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DEPARTMENT OF COMMERCE
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INTERNATIONAL CONFERENCE
**STRENGTHENING AVIATION NETWORK
BETWEEN North East Region (India)
& BCLMV COUNTRIES:**
(Bangladesh, Cambodia, Laos, Myanmar, Vietnam)
GATEWAY TO SERVICES EXPORTS

(Air Passenger, Tourists, Air Cargo, Charter Planes and Human Resource Development)

Tuesday, 1st August 2017
Radisson Blu Hotel , Guwahati (Assam)



UNDER THE DYNAMIC LEADERSHIP, GUIDANCE & PATRONAGE OF



Smt. Nirmala Sitharaman

Hon'ble Minister of State for Commerce & Industry, Govt. of India



Shri Jayant Sinha

Hon'ble Minister of State for Civil Aviation Govt. of India



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Shri Sarbananda Sonowal
Hon'ble Chief Minister
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Shri Pema Khandu
Hon'ble Chief Minister
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Shri Pawan Chamling
Hon'ble Chief Minister
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Shri N. Biren Singh
Hon'ble Chief Minister
Manipur



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Hon'ble Chief Minister
Meghalaya



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Transportation, as a means to carry people and goods is important in each stage of human civilization. Transportation has contributed much to the development of economic, social, political and cultural fields and uplifting their condition. The contribution of transportation is very important to transport commodities to nooks and crannies of the world in a little time. There is a general agreement that tourism expands more when there are better transportation systems.



GLOBAL SCENARIO

As the global economy is becoming more and more connected, the aviation industry is one of the fastest transportation sectors. Commercial airlines carried more than 3.5 billion passengers and generated a global revenue of 518 billion U.S. dollars in 2015. Air transportation also plays an important role for tourism, contributing to economic growth, especially in developing countries. The number of international tourist arrivals increased from 1.13 billion arrivals in 2014 to 1.19 billion in 2015; more than half of tourists chose to reach their destination by air transportation.

Global Aviation in Numbers in 2015		
Passengers 3.5 billion	Average Return Fare US\$407	Fuel Spend US\$180 billion
Fleet Size 27,000	Freight Volume 51.3 mn tonnes	Fuel Consumed 290 billion litres
Airline Revenue US\$742 bn	Value of Trade Carried by Air US\$6.4 trillion	Fuel Share of Operating Costs 27.4%

Air transport also provides entrance to international markets and assists in the progress of world trade. Over 52 million metric tons of cargo was carried by air in 2015, generating around 53 billion U.S. dollars in revenue.

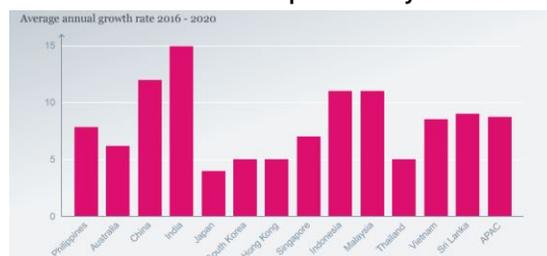
Contrary to road or rail transportation, the aviation industry has to pay for most of its own infrastructure and maintenance such as runways, terminals or air traffic control. In 2015, airports spent more than 67 billion U.S. dollars in infrastructure with Asia Pacific accounting for the majority of new airport projects in the region.

The aviation industry provides a total of 62.7 million jobs worldwide. It directly generates employment opportunities within the airlines, air navigation services providers and airport operators and additionally creates jobs via the supply chain in the transportation of goods and services.

ASIAN SCENARIO

Asian airlines and their increasing passenger numbers are driving global aviation markets. We envisage that Asia Pacific (APAC) will account for up to half of total annual increase in air traffic by 2020. The Asia Pacific's aviation industry has experienced remarkable growth over the past decade. In fact, the number of Asian airlines now totals 230, with an estimated 27 percent of the world commercial aircraft fleet, according to global analytics firm IHS. APAC also accounted for around 28 percent of international and 40 percent of domestic scheduled air passenger traffic in 2015. Air transport supports 28.8 million jobs and \$626 billion in GDP in Asia-Pacific.

Growth Rate of Air Transport Industry 2016-2020



Source: IHS World Industry Service Report 2016

INDIA

India's civil aviation industry is on a high-growth trajectory. India aims to become the third-largest aviation market by 2020 and the largest by 2030. The Civil Aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information technology (IT) interventions and growing emphasis on regional connectivity. India is the ninth-largest civil aviation market in the world, with a market size of around US\$ 16 billion. Indian domestic air traffic is expected to cross 100 million passengers by FY2017, compared to 81 million passengers in 2015, as per Centre for Asia Pacific Aviation (CAPA).

