

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

STARRED QUESTION NO:391
ANSWERED ON:19.12.2006
FOREIGN INVESTMENTS
Bhakta Shri Manoranjan

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

- (a) The salient features of Foreign Direct Investment (FDI) Policy ;
- (b) Whether the Government proposes to bring those foreign investors who had already established their business in the country prior to the new policy, within the purview of the new FDI Policy; and
- (c) If so, the details thereof alongwith the steps taken by the Government in this regard ?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH)

- (a) : Government has put in place a liberal and transparent Foreign Direct Investment (FDI) policy. The details of the extant FDI policy are given in the Statement laid on the Table of the House.
- (b)&(c) : FDI policy is presently incorporated in the Foreign Exchange Management (Transfer or Issue of Security to Persons Resident outside India) Regulations, 2000 (FEMA) notified by the Reserve Bank of India (RBI), in pursuance of the powers conferred under section 6(3) of the Foreign Exchange Management Act, 1999 (FEMA, 1999). Prior to this enactment, establishment of places of business in India by persons resident outside India was governed by Section 29 of the Foreign Exchange Regulation Act, 1973 (FERA), which has been repealed. In terms of Section 49(5) (a) Of FEMA, 1999, actions taken under FERA are deemed to have been taken under the corresponding provisions of FEMA, 1999.

Statement referred to in reply to part (a) of the Lok Sabha Starred Question No. 391 for answer on 19-12-2006.

Policy on Foreign Direct Investment (FDI)

- I. Sectors prohibited for FDI
- i. Retail trading (except Single Brand Product retailing)
 - ii. Atomic energy
 - iii. Lottery business
 - iv. Gambling and Betting .

II.All Activities/ Sectors would require prior Government approval for FDI in the following circumstances:

- i. where provisions of Press Note 1(2005 Series) are attracted;
- ii. where more than 24% foreign equity is proposed to be inducted for manufacture of items reserved for the Small Scale sector.

III.In Sectors/Activities not listed below, FDI is permitted up to 100% on the automatic route subject to sectoral rules / regulations applicable.

IV.Sector-specific policy for FDI .