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PRESENTATION ON LANDLOCKED ECONOMIES

CONNECTING TO COMPETE

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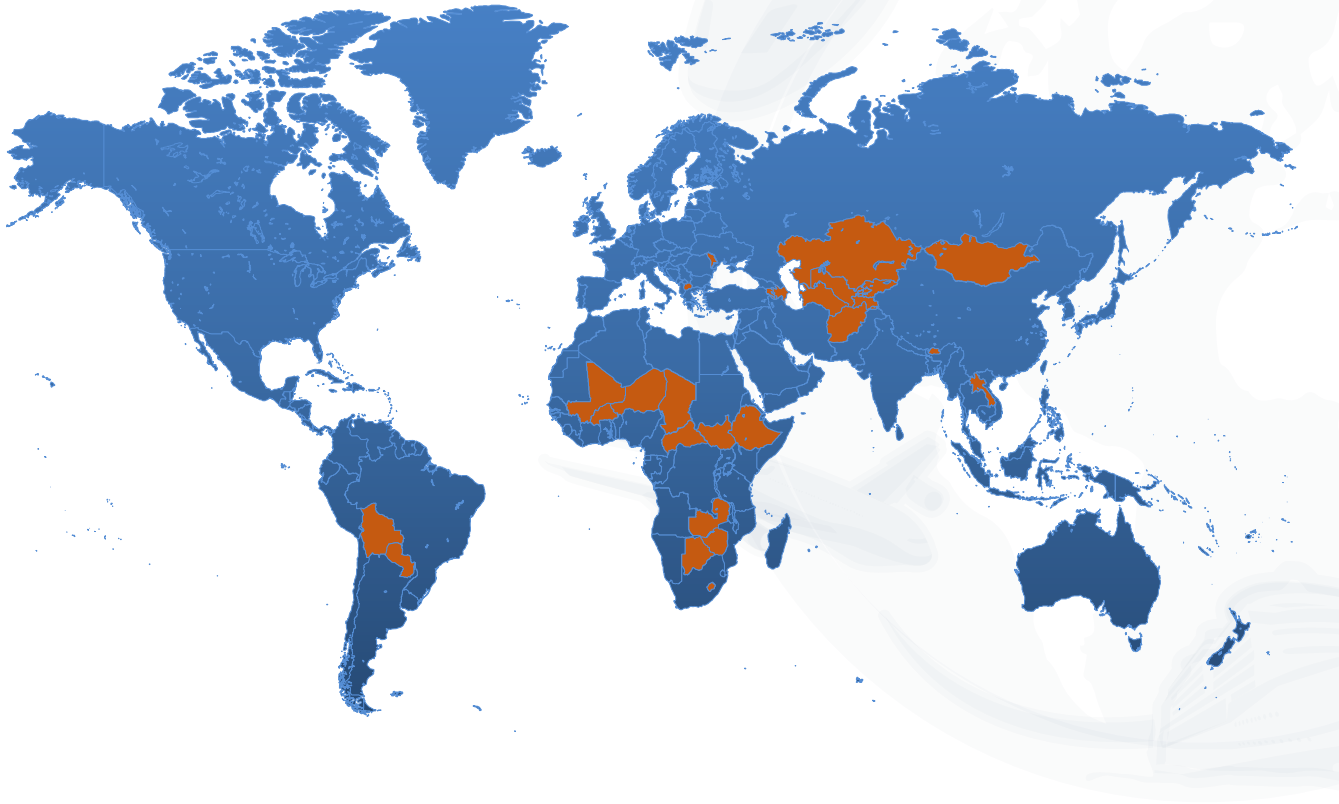




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Landlockedness refers to the geographical position of a country without access to the sea

