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Kishan S Rana

How India needs better advocacy to mobilise more FDI

Besides policy implementation at home, embassies abroad must push India as an investment destination

In the current cascade of gloomy news on the Indian economy, declining foreign investment inflow has gained visibility as a priority objective. Sadly, apart from tokenism and crowing over what are really small steps, Indian official circles do not address the real issue: marketing the India destination.

For any country, FDI inflows hinge on two actions. First, at home we need to put in place and implement regulations that will induce investments. The Indian civil servant loves discretionary authority. The 'case-by-case' formula has, in the memorable words of N Vaghul, often meant 'suitcase by suitcase'. Many of us want the home environment to be improved, but this has simply not happened, despite many promises. Fortunately, the size of the Indian market, and many intrinsic positives help prop up our attractiveness, almost despite our policy failures. And fortunately for us, other destinations suffer from their own infirmities, so that our situation is perhaps not as dismal as World Bank and other indices show it to be.

Second, there is on-ground marketing of the India destination. Nabobs in New Delhi may not realise this, but foreign companies do not pay much attention to North Block's rosy prognostications. For those engaged in India destination marketing, the home conditions are a given. Embassies can give feedback to the home authorities on what foreign investors think, and offer their suggestions on what ought to be done. But beyond that, they have to get on with the marketing task, and work for the best outcomes. That is the task that the New Delhi establishment usually fails to understand, given its dirigisme mindset of dispensing permissions and discretionary power.

In a perfect world, marketing investment destinations would be unnecessary. Since information would flow optimally and immediately to foreign corporate decision-makers, they would comprehend in real time the balance card for different overseas locations, besides things like future prospects for different world markets. Alas, such a perfect state of affairs, a la Adam Smith, is far from reality.

Consider what others do by way of self-promotion as business and investment destinations. Three models come to mind. First, a ministry-diplomatic model: UK Trade & Investment representatives are nested within embassies, handling the country's economic diplomacy, including investments into the UK. The Foreign and Commonwealth Office and the Department for Business, Innovation and

Skills (successor to the Board of Trade) jointly run and staff the system. Second, Ireland, Mauritius, Singapore, and others use dedicated agencies for investment promotion, working closely with embassies. Singapore's Economic Development Board is one of the world's best - read Chan Chin Bock's Heart Work: Stories of How EDB Steered the Singapore Economy from 1961 to the 21st Century (Singapore EDB, 2002). A third method is a loose framework, where economic ministries and embassies handle promotion; in China the provinces take the lead, sending delegations around the world to beat the drum.

The India Investment Centre, run by the finance ministry, handled FDI promotion, until it was wound up in the early 1990s. They ran some overseas offices, but failed to work closely with Indian embassies, and restricted their focus mostly to NRIs.

Some home truths on FDI: First, even the finest of investment destinations, be they Singapore, Hong Kong or Germany, have to market themselves. This has to be continuous, supervised from home, and delivered by those with feet on the ground in the target foreign country. The embassy is the best agent, because it has the needed contacts, and holistic information. They also have the capacity for sustained pursuit of targets. Second, as World Bank comparative studies on country methods have shown, a mix of generic presentation and 'rifle shot' pursuit of targeted international companies is required. With respect to the latter, as the 2002 Singapore study shows, one must work on the entire decision chain in the targeted company. Third, there exists a body of practice-based craft skill on how potential investors should be tackled: this includes "success story" narratives by foreign investors, business-to-business dialogue. Walking the line between under-sell and over-sell is important. Diplomatic services have accumulated this knowledge, but this has to be harvested and put to use. Fourth, sub-state actors and business associations play a key role. In India we handle this in lackadaisical fashion, unlike say China or Germany. In the 1980s and 1990s, the contribution of the Confederation of Indian Industry (CII), under Tarun Das was exemplary, with their CEO missions that engaged in generic "India marketing", not promotion of the business of individual enterprises.

In Inside Diplomacy (2000) I narrated personal experiences of reaching out to foreign enterprises, US and German, to persuade them for FDI; a better collection is presented in Economic Diplomacy: India's Experience (2011). In essence, ambassadors can reach out to top management, and it is surprising how effective that can be. The Daimler Benz research unit in Bangalore, small but highly important in the cutting-edge work it does, became reality in 1994, barely 12 months after my first discussion on this with the company's board member in charge of R&D; when in 1994 I first urged the CEO of Metro to focus on India, he said they were happy to buy out of India low-cost bicycles and small B&W TV sets for CCTV use, but he was intrigued by the size of the Indian middle-class market - and the rest is history. At other companies it was the Embassy team and

Consul General Alok Prasad in Frankfurt that did the hard-sell and sustained marketing.

Another activity we used to pursue, but seems to have fallen off radar screens, is identifying the conversion rate of FDI, the proportion approved by FIPB that actually comes in as investments. Embassies can work with FIPB to reach out to approved foreign companies, and help with their concerns. There is no guarantee that this will produce 100 per cent conversion - probably an unattainable goal - but the flows can surely be improved. All this takes is an organised pursuit of 'targets'.

Currently, do our embassies do enough? Ask business associations, and individual companies, Indian and foreign. Canada uses a random computer-selected questionnaire, to receive feedback. We have probably never used a customer feedback method in India's business promotion. Many missions work assiduously, but a few have tended to sit back. Ten years back when India became a top investment destination, some felt that "we do not have to run after foreign companies, they now come to us". CII contacts say that some embassies only invite NRIs to receptions held for visiting Indian business delegations, reflecting either paucity of contacts or an urge to stay in the comfort zone. Purposeful MEA supervision of embassies has been a long-standing lacuna.

Policy implementation at home and 'get real' on-ground marketing abroad are the two legs on which FDI policy must walk.

(The writer is a former diplomat, teacher and author. kishanrana@gmail.com)