

INDIA – UK TRADE AND ECONOMIC RELATIONS**1. Institutional basis for engagement**

13 January, 2005	Agreement signed between India and the United Kingdom for establishment of Joint Economic and Trade Committee (JETCO).
31 January 2006	The Second Meeting of JETCO was held in London.
16 January 2007	The Third Meeting of JETCO was held in New Delhi.
13 December 2007	The Fourth Meeting of JETCO was held in London.
20 January 2009	The Fifth Meeting of JETCO was held in New Delhi.

Indo UK Joint Working Groups :

- Hi-tech Working Group
- IPR Working Group
- Accountancy Working Group
- Legal Services Working Group
- Infrastructure Working Group
- Agribusiness Working Group
- Healthcare Working Group
- Financial Services Working Group
- Company Affairs Task Force

Business to Business Relations

The UK India Business Council (UKIBC), formerly Indo-British Partnership Network (IBPN) is the leading business organization supporting the promotion of bilateral trade, business and investment opportunities between the two countries.

2. Bilateral Trade with UK

(US \$ billion)

	2006-07	2007-08	2007-08 *	2008-09 *
Export	5.6	7.0	6.0	5.6
Import	4.2	5.0	4.6	5.4
Total	9.8	12.0	10.6	11.0

*for the period April-February

3. Main exports to UK during 2007-08

Value (US \$ Million)

	Commodity	2007-08	% share of India's exports to UK
1	Ready made garments cotton including	942	14

	accessories		
2	Petroleum (Crude & Products)	1070	14
3	Machinery and Instruments	569	8
4	Manufactures of Metals	412	6
5	Gems & Jewellery	285	4
6	Other commodities	182	4
7	Drugs, Pharmaceuticals and fine chemicals	285	4
8	Footwear of Leather	216	3
9	Transport Equipments	203	3
10	Paper /wood products	113	3
	Exports of Top 10 items	4277	63
	Total Exports to UK	6698	100
	India's Global Export	162904	4.11

4. Main imports from the UK during 2007-08

(US \$

Million)

	Commodity	2007-08	% share of India's imports from the UK
1	Pearls Precious Semi-precious Stones	1196	24
2	Machinery except electric and electronic	897	18
3	Electronic goods	337	7
4	Silver	309	6
5	Metalifers ores and metal scrap	280	6
6	Transport Equipments	245	5
7	Other commodities	196	4
8	Gold	151	3
9	Professional instrument etc. except electronic	150	3
10	Non-ferros metals	115	2
	Imports of top 10 items	3876	78
	Total import from UK	4957	100
	India's Global Imports	251439	1.97

5. Share of top ten items in total exports to the UK

Year	% of exports of top 10 items
2006-07	62
2007-08	63

Share of top ten items in total imports from the UK

Year	% of imports of top 10 items
2006-07	77
2007-08	78

6 Importance of trade from UK's perspective

UK's global trade data

(US \$ billions)

Year	Imports	Exports	Total Trade
2006	619	448	1067

UK's export to India was 0.96% of its global exports in 2006

UK's import from India was 0.90% of its global imports in 2006

7. Importance of Trade from India's perspective

India's export to UK was 4.45% of its global trade during 2006-07 and 4.11% during 2007-08

India's import from UK was 2.25% of its global trade in 2006-07 and 2.07% during 2007-08

8. Foreign Direct Investments

FDI approvals during 1991-2008 : US \$ 7.1 billion

Cumulative Inflows during 1991-2008 : US \$ 5.03 billion

9. Top sectors attracting FDI from UK:

- (a) Telecommunications
- (b) Fuels (power & Oil refining)
- (c) Chemicals (other than fertilizers)
- (d) Services Sector (financial and non-financial)

10. Investment by Top UK Companies in India through Indian companies

Sl.No.	Indian Company	Foreign Collaborator	Sectors
1.	Cairn (I) Ltd.	Cairn UK Holding U.K.	Other Services
2.	Castrol India Ltd.	Castrol Ltd.	Fuel (power & oil refinery)
3.	Himachal Futuristic Communication Ltd.	Ecom Communication Ltd.	Electrical Equipments (including computer software & electronics)
4.	Gujarat Powergen Energy Corporation Ltd.	Powergen U.K. Pic	Fuel (power & oil refinery)
5.	Tata Teleservices Ltd.	Hughes Electronics	Telecommunication (cellular mobile/basic telephone)

	Corporation	services)
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11. Investment by Indians/NRIs in UK

