

New Delhi opens door to more Chinese investment following six-year freeze

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India has relaxed curbs on Chinese investments in certain sectors to attract more foreign capital, as Beijing and New Delhi continue to gradually repair their economic relationship after years of tense relations.

In a cabinet statement released on Tuesday, New Delhi introduced a fast-track approval mechanism for investments from land-bordering countries – including China. The move amends a previous restriction that had mandated government scrutiny for all such capital inflows.

Under the new rules, investments in specific sectors – including capital goods, electronics and solar components – will be processed within 60 days, as long as Indian residents hold majority shareholdings over the ventures at all times, according to the statement.

Investors from bordering nations who held a non-controlling beneficial ownership of up to 10 per cent would be granted automatic clearance, subject to specific regulatory conditions, it added.

“From the perspective of supply chain collaboration, India should welcome Chinese investment,” said Mao Keji, a research fellow at the International Cooperation Centre of China’s National Development and Reform Commission.

Mao said New Delhi might have realised it had been imprudent to shut out Chinese capital for the past several years.

New Delhi first introduced mandatory screening of foreign direct investments from land-



Narendra Modi and Xi Jinping in the city of Tianjin in August.



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bordering countries – a move known as Press Note 3 – in April 2020, which it justified as being necessary to guard against “opportunistic takeovers” during the pandemic. While the amendment did not explicitly name China, the rules were widely seen as targeting Chinese capital, given that China’s investment volume dwarfed those of India’s other land-bordering neighbours.

New Delhi said its latest move to ease those restrictions was expected to drive foreign investment, accelerate overall economic growth and make it easier for India to access new technologies, while supporting the goals laid out in its “Self-reliant India” initiative launched in 2020.

However, Mao cautioned that

the landscape had shifted significantly over the past six years.

While India’s massive market remained a draw, Chinese investors were likely to proceed with caution, especially as leading Chinese firms including Xiaomi had faced high-profile tax disputes and asset freezes in India over recent years, he said.

Yet the significance of the amendments extends beyond direct Chinese investment, according to Mao.

By relaxing the strict “beneficial owner” vetting requirement under the 2020 restrictions, New Delhi was essentially unclogging global capital flows into the country, he said. This would allow international investors with Chinese backing to enter the Indian market with greater ease, removing a major hurdle that had stymied cross-border financing for the past six years, he added.

Tensions between China and India peaked following a deadly Himalayan border clash in June 2020, but the two countries have recently begun making a cautious effort to repair ties.

In July last year, India began accepting tourist visa applications from Chinese nationals for the first time in five years. The following month, Indian Prime Minister Narendra Modi made his first visit to China in seven years to attend the Shanghai Cooperation Organisation summit and held talks with President Xi Jinping on advancing bilateral ties.

The diplomatic engagement was followed by the restoration of direct flights between the two nations in October, which had also been suspended for five years. Two months later, China introduced a simpler visa process for Indian nationals.