FDI in India: Prospects for Pakistan

Vaqar Ahmed[1]
Abid Q. Suleri
Muhammad Adnan

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Introduction & Background

Despite usual political frictions, the trade normalization process between India and Pakistan progressed at an encouraging pace during the recent past. Foreign and Commerce ministers and secretaries from both sides have met several times to facilitate the process. The government of India, through an executive order, allowed foreign direct investment (FDI) from Pakistan in August 2012. Earlier, neither a Pakistani national nor an entity incorporated in Pakistan could make investment in India.[2]

The government of India revisited its consolidated FDI policy in August 2012, and decided to permit a citizen of Pakistan or an entity incorporated in Pakistan to make investment in India under the government route. The amended paragraph 3.1.1 of the policy now reads: "*A non-resident entity can invest in India, subject to the FDI Policy. A citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space and atomic energy."*[3]

The present study aims to highlight Pakistan-specific investment opportunities in India in the backdrop of Pakistani investors' concerns regarding FDI in India. It also focuses on the preparedness of Pakistan's private sector to take benefit of this opportunity. We have taken a sectoral approach whereby we inquire from the business community already engaged in outward investments in leather, sports, surgical, engineering, auto, education, textile and steel sectors regarding their willingness to invest in India.

We split our research exercise in to the following key questions:

- What are the key sectors available to Pakistani investors in India?
- Willingness of Pakistani investors towards investment opportunities in India?
- How well the key sectors offered by India compare with potential of Pakistani Investors?
- What are the general barriers regarding investment in India?
- What extent of investment-specific dispute resolution mechanism is needed?
- What is the level of cooperation between government investment bodies in India and Pakistan towards investment cooperation?
- How will the liberalized trade between India and Pakistan help improve FDI prospects?

While one finds some recent robust work on India-Pakistan trade potential and

[2]This was clearly mentioned in the Government of India's FDI consolidated policy effective from 10-04-2012 in the section 3.1.1 under the heading - who can invest in India, "A non-resident entity (other than a citizen of Pakistan or an entity incorporated in Pakistan) can invest in India, subject to the FDI Policy (Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Consolidated FDI Policy, April 10, 2012 pp 13).

[3]Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, (FC-I Section), Press Note No.3 (2012 Series) also attached as Annexure.

opportunities, there is very little on the investment potential, which both countries offer for each other.

Comparing FDI inflows to India with its neighbouring country China, Agrawal and Khan, (2011) find the effects of FDI on economic growth of India and China and estimates that 1% increase in FDI would result in 0.02% increase in GDP of India and 0.07% in GDP of China. About investment opportunities, the study finds that foreign investors give preference to China over India mainly because China has a bigger market size, greater policy certainty, and developed infrastructure. Similar analysis may be seen in Sinha et al. (2007).

Devajit (2012) considers FDI in India to be an important ingredient if the country is to sustain economic growth and keep pace with rest of the BRICS countries. His focus on FDI as a creator of employment in India particularly through services sectors such as education and healthcare is important. Ranga and Ansari (2010) acknowledge that while central and state-level governments have been making efforts to better their investment climate, however, India's competitors have done a lot more and India needs to learn from them on expedient basis.

At South Asian level, Alam and Aowrangzab (2006) talk about deeper reforms if intra-regional FDI in South Asia has to be promoted. They hint towards harmonization of fiscal policies, investment policies, tax and customs laws. They believe that this is possible by strengthened implementation of already agreed upon articles under South Asia Free Trade Agreement (SAFTA).

Regarding India's decision to allow FDI from Pakistan, Malik (2012) believes that Pakistani investors have done well in other regional countries such as Bangladesh and Sri Lanka. It will be an opportunity to reap benefits of proximity if both countries liberalize their investment regime. He, however, is of the view that bilateral investment flows will be in favour of India given its larger market size and sectoral diversification. Ahmed (2012) considers it a long awaited decision from India as Pakistan had allowed this since its first investment policy. He also identifies four key steps for future that can strengthen the investment cooperation between the two countries.

First, the cooperation for liberalizing visa regime at the level of Home/Interior Ministries of both countries should include: a) non reporting multiple visas for business community, b) extending jurisdiction of visas to multiple cities and c) allowing longer duration visas (for enabling physical presence of an investor certain). Second, mutual recognition of product standards will be important if both countries intend to bring their raw material and related inputs for production processes across the border. Third, both countries need to make a gradual progress towards a bilateral investment treaty so that foreign investment is treated at par with foreign investors and finally in the short-term there may be a need to think about a sovereign guarantees framework whereby investors from both countries

know that any political upheaval will not impact the security of their assets and profits.

Shukla A, (2012) reports on Pakistan's keen interests of investing in India as the leading businessman of Pakistan, Mian Muhammad Mansha is interested in opening a branch of Muslim Commercial Bank (MCB) in India, and his spouse in the textile business also wants to open some stores in Ludhiana, Amritsar, Delhi and Mumbai.[4] Similar intent by SEFAM, a private limited company as well as Lucky Cement is cited in MoC (2013). Both entities have done substantial homework in their sectors and see a wider market in their neighbourhood.

The next section undertakes a descriptive analysis of FDI trends in India. This is followed by a discussion on Pakistan-specific investment regime in India. We elaborate the processes under FDI via government route as required for Pakistani investors wishing to enter in to Indian markets. Using a perception-based methodology and through key informant interviews, we try to provide sector-specific estimates of potential FDI flows from Pakistan to India. This is supplemented with a qualitative analysis of sector-specific barriers to FDI in India. Finally, we'll provide some policy recommendations to take the process of investment cooperation forwarded at the bilateral and SAARC level.

FDI Trends in India

India's liberalization of its FDI regulations has attracted foreign investors, and this step is now transforming India into one of the fastest growing destinations for global FDI inflows. Owing to relatively large red tape involved particularly at the state level, a larger proportion of foreign investors first prefer to enter into a joint venture and their preferred sectors are telecommunications, software, tourism, and manufacturing goods, including chemicals, pharmaceuticals, transportation equipment and food processing.[5] According to the Kearney Foreign Direct Investment Confidence Index 2012, India has been ranked the second most attractive destination for FDI. In the 2010 Index, India was ranked third most attractive destination.[6]

According to the Ernst & Young's 2012 India attractiveness Survey, India remained very attractive for foreign investors in 2011. In the same year, FDI projects were increased by 20% and the new 932 projects resulted in creation of 255,416 jobs in the country during 2011.[7]

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[4] Fear is what India, Pakistan need to defeat: Mian Muhammad Mansha, by AjaiShukla Business Standard, Oct 12 http://ajaishukla.blogspot.in/2012/10/fear-is-what-india-pakistan-need-to.html

[5] Competitive Conditions for Foreign Direct investment in India, Office of the Industries, U.S. Trade Commission, July 2007.

[6] http://www.indiainbusiness.nic.in/investment/for_dir_investment.htm

[7] Doing Business in India 2012-13, Ernst & Young , http://www.ey.com/Publication/vwLUAssets/DBI/$FILE/DBI_2012.pdf

The Government of India has been welcoming FDI in all the permitted sectors especially for development of infrastructure, including rail, road, aviation and ports development. FDI in technological up-gradation of Indian industry through 'Greenfield' investments is also being welcomed.