Sl.No.	Company	Sector
1. 2. 3.	Satyam Computer Services NIIT Ltd. Info Tech Enterprises Ltd	Services Software Development Services
1. 2.	Dabur India Ltd Glenmark Pharmaceuticals Ltd. Wockhardt Ltd.	Pharmaceuticals
1. 2. 3.	Reliance Industries Ltd. Nalli Silk Creations Pvt. Ltd. Sachik Home Textiles Ltd.	Textiles
1. 2.	Zeba Home Pvt. Ltd. Cottage Industries Exposition Ltd.	Handicrafts

12. Bilateral Agreements/MOUs

25.1.1993 Double Taxation Avoidance Agreement

14.3.1994 Bilateral Investment Promotion and Protection Agreement

13. Areas of Bilateral Cooperation

- Agri and Food Processing
- Healthcare
- Infrastructure
- High Technology
- IT
- Energy

FOREIGN DIRECT INVESTMENT (FDI) IN INDIA

FDI Policy:

1. Government of India embarked upon major economic reforms since mid-1991 with a view to integrate with the world economy, and to emerge as a significant player in the globalization process. Reforms undertaken include decontrol of industries from the stringent regulatory process; simplification of investment procedures, promotion of foreign direct investment (FDI), liberalisation of exchange control, rationalization of taxes and public sector divestment.
2. The FDI policy was liberalized progressively through review of the policy on an ongoing basis and allowing FDI in more industries under the automatic route.

3. The Government, vide Press Note 2 (2000 series), allowed FDI up to 100% on the automatic route for most activities and a small negative list was notified where wither the automatic route was not available or there were limits on FDI. In 2001, the Government carried forward the liberalisation process by opening new sectors or enhancing FDI limit in sectors such as Defence industries, Mass Rapid Transport System, Private Sector Banking, Printing of scientific and technical journals, Petroleum product pipelines, Telecom, and e-Commerce.
4. Further initiatives in policy liberalization included enhancement of FDI cap in domestic airlines from 40 to 49% and allowing FDI under the automatic route with no direct or indirect participation of a foreign airline; FDI up to 100% has been allowed under the automatic route in development of townships, housing and construction development projects subject to minimum capitalization and minimum area development; procedural simplification has been carried out by placing transfer of shares from resident to non-resident under the automatic route; enhancement of FDI cap in basic and cellular telecom services from 49% to 74%; and permitting FDI along with FII and portfolio investment within the ceiling of 20% in the FM Radio Broadcasting services.
5. A comprehensive review of the FDI policy was undertaken in 2006 with a view to consolidate the liberalization already effected and further rationalize the FDI policy governing various activities.
6. As a result of this exercise, the following policy changes were notified vide Press Note 4 (2006 Series):
 - i. FDI has been allowed up to 100% under the automatic route for distillation and brewing of potable alcohol;
 - a. manufacture of industrial explosives;
 - b. manufacture of hazardous chemicals;
 - c. manufacturing activities located within 25 kms of the Standard Urban Area limits requiring Industrial license under the IDR (Act), 1951;
 - d. setting up of Greenfield airport projects;
 - e. laying of Natural Gas/LNG pipelines, market study & formulation and Investment financing in the Petroleum sector; and
 - f. cash & carry wholesale trading and export trading.
 - ii. FDI caps have been increased to 100% and automatic route extended to
 - a. coal & lignite mining for captive consumption;
 - b. setting up infrastructure relating to marketing in Petroleum & Natural Gas sector; and
 - c. exploration and mining of diamonds and precious stones.

- iii. FDI has been allowed up to 100% on the automatic route in Power trading and processing and warehousing of coffee and rubber.
 - iv. FDI has been allowed up to 51% for 'single brand' product retailing which requires prior Government approval. Specific guidelines have been issued for governing FDI for 'single brand' product retailing.
 - v. Mandatory divestment condition for B2B e-commerce has been dispensed with.
 - vi. The transfer of shares from resident to non-resident including acquisition of shares in an existing company has been placed on the automatic route subject to sectoral policy on FDI.
7. Government of India has put in place a liberal foreign technology transfer policy as well. At present, foreign technology collaboration involving payment of lump sum amount of up to US\$2 million and/or royalty at the rate of 5 percent on domestic sales and 8 percent on exports are allowed under the automatic route. There are no limits on the duration of royalty payments. In addition, the current policy also allows payment of royalty up to 2% on exports and 1% on domestic sales under the automatic route for use of trademark and brand names of the foreign collaborator without technology transfer. Proposals involving royalty payments beyond the limits under the automatic route are considered for Government approval through the Project Approval Board (PAB).