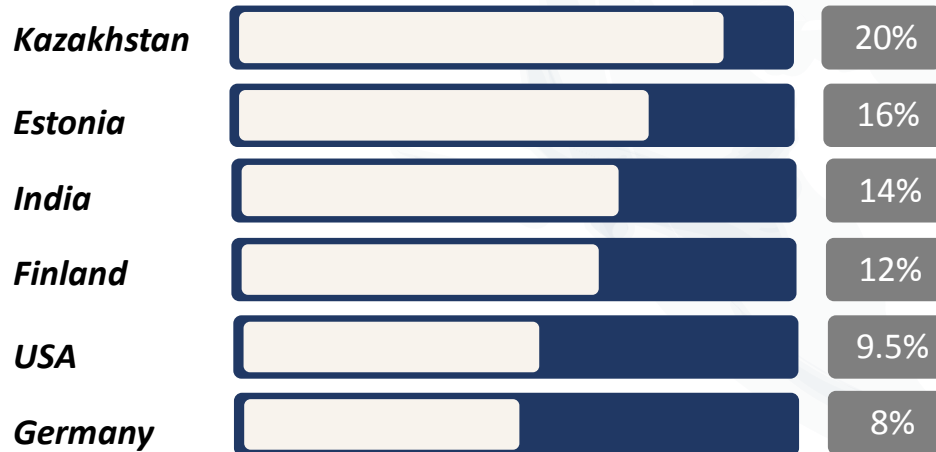


- LLCs are concentrated in Eastern Europe, Sub Saharan Africa & Central Asia
- 44 LLCs in the world - 32 countries (home to 440 Mn) in the low to middle income categories with 1/3rd the per capita of transit countries
- Being a LLC translates into reduced connectivity and a higher cost of access to global markets
- Volume of international trade of a LLC is 60% of the trade volume of comparable coastal country
- Resource rich LLC have performed better than resource scarce LLC and exports from resource rich LLCs are growing comparable to resource scarce transit coastal countries primarily on the back of the demand for commodities
- Resource scarce LLCs among the poorest economies

World Bank Logistics Performance Index: India has moved up from **54** in 2014 to **35** in 2016

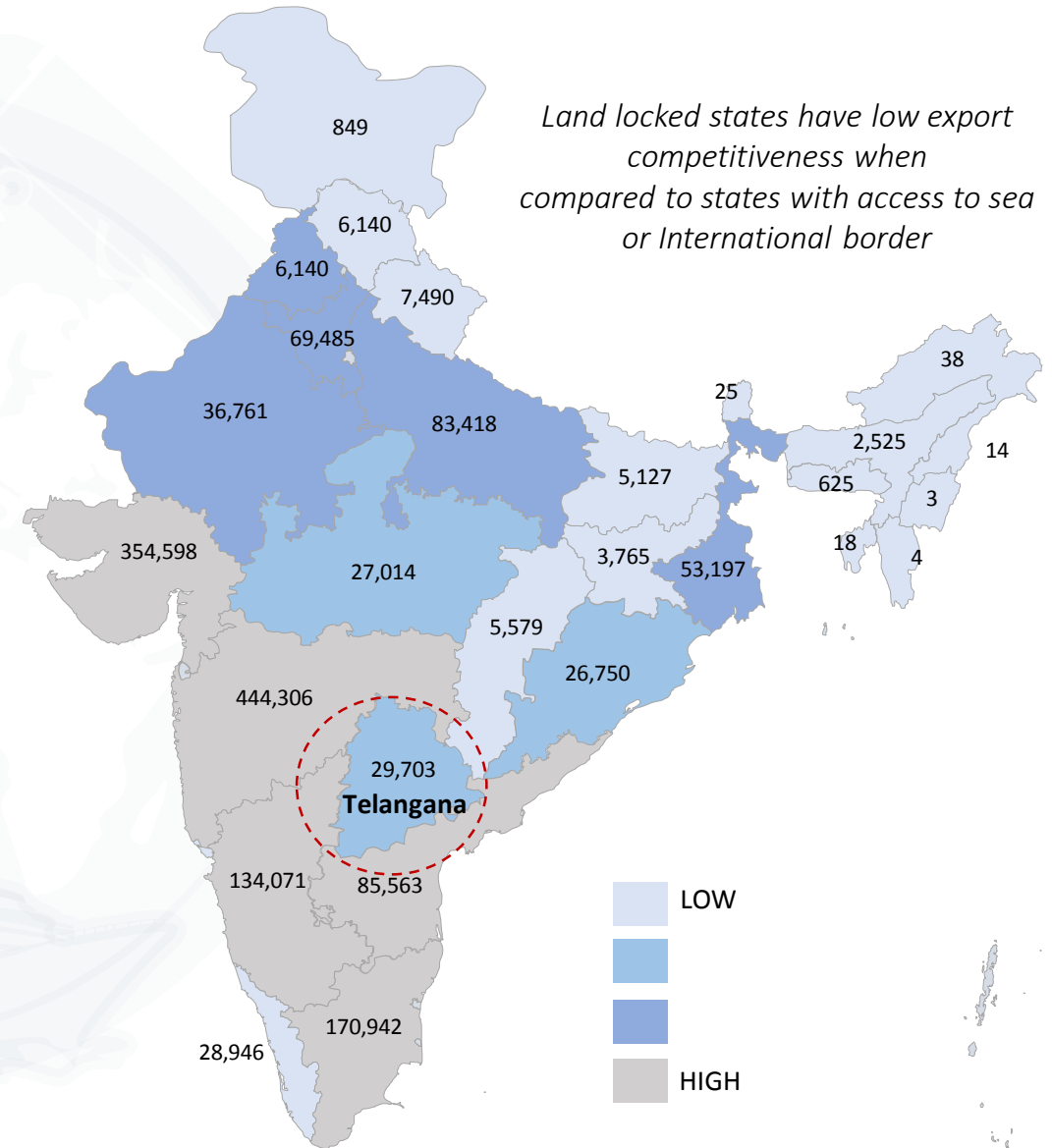
Of **17** large global cities **14** are with access to sea and **11** of which are in Asia such as Bangkok, Mumbai, Singapore, Jakarta, Shanghai among others

