

## TAKEOVER FEARS: NUANCED APPROACH ON CHINESE INVESTMENTS

### A Nuanced Approach On Chinese Investments Using Automatic Route May Have Been Better

The government's decision to ban foreign direct investments (FDI) through the automatic route from neighbouring countries that share a land border with India has raised eyebrows. This is mainly because the move is seen as aimed at Chinese investors who could exploit cheap valuations in the depressed economic conditions post-lockdown to pick up equity interest in select companies. India is not alone in this fear of "opportunistic takeovers", as Press Note 3(2020 Series) of the Commerce Ministry described it. Italy, Spain, France and Australia have already taken similar action to protect their businesses from foreign (read Chinese) investors fishing for distressed entities in need of cash in the post-COVID-19 scenario. China's investment in India has been on a sharp upcurve in the last five years. According to a Brookings India study, the total current and planned investment by Chinese entities is over \$26 billion. Chinese capital is invested not just in brick-and-mortar industries but in technology and fintech start-ups where Alibaba and Tencent have funded a host of Indian names such as Paytm, Swiggy, Ola, Zomato and BigBasket. It is quite possible that a move to curb or control Chinese investment in Indian companies was always on the cards and that COVID-19 was a good excuse to pull the trigger. There has always been unease over the fact that there is a thin line that divides the state sector from private enterprise in China and several companies there trace linkages back to the security apparatus of that country.

So, while the decision to introduce a layer of government approval is probably valid in the current circumstances, the government could have adopted a more nuanced approach. Greenfield investments should have been kept out of the purview as they do not pose a threat of takeover of existing business; to the contrary, they create new capacities and businesses in the country. A distinction should also have been made based on the class of investors: venture capital funds are financial investors who may not necessarily be interested in taking over and running a business. While the FDI route has been plugged, it is not clear what happens to investments that come through the market route. SEBI has already sent out missives to custodians asking for details of Chinese holdings in listed entities. How will this be regulated? And again, what happens to FDI that comes in through entities registered in countries that do not share a land border with India but which may trace their beneficial ownership to China? And, now that the wall has been raised, approvals should be quick for investment proposals in the technology start-up space, where cash burn is high and existing investors are often tapped for a top-up investment.

#### Meanings of Difficult Words:

1. **takeover** (noun) – gaining of control, change of ownership, acquisition.
2. **nuanced** (adjective) – delicate, subtle.
3. **foreign direct investment (FDI)** (noun) – Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring tangible assets, including stakes in other businesses.
4. **raise eyebrows** (phrase) – show surprise.
5. **exploit** (verb) – take advantage of, make use of, utilize.
6. **depressed** (adjective) – weakened, impaired, debilitated, distressed, sluggish.
7. **pick up** (phrasal verb) – acquire, obtain, buy something.
8. **equity interest** (noun) – the ownership share of a shareholder in a business; the amount of equity a single person holds in a business.
9. **opportunistic** (adjective) – opportunistic/selfish, egocentric, inward-looking.
10. **fish** (verb) – try to get, seek to obtain, make a bid, search, look.
11. **in need of** (phrase) – requiring help, in want of, needing something.
12. **scenario** (noun) – situation.
13. **upcurve** (noun) – an upward curve (path/line in a graph).