FDI Policy of India: Some key features

India first allowed FDI in 1991 through an Industrial Policy Statement. The main purpose of the policy was to develop the capital market, increase the industrial competitiveness and dismantle the regulatory systems. The policy framework evolved and expanded according to the appropriate requirement of reforms and requirement of domestic economy.[8] The *Consolidated FDI Policy 2012* has been termed by the government transparent, predictable and easily comprehensible.[9]

According to the Consolidated FDI policy 2102, inward investment up to 100 per cent is allowed, under the automatic route, in almost all sectors except retail trading, lotteries, casinos, Nidhi company, transferable development rights, real estate, construction of farm houses, manufacturing of tobacco products, railways and atomic energy.[10] Other than the above-mentioned sectors, FDI in the form of licensing for trademark, brand name and management contract is also completely prohibited.[11]

Entry Routes for Investment in India

India has allowed FDI through two routes, i) Automatic route and ii) Government route. According to the *FDI Consolidated Policy 2012*, Non-Resident Indians (NRIs) can make investments in the equity shares/fully, compulsorily and mandatorily convertible debentures/fully, compulsorily and mandatorily convertible preference shares of an Indian company, through the automatic route or the Government route. For making investment under the automatic route, an NRI or the Indian company does not require any approval from Government of India. However, a prior approval of the government is required under the government route. Proposals for foreign investment under the government route, are considered by Foreign Investment Promotion Board (FIPB).[12]

FDI in India: Statistical Overview

In 2005-06, the total inflow of FDI[13] in India was US $9 billion, which increased to US $22.8 billion in the year 2006-07 and in the year 2007-08 it further increased to US $34.8

[8]FDI Inflows into South Asia: A Case Study of India's Investments in Bangladesh, by Dr. Anil Kumar Kanungo& Rahul, September 2012.

[9]Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Consolidated FDI Policy, effective from April 10, 2012.

[10] Ibid. Pakistan is not allowed under automatic route.

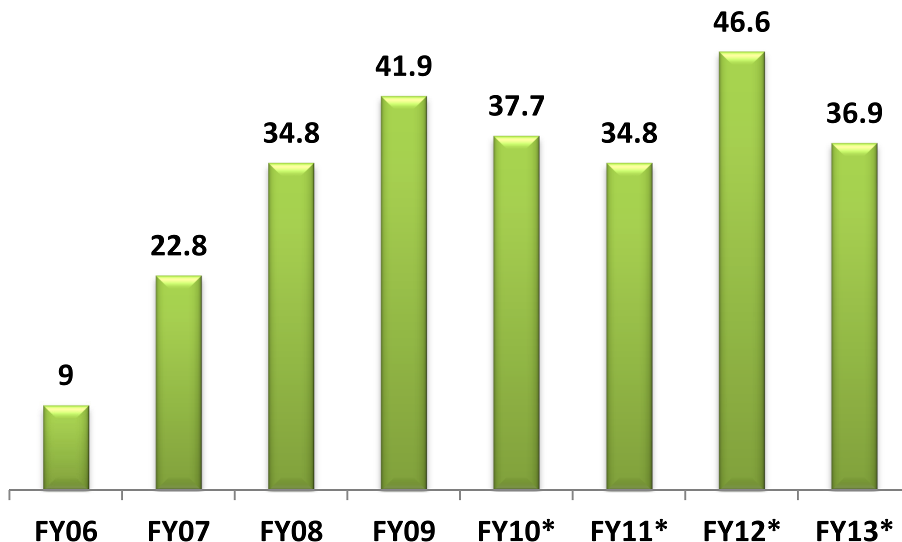
[11] Ibid.

[12] Ibid.

[13] FDI includes FIPB Route/RBI‟s, Automatic Route/Acquisition Route + Equity capital of unincorporated bodies + reinvest earnings + other capital

billion.[14] This increasing trend continued in 2008-09 and the FDI Inflow was US $41.9 billion. However, in the year 2009-10 (following the tremors of global financial crisis), it decreased to US $37.7 billion and again decreased to US $34.8 billion the next year. There was recovery in 2011-12 and inflows were recorded at US $46.6 billion, the highest ever in the history of India. In the fiscal year 2012-13 the FDI inflows stood at - US $36.9 billion (Figure 1).

Figure 1: FDI in India (USD Billion)



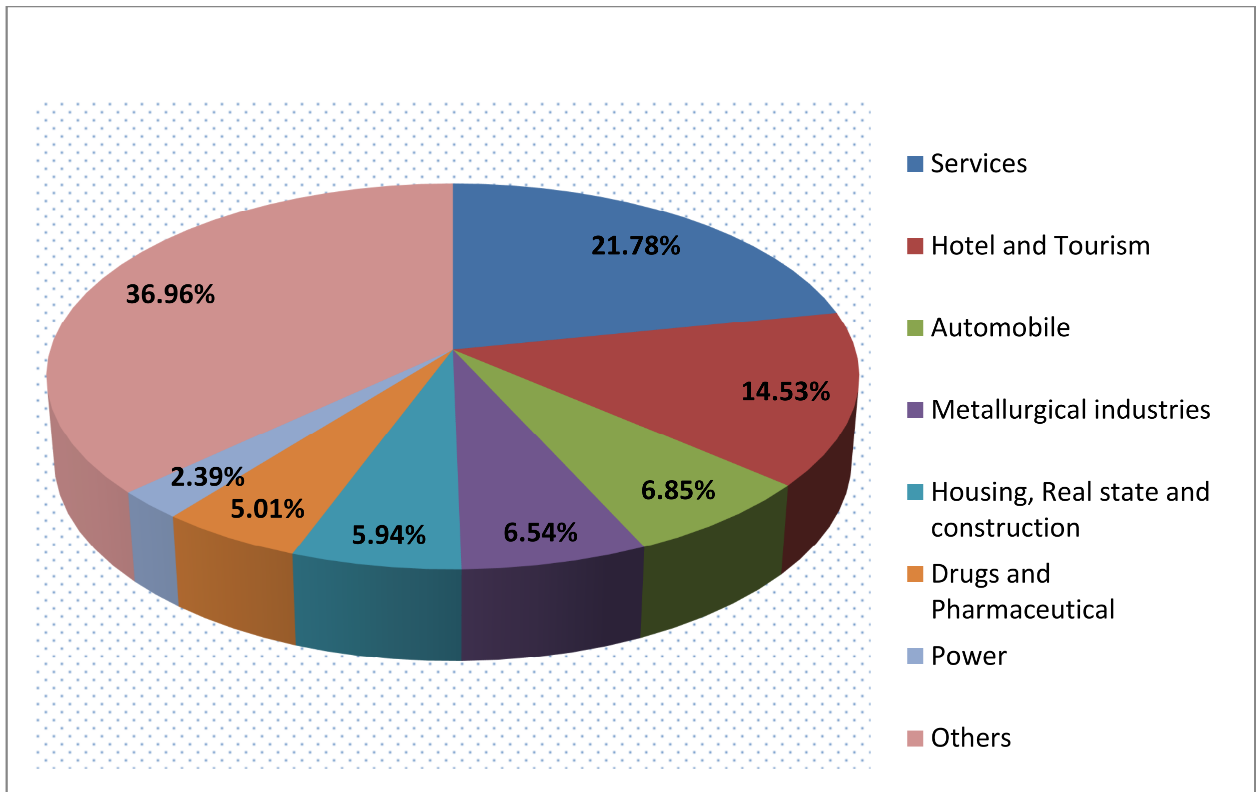
* Provisional
Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

Sector-wise Breakup of FDI

There are various sectors in which foreign investors are exhibiting interest and among them services, hotel and tourism, automobile, metallurgical industries, housing real estate and construction, drugs and pharmaceuticals seem to top the list. In 2012-13, foreign investors in India have made a substantial investment in services sector contributing 21.78% of overall FDI inflows to India. The hotel and tourism sector is the second largest FDI destination. It contributed 14.53% of total FDI in 2012-13. The third largest sector, which attracted 6.85% FDI in the same fiscal year, is automobile sector. Metallurgical industries sector attracted 6.54%of total FDI (Figure 2**Error! Reference source not found.**).

