

India eases investment rules amid warming relations with China

AFP

Mumbai

India on Tuesday relaxed foreign investment rules for land-bordering countries including China, the latest sign of warmer relations between New Delhi and Beijing.

The cabinet said the changes would result in greater investment flows and boost “India’s competitiveness as preferred investment and manufacturing destination”.

The new rules will apply to all investment from neighbouring countries that share a land border with India – including Bangladesh, Nepal, Bhutan, Pakistan and Myanmar – but are widely seen as courting Chinese or Chinese-backed investors.

Under the new rules, entities that have “non-controlling” foreign ownership of up to 10% will be allowed to invest without prior government clearance.

Investment proposals from firms in specific sectors including electronic components, capital goods, and “polysilicon and ingot-wafer” will also now be “processed and decided” within 60 days provided “majority shareholding and control” remains with resident

Indian citizens or companies controlled by resident Indian citizens.

“It is expected that the new guidelines will provide clarity and ease of doing business in India,” the cabinet said in a statement, adding that the new rules would also “facilitate investments” that contribute to “access to new technologies” and “domestic value addition”.

The changes mark a partial stepdown from curbs introduced in April 2020, which the government said were needed to prevent “opportunistic” takeovers or acquisitions of Indian companies due to the pandemic.

While China was not specifically named in the 2020 directive, it was widely seen aimed at Beijing after bilateral relations nosedived including a deadly border clash later that year.

Ties between the geopolitical rivals have slowly thawed since 2024, when Indian Prime Minister Narendra Modi met with Chinese President Xi Jinping at a summit in Russia.

And last October, direct flights were resumed between the two nations, which the Indian government said would boost people-to-people contact and aid the “gradual normalisation of bilateral exchanges”.