

Leveraging Policy Disruption for Dynamic Economic Growth

*Dr. Anup Wadhawan, IAS



I, thank you for being here with this very distinguished group of participants and let me at the outset thank IOD. I will take some poetic license and talk about India as an investment destination in broad terms into which I think the financial sector and the insurance sector fits in as a major segment, and leave it to my colleagues who will speak later to fill in on the details about finance and insurance.

So, I think, we are meeting at a very historic moment in the economic history of the world. Right since 2009 global financial crisis, the world economy has seen major challenges starting from 2008-09. There was a long drawn-out recovery phase and just as the recovery looked to be strengthening, we saw various developments involving protectionism, unilateralism, the trade dispute between the US and China, and in 2019-20, we saw a recession creeping in once again and all doubts

were extinguished when Covid came in towards the end of 2019 and came in as a full-fledged pandemic. By the time 2019-20 came to an end, we saw an unprecedented economic toll on the global economy.

We saw a huge loss of human life. The human toll was of course not as bad as it could have been, thanks to modern medical technology, but it was magnified of course by the greater transport and communication linkages, we have today. Economic toll was unprecedented in today's globalized world. The Spanish pandemic of 1918 had a huge human toll, in spite of the relatively lower human connectivity, although World War I was raging and as a result of that people were moving around, but the economic toll was not as pronounced because the world was less connected. So, the economic toll which is the perspective we are looking at today was absolutely unprecedented.

I am happy of course to note that India bore this impact well. India faced this challenge and came out with many areas of success that we can celebrate. I think we reinforced our position as major suppliers of pharma products and vaccines to the world. We met the huge needs in the face of Covid for certain pharmaceutical products and vaccines admirably well along with meeting our own very significant needs. We have a population of our own which is billion plus, so I think that is something we need to celebrate and take credit for. As far as personal protection equipment is concerned, I think at the onset of the pandemic, our production was negligible. By the time a year or so had gone by, we were producing personal protection equipment in huge quantities, our manufacturers had adapted their facilities that acquired or developed the technology, even products like ventilators. Our industry adapted very quickly and responded

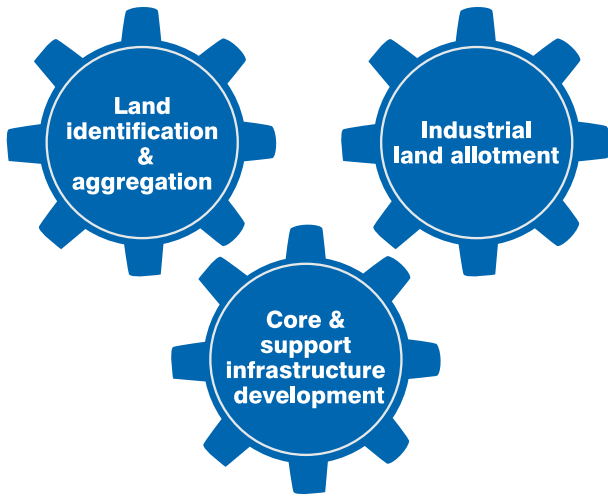


Shri Vijaybhai R. Rupani
Hon'ble Chief Minister, Gujarat



Shri Balvantsinh Rajput
Hon'ble Chairman, GIDC

- Gujarat Industrial Development Corporation is the nodal agency of the Government of Gujarat for providing industrial backbone of the state
- GIDC identifies and develops locations suited for industrial purposes
- Provides quality industrial infrastructure with ease, quick and transparent delivery mechanism at competitive pricing
- Inventory of over 202 Estates comprising of over 63,000 units across Gujarat.



ADVANTAGES OF GIDC INDUSTRIAL ESTATE

- Eliminates the need for NA/NOC permission
- Land/building titles are free from encumbrances
- World class infrastructure and state-of-art facilities
- Quality water supply and adequate power supply
- Regular Maintenance of Infrastructure
- Chemical estates equipped with chemical and waste disposal systems
- Cluster benefits may be yielded by industries
- Reasonable allotment price with flexible payment options
- All applications and approvals are now online



Women Industrial Park



Country-specific Industrial Township



Multilevel Sheds (Plug-&-Play)



Special Investment Regions



MSME Industrial Park

Online Applications

- Land Allotment
- Lease Deed
- 2(r) permission
- Time Limit Extension
- Transfer
- Sub Division
- Amalgamation
- Sublet
- Water Connection
- Drainage Connection
- Plan Approval
- Plinth Check
- Building Completion
- Site Inspection



GUJARAT INDUSTRIAL DEVELOPMENT CORPORATION

A Government of Gujarat Undertaking

Block 3,4,5, Udyog Bhavan, Sector-11, Gandhinagar 382 011, Gujarat, India.

Phone : 23250636 / 23250637

Email : gidc@gujarat.gov.in | gidc@gidcgujarat.org | Web : www.gidc.gujarat.gov.in

admirably well in addition to pharma in certain other critical areas also.