[14] India's fiscal year starts from 1st April and ends on 31st March next year.

Figure 2: Percentage Share of FDI by Sectors (2012-13)

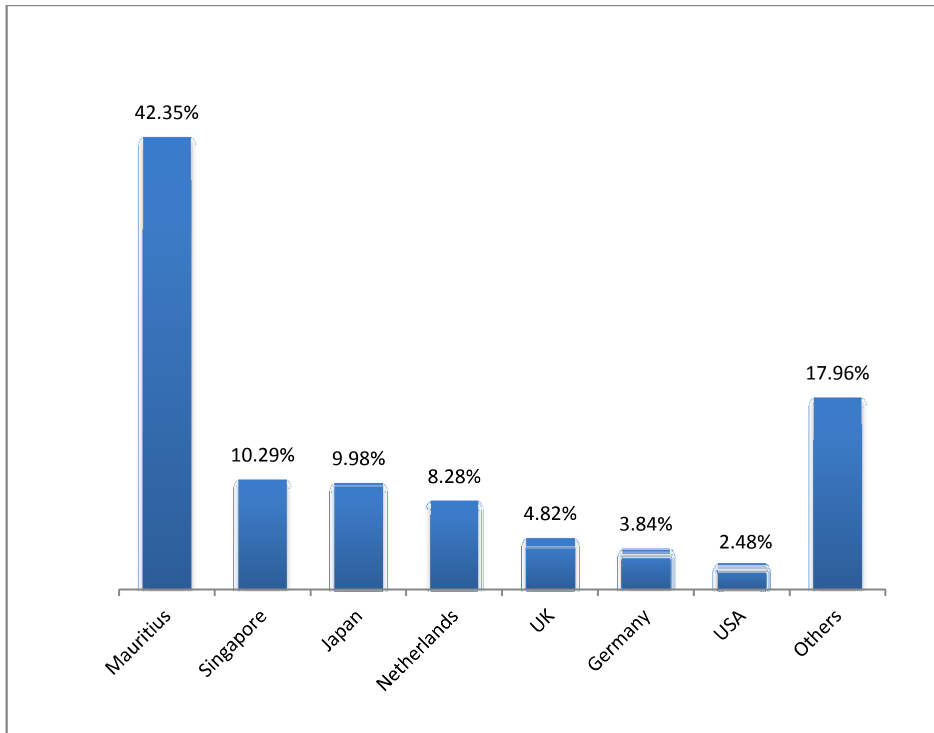


Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

FDI Equity Inflows by Country

According to the data by the Department of Industrial Policy & Promotion (DIPP) India, Mauritius has made 42.35% of total FDI equity inflows in India for the year 2012-13. After Mauritius, Singapore is the second largest FDI country in India. The Singapore has contributed 10.29% of total FDI. Japan is the third largest contributor in India's FDI inflows with 9.98% share of total FDI (Figure 3). The cumulative position is given in Annex-II.

Figure 3 FDI Equity Inflows by Country 2012-13 (% Share)



Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

Recipient Regions in India

During 2012-13, Mumbai was the largest recipient city for FDI inflows in India, and it has received an amount of US $ 8.72 billion, according to the data provided by the Department of Industrial Policy and Promotion. After Mumbai, New Delhi is the second largest FDI recipient city and it had received an amount of US $ 3.22 billion in 2012-13. The third largest FDI recipient was Chennai at US $ 2.8 billion during 2012-13.

In terms of cumulative FDI equity inflows to India from April 2000 to March 2013, Mumbai was the largest recipient and it has received an amount of US $ 63.33 billion during this period and contributed to 33% of overall FDI equity inflows. During the same period, New Delhi remained the second largest recipient at US $ 36.3 billion with a share of 19% of total FDI equity inflows (See Table 1 and Figure 4**Error! Reference source not found.**).

Table 1: City-wise FDI Inflows across India

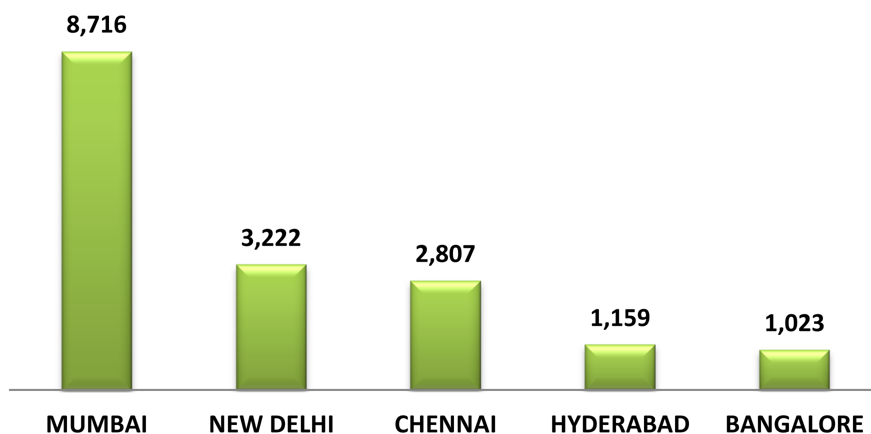
							US $ Million
Sr. No.	RBI's Regional Office	State Covered	2010-11 (April - March)	2011-12 (April - March)	2012-13 (April – March)	Cumulative Inflows (April 2000 - March 2013)	% of Total Inflows
1	Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	6,097	9,553	8,716	63,337	33
2	New Delhi	Delhi, part of up and Haryana	2,677	7,983	3,222	36,294	19
3	Bangalore	Karnataka	1,332	1,533	1,023	10,784	6
4	Chennai	Tamil Nadu, Pondicherry	1,352	1,422	2,807	11,081	6
5	Ahmadabad	Gujarat	724	1,001	493	8,650	4
6	Hyderabad	Andhra Pradesh	1,262	848	1,159	7,968	4
7	Kolkata	West Bengal, Sikkim, Andaman & Nicobar Islands	95	394	424	2,306	1
8	Chandigarh	Chandigarh, Punjab, Haryana, Himachal, Pradesh	416	130	47	1,201	1
9	Bhopal	Madhya Pradesh, Chhattisgarh	37	471	72	911	1 0.5
10	Kochi	Kerala, Lakshadweep	451	123	220	997	1 0.5
11	Panaji	Goa	302	38	9	771	0.4
12	Jaipur	Rajasthan	51	33	132	685	0.4
13	Bhubaneswar	Orissa	112	140	31	341 347	0.2
14	Kanpur	Uttar Pradesh, Uttaranchal	15	28	52	341	0.2

15	Guwahati	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	8	1	5	78	0
16	Patna	Bihar, Jharkhand	5	24	8	37	0
17	Region not indicated		6,447	11,399	4,004	47,494	24.6
Total			**21,383**	**35,121**	**22,423**	**193,403**	**100**

Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

Among the Indian cities neighbouring Pakistan, Chandigarh and Rajasthan present strong potential for future returns. In 2012-13, both received FDI amounting to USD 47 and 132 million respectively. For a detailed discussion on key sectors in India currently attracting FDI, see Annex-I. Most of these sectors also have strong horizontal and vertical linkages with Pakistan's industrial sector. Later, it was proposed that sector specific studies should be conducted in order to explore such supply chain linkages at a more micro and meso levels.