Automatic route for FDI is not available for any activity if the foreign investor has an existing joint venture or technology transfer / trademark agreement in the 'same' field in India. (Ref. Press Note 1 (2005 Series) dated 12-01-2005 read with Press Note 3 (2005 Series) dated 15-3-2005)

8. Government, on a review of the extant policy on Foreign Direct Investment, further liberalised the following

Sectors in 2008:

1. Petroleum & Natural Gas;
2. Civil Aviation;
3. Commodity Exchanges;
4. Credit Information Companies (CICs);
5. Mining of Titanium bearing minerals and ores and its value addition; and
6. Industrial Parks;

FDI Policy in Petroleum & Natural Gas Sector:

Government has deleted the condition of compulsory divestment of up to 26% equity within 5 years for actual trading and marketing of petroleum products.

The present policy permits FDI up to 26% under the FIPB route in case of Public Sector Refining while FDI up to 100% is permitted on the automatic route in Private sector refineries.

Government has allowed FDI up to 49%, with prior approval of FIPB in petroleum refining by PSUs without involving any divestment of dilution of domestic equity in the existing PSUs.

FDI Policy for Air Transport Services Sector:

Government has allowed the following:

- (a) No foreign airlines would be allowed to participate directly or indirectly in the equity of an Air Service Undertaking;
- (b) FDI up to 49% and investment by Non-resident Indians (NRI) up to 100% will be allowed on the automatic route in Domestic Scheduled Passenger Airline Sector;
- (c) FDI up to 74% and investment by Non-resident Indians (NRI) up to 100% will be allowed on the automatic route in Non Scheduled airlines, Chartered airlines, and Cargo airlines;
- (d) FDI up to 74% and investment by NRI up to 100% will be allowed on the automatic route in Ground Handling Services; and
- (e) FDI up to 100% will be allowed on the automatic route in Maintenance and Repair organizations; flying training institutes; technical training institutions; and helicopter services/seaplane services.

FDI Policy for Commodity Exchanges

Keeping in view the policy on foreign investment in infrastructure companies in the securities markets and the special characteristics of the commodity futures market, the Government of India has allowed foreign investment in Commodity Exchanges as under:

- a. Foreign investment will be allowed through a composite ceiling i.e. FDI + FII of 49% with FII investment limited to 23% and FDI limited to 26%.
- b. FDI will be allowed with prior approval of FIPB;
- c. FIIs purchases shall be restricted to secondary market only; and
- d. No single entity will hold more than 5% of the equity in these companies.

FDI Policy for Credit Information Companies (CICs):

Foreign investment i.e. FDI+FII is allowed up to 49% with prior approval of the Government and regulatory clearance from RBI. FII investment would be permitted up to 24% only in the CICs listed at the Stock Exchanges, within the overall limit of 49% for foreign investment. Such FII investment would be permitted subject to the conditions that:

- a) No single entity should directly or indirectly hold more than 10% equity;
- b) Any acquisition in excess of 1% will have to be reported to RBI as a reporting requirement; and
- c) FIIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.

FDI Policy for Titanium bearing minerals & Ores:

Government has allowed FDI up to 100% with prior approval of the Government in Titanium bearing minerals & ores and its value addition subject to the sectoral regulations and the Mines and Minerals (Development and Regulation) Act 1957. FDI for separation of titanium bearing minerals & ores will be subject to the following additional conditions:

- (i) value addition facilities are set up within India along with transfer of technology;
- (ii) disposal of tailings during the mineral separation shall be carried out in accordance with regulations framed by the Atomic Energy Regulatory Board.

No FDI is permitted in mining of other atomic minerals.

FDI Policy for Industrial Parks:

Government has allowed the following qualifying conditions for FDI up to 100% under the automatic route both in setting up and in established industrial parks:

- (i) an 'industrial park' would be an area allotted for development of infrastructure facilities or built-up space with common facilities or earmarked for the purposes of industrial use;
- (ii) Industrial activity permitted in the area designated as an 'industrial park' would be Manufacturing, Electricity, gas and water supply, Post and telecommunications, Software publishing, consultancy and supply, Data processing, Database activities and distribution of electronic content, other computer related activities, Research and experimental development on natural sciences and engineering, Business and management consultancy activities and Architectural, engineering and other technical activities.
- (iii) The Industrial Park would in addition have the following features;
 - (a) it would comprise of a minimum of 10 units and no single unit shall occupy more than 50% of the allocable area;

- (b) the minimum percentage of the area to be allocated for industrial activity shall not be less than 66% of the total allocable area.