COST OF LOGISTICS TO GDP BY COUNTRY



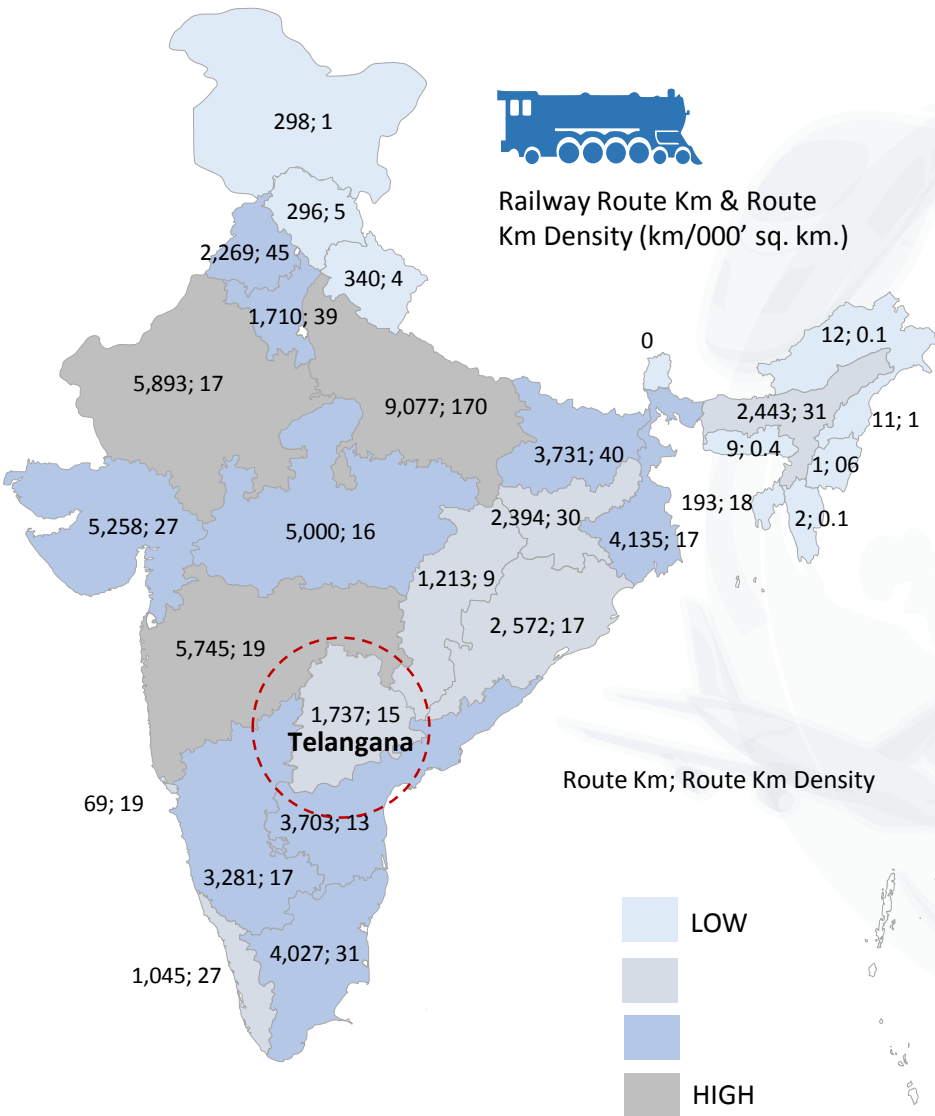
Transport cost + Other Logistics cost + Delay Hedging cost