India is among the five fastest-growing aviation markets globally with 275 million new passengers. The airlines operating in India are projected to record a collective operating profit of Rs 8,100 crore (US\$ 1.29 billion) in fiscal year 2016.

Passenger Movement Increased from 169 million in FY 2013-14 to 188.67 million in FY 2014-15 a growth of 11.8%, highest since 2009.

Cargo Movement- Risen from 2.28 million tonnes in FY 2013-14 to 2.54 million tonnes 2014-15. Total air cargo at all Indian airports during 2016-17 (April 2016-February 2017) witnessed a growth rate of 9.3 percent.

Air connectivity is key to sourcing intermediate goods and services, which feed into NER(I) industries, and transporting finished goods to the ultimate destinations. It is an important mode of transportation for carrying passengers, high-value fragile goods and perishable commodities from one place to another within a limited time. Enhanced air connectivity will play an important role in reaching NER (I) trade target of US\$ 200 billion by 2022.

North East (I), despite being a crucial tourist locale, has been deprived of good air connectivity. The NER (I) currently has 12 operational airports and the same number of non-operational airports.

Guwahati Airport must be developed as a major international airport as a gateway to BCLMV countries developing direct connectivity to Bangladesh, Cambodia, Laos, Myanmar, Vietnam.

SOUTHEAST ASIA-ASEAN

Over the last decade, the South East Asia and ASEAN nations have been experiencing a boom in the aviation industry. The airline industry expects the Southeast Asian market to become ever more important in the near future with the implementation of the ASEAN open-skies policy and economic integration. For instance, the city-state of Singapore - where aviation plays a critical role in the country's economy - remains proactive in attracting investors as well as creating ideas and jobs in the aerospace sector.

Vietnam's two main carriers - Vietnam Air and Vietjet - are also performing well in terms of growth and route expansion. Vietnam has a young, vibrant population and this is driving the aviation sector domestically and regionally. As for Indonesia, which features the biggest and fastest-growing market in Southeast Asia

There are 1,600 air planes in ASEAN in 2016 and by 2032 and there will be 3,490 in Southeast Asia.

Rising propensity to travel as well as the increasing liberalisation of air traffic will drive the demand for regional air travel. Short-haul passenger services to grow at a 9% CAGR through 2020, outpacing mid/long-haul expected CAGR of 4%. LCCs will be the biggest beneficiaries of a liberalised aviation market.

TRADE & INVESTMENT BETWEEN INDIA AND BCLMV

The bilateral trade between India and BCLMV has registered a substantial increase over the last few years, while companies from both the regions are exploring new opportunities for investing and setting up joint ventures in each other's country. Currently, the volume of bilateral trade between India and Bangladesh is about \$6.6 billion; there are estimates that the trade potential is at least four times the present level. Bilateral trade between CLMV and India has grown from US\$ 0.46 billion in 2000 to US\$ 4.97 billion in 2010 to US\$ 11.85 billion in 2014, thus registering an annual growth of 24% during the period 2010 and 2014, against a growth rate of 10% with ASEAN. Today, India's trade with CLMV contributes about 16% of India's trade with ASEAN, up from 6% in the year 2000. Compared to the ASEAN 6, India's FDI in CLMV countries has been rather low, and mostly directed to Vietnam. India has 93 projects in Vietnam with a total investment of about US\$ 1 billion. Indian enterprises are expanding their footprints in the BCLMV countries in areas such as agriculture, agro-processing, agro-chemicals, mining, oil and gas, energy, healthcare, IT, skill development and textiles. Looking ahead, Indian entities could play a major role in training the young workforce of BCLMV countries for employment in key sectors.

