

Global investors flag some AatmaNirbhar reforms

'Plan holds negative consequences'

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International trade and investment flows into India could be affected by several aspects of the AatmaNirbhar Bharat programme as they posed 'perceived as well as real' challenges for global investors, the U.K. India Business Council (UKIBC) said.

The UKIBC stressed that some of the reforms announced under the programme could have 'negative consequences for U.K. and all multi-national companies', even as it took note of Prime Minister Narendra Modi's assertion that the self-reliant India program is about integrating with global supply chains, not isolating from them.

Warning that the spate of 'unexpected and sharp' increases in import tariffs could be 'counterproductive', the UKIBC has suggested ways to mitigate the 'new challenges' posed by AatmaNirbhar Bharat and urged the government to correct course. U.K. businesses must not be affected by 'restrictive measures', they have pleaded, possibly by creating a 'carve-out' for them in the bilateral trade pact being negotiated.

'Strengths, not tariffs'

"India should attract investors due to its strengths rather than by using tariffs as a tool to push international businesses to invest and make in India... Moreover, the Government of India should be flexible in its 'vocal for local' approach," the UKIBC has underlined in a report highlighting British investors' views on the Aatmanirbhar Bharat policy.

"To be a manufacturing hub, India will need to be part of international supply



chains, which will mean importing as well as exporting. If tariffs make manufacturing in India too expensive, investors will go elsewhere," the report noted. Even if India chooses tariffs as a policy tool, it should signal how import duties will rise over the coming years so investors get an incentive and the time to create domestic supply chains, it added.

"It has to be recognised that certain aspects of the initiative have the potential to curtail international trade and investment, such as increased tariffs, non-tariff restrictions on imports, and import substitution," it emphasised.

The ban on the sale of items such as Scotch Whisky in the CSD canteens sends a wrong signal, the Council said, stressing that some products simply cannot be produced in India. Attempts to renegotiate power purchase agreements and ad-hoc policy shifts are also unnerving for infrastructure investors, it indicated.

While the campaign has opened up several sectors for foreign investors, including defence, atomic energy, agriculture, insurance, healthcare and civil aviation, the UKIBC has outlined concerns and challenges across sectors in its report titled 'Road to a UK-India Free Trade Agreement: Enhancing the Partnership and Achieving Self-reliance'.