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The main objective of our Industrial Policy - 2003 should be pillared on carefully laid out strategies and strategic goals of charting the path to "Sustainable growth" through maximization of productivity, production & efficiency in the manufacturing sector by attracting more & more investment both domestic and foreign, promotion of infrastructure facilities to world class level, modernization of existing industries and induction of new technology by promoting IT, High tech and knowledge based sunrise industries, there by enlarging productive employment opportunities in the manufacturing and service sectors and enhancing exports by diversification of products and access to newer markets. By doing so, it should not only protect and promote SSI units but also encourage decentralization of industries in backward areas and ensuring pro-active role in ensuring environment protection through requisite supply of incentives and infrastructure facilities. Our focus in realising our mission / vision as mentioned above will create long term value for providing much needed momentum for the sound growth and development of our industrial structure. It is firmly believed that this one single agenda of achieving "Sustainable industrial Growth" will take us to unprecedented growth and success. In fact, Gujarat should emerge as an "EVA State" (Economic value added) so that it remains well ahead of other states in the country.

(1) Challenges of Globalisation

India being a signatory to WTO, the challenges of globalization, liberalization, and privatization are posing both opportunities and threats. This underlines, the paramount need of providing requisite thrust to the state's industries and equip them to face the challenges arising out of globalization. i.e. to make industries globally competitive. The new policy should therefore be not only incentive oriented but also contain innovative features so that domestic and foreign investors are attracted for industrial and infrastructure projects with thumping assurance from state govt. about safety and security of life and investment in Gujarat.

(2) Volatility of Industrial cycles

With the increased integration of domestic and global markets and when we are fast moving from shortages to surpluses, our dependence on exports has substantially increased. However, the biggest challenge facing the industry is to manage the inevitable volatility of industrial cycles. Various industries face cyclical price movements with the result that the fortunes of the industry move up and down in line with the market trend of prices. This phenomenon has become uncertain and unpredictable with availability of excess capacity in certain sectors of industries. This issue needs to be sorted out in consultation with the industry on a priority basis.

(3) Solid govt. support needed

While industry is trying its best to cope with the business cycle and has also learnt to be less dependent on increases in prices for better profitability, yet govt. will have to play positive and active role in cost cutting initiatives, building economies of scale wherever necessary, encouraging diversification of production range & widening of markets, strengthen its channel of marketing through creating "Gujarat Brand" for products. The Govt. of Gujarat should evolve necessary mechanism for ensuring quality and popularizing the brand image for products of Gujarat. If Amul can do this, why can't Govt. of Gujarat do it? In fact over the years Gujarat should not only be supplier of goods and services but should emerge as quality provider to the customers both domestic and foreign at more cost effective prices. This calls for gigantic efforts and solid support of the state govt. in the larger interest. Sustained industrial and pragmatic measures will enable us to seize the opportunities of tomorrow and create future that will make Gujarat "EVA State" on the industrial firmament of the country.

(4) Resilience of Gujarat's economy

Despite recurring pattern of external crisis-viz global crisis, cyclone drought, unprecedented earthquake and communal riots etc- and the feared melt down of Gujarat's economy ;what is remarkable is the resilience of the economy of Gujarat which is one of the fastest growing state in the country. It is evident therefore that despite temporary ups and downs the fundamentals of Gujarat's economy are strong and vibrant fuelled by entrepreneurial skill and the spirit, sound business acumen and professional and compromising attitude and approach of the people at large. It is needless to stress that the pro-business approach of the govt. has facilitated Gujarat's relentless drive towards industrialization by making the state as an ideal or preferred business destination for investors both domestic and foreign. It is highly essential to revitalize our strategy and incentive policy so that Gujarat becomes a happening state.

(5) Revitalization of incentive policy

It has to be realized that despite lofty incentive policy announced in the industrial policy,so far, very precious little has been achieved in reality. This is partly due to lack of dissemination of information about interest subsidy, and other assistance's like market promotion assistance, cluster approach, technology upgradation, infrastructure assistance, research and development assistance rehabilitation of sick units, upgradation of GIDC estates, assistance in setting up industrial parks and financial assistance in environment protection and development of backward areas. Lack of adequate interest and follow up by the govt. depts. concerned has also been responsible for such lack lustre performance. The administration needs to be more responsive and the implementation authority also needs to be tightened with periodical review on action taken report.

Above all incentive policy needs to be revitalized and be made growth oriented as only 30% of the state's area has adequately developed in the process of industrialization i.e. golden corridor from Vapi to Ahmedabad and to some extent up to Mehsana but the rest of the areas have either remained underdeveloped or interior areas undeveloped in the process of planning and development.

