

International tie-ups remain critical for growth

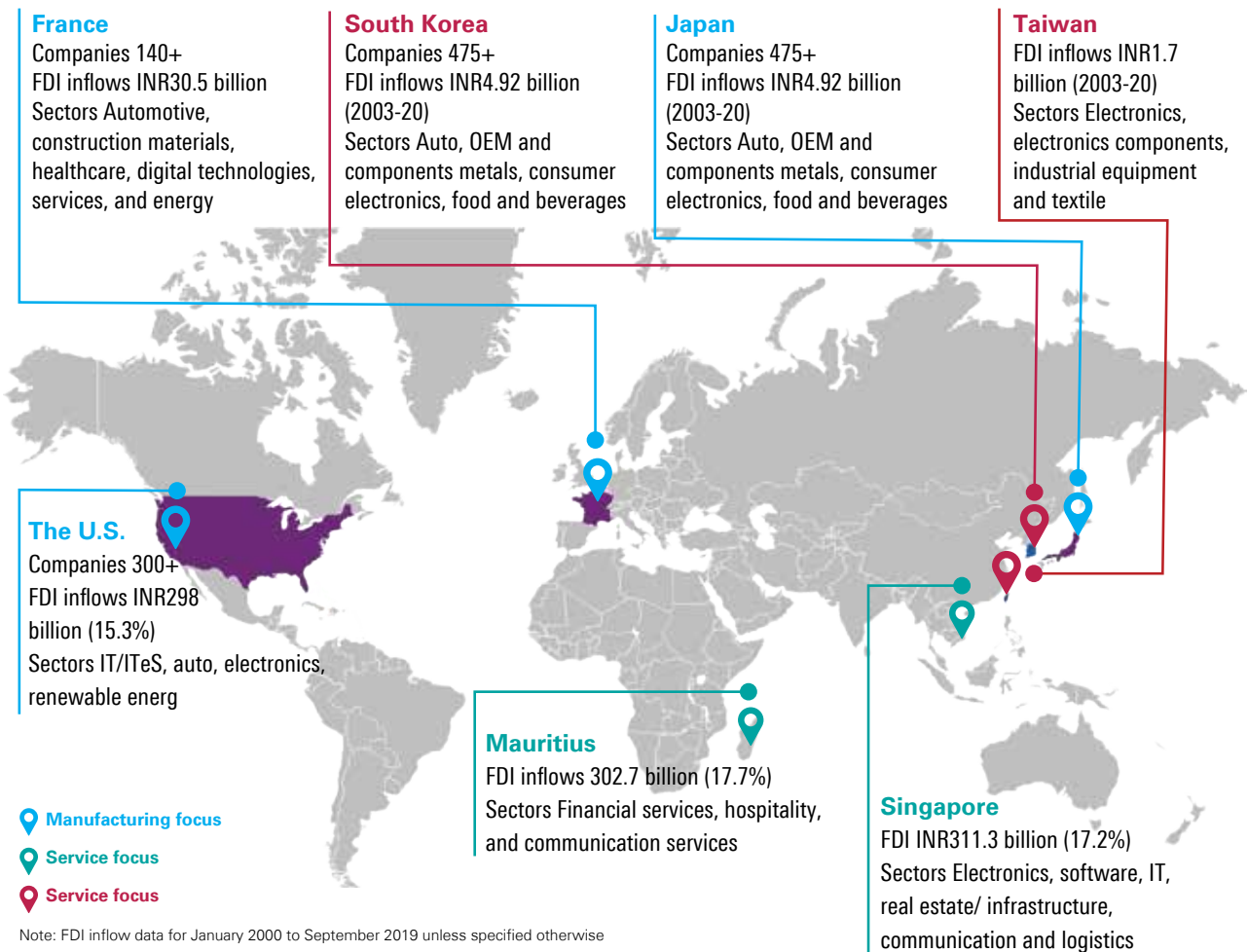
Recognising the importance of international collaborations, Tamil Nadu is placing significant importance to cultivating strategic ties with its companies and governments across the world.

