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Why India Needs To Secure Chinese Investments Despite Flaring Dispute At The Undemarcated Border At Ladakh

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In the midst of the unprecedented Covid-19 crisis that has plagued the whole world, the Indian government came out with a major change in the foreign direct investment (FDI) norms. It aimed at regulating the FDI inflows and prevent the likely Indian companies from countries, sharing land borders with India.

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Though no country was named, it took no second guess to realise that the move was against China. And as expected, China did raise a hue and cry and as its diplomat told the world that it too can indulge in a brand new, brash and aggressive *dominating diplomacy*, it pointed out that the move is against the WTO regulatory principles of free trade.

India of course, stuck to its ground and China was forced to revert to the usual tone, hoping that India would reconsider the revised norms. However, there has been a degree of domestic support and no international opposition, sans China, behind the move.

And there is a good reason behind it. The Covid-19 pandemic that has brought the world to its knees has created a feeling of ill-will against China. On its part, China with its muscle-flexing has not made the situation any better.

However, from an Indian perspective, there are reasons to be wary and flexible, time too. The past experiences with China, its strategic-economic *debt diplomacy* and Asian countries, questionable BRI initiative and doubtful role in the global Corona pandemic, certainly supports the recent policy manoeuvring of the government.

There are further economic reasons for pursuing this cautious policy too. It is the government that got panicky just because the People's Bank of China raised its stake in some of India's most trusted companies.

The reason lies in the lack of transparency in Chinese investments in India. While government estimates suggest the cumulative FDI of China in our country to be around \$8 billion for April 2000 to December 2019 period.

The Chinese government estimates put it at around \$8 Billion whereas Brookings pegs it to about \$26 Billion. And that includes \$3.9 billion investments in India mostly in the last six-seven years.

Further to complicate matters, there are reports that the Chinese have been using multiple ways and through various routes. Some of them are making it through subsidiaries or sister companies in Hong Kong, Singapore or through Mauritius.

What, however, sets apart the Chinese investments from others are that ultimate companies directly or otherwise, are owned by the Chinese government. And that that sets the alarm bells ringing, not only in New Delhi but in other major capital cities of the world too.

The issue of concern is that such investments, supposed to be commercial in nature, are tweaked to suit politico-strategic interests of the Chinese state and the government when required.

In the background of such developments, it is inevitable that the Indian state has taken pre-emptive actions to prevent opportunistic takeovers, as may be tried out by the Chinese.

Chinese companies, prompted by the Chinese state. And hence, these step b government deserves support.

However, the issue has another side too. The world is reeling at the disastrous pandemic which it rightfully feels owes its genesis to China. There is currently a amount of hostility towards China in most parts of the world too and that has proved by the recent report of Pew Research.

Even before the Covid pandemic struck, trade disputes with the US, Europe and In the Chinese significantly which in recent years has become too much aligned wi economy.

No wonder the Chinese investments in the US, Canada and Europe recorded a decline. From a peak of \$107 Billion (2017), it crashed to a mere \$19 Billion (2019) in the last ten years, a whopping 83% decline. Further, some of its most ambitious planned, like the Three Gorges' \$10.3 Billion bid to take over Portugal's Energia got derailed.

Its average deal size in North America and Europe went down from \$300 million (2017) to \$28 million and \$132 million (2019) respectively.

India post-Covid too, will need a huge dose of investments to spurt its economic such a post-lockdown, post-Covid situation while the European and US companies to be in a position to make big investments in India immediately, the cash-f companies will be scouting for *big-ticket* investments.

Their popular destinations in Europe and North America, at this point of time, and welcome their investments and there comes an opportunity that India can and sl to the tilt.

What India can do and probably moving towards doing is that barring strategic space research, defence, telecom, energy and financial services, most of the ot may be opened up for investments for all including the Chinese.

Automobiles, real estate, pharmaceuticals, travel and tourism, infrastructure li ports and airports are some of the areas that require billions of dollars for inve getting Chinese investments there will come in handy. Sources in *Indian Ph Alliance* have indicated that almost 70% of critical pharma ingredients in the dependent on Chinese imports.

Modi & Xi: File Image

The huge credibility of Indian pharma industry on the global scale might take imports from China are drastically reduced at one go. In the automobile and accessories from China make up a substantial part of the Indian automobile domestic and global markets. On way to a greater resilient economy, India need dependence on critical imports from China.

And China will need India, notwithstanding its bizarre aggressive policy on because today the world does not trust China much. That will give a spurt activity, build up infrastructure and lead to millions of direct and indirect jobs.

The recently revised policy notwithstanding, government sources had in May in Chinese investments may be fast-tracked, depending upon the sector and mode of and that may be done from as little as two weeks to four weeks.

However, the government will be within its right to ensure that the investment in sector or companies that do not fall within the strategic domain.

In the backdrop of the current tense situation on the borders, there is a considerable of hostility against China and its commercial activities in India. India has right banning more than hundreds of popular Chinese apps, throwing out Chinese b from lucrative railways, telecom and huge infrastructural contracts and promoting substitution, especially from China under the ‘*Aatmanirbhar Bharat*,’ initiative.

The results might not have been massive economic setbacks for China but certain steps have dented Chinese self-esteem and standing globally. No wonder, *TikTok desperate to be bought* by native companies in the US, UK and India.

Further, the Chinese interest in the Indian start-ups is positive from the perspective. At the same time, state intervention may be required to ensure that investment does not get into those start-ups who have a strategic dimension, those in the realm of space, oceanographic research, security, artificial intelligence (AI), defence and so on.

Another important aspect that the government has already initiated work on is data security. The Indian insistence on companies using data from servers based in the country, not abroad, has been a major forward movement.

The most significant dimension of Chinese investments in India is that we need to broaden our horizon and think of using it as a leverage in protecting and promoting our national interests. The OPEC countries by nationalising and regulating their oil companies and western MNCs to stick to their respective regulations.

There have been many instances in the past when by changing our economic requirements we have forced MNCs like Caltex, Burmah Shell (in the 1950s), IBM, Coca-Cola, Vodafone, Nokia in recent years to toe our line. There is no reason to think that we cannot do the same vis-à-vis the Chinese companies even though they are indirectly controlled by the Chinese government.

Using the Chinese investments for enhancing our economic betterment and using it as a leverage to promote our national interests and strategic objectives is something we can do with China as well.

India is a big market and a huge talent pool at the same time. No country, including China, would like to miss out on it.

The equation is simple: we need massive investments, particularly in the infrastructure, to enhance our economy and create millions of required jobs. A substantial chunk of Korean and western investments in the post-Covid world would like to shift from other places, including India whereas Chinese investments there may not be as voracious as they had been till a few months ago.

Creating a favourable economic climate for all of them while luring *cash-rich, few* Chinese investments with sensible restrictions, may well pave the way for the betterment of the Indian economy requires today in the forthcoming post-Corona scenario at one of the crucial junctures witnessed in its independent history.

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