

**GOVERNMENT OF INDIA  
COMMUNICATIONS  
LOK SABHA**

UNSTARRED QUESTION NO:1750

ANSWERED ON:06.03.2000

FOREIGN INVESTMENT IN TELECOM SECTOR

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**Will the Minister of COMMUNICATIONS be pleased to state:**

- (a) whether India is lobbying for big bucks abroad for foreign investment to bring a revolution in the telecom sector;
- (b) if so, whether Ministry was serious in creating the telecom revolution in the country;
- (c) if so, whether the World Bank and other foreign investors are ready to invest in this sector;
- (d) if so, whether any concrete measures have been worked out in this regard; and
- (e) if so, the details thereof?

**Answer**

MINISTER OF STATE FOR COMMUNICATIONS

(SHRI TAPAN SIKDAR)

(a)&(b) : Yes, Sir

(c) Investment made by various countries in the Telecom Sector is enclosed as Annexure `A`

(d)&(e) : Yes Sir. Details are given in Annexure `B`.

Statement in respect of Parts (c) to (e) of Lok Sabha Unstarred Question No. 1750 for 6th March, 2000 regarding Foreign Investment in Telecom Sector.

Annexure `A`

Actual Inflow of FDI in Telecom Sector from Aug`91 to December`99 (Country Wise)

S.No Country FDI %

1	Argentina	0.01	0.00
2	Australia	342.50	0.81
3	Austria	9.50	0.02
4	Bahrain	8.00	0.02
5	Canada	411.60	0.98
6	Denmark	72.50	0.17
7	Finland	355.80	0.84
8	France	834.90	1.98
9	Germany	12.70	0.03
10	Hong Kong	683.70	1.62
11	Israel	560.00	1.33
12	Japan	539.80	1.28
13	Kuwait	0.50	0.00
14	Luxembourg	101.60	0.24
15	Malaysia	599.90	1.42
16	Mauritius	28243.30	66.91
17	Netherlands	2143.90	5.08
18	NRI	756.70	1.79
19	Philippines	73.50	0.17
20	Singapore	54.20	0.13
21	South Korea	196.70	0.47
22	Sweden	881.90	2.09
23	Switzerland	2.30	0.01

24	Thailand	1716.60	4.07
25	UK	749.40	1.78
26	USA	2860.10	6.78

TOTAL 42211.51

( Rs in Million)

## Annexure `B`

### INVESTMENT POLICIES AND INCENTIVES FOREIGN INVESTMENT POLICY FOR TELECOM SECTOR

No industrial license required and no public sector reservation for setting up manufacturing units. Automatic approval of foreign equity upto 100% in manufacturing projects. Automatic approval for technology fee upto US \$ 2 million net of taxes. Automatic approval for royalty upto 5% on domestic sales and 8% on export sales. Possibility for higher technology fee through special approvals. Foreign equity participation upto 49% for telecom services viz. Basic, Cellular Mobile, Paging, other Value Added Services, and Global Mobile Personal Communications by Satellite permitted on automatic basis subject to the terms and condition of license. Foreign equity participation upto 49% in Investment companies set up for investments in telecom Service Sector permitted. (Investments by these companies in a licensee company will be treated as part of domestic equity and will not be counted against `Total Foreign Equity` if the management of the investing company is with the Indian owners) Telecom services companies are not permitted to make royalty payments.

### INCENTIVES FOR TELECOM SERVICE SECTOR

License fee paid by telecom service providers is eligible for amortisation for tax purposes. Assignability of Licenses permitted Limit of External Commercial borrowings (foreign currency debt) raised to 50% of the project cost Investments in equity shares and debentures of telecom services companies qualify for tax rebate Complete Tax holiday for a five year period and 30% tax holiday for further five years during the first 15 years from commencement of business. Concessional rate of custom duty on specified telecom equipment. Import of all capital goods required for manufacturing telecom equipment allowed without any license.