None of the conditions in Press Note. 2(2005 Series) would apply to FDI in Industrial Parks.

FDI POLICY CHANGES - 2009

The following Press Notes have been issued in 2009:

- (i) Press Note 1(2009) - Foreign investment in Print Media dealing with news and current affairs.
- a. FDI up to 100% is permitted with prior approval of the Government in publication of facsimile edition of foreign newspapers provided the FDI is by the owner of the original foreign newspaper(s) whose facsimile edition is proposed to be brought out in India subject to the following conditions:
- i. the entity is incorporated or registered in India under the Companies Act, 1956;
 - ii. the entity would be subject to the Guidelines for publication of newspapers and periodicals dealing with news and current affairs and publication of facsimile edition of foreign newspapers issued by Ministry of I & B.
1. Foreign investment, including FDI and investment by NRIs/PIOs/FII, up to 26%, is permitted with prior approval of the Government for publication of Indian editions of foreign magazines dealing and news and current affairs.
- (ii) Press Note 2(2009) - Guidelines for calculation of total foreign investment i.e. direct and indirect foreign investment in Indian Companies;
- (iii) Press Note 3(2009)- Guidelines for transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities.
- (iv) Press Note 4(2009)- Clarificatory guidelines on downstream investment by Indian Companies.

Press Note 2 (2009 Series)

Guidelines for calculation of total foreign investment i.e. direct and indirect foreign investment in Indian companies

Salient features

- All investment directly by a non-resident entity into the Indian company would be counted towards foreign investment.
- The foreign investment through the investing Indian company would not be considered for calculation of the indirect foreign

investment in case of Indian companies which are 'owned and controlled' by resident Indian citizens and Indian Companies which are owned and controlled ultimately by resident Indian citizens.

- For cases where this condition is not satisfied or if the investing company is owned or controlled by 'non resident entities', the entire investment by the investing company into the subject Indian Company would be considered as indirect foreign investment.
- As an exception, the indirect foreign investment in only the 100% owned subsidiaries of operating-cum-investing/investing companies will be limited to the foreign investment in the operating-cum-investing/investing company. This exception has been made since the downstream investment of a 100% owned subsidiary of the holding company is akin to investment made by the holding company and the downstream investment should be a mirror image of the holding company.
- In the I & B and Defense sectors where the sectoral cap is less than 49%, the company would need to be 'owned and controlled' by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens. For this purpose, the equity held by the largest Indian shareholder would have to be at least 51% of the total equity.
- Any foreign investment already made in accordance with the guidelines in existence prior to issue of this Press Note would not require any modification to conform to these guidelines. All other investments, past and future, would come under the ambit of these new guidelines.

Press Note 3 (2009 Series)

Guidelines for transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities

Salient features:

Government/FIPB approval will be required in sectors with caps where:

- An Indian company is being established with foreign investment and is owned by a non-resident entity or
- An Indian company is being established with foreign investment and is controlled by a non-resident entity or
- The control of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity, as a consequence of transfer of shares to non-resident entities through amalgamation, merger, acquisition etc. or

- The ownership of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares to non-resident entities through amalgamation, merger, acquisition etc.

Press Note 4 (2009 Series)

Policy for downstream investment by Investing Indian Companies

- The guidelines clarify the need for obtaining government/FIPB approval (or otherwise) for foreign investment into Indian companies, which can be either:
 - Operating companies or
 - Investing companies or
 - Operating-cum-investing companies or
 - Neither of the above
- It has been clarified that operating companies, as well as operating-cum-investing companies, need to comply with relevant sectoral conditions on entry route, conditionalities and sectoral caps
- Investing companies, as well as companies which are neither investing nor operating companies, require prior Government/FIPB approval for infusion of foreign investment, regardless of the amount or extent of foreign investment.
- Downstream investments by investing companies, as well as operating-cum-investing companies, would need to comply with relevant sectoral conditions on entry route, conditionalities and sectoral caps

Benefits expected from adoption of these guidelines:

- The proposal would ensure application of simple, homogenous and uniform norms for calculation of direct and indirect foreign investment across sectors excepting those where it is governed specifically under any statutes or rules there under.
- It would also ensure that approval of Government of India/FIPB would be required for establishment/change in ownership or control of an Indian company from resident Indian citizens to non-resident entities in sectors with sectoral caps.
- The guidelines clarify that only Investing companies, as well as companies which are neither investing nor operating companies, require prior Government/FIPB approval for infusion of foreign investment. Operating companies, as well as operating-cum-investing companies, only need to comply with relevant sectoral conditions on entry route, conditionalities and sectoral caps. This clarification would result in clarity on the need for Government/FIPB approval for Indian companies that are making downstream investments

FDI Statistics:

1. Total FDI into India since the onset of the liberalisation process is nearly US\$ 106.5 billion till 2008-09. This represents only the equity capital component of FDI.

