

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

STARRED QUESTION NO:263

ANSWERED ON:23.07.2004

FOREIGN INVESTORS

Chowdhury Shri Adhir Ranjan;Singh Shri Uday

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

- (a) whether the attention of the Government has been drawn to the news item captioned `Security, terrorism worry foreign investors` appearing in the Hindu dated 28 June, 2004;
- (b) if so, the reaction of the Government thereon;
- (c) whether the foreign investors are hesitating to invest in the country due to terrorism and inadequate security;
- (d) if so, the details thereof;
- (e) whether the government have formulated any plan to promote foreign investments in the country and also to remove fear / insecurity from the minds of foreign investors;
- (f) whether exchange rate volatility, hardening commodity prices and hardening interest rates in the country are also responsible for discouraging foreign investors; and
- g) if so, the remedial action taken or proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH)

(a) & (b) : Yes, Sir. The news item is based on a survey carried out by the Federation of Indian Chambers of Commerce & Industry (FICCI) on the Experience of Foreign Direct Investors in India. The report states that India seems to have become a more attractive investment destination, and India is perceived as a fairly safe place to work in by foreign investors. According to the Survey, among the global factors, security and terrorism concerns are likely to have a negative impact on future FDI inflows.

(c) to (g) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (c) to (g) OF LOK SABHA STARRED QUESTION NO.263 FOR REPLY ON FRIDAY THE 23RD JULY, 2004

(c) & (d) : No, Sir. FDI inflows depend upon a number of factors, both internal as well as external. Global economic environment, corporate strategy of transnational corporations, and domestic economic situation play a major role.

(e) : The Government has put in place a liberal, transparent and investor friendly FDI policy and has been undertaking promotional measures to attract investments into the country. In the Budget Speech for 2004-05, the Government has proposed setting up of an Investment Commission to engage, discuss with and invite domestic and foreign businesses to invest in India.

(f) &(g) : According to the FICCI Survey, the management of the external value of Rupee by Reserve Bank of India has inspired confidence amongst foreign investors. However, according to the survey, certain global factors could impact future FDI inflows into India and these factors include exchange rate volatility, higher interest rates in home countries and hardening of commodity prices.