

# Report on the Development of Chinese Enterprises in India ( 2021 – 2022 )



Joint Conference of the Overseas Chinese Enterprises Associations  
China Chamber of Commerce in India (CCCI)



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(2021-2022)**

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## **Speech on "Report on the Development of Chinese Enterprises in India (2021-2022)"**

China and India are the only two emerging economies in the world with a population of more than 1 billion respectively. The history of economic and trade exchanges between the two countries can be traced back to more than a thousand years. In October 2019, President Xi Jinping and Prime Minister Narendra Modi held their second informal meeting in Chennai, the fundamental judgment made by the leaders of the two countries that “the two countries are opportunities for development and not threats to each other” provides strategic guidance for the economic and trade relations between the two countries.

As the two largest developing countries and emerging economies, China and India have huge markets, complementary industrial structures and broad prospects for cooperation. The economic and trade cooperation and exchanges between China and India are conducive to mutual benefit and win-win results between the two countries, as well as regional and global development and stability, and are in line with the common aspirations of the peoples from both countries. In recent years, China-India economic and trade cooperation has expanded to multiple industries and fields, and bilateral trade has maintained continuous growth. China has maintained one of India's largest trading partner status for many consecutive years. Investment cooperation between the two countries has continued to strengthen. At present, Chinese enterprises have invested more than US\$3 billion in India. The amount of projects

contracted in India by Chinese enterprises exceeds US\$50 billion, which has played an active role in improving India's infrastructure and promoting economic and social development. In 2021, the bilateral trade volume between China and India reached a record high of \$125.7 billion.

At present, the world has entered a period of turbulence and change, the COVID-19 pandemic is still spreading, the global economic recovery is sluggish, and China-India economic and trade cooperation is also subject to certain tariff and non-tariff barriers by the Indian government. China and India should build bridges instead of walls, complement each other instead of decoupling, strengthen coordination and cooperation, jointly fight the pandemic, and seek common development and revitalization. The Chinese government attaches great importance to maintaining the legitimate rights of overseas Chinese enterprises and has always required overseas Chinese enterprises to abide by international rules, operate in compliance with laws and regulations, respect public order and good customs, and actively fulfill their social responsibilities. It hopes that the Indian government will create a fair, just and non-discriminatory business environment for Chinese enterprises to invest and operate in India.

The Chinese Chamber of Commerce in India (CCCI) led the compilation of the "Report on the Development of Chinese Enterprises in India (2021-2022)", which comprehensively reflects the basic situation, business activities, future development and problems, difficulties and demands of Chinese enterprises in India. The compilation and release of the report is conducive to promoting the Indian government to improve the business environment, safeguard the legitimate rights and interests of the Chinese enterprises, and bring

the bilateral relations between China and India back on the track of sound development.

We wish the "Report on the Development of Chinese Enterprises in India (2021-2022)" to be released smoothly and become an influential public product serving Chinese enterprises in India.

The Economic and Commercial Office, the Embassy of the People's

Republic of China in India

June 2022

# Preface to the Report on the Development of Chinese Enterprises in India (2021-2022)



Mr. LIU Xiaodong, Executive Vice President and Secretary General of Chinese Chamber of Commerce in India (CCCI)

After months of hard work, Report on the Development of Chinese Enterprises in India (2021-2022) has been completed and will be published soon.

The Chinese Chamber of Commerce in India (CCCI) (formerly the Chamber of Chinese Enterprises in India) was established in 2006 to promote mutual contacts and exchanges among the Chinese enterprises in India, and between Chinese and Indian enterprises; to safeguard the legitimate rights and interests of Chinese enterprises, and to understand and reflect the problems and difficulties faced by Chinese enterprises. It



actively organizes and conducts research on relevant industry policies and regulations, and plays an important role in promoting business, trade, education, culture and community development between China and India. The Chamber of Commerce actively promotes exchanges and cooperation between Chinese enterprises and local business associations and enterprises, assists Chinese enterprises to integrate into the local society, and carries out a number of public welfare activities. Chinese enterprises adhere to the "localization" strategy and the concept of "growing together with you", shoulder social responsibilities, and pursue the maximization of the comprehensive value of economy, society and environment, and benefit the local people. During the outbreak of the COVID-19 epidemic in early 2020, under the guidance of the Chamber of Commerce, Chinese enterprises, units, and overseas Chinese in India united, donated money and materials, and contributed to the fight against the epidemic both in China and India. The Chamber of Commerce actively reminds the enterprises to abide by the laws and regulations, expand business in an orderly and compliant manner, and help drive Chinese equipment, technology, standards, and services to "go global". Under the new situation of China-India relations, Chinese enterprises in India are facing new problems and difficulties. The Chamber of Commerce actively speaks for business, listens to, appeals to and assists in solving problems and difficulties encountered by the Chinese enterprises. In 2019, the Chamber of Commerce became a member of the Joint Conference of Overseas Chinese Enterprise Chambers of Commerce (Association).

Since the 21st century, the Indian government has actively taken measures to promote economic development, introduced relevant policies to attract foreign investment, adjusted the industrial structure, and promoted the development of the manufacturing industry. Chinese enterprises have followed the trend and successively set up factories in

India. They actively participated in the bidding of infrastructure projects such as roads, transportation, electricity, new energy, and engineering construction in India. They have achieved good results and made positive contributions to the construction and improvement of India's infrastructure. In the fields of home appliances, mobile phones, construction machinery, automobiles, communications, building materials, new energy, and venture capital, Chinese enterprises invested and set up factories in India, carried out brand strategies, and adopted localized production and management strategies, and achieved good results. China became one of the important countries investing in India. Since 2020, due to the adverse impact of relevant policies introduced by India, the operation and investment environment for the Chinese enterprises in India has changed.