2. FDI reporting in India, since 1991, was capturing only the capital component provided by the investor in the form of equity. However, FDI, as per international practices of reporting, includes equity capital, reinvested earning and intra company loans. Government had undertaken an exercise for adoption of the international practice in compilation of FDI statistics. Based on the information collected, the RBI has revised the FDI inflow figures since 2001-02. According to the revised inflow figures, Total FDI was US\$ 6.13 billion in 2001-02; US\$ 5.04 billion in 2002-03; US\$ 4.32 billion in 2003-04, US\$ 6.05 billion in 2004-05; US\$ 8.96 billion in 2005-06, US\$ 22.82 billion in 2006-07, US\$ 34.36 billion in 2007-08 and US \$ 33.61 billion in 2008-09.

3. Government of India has put in place a liberal and investor friendly FDI policy. FDI inflows depend on the decisions of foreign investors which in turn depend on a host of factors such as availability of natural resource, market size, infrastructure, political and general investment climate as well as macro-economic stability.

FDI GROWTH

(Amount in US \$ billion)

YEAR	International Practices	Percentage growth	FDI Equity Inflow (DIPP)	Percentage growth
2003-04	4.32	(-) 14%	2.22	(-) 18%
2004-05	6.05	(+) 40%	3.21	(+) 45%
2005-06	8.96	(+) 48%	5.54	(+) 72%
2006-07	22.82	(+) 146%	15.72	(+) 184%
2007-08	34.36	(+) 51%	24.57	(+) 56%
2008-09	33.61	--	27.31	(+) 56%

Investment Promotion:

On the promotion front, Government is extending guidance through the Secretariat for Industrial Assistance (SIA) under the Department of Industrial Policy & Promotion. The Department has launched an interactive web-site www.dipp.gov.in to provide the necessary information to

the investors on the investment policies, procedures, associated regulations, taxation laws, etc. The website also provides links to the other Central Ministries, Organisations and the State Governments. The Department also provides an on-line chat facility every working day between 11.00 AM -12.00 Noon and 4.00 PM to 5.00 PM (IST) where the investors can seek any policy and procedural clarification. Bulletin Board facility is also available to respond the investor's queries. Destination India events are organized in various countries with FDI potential. This aims at reaching directly the potential investors and dissemination of information on investment climate and opportunities in India.

FDI Outlook:

The UNCTAD World Investment Report (WIR) 2007, in its analysis of the global trends and sustained growth of Foreign Direct Investment (FDI) inflows, has reported India as the second most attractive location for FDI for 2007-2009. According to the WIR 2007 report the top five most attractive locations for FDI for 2007-09 are China, India, United States, Russian Federation and Brazil.

India has retained the second place in A.T. Kearney's 2007 Foreign Direct Investment Confidence Index, a position it has held since displacing the US in 2005. India continues to attract investors in the high value-added services industries like financial services and information technology. The top honour goes to China. US are the fourth in the list. 45% of global investors are upbeat about India compared to last year. The report predicts India to be on the cusp of FDI take off, in view of the Government maintaining focus on reforms, overcoming narrow business interests, de-bottlenecking infrastructure, logistics and regulatory barriers.

India has improved its position by two places in the World Economic Forum's Global Competitive Index (GCI) rankings for 2006-07, coming in 43rd, well ahead of Brazil (66), China (54) and Russia (62)."

According to a survey conducted by Dun & Bradstreet the business optimism index for the quarter ending December recorded an increase of 14% to 177.1 from 155.3 in the quarter ending September. The quality of the business environment in India has improved tangibly in recent years. Goods, labour and financial markets are making gains in efficiency and it is particularly encouraging to see substantial improvements in the quality of public institutions and the underlying institutional climate in such areas as property rights, the operation of the judicial system and other indicators, which capture essential aspects of building a sound investment climate.

In order to harness the potential as an attractive FDI destination, Government of India has taken steps for improving infrastructure. Introduction of Value Added Tax from April 2005 is a major step towards addressing the need of uniform taxation. Regulatory framework is under periodical review and steps have been taken to rationalize and simplify to a substantial extent procedures dealing

with FDI at the Central level. Government is also making efforts to bring about such procedural simplification and transparency in the FDI framework at State level.

