver only when ports function with modern infrastructure; and the ports have seamless multi-modal connectivity. The skilled manpower for these industries is sought to be provided by the population in adjoining areas leading to job creation for coastal communities. 150 projects in different coastal states have been identified under Sagarmala.

Conclusion

In 2004, following general elections in the country, there was a change in the government at the centre from BJP led NDA government to a Congress led UPA government, which somewhat stalled the Sagarmala program of 2003. However, successive Congress led governments too, focused on the maritime sector but titled it differently. Therefore, the paper argues that Sagarmala 2003 was never really aborted and its core concerns continued to be addressed. The paper suggests that national

consensus while devising key policies is important, so that the investor is not given wrong signals that important policies have been abandoned mid way with a change in government. Unlike its predecessor, Sagarmala of 2016 is more comprehensive with focus on port-led development. While more investments are sought, the centre and the states have to now ensure that investments of Rs 859 billion committed at the Maritime India Summit are actually implemented and the promised jobs created. Significantly, the only two times IFR has been held till now has been under Vajpayee and Modi.

* G. Padmaja is Regional Director of the Visakhapatnam Chapter of National Maritime Foundation. The views expressed are her own and do not reflect the official policy or position of the NMF. She can be reached at sri2003ja@yahoo.com.