

INDIA'S STATIONARY COURSE IN THE SHIPPING VALUE CHAIN

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'With successive Union governments letting the state-owned Shipping Corporation of India bleed, the order book of Indian shipyards has been hit' | Photo Credit: C.V. SUBRAHMANYAM

The Yangtze river has been China's heartbeat through its long history. Tradition, legend, myth, culture, as well as commerce and industry are integral to the Yangtze lore.

Today, the Yangtze is modern China's lifeline while retaining its antiquity. The Three Gorges project has only added to its lustre.

As one enters the Yangtze from the sea, one can imagine hearing the sound of violins from Chinese opera, or, more recently, from Kung Fu Panda. But, one cannot close one's eyes to the massive merchant ships, often two or three together, flitting in and out of the river.

It is a unique sight. The modern engineering and shipping marvels of Suez or even the Panama canal see a convoy of ships, one behind the other. The Yangtze often sees multiple convoys steaming in parallel. And, in between, smaller barges criss-cross the river, much like the autorickshaws on Indian roads. For a merchant shipman, it is an incredible sight — a story of expert seamanship, logistical planning and piloting skills.

The ships are either bringing in raw materials from across the world including from far away Chinese-owned mines from Peru and Africa or leaving with finished products to all over the world. Some vessels are new, built in shipyards that stand cheek by jowl at every bend in the river. Many are repaired in those same yards and dry docks.

The Yangtze is among the best examples of the tiringly clichéd "look where China is and where we are now" story. Such stories use statistics to show how India and China were on the same boat until the late 1980s and how China has leapfrogged since then, leaving India way behind.

India was actually ahead of China in the real boat until the end of the 1980s. While China was barely a speck in the global merchant shipping radar, India had the rudiments in place.

While China was a late entrant, the starting gun had gone off earlier for Indians. India boasted of a tradition of modern ship-owning. In fact, the most spectacular case of ship-owning the world has seen was a uniquely Indian contribution. A daring former Indian Navy officer commissioned

and owned giant oil tankers that till today remain the biggest merchant ships ever built. India has been associated very closely with the International Maritime Organization too.

With private players venturing in an area dominated by large public sector facilities, India had shipyards that were beginning to give hope that they may well build ships competitively for the global market. Labour arbitrage had preceded shipping at least two decades before it happened in IT. English-knowing Indian seafarers were becoming a routine sight in global shipping as the industry took a step back from employing qualified eastern Europeans whose English was not yet up to the mark. Safety is the number one priority in shipping, and knowledge of English is essential for that.

Just as in other fields, India's main source of growth and foreign exchange earning has been the supply of labour; in shipping too, successive governments have focused largely on expanding the seafarer population. In the past, Mumbai and Kolkata were the major centres of seafarer training and employment. The United Progressive Alliance (UPA) government decentered maritime training and opened it up to private players. Today, institutions across the country churn out seafarers of various grades and competencies. Across the world, from the Arctic ice class merchant ship to the ore carrier calling on Chilean ports, if there are 20 seafarers on board a ship, it is likely four or five will be Indian.

Along with the growth in seafaring population, Indians, with their talent for value engineering, have grown into ship management. Indians with their ken for bargaining know how to run a tight ship, literally. They can take over a ship, quickly understand its systems and run it. Many ship management companies have sprouted in India, some in-charge of hundreds of ships. Sanjay Prashar, shipping industry professional and former member of the National Shipping Board, estimates that Indian seafarers and their management companies bring in an estimated \$6 billion in foreign exchange every year. According to Sanjaya Baru's article in *The Wire*, India's total foreign remittances are some \$125 billion while China's stands at \$50 billion.

But ship owning, chartering, financing and building remain largely out of bounds for Indians. India has simply not moved up the shipping value chain. With successive Union governments letting the state-owned Shipping Corporation of India bleed, the order book of Indian shipyards has been hit. New private shipowners who are catering to India's own trade growth typically buy second hand ships as they come cheap and can closely align with their short-term market forecasts that are often the only reliable prediction the Indian market allows, says Hrishikesh Narasimhan, general manager of production and refits at L&T Shipping, Kattupalli, near Chennai.

China stands as a stark contrast. Powered by a dedicated government plan to ramp up shipbuilding and owning, China, by 2020, was making half of all ships in the world. And, just as in Japan and Korea, the previous leaders in shipbuilding, Chinese shipowners dutifully built most of their own ships at state-owned government yards, as Mr. Narasimhan points out.

The UPA government came up with a Maritime Agenda 2020 that sought to increase India's share of global shipbuilding from less than 2% to a modest 5% in a decade, and proposed a vague road map that included sops to achieve it. By 2020, however, India's share in global shipbuilding had dropped to practically zero, instead of inching up.

The Bharatiya Janata Party government's Maritime India Vision 2030 outlined 10 key themes that include logistics, environment concerns, port infrastructure and increase in seafarer growth and training, but just does not mention any plan for shipbuilding and owning. There is talk of Sagarmala but the yards are seeing only naval ship orders.

In India, with a long coastline and a strategic location as the geographic pivot of global shipping, shipbuilding would be an integral part of any serious attempt to amp up manufacturing capacity and deepen strategic power. Shipbuilding and owning would give India a seat at the table not only in the global maritime industry but also enhance its presence in the international trade scene too.

Just as overall industrial might is integral to military might, shipbuilding is integral to a strong naval base as well. The movie Oppenheimer talked about how the Japanese cities to be destroyed with atom bombs were selected. It did not quite point out that Nagasaki was chosen because the naval shipyard there was continuing to churn out naval boats and had to be destroyed. Only the bomb missed the shipyard and obliterated the civilian quarter. Nagasaki shipyard continues to thrive as an advanced merchant shipyard today.

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