It is significant to note that hesitating and halting policy does not yield desired results. What is wanted is a bold approach so that key sectors of growth receive requisite encouragement and assistance and Gujarat forges ahead on the path of progress and prosperity without interruptions.

(6) Focused Sectoral Approach

There is urgent need now than ever before for a new approach which gives specific attention to specific industrial sectors rather than a head long promotion of general industrialisation without any discrimination. The new approach should be partly based on taking advantage of the state by promoting mineral based industries, Agro & food processing industries including such traditional sectors as textiles including gems and jewelry and pharmaceuticals. They need to be technologically upgraded and modernized so that their competitiveness could be enhanced. The other part of the strategy should be aimed at promoting knowledge based industries in which the state has not made much headway in the past. In short, the new initiative for industrial development of Gujarat should be aimed at making the state a global player with the benefits of rapid industrial growth flowing to all sectors of the society i.e. reaching unto the last. The emerging industry segments like Infotech, biotech, tourism Agro processing and mineral industries should receive priority attention for intensive development.

(7)) Resurgence of IT Sector

A recent IDC survey states that India is among the 5 fastest growing It markets in the world, second only to China. However, this market requires to be well-defined and organised.

Information technology is a \$ 600-700 billion business accounting for about 7% of the U.S. economy and close to one half of all business investment. Although services account for 75% of all information technology spending, manufacturing is increasing its capacities at 10% to 15% a year, which is likely to accelerate in the years ahead. Besides business to business E- commerce in goods and services is projected to grow so also the need for IT professionals in future.

Companies now a days increasingly use IT to reduce costs, increase productivity, reduce time required to develop new products, harness the collective enterprise of their employees and create an "extended enterprise" by closer relationship with their customers, suppliers and partners.

It is obvious therefore that the opportunities for IT Industries, entrepreneurs are enormous. Gujarat with its excellent broad band and floor space availability, entrepreneurial spirit of the people, international net work of Gujarati community and existence of significant nucleus of IT enabled services activity is an ideal place for locating infotech and science city in and about Gandhinagar. Hence the state should focus on networking connectivity, facilitating information access on mass scale related education, technology for medical care, transportation and public utility, call centre, medical prescription facilities, back office operation facilities, GIS facilities etc. to ensure better and effective interface that is important in all sectors of the economy and thus give rise to large scale employment opportunities.

Bangalore (Karnataka) and Hyderabad (Andhra Pradesh) have made remarkable progress in this direction and with some respite in last few years are again leapfrogging in this direction with vigor and determination.

Even Maharashtra is also forging ahead in this direction. Pune has embedded its name in software and the smaller towns of Maharashtra are now playing catch-up. As technology parks spring up in secondary towns like Nasik, Kolhapur and Nagpur, nothing can lock the key pads of growth. Besides, smaller towns are being positioned as cost advantage centers for IT and IT enabled services as they boast of cheaper real estate and manpower.

The tremendous export opportunities which beckon the IT sector can be realised from the following table:

[figures in \$ billion]

Services	2002	2003	Growth %	2004	Growth %
IT servicesProducts & techServices.	6.2	7.2	18	8.4	17
IT enabledServices	1.5	2.3	59	8.4	54
Total IT industry	7.7	9.5	25	12	26

Besides off shore job boom has just begun and BPO in services and products is fast gathering momentum. This being the position we need not worry too much about US backlash. In view of this, we have to equip our selves effectively and efficiently to seize the tremendous opportunities which lie ahead in this vital sector. Besides proper education and man-power development facilities are required to be strengthened to boost IT development in the state.

(8) Bio-technology

Gujarat has been a front runner in bio-technology industries with vision to convert the entire state into a bio-tech enterprise zone(BEZ). The scope for development of potential

are brighter in this direction because progressive agriculture, developed chemical, pharmaceutical and health care sector, availability of skilled and productive work force, favorable response from corporate sector and NRG and the availability of venture capital funds. The formation of Gujarat council of bio-technology and establishment of technology park at Savli will provide tremendous boost to this sector particularly in areas like medical bio-technology, agriculture, environmental and industrial.

However, we have miles to go to catch up and compete with states such as Andhra Pradesh, Tamil Nadu, Karnatak Bangalore in this direction and suitable thrust for encouragement to this sector be provided in the new policy as delay in formulating a policy in this regard has resulted in huge loss to the state. In short investors should be wooed to this sector.

