# Investing in India

## Why in news?

Prime Minister pitched India as an investment destination at the U.S.-India Strategic Partnership Forum.

## What is the pitch?

- India is being pitched as an investment destination that could serve as a **manufacturing hub** at the heart of global supply chains.
- The pitch comes in the backdrop of the government's keenness to use the disruptions that the pandemic has caused to the cross-border movement of goods.
- India wants to use this opportunity to lure potential investors to India, especially those looking to relocate from China.
- This tack is consistent with recent initiatives to explore supply-chain synergies with other economies, including Japan.

## What is the significance?

- Even if a few multinational enterprises can be drawn to set up manufacturing bases in India, the Indian economy will stand to gain FDI, new jobs and tax revenue.
- Officials must have advised Mr. Modi that U.S. businesses were the ideal target given the ongoing trade stand-off between US-China.
- On the face of it, the approach seems inarguably sound.

## What are the friction factors?

- The rub lies in the government's recent 'Aatmanirbhar Bharat' initiative, of making India more **self-reliant**.
- Over the decades, the global FDI investors prioritised policy stability and largely barrier-free access to local and international markets.
- The drive for self-reliance has spurred Ministries to urge companies and industry sectors to replace imports with 'Made in India' substitutes.
- The thrust of the initiative is evidently '**import substitution**'.
- It is hard to imagine any potential foreign investor in manufacturing being ready to source capital goods locally.
- However, Mr. Modi stressed that the push for self-reliance shouldn't be

interpreted as India turning its back on the world.
- India's decision to not join the RCEP trade pact would put investors who seek to tap RCEP member countries' consumers at a tariff disadvantage.
- [RCEP - Regional Comprehensive Economic Partnership]

## What could be done?

- Most of the recent FDI announcements have been by way of stake acquisitions in existing businesses, and mostly in the services sector.
- Attracting FDI into manufacturing will require the government to convince investors that it is committed not merely in words but in deeds.
- The **commitments** should be made in the aspects of an open, barrier-free global trade and investment order.

**Source: The Hindu**