FDI SYNOPSIS ON U.K.

(as on 31.01.2009)

FDI inflows & approvals:

- **Cumulative FDI inflows** during 1991-2009 (up to January) is **US\$ 103.1 billion**, including acquisition of existing shares (up to 1999), RBI's-NRI Schemes, stock swapped & advance pending for issue of shares.
- **U.K. ranks 4th & Cumulative FDI inflows from U.K. is US\$ 5.82 billion (5.69%)**, excluding acquisition of existing shares (up to 1999), RBI's-NRI Schemes, stock swapped & advance pending for issue of shares
- **Total FDI approvals** during the last eighteen years are over **US\$ 88.6 billion**.
- **U.K. ranks 4th & accounts for about 8.12% with FDI approvals is US\$ 7.1 billion** of the total investment approvals.

Top Sectors attracted FDI approvals & Inflows:

- **Top sectors** attracting **FDI inflows** (from January 2000 to January 2009) from U.K. are), Services Sector (financial & non-financial) (51%), Ports (14%), Petroleum & Natural Gas (5%), Electronics) (5%), & Computer software & Hardware (3%).
- **Top sectors** attracting **FDI approvals** (from January 1991 to January 2009) from U.K. are Fuels (power & oil refinery) (38%), Telecommunications (23%), Chemicals (other than fertilizer) (7%), Fermentation Industries (6%) and Services Sector (financial & non-financial) (5%).

Technical collaborations:

- Total (overall) **technical collaborations** during the last seventeen years – (Nos.) **8,035**.
- **U.K.** has been granted **869 technical collaborations (10.82% of the total)**, since 1991.
- Top five sectors attracting technology from U.K. are – Electrical Equipments (including computer software & electronics) (126 nos.), Chemicals (other than fertilizer) (106 nos.), Industrial Machinery (99 nos.), Transportation Industry (73 nos.) & Metallurgical Industry (50nos.).

Top Investing Companies:

- Top FDI inflows received (from January 2000 to January 2009) from U.K. through Indian companies are **M/s.Cairn(I) Ltd M/s. Castrol India Ltd.,M/s.Himachal Futuristic Communications Ltd.,,Gujarat Powergen Energy Corporation Ltd., M/s.United Breweries Ltd.,M/s.Tata Teleservices Ltd.,M/s.Scottish & New Castle India Pvt.Ltd.Anant Raj Industries,M/s. Bharat Hotels Ltd.,M/s. HSBC Electronic Data Processing I.P. Ltd.,**

BRIEF NOTE ON FOREIGN COLLABORATION WITH U.K.

An analysis of the foreign collaborations and foreign direct investment (FDI) approved by the Government after the announcement of new industrial policy since January 1991 shows that FC approvals and investment from **U.K.** has risen substantially.

2. **Cumulative FDI inflows** received during **1991-2009 (up to January)** is **Rs. 4,364.0 (US\$ 103.1) billion**. Out of this, FDI inflows from **U.K. (Ranks 4th)** is **Rs. 248.3 (US\$ 5.8) billion, which is 5.69%** of the cumulative inflows received from FIPB/SIA, RBI's automatic routes & acquisition of existing shares (from the year 2000 onwards) during January 1991 to January 2009. However, this amount does not include inflows received through acquisition route prior to January 2000. Further, FDI inflows on Sector specific data in respect of U.K. are available only for the period January 2000 to January 2009. The amount of FDI inflows project specific in respect of all Countries is not centrally maintained prior to January 2000.

3. From **January 1991 to January 2009**, Government has approved **28,035** foreign collaborations (technical & financial) proposals with a corresponding foreign direct investment of **Rs 3,458.4 (US\$ 88.6) billion**. Out of this, the total number of approvals with U.K. has been of the order of **2,567 (9.16% of the total approvals)** with an equity participation of **Rs. 280.7(US\$ 7.1) billion (8.12% of the total investment)**, **U.K.** companies ranks 3rd in list of countries in terms of cumulative FDI approved from January 1991 to January 2009.

