

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

STARRED QUESTION NO:40
ANSWERED ON:25.02.2000
NEW FDI POLICY
M.V.V.S MURTHI;RAMSHETH THAKUR

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

- (a) whether the Government have prepared the new Foreign Direct INVESTMENT policy to make it automatic in all sectors barring a few core sectors;
- (b) if so, the main features of the new policy;
- (c) the percentage of Foreign Direct Investment allowed, sector-wise;
- (d) the total Foreign Direct Investment made in the country during each of the last three years, State-wise and sector-wise; and
- (e) the steps taken by the Government to save the Domestic Industries?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI MURASOLI MARAN)

(a) to (e) A Statement is laid on the Table of the House

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (E) OF LOK SABHA STARRED QUESTION NO.40 FOR ANSWER 25.02.2000.

(a) to (c) : Yes, Sir. Government, in its commitment towards economic reforms have announced the new Foreign Direct Investment (FDI) Policy thereby placing all items/activities under the automatic route for Foreign Direct Investment(FDI), Non-Resident Indians (NRI) and Overseas Corporate Body (OCB) investment except the following;

1. All proposals that require an Industrial Licence which include
 - (i) the item requiring an Industrial Licence under the Industries (Development and Regulation) Act, 1951;
 - (ii) foreign investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries; and
 - (iii) all items which require an Industrial Licence in terms of the locational policy notified by Government under the New Industrial Policy of 1991.
2. All proposals in which the foreign collaborator has a previous venture/tie-up in India. The modalities prescribed in Press Note No.18 dated 14.12.98 of 1998 services, shall apply in such cases.
3. All proposals relating to acquisition of shares in an existing Indian company in favour of a foreign/NRI/OCB investor.
4. All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted and/or whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route.

All proposals for investments in public sector units as also for EOU/EPZ/EHTP/STP units would qualify for automatic route subject to above parameters.

The sector specific guidelines and equity caps for foreign direct investment are outlined at Annexure-I

(d) : The total FDI approved during the last three years, state-wise and sector-wise are at Annexure-II and Annexure-III respectively.

(e) : FDI is not considered a threat to an efficient domestic industry. However, while considering FDI proposals, a declaration is obtained from the applicant whether the foreign collaborator has any previous joint venture or technology transfer/trademark agreement in the same or allied field in India, the detailed circumstances in which it is considered necessary to set up a new joint venture/enter into new technology transfer (including trademark), and proof that the new proposal would not in any way jeopardise the interest of the existing joint venture or technology/trademark partner or other stake holders.

For induction of Foreign/NRI/OCB equity in an existing Indian company, a copy of the Board Resolution of the existing Indian company is called for.

For induction of FDI beyond 24% in the activities reserved for small scale industry sector, undertaking an export obligation of 50% is mandatory.