	From to	Flight distance (KM)
1	Guwahati - New Delhi	1500
2	Guwahati- Kolkata	525
3	Guwahati- Mumbai	2074
4	Guwahati - Dhaka	303
5	Guwahati- Syleth	156
6	Guwahati- Vientiane	1447
7	Guwahati- Yangon	1126
8	Guwahati- Mandalay	662
9	Guwahati- Bangkok	1680
10	Guwahati- Hanoi	1547

Country-wise International Freight Carried between ASEAN and India

Country	2005-06			2013-14		
	Freight Carried			Freight Carried		
	to India	from India	Difference	to India	from India	Difference
	(1)	(2)	(1) - (2)	(3)	(4)	(3) - (4)
Indonesia	0.05	0.12	-0.073	-	-	-
Malaysia	19.36	14.53	4.83	12.8	18.14	-5.28
Myanmar	0.006	0.09	-0.09	0.0006	0.03	-0.03
Singapore	46.22	40.56	5.66	42.81	48.94	-6.14
Thailand	18.05	15.12	2.93	39.07	27.69	11.37
ASEAN	83.68	70.43	13.25	94.74	94.81	-0.07
World	328.74	486.14	-157.39	491.05	770.49	-279.45
Share of ASEAN on World (%)	25.45	14.49	-	19.29	12.31	-

Source: Air Transport Statistics, Directorate General of Civil Aviation 2015

Major Destinations in Southeast Asia within Five-hour Flight Radius



Source: Airbus, DBS Bank

WHY BCLMV?

- Huge untapped potential for development, as the region offers more scope for scaling up economic linkages with India.
- BCLMV countries have become a major source of competition for India in manufacturing due to their position in integrated value chains in Southeast Asia with an advantage of cheaper regional logistics. The 2015-2016 Indian budget includes a proposal to set up manufacturing hubs in CLMV countries.
- The commerce ministry has sought Rs. 100 crore (US\$16.1m) in budgetary allocations for a Project Development Fund to oversee investment in the CLMV manufacturing hubs.
- All of these countries have a large young labor force and inexpensive operating costs.
- Imperatives of economic cooperation are even more pronounced due to locational proximity with India. These also reflect in lower transportation costs and time.
- Cost effective labour advantage in BCLMV, open trade and FDI policy regimes and gradually improving infrastructure make BCLMV an ideal setting for India
- There are several sectors in BCLMV that have been identified as focus sectors identified for the growth of the region such as agro processing, oil and gas, pharmaceuticals, wood and timber, light engineering, garments, automobiles, aviation, education, IT, SMEs, tourism, skill development.

BCLMV Countries' Vision / Focus Sectors				
Bangladesh	Cambodia	Laos	Myanmar	Vietnam
<ul style="list-style-type: none"> • Agriculture, Mining, Coal, Oil & Gas • Manufacturing Garments & Textiles, Leather Goods and Life Sciences, Agro based industries • Services Telecommunication, Air Transportation, Tourism 	<ul style="list-style-type: none"> • Agriculture and Mining, Oil & Gas • Manufacturing Small and Medium Enterprises labour-intensive industries Processing and manufacturing industries • Services Transport, infrastructure And telecommunications Energy and electricity Tourism, Human Resource development, education 	<ul style="list-style-type: none"> • Agriculture and Mining • Manufacturing Small and Medium Enterprises Agro processing Food processing sectors Pharmaceuticals and healthcare Wood and Timber industry • Services Tourism Education Information Technology (IT) Infrastructure Light engineering 	<ul style="list-style-type: none"> • Agriculture and Mining Agro-tech Mining, Hydrocarbons Oil and gas exploration Extraction and export of metals • Manufacturing Pharmaceuticals and Healthcare Garment industries Small and Medium Enterprises • Services Transport Infrastructure Telecommunication services Financial Services Tourism Banking and Insurance Electricity generation 	<ul style="list-style-type: none"> • Agriculture and Mining Agricultural and seafood processing Agricultural machinery • Manufacturing Electronics Ship building Manufacture of automobiles and spare parts • Services Environment and energy saving

Source: Report on India's Strategy for Economic Integration with CLMV, Department of Commerce Ministry of Commerce and Industry Government of India New Delhi, 2015
bizbangladesh.com/potential_sectors_investment.php



Increase Air Connectivity between India and BCLMV Countries for Economic Benefits



DELIBERATION POINTS:

India needs to adopt integrated & penta-lateral approach with all the BCLMV countries for:

- Direct Connectivity of Airlines between NER (I) and BCLMV Countries
- Capacity Building and Skills Development for Aviation Industry
- Infrastructure Development for Aviation Industry both in terms of Aircrafts and airport enlargement between NER(I) and BCLMV Countries.
- Use of latest technology to provide services at the Airport and Airlines to and from NER (I).
- Liberalization of ASEAN open sky policy for NER (I) Region to promote people to people contact, tourism, trade & business.
- Growth of Aviation Network for increasing services trade between NER (I) and BCLMV that includes tourism, hospitality, export of human resources etc. which will further increase the trade potential, business opportunity and prosperity of Life between the NER (I) and BCLMV countries