The chamber of commerce is an important platform for listening to the voice of the enterprise internally and communicating with the outside world. The chamber of commerce analyzes and studies the operation situation and existing problems of the enterprise, and compiles and publishes the "theme report" in a timely manner, which is an important task for the chamber of commerce to serve member enterprises. In order to overcome the unfavorable factors such as the impact of the COVID-19 epidemic, few personnel, and limited resources, under the guidance and support of the Economic and Commercial Office of the Chinese Embassy in India and the Joint Conference of the Overseas Chinese Enterprises Associations, the Chamber of Commerce organized an editorial committee composed of experts and business leaders to work together to make concerted efforts to compile the "Report on the Development of Chinese Enterprises in India (2021-2022)", through consultation with relevant institutions in China and India, questionnaire surveys on the Chinese enterprises, extensively solicit opinions and suggestions from relevant professionals, and finally compile this report.

The "Report on the Development of Chinese Enterprises in India (2021-2022)" is divided into five parts: India's overall macroeconomic situation, business environment, infrastructure, industrial policies, laws and regulations, development plans, the overall situation of Chinese enterprises in India, business situation and problems, difficulties, demands and suggestions, and how to achieve high-quality development in the new development pattern in the post-epidemic era, and promote mutual benefit and win-win cooperation with the host country. The report shows the unremitting efforts of Chinese enterprises to face various difficulties and actively explore the market through the sharing of direct and valuable experience in developing and deepening the market in India, as well as the response of many Chinese enterprises to the COVID-19 epidemic and business case analysis. Opportunities and challenges faced by Chinese enterprises in the post-epidemic period provide rare first-hand, practical information and advice for enterprises to invest in India. The compilation and release of the report will help promote the improvement of the business and investment environment of the host country.

The current trend of economic globalization and internationalization is irreversible. Affected by the COVID-19 epidemic, the global industrial chain is facing restructuring, which brings risks and challenges to Chinese enterprises, as well as new development opportunities. Since 2021, the bilateral trade between China and India has continued to grow. The economic and trade exchanges and cooperation between the two countries are beneficial to the two peoples. The ties of economic and trade cooperation between the two countries cannot be cut off. Overcoming difficulties and sticking to the market, Chinese enterprises are an important force in maintaining the economic and trade relations between China and India. The Chinese Chamber of Commerce will work with Chinese enterprises to help each other to overcome the difficulties and jointly

promote the development of China-India economic and trade cooperation. The Chamber of Commerce expects the Indian government to provide a fair, just and non-discriminatory business environment for the Chinese enterprises.

Finally, I would like to express my heartfelt thanks to the Chinese and Indian institutions, enterprises and experts who have strongly supported and assisted in the compilation of the "Report on the Development of Chinese Enterprises in India (2021-2022)".

LIU Xiaodong

June 2022

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# **Chapter 1 General Situation of Chinese-funded Enterprises in India**

## **1.1 Overview of Chinese enterprises India**

Beginning in the 1990s, with the rapid and sustainable growth of China's economy, Chinese enterprises began to "go global" to carry out international operations. Some Chinese enterprises have successively invested in India and explored the Indian market. Entering the 21st century, the Indian government has actively taken measures to promote economic development, introduced relevant policies to attract foreign investment, adjusted the industrial structure, and promoted the development of the manufacturing industry. Chinese enterprises have followed the trend and actively participated in the bidding and constructing of infrastructure projects such as roads, transportation, electricity, new energy, and engineering construction in India. More Chinese enterprises have come to India to invest and set up factories. According to statistics from the Ministry of Commerce of China, by the end of 2020, China's cumulative investment in India has exceeded US\$3.183 billion. The main areas of Chinese investment in India include automobiles, pharmaceuticals, e-commerce, telecommunications equipment, mobile phones, household appliances, power equipment, steel, construction machinery and other fields. In general, China's investment in India is comparably small, and there is not much intensive investment.

Since 2020, due to the adverse impact of relevant policies introduced by India, the operation and investment environment of Chinese enterprises in India have changed, and some Chinese-funded enterprises have left or are leaving India.

## **1.2 Main investment motivations**

India is a developing country, and its population growth model belongs to the "high-low-high" (high birth rate, low death rate, high natural growth rate) model. According to 2020 data, India's total population is about 1.38 billion, and the average age of the country is only 26 years old. By 2021, nearly two-thirds of India's population will become a working-age population, making it a very "young" big country. India has a cheaper and younger workforce than China, making it more attractive to foreign investors. In terms of the proportion of labor force, India will increase from 17.8% to 18.8%, overtaking China as the world's largest labor market. From the perspective of labor prices, the current salary of ordinary Indian workers is only 1/4 to 1/5 of that of their Chinese counterparts, and the labor cost advantage is abundantly obvious. Therefore, it is reasonable to think that India has the explosive power of economic development.