Land locked states have low export competitiveness when compared to states with access to sea or International border



Note: Average of exports for year 2014-15 & 2016-17

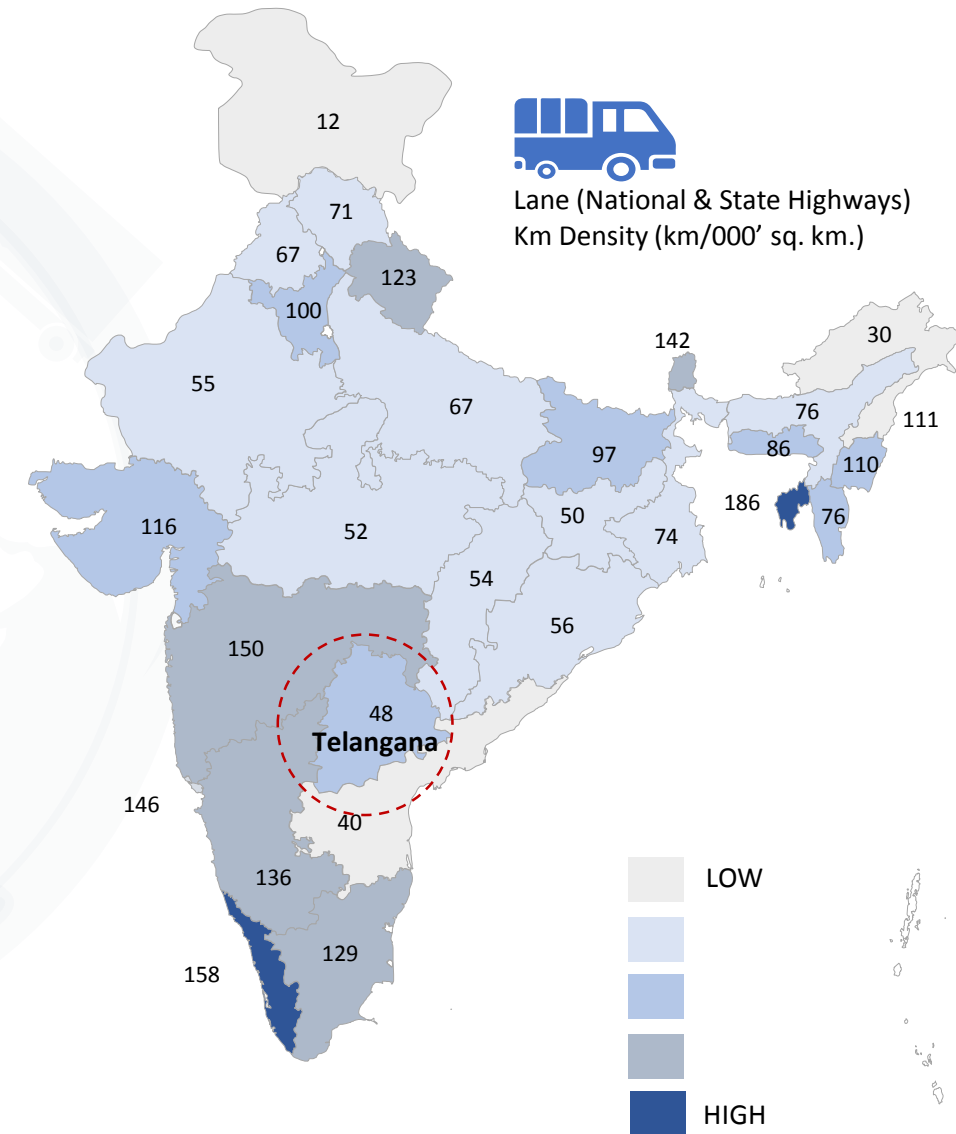
Source: DGCIS – Directorate General of Commercial Intelligence & Statistics



