

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

UNSTARRED QUESTION NO:199

ANSWERED ON:01.08.2011

CONCESSIONS TO MNCS

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

- (a) whether the Government has recently permitted the Multinational Companies (MNCs) to set up new units in the same field of business without the approval of their Indian partners;
- (b) if so, the details thereof;
- (c) whether the Government allows such MNCs to change their Indian partner unilaterally;
- (d) if so, the details thereof;
- (e) whether this measure is likely to strengthen the grip of MNCs over the Indian economy at the expense of Indian companies; and
- (f) if so, the reaction of the Government thereon?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b): As per Foreign Direct Investment (FDI) policy, which was in force till 31.3.2011, a non-resident investor, having an existing joint venture/ technology transfer/ trademark agreement, as on January 12, 2005, was required to seek prior Government approval, through FIPB/ Project Approval Board, for new investment/technology transfer/technology collaboration or trademark agreement in the same field. This condition has been removed with effect from 1.4.2011. This has been done with a view to enable Indian industry to become globally competitive, through access to latest technologies, enhanced levels of FDI and increased competition.

(c) to (f) : Under the liberalized economic environment, investment decisions of investors are based on the macro-economic policy framework, economic environment in the host and investing countries, investment policies of transnational corporations and other commercial considerations. The Government does not have any role with regard to commercial decisions made by investors in choosing their business partners.

Adequate mechanisms are provided within the Indian legal system for enforcement of legal rights, arising out of breach of contracts between contracting parties, such as arbitration or litigation in the relevant courts, depending upon the provisions laid down in the contract agreement.