Since 2015, the state has been hosting an annual Global Investors Meet (GIM) to encourage domestic and foreign investments into the state. The latest GIM (held in January 2019) resulted in 53 projects, which have commenced commercial production, while another 219 projects are under various stages

of implementation. Post GIM 2019, the state has managed to receive 63 projects worth INR190 billion from Japan, Germany, South Korea, the United States (US), and the United Arab Emirates (UAE) with a potential to create 83,300 jobs.⁶²

Tamil Nadu has consistently ranked in the top five states for foreign direct investment (FDI) equity inflows into India. It received a cumulative FDI inflow of USD446.8 billion between January 2000 and September 2019.⁶³

FDI inflows into Tamil Nadu^{64,65,66,67,68,69,70}



Top sectors attracting FDI equity inflows:⁷¹

- Automobile (20.0%)
- Services (12.7%)
- Construction (Infrastructure) Activities (9.2%)

- Computer Software & Hardware (6.6%) and
- Construction Development (5.6%) – Townships, Housing, Built-Up Infrastructure And Construction-Development Projects

(From January, 2000 to September, 2019)

Post pandemic task force to attract investors

In April 2020, the state set up a special task force to encourage investors from countries like the US, Japan, South Korea, Singapore, and Taiwan – that are expected to reassess and relocate investments post-COVID-19.⁷² The mandate of the task force is to identify

potential investors, frame guidelines to ensure speedy single window clearances, formulate special incentive packages and identify major infrastructure projects that can attract investments.

Mauritius

Mauritius has consistently been one of the largest FDI contributors for India as well as for Tamil Nadu. In the state, majority of the investment flow was recorded in the financial services, hospitality, and communication services sectors.

Singapore

Many leading Singaporean companies focussed on electronics, software, IT, real estate/infrastructure, communication and logistics are based in Tamil Nadu.

Tamil Nadu expects significant synergy between Singapore and the state in areas such as development of fintech city in Chennai, industrial parks, nodes and clusters as part of the Madurai-Tuticorin industrial corridor project, and ports, as well as greater collaboration in providing urban infrastructure and services, including intelligent transport solutions, wastewater management, desalination and solid waste management.⁷³

The US

As one of the major destinations of US FDI in India, Tamil Nadu has attracted more than 300 US companies and 375 projects worth USD11 billion.⁷⁴ Sectors receiving FDI include IT/ITeS, automobile, electronics and renewable energy.

In September 2019, 27 investment MOUs worth INR50.85 billion providing employment to 24,320 persons were signed between Tamil Nadu and the US.⁷⁵ This also involved the launch of Digital Accelerator, a start-up hub platform to attract new innovation and next-generation technologies from the US into Tamil Nadu.

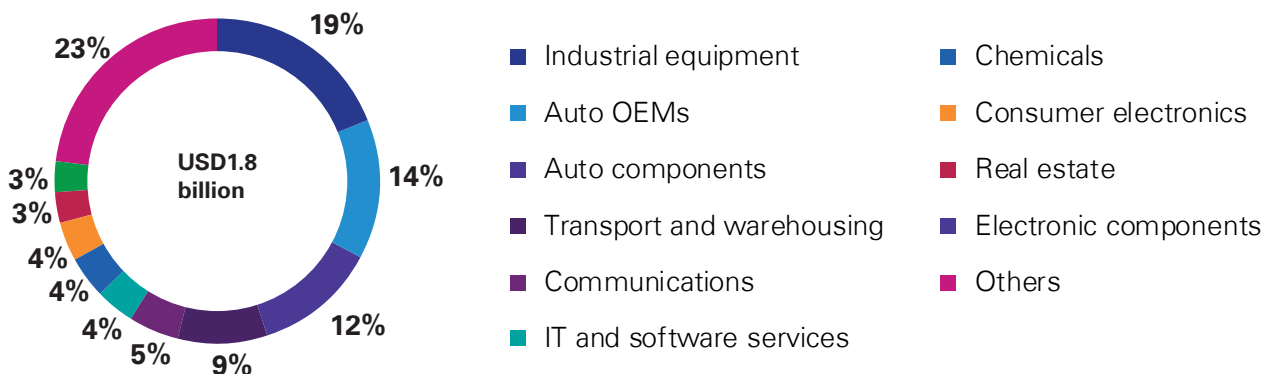
Japan

Tamil Nadu has over 620 Japanese companies operating in the state and accounts for 20 per cent of the Japanese manufacturing output in India, which is the highest in the country.⁷⁶

Three of the 12 Japan Industrial Townships (JITs) that are part of the Japan-India Investment Promotion Partnership are based in Tamil Nadu.

In 2019, Japanese companies signed 16 MoUs⁷⁷ with the Tamil Nadu government to diversify the country's business interest in the state. In the future, Japan can focus on driving tourism initiatives and setting up of Japanese language training centres to enhance the employability of the state's talent pool in its companies.

