

Attracting Fresh Foreign Investments: Opportunities for Tamil Nadu

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Summary

Amidst the COVID-19 pandemic, Tamil Nadu has been actively trying to attract foreign investment, especially in the manufacturing sector. Several multinationals have already announced large-scale investments in the state. With a strong political will and impending state elections next year, the time may just be right.

Even amidst the COVID-19 pandemic, there has been considerable activity in Tamil Nadu in attempting to attract foreign direct investment into the manufacturing sector. In part, it stems from the need to showcase the ruling government as being pro-industry and a facilitator for the manufacturing industry. In part, it is also the recognition that Tamil Nadu, for long an automobile and auto parts manufacturing hub, needs to look at new ventures in the digital and electronics space. Tamil Nadu has the advantage of having a good stock of technology and information technology firms, several of which have a global clientele. With good infrastructure and a generally peaceful environment, it has been a regular visiting spot for investors from overseas.

The current flurry of activity stems from some political activism as well. The state assembly elections are due early next year and this would be first time since Independence that there are no charismatic and popular leaders at the helm of the political parties. The current Chief Minister, Edappadi K Palaniswami, from the All India Anna Dravida Munnetra Kazhagam, assumed power on the passing away of the powerful party icon, J Jayalalitha in 2016, and needs to prove himself as a leader capable of carrying the party mantle. The opposition Dravida Munnetra Kazhagam, under the leadership of M K Stalin, the son of the late patriarch, M Karunanidhi, has a substantial following, and with the help of the Congress party, is determined to give a tough fight to the ruling party. There are other regional parties with localised support groups which cannot be ignored. In terms of national politics, Tamil Nadu cannot be ignored, as parties from the state have been supporters of governments at Delhi since 1980. The Bharatiya Janata Party, therefore, has a keen interest in the forthcoming assembly polls, and while it has not revealed its cards, would certainly like to stir the political pot for some local gains.

The four years of Palaniswami governance have been largely uneventful and the state has slipped in all-India rankings on several parameters. The current flurry of activity in attracting foreign investment is an attempt to showcase Tamil Nadu as a happening place once again. There have been attempts in earlier years to showcase investment approvals, with very little materialising after the initial signatures. There seems to be a determination to do things differently now. The timing is also appropriate as there are a large number of firms looking for manufacturing bases in India. Tamil Nadu set up a special task force in 2019 to target

and attract investments from Japan, Singapore, South Korea, Taiwan and the United States, and there have been some significant announcements.

Foxconn, the major Taiwanese manufacturer that makes products for Apple, has already set up a plant in Sriperumbudur outside Chennai, and has announced that it would invest a further US\$1 billion (S\$1.39 billion) to expand the plant. Salcomp, a Finnish company that has taken over Nokia and is making chargers, will revive the Nokia plant in Chennai. ST Telemedia from Singapore plans to set up data centres in Tamil Nadu's capital city while a Japanese electronics company is setting up a semiconductor chip unit as well as a phone components unit. Ather Energy is investing in electric vehicles, along with setting up a lithium ion battery unit in Tamil Nadu near the Bengaluru border. There are several others – Chung Jye Company of Taiwan will be manufacturing shoes for export, employing over 10,000 people. Yamaha has started constructing its first musical instrument factory in India in Tamil Nadu to make guitars and keyboards. CEAT has just completed a tyre plant for internal use as well as export and Daimler is expanding its commercial vehicles capacity. Automaker Ford too has set up a research and development centre near Chennai, catering to its global requirements. There are several others.

As pointed out, this is due to some political activism that has been lacking in the last few years. True, not all the promises will result in investment but the strike rate in Tamil Nadu has been always above 60 per cent, which still amounts to a substantial number of approvals getting converted to investments. There have been some changes in policy as well. Tamil Nadu has instituted a deemed approval policy, where approvals of over 24 regulators are deemed to have been obtained within 30 days of application and any review goes up to the Chief Minister.

There is also focus on the healthcare and pharmaceutical sectors in an attempt to reduce dependency on China. The production of ventilators, intensive care unit equipment and personal protection equipment kits, masks and gloves have been ramped up substantially in the last three months, and there is now a demand from industry to permit exports, as supply is exceeding demand.

Even with some scepticism, there seems to be a revival of interest in Tamil Nadu as a place for investment. Other states are also attempting similar policies, most notably, Gujarat, which is always under Prime Minister Narendra Modi's watch. The current pandemic has provided opportunities, particularly in the manufacturing sector, for India and its leading states. It is left to be seen whether Tamil Nadu will be able to turn these opportunities to real gains.

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