After 9-month freeze, Centre starts clearing China FDI plans

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NEW DELHI: The government has begun clearing foreign direct investment (FDI) proposals from China on a "case-by-case" basis, ending the freeze on such clearances that lasted around nine months. Over the last few weeks, approvals have started, although it is so far limited to "smaller cases", government sources told TOI.

The sources made it clear that the large proposals would be take up later after a careful analysis of the situation. To help smoothen the process, the government has also set up a coordination committee comprising officers from the ministries of home, external affairs, commerce & industry and Niti Aayog, which looks at the issues.

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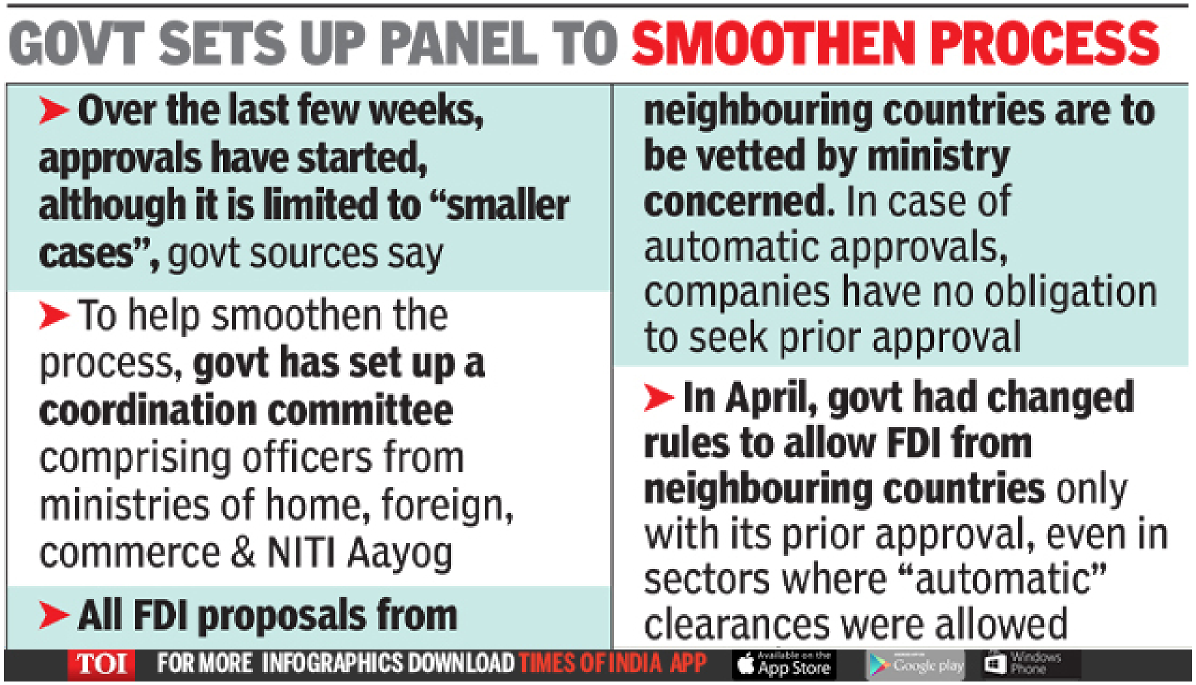
"The committee is not like the Foreign Investment Promotion Board, which looked at all the cases," explained a source. All FDI proposals from neighbouring countries are to be vetted by the ministry concerned, which will decide on it.



A similar system is followed in sectors such as telecom or insurance where proposals are still reviewed before they are accepted or rejected. In case of automatic approvals, companies have no obligation to seek prior permission from the government.

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In April, the government had changed the rules to allow FDI from neighbouring countries only with its prior approval, even in sectors where "automatic" clearances were allowed. The move had hit Chinese investors hard given that they had emerged as a major source of flows in recent years, especially in the technology and digital space.

As a result, even transfer of one share required the Centre's clearance. While the rule was changed after the Covid-19 outbreak, no consent was given as tension mounted at the Ladakh border, resulting in a pile-up of investments totalling over Rs 12,000 crore.

The stated objective was to keep a check on opportunistic takeover by Chinese entities from across the border with sources citing a clampdown in several countries across the world.

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Although some approvals have come through, the recent hostility at the border — which resulted in India banning several Chinese mobile apps, including popular ones such as TikTok — has meant that the government is unlikely to move towards a business as usual approach with restrictions to be in place.

While the steps taken by the government made it clear that there can be no compromise on national security, the recent step of "limited opening up" suggests that it is also aware of the need to ensure that investments are not adversely impacted at a time when all efforts are being made to revive growth and create jobs.