As the second most populous country in the world and the largest in South Asia, India has maintained an average GDP growth rate of over 7% in the past five years. It is regarded as a large developing country and an attractive emerging economy with great potential in the 21st century. Since 2017, the world economy has been treading towards a recovery, and the relative advantages of emerging markets have gradually expanded, among which India has performed particularly well. At present, India has become the second largest economy among emerging market countries, and its GDP ranks seventh in the world. Its purchasing power parity GDP ranks second only to China and the United States, ranking the third in the world.

In the 21st century, the economic and trade cooperation between China and India has developed rapidly, and Chinese enterprises have come to India to invest and build factories. Affected by the COVID-19 epidemic in 2020, India took measures such as blockade, which greatly affected its



economy. With the gradual progress in the fight against the epidemic, the international trade market has seen a sharp rebound since the end of the year, and the economic and trade exchanges between the two countries have gradually resumed. According to statistics released by the Indian Ministry of Commerce, in the fiscal year 2022 (2021.4-2022.3), the bilateral trade volume between China and India was about US\$115.42 billion, with an increase of about 1/3 from US\$86.4 billion in the previous fiscal year, of which India's exports to China were about US\$21.25 billion, imports from China are about US\$94.16 billion. According to the "Hindu" report, the trade value of India's imports of goods from China is increasing. The top 100 imported items have an import value of more than US\$ 100 million. Indian experts believe that India's dependence on China for imports of manufactured goods shows no sign of easing.

India is now actively implementing the "Make in India" strategy. To achieve "Made in India", it has to improve and complete the supporting facilities, including roads, railways, electricity, water, etc. In the next 10 years, these funding gaps will be about US\$1 trillion, which need to be absorbed from overseas. Internationally, there are not many countries and regions that are really interested in investing in India and have the ability to help India. The Indian market has huge potential and promising prospects, providing good business opportunities for Chinese enterprises.

### **1.3 Fulfillment of social responsibility by Chinese enterprises in India**

Chinese enterprises in India actively explore the market, expanding their business in an orderly and compliant manner, and at the same time conscientiously integrating into the local society and fulfilling their social

responsibilities. For example, Huawei Communications Company allocates tens of millions of Indian rupees to carry out special public welfare activities every year. Most Chinese enterprises adhere to the "localization" strategy and the concept of "grow with you", shouldering social responsibilities, pursuing the maximization of the comprehensive value of economy, society and environment, benefiting the local people, and actively promoting the cause of science, education, culture and health in India. Chinese enterprises have actively carried out various public welfare activities, made outstanding contributions to the social welfare undertakings in India, and are recognized by all walks of life in the local society.

Chinese enterprises attach great importance to the adoption and cultivation of local human resources. According to incomplete statistics, since Chinese enterprises entered the Indian market, they have provided more than 1 million jobs for the local area and paid taxes in a timely manner, which has effectively promoted the local economic and social development. For example, Sany Heavy Industry India Pte. Ltd. has realized three development strategies of talent localization, product localization and manufacturing localization in the Pune Survey (Chakan) Industrial Park, completely achieving 100% localization from managing director to front-line employees. OPPO, VIVO and other Chinese mobile phone factories in India employ more than 200,000 local workers. Haier Electric Appliance Industry India Co., Ltd. has created more than 10,000 local jobs and more than 50,000 indirect jobs. Sany Heavy Industry has paid more than INR 23 billion in profits and taxes in India, created more than 5,000 local employment opportunities, and trained more than 2,000 excavator and crane operators for the industry.

Chinese enterprises in India not only create a large number of jobs and economic benefits for the local society, but also actively fulfill their corporate social responsibilities. During the outbreak of the COVID-19

epidemic in early 2020, China Chamber of Commerce in India initiated to call on Chinese enterprises, units, and overseas Chinese in India united and contributed to the fight against the epidemic in China and India. At the beginning of the outbreak, the Chamber of Commerce issued a timely notice to the Chinese enterprises in India on how to properly deal with the prevention of the pneumonia, reminded enterprises to compile epidemic risk checklists and emergency plans, and registered the information and contact information of enterprises in India. A communication network centered on the chamber of commerce has been established to achieve the purpose of mutual assistance among the Chinese enterprises to overcome difficulties together.

The Chamber of Commerce actively collects difficulties and problems encountered by the Chinese enterprises in India during the epidemic, and will actively pursue solutions. Faced with the many difficulties brought about by the COVID-19 epidemic in India, under the premise of ensuring health and safety, since the outbreak of the pneumonia epidemic, Chinese enterprises in India have taken action and actively donated money and materials to Indian local governments, medical institutions, or business partners, etc. , to support India's fight against the epidemic. The company purchased equipment and supplies such as masks, protective clothing, goggles, oxygen generators, ventilators, and proprietary Chinese medicines, worth about INR 2.2 billion, donated about INR 2.2 billion in cash, provided assistance within its capacity, and took the initiative to fulfill social responsibilities, achieved mutual benefit and win-win results, and demonstrated the responsibility of the Chinese enterprises. For example, the India Guda Project Department of China Power Construction Shandong Electric Power Construction Third Engineering Co., Ltd. donated 3,000 kilograms of rice and 3,000 kilograms of potatoes to the Guda government to help the local government relieve about 7,000

workers who returned from various states due to the epidemic. A total of more than 25,000 disposable masks have been donated to local governments, police stations, hospitals, owners and subcontractors.