(9) Agro & Food processing

Gujarat encompasses over 6% of the cultivable land in the country. The well-developed agro base of the state offers vast opportunities for agro-processing and food processing industries. Although this is declared as a thrust area with provision of incentives and facilities, yet the progress in this direction is tardy and leaves much to be desired in exploiting un-tapped potential in the following areas.

- Fruits & Vegetable processing
- Oil seeds processing
- Seed spice and Isabgul
- Fisheries and Fish processing
- Milk & Milk products
- Traditional food items like Papad, Gujarati snacks, pickles, Khakhra etc.

Although Gujarat Agro vision 2010 Agenda aims to exploit latent potential in this sector, yet the progress is scanty and leaves much to be desired. To achieve meaningful results public private partnership be encouraged coupled with provision for a chain of cold storages, post harvest storage facilities, cargo complexes and air freighting of fresh fruits, vegetables and cut flowers be developed at vital points so that domestic and foreign demands could be met with promotion of exports.

Robust growth of the food processing industry calls for foreign investment and technology in areas of integrated cold chain, packaging technology and food parks that could be based on agro-park model. In short infrastructural and technical fitness must be strengthened by fruitful exchange of know-how and resources.

(10) Chemical and petro-chemicals etc

Gujarat is fast emerging as a chemical state manufacturing organic and inorganic chemicals, dyes and dyes intermediates, pesticides, fertilizers, detergents, rubber chemicals, petro-chemicals including plastics and pharmaceutical sector.

Gujarat has not only attracted maximum share of investment in chemical sector among the various states in the country but Gujarat also produces 25% of chemical and allied items of the country. It also accounts for 50% of petro-chemical production, 45% of pharma production, 90% of soda ash, 70% of salt and 20% of caustic soda production in the country, 80% of the dyestuff manufacturing units are located in Gujarat.

The chemical industry is faced with the problems of higher burden of taxation, high electricity charges, high rates of interest, fund for modernisation of operation at concessional rates, inelastic labour laws and higher transaction cost and above all most important is the pollution problems. Unless Govt. takes personal interest and resolves these issues through proper policy and procedures, the competitiveness in the chemical industry sector will be at stake leading complete or partial closure of units. The new policy will have to adopt drastic initiatives to remedy the situation.

In view of Gujarat's dominance in this vital field, it is highly essential and desirable that

immediate and effective steps be taken in the new policy to enhance competitiveness of this industry by reducing burden of taxation, relief in power rates, concession in interest charges, substantial financial assistance for modernisation and up gradation of technology and solid support and assistance of the govt. to environmental issues which is a matter of serious concern for all concerned.

(11) Engineering & Automobile ancillaries Industry

There is no denying the fact that Gujarat has achieved significant progress in the engineering sector, especially in the areas of foundry products, Industrial machinery, Electrical equipment and precision engineering products. It also manufactures various products like industrial valves, diesel engines, submersible pumps, forged components, rolled products and ball and roller bearing etc. The areas with high growth potential include auto-ancillaries, investment castings, sintered products, and light weight precision machine tools. There is a vast potential in these sectors and Gujaratis are better placed to cater to the needs and business viability's of such projects. In addition to above, Gujarat offers an excellent base for heavy engineering industry, automobile industry including ancillaries, electronically operated machine tools, farm and farm equipment industry etc. Besides bringing of capital goods and machinery offers added advantage due to developed parts in the nearby. The Policy should be so re-oriented that engineering industry receives tremendous boost in Gujarat.

(12) Apparels

Although apparel part in Surat is doing good job, yet full potential in this segment is yet to be tapped. Large transnational and multi-national companies of USA, UK & Europe as also France, Malaysia and Japanese Co. can look for conducting business in the State. In view of considerable size of the overseas market and tremendous exports made in the first half of calendar year 2003, it is highly essential that such parks should not only be multiplied but also they should be fortified by offering attractive incentives and facilities. Besides, problems of market access and non-tariff barriers be tackled by Govt. through central Govt. at WTO level.

(13) Mineral based industries

Even though Gujarat is endowed with minerals in abundance. and is ranked fourth in the country, it contributes to about 7% of the minerals mined in the country, yet untapped potential is tremendous and the same be harnessed in the process of development through requisite incentives and facilities which should be effectively utilised.

The major minerals having large reserves in million tons are Lime Stone (11,500), Bauxite (105), lignite (1072), Dolomite (720), Bentonite (105) and Crude Oil (418). Besides other important minerals in Gujarat include Granite, Silica, China clay, Fire Clay etc. offering considerable scope for mineral based industries

(14) Construction Industry

Despite the fact that construction industry contributes about Rs.8000 crore to GDP growth in the State, the real estate boom which is building up very fast in various metros in the country backed by high tech residential and commercial and sector boom, it has yet to pick up in Gujarat. It is a stunning come back for the developers and the real estate Industry which has been in the dumps for around five to six years.

