

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

UNSTARRED QUESTION NO:1998

ANSWERED ON:19.08.2013

. FDI PROPOSALS

Ananth Kumar Shri ;Biswal Shri Hemanand ;Choudhry Smt. Shruti;Joshi Shri Pralhad Venkatesh;Owaisi Shri Asaduddin;Patil Shri A.T. Nana;Rawat Shri Ashok Kumar

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

- (a) the details of Foreign Direct Investment (FDI) proposals received and approved during the last three years and the current year in cold-storage and warehousing, single /multi-brand retails trade along with the extent to which additional employment is likely to be generated through these investments;
- (b) whether the Government has framed any policy for checking violation of contractual obligation between Indian and foreign companies and if so, the details thereof along with action taken by the Government against the erring companies;
- (c) whether there is apprehension among small retailers/farmers/traders losing their ventures in the event of the implementation of the proposal;
- (d) if so, the present status of implementation of Foreign Direct Investment in multi-brand retail along with the action taken by the Government to alleviate the fears of the retailers/farmers in the country;
- (e) whether the Government has provided safeguard to the domestic retailers/farmers /traders in view of the rising competition from foreign retailers after the entry of the multi-national companies in the country and if so, the details thereof; and
- (f) whether the Government proposes to review the decision of FDI in multi-brand retail and if so, the details thereof?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a) & (b): As per extant Foreign Direct Investment (FDI) policy, FDI up to 100%, under the automatic route is permitted in cold-storage and warehousing. Data available on 'agriculture services' as a whole is at Annexure-1. The details of proposals on FDI in Single Brand Retail Trading approved during the last three years and the current year are at Annexure-2. No proposal for Foreign Direct Investment in Multi Brand Retail Trading has been received by the government. FDI in these sectors has been permitted inter-alia with a view to generating additional employment opportunities.

(c) to (f): The Government reviews the FDI policy on an ongoing basis, to ensure that India remains an attractive & investor friendly destination. While doing so, the government takes into consideration the concerns of all stake holders including small retailers, farmers and traders.

The contractual relationship between Indian and foreign companies is governed by prevalent laws regulations and other conditionalities contained in the FDI policy and sector specific regulations. The FDI policy on multi brand retail trading contains safeguards inter-alia in the form of the requirement to strengthen backend infrastructure; and 30% sourcing from the small producers. Both these safeguards are envisaged to integrate farmers and small producers in the value chain by strengthening their production capacity and making them more competitive.

The government has amended some of the conditionalities under the FDI policy on multi brand retail trading. Medium enterprises and farmers/agri cooperatives have been included under the sourcing requirement. Secondly, the size of the small and medium enterprises is to be reckoned only at the stage of first engagement with a retailer. Thirdly, the 50% requirement of investment in backend infrastructure has been limited to the first tranche of US \$ 100 million. Fourthly, the decision on location of the retail stores has been left to the state governments rather than restricting it to cities with a population of 10 lakh or more. These changes have been made taking into consideration the concerns of potential investors as well as domestic stakeholders.