

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

UNSTARRED QUESTION NO:544

ANSWERED ON:26.11.2012

FDI IN VARIOUS SECTORS

Agarwal Shri Rajendra;Ahir Shri Hansraj Gangaram;Biju Shri P. K.;Das Gupta Shri Gurudas;Hazari Shri Maheshwar ;Hussain Shri Syed Shahnawaz;Khaire Shri Chandrakant Bhaurao;Lal Shri Kirodi ;Lingam Shri P.;Maadam Shri Vikrambhai Arjanbhai;Mahtab Shri Bhartruhari;Pandurang Shri Munde Gopinathrao;Ramasubbu Shri S.;Saroj Smt. Sushila;Shekhar Shri Neeraj;Singh Shri Yashvir;Thamaraiselvan Shri R.;Upadhyay Seema;Verma Smt. Usha

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

- (a) whether the Government has notified the rules to permit FDI in single/multi brand retail trading/Civil Aviation/Defence and power sectors;
- (b) if so, the likely socio-economic and adverse impact on traders/small shopkeepers/farmers;
- (c) the steps taken/being taken by the Government in protection of various stakeholders;
- (d) whether the Government has noticed loss of employment in retail trade after opening up stores by foreign retailers in India;
- (e) if so, the details thereof and the steps taken by the Government in this direction;
- (f) the details of the proposals of the multinational companies pending with the Government to start single/multi brand retail trading in the country along with the time by which a final decision is likely to be taken on such proposals;
- (g) whether the foreign retailers has also faced protests of small traders in their countries against opening up stores in India; and
- (h) if so, the details thereof?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a): As per extant FDI policy, FDI, up to 26% is permitted, in the defence sector, with prior Government approval. Government has, further, inter alia announced the following decisions:-

(i) Amendment of certain conditions relating to FDI, up to 100%, in single brand retail trading, vide Press Note No. 4(2012 Series) dated 20.9.2012

(ii) Permitting FDI, up to 51%, in multi-brand retail trading, subject to specified conditions, vide Press Note No. 5 (2012 Series) dated 20.9.2012

(iii) Permitting foreign airlines to invest, in the capital of Indian companies, operating scheduled and nonscheduled air transport services, up to the limit of 49% of their paid-up capital, vide Press Note No.6 (2012 Series) dated 20.9.2012

(iv) Permitting FDI, up to 49%, in power exchanges, vide Press Note No. 8(2012 Series) dated 20.9.2012

The above mentioned decisions have been incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 vide Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Sixth Amendment) Regulations, 2012 notified in the Gazette of India: Extraordinary vide G.S.R.795(E) dated 19.10.2012.

(b): It is the Government's assessment that implementation of the policy is likely to facilitate greater FDI inflows into front and back-end infrastructure; technologies and efficiencies to unlock the potential of the agricultural value chain; additional and quality employment; and global best practices. This, in turn, is expected to benefit consumers and farmers in the long run, in terms of quality and price. The 30% mandatory sourcing condition has been incorporated to encourage local value addition and manufacturing. The increased level of activity, in the front-end, as well as in the back-end, resulting from greater FDI inflows, is expected to create additional employment opportunities for rural and urban youth. It is, further, expected to encourage existing traders and retail outlets to upgrade and become more efficient, thereby providing better services to consumers and better remuneration to the producers from whom they source their products.

(c): The consultations with key stakeholders regarding FDI in multi-brand retail trading brought out views both for and against FDI in

multi brand retail trading. On balance, however, the discussions generally indicated support for the policy, subject to the introduction of adequate safeguards. The necessary safeguards have, accordingly, been incorporated in the policy and are expected to protect the interests of various stakeholders. Government has also decided to constitute a high-level group to make recommendations on internal trade reforms, with a view to ensuring distributional efficiencies and also that the benefits from trade are available to all sections of society.

(d): No such information has come to the Government's notice.

(e): Does not arise.

(f): Two proposals have been received for FDI up to 100% in single brand retail trading (from M/s Ingka Holding Overseas B.V, Netherlands and M/s Fossil India Private Limited). Further, seven proposals have been received, for single brand product retail trading, with foreign equity participation up to 51% (from M/s Fapa Company Ltd., Samoa; M/s Promod S.A.S, France; M/s Tommy Hilffiger B.V, The Netherlands; M/s NA Pali Europe SARL; M/s The Semex Alliance, Canada; M/s Le Crusset SAS France and M/s Sketchers South Asia Private Limited). No proposal has been received for FDI in multi-brand retail trading.

The proposals require in-depth examination with reference to the policy parameters and safeguards. As such, no timeframe can be specified for a decision on these proposals.

(g): No information on the issue is available in this Department.

(h): Does not arise.