4. The year-wise FDI inflows received, investment & number of foreign collaborations approved with **U.K.** companies since 1991 are given below:

I. YEAR-WISE ACTUAL INFLOWS OF FOREIGN DIRECT INVESTMENT:

(Amount in million)

<i>Year (Jan-Dec)</i>	From UK		From all Countries		<i>% age of U.K. with total Inflows in rupee terms*</i>
	<i>In Rupees \$</i>	<i>In US</i>	<i>In Rupees</i>	<i>In US \$</i>	
January 1991- Dec.1999	22,279	656.9	576,821.0	16,019.7	5.35
2000	2,814.8	65.5	123,537.3	2,873.0	1.55
2001	12,840.2	285.3	167,777.5	3,728.4	4.36
2002	16,988.1	353.9	181,955.6	3,790.7	7.92
2003	8,629.0	187.6	116,171.7	2,525.9	4.01
2004	6,585.4	143.3	172,665.2	3,753.9	4.46
2005	9,578.1	219.3	192,990.9	4,360.2	4.96
2006	78,247.5	1,749.8	503,572.7	11,119.6	3.98
2007	19,671.0	469.7	797,788.6	19,166.9	2.47
2008	70,085.4	1,681.6	1,397,254.7	33,028.8	5.02
2009(upto -Jan.)	554.3	11.4	133,463.4	2,733.0	0.42
Total (1991-2009)	248,272.8	5,824.3	4,363,998.6	103,100.1	5.69

*Note : *Percentage figures do not take into account the amount of FDI inflows for RBIs-NRI Schemes, acquisition of existing shares (for the period 1996-1999 only), stock swapped and advance pending for allotment of shares, as these are not categorised Country-wise*

II YEAR-WISE FOREIGN DIRECT INVESTMENT APPROVED:

(Amount in million)

Year (Jan-Dec)	With U.K.		With all Countries		% age of U.K. with FDI approved in rupee terms
	In Rupees	In US \$	In Rupees	In US \$	
January 1991- Dec.1999	159,682.7	4,431.6	1,870,270.2	53,245.7	8.54
2000	4,112.3	95.6	172,369.7	4,008.6	2.39
2001	49,942.5	1,108.8	209,397.4	4,653.3	23.85
2002	18,043.6	374.9	110,581.0	2,303.8	16.32
2003	5,001.3	108.2	54,165.9	1,177.5	9.23
2004	12,578.7	273.9	87,412.5	1,900.3	14.06
2005	10,132.8	230.3	78,995.3	1,775.3	12.83
2006	6,762.2	148.6	230,035.3	5,111.2	3.79
2007	9,212.9	214.1	199,111.1	4,772.8	4.63
2008	5,280.5	127.9	388,275.9	8,502.0	1.36
2009(upto Jan.)	0.0	0.0	57,807.4	1,183.8	0.0
Total (1991-2009)	280,749.5	7,113.9	3,458,421.7	88,634.3	8.12

III YEAR-WISE FOREIGN COLLABORATIONS APPROVED WITH UK:

(No. of Approvals)

Year (Jan-Dec)	No. Of F. C. Cases Approved				%age of U.K. with total approvals
	With UK		With all Countries		
	Total	Financial	Total	Financial	
January 1991- Dec.1999	1606	895	16,390	10,175	9.80
2000	170	125	2,120	1,702	8.02
2001	190	162	2,264	1,976	8.28
2002	188	163	2,270	1,963	8.23
2003	165	140	1,871	1,550	8.80
2004	128	119	1,551	1,436	8.58
2005	39	33	526	445	7.41
2006	25	22	336	266	6.83
2007	26	18	383	257	6.79
2008	29	21	396	313	7.32
2009(upto Jan)	1	0	45	34	2.22
Total (1991-2009)	2567	1698	28,152	20,117	9.12

5. SECTOR-WISE DISTRIBUTION OF FDI INFLOWS & APPROVALS:

5.1. FDI INFLOWS:

On perusal of the sector-wise distribution of **FDI inflows** received from U. K. during 01.01.2000 to 31.01..2009 shows that the highest inflows have been in the Services sector which accounts for more than 51% of FDI inflows from UK, Ports with (14%) in the second place and Petroleum & Natural Gas (over 6%)is in the third place.

5.1.1 SHARE OF TOP SECTORS ATTRACTING FDI INFLOWS FROM U.K.:

(from January 2000 to January 2009)

(Amount in million)

Ranks	Sector	Amount of FDI inflows		%age with FDI inflows from U.K.
		In Rupees	In US \$	
1.	Services Sector (financial & non-financial)	97,112.5	2,204.3	50.79
2.	Ports	26,500.6	666.2	13.86
3.	Petroleum & Natural Gas	10,313.6	231.7	5.39
4.	Electronics	8,822.6	184.4	4.61
5.	Computer software & Hardware	5,534.4	124.8	2.89
Total of the above		148,283.7	3,411.4	77.54

Note : (i) Amount includes the inflows received through FIPB/SIA route, acquisition of existing shares & RBI's automatic route only.