## **1.4 Cases of Chinese-funded Enterprises Fulfilling Social Responsibility**

### **Case 1: Sany Heavy Industry fulfills its social responsibilities in India**

Sany Heavy Industry has always pursued its corporate social responsibility and actively participated in social welfare undertakings; Participated in the rescue of a landslide that occurred in Pune, India in 2014; Participated in the front line of flood relief in Chennai in 2015; Participated in relief activities in the flood-stricken areas of Northeast India in 2016, donating daily necessities and food to the disaster-affected camp. Sany provided excavators to participate in the digging of wells in response to the "Jal Shivas Shivar Yojana (Water Harvesting Scheme)" initiated by the Chief Minister of Maharashtra. Participated in Mumbai Flood Donation 2017/18 by Mumbai Construction Machinery Association of India. Since 2017, Sany has continued to donate education funds to the poor and disabled children of the "WeCan Learning Institute" in Kolkata. Sany participated in Khadakwasla, Mandakhali, Parbhani & Jintu water conservancy projects, aiming to help improve the living conditions of residents in this arid area. Sany funded the Indian Hoisting Equipment Association, held several operator training courses, and trained nearly 1,000 hoisting equipment operators for the industry.

Sany India Training Center insists on holding training courses for excavator operators on a continuous basis, and has trained more than 1,000 excavator operators for the society. In May 2020, Sany India donated

100,000 N95 masks and 500,000 ordinary masks to the Maharashtra government through the Maharashtra Merchants Bureau for national health and administrative professionals. During the first wave of the epidemic in India in 2020, Sany India also donated a large amount of medical protective equipment and daily necessities to the local government, hospitals and poor communities on many occasions. In May 2021, Sany India, together with the Confederation of Indian Industry (CII), donated about 150 oxygen concentrators to local hospitals and 3 ventilators to Sasoon Hospital in Pune. In addition, in May, Sany India also donated 42 oxygen generators to major partners. Sany donated an oxygen station to rural hospital ghodegaon. In order to actively support India's fight against the epidemic, Chinese companies not only actively donated anti-epidemic materials and strictly abide by the anti-epidemic policies formulated by the government, but also continuously improving the health and safety of employees, such as purchasing new crown insurance for employees, and actively organizing employees to inject COVID-19 vaccines, etc.

- Since the outbreak of the epidemic in 2020, Haier Electric Appliance Industry India Co., Ltd. has insured the company's employees and outsourced employees with commercial insurance covering the COVID-19 for two consecutive years to ensure the protection of employees' lives. In 2021, the company will negotiate with some medical institutions in response to the shortage of vaccines in India , signed a vaccination policy, and invested over 10 million Indian rupees to ensure that all employees can be given priority to vaccination. As of the end of September 21, the vaccination rate of regular employees reached 98%, and the vaccination rate of outsourced employees reached 86%, covering the total number of more than 9,300

people. Qingdao Haier Headquarters, in order to ensure the safety of Indian employees, spent huge sums of money to purchase nearly 400 oxygen concentrators and shipped them to India; during the epidemic in India, all Haier's offices were professionally and thoroughly sterilized every week to avoid infection.

During the epidemic, Haier India was the first in India to launch a home answering plan for call center agents and a non-contact home service standard for home appliances, providing Indian users and customers with service support such as home appliance consultation, installation, maintenance, and return. When the second wave of the epidemic broke out in India in May 2021, the company quickly launched a vaccination plan and a COVID-19 insurance plan for front-line personnel. By the end of September 2021, the company had completed the vaccination and insurance coverage of 3,100 front-line service engineers, becoming the first Home appliance company fully covered by vaccine, and won unanimous appreciation and recognition both from Indian users and various sales channel partners.

# OUR SERVICE IS OPEN. BUT WITH SOCIAL DISTANCING.

OUR ENGINEERS ARE TRAINED FOR  
ZERO CONTACT SERVICE WHICH INVOLVES

Regular temperature checks  
before they reach your home



Sanitizing all tools  
and personal belongings



Wearing mask and gloves  
at all times



Maintaining a minimum distance  
of 1.5 metres at all times



Sanitizing the appliances and  
contacted areas after they are done



Properly disposing the waste  
before they leave

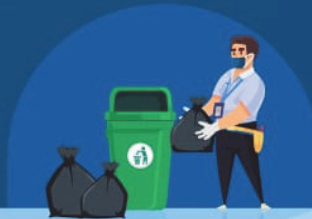


Figure 1: Haier India is the first company to launch contactless service standards for home appliances



**Customer's Delightful Experience**

**WH installation by engineer  
at COVID 19 hospital with  
100% safety !**

**Mr Montu (ESC Engineer)**  
**RK20200830102038**  
**Sainath Solutions, Rajkot**

**15  
New  
Installation  
&  
3 FTF  
resolution  
Of  
Water  
Heater**



Figure 2: During the epidemic, Haier provided water heaters for Indian hospitals for anti-epidemic protection.



Figure 3: Haier service engineers and washing machine users wearing vaccine certification badges





Figure 4: In 2020, Haier won the service award from Flipkart, the largest e-commerce platform

The company actively enhances Haier's popularity and reputation among the Indian Officials and Society in India, and actively responds to the government's epidemic prevention policies, including factory production restrictions, employee protection and social donations, which greatly reflects Haier's social responsibilities as an international company, actively ensuring employee safety, enhance employee trust and sense of security, and further enhancing the company's competitiveness; innovating service methods and processes to increase consumers' sense of security and enhance Haier's reputation.



