What India must do to win the global investment race

- *Amitabh Kant**

India's external buffers remain strong. Yet bouts of sharp depreciation of the Indian rupee reveal a continuing structural vulnerability. Our dependence on imported fossil fuels has historically contributed to current account deficits. During periods of geopolitical turmoil, oil price shocks are transmitted to the rest of the economy through inflation and currency depreciation. During bouts of market volatility, foreign portfolio investment flows can also reverse, placing further pressure on the rupee. Temporary foreign-currency mobilisation measures may buy time, but they cannot substitute for structural reforms.

The durable response is to attract stable FDI and expand exports. More importantly, the two must reinforce each other. For India's external sector, the most valuable FDI is investment that embeds India in global value chains (GVCs), builds export capacity, transfers technology and creates competitive domestic supply chains. From nearly 2.1 per cent of GDP in 2015, net FDI inflows have fallen to around 0.7-1.0 per cent over the last two years.

Our goal must be to attract at least USD 100 bn per year in net FDI in the coming years. But the quantity of FDI cannot be the only metric. We must also ask how much of it helps India become a larger, more reliable production base for the world.

Policy Predictability is Key

Policy predictability must come first. From Vodafone to Tiger Global, these cases demonstrate that prospective rules, credible grandfathering, and time-bound advance rulings matter. Policy uncertainty can be seen as an additional tax or cost of doing business in India. Inconsistency and ambiguity lead to years of litigation and alter perceptions of India as an investment destination. Investors should know the rule, the timeline and the authority responsible for resolving a dispute.

Reduce Tax Litigation & Disputes

Currently, nearly Rs. 30 lakh crores are tied up in tax disputes. These litigations and disputes divert working capital and undermine confidence. Prioritising reduction of tax litigation is crucial. The Ministry of Finance must fill all vacancies on a priority basis, as highlighted by the Comptroller and Auditor General (CAG). Advance rulings can take an inordinate amount of time to institute. Advance rulings must be given top priority.

Make Press Note 2 Work

The replacement of Press Note 3 of 2020 with Press Note 2 of 2026 is a welcome recalibration. PN2 defines the beneficial owner, permits up to 10 per cent ownership under the automatic route for land-border-country investors, and sets out a decision timeline. The remaining uncertainties must now be eliminated. Legacy investments below the relevant threshold should be grandfathered. The methodology for computing beneficial ownership must be codified. Passive limited partners should be distinguished from investors exercising material ownership or control. Repeat PE and venture-capital investors already vetted by the Government should have an expedited green channel for minority investments in non-sensitive sectors.

Attract Global Capital to Monetise Assets

An ambitious national monetisation pipeline (NMP) 2.0 was announced in the Union Budget 2025-26. With an aggregate monetisation potential of INR 16.7 lakh crores, the NMP has significant potential to attract global capital. However, for global investors to invest in REITs and InvITs, the process is cumbersome at best. They must register domestically and navigate local rules and regulations. Recently, the Securities and Exchange Board of India (SEBI) released a consultation paper proposing to allow depositary receipts (DRs) to be issued against listed Indian REITs and InvITs. This would significantly make it easier for global funds to participate and attract foreign capital. While still at the consultation stage, this move needs to be formalised swiftly.

FDI Must Build Export Capacity

Vietnam's experience over the last two decades is instructive. Its export rise has been propelled by GVCs. It did not wait to build every component domestically before seeking export scale. Vietnam reduced input tariffs to zero or near zero across the board for export manufacturing. Customs classification disputes, interpretational friction and repeated arguments over the tax treatment of inputs are correspondingly limited. To export competitively, India must also be able to import competitively.

Scale First, Value Addition Follows

Vietnam also offers an important lesson on domestic value addition. In the early years of building a GVC, it prioritised scale. It recognised that domestic value addition increases as volumes, suppliers, skills, and technical capabilities deepen. Insisting on high domestic value addition at the outset can prevent the very scale required to build that ecosystem. Over time, this enabled Vietnam to deepen from labour-intensive exports into technology products and machinery.

Reduce the Cost of Inputs

India must understand that to export at scale, we must also import. Import tariffs on intermediate goods have been rising steadily. For instance, import duties on Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG), key inputs to make synthetic fibres, have been reintroduced, effective July 2026. While certain quality control orders (QCOs) were abolished last year, several still remain. Nearly 600 QCOs still remain in force. QCOs must not act as a barrier to trade. Import duties on intermediate goods must be brought down.

Compete for Global Manufacturers

Our experience with mobile manufacturing and Apple demonstrates that with appropriate incentives, prompt action, and trust, a robust manufacturing ecosystem can develop. Led by a trusted appointee of the Prime Minister, an empowered task force should be constituted to engage with top global firms and design incentive schemes. The body should have a fixed mandate, defined sectoral targets and, most importantly, the authority to coordinate across ministries and states. It should remain responsible for each investment from initial engagement through commercial production.

Make States Compete for FDI

States should compete to host these anchor firms through a challenge-based process, with priority given to those offering the fastest approvals, suitable land and essential infrastructure. States must also be ranked on their ability to attract FDI.

Reduce Cost of Doing Business

India has made significant progress on ease of doing business. The next challenge is to lower the cost of doing business. This requires cheaper, deeper credit, competitive power and input costs, faster customs clearance, more predictable land markets, and proportionate, risk-based regulation.

India must keep inputs globally competitive, remove customs friction, build market access, compete relentlessly for anchor GVCs, review them at the highest level, prioritise scale before premature localisation and offer policy predictability. We must compete for GVCs with speed, certainty and persistence.

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