Note: As on March 2016

Source: PIB – Press Information Bureau

- Missing links in the networks continue to constrain route choice, while insufficient capacity on some corridors raise cost of logistics
- Lack of adequate warehousing and Inland Container depots (ICD) coupled
- Telangana: Length of Railway track is low and also neither is State Highway density per km very high compared to other states



Note: As on March 2015

Source: MoRTH - The Ministry of Road Transport and Highways

LLC of South Asia has the lowest LPI compared to others LLCs in Sub Saharan and Eastern Europe

Efficiency of customs and other border agencies

Infrastructure efficiency

Ease and affordability of arranging international shipments

Six Indicators of LPI



Competence of the local logistics industry

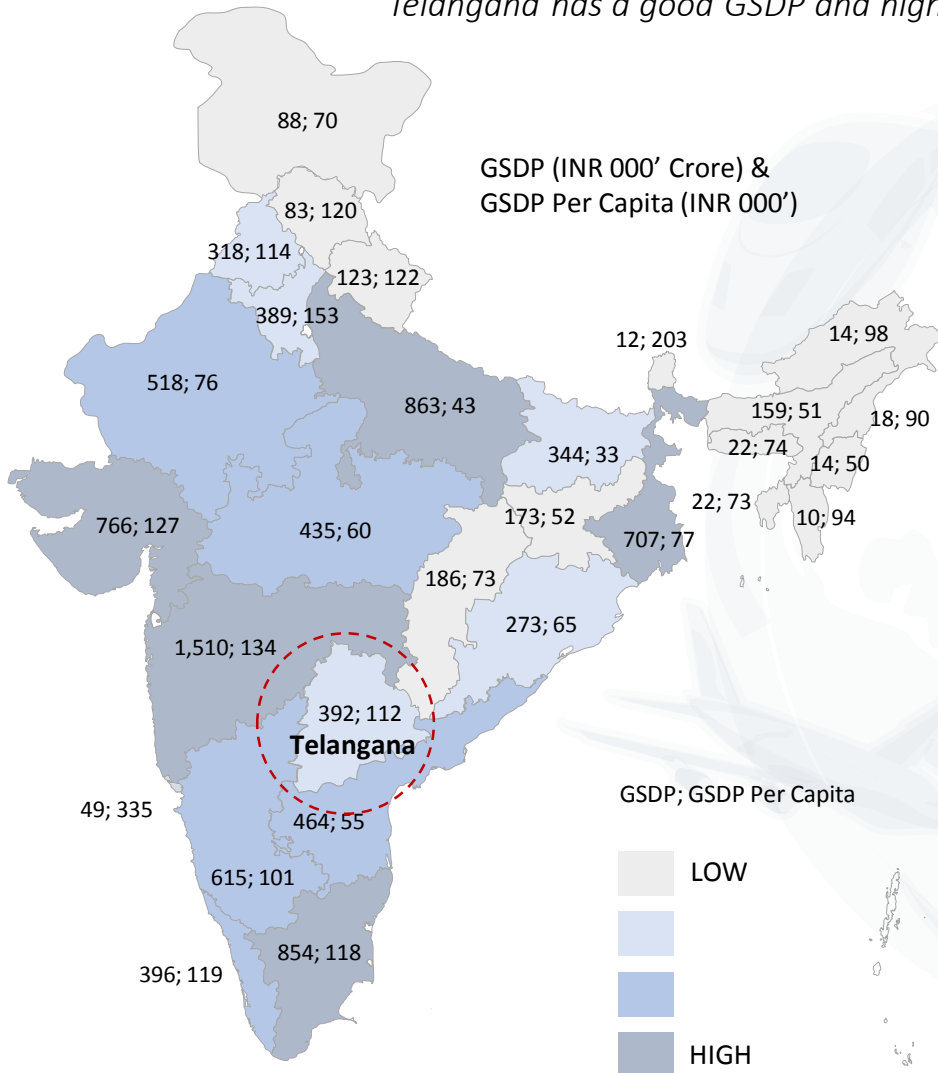
Ability to track and trace international shipments

