

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:147

ANSWERED ON:10.12.2004

FOREIGN DIRECT INVESTMENT

Mehta Shri Bhubneshwar Prasad;Tripathy Shri Braja Kishore

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the FDI investments during last three years and FDI received in the country in comparison to China;
- (b) whether foreign investors are discouraged due to delay in approval of investment proposals;
- (c) if so, the measures taken by the Government to simplify the foreign investment norms for encouraging foreign investors;
- (d) whether the Government proposes to allow Foreign Direct Investment in Special Economic Zones, Warehouses, infrastructure, pension, retail sector, etc.;
- (e) if so, the current position / expected FDI in respective sectors and the justification for opening FDI in respective sectors;
- (f) whether the Government has noted the opposition from various sectors in regard to FDI particularly in insurance sector;
- g) if so, the reaction of the Government thereto and the sectors where the Government intend to restrict FDI;
- h) whether the Government has fixed target of foreign investment in the respective States in the wake of liberalised policy; and
- i) if so, details for last three years alongwith achievements?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH)

(a): Foreign Direct Investment (FDI) in India as reported by the Reserve Bank of India was US\$ 6.13 billion in 2001-02; US\$ 4.66 billion in 2002-03; and US\$ 4.67 billion in 2003-04.

According to United Nations Conference on Trade & Development's World Investment Report, 2004, FDI in China was US\$ 46.88 billion in 2001, US\$ 52.74 billion in 2002 and US\$ 53.50 billion in 2003.

(b) & (c): The Government has put in place a liberal and transparent policy under which FDI up to 100% is permitted on the automatic route in most sectors/activities. FDI under the automatic route does not require prior Government approval. Cases requiring prior Government approval are considered by the Foreign Investment Promotion Board (FIPB) in a time-bound manner.

(d) to (i) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (d) to

(i) OF LOK SABHA STARRED QUESTION NO. 147 FOR ANSWER ON 10-12-2004 REGARDING FOREIGN DIRECT INVESTMENT

(d) & (e) Under the present policy, FDI up to 100% is permitted in the development of townships within the Special Economic Zones; free trade and warehousing zones; construction and maintenance of roads & highways and ports & harbours; electricity generation, transmission & distribution (except atomic reactor plants). FDI up to 100% is permitted in trading companies engaged in bulk imports with ex-port/ex-bonded warehouse sales. No policy decision has been taken with regard to FDI in the Pension sector. FDI is not allowed in retail trading.

FDI depends upon a number of factors, both internal and external, such as the macro-economic environment in the host economy, global economic environment, corporate strategy of transnational corporations and economic environment in other economies competing for FDI.

The decision to open various sectors to FDI takes into consideration, inter alia, the objectives of promoting economic growth, encouraging investment, technological upgradation and increased competitiveness.

(f) & (g) Review of the FDI policy is an ongoing process during which the Government takes into consideration the views expressed in various quarters.

(h) & (i) In a liberalised economy locational decisions are taken by the investors based on their commercial judgment. State wise targets are not fixed for FDI.