Figure 5: Top 5 FDI Recipient Cities FY 2012-13 (USD Million)



Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

Pakistan-specific Investment Regime in India

India has allowed FDI through government route (and not from automatic route) from Pakistan in all sectors except defence, space and atomic energy. It is important to discuss here the various steps that are involved in investment from Pakistan to India via the government route. The process starts with an investor submitting FDI proposal to Foreign Investment Promotion Board (FIPB) in India. The FIPB Secretariat upon the fulfillment of requirements towards proposal documentation is required to submit the same to senior members of the board within 15 days of receipt of such a proposal. However, within these 15 days the FIPB secretariat is supposed to seek comments on this proposal from related ministries. The choice of ministries from where comments should be sought can vary depending upon the sector of investment.

The board is then required to consider and study these proposals keeping in view that the final decision has to reach the interested party within 30 days. The key issues that are examined while considering a proposal include: a) any licensing requirements of the sector in which investor is interested and whether such a license should be obtained at current or later stages, b) any export orientation of the proposal and if any then consideration of items of exports and their destinations, and c) any defense related or strategic considerations.

The board's guidelines also direct its members to prioritize investment and prefer proposals falling in infrastructure sector, areas where employment may be generated particularly in rural areas, export-oriented ventures, agro business and farm sector, social sector (including projects such as hospitals, vocational training, life-saving equipment and medicine), and sectors requiring induction of technology.

During the scrutiny of proposals, several policy-related factors are evaluated. This examination starts while looking into the extent of foreign equity proposed and if there are any sector-specific caps. Another important issue is to see how this foreign equity would be formalized, i.e. in the form of a holding company, wholly owned subsidiary, joint venture etc. Similarly, in terms of capital enhancement, if this equity is used to set up a new project, it will lead to enlargement of existing foreign equity or induction of equity in an Indian company. In the case of enlargement of equity in existing foreign or Indian entity, the approval of Board of Directors and shareholders' agreement will be required. The modality of enlargement of equity will also be studied, and it will be observed if such an enlargement takes the shape of paid-up capital, authorized capital, shares transfer or rights issue. The issue of transfer and pricing of shares will follow the guidelines of Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI).

At a more sectoral level, FIPB is responsible for checking if the foreign-origin's activity in India has any restrictions with respect to sector or micro and small enterprises. Furthermore, it may be seen if the activity involves import of items into India, which may be hazardous, banned or detrimental to environment. Further details may be seen in MoC

(2013).

Once Pakistani investors succeed in obtaining approval from FIPB, they will be allowed to establish their presence in India in the form of Liaison, Branch and Project offices. A wholly-owned subsidiary is also allowed subject to conditions mentioned later.

The opening up of a liaison office will require approval of RBI and can perform several functions on behalf of the parent company. These functions may include representing the parent company in India, facilitating cross-border trade, facilitating technical and financial collaborations and coordinating various communications between Indian companies and parent company. RBI usually grants permission to open such an office initially for three years, however, this is extendable subject to fulfillment of conditions after three years period. The expenses for running such an office can only be met through remittance from the head office of the parent company.

Similarly, the opening up of a branch office also requires an approval of RBI, however, an additional certificate of establishing place in India is required by Registrar of Companies (RoC). Such type of offices can undertake cross-border trade, professional and consultancy services, research work, IT services, technical and financial collaborations in India. Currently, there are no Pakistani banks in India, therefore, the application has to be routed through a nominated banking entity.

The project office does not require approval of RBI in usual cases (except in case of Pakistan). Such an office has the requirements whereby it has to be funded through inward remittance from parent company's head office, or bilateral/multilateral funding body. The project office requires clearance of FIPB. The taxation rules treat project office to be an extension of foreign entity and taxation structure relevant to a foreign company is applied.

The most flexible method of doing business in India for a foreign entity is to register wholly-owned subsidiary. In this case, funding can be arranged for the subsidiary in the form of equity or debt or both. The repatriation of profits is allowed without approvals (except in case of Pakistan). In case of a joint venture with an Indian partner, laws governing the local companies will apply.

Estimating Potential Pakistani Investment in India

Methodology

In this section, we briefly describe our methodology in order to estimate potential flow of Pakistani investment in India. Examining current level of outward FDI flows (and stocks) from Pakistan was our starting point. For Pakistani investors, United Arab Emirates, Malaysia, Bangladesh, Afghanistan, and Sri Lanka have been important destinations. There are some studies that document the motivation of outflows from Pakistan. This varies

across the region and sectors. For example, the investment going to Bangladesh was largely from textile sector of Pakistan that wanted to benefit from the generalized system of preferences allowed for Bangladesh by EU and US. There is also an evidence that some outflows can be termed 'capital flight' due to law and order disturbances in Karachi and Khyber Pakhtunkhwa. For example, see Khan and Ahmed (2012).

We understand that many of such flows do not get reflected in the Pakistan's official statistics due to a large informal economy and existence of non-official channels of transfer. We have, therefore, relied on estimates of destination countries. Following are some recent outflows (as per destination country data):

- Pakistan to UAE: USD 670 million (FY 2012)[15]
- Pakistan to Afghanistan: <USD 700 million (FY 2011-12)[16]
- Pakistan to Malaysia: <USD 600 million (FY 2011-12)
- Pakistan to Bangladesh: <USD 30 million (since 2008-09)
- Pakistan to Sri Lanka : >USD 0.15 million (July-Jan FY13)

In the next step, we identified the key sectors in which India stands attractive for Pakistani investors. We developed this ranking through our questionnaire based inquiry. A total of 27 resident Pakistani investors/entities were interviewed at two different points in India-Pakistan relations between September 2011 and June 2012. These 27 were willing to answer us out of a total of over 45 who have invested abroad in the recent past. Another condition was that these 27 should be members of either local chambers of commerce or Pakistan Business Council. All 27 interviewees have presence at multiple places of operation in Pakistan.

The first phase of interview was immediately after the meeting of two Commerce Ministers (when the aspirations of business community were fairly upbeat). The second phase of interview was immediately after the exchange of firing across the Line of Control (when all of a sudden there was a feeling that the normalization process may get curtailed). The perception-based estimates provided to us by these business entities greatly varied across the two-time periods. We have, therefore, provided a mean average of two-time periods in the next sub-section. The top ranked sectors included (in the same sequence) textile, cement, hotels and restaurants, auto sector, sugar and wheat products, banking and insurance. There were some other sectors identified, which were not a majority response. Most of these sectors were from services.

For each of the above-mentioned sectors, we then identified/inquired from respondents

[15]Source: Abu Dhabi Investment Authority http://www.adia.ae/En/News/media_news_1.aspx, Afghanistan Investment Support Agency http://www.aisa.org.af/reports/annual_report_english.pdf, Malaysia Investment Development Authority http://www.mida.gov.my/env3/index.php?page=download, Bangladesh and Sri Lanka information obtained from Board of Investment in Pakistan and validated through sectoral manufacturing associations.

[16] Greater than and less than signs represent approximations around 10 percent lesser or greater. The variance is common as data on foreign investments is consolidated after substantial time lags.

the minimum amount of annual investment outflow that has taken place during any of the past three years (2010-2012) in the countries mentioned-above.[17] Taking the minimum implies that we have a conservative estimate of potential investment. We understand that there can be more optimistic scenarios given that India can soon become more attractive vis-à-vis above-mentioned economies on account of proximity, agglomeration, and similarities in tastes and preferences – which in turn can spur a clustering effect in the region.