Timeliness of shipments in reaching destination

As per the LEADS (Logistics Ease Across Different States) Report by Deloitte, Jan 2018 – States across India are grouped in clusters and Telangana is in the Central Land locked cluster

	Coastal			Landlocked			Hilly*	
	West Coast	East Coast	South Coast	Central	Northern	Eastern	North	East
Infrastructure & Services	Road Infrastructure	●	●	●	●	●	●	●
	Rail Infrastructure	●	●	●	●	●	●	●
	Air Cargo Terminal	●	●	●	●	●	●	●
	Port/Intermodal Terminal	●	●	●	●	●	●	●
	Storage Infrastructure	●	●	●	●	●	●	●
	Internet Connectivity	●	●	●	●	●	●	●
	Extent of Digitization/ Online Payments	●	●	●	●	●	●	●
	Service Providers	●	●	●	●	●	●	●
	Availability of track and trace information	●	●	●	●	●	●	●
Safety & Ease of Track and Trace	Extent of availability from integrated service provider	●	●	●	●	●	●	●
	Real Time Information	●	●	●	●	●	●	●
	Accuracy of information	●	●	●	●	●	●	●
	Extent of Damage of Cargo	●	●	●	●	●	●	●
	Customs	●	●	●	●	●	●	●
Operating Environment & Regulatory Efficiency	Inspection Facilities/ Services	●	●	●	●	●	●	●
	Impact of Unions	●	●	●	●	●	●	●
	Skilled Labour	●	●	●	●	●	●	●
	State Labour Policy	●	●	●	●	●	●	●
	Law & Order	●	●	●	●	●	●	●
	Efficiency in enforcing contracts	●	●	●	●	●	●	●
	Extent of Road Restrictions	●	●	●	●	●	●	●
		●	●	●	●	●	●	●

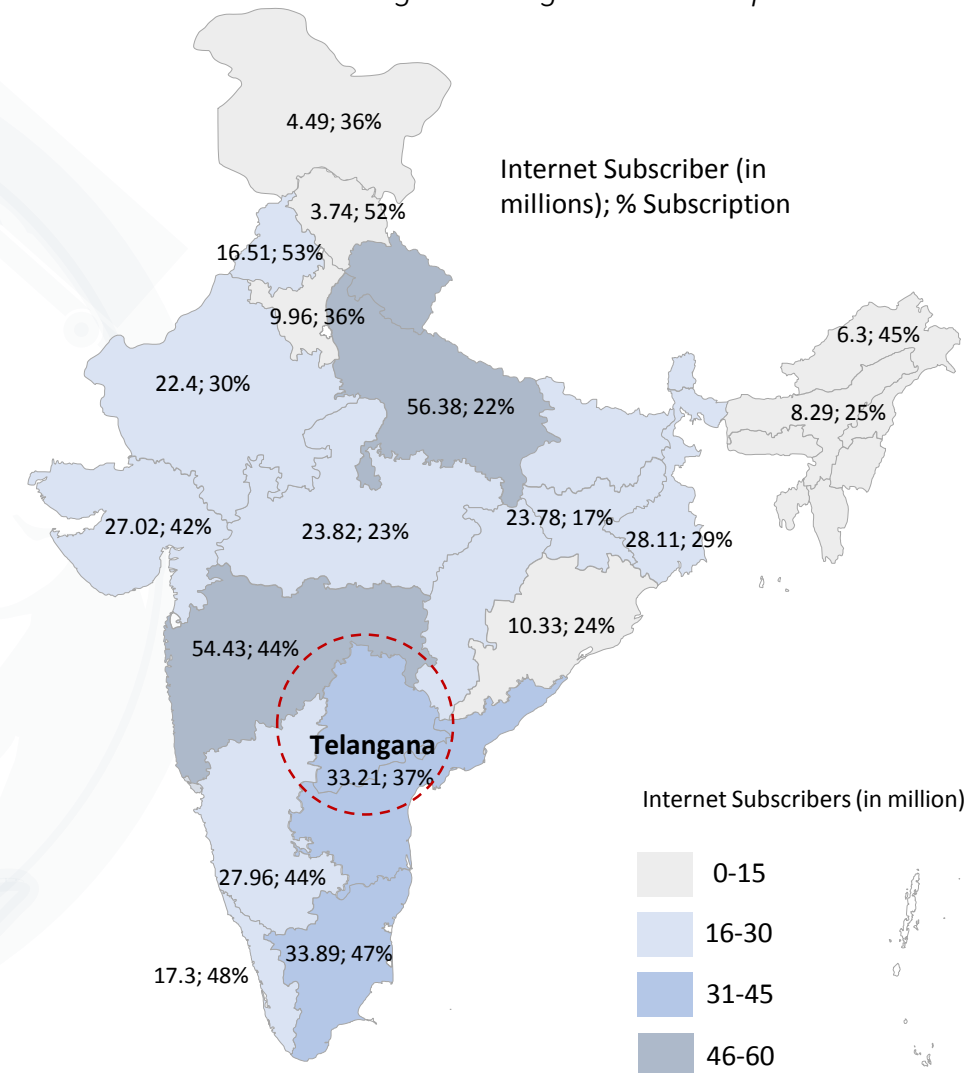
Telangana has a good GSDP and high per capita



