

---

## Macroeconomic indicators - Indian to tighten rules for FDI

Thursday, 12 Nov, 2009

Indian government has finalized sweeping changes to the country's foreign direct investment policy to account for increasing concerns voiced by security agencies.

A 21 member committee of secretaries chaired by Cabinet Secretary K M Chandrasekhar is meeting on November 17th 2009 to discuss key changes, some of which were incorporated in guidelines at the end of 2007 that were subsequently discussed by inter-ministry groups.

These new guidelines include amending the automatic approval list by significantly expanding the role of the Foreign Investment Promotion Board the nodal agency for clearing FDI proposals. FIPB will now scrutinize proposals in which funds are routed through tax havens and those that fall under a proposed sensitive list even if they are under the current automatic approval route.

FIPB which comprises members from most key ministries will also consider foreign personnel and the requirement for imported labour in FDI applications before giving approval. The issue of foreign workers has recently been a source of controversy, with the government objecting to Chinese blue collar workers coming into India on tourist visas instead of business visas to work on high-tech construction projects.

Some key changes under discussion in FDI policy

1. FIPB approval mandatory even if the sector attracts automatic approval, if the investment is on the sensitive list or is from a tax haven
2. List of country-specific FDI restrictions to be expanded beyond only Pakistan if required
3. Sensitive sectors include seaports, airports, aviation, telecommunications, ISPs international long distance, refining, petroleum, hydrocarbon exploration, shipping, roads, real estate, defense, pharmaceuticals
4. Scrutiny of FDI proposals in the sensitive list by the Committee of Secretaries on Financial Investment, which will have representatives from security agencies.
5. A threshold FDI criterion for further scrutiny by ministries, regulators
6. Dynamic checks to allow for post-approval cancellation
7. Foreign Investments Act to incorporate all powers for the central government to ensure national security is not compromised by FDI

For more news visit at [www.steelguru.com](http://www.steelguru.com)