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Model BIT to be sent to Cabinet soon, protecting Indian companies’ FDI a new dimension: Economic Affairs Secretary Anuradha Thakur

The top finance ministry official also rejected claims that foreigners were hesitant to invest in India because of fears of potential action by law enforcement agencies, such as the Enforcement Directorate.

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Economic Affairs Secretary Anuradha Thakur noted that while gross FDI inflows have increased, it was "certainly not

enough for a country like ours, which is why we are constantly engaging at the policy level" to increase it. (ANI Photo)

Ensuring the rising [foreign direct investment](FDI) by Indian companies is protected is an "entirely new dimension" the government is seeing in its negotiations even as it continues its review of the model Bilateral Investment Treaties (BIT), Economic Affairs Secretary Anuradha Thakur said on Friday, adding that it will soon be sent to the Cabinet for approval.

"…with ODI (overseas direct investment) flowing out, every negotiation we also have to bear in mind that our own investors, companies will also need protection. So that is an entirely new dimension that we are now seeing in our negotiations. So, some of these clauses will actually be useful to keep," Thakur said on Friday at New Delhi-based think tank National Council of Applied Economic Research's India Policy Forum.

She was responding to a question on whether the government is looking to reduce the five-year timeframe the 2015 model BIT demands foreign investors exhaust pursuing domestic legal remedies before seeking international arbitration to settle disputes. Critics have often cited this local-remedies clause – which did not exist prior to the 2015 model BIT – as a hurdle for foreign investors.

BITs are crucial for promotion and protection of investors as they pour money into each other's countries.

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Over the last couple of years, FDI by Indian companies has risen so sharply that it has contributed – along with repatriation of past investments by foreign investors – to a precipitous fall in net FDI into India. This has significantly weakened India's Balance of Payments (BoP) situation and led to the rapid weakening of the rupee over the last year or so.

India's net FDI inflows have gradually slumped in the last few years from almost $44 billion in 2020-21 to less than $1 billion in 2024-25, before recovering slightly to $7 billion in 2025-26. While this was driven by foreign investors repatriating more than $105 billion in 2024-25 and 2025-26 combined, Indian companies have also been investing more and more abroad: from $11 billion in 2020-21 to $28 billion in 2024-25 and $34 billion in 2025-26.

Gross FDI rose from $82 billion in 2020-21 to a record $95 billion in 2025-26.

Speaking in December, Chief Economic Advisor V Anantha Nageswaran had blamed the reversal of India's net FDI fortunes on the localisation of global supply chains, with India having to compete not just with other emerging economies but also developed countries who want to onshore their production. This, Nageswaran had said, was one of the reasons why Indian entities' overseas investments have gone up "because in order to sell into those markets, you have to be present there these days rather than being able to export there".

On Friday, Economic Affairs Secretary Thakur noted that while gross FDI inflows have increased, it was "certainly not enough for a country like ours, which is why we are constantly engaging at the policy level" to increase it. On rising FDI by Indian companies, she said it is "a good thing as it shows a certain maturity of the Indian private sector".

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However, she rejected claims that foreigners were hesitant to invest in India because of fears of potential action by law enforcement agencies such as the Enforcement Directorate, saying foreign capital looks for returns and stability, which India offers.

"I would say the direction in which (enforcement) agencies are working is to be more procedure driven, more transparent, and laws are also being taken on head-on to actually reduce the criminal content so as to limit only those offenses which are very severe," Thakur said, adding that any frivolous and excessive action was being reigned in.

"But to say because of the fear (of investigative agencies) FDI is not coming – I would take it as an input. I think we need to do a lot more outreach as well as allay any other (fears) that foreign investors may have because I do think that investment in India is growing mainly because of what we offer," she said.

Commenting further on the ongoing model BIT review, Thakur said the government is reviewing several clauses and not just the local remedies one and the framework is "open right now".

"In fact, there is a model of what can we place out there and have a negative list, whatever the clause or article may be. So, we are also looking at those kinds of items, the really important red flags for us, set them aside and on the rest, what is the maximum we can put out there," she said.

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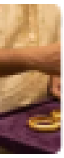

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