- SEZ 26 in Telangana highest after Tamil Nadu & Maharashtra
- Strong on Software Exports

Note: GSDP – Gross State Domestic Product (2013-14) & Population 2011
Source: Niti Ayog, Census (2011)

Telangana has good Internet penetration



Note: As on June, 2017
Source: TRAI, Census (2011)

Internal

STRENGTHS**Leadership position in Exports**

- Bulk drugs, intermediaries, drug formulations and biologicals
- Organic, Residual chemicals and allied products
- Jewelry of gold and other precious metals

Air cargo terminal in Hyderabad, often the shipment exits the country the same day the cargo reaches the terminal

CONSTRAINTS**Impact of State Bifurcation**

- Loss of an International border and sea access
- Fisheries is a Bn \$ industry in neighboring AP which exported 65,000 tons of sea food last year
- Export oriented industries would prefer setting up in coastal cities in South Vs Telangana (move this to threats)
- Loss of access to Sea tourism and related revenue

External

Warehousing

- Clean storage and quality cold warehouses are essential for meeting pharmaceutical company requirements
- The available infrastructure does not meet industry needs today, but given the strengths in Pharma this can be an allied growth sector

OPPORTUNITIES**Traffic Movement Restriction**

- In Hyderabad, restriction on movement of heavy goods vehicles in the city is considered high between 7:00 am to 23:00 pm in general – on some routes goods vehicles can only move between 11:30 am to 15:30 pm during the day
- Most stakeholders felt that the extent of restriction hampers the movement of empty containers to the factory and subsequent movement of the loaded containers to the ICD*

THREATS

- Centrally located between Middle East & South East Asia
- World Class Airport – Rajiv Gandhi International Airport (RGIA) operated by GMR Hyderabad International Airport Ltd (GHIAL) received the Airports Council International (ACI) Airport Service Quality (ASQ) World # 1 Airport Award Trophy in the 5 – 15 million passengers per annum category for the year 2017 – One of the busiest airports in the country. Air cargo disbursement within 24 Hr
- World Class Nehru Outer Ring Road – 158 Kilometer, 8-lane road expressway encircling the capital city of Hyderabad
- Upcoming Regional Ring Road which connects all the hinterlands within Telangana to the Central Ring Road (to pass through 125 villages & link three major Telangana highways)
- Uninterrupted Power supply – 24 Hr
- Kaleshwaram Lift Irrigation project (KLIP) on completion will provide irrigation water to 37 Lakh acres which covers homes, farmlands & Industrial units
- Hyderabad – ‘The City of Pearls’ – Best City in Living Standards surveyed as per the Mercer’s Quality of Living Rankings for 2017
- Internet penetration at 37% among the highest in the country
- One of the most urbanized states in the country after District Reorganization
- World Leaders in Drug production
- One of the top three in the country in Software Exports
- Access to Talented Pool of Workforce
- Law & Order Surveillance among the best in the country – Relatively Low Crime Rate
- Hyderabad has emerged as a Defence and Aerospace hub - the State has created clusters for composites, aero structures, electronics and larger units to come in
- Presence of several Government institutes
- Upcoming Semiconductor hub, Dedicated Pharma city

