

India climbs to 9th position on FDI inflow list, US retains top spot

BY ASIT RANJAN MISHRA

asit.m@livemint.com

NEW DELHI

India improved its ranking by one notch to 9th position as one of the highest recipients of foreign direct investment (FDI) in 2016, at a time global FDI flows fell, the UN trade and development agency said in its latest World Investment Report 2017.

While the US remained the top host country for FDI in 2016 with \$391 billion inflows, and the UK saw an unprece-

dent rise from \$33 billion in 2015 to \$254 billion in 2016, inflows to India grew 1% to \$44.5 billion.

A drop in inflows to France, which was at 9th position last year, improved India's ranking, according to the annual report by the UN Conference on Trade and Development or Unctad.

In a survey of top executives carried out by Unctad in early 2017, the economic situation in developing Asia ranked as the top macroeconomic factor influencing FDI, with the favourite FDI destinations

Inflows to India grew 1% to \$44.5 billion in 2016, while UK saw a steep rise of inflows to \$254 billion

remaining the US, China and India.

Following a record high in 2015, combined FDI flows to

developing Asian countries contracted by 15% to \$443 billion in 2016. "The decline in inflows to the region was relatively widespread, with three of the four subregions registering reductions. Only South Asia escaped the sharp decline, thanks to stable flows to India and a rise in flows to Pakistan," Unctad said.

In contrast, foreign investment in China remained more or less unchanged, experiencing only a 1% decline to \$134 billion.

Unctad said despite a historically high number of

announced greenfield projects in 2015, FDI flows to India were largely flat in 2016. Foreign multi-national enterprises are increasingly relying on cross-border merger and acquisitions to penetrate the rapidly growing Indian market.

Several significant deals were announced in 2016, including the \$13 billion acquisition of Essar Oil by Rosneft (Russian Federation) and a consortium led by Trafigura (Singapore)—the largest deal ever in the country.

"Although new liberaliza-

tion efforts continue to improve the investment climate in India, tax-related concerns remain a deterrent for some foreign investors," it said.

FDI outflows from South Asia declined by 29% to only \$6 billion in 2016, as India's outward FDI dropped by about a third, from \$7.6 billion in 2015 to \$5.1 billion in 2016.

"The signing of a tax treaty by the Indian and Mauritian governments in May 2016 might have contributed to reduced round-tripping FDI," Unctad said.