FDI, economic security should be in sync

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EVERY country in the world, without exception, is facing a resource crunch in this volatile, uncertain time of immense challenges. The countries that have the ability are seeking external resources, in the form of foreign investment, to enable development and growth at the highest possible level. India too seeks foreign investment which brings in technology, provides employment and generates additional resources. It has been estimated that as a result of India's efforts, the per capita FDI is about \$60. This is good and India is the country registering probably the highest growth currently.

But to generate many millions of new jobs, overcome poverty and address the multiple issues India has at hand, \$100 per capita FDI would put India at a much higher place in the world. Can it be done since FDI has actually done well, been on the rise? And, can it be done in a world where competition for FDI is fierce, with countries offering attractive incentives to potential investors?

Competition is the spice of life. It creates pressures and gives rise to creative ideas and strategies. India can thrive!

First, the issue of eligibility for foreign investors to have more than 50 per cent equity in a company. This is largely permitted today. It was a major issue earlier, a non-issue now. Even defence industries and insurance allow 74% foreign equity holding in a joint venture. India has crossed a "mental" bridge in allowing over 50% foreign equity holding, having realised that equity is only one aspect of "control" and "regulation".

Second, the processes and procedures, which are never quick or time-bound in India. There is no "single-window" clearance in reality, especially where the Federal/Central Government and State Government are both involved. This has to change. Many countries have an "empowered" Board of Investments (BoI) for promotion as well as clearances. Recognising the hierarchy of bureaucracy and the reality of decision-making, the "BoI" should be provided the Secretariat by the Prime Minister's Office (PMO). This was so in 1991-96 when the Foreign Investment Promotion Board (FIPB) operated. The BoI or FIPB needs to be headed by a Secretary to the Government of India who has the seniority to command respect. Proposals should be cleared or returned within 90 days. There is an organisation, "Invest India", but to get to \$100 per capita FDI, the Prime Minister's Office needs to get in on the act in greater measure.

Third, India needs to frame a dynamic strategy and plan for an outreach to the top 500 companies of the world to invest in the country. Much is written about change in supply chains and relocation of industries, but India has seen little benefit of these ideas. Vietnam and Thailand in Asia are the real beneficiaries. And, their BoIs follow an aggressive promotion strategy as well as an efficient approval process. The top 500 companies have significant supply chains across several countries and their partnership would be critical.

RESOURCE CRUNCH: Attracting foreign investment is critical to generate jobs and improve the overall health of the economy. REUTERS

> It has been estimated that as a result of India's efforts, the per capita foreign direct investment is about \$60. This is good and India is probably registering the highest growth. But to generate many millions of new jobs, overcome poverty and address the multiple issues the country has at hand, \$100 per capita FDI would put India at a much higher place in the world.

Fourth, many policies are worded vaguely. This leads to lack of clarity and delayed decision-making. Policies must be specific in wording and clear to all readers. This is a challenge for the Indian policy and process making authors. Every time something is drafted which is subject to different interpretations, there is delay and there is scope for corruption. Delay is equal to disaster.

Fifth, stability and continuity of policy, of procedures. No U-turns, no surprises! No retrospective actions. These issues haunt the foreign investors where India is concerned. India has been known to follow stop-go policies, change procedures at will and consistently failed to give confidence of continuity. This is a big issue for all foreign investors. The only real assurance can be provided by law and legislation passed in Parliament as done to do away with retrospective action.

Sixth, India is known to be a difficult place to find reliable joint venture partners. These are companies in the public and private sectors. The tendency of foreign investors is to focus on a few Indian companies for partnerships because of their reputation for reliability and trustworthiness. The government cannot resolve this issue. It is a private sector issue and there have been many joint ventures (JVs) which break up because of "cultural" mismatch. Both sides act in haste to conclude a JV without thinking through every detail. Caution is the best way forward and the perspective must be long-term, not short-term.

Seventh, there is a constant need to "educate" foreign investors on India. It is one country, but not one market. It is one country, but almost every state is different from every other state. Huge differences exist in terms of customs, cultures, languages, from state to state. State governments have a five-year life and change happens, bringing new policies.

These are some of the issues which must be hammered into the minds of foreign investors so as to help them avoid mistakes and then blame India. Investment education is in India's best interests.

Eighth, whilst Indian strategy is focused mainly on the large economies of the USA, Japan, South Korea, UK, France, Germany and Italy, there is a need for country-specific strategies and plans so as to have the right focus in terms of technology and company. And, smaller economies are equally crucial, such as Israel, UAE, Singapore, Norway, Sweden, Finland and Denmark with specific strategies for niche technologies. The Indian government has understood this and their foreign and trade policies reflect this reality. Indian industry needs to adapt and adopt.

Ninth, India needs to have a Foreign Investment War Room using advanced digital technologies to have the most up to date data of trade, investment, companies, technologies, sectors, personnel, diaspora role etc.

The FDI War Room is an essential strategic piece of the FDI plan because data is critical and, in today's age, data is constantly changing.

These are some key issues to raise the FDI level to \$100 per capita. India's global position would then be far more significant. Also, the positive impact on employment, development and growth considerable! At the same time, the national economic security interest must be taken care of. It can be ensured in a variety of ways, even learning from the structures and practices of several other countries. The National Security Council Secretariat is the right organisation to ensure this. In the last couple of years, India has actually taken some long overdue and essential steps relating to economic security. This process and policy need to be sustained.