Sectoral composition of FDI from Japan (2003-20)⁷⁸

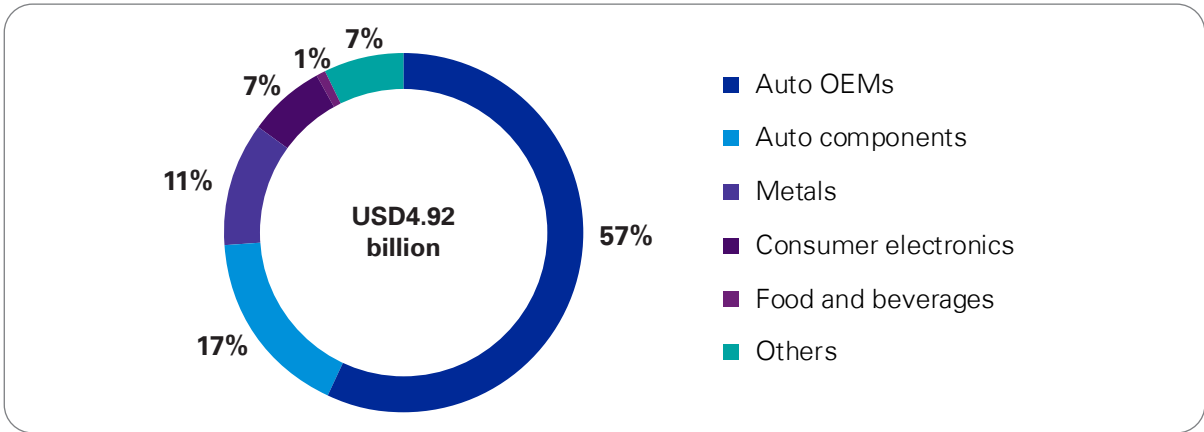


South Korea

Since 2003, South Korean companies have invested USD4.92 billion in the state,⁷⁹ generating employment for 0.3 million people.⁸⁰

About 478 South Korean companies are in Tamil Nadu. In September 2020, the consulate-general of the Republic of Korea in Chennai launched a troubleshooting centre to expedite Korean investments in South India and find solutions for any legal challenges.⁸¹

Sectoral composition of FDI from South Korea (2003-20)⁸²



Taiwan⁸³

Investment from Taiwan to Tamil Nadu amounted to USD1.7 billion as of October 2020 focussed on sectors such as electronics, electronics components, industrial equipment and textiles. In 2018, a major Taiwanese contract manufacturer announced investments worth USD331 million (one of the largest investments by a Taiwanese company in Tamil Nadu), generating employment for 25,000 people.

Taiwanese companies signed MOUs with the Government of Tamil Nadu worth over USD1 billion at GIM 2019.

In the post pandemic era, Taiwan expects these companies to double investments in Tamil Nadu and add one million jobs.⁸⁴ Taiwanese companies are showing keen interest in areas such as plug and play facilities, information technology, blockchain and cybersecurity.

France

Over 140 French companies operate in Tamil Nadu.⁸⁵ The state has attracted French investment in many priority sectors such as automotive, construction materials, healthcare, digital technologies, services, and energy. France also opened a Bureau de France in Chennai in 2017 to boost cooperation, exchanges and mobility between France and Tamil Nadu.

Even during the pandemic, investments from French energy companies have continued such as a 250-MW wind power plant in Tuticorin and new LPG plan in Coimbatore. France is also planning to sign a MoU with Tamil Nadu's Guidance and the Indo-French Chamber of Commerce and Industry. The future focus would be on industry, R&D and renewable energy amongst others.⁸⁶

The Tamil Nadu Aerospace and Defence Industrial Policy, 2019⁹¹ encourages investors to set up manufacturing facilities in the state by offering fiscal incentives (capital subsidy for industrial parks; skill development, certification and State Goods and

Services Tax (SGST) reimbursement; land allotment at concessional rates; utility support; and anchor unit subsidy), dedicated industrial parks, a single window clearance mechanism and R&D support. The major incentives are as listed below:

Subsidy	Incentives & Concessions
Anchor unit subsidy (for first 10 units)	Capital Subsidy – 10% of the fixed assets
Skill Development subsidy	Reimbursement of INR10000/month per trainee for one year maximum of 50 trainees
Certification Subsidy	50% of the cost of Certification, ceiling of INR250,000
Land Allotment Subsidy	20% concession on actual land cost
Capital Subsidy for MSME Units	@10% on eligible fixed assets.
Capital Subsidy – A&D Industrial Parks	Infrastructure Subsidy @ 10% of eligible fixed asset
Aircraft MRO facilities	50% net SGST Paid
Environmental Protection Infrastructure Subsidy	INR10 million or 25% of Capital cost of setting up of ETPs
Special Incentives	Tax Concessions for investment above Rs 200 Crs
Support for the Units Undertaking Offset Obligation	Concession up to 30% of land cost and 100% reimbursement on stamp duty
Labour sector Initiatives	Flexibility in labour laws
Single Window Clearance	For all A&D related Manufacturing and Infrastructure projects