14. **brick-and-mortar** (phrase) – used to represent a business that operates traditionally from a building/place (rather than online).
15. **fintech** (noun) – it is the shortened version of the phrase Financial Technology, which is now used to describe businesses that offer financial services using software and modern technology.
16. **a host of** (noun) – lot, large number, great quantity.
17. **curb** (verb) – restrain, control, contain, stifle, check.
18. **on the cards** (phrase) – likely, possible, expected, in the offing.
19. **excuse** (noun) – reason.
20. **pull the trigger** (phrase) – to make a final decision or commit to a course of action.
21. **apparatus** (noun) – a complicated structure/network/system of an organization.
22. **probably** (adverb) – most likely, in all likelihood, all things considered, perhaps.
23. **greenfield** (adjective) – new facility; relating to the new (production) facility that has never been used for any development (whereas brownfield means existing facility).
24. **keep out** (phrasal verb) – exclude, deny access to, prohibit.
25. **purview** (noun) – range, scope, ambit.
26. **pose** (verb) – raise, ask, put (a question/matter for consideration).
27. **to the contrary** (phrase) – in an opposite manner.
28. **distinction** (noun) – difference, variation, contrast.
29. **venture capital fund** (noun) – a sum of money investors commit for investment in early-stage companies.
30. **plug** (verb) – stop, seal, close.
31. **send out** (phrasal verb) – give out, announce, deliver/release.
32. **missive** (noun) – message, report, notification announcement (a along, official report).
33. **custodian** (noun) – curator, guardian; caretaker/protector.
34. **holdings** (noun) – a quantity of shares held in a company by a particular shareholder. An amount of a particular type of investment owned by a person or organization.
35. **listed entity** (noun) – an entity whose shares are listed on a stock exchange for public trading.
36. **cash burn** (noun) – ‘cash burn’ is the rate at which a company uses up its capital to run its day-to-day operations. ‘Cash burn rate’ is a metric that measures how the company’s net cash position has changed over a time period, usually in a month.
37. **tap** (verb) – make use of, put to use, use, utilize.
38. **top-up investment** (noun) – an (additional or extra) investment made by an investor into an entity over and above their existing investment.

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## MOON RISING: ON SOUTH KOREAN ELECTION

### South Korean Ruling Party’s Win Is A Chance For President Moon To Expedite Peace Efforts

South Korea’s President Moon Jae-in, whose government’s handling of the COVID-19 pandemic won acclaim, scored a political victory last week as his Democratic Party (DP) swept the parliamentary elections. Despite the health-care crisis, he decided to go ahead with the poll, with stringent precautionary measures in place. While the DP won 163 seats, up 43, the progressive coalition it leads commanded 180 seats in the 300-strong National Assembly. The Opposition United Future coalition got 103 seats. The results marked a substantial turnaround in public sentiments from last year when protests broke out amid a slowing economy and corruption allegations. With more parliamentary seats, the President, who is into the third year of his five-year presidency, can follow his reform agenda and North Korean rapprochement without legislative bottlenecks. But tackling these challenges arguably poses an even greater test of his leadership and political will than

his government's effective handling of the disease. The desire for normalcy with the North is evident among other things from growing impatience to end the disruption of business activity across the border. Since the thaw in ties between the neighbours began in 2018, Mr. Moon and Pyongyang's leader Kim Jong-un have also met on the Demilitarised Zone before a global media blitz. But the endeavour for peace is fraught with challenges, not all of which seem entirely amenable to Mr. Moon's control. Foremost, he would have to consider the implications of his initiatives towards Pyongyang for Seoul's military alliance with Washington.

Besides the suspension of their annual military exercises in South Korea, Seoul and Washington have been unable to agree on more substantial measures to ease tensions with the North. Moreover, the formal declaration of an end to the Korean war of the 1950s, where the U.S. was involved, is hostage to the more recent international demand for the Korean Peninsula's denuclearisation. But progress on the North's nuclear stand-off has been stalled ever since the Trump-Kim Hanoi summit, in February 2019, broke down. Their meeting, in Singapore in June 2018, resulted in no more than vague promises to end the long deadlock. Pyongyang insists on crippling economic sanctions ending as a precondition for any meaningful reduction of nuclear testing in the future. Washington has, meanwhile, harped on access to the North's nuclear sites in exchange for a relaxation of sanctions. Mr. Trump, himself facing re-election in November and focused on combating the pandemic, is unlikely to renew attention to the dispute with North Korea. Paradoxically though, the collective desire among nations to confront the unfolding health emergency could open avenues of cooperation, even defying the ordinary operation of realpolitik. Therein lies a ray of hope. Mr. Moon must make the most of the situation.

