

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1472

ANSWERED ON:04.08.2006

RECIPIENTS OF FDI

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Will the Minister of FINANCE be pleased to state:

- (a) the comparative statement about Foreign Direct Investment (FDI) regimes in and the FDI inflow into India vis-a-vis other developing countries including China during each of the last three years ;
- (b) sector-wise and State-wise FDI inflow into the country during the same period ;
- (c) whether there are fundamental difficulties faced by India in attracting and receiving FDI ;
- (d) if so, the details thereof and steps taken/being taken by the Government in this regard ;
- (e) whether the funds realized through FDI are utilized for infrastructure development in the country ; and
- (f) if so, the details of distribution of such funds for various sectors like roads, drinking water, etc. ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) FDI inflows to India and China during each of the last three years are as given below :-

FDI inflows (US \$ in million)

Year India China

2002 3449 52743

2003 4269 53505

2004 5335 60630

Source: World Investment Report 2005 (UNCTAD)

Note: The FDI flow data of China is on gross basis rather than a net or balance of payments basis.

In the recent past, China has revised the Catalogue for the Industrial Guidance of FDI to take into account commitments made in the context of its accession to the WTO. A number of industries have been added to the 'encouraged' category, while some have been re-categorized from 'encouraged' to 'permitted' in order to control overheating investment of the domestic economy. The National Economy and Social Development Plan 2005 of the country emphasizes the need to improve quality of FDI by encouraging it in high-technology industries, advanced manufacturing, modern services and agriculture and environment protection.

In India, the Investment Commission is charged with the responsibility of wooing private investors, both domestic and foreign. A comprehensive review of the FDI policy and associated procedures was undertaken in February 2006 and as a result, a number of rationalisation measures have been initiated which, inter alia include, dispensing with the need of multiple approvals from Government and/or regulatory agencies that exist in certain sectors, extending the automatic route to more sectors, and allowing FDI in new sectors.

(b) Sector-wise and Region-wise FDI inflow into the country during the period August 1991 to March,2006 (as available) are given in the enclosed statement I and II.

(c) and (d) India has consistently been classified as among the most attractive investment destinations by a slew of reputed international rating organizations. With its highly-skilled and cost-effective manpower, it offers immense opportunities not only for Business Process Outsourcing, but increasingly for the higher end of the value chain in Knowledge Process Outsourcing and Engineering Process Outsourcing.

Mac (e) ancj (f) Th6 details of FDI flows to infrastructure sector such as Telecommunications. Fuel (Power and Oil Refinery) are given

in the enclosed statement-I.