Figure 5: Received the "Make in India Award" from the local Government of India

## **Chapter 2 Chinese enterprises' evaluation of India's business environment**

India attaches great importance to the World Bank's business environment evaluation ranking. It takes improving the government responsibility system and transforming government functions as the breakthrough point of reform, stimulating market vitality, integrating into the global economy, and realizing the strategy of enriching the country and strengthening the people.

India's business environment ranking has been hovering around 132. After the release of the "2014 Doing Business Report", Prime Minister Narendra Modi at the beginning of his administration said that the government will take a number of measures to create a favorable business environment for enterprises, and strive to improve India's ranking to the world's top 50 in 2017. In 2020, India ranked the 63rd in this category. Although it did not achieve the goal of entering the top 50 in the world, through measures such as tax reform and the significant relaxation of foreign investment restrictions, in the context of global economic fluctuations and unstable domestic political environment, The ranking of India's business environment has shown a steady upward trend, especially since 2017, the speed of ranking has accelerated significantly. The rise in the overall ranking of ease of doing business in India is mainly due to the series of reform measures implemented by the Modi government from 2014 to 2020 in the government affairs environment, the rule of law environment, and the market environment.

After Prime Minister Modi came to power, he vigorously promoted the transformation of the bureaucracy and improved the administrative

efficiency of the federal government. After the first cabinet meeting in his administration, "11 requirements" were clearly defined for the various departments of the federal government. The "11 Requirements" emphasizes simplifying and improving departmental work processes, improving administrative culture, and enhancing government decision-making efficiency. The typical feature of the State Planning Commission established in 1951 has a strong planned economy color. The government abolished the State Planning Commission and established the India National Reform Association. India has started market-oriented reforms since the early 1990s, but due to the eclectic and gradual nature of economic development strategies, and the repetitive and compromising nature of policy formulation and implementation, the role of the Planning Commission was not weakened, and the economy was still intervened. In order to liberalize the market, the India National Reform Association will form a "bottom-up" people-centered decision-making model, replacing the traditional "top-down" action model adopted by the State Planning Commission.

In 2006, the government formulated a national e-government plan to build an e-government. In 2015, the government formulated the "Digital India" plan to promote the development of e-government. The plan specifically defined that it is necessary to create and form an e-government with the concept of people-centered, service-oriented and transparent, promote the seamless integration of various government departments and districts under their jurisdiction, comprehensively improving the level of government services, improving national quality, and ensuring that Cyberspace is safe and reliable, ensuring that the public can share government information in real time. The government subsequently launched and implemented the PayGov public service platform, which brought together all the public services of the government. At the same

time, it also developed a payment and settlement platform. The public can pay through a series of methods such as online banking and mobile wallets to obtain government services. The ease with which citizens can access government public services. The government has also launched the construction of the E-TTAL government governance website to promote the establishment of a healthy competition and interactive network between the Federal Territories and the states and between government departments. The "Digital India" plan not only attaches great importance to the skills training of public service personnel to improve their e-government services, but also actively improves the public's ability to effectively obtain e-governance services provided by the government.

The Indian government places great emphasis on building up its own digital centre and has taken measures to promote the construction of national Internet infrastructure. The government has issued a number of incentive policies to promote the development of the data center industry, which has effectively promoted the construction of data center rooms across the country.

## **2.1 International Evaluation**

### **World Bank Evaluation:**

According to the Doing Business Report 2020 released by the World Bank, among 190 countries and regions, India ranks 63rd in terms of ease of doing business, up 14 places from 2019. The rankings for each sub-item are: starting a business (136), handling construction permits (27), obtaining electricity (22), ease of registering property (154), difficulty in obtaining credit (25), safeguarding minority investors (13) ), paying taxes (115), trading across borders (68), enforcing contracts (163), handling bankruptcy

(52) [World Bank: <https://www.doingbusiness.org/>].

### **Evaluation by the World Economic Forum**

According to the Global Competitiveness Report 2019 released by the World Economic Forum, India ranked 68th out of 141 economies, down 10 places from 2018. The rankings for each sub-item are: establishment of institutions (59), infrastructure (70), application of information and communication technology (120), macroeconomic stability (43), health level (110), human capital technology level (107), product Market (101), Labour Market (103), Fiscal System (40), Market Size (3), Business Vitality (69), Innovation Capacity (35) [World Economic Forum: <https://www.weforum.org/>].

## **2.2 Evaluation by Chinese enterprises in India**

Chinese enterprises are of the opinion that the Indian tax and legal system is recognized as a relatively complex system, especially taxation and compliance for enterprises. In different places in India, there is no coordination mechanism between various departments. During the enforcement process, the relevant departments within their jurisdiction, due to the different concerns and perspectives between departments, there are inconsistent interpretations of some regulations, resulting in Chinese enterprises are often subject to inspections and accusations, and even if they hire well-known accounting firms to undertake corporate taxation, compliance and other matters, they are still not immune.

India's legislative and decision-making system is relatively fragmented, and both central and local state laws have an important impact on foreign investment. If Chinese enterprises invest in India, they must abide by the foreign investment laws and policies promulgated by the

federal government of India, as well as the laws and regulations governing foreign investment in various local states. The power of legislation and approval in these aspects belongs to the internal affairs of each state and is controlled by the local government. Some Chinese enterprises did not fully understand the relevant situation, learned a profound lesson, and paid a heavy price.