#### **Meanings of Difficult Words:**

1. **expedite** (verb) – accelerate, speed up, quicken.
2. **pandemic** (noun) – the worldwide spread of a new disease; The illness spreads around the world and typically affects a large number of people across a wide area.
3. **acclaim** (noun) – praise, commendation, applause.
4. **score** (verb) – get, gain, achieve, attain.
5. **swept** past participle of **sweep** (verb) – to win a contest completely.
6. **go ahead** (phrasal verb) – to proceed, to continue to do something, to start/begin to do something.
7. **stringent** (adjective) – strict/stern, severe, tough/rigorous.
8. **in place** (phrase) – established, set up.
9. **command** (verb) – receive, be given, get/gain, obtain.
10. **mark** (verb) – indicate, signify, identify, represent.
11. **substantial** (adjective) – considerable, significant, large.
12. **turnaround** (noun) – an unexpected change.
13. **break out** (phrasal verb) – flare up, begin/start suddenly, erupt/burst out.
14. **amid** (preposition) – in the middle of, surrounded by; during.
15. **allegation** (noun) – charge, accusation, indictment.
16. **rapprochement** (noun) – reconciliation, reuniting, restoration of harmony, compromise/ understanding.
17. **legislative** (adjective) – governmental, parliamentary, administrative.
18. **bottleneck** (noun) – a condition which appears as not solvable and so delays the process; snag, difficulty/problem.
19. **arguably** (adverb) – possibly, conceivably, maybe, potentially.
20. **pose** (verb) – raise, ask, put (a question/matter for consideration).
21. **political will** (noun) – political intention/desire (to complete a scheme/project even if it is not admired/welcome in the beginning).
22. **normalcy** (noun) – a normal condition; normality, regularity.

23. **impatience** (noun) – restlessness, hastiness, quickness.
24. **disruption** (noun) – disturbance, disarrangement, interruption.
25. **thaw** (noun) – an increase in friendliness.
26. **demilitarised** (adjective) – relating to an area wherein all military forces are removed.
27. **blitz** (noun) – all-out effort, exertion/struggle, endeavour.
28. **endeavour** (noun) – attempt, effort, try; struggle.
29. **fraught with** (adjective) – full of, filled with, loaded with.
30. **amenable to** (adjective) – receptive, responsive, reactive.
31. **foremost** (adverb) – in the first place.
32. **implications** (noun) – consequence/outcome, ramification, repercussion.
33. **alliance** (noun) – association, partnership, connection.
34. **hostage** (noun) – captive, prisoner, detainee; a person under custody of someone as security for performance against a demand/pledge; pawn, security.
35. **peninsula** (noun) – an area of land almost surrounded by water (on three sides) and one side attached to the mainland.
36. **denuclearisation** (noun) – the act of removing nuclear weapons from a place.
37. **stand-off** (noun) – deadlock, stalemate, impasse, standstill (in a dispute/conflict).
38. **stall** (verb) – check, stop, halt, restrict.
39. **summit** (noun) – meeting, conference.
40. **break down** (phrasal verb) – fail, fall through, be unsuccessful, come to nothing.
41. **vague** (adjective) – imprecise, unclear, uncertain.
42. **deadlock** (noun) – stalemate, impasse, checkmate/stand-off.
43. **insist on** (verb) – ask for, request, press/push for.
44. **crippling** (adjective) – weakening, impairing, paralyzing.
45. **sanctions** (noun) – action taken, or an order given to force a country to obey international laws by limiting or stopping trade with that country, by not allowing economic aid for that country, etc (Courtesy: VOA Learning English).
46. **precondition** (noun) – necessary condition, requirement, necessity.
47. **harp on** (phrasal verb) – talk or write/complain continuously and lengthily on a particular subject.
48. **paradoxically** (adverb) – contradictorily, inconsistently, incongruously.
49. **collective** (adjective) – combined, united, cooperative (by all the members of a group).
50. **confront** (verb) – deal with, tackle, address, face up to.
51. **unfolding** (adjective) – developing, growing, emerging, transpiring.
52. **avenue** (noun) – line/way, path, direction (of approaching a problem).
53. **realpolitik** (noun) – realistic and practical politics (German word).
54. **therein** (adverb) – in that place.
55. **a ray of hope** (phrase) – something which gives a slight hope in a difficult situation.
56. **make the most of** (phrase) – use something to the best advantage.

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