

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

UNSTARRED QUESTION NO:34

ANSWERED ON:01.03.2005

PRESS NOTE

Chinta Mohan Dr. ;Das Gupta Shri Gurudas;Nair Shri P.K. Vasudevan;Owaisi Shri Asaduddin;Singh Shri Rajiv Ranjan (Lalan)

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

- (a) whether the Government has withdrawn Press Note 18 of 1998;
- (b) if so, the details thereof and reasons therefor;
- (c) whether the Government intend to withdraw restrictions imposed on foreign capital investments by withdrawing Press Note 18;
- (d) if so, the details of these restrictions to be withdrawn; and
- (e) the reasons for levying such restrictions vide Press Note 18 of 1998 and now withdrawing it?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a) to (e): Government has recently reviewed the guidelines notified vide Press Note 18 (1998 series) which required prior approval of the Government for new proposals for foreign investment/ technical collaboration where the foreign investor has or had any previous joint venture or technology transfer/ trademark agreement in the same or allied field in India. The Government has, after careful consideration, notified fresh guidelines vide Press Note 1 (2005 series). These guidelines, inter alia, provide that prior Government approval for new proposals would be required only in case where the foreign investor has an existing joint venture or technology transfer/trademark agreement in the 'same' field. Even in such cases, prior Government approval will not be required in the following cases-

- a. Investment is to be made by Venture Capital Funds registered with the Security and Exchange Board of India (SEBI); or
- b. where in the existing joint-venture investment by either of the parties is less than 3%; or
- c. where the existing venture/ collaboration is defunct or sick.

The guidelines further provide that joint ventures to be entered into after the issue of Press Note 1 (2005 Series) might embody a 'conflict of interest' clause in their joint venture agreement to safeguard the interests of joint venture partners in the event of one of the partners desiring to set up another joint venture or a wholly owned subsidiary in the 'same' field of economic activity.

Foreign Direct Investment policy, including sectoral policies and equity caps, is reviewed on an ongoing basis with a view to removing procedural bottlenecks, to make the investment climate more attractive and to enhance FDI inflow into the country.