Our economy withstood the Covid shocks admirably well, especially agricultural products and primary products. Our food supplies and food exports to the world grew significantly during the Covid period. There again it was a critical need perceived by the world demand for products like rice etc. went up hugely, because I think agriculture was disrupted in many parts of the world because of Covid. The Indian economy, the agricultural segment was fortunately not impacted that much because of its very nature. It had the capacity to respond to this need and we were major exporters to the world and our supply of food products in the world went up significantly during the Covid period.

Notwithstanding these successes, the impact was huge on our economy. We all know that first quarter of this financial year, there was over 20% decline in GDP. In the first month of this financial year, April 2020, there was a 65% decline in exports but since then there has been a steady cumulative recovery. Our exports turned positive in September 2020. After September, they were borderline negative for a few months, then January it was positive again. February was more or less even, and now March is again promising to be significantly positive. So, we have overcome the shock well and we have recovered fairly quickly from this huge shock to both the supply and the demand side. This was not a typical economic shock which generally occurs on the supply side but it was a shock both on the supply and the demand side. The supply shock was so used that it had the consequent demand shock as a counterpart.

If you see our performance, if we leave out petroleum products and gems and jewelry, then our export performance is even better and the recovery is even quicker. Gems and jewelry by the very nature, they were a major part of our

export basket but by their very nature in a recession that is the demand which will be impacted usually. No one is into buying gold and diamonds, in the face of this economic adversity, and similarly petroleum products also, by their very nature were impacted severely. Both these are major components of our exports, if you take these out; fortunately they are low value edition items. Of course the economic impact is significant but they are low value additional items. So, if you take out these items our export performance and its recovery has been even more remarkable now. We need to recover in these areas and we need to sustain the gains in areas like pharma and food products which I mentioned.

Other primary product is steel. Steel exports are also growing significantly. So, we need to sustain all these gains and recover in the areas which are still lagging behind. The GDP indicators you would have seen, has improved. First quarter, I mentioned was over 20% minus, Second quarter was roughly 7-8% minus and then Third quarter has turned positive.

So, GDP also is recovering. RBI's list of indicators, 60 of them are turning positive. So, we have come out admirably well. The other silver lining is the fact - that this disruption is an opportunity. This Covid disruption will result in many long standing paradigms being questioned and many things changing forever, in some senses will never return to the pre-Covid world.

There is talk of de-risking and realignment of supply chains, of investment flows, and economic ties. There is talk of global value chains getting compressed. When you are de-risked and you re-align your supply chains, you will tend to bring them closer to yourself, to lower the risk involved in diversifying excessively in your supply chains, and you will bring it closer also in the sense of dealing increasingly with entities with whom we have a comfort.

The overpowering or the dominating influence of cost minimization which was behind supply chain diversification, that dominance will, to some extent be reduced by this concern about lowering the risk cost minimization leading to excessive diversification was at the cost of raising the risk of the entire supply chain. There will be an effort to focus on the risk aspect and lower the risk in a supply chain.

So, all these are opportunities for countries like India, to attract investment to be part of these real line supply chains. The other tendency will be for a movement from the 'physical' to the 'virtual'. In many ways, certain things will not go back to the physical that they did in the earlier physical. I think India, here again given our credentials as an IT power, given our credentials in the digital space, I think India has a tremendous advantage in meeting the requirements of the world, in this area.

The other aspect I would like to highlight is the fact that we must take advantage of this opportunity by offering ourselves as a world best alternative for businesses whether it is for supply of goods and services, as supply chains get readjusted or whether it is as an investment destination. We need to look at this entire aspect in a short term-immediate sense, in a medium to long term sense. In the short term, our capacity to reach our full potential as a supplier of various goods and services as a key component of supply chains will be limited by the present manufacturing environment but in the medium to long term, the sky is the limit. Our effort is that, in the medium to long term within a few years, we should enhance our attractiveness as an investment destination, fill all the gaps that are there presently in our manufacturing space; elevate the entire manufacturing and investment ecosystem in the country, so that our long-term potential, which is huge, is achieved in the near future.



www.guvnl.com



Empowering **THE LIVES OF MILLIONS**



Spearheading the Renewable Energy Mission in the country



Renewable Energy constitutes 37% of the total installed capacity of Gujarat against national average of 24%



Ranks first in the country with around 894 MW solar rooftop capacity operational, covering 1.80 lakh consumers under Surya Gujarat Solar Rooftop Scheme



All four DISCOMs of GUVNL – DGVCL, MGVCL, PGVCL and UGVCL are Rated A+ for the last 5 years in the Annual Integrated Ratings of Ministry of Power, Govt. of India

Gujarat Urja Vikas Nigam Limited

Sardar Patel Vidyut Bhavan, Race Course, Vadodara, Gujarat



When I am talking long term, I am talking about the next two, three to five years. So, that is the kind of goal we need to achieve, and how do you make yourself an attractive investment destination. I am happy to note that many of the tasks which we need to undertake to make ourselves an attractive investment destination have already been accomplished or well on the way to getting consolidated. In particular, the entire 'ease of doing business' space, I think you would all be familiar with our rankings which have gone up significantly in the last several years. In the ease of doing business rankings of the World Bank, we have digitized most of our approval processes, all our operational approval requirements, our processes are paperless and do not require face-to-face meetings and this is backed up by a focus on the physical environment. The virtual space of approvals is one aspect.

