

24th December, 2009

To : **All Members**
Members of the General Committee

Dear Sir/Madam,

We are please to circulate herewith a copy of the PIB Press Release dated 24th December, 2009 issued by Ministry of Commerce and Industry on the first draft consolidation of FDI Policy/ FDI Framework for your information.

Thanking you,

Yours faithfully,

T.S. SAMPATH KUMAR
Secretary General

First draft consolidation of FDI Policy/ FDI Framework

Shri Anand Sharma, Union Minister of Commerce and Industry, has released the first draft consolidation of all the aspects of FDI Policy and FDI Framework, here today, and also launched the same in the Department of Industrial Policy & Promotion's website (<http://dipp.nic.in>). Briefing the media on the occasion, Shri Sharma said that such consolidation would ensure the availability of all information on FDI policy at one place, and is expected to lead to: simplification of the policy; greater clarity of understanding of foreign investment rules among foreign investors and sectoral regulators, as also predictability of policy and added that having a single policy platform would also ease the regulatory burden for Government.

Shri Sharma further stated that the document released today would be open for comments until the 31st of January, 2010 and all comments received until that date will be considered before the final document is prepared. The final document would be released on 31st March / 1st April, 2010. "As a novel measure, this Press Note/ Government Order would have a sunset clause of six months. This would imply that the work of reviewing this Press Note/Government Order would need to be undertaken every six months, so that FDI policy is continuously reviewed", the Minister added.

"As far as FDI policy is concerned, it has been felt, through interaction with various investors, counterpart government organizations and other stakeholders, that there is a

need for further simplification and consolidation of the FDI policy framework, so as to make it more comprehensible to all investors and stakeholders”, the Minister said.

The Prime Minister Dr. Manmohan Singh, in his remarks at the World Economic Forum recently, had announced that, “our policy will be guided by the desire to make India even more attractive for Foreign Direct Investment. We are particularly keen to rationalize and simplify procedures so as to create an investor friendly environment”. The present exercise is a step in the above direction.

Announcing the FDI inflows for the month of April-November 2009, Shri Sharma informed that FDI had touched US \$ 19.38 billion during this period. FDI inflows for November 2009 have been US \$ 1.74 billion which is an increase of almost 60% over US \$ 1.08 billion in November last year. He further stated that FDI equity inflows, as a percentage of GDP, have grown from 0.75% in 2005-06 to nearly 2.49% in 2008-09.

Shri Sharma also highlighted about India’s share of world FDI which jumped from 0.78% in 2005 to 2.45% in 2008. Quoting the World Investment Report 2009, the Minister said that the top five most attractive locations for FDI for 2009-11 are China, United States, India, Brazil and the Russian Federation. The 2009 survey of the Japan Bank for International Cooperation, conducted among Japanese investors, continues to rank India as the second most promising country for overseas business operations, after China.

While releasing the six core industry for the last month, Shri Sharma informed the media that six core index has registered a growth of 5.3% in November 2009 as compared to 0.8% in the previous year. During April-November 2009-10, core industries index posted a growth of 4.6% compared to 3.5% in the corresponding period last year. Growth rate during November 2009 are: Steel production: 11.7%; cement: 9%; coal: 3.3%; crude oil: -1.6%; petroleum refinery products: 4.9%; electricity: 1.8%

Background:

FDI, by non-residents, in resident entities, through transfer or issue of security to a person outside India, is a capital account transaction under the Foreign Exchange Management Act (FEMA), 1999. The Government of India and the Reserve Bank of India (RBI) regulate such transactions. Keeping in view the current requirements, the Government comes up with new regulations or amends/changes the existing ones. Various aspects of FDI policy are, accordingly, pronounced/ notified through Press Notes issued by DIPP, RBI circulars, Acts and changes in regulations. DIPP itself has issued about 177 Press Notes since 1991, covering various aspects of FDI policy, including cross border investment, policy liberalisation, policy rationalization and foreign technology collaborations, Industrial Policy etc. The Government, through Press Note 8 of 2009, has made substantial liberalization of the regime for Foreign Technology Agreements and, on review of the extant policy, decided to permit, with immediate effect, payments for royalty, lumpsum fee for transfer of technology and payments for use of trademark/ brand name on automatic route i.e. without any approval of the

Government of India. It is, however, felt that there is a need for further simplification and consolidation of the FDI policy and hence, the present exercise has been undertaken.

Bangalore Chamber of Industry and Commerce

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