We also conducted focus group discussions with a view to: a) validate our estimates for each sector, and b) collect information on sector-specific barriers faced by Pakistani investors in India.

Sector-wise Estimates

According to our estimates shown in Table 2 total annual potential investment from Pakistan side to India stands at US $1.6billion. This is under the assumption that both the government and automatic routes are open to the Pakistani enterprises/investors. Textile sector tops the list with potential annual direct investment of US $760 million. This sector has a 47 per cent share in the overall estimated FDI outflow. This is followed by cement, auto sector and food processing on the industrial side and hotel related services, banking and insurance on the services side. Already two Pakistani banks have applied for licence in India for initiating operations. In the textile and cement sectors, there are two firms namely SEFAM and Lucky cement respectively who have reportedly been approaching FIPB with investment proposals (see MoC 2013).

[17]The reason for taking past 3 years is to avoid any slump that might have occurred before 2010 on account of global financial crisis.

Table 2: Sector-wise Potential Annual Outflows

Sector	Amount (Million US $)	Percentage
Textile	760	48.6
Cement	205	13.1
Hotel and Restaurant Services	171	10.9
Auto Sector	122	7.8
Sugar, Wheat Products and Beverages	82	5.2
Banking and Insurance	63	4.0
Others[18]	163	10.4
Total	1563	100

Source: Authors' own calculations

Given that we have used a static (time-specific) methodology, therefore, it is not possible to capture two dynamic effects of the above-mentioned quantum of FDI. First is the possibility of *investment creating trade*, whereby Pakistani investors who have their production processes in India will be importing raw material and intermediate goods from Pakistan (thus benefiting from custom free input availability). Second, we over here also do not account for vice versa i.e. *trade creating investment* whereby trade agreements between the two countries can have built-in clauses, which partially represent investment cooperation (but is not a full-fledged bilateral investment treaty).

Some justification is required here that may explain our perception-based estimates given above. Pakistan's textile sector comes to be a leading player with potential of FDI in India. Textile sector contributes 9 per cent to Pakistan's GDP and provides employment to over 15 million workers. This is the leading sector in Pakistan's export basket and rides on the strong back of Pakistan's cotton sector. Pakistan stands the 4th largest producer of cotton. This sector enjoys vertical as well as horizontal linkages with Indian textile sector and the possibility of joint ventures as well as wholly owned subsidiary by Pakistani investors remains strong. Pakistani investors, however, need to be mindful that textile in India is a sunset sector.[19] This argument can also imply some overestimation in our perception-based exercise.

[18]Livestock processing, dairy and milk products, fisheries, communications, shipping, and construction engineering.
[19] A phenomenon used to describe sectors losing their competitive advantage due to fast changing global landscape in technology and innovation.

With the establishment of integrated check-post at Wagah-Attari border, the exports of Pakistani cement to India witnessed a substantial jump. However, our interviews with cement sector reveal that transporting such a huge quantity across the border may be less lucrative if one is allowed to set up production facility in neighbouring cities of India. DG Khan Cement and Lucky Cement have already been reported to have evaluated this option and are forming alliances with Indian business community in order to undertake production ventures inside India.

Sector-specific Barriers to Investment

This section presents qualitative responses from our in-depth interviews with potential investors. We split our sector-specific results into two levels. The first is the high-end production units in Pakistan whose owners have already invested elsewhere in the world apart from their establishments in Pakistan. For them, India is a destination whose advantages they weigh vis-à-vis other global options they might have. They do, however, believe that in some sectors India presents a unique opportunity given its large population and growing middle class. This brass of businesses seemed ready for ventures in India.

The medium-end businesses whose risk worthiness is not mature felt that India presents little reward compared to high risk for Pakistani capital in a country which traditionally does not enjoy good foreign relations. The reasons for unease included laxness on the part of governments on both sides in addressing their fears regarding security of assets and profits in the event of political upheavals. This stream of businesses felt content with the current success whereby the trade lists on both sides have been rationalized and there are greater export opportunities for such entrepreneurs.

At a sectoral level, the leather sector producers when asked about their willingness to invest in India were apprehensive of finding the right labour at an appropriate wage. There were major gaps in the availability of information in this sector. They felt that hand-made leather products in which Pakistan had a global niche require decades of training and expertise, which is hard to find elsewhere. They, however, felt that if bilateral relations between the two countries remained normal then they could, as a local partner, think about introducing the technology being practiced in Sialkot across the border in Indian Punjab. This may imply additional investment in accompanying vocational education specific to leather sector. There was one respondent, who informed that they were considering a joint venture in tannery sub-sector.

In the engineering and particularly auto sector, Pakistani producers were of the view that Pakistan already has substantial import demand of raw material (scrap, semi-finished steel and components) from India. If they were allowed to open subsidies in India then this could eventually lead to a greater producer surplus. However, for this to happen they expect that once they start operations in India they should also have access to local subsidies. Given that initial setup costs are high and there is an increased exposure to sunk costs, therefore, producers in this sector want to access local finance particularly for working capital

purposes. They also expect high level of investment led trade flows (importing goods and services from country of origin), therefore, it is desired that easing of screening processing through mutual recognition of standards may be carried out on expedient basis. This sector had some sour experiences from the past and anecdotal evidence of excessive red tape (particularly at the state-level) faced by Arcelor Mittal entering India's steel sector was quoted.

In the surgical and sport goods sectors, the need to strengthen competition policies in both the countries for preventing imperfectly competitive practices was urged. It was noted that the price differential between India and Pakistan is very narrow in this sector, therefore, practices such as *price wars* need to be checked.[20]

This sector was also apprehensive about weak implementation of intellectual property rules in India. The respondents said that Pakistan is supplying surgical and sport goods to China, however, no producer has yet physically invested due to fears of intellectual property breach. They felt that once Chinese had a clear idea of their production and technological processes, they can easily reverse engineering the product.

In the food processing sector, a huge demand was reported in India. If Pakistani investors enter into this sector particularly in areas with close geographical proximity, they would consider importing intermediate inputs from the country of origin. The integrated check-posts on land routes have reached their full capacity. For this to happen the current trucking mode is not suffice, and containerization via railways will be needed. For mass cargo, open roof containers should be allowed between both countries. This sector's flow of intermediate goods and raw materials will require enhanced presence of plant department officials on both sides unless mutual recognition of product standards is allowed. There were also fears that state-specific and city-specific restrictions in India can curtail the food processing supply chain.

The Karachi-based producers of *Halal* food chains reported that Pakistan's certification particularly in *Halal* meat is well-respected across the globe. Given a large presence of Muslim population in India they were contemplating to invest in this sector across the border.

In case of services sector, banking sector had a fair idea that they will need to follow the licencing route allowed by Reserve Bank of India, however, there were other services sub-sectors, which were still waiting for information on precise rules towards FDI in India. Pakistan has a vibrant core and non-core social services sector and one example of this is the education services portfolio in the private sector. They have branches in China, United Arab Emirates and Saudi Arabia. For them to open up in India makes economic sense, however, certain operational barriers hinder such a decision.

Firstly, the registration with national and local educational authorities is still not allowed

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[20] In international market Pakistan is selling soccer balls for USD 2.50 versus India at USD 2.48.

for Pakistan.[21] The bilateral e-commerce facility is not possible given lack of cooperation in fiber optics framework. The cellular services of each country do not respond across the border, therefore, negating the chances of having online conferencing. The direct courier services are missing, which in turn increases the number of days required for legal documentation. Finally, the visa policy for Pakistani faculty and students is city-specific. It is also not possible for Pakistani students and teachers in India to open up their personal bank accounts.