(ii) The amount of FDI inflows in respect of the Country& Sector specific data is not provided by RBI, Mumbai prior to January 2000

5.2 FDI APPROVALS

A perusal of the Sectoral break-up of investment cases of U. K. companies approved by the Government from 01.08.1991 to 31.01.2009 shows that the highest investment proposals have been in the Fuels (power & oil refinery) Sector, which accounts more than 38% of the investment approvals from UK, Telecommunications Sector (23.00%) the second place followed by Chemicals (other than fertilizers) (7%) in the third.

5.2.1 SHARE OF TOP SECTORS ATTRACTING FDI APPROVALS FOR U.K.:

(from January 1991 to January 2009)

(Amount in million)

Ranks	Sector	No .of FDI approvals	Amount of FDI approved		%age with FDI approved for U. K.
			In Rupees	In US \$	
1.	Fuels (power & oil refinery)	89	104,650.3	2,790.1	37.62

2.	Telecommunications	76	63,042.7	1,454.9	22.66
3.	Chemicals (other than fertilizers)	101	18,325.8	463.7	6.59
4.	Fermentation Industries	15	16,620.3	366.7	5.97
5.	Service Sector(financial & non-financial)	170	15,198.0	372.2	5.46
Total of the above		451	217,837.1	5,447.6	78.3

6. TECHNOLOGY TRANSFER CASES:

As far as technology **transfer** is concerned, **869 technical collaborations** have been approved for **U.K.** which accounts for about **10.82% of the total collaborations** approved during **January 1991 to January 2009**. The highest technical collaboration have been in the Electrical Equipments (including computer software & electronics) (126 nos), followed by Chemicals (other than fertilizers) and Industrial Machinery.

6.1 SHARE OF TOP FIVE SECTORS ATTRACTING TECHNOLOGY TRANSFER FROM U.K.(from January 1991 to January 2009)

<i>Ranks</i>	<i>Sector</i>	<i>No. of technical Collaboration approved</i>	<i>% age of technical collaborations approved for U.K.</i>
1	Electrical Equipments (including computer software & electronics)	126	14.65
2	Chemicals (other than fertilizers)	106	12.32
3	Industrial Machinery	99	11.51
4	Transportation Industry	75	8.72
5	Metallurgical Industries	50	5.81

7. DETAILS OF TOP FDI INFLOWS RECEIVED FROM U.K. THROUGH INDIAN COMPANIES(from January 2000 to January 2009):

<i>(Amount in million)</i>					
<i>Nos.</i>	<i>Name of the Indian Company</i>	<i>Name of Foreign Collaborator</i>	<i>Sectore</i>	<i>RBI's Regional Offices</i>	<i>Amount of FDI inflows Rupees/(US \$)</i>
1.	Caim(I) Ltd	Cairan UK Holding U.K.	Other Services	Mumbai	Rs.66,632.4 (US\$ 1,492.8)
2.	Castrol India Ltd	Castrol Ltd	Fuel(power & oil refinery)	-	Rs. 8,645.7 (US\$ 192.1)
3.	HimachalFuturistic Communication Ltd	Ecom Communication Ltd	Electrical Equipments(including computer software & electronics)	Chandigarh	Rs. 8,103.8 (UISS 168.8)

4.	Standard Chartered Investment & Loans Ltd	Standard Chartered Bank,U.K.	Financial	Mumbai	Rs.4,543.9 (US\$ 102.9)
5.	GujaratPowergenEnergy Corporation Ltd	Powergen U.K. Plc	Fuel(power & oil refinery)	-	Rs. 2,882.9 (US\$ 60.1)
6.	United Breweries Ltd	Scottish & Newcastle India Ltd	Timber Products	Bangalore	Rs.2,469.0 (US\$ 56.1)
7.	Tata Teleservices Ltd	Hughes Electronics Corporation	Telecommunications(cellular mobile/basic telephone services)	-	Rs. 2,243.8 (US\$ 48.8)
8.	Scottish & New Castle India Pvt. Ltd	-	Machine Tools	Mumbai	Rs. 1,774.0 (US\$38.6)
9.	NationalCommodity & Derivatives Ex Ltd	Intercontinental Exchange Holdings	Non-financial Services	-	Rs.1,611.4 (US\$36.5)
10.	Rank Investments & Credits(I) P.Ltd	Barclays Bank Plc U.K.	Financial	Chennai	Rs. 1,511.5 (US\$ 37.4)