

## Interview with Dr. V. Krishnamurthy, Chairman, National Manufacturing Competitiveness Council

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**Q. India is being recognized as one of the manufacturing hub. Would you like to provide your views?**

**Ans.** India has strong capabilities in manufacturing. This is slowly gaining prominence. Indian expertise in skill intensive manufacturing sectors such as Auto components, Textiles, Pharmaceuticals etc. gives it an edge over other low wage producing countries.

Though many other countries can provide low skilled labour force at low wages, requirement of high technologies into manufacturing is making India a global hub for manufacturing. This is evident from the number of global manufacturers who have set India as a base. The other factors that are contributing towards this trend are:

- Freeing industrial licensing and exchange control
- Removal of trade barriers
- Simplification of import procedures(including import materials)
- Reduction in peak customs duty
- Financial reforms (including rationalization of tax rates, widening of tax base etc.)

In totality, it can be said that strategic location, availability of skilled manpower, availability of raw materials and favorable government policies, strong conducive business environment, balanced growth and a positive future outlook is attracting global players.

**Q. While the Indian Leather Industry is thankful for your kind gesture in focusing the importance of Leather Industry to the attention of the high offices in the government, we would like your views on the Indian Leather Industry?**

**Ans.** You are most welcome, I have taken up the cause of the Leather Industry as part of my official duty to study and improvise the competitiveness of the Industry in our country keeping in mind the enormous potential the sector has for offering employment in rural and semi-urban areas. Our country needs employment opportunities for the masses in the villages and townships. This industry is present in both organized and unorganized sector and gainfully employs a large section of underprivileged men and women.

Leather sector has huge potential which is untapped, and this evident from India's share of \$2.4 billion as against global share of US\$ 88 billion i.e. just about 2.51 percent.

Thus, to tap the potential a focused sector specific intervention would be required. It is in this connection that NMCC has suggested a mission mode of implementation which would provide necessary direction to tap this huge potential which is available but that is untapped. Therefore, I had taken the cause of the Industry for a special focus.

**Q. What is the outcome of your effort?**

**Ans.** As a result of the NMCC's efforts, the Hon'ble Prime Minister has recently approved development of leather sector under the Mission Mode. This mode was advocated to the government considering the fact that, various ministries are involved in the development of the sector like the Animal Husbandry, Rural development, commerce and industries, Finance etc. Consequent upon the approval of the Mission Mode, the Planning Commission has constituted an Inter Ministerial Committee so that the inter-ministerial issues could be sorted out in a single forum and we expect the programmes to be implemented faster than before.

**Q. What measures NMCC can suggest for enhancing competitiveness of leather industry for inviting investments in the sector?**

**Ans.** Firstly, the leather industry needs to be made more visible and attractive to the investors. There has to be an appropriate detailed policy package and a road map for the fast track growth and development of the sector. Currently, there is a lack of coherent statistical data base that covers both domestic and export performance of the leather industry. In this connection, a coherent statistical data base indicating the potential and opportunities available in this sector is to be made available to the investors to realize the potential and opportunities available in this sector.

**In addition, it is necessary to position India as a favorable destination for large domestic and global investments for the rapid development of the leather sector. Besides all these, a number of things have to be done to attract the investors and this includes steps like developing schemes for modernization and expansion of all segments of the industry. Finally there would be requirement of developing aggressive marketing plan and a coordinated time bound action plan to realize the full potential of the sector.**

**Q. What are your immediate concerns about the Leather Industry?**

**Ans.** Even though, the sector was removed from the small scale sector during 2001, the sector has not attracted investments-both from the present entrepreneurs and the new industrial houses. We have to study in detail the reasons for not attracting sufficient investments in spite of the prospects the industry promises.

Secondly, we do not have a road map for the sector. This is important in view of the fact that programmes should now be initiated for betterment of the sector. The Council for Leather Exports markets the products abroad and maintains the export figures and other associated functions for exports. But the domestic sales, production and statistics are just not available for us to take a holistic view on the sector. These are my concerns.

**Q. Would you like to give some specific advice to the leather industry?**

**Ans.** Specific Advice for Leather Industry:

- Development of production systems to meet challenges of quality, efficiency, logistics, pollution etc. over the entire value chain; building market intelligence and range of products; emphasizing on managerial aspects; moving to higher return generating productions; production of standardized products.
- Global bench mark of best practices.
- Strengthening of design, development and prototyping.
- Emphasize on Brand building.
- Modernization of tanneries
- Need for a paradigm shift in technology introduction.
- Tanning activities to be in compliance with environmental norms.
- Footwear sector has huge potential and hence scale of operations to be improved.
- To concentrate on niche markets of Europe where the order quantity is small but variety is large.

**Q. Do you feel that India should adopt the Chinese model in the Leather sector?**

**Ans.** I do not subscribe completely to this idea as our culture and governance model is completely different from them. However, Chinese in the last twenty years or so have revamped the productivity norms and scale of production on the Leather sector. We have to adopt their model as far as the scale of productions and the productivity per

employee is concerned. We may be able to adopt the workers dormitory facilities but before implementing this, we may have to study the feasibility in our set up.

**Q. There is a feeling in the industry that, stringent pollution norms imposed on the sector is affecting the expansion of the facilities. What are your views?**

**Ans.** Leather trade is no doubt important. But much more important is the environment in which we all are living. There is nothing wrong to have stringent pollution norms as it would protect the ecology and the environment. However the challenge before the industry is that, it should adopt itself to the new challenge by developing technology through institutions like the CLRI and have minimal pollution. The escalating cost could easily be absorbed once our scale of production is increased.

**Q. What should be the focus of the Leather Industry now?**

**Ans.** As far as the exports are concerned, there are only less than ten countries in the world contributing to 80% of the global trade and India does not seem to figure in this. Our export concern should be to increase our share in the established markets and to find out the new markets for Indian Leather products so that, India figures in the top ten Leather exporting countries in the world. With regard to the domestic industry, there is ample scope for the industry to deliver. I feel that, barefooted -ness is below the dignity of human being in today's context. Now that, foot wear is identified as an extension of the apparel, every Indian should be educated to wear footwear for his own safety and things like that. This could increase the per capita consumption of the footwear which would be good thing to happen to the industry. Therefore, Leather industry should focus on domestic sector as well as the external trade sector for it to have a huge demand.

**Q. What would you like the Council for Leather Exports to do now?**

**Ans.** I am aware about the good work done by the council in promoting external trade of Leather from our country. However, I would request the council to prepare a road map for the industry for the next 15 to 20 years. A discussion should be initiated on this document and final action points evolved and strategies formed. This should be done immediately without delay.