Similar observations were also provided by health sector service providers in Pakistan. They said that given the increased potential of health tourism in India, it made sense for them to branch out in India either independently or through a joint venture. However, they had no guarantee for expedient visas required by patients in emergency. Furthermore, they said, if both countries are serious in liberalizing health tourism then special private flights should be allowed for health sector stakeholders (including patients and doctors). Secure direct conferencing protocols should be ensured so that delicate medical operations can be virtually handled across the border.

A general concern was regarding the bilateral investment treaties, which India currently maintains with some countries. There is a growth in the number of arbitration cases by foreigners, who have invested in India. There is now a need to review these agreements with respect to favourable treatment to foreigners vis-à-vis locals, obligations of the Indian government towards protection of foreign investment, and treatment of intellectual property rights (see Dhar et al. 2012). It is important to note that currently India has 82 treaties. Despite some resentment that arouse out of the government's delay in facilitating arbitration, India is keen to pursue such treaties with US and Canada. Both these countries have questioned the strength of India's arbitration mechanisms. Finally, at the South Asia level, it remains to be seen how successful have been India's treaties with Sri Lanka and Bangladesh.

We had a chance during this study to interview respondents from SAARC institutions and SAARC Chamber of Commerce and Industries. It is important to note that at the South Asian level, SAFTA provides provisions for smooth flow of investments between countries. This agreement emphasizes on removal of barriers to intra-SAARC investments. In order to strengthen the resolve towards SAARC trade and investment proposals, a SAARC Arbitration Council was established in 2007. Like other SAARC institutions, this council also faced a substantial delay in getting its first Director-General appointed in 2010. By the end of 2013, only three meetings of this council were held.

The business community noted that after the shortening of duration allowed under the SAARC sticker visa, it has become very cumbersome for business community to keep their passports and travel documentations tied up at the embassies for a long-time. It is discouraging to note that the duration allowed under this sticker is now three months.

[21]This may be the same for all countries, however our respondents felt that such measures are applied more strictly on Pakistan.

There were also some observations by the business community on the provisions under India's Consolidated FDI policy, effective from April 2012. They felt that if India at some point allows investment by Pakistanis through the automatic route, it will be necessary to amend this policy document. The revisions will then relax the various clearances required by Pakistan from the offices of FIPB, RBI and state-level institutions.

There are caps in India for investing in sectors such as banking, insurance, broadcasting, print media and telecommunications. Several services sector respondents were of the view that some South Asian countries, including Pakistan, are best placed to invest in these sectors given the sophistication that Pakistan has exhibited in telecom and the robustness of banking sector proven after the global financial crisis. India may allow Pakistan's services sector without sector caps in the interest of promoting competition and efficiency.

In Chapter 6 of this policy, the sector specific conditions on FDI were termed harsh. For example, it was felt that the agricultural activities allowed under 6.2.1 were fairly narrow. Pakistan's entrepreneurs in livestock have already indicated their interest in setting up milk processing plants for which there are laws that either put sectoral cap or completely prohibit such activity.

Under 6.2.16.4, hundred per cent investment is allowed in single brand product retail trading, however, for proposals beyond 51 per cent foreign investment there is a mandatory sourcing of 30 per cent for the product's value from Indian small industries. The point of concern here is that the definition of small industries terms an entity small if total investment in plant and machinery is not exceeding USD 1 million. Such definitions give rise to arbitrary valuation by government departments (in turn allowing them space for rent seeking) and can in turn pose problems when such ventures are evaluated at a later stage.

In Chapter 7 clause 7.1.2, the repatriation of dividend is termed taking place freely. However, in case of Pakistan, this is not possible unless branches of Pakistani banks are allowed to open. If this does not happen and profits to Pakistan are routed through third party banking arrangements, this could in turn give rise to double taxation issue as well as overseas transactions' tax.

Summary and Policy Recommendations

This study estimates the potential investment that can annually go from Pakistan to India at USD 1.6 billion, if both the government and automatic routes are allowed. Textile, cement, hotel services and auto parts sectors top the list of potential investments. From the above-mentioned discussion, a couple of broad recommendations need to be pursued. First investment diplomacy is required whereby Pakistan should be allowed to invest in India through the automatic route (besides the currently allowed government route). It has to be recognized that a big part of FDI in the world is undertaken through the automatic route. Foreign investors usually cite increased transaction costs wherever compliance with

government regulations is a prescribed condition. In this regard, a starting point can be a joint working group of BoI and FIPB.

Second, as in case of most investment-friendly countries, the business community seeks a privileged visa facility so that access to their investments in foreign lands is certain. Currently, the visa regime between India and Pakistan suffers from: a) interference by security institutions, b) arbitrariness in deciding upon award of visa, c) cumbersome documentation required to obtain internal clearance from Ministry of Interior/Home Ministry in India. It is again recommended that a joint working group comprising these two counterparts should meet on quarterly basis. This will also act towards enhancing investors' confidence.

Given that Pakistani investors have cited availability of their labour in close proximity to India as a key reason, which can facilitate their investment decisions particularly in neighbouring regions such as Indian Punjab, therefore, it is important that work visas should be liberalized between both countries. Initially, this may be done on an investment-specific basis, i.e. only allowed for Pakistani origin businesses in India. This recommendation can also be carried forward by the working group of Interior/Home Ministries proposed above.

Third, India and Pakistan both have experience in arbitration of investment-related disputes at the international level, however the potential investors from Pakistan felt that investment-specific dispute resolution between these two countries need to be relatively more transparent and detailed. This may allow additional assurances for investors from both sides in order to guarantee security of assets and profits. This should at least be done in the short-term as a confidence building measure. Examples of this arrangement can be seen across ASEAN countries.

Fourth, if proximity is a key reason to invest across the border then the availability of integrated transport and warehousing infrastructure cannot be undermined. The two key requirements in the short-term will be containerization via railways and increasing capacity of customs houses and storage facilities across the land routes. There already is a working group at the level of customs department of two countries. This group needs to be broadened to include officials from Ministries of Transport and Communication from both countries. We propose the latter ministry as well owning to the currently non-existent courier services and mobile phone roaming facility between the two countries.

Fifth, there are three financial sector initiatives that may be required. There is a desire by Pakistani investors for example that they should be able to access the financial markets for their working capital needs in the same manner as a domestic Indian firm will do. The double taxation issue will have to be taken up by the finance ministries on both sides. As banks on both sides are being issued licences and if they end up financing government ventures (including public private partnerships) then currency swap agreement between both countries may be pursued by the State Bank of Pakistan and Reserve Bank of India. There already have been meetings at the Central Bank governors level, however, the

frequency of these meetings needs to be increased.

Finally and even if in the short-term both countries do not embark towards a bilateral investment treaty, there needs to be some legal cover for foreign investors' fixed assets and intellectual property. There are examples from ASEAN countries that can be sought.

A more concrete question to pose here will be regarding the implementation mode for the above-mentioned policy proposals. While we understand that in the trade sphere the Ministry of Commerce on both sides is now in close liaison, however, for the promotion of cross-border investments, a more devolved approach will be required. The process should start by Board of Investment in Pakistan and the Foreign Investment Promotion Board in India to work on the possibility of opening up the automatic route. This phase should also see the Ministries of Industries on both sides to initiate discussions on advanced recognition of standards/inputs in the production processes. Many Pakistani investors have shown keenness to import textile raw material from Pakistan if they end up operating in India (in order to gain from custom free imports through the country of origin).