Infrastructure

- Corridors for Regional Integration
- Engagement with partner states for development of border zones for trade facilitation
- Inland Warehousing & Cold storages
- Improve Network of Roads & Rail freight terminals and network

Industry around existing Infrastructure

- Build on our strength in Internet penetration (improve soft exports)
- SEZs: Telangana has 26 vs. 29 in Maharashtra and 36 in Tamil Nadu
- Develop a strong manufacturing base for select high value Industrial lines such as Defense & Aerospace

Standardized conventions such as Convention on Road Traffic and Convention on Road Signs and Signals among others help in:

- Harmonization of road design standards
- Standardization of axle load limits, vehicle weights and dimensions
- Modalities for infrastructure cost recovery (coupons, carnet, fuel levies, tolls)
- Facilitating LCL (Limited Container Loads)

Enhancing Capacity



Flowers & Fish Export by Air from Kenya & Tanzania to the European Market

- One of the prime examples of a strong perishables export industry are **Kenya's cut flower exports to the European Union**
 - Over the past 40 years, Kenya has risen to the **largest cut flower producer and exporter** to the European market, maintaining a solid market share of **31%**
 - Since inception, **Air transportation has been the basis for the global distribution of Kenya's perishable goods**. However, Kenya's national air carrier does not have any dedicated freighter aircraft. Nevertheless, the airline transports about 90 percent of the country's air cargo exports in the cargo hold of regular passenger aircraft with destinations in the United Kingdom, and the Netherlands. Only a small part of the overall exports are transported on dedicated cargo aircraft
 - This fact underscores the importance of passenger air services for air cargo, especially in countries which do not possess a large air cargo fleet or whose volume of cargo business is too small to support dedicated cargo operations
-
- A good example is Tanzania, where the **West Nile Perch was artificially introduced into the Lake Victoria** in the 1950s and 1960s
 - The processing and export industry that arose out of this **freshwater fish production created an export market of about US\$ 122 million** in 2005. The center for Tanzanian fishing operations and processing is the city of Mwanza
 - According to the City Council of Mwanza, the fishing industry of Lake Victoria has created **direct employment for over 8,000 local processing workers**, and overall **300,000 indirect jobs**. About 52,000 Tanzanian fishermen benefit directly from the Nile perch
 - The key logistics element for the timely export of the processed fish is **Air Transportation**
 - Mwanza disposes of an airport with a 3,300 meter (10'827 feet) long runway, and two non-precision instrument approach procedures. This allows the take-off of medium-sized cargo aircraft, which are able to transport the fish products directly to destinations for distribution in Europe

Belarus Logistics System ~ How Strategic Thinking helped a LLC and an upper-middle-income economy

- Located in Eastern Europe, with a geographical position that allows it to be (together with Ukraine) a viable alternative land-linking EU, Russia, Asian and Central Asian countries
- Belarus optimized the good location and transformed the landlockedness into an opportunity, by adopting policies favourable to transit by foreign operators, which created business for nationals
- Belarus is crossed by 2 Pan-European Transport Corridors (PETrC): II and IXb
- Following the same strategic thinking, the Government approved in 2008 a Program for the development of the national logistics system up to 2015

Improving Border Management in Cambodia

- In recent years Cambodia has made real progress in reforming and modernizing its import, export, and transit operations, including by streamlining and harmonizing customs procedures to international standards
- These reforms have contributed to Cambodia improving its LPI ranking from **129th** in 2010 to **101st** in 2012 and to **83rd** in 2014
- Clearance times with physical inspection of cargo have fallen from **5.9** days in 2010 to **1.4** days in 2014, with the introduction of automated custom procedures
- Likewise, the share of consignments selected for physical inspection has fallen from **29** percent in 2010 to **17** percent in 2014, suggesting that customs' risk management capabilities are improving
- 2014 LPI data rate the performance of quality/standards inspections and health/Sanitary & Phytosanitary standards (SPS) agencies lower than customs
- With World Bank support, the government is automating application and issuance of certificates of origin, as well as improving transparency through a trade information website where all rules, regulations, fees, and procedures will be available

Thank You

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