

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

UNSTARRED QUESTION NO:1768

ANSWERED ON:15.03.2005

PERCENTAGE OF FDI INFLOW IN GDP

Chaliha Shri Kirip;Patil Shri Prakash V.;Yadav Shri Sita Ram

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

- (a) whether a study recently conducted by ASSOCHAM has revealed FDI inflows to GDP has remained dismal as compared to countries like China, Brazil, Thailand, Hong Kong etc;
- (b) if so, the details thereof and status of FDI inflow to GDP in India in comparison to other countries at present;
- (c) the steps by the Government to accelerate the FDI inflows to GDP;
- (d) whether the Government proposes to attract FDI in the field of agriculture and allied sectors, food processing industry, etc; and
- (e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a) & (b) The ASSOCHAM has carried out an analysis on FDI inflow in proportion to GDP. According to this analysis, India's FDI-GDP ratio is 0.8% as against 4.3% in China, 4.7% in UK, 4% in Brazil, 3.7% in Thailand, 3% in Mexico, and 16.8% in Hong Kong.

(c) to (e) Government has put in place a liberal, transparent and investor-friendly FDI policy wherein FDI up to 100% is allowed under the automatic route in most sectors / activities. The extant policy permits FDI up to 100% with prior Government approval in Tea Sector, including tea plantation, subject to compulsory divestment of 26% equity in favour of Indian partner / Indian public within a period of five years. FDI up to 100% is allowed in the food processing sector. However, in case of items reserved for exclusive manufacture in the small-scale sector, FDI beyond 24% would require an industrial license with an obligation to export at least 50% of the production of reserved items. The FDI policy is reviewed on an ongoing basis. Government initiatives to attract FDI include creating an enabling policy environment to attract investment, investment promotion and facilitation.