The Home/Interior ministries on both sides will be required to facilitate not just expedient visas for investors but also to synchronize visa policy with flow of merchandise and natural persons (work visas). In one of our discussions with steel manufacturer in Islamabad, it was learnt that while textile machinery had been imported from India months ago, however, the Indian engineer supposed to install machinery had still not been allowed a visa. Then the role of Ministry of foreign/external affairs becomes important in order to ensure compliance of the above-mentioned. While the individual ministries will do their own part, it is this ministry that will have to coordinate the process of trade and investment diplomacy.

Morever, it is the responsibility of India and Pakistan to strengthen the overall investment cooperation process under SAARC. In its current state, SAARC interventions to promote FDI are grounded in the overall framework for regional trade, which is not correct for all practical reasons (see Moazzem 2013). Investment cooperation must be carried forward as an independent agenda. There is a vast literature that explains how investment creation in a regional market can substitute for trade diversion in the region (Blomstrom and Kokko 1997).

There has been an effort under SAARC to draft the agreement on promotion and protection of investment. This draft still awaits approval since 2007 despite 17th SAARC Summit demanding fast-tracking of regional investment cooperation and creation of regional production chains. Following Moazzem (2013), this paper also proposes that a separate body in the SAARC needs to be formed to deal with the relevant issues falling in the ambit of regional investment cooperation. Such an institutional arrangement will also speed up the progress on already under-process SAARC initiatives such as establishment of SAARC Arbitration Council, and SAARC Agreement on Avoidance of Double Taxation.

SAARC can also learn from the existing mechanism at the ASEAN level. There are three

main instruments in ASEAN member states that allow for investment integration. These include ASEAN Investment Area (AIA), ASEAN Free Trade Area (AFTA), and ASEAN Industrial Cooperation (AICO). Such arrangements can, in fact, address many of the bottlenecks identified in FICCI (2010) where the report identifies restrictive policies in SAARC for FDI from partner countries. These include policies on excluded sectors, restrictions on equity, lacking protection for foreign investors' assets and profits, and underutilizing bilateral investment treaties.

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Annex-I: Select Areas of FDI in India

Automobile

One of the major sectors of India's economy is automobile industry, which is contributing 22% of country's manufacturing GDP. Among all the FDI inflow into India, automobile sector is contributing 4%. The statistics from DIPP shows that the FDI inflow in automobile sector during 2011-12 was US $923 million. The Government of India has allowed 100% FDI in automobile sector under the automatic route (except from Pakistan). The automobile industry is fully de-licensed and investors are also allowed free imports of automotive components. Furthermore, there is no minimum investment criteria for investment in this sector.[22]

Biotechnology

India is amongst the top 12 biotech destinations in the world, and also ranks second in Asia, after China. The DIPP data shows that during the period of April 2011 to January 2012 the FDI inflow in drugs and pharmaceuticals sector was around US $3 billion. FDI up to 100% is allowed in this sector only through automatic route (except for Pakistan) in manufacturing of drugs and pharmaceuticals. Keeping in view the importance of this sector, India is aiming to offer grants and tax incentives and also formulating sector-specific investment-friendly regulations.

Cement

After China, India is the second largest cement manufacturer in the world. The demand of the cement in India originates from four segments, including housing 67%, infrastructure 13%, commercial construction 11%, and industrial sector 9%. The Government of India is also focusing on promotion of this sector for attracting more FDI and in the budget 2012-13, the government has exempted custom duty on non-coking coal (earlier it was at 5%). With an increasing demand of cement in India and abroad, foreign investors are establishing and expanding their plants in India. World's top 10 cement companies have investments in India and these companies have almost 50% of the total market size.

Chemicals

India is the 3rd largest producer in Asia in terms of volume of chemical production after China and Japan. This sector produces about 5% to India's total GDP. India, during April 2000 to April 2011, received inflows of US $ 3 billion. For this sector, 100% FDI is allowed

[22] http://www.investindia.gov.in/?q=automobile-sector ,

without license of production. This liberal policy applies to organic, inorganic, dyestuff and pesticides. Foreign investors are making substantial investments, which in turn result in making chemical sector's contribution in Indian exports a little over 13%.

Civil Aviation

This sector while retaining its strategic importance for India has led to substantial job creation. India has become the fast growing aviation market with an expectation of becoming 4th largest by 2020. This sector is open and 100% FDI is allowed under the automatic route in this sector, but those who want to make investment beyond 74% in existing airports are required to get approval from Foreign Investment Promotion Board (FIPB) of India. There are 136 airports in India, and the government is encouraging private investments in airlines and airport infrastructure.

Education

There exist two segments of education in India namely core and non-core. Primary, secondary and higher education fall under core segment, whereas pre-schools, coaching institutes and vocational training come under non-core segment. In 2010, the education sector's total worth was around US $25 billion. A report by Grant Thornton entitled Education in India: Securing the Demographic Dividend, considers the vocational segment emerging as a substantial market and it grew rapidly to US $3.6 billion in 2012. The 2011 census shows that the literacy rate in India is 74%. The male literacy rate is 82.14% and female literacy rate is 65.46%. About 546 million people are under 25 years of age, which presents a huge potential in education sector for foreign investors.

Currently, the percentage of students going for the higher education is 12.4%. The Ministry of Education is aiming to increase this ratio to 30% in 2020. By reaching this goal, according to the Ministry of Education, India will need 800 more universities and 35,000 colleges. This implies that an investment worth US $150 billion during next 10 years is required in higher education sector. DIPP data shows that the total FDI inflows into education sector, during April 2000 to April 2011, remained at US $410 million. The current policy allows 100% FDI in education sector and the government is promoting public-private partnership for maximum enrolment of students and provision of quality education.

Food Processing

The food processing industry in India contributes 32% of value added in India's total food sector. Being one of the largest industries of India presently it is worth US $121 billion with

an annual growth of 10% and expected to reach US $194 billion by 2015. It also contributes about 14% of manufacturing sector's GDP, 13% of India's exports and 6% of industrial investment.
India's potential in food processing also originates from its natural endowments. The country is the largest producer of wheat and rice, and also contributes about 10% of global fruit production. Furthermore, 17% of country's total expenditures on food goes to milk and milk related products. For producing agri-products, meat products, marine, milk and milk products, 100% FDI is allowed under the automatic route. There is no import duty on capital goods and raw material for 100% export-oriented units. The earnings from these exports are exempted from corporate tax, and also 100% tax exemption for five years is allowed. The government has allowed setting up of mega food parks across the country. Numerous foreign investors already have investments in India either directly or in partnership with Indian businessmen.

Gems and Jewellery

India is the largest consumer of gold and currently consumes more than 20% of world's total gold. It is also the world's largest polishing and cutting centre for diamonds. In 2011, the market size of gems and jewellery sector was US $30 billion (as noted by Gems and Jewellery Export Promotion Department) and it is expected to reach US $45 billion by 2015. Currently, the sector is providing employment to 1.8 million and aiming to increase jobs to a further 1.1 million people in next five years. The total FDI inflows in this sector during April 2000 to April 2011 as per data of DIPP remained at US $302 million. For the promotion of investment in this sector, Gems and Jewellery Special Economic Zones (SEZs) have been set up.