India's infrastructure is relatively backward, industrial supporting capacity is insufficient, high-skilled talents are in short supply, industrial land rents are rising year by year, business costs are rising, and India's comprehensive advantages such as labor costs are gradually declining.

In addition, Indian administrative departments, including ports and airports, have low operating efficiency with red tape for unnecessary and over-elaborate formalities, and high business costs for enterprises. India protects its own employees, and companies must obtain government approval to fire employees. The potential cost of hiring regular employees in India is high.

Since the outbreak of the COVID-19 epidemic in 2020, India has issued a series of policies and regulations targeting at Chinese enterprises, restricting Chinese' investment in India, production and operation in India (Please refer to the next chapter for details). Since October 2021, relevant Indian authorities have continued to conduct large-scale and full-coverage inspections against Chinese enterprises in the name of "tax evasion, false transactions, money laundering, and financial fraud", freezing corporate accounts and imposing huge fines. According to Indian media reports, so far, at least 500 Chinese enterprises have been subject to tax and compliance inspections by the Ministry of Finance (Inland Revenue), Customs, Central Enforcement Bureau, Ministry of Corporate Affairs (Company Registry) and other departments. The systemic crisis with the largest scale, the deepest blow and the most far-reaching impact

encountered by enterprises since entering India has seriously affected the reputation and normal production and business activities of the Chinese enterprises in India. Chinese enterprises generally believe that India adopts discriminatory policies, the business environment is no longer friendly, and the production and operation risks of the Chinese enterprises in India are increasing.

## **Chapter 3 Chinese Enterprise's Investment and Operation Obstacles and Relevant Appeals**

Since April 2020, the Indian government has issued a series of policies and regulations to restrict the normal investment and operation of the Chinese enterprises in India, which has a huge adverse impact on the operation and investment activities of the Chinese enterprises in India.

### **3.1 Problems faced by Chinese enterprises investing and operating in India**

After researching, surveying and communicating with the enterprises, Chinese enterprises in India mainly face the following problems:

#### **3.1.1 India bans domestic telecom operators from purchasing Huawei and ZTE equipment**

In April 2019, India launched an investigation into two Chinese telecom suppliers, Huawei and ZTE. On June 18, 2020, the Indian government explicitly prohibited state-owned operators from purchasing Huawei and ZTE equipment, and required domestic private telecom operators to gradually replace Chinese equipment without affecting consumer services. There are two major operators in the Indian communications market: Bharti Airtel and Vodafone from Europe. Vodafone said that if Huawei technology and equipment were banned, the cost of building 5G networks in India would increase by 15-30%.

In February 2022, Indian tax authorities and other departments inspected Huawei Telecom India and ZTE India under the pretext of



"financial fraud and potential security risks in equipment", but the case has not yet been finalized.

### **3.1.2 India strengthens the review of Chinese enterprise's investment**

China has become one of the important countries to invest in India. On April 22, 2020, the Indian government revised the Foreign Direct Investment (FDI) clauses in the Foreign Exchange Management Act (FEMA) to restrict direct investment from neighboring countries. The previous automatic approval path goes to government pre-approval.

### **3.1.3 India bans many Chinese apps**

On June 29, 2020, India decided to ban the use of overseas versions of Tik Tok on mobile and non-mobile devices, TikTok, WeChat, Xiaomi video phone, eggplant fast Biography and other 59 Chinese apps. On July 4, India launched the "Indian Mobile Application 'Self-Reliance' Innovation Challenge", which aims to improve the Indian application ecosystem and replace the banned Chinese applications in various market segments. India continues to ban 47 Chinese mobile applications. program. On July 25, India continued to list as many as 275 Chinese apps for review, including Tencent's "chicken-eating" mobile game "PUBG" (PubG), Xiaomi short video app Zili, Alibaba's AliExpress (AliExpress), as well as ByteDance's music streaming app Resso and camera app ULike.

On February 14, 2022, the Indian "Economic Times" and other media reported that the Indian government banned the download of 54 mobile phone applications (APPs) on the grounds of "posing a threat to the privacy and security of Indians", many of which are large Chinese tech companies, such as Tencent, Alibaba, and NetEase.,etc. The "Indian Express" reported that since June 2020, India has carried out four rounds of operations against

Chinese apps, and a total of more than 270 apps have been banned. Statistics reported by the "Hindustan Times" show that this is the fifth round of the Indian government's ban on Chinese apps, and more than 300 apps have been banned.

#### **3.1.4 India's import of power equipment and components from China requires government approval**

China is an important supplier of power equipment to India. During FY 2018-2019, India imported power equipment and components worth totaling 710 billion rupees (US\$9.4 billion), of which 210 billion rupees (US\$2.8 billion) worth of equipment came from China. On July 3, 2021, the Ministry of Power of India announced new regulations that require Indian companies to import power equipment and components from China with prior government approval. At the same time, the Ministry of Power of India requires that a comprehensive inspection of power equipment and components imported from all countries, including China, be carried out in India to ensure the safety, integrity and reliability of India's power supply system and network.

