

Standing Committee Report Summary

Attracting investment in post-Covid Economy: Challenges and Opportunities for India

- The Standing Committee on Commerce (Chair: Mr. V. Vijayasai Reddy) submitted its report on Attracting investment in post-Covid Economy: Challenges and Opportunities for India on February 10, 2021. There are key challenges in attracting investment, including: (i) administrative and regulatory hurdles, (ii) inadequate and costly credit, (iii) tedious procedure of land acquisition, and (iv) inadequate infrastructural facilities. The Committee noted issues faced in sectors such as logistics, automobile, pharmaceuticals, electronics, and steel and recommended solutions. Across sectors, there is a concern regarding the trade deficit with China. However, the post-Covid world presents opportunities for attracting investment in India as companies diversify their supply chain. Key observations and recommendations of the Committee include:
 - **Ease of doing business:** The Committee noted that the centre has taken several initiatives (such as introduction of web-based forms for starting a business) to improve ease of doing business. It recommended that state and district level administrators should be sensitised to the need to expedite implementation of the initiatives.
 - **Logistics:** There is a high cost to logistics due to heavy reliance on road transport, poor quality of road and port infrastructure, fragmented storage infrastructure, and the presence of multiple stakeholders. Further, logistics cost is higher for low value or bulk items such as those in the agricultural sector.
 - The Committee recommended: (i) implementation of steps to consolidate and formalise the logistics sector, (ii) improvement in the railway and inland waterway infrastructure, and (iii) finalisation of the National Logistics Policy for effective development of the sector.
 - **Automobile:** The automobile sector recorded negative growth in 2019-20 and 2020-21. The Committee recognised a need to boost demand, promote exports, and improve ease of doing business. It was recommended that: (i) rate of GST on vehicles be reduced from 28% to 18%, (ii) agreements to promote exports in new markets such as in African and Asian countries be signed, and (iii) single window facility be provided to obtain all required approvals for setting up and starting manufacturing. The Committee also noted that the uptake of electric vehicles (EVs) has been lower than expected. It was recommended that installation of charging stations be expedited.
- **Pharmaceuticals:** The Committee expressed concern about the dependence on China for import of active pharmaceutical ingredients (APIs) which is a key ingredient in medicine. It was recommended that the production linked incentive (PLI) scheme to promote domestic manufacturing of APIs be extended to benefit existing API plants. Currently, the PLI scheme provides financial incentive for investment made in a new production facility or a new plant in an existing facility.
- The pharmaceutical industry is one of the most polluting industries, and is subject to environmental restrictions. The Committee recommended relaxing certain norms. These include allowing a 15% increase in approved pollution limit during a month of high demand without requirement of environmental clearance (unless increase in pollution persists for six consecutive months).
- **Medical devices:** Certain medical devices have price controls that fix the price of sale or restrict the maker from increasing its price by more than a certain threshold. The Committee recommended that pricing of medical devices must be separated from the pricing of drugs and a separate regulatory body should be created to monitor the same. It was further recommended that a Medical Devices Regulatory Act should be enacted. Currently, the pricing of drugs and medical devices is regulated by the Drug (Prices) Control Order, 2013.
- **Electronics:** India is the second-largest manufacturer of mobile phones. However, most of the mobile phones are assembled in India with parts imported from elsewhere. The Committee recommended that any investment by a foreign entity in electronics manufacturing must require investment in infrastructure and a promise of transfer of technology. It also recommended that the government consider imposing import duty to protect the domestic electronics manufacturing industry from cheap imports.
- **Steel:** Challenges facing the steel industry include: (i) large trade deficit, especially with China, (ii) large financing requirement, (iii) high logistics cost, and (iv) regulatory delays. The Committee recommended: (i) elimination of tariffs on the import of input materials for steel, (ii) grant of infrastructure status to the steel sector for ease of availing financing, and (iii) formulation of time-bound process for clearing regulatory requirements (which would reduce the time to set up a steel plant from more than three years to less than one year).

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