

Indian engineering

MAKING INDIA
AATMANIRBHAR



At Aero India 2023 in Bengaluru, the central theme was self-reliance in defence. Leading the charge was the Tejas Mark 1 fighter (above) and it is already yielding results: India is discussing the sale of 20 Tejas light combat aircraft (LCA) with Egypt and 15 with Argentina

Engineering is India's largest foreign exchange earner

- The engineering sector is the largest contributor to India's overall exports with a share of 23.9% (during 2022-23) and is its largest foreign exchange earner.
- The engineering sector is the largest of India's industrial sectors and accounts for 27% of the factories and represents 63% of the foreign collaborations (IBEF).
- The sector has a 30% weight in India's Index of Industrial Production (IIP).



MSMEs BACKBONE OF INDIA'S ECONOMY

- Micro, small and medium enterprises have created 84.23 lakh jobs and have a 31% share in India's manufacturing.
- MSMEs account for 42.7% of the total exports.
- There are 63.4 million MSMEs in India which has increased by a CAGR of 18.5% from 2019 to 2020. More than 50% of the MSMEs are in rural areas (Ministry of MSME Annual Report 2021-22).
- Mandatory procurement by PSUs from MSMEs has increased from 20% to 25%.
- The government's ZED Certification Scheme (zero manufacturing defect and zero environmental impact) guarantees high-quality products.
- India's foundry industry has a turnover of US\$19 billion and export approximately US\$3.1 billion. India has 4,600 units, of which 90% can be classified as MSMEs (source: Indian Institute of Foundrymen).
- India is 11th in production and 8th in the consumption of machine tools in the world. Of the 1,000 units, around 25 in the largescale sector accounts for 70% of the turnover and the rest are in the MSME sector of the industry (Asian Machine Tools Expo, 2022-23).

INDIA'S ENGINEERING BRILLIANCE

- India is the second-largest producer of coal (PIB), the second-largest steel producer and the fourth-largest of iron ore (PIB). In April-Oct 2022, India produced 71.56 MT of crude steel (IBEF). Domestic availability of raw materials and cost-effective labour drive the growth in the steel sector. Consequently, the steel sector has been a major contributor to India's manufacturing output.
- With a generation of 1559 TWh, India is the third-largest producer and consumer of electricity worldwide.
- India's installed power capacity is 408.71 GW as of 31st October 2022. Renewable power plants, including large hydroelectric plants, constitute 40.6% of India's total installed capacity (IBEF).
- The Indian motorcycle market is the largest in the world, accounting for about 40% of global volume (IIM Bangalore).
- India is the second largest in the world in the category of two-wheelers and the seventh-largest in commercial vehicles (SIAM)
- Eight Centres of Excellence for technology development and nine common engineering facility centres have been established at prominent research and academic institutes across the country. (IBEF)



ENGINEERING EXPORTS – A SNAPSHOT



- The USA retained its position as the top destination of Indian engineering exports during April-March 2022-23 followed by the UAE and Germany.
- 22 out of 34 engineering panels recorded positive growth during Apr-Mar 2022-23 over the same period last fiscal. The Iron and Steel segment, Copper and Aluminium from the non-ferrous segment, Two- and three- wheelers, Railway Transport, Bicycle parts and Project goods saw major declines.
- In Apr-Mar 2022-23, cumulative engineering exports stood at US\$107.04 billion.
- North America ranked as the numero uno destination with the highest shipment of engineering products from India during April-Mar 2022-23, valued at US\$ 23.5 billion with a share of 21.9% percent of the total engineering exports.

India and Bangladesh: A multidimensional bond rooted in history and beyond

India and Bangladesh's shared bonds are not only rooted in history, language, and culture but also extend into various other areas. After Bangladesh independence in December 1971, India was among the first nations to recognize it and establish diplomatic ties with it. India and Bangladesh have built a relationship that benefits their citizens and contributes to the stability and development of the South Asian region.

Bangladesh important for engg exports

With significant strides in infrastructure development and industrialization, there has been an increased demand for engineering products in Bangladesh, placing the country among the top export destinations for engineering goods from India like aluminium and its products, power cables, food processing machinery, textile machinery, auto components/parts and two- and three-wheelers. India has been playing an important role in meeting this demand. Furthermore, Bangladesh, with its significant agriculture-based economy, has been one of the major markets for Indian agricultural machinery.

India-Bangladesh engineering trade (values in US\$ billion)

	2021-2022	2022-23
India's engineering export to Bangladesh	2.93	2.54
India's engineering import from Bangladesh	0.28	0.16
Trade balance	2.66	2.38

Other trade facilitation measures

- India and Bangladesh have agreements promoting trade, investment, and cooperation.
- Annual meetings of the India-Bangladesh Joint Group of Customs to address cross-border trade and customs issues.
- Efforts are underway to improve connectivity and border trade infrastructure, with 62 Land Customs Stations across five Indian states.
- India has enabled exports from Bangladesh via rail in closed containers and from Inland Container Depots using Inland Waterways.
- Transshipment of Bangladesh's export cargo through India to third countries is also enabled.
- India has extended Lines of Credit to Bangladesh for infrastructure development and provides grant assistance for various projects, including the India-Bangladesh Friendship Pipeline.

Trade outlook is promising

Indo-Bangladeshi trade prospects are promising due to geographical proximity, historical ties, political coordination, and potential for economic cooperation. Bangladesh could be a gateway for Indian exports to South Asia. India aims to export US\$ 1 trillion goods by 2030, with the engineering sector targeting US\$ 300 billion. The goal for exporting Indian engineering products to Bangladesh is \$2.94 billion by 2023-24.

Another reason to be optimistic is that the trade ties between the two countries date back to 1975 when the Asia Pacific Trade Agreement (APTA) was signed. India has granted duty-free market access to Bangladesh. Initiatives like the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) have been instrumental in fostering regional economic integration.

A Comprehensive Economic Partnership Agreement (CEPA) encompassing goods, services, and investment is also a possibility. Others include an India-Bangladesh CEO Forum and better border trade infrastructure. India and Bangladesh have also set up Border Haats to improve the livelihoods of people in remote areas by reintroducing traditional methods of selling local produce through local markets.