#### **3.1.5 India has introduced specific regulations to restrict Chinese companies from participating in bidding for government procurement projects**

On July 24, 2020, the Ministry of Finance of India revised the "General Financial Rules" issued in 2017, regarding companies from China, Pakistan, Bangladesh, Nepal, Bhutan, Myanmar and other land neighboring countries. Participating in the bidding of government procurement projects in India requires registration with the Indian competent authority-the Board of Directors for the Promotion of Indian Industry and Internal Trade (DPIIT) before the companies being eligible to

bid in procurement, covering goods, services (including consulting and non-consulting) services), engineering (including turnkey projects), etc. Indian Public Sector Banks, Financial Institutions, Autonomous Agencies, Central Public Sector Enterprises, and PPPs (Government-Private Partnerships) supported by the government or its affiliates are covered by this provision. On July 1, 2020, India announced that Chinese enterprises are prohibited from participating in the bidding and construction of Indian highway projects, and joint ventures with China as a partner are not allowed to participate in bidding and undertake road construction. Some Chinese enterprises reported that they were not approved for registration as required. Products from companies such as Sany Heavy Industry India have been restricted from participating in government and public sector bidding and procurement.

Some companies reported that the construction projects as assisted India by World Bank and other international organizations, allowing Chinese companies to participate in the bidding, they need to provide a "safety commitment letter", making it clear that there are no related similar projects in India's hostile countries (such as Pakistan).

### **3.1.6 India cancels construction projects won by Chinese companies**

Since June 2020, the Ministry of Railways of India has suspended the project cooperation of China Railway Communication and Signal Group Corporation to participate in the East India Dedicated Freight Corridor. The Maharashtra government has shelved three agreements signed at the "Magnetic Maharashtra 2.0 Investment Seminar" with Chinese companies worth more than 50 billion rupees (about US\$660 million). The National Transport Commission of India has decided that three companies in India will undertake the manufacturing of 44 Vande Bharat high-speed trains that

will be added in the next three years, and cancel the qualification of CRRC Corporation Limited to bid for the semi-high-speed railway project in India. The Indian government has without reason canceled the bid-winning qualification of a Chinese enterprise that has won a bid in India but has not signed a contract, and will postpone the bid-winning qualification to the second local company. Many bidding projects such as Shandong Power Construction, Jiangxi Construction Engineering, and China Railway Group were canceled without reason, which brought great losses to the company.

In addition, the price of raw materials in India has risen sharply recently, and it is difficult for companies to implement project construction to ensure profitability. A construction company that won the bid for a road construction project assisted by the World Bank was required to present a "safety commitment letter". The company said that due to the sharp rise in the price of raw materials, the winning project would not be profitable, and it is very different for the company to provide a "safety commitment letter" and could only give up the winning project.

### **3.1.7 India will set higher trade barriers for Chinese products**

India plans to set higher trade barriers and raise import tariffs on imports of goods from China. The Ministry of Commerce and Industry of India requires e-commerce products to be marked with "country of origin" and related information. The Confederation of Indian Trade announced a list of more than 500 imported products from China, and requested to stop selling them. In April 2020, the Ministry of Commerce and Industry of India announced that starting from October 1, the official Bureau of Indian Standards ("BIS") certification will be implemented for the import of 12 major products such as lighting, keyboards, and Bluetooth headsets. Raise the basic tariff on solar modules to 40% in April 2022. India considers

imposing import restrictions on 371 Chinese goods, including chemicals, pharmaceuticals, electrical machinery, steel pipes, steel bars, consumer electronics, telecommunications, heavy machinery, paper, furniture and toys and other sub-sectors, which will be included in India's mandatory in 2021 Standard (BIS) system, which will be fully implemented by March 2021.

### **3.1.8 Chinese enterprises are often inspected by relevant Indian government departments**

Chinese enterprises in India are often inspected by the Ministry of Finance (Inland Revenue Department), Customs, Ministry of Corporate Affairs (Company Registry) and other departments. Some are routine tax, compliance, and legal inspections, and some are targeted surprise inspections. Since December 22, 2021, the three-tier (central, state, municipal) taxation departments of India, under the grounds of "tax evasion, false transactions, financial fraud", have conducted surprise inspections on some suppliers and sales agents of Chinese mobile phone companies OPPO, Xiaomi, VIVO and Qiu Tai Technology in Delhi, Mumbai, Rajkot and Karnataka, etc. On January 5, 2022, the Ministry of Finance of India issued a statement requiring Xiaomi India to pay INR 6.53 billion in taxes, accusing Xiaomi India of not taking the royalties into account in the declaration of import value it pays to Qualcomm and Beijing Xiaomi Mobile Software, depressing the value of goods, which violated India's Customs Act of India. In February 2022, the Indian tax department conducted a surprise inspection of Huawei Communications (India) Company. In March, the Indian local police conducted raid checks on many Chinese enterprises in Gurgaon under the grounds of "anti-money laundering".

On April 30, 2022, India's anti-money laundering and foreign exchange crime authority-the Enforcement Directorate issued an announcement accusing Xiaomi of allegedly violating the Foreign Exchange Management Act by transferring funds abroad in the name of royalties. Funds in its bank accounts of about INR 55.5 billion were frozen for a while.

### **3.1.9 Chinese enterprises cannot benefit from relevant promotion policies in India**

Chinese enterprises investing in India, in accordance with relevant Indian policies and regulations, such as the establishment of industrial parks, will enjoy some preferential policies such as investment rebate and preferential taxation. Compared with investment enterprises from other countries and regions, the Indian government gives Chinese enterprises less preferential treatment, or it may not be implemented; in 2020, India has successively introduced the "Production Linked Incentive Plan (PLI)" to promote incentive policies such as electronic manufacturing, electric vehicles, and photovoltaic modules. Some Chinese enterprises expressed that even if they meet the relevant indicators and conditions, the companies will not be able to benefit from the preferential policies.