The physical environment has improved in terms of logistics, infrastructure and land-based plug-and-play platform; where manufacturers can quickly set up their units. There is a huge focus in the utility space, whether it is power, water, issues like labor, all these have seen major changes. We are familiar with the SEZ platform of course, which is a land-based platform with a decentralized single window system under the Development Commissioner.

There are programs for developing industrial clusters and industrial cities under the 'Delhi-Mumbai Industrial Corridor'. There are ready lands, banks available for investors to tap into. Over and above this, to improve this physical environment for investors and to make it attractive we have introduced the production linked incentive schemes for various sectors, 13 sectors to the extent. Our manufacturing environment is still somewhat high cost to the extent. The complete impact of the reform will take time. There is the production link incentive scheme to make our

environment attractive to investors.

Let me highlight the services sector opportunities. The services sector opportunities are huge. If you look at 'Industry 4.0', you look at this entire new area of Internet of Things and Artificial Intelligence. If you look at our prowess in Research and Development, if you look at our travels in terms of the skill sets in engineering skill sets, then this is another ripe area for investment, which is very attractive, cost effective and already we have seen huge investments in the R&D space, in the services space.

So, this is another area of finance and insurance are segments of the services sector. The banking policy environment was already very liberal, the regulatory environment was very sophisticated, hands off digitized completely, whether under SEBI or RBI. The FDI rules were very liberal. So, the entire trading architecture is I think 'State of the Art'.

If you see our Capital Markets and our Securities Markets and our Stock Markets, the trading infrastructure is 'State of the Art' in terms of technological sophistication, reliability, cyber security. Insurance sector again, we had a 'State of the Art' statute which came in with the last Insurance Laws Amendment Bill. There were concerns about the FDI limits not being high enough, that concern also has been addressed in the last Budget, and now the FDI caps are going to go up.

Pension sector is a very liberalized environment with all these features and I am not very sure but I think with liberalization of the insurance sector, now FDI caps pensions gets automatically liberalized. I will leave it to my Secretary DFS to clarify that but my feeling is that pension sector will also get further liberalized.

You see our effort is to achieve not only the immediate potential of India which I have said is going to be limited by our present manufacturing environment but to achieve its true potential in the next

three to five years, based on all these elements, based on investment coming in and there are examples all-around, of countries transforming in this manner at a rapid pace. I think the example of Vietnam is given very often. In a matter of five to six years, which is the kind of time frame I am talking about has transformed its investment environment with huge successes and very good outcomes. And, you see the other thing we need to note is that India has certain other strengths as a democracy. A country with institutions that is independent, accountable and can be relied upon. Numerous investors who have been in the country for decades, they might have faced some teething issues but then in the long run, India is in many ways the most desirable investment destination. There is an element of strategic comfort based on all these factors for investors and I think Covid has demonstrated the importance of this comfort.

The importance of this strategic de-risking of supply chains and investment destinations and I think this is an aspect which we need to keep in mind and which we need to highlight in promoting India as an investment destination. Let me also mention, since we have people from across the globe I suppose, potential investors many of them, let me mention 'Invest India' which is a single stop destination for any potential investor to get all issues starting from approvals, to land, to water, to power, to infrastructure logistics, rail heads, road heads, all the requirements, is a single stop in Invest India, who will point you in the right direction and hold you till the very end, till your investment has been executed on the ground and is operational, and they will hand hold you even at the operational stage. The idea is that you essentially deal with a decentralized empowered single-window, something like the Development Commissioner of an SEZ, who is located right there where the land is you have to deal, only with a simplified

single window so that is the entire aim.

Let me just say that I look forward to working together in this endeavor which has huge potential for mutual gains based on vast complementarities across the stakeholders, complementarities across the key ingredients of business success - whether it is land, labor, skills, costs, technology, capital demographics. If you look at all these ingredients, there is huge complementarity when India and the investing

world are taken together. If there is finance and capital and technology in one place, there are skill sets, land, labor, a huge market in another place. So, taken together we have huge complementarities for mutual gain, we can progress together, and we can achieve desirable outcomes together, in a mutually beneficial manner. I would encourage all of you to look at India as a key and attractive investment destination. We will be happy to work

with you to resolve any issues that crop up. 'Invest India' would be happy to work with you.

So, I look forward to being in touch with you and let me conclude by sincerely thanking the organizers and thanking all of you for sparing the time to be with us today and for your interest in being here with us today. So, thank you. ■

*Excerpts from the '**Guest of Honour Keynote Address**' delivered by **Dr. Anup Wadhawan, IAS, Secretary for Department of Commerce, Ministry of Commerce & Industry, Government of India** at IOD's 'Directors' Dialogue Series' Global Edition #3 with a special focus on Financial Services & Insurance Sector, held virtually on March 10, 2021.