This highly employment oriented industry needs to be given maximum encouragement and financial assistance by Govt. so that residential and commercial construction activity picks up rapidly in Gujarat. It is of paramount importance that the new policy should take major initiatives to encourage following areas of construction activities.

- (1) Earth quake rehabilitation programme be given maximum boost and incomplete works be completed by Govt. on priority basis as lot of foreign funds have remained unutilised in the quake affected Kutch region. Even in Ahmedabad City only 20% of the building which had grounded due to earth quake have been re-constructed and 80% construction activities are still hanging in the air. Construction of residential quake resistant houses be given requisite momentum.
- (2) Big IT campuses and commercial development be encouraged in major cities so as to provide much needed stimulus to construction activity.
- (3) Shopping malls with entertainment centres or even multiplexes as well as water parks and resorts be given encouragement through taxation and other wise to boost retail marketing and entertainment industry.
- (4) Cultural and health activities be promoted so as to boost construction activities.
- (5) Large number of Gujaratis are settled abroad. Many are returning frequently and many return permanently in the old age. It is therefore highly essential and desirable to construct an NRI City by way of a satellite township on the outskirts of major cities with ultra modern amenities and facilities both infrastructure and social. This will give tremendous boost to quality construction activities bringing foreign exchange and creating widespread employment.
- (6) Govt. of India is planning to invite bids for convention centres soon from multinational hotel and construction players for such projects. Gujarat and Ahmedabad Baroda and Surat being important Industrial Cum Commercial Centres par excellence, Govt. of India be requested for central projects for Gujarat in field of convention centre and exhibition.

(15) Tourism Industry

During the last few years tourism industry has suffered a severe set back all over the world including India and Gujarat. Further man made and natural calamities have given a severe blow to the hospitality industry as well as air transport industry & allied sectors dependent on it.

Despite this gloom and doom in the tourism scenario, Kerala and Goa and Rajasthan have capitalized on their tranquil surrounding and heavily advertised their attractive packages to tourists. Thus tourism industry in Gujarat needs to project innovative packages and facilities to attract people to Gujarat. Domestic tourism and budget tourism should receive major attention in the policy. Sound infrastructure development coupled with good connectivity will help attracting flow of tourists to Gujarat.

The greatest advantage will be that it will help national integration and create a harmonious socio-cultural environment which is vital.

The approach in the new policy must be to concentrate on the development of selected centers and circuits through effective coordination of public and private efforts to achieve desired results in this sector.

The major thrust areas calling encouragement and assistance are as under.

- (1) Domestic tourism
- (2) Natural health tourism
- (3) Rural and village tourism
- (4) Pilgrim tourism
- (5) Adventure tourism
- (6) Heritage tourism
- (7) Eco tourism
- (8) Youth and senior citizen packages
- (9) Resorts and water parks
- (10) Cultural tourism

Effective mechanism needs to be evolved to over see and coordinate such activities and train manpower for promotion of tourism.

The future horizon

There is no denying the fact that based on the past performance and the tremendous enterprising spirit of the people at large as well as dynamic and pro-active attitude and approach of the Govt, the future of Gujarat is bright and promising.

Despite setbacks due to natural and man made calamities in succession, compared to other states, Gujarat is faring better and the Gujarat's economy is growing faster than others with a growth rate of 9% in 2002-2003. Viewed in this context, singing tunes of gloom and doom is irrelevant and unwarranted. There is therefore a general appreciation of the growth path on which Gujarat is moving. This is indicative of tremendous confidence of investors in the favourable socio-economic environment in Gujarat and the dynamic and progressive policies being pursued by the state Govt.

When the Govt. of Gujarat has set an ambitious growth target of 10.2% in GDP and 12.2% in industrial growth, 4% in agricultural sector & 10.4% in services, it is in the fitness of things that new industrial policy will have to encourage and induce investors both domestic and foreign to invest in manufacturing, infrastructure, tourism and real estate sectors so that maximization of growth and welfare of the people could be achieved.

Viewed in this perspective, the new industrial policy will have to so redesigned and reoriented that industries of Gujarat are able to face threats and challenges of globalization and are enabled to seize opportunities which lie ahead in various sectors. This inevitably calls for a growth oriented policy which leads to enhancement of competitive edge of industries so that Gujarat forges ahead on the path of progress and prosperity in the current and coming decades as one of the most economically developed and a progressive "welfare" state of India.