### **3.1.10 India's suspension of visa issuance for Chinese enterprises has caused overdue business difficulties**

In early 2020, India canceled the e-commerce visas issued to the Chinese personnel. Subsequently, the issuance of business and employment visas was suspended, which is resulting in the inability of the personnel in India to rotate normally, and the inability of the company's senior management, technical personnel, and key personnel to return to

India in time, which adversely affected the company's business and made it impossible to execute and carry out related projects. Some enterprises had leased production plants and introduced production equipment before the outbreak of the epidemic. Due to the inability of personnel to come back to India, they were unable to be involved in the equipment installation and commissioning, production and operation, which affected the progress of production and increased the investment and operating pressure of the Chinese enterprises in India with huge losses; Chinese enterprises were the most affected, some were forced to close, some were downsized, and some were only left behind and maintained by locals.

In October 2010, India introduced a project visa policy for power station projects, and set the upper limit of the project visa according to the scale of the power station project. For example, the upper limit of the 2×660MW supercritical power station project is 125 people, which is much lower than that of Chinese-funded power companies in the implementation of projects.

The visa extension of the personnel in India is usually approved 1-2 months after the expiry date. According to relevant regulations in India, the applicant's mobile phone number, bank account, etc. are all suspended due to the expiration of the visa, causing a lot of inconvenience.

### **3.2 Appeals to relevant departments of the Indian government**

1. In accordance with the WTO's most-favored-nation treatment principle, the Indian government is requested to give Chinese enterprises the same preferential treatment in terms of trade and investment, and treat Chinese-funded enterprises in India equally and fairly; cancel discriminatory and unfair policies and regulations against Chinese enterprises, Allow Chinese enterprises to normally invest, produce, operate,

and sell in non-specific industries and fields; cancel relevant policies that restrict Chinese enterprises from participating in project bidding; cancel investment restrictions on Chinese enterprises or speed up investment review;

2. In the actual law enforcement process, the relevant departments in India have different concerns and perspectives within their jurisdictions, and the interpretation of some regulations is inconsistent, resulting in some tax disputes. It is hoped that the relevant Indian departments will clarify the disputed taxation, open the work process, improve work efficiency, and handle taxation in strict accordance with the law;

3. For the production and investment incentive policies issued by India, qualified Chinese enterprises should be treated equally;

4. Invite relevant Indian authorities to ensure that the judiciary is fair and just, and treat Chinese enterprises equally and normally to safeguard their legitimate rights and interests through the law;

5. Invite relevant Indian departments to issue business or work visas in a timely manner to Chinese enterprise personnel who go to India to carry out production and business activities; applicants who apply for visa extension in India and meet the conditions should ensure that they are issued within one month, and avoid the applicant's mobile phone number, bank Accounts, etc. are temporarily frozen.



## **Introduction to the China Chamber of Commerce in India (CCCI)**

The Indian Chinese Chamber of Commerce (formerly known as the Indian Chinese Enterprise Chamber of Commerce) was established in 2006 to promote the connection, communication and exchange between business and enterprises in China and India, safeguard the legitimate rights and interests of Chinese enterprises in India, and promote the improvement of the business environment, reflecting the problems and difficulties faced by the Chinese enterprises. The Chamber of Commerce actively conducts research on relevant industry policies and regulations, and plays an active role in promoting business, trade, education, culture and community development between China and India.

Since the re-election of the chamber of commerce on May 31, 2019, it has firmly grasped the mission and purpose of "cohesion internally, strengthening services; externally safeguarding rights and interests, bridging resources; advocating corporate social responsibility work and showing a good image of Chinese enterprises", and gradually Strengthen the construction of chambers of commerce, improve the ability to serve the overall situation, innovate the service system of member enterprises, establish a customized service mechanism, and continuously improve the quality and level of service member enterprises. The Chamber of Commerce will always keep in mind its mission and trust, promote the establishment of a good image of Chinese-funded enterprises in India, strictly abide by local laws, regulations and customs, accelerate the integration and development with the local economy and society, fulfill social responsibilities, benefit local people, and strive to enhance the

influence of the Chamber of Commerce and popularity, further consolidate the Chamber of Commerce as a national chamber of commerce organization representing Chinese enterprises in India, and make due contributions to promoting win-win cooperation and common development between China and India.

Since its establishment, the Chamber of Commerce has cooperated with the Indian Chamber of Commerce every year to organize or independently organize Sino-Indian Entrepreneurs Dialogue, business forums, special promotions, docking exchanges, member training and other activities, and establish working contacts with local chambers of commerce and trade and investment promotion agencies to enhance The understanding and mutual trust between Chinese and Indian enterprises will help member enterprises and other Chinese-funded enterprises in India to actively explore and integrate into the Indian market.

The Chamber of Commerce currently has about 200 member companies. The chairman unit is China Telecom (India) Co., Ltd.; the executive vice chairman unit is the Bank of China Mumbai Branch and the China Council for the Promotion of International Trade in India; there are 13 other vice chairman units. , 13 governing units.

The chamber of commerce has a secretariat, and the representative office of the China Council for the Promotion of International Trade in India serves as the secretary-general unit and undertakes the daily work of the chamber of commerce.





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