Healthcare

Indian health sector consists of sub-sectors, including hospitals, medical infrastructure, medical devices, health insurance, clinical trial, telemedicine, outsourcing and medical equipment. In 2010, health care industry was worth US $40 billion and was expected to grow to US $100 billion by 2015 and to US $276 billion by 2020. The DIPP data shows that during April 2000 to April 2011 total FDI inflows in this sector were US $1 billion. The government is facilitating foreign investors by reducing import duties on medical equipment to 7.5%, and a number of other tax incentives. The government has also reduced the custom duty to 5% from 25% on life-saving medical equipment.[23]

Information Technology

[23]http://indiabudget.nic.in/budget2012-2013

India is one of the biggest destinations for global IT and ITeS outsourcing and it is contributing about 55% of the global sourcing market. India is a preferred destination for those companies who are seeking to offshore IT and back-office functions. India is also known for its successful export-led software industry. The IT sector is the biggest employment generation sector in the country in the recent times. During April 2000 to March 2011, IT sector inclusive of computer hardware and software received total FDI of US $10.7 billion. The government has created Special Economic Zones (SEZs) and Software Technology Parks (STPs). Numerous benefits have been provided to these STPs, including exemptions from excise duty, service tax, and rebate for payment of Central Sales Tax (CST).

Media and Entertainment

India has one of the largest Media and Entertainment sector, which comprises film industry, print, music and radio. In terms of volume, India is the biggest film producer in the world, as it is producing more than 1000 films in all languages every year. Currently, a large part of investment is desired to upgrade the equipment being used in various sub-sectors. Investment is also required in capacity building of the support staff working in media and entertainment industry.

Mining

Mining and quarrying sector contributes about 2.5% of India's GDP. India produces 87 minerals and total value of mineral production has been estimated at US $41.8 billion during 2010-11. Major investments in this sector have come from Canada and USA, followed by Australia, the UK and South Africa. Given the growth in construction sector it is expected that mining activity will further expand in future.

Pharmaceuticals

The pharmaceutical industry of India, which is technologically strong and self-reliant, is the 3rd largest in the world. The industry is growing at about 10-11% per year. The DIPP data shows that this sector had attracted FDI worth US $1.9 billion during April 2000 to March 2011. The government is encouraging greater investment towards research and development in Pharmaceuticals. Furthermore, greater capital injection is required for testing laboratories.

Telecommunications

The telecommunication sector is the second highest recipient of FDI and attracted 8.5% of total inflows into India during April 2000 to July 2011 (with an amount of US $12.3 billion).

Currently, 74% to 100% FDI is allowed for various telecom services. With this, up to 100% FDI is allowed under automatic route for the manufacturing of telecom equipments. With a young population, India is yet to have complete access to telecommunications across the length and breadth of India.

Textiles

Textiles sector at present contributes almost 14% to industrial production, 4% to GDP and 17% to exports of India. After agriculture, the textiles sector of India is the second largest employment generation sector providing direct employment to more than 35 million people. During April 2000 to April 2011, the total FDI inflow into this sector was US $959 million. A dedicated Ministry of Textiles has been set up, and FDI cell at the Economic Division of India is also attaching importance to this sector through supplementary policies.

Annex-II: Sectors and Origin of FDI in India

Table 3: FDI Sectors in India (April 2000 to March 2013)

			US $ Million
Sr. No.	**Sector**	**Amount of FDI Inflows**	**Percentage with total share FDI Inflows**
1	Services Sector (Financial , Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Others)	37,235	19.26
2	Construction Development: Townships, housing, built-up infrastructure and construction-development projects	22,080	11.42
3	Telecommunications	12,856	6.65
4	Computer Software & Hardware	11,691	6.05
5	Drugs & Pharmaceuticals	10,318	5.34
6	Chemicals (other than fertilizers)	8,881	4.59
7	Power	7,834	4.05
8	Automobile Industry	8,295	4.29
9	Metallurgical Industries	7,507	3.88
10	Hotel & Tourism	6,631	3.43
11	Petroleum & Natural Gas	5,381	2.78
12	Trading	3,956	2.05
13	Information & Broadcasting (including Print Media)	3,284	1.70
14	Electrical equipment	3,183	1.65
15	Cement and Gypsum Products	2,626	1.36
16	Miscellaneous Mechanical & Engineering Industries	2,319	1.20
17	Industrial Machinery	2,302	1.19
18	Consultancy Services	2,095	1.08
19	Construction (Infrastructure) Activities	2,090	1.08
20	Non-Conventional Energy	2,591	1.34
21	Food Processing Industries	1,811	0.94
22	Ports	1,635	0.85
23	Hospital & Diagnostic Centres	1,597	0.83

24	Agriculture Services	1,609	0.83
25	Textiles (Including Dyed, Printed)	1,226	0.63
26	Electronics	1,198	0.62
27	Sea Transport	1,195	0.62
28	Fermentation Industries	1,135	0.59
29	Rubber Goods	1,134	0.59
30	Mining	998	0.52
31	Paper and Pulp (Including Paper products)	866	0.45
32	Prime Mover (other than electrical generators)	849	0.44
33	Education	684	0.35
34	Machine Tools	623	0.32
35	Medical and Surgical Appliances	604	0.31
36	Soaps, Cosmetics & Toilet Preparations	632	0.33
37	Ceramics	508	0.26
38	Air Transport (including air freight)	449	0.23
39	Vegetable Oils and Vanaspati	385	0.20
40	Diamond, gold ornaments	391	0.20
41	Glass	389	0.20
42	Fertilizers	298	0.15
43	Printing of books (including litho printing industry)	272	0.14
44	Railway related components	270	0.14
45	Commercial, Office & Household Equipment	255	0.13
46	Agricultural Machinery	296	0.15
47	Earth-moving machinery	175	0.09
48	Leather, Leather goods and Pickers	107	0.06
49	Tea and Coffee (processing & warehousing coffee & rubber)	101	0.05
50	Scientific Instruments	94	0.05
51	Timber products	79	0.04
52	Photographic raw film and paper	67	0.03
53	Industrial Instruments	67	0.03
54	Boilers and Steam generating plants	62	0.03
55	Sugar	52	0.03

56	Retail Trading (single brand)	95	0.05
57	Coal Production	25	0.01
58	Dye-stuffs	20	0.01
59	Glue and Gelatin	15	0.01
60	Mathematical, Surveying and Drawing Instruments	8	0.00
61	Defence Industries	4	0.00
62	Coir	2	0.00
63	Miscellaneous Industries	7,844	4.10
Total		**193,281**	**100**

Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India

Table 4: Top 20 Countries' FDI in India (April 2000 to March 2013)

			US$ Million
Sr. No	**Country**	**Amount of FDI Equity Inflows**	**Percentage with total FDI Inflows**
1	Mauritius	73,666	38.11
2	Singapore	19,460	10.07
3	UK	17,549	9.08
4	Japan	14,550	7.53
5	USA	11,121	5.75
6	Netherlands	8,965	4.64
7	Cyprus	6,889	3.56
8	Germany	5,480	2.84
9	France	3,573	1.85
10	UAE	2,422	1.25
11	Switzerland	2,367	1.22
12	Spain	1,463	0.76
13	South Korea	1,232	0.64
14	Italy	1,169	0.61
15	Hong Kong	1,028	0.53
16	Sweden	982	0.51
17	Cayman Islands	878	0.45
18	British Virginia	796	0.41
19	Indonesia	610	0.32
20	Poland	569	0.29
Cumulative Total		**174,769**	**90.42**

Source: Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce& Industry, Government of India