

## **FDI announcements are a welcome step**

**NEW DELHI, July 17, 2013.** FICCI welcomes the announcements for raising FDI caps in telecom and the insurance sectors and for enabling the possibility in defence and also for moving many sectors from FIPB approval to the automatic route which should make the process easier.

### **Defence**

The decision to enhance FDI levels in defence beyond 26 per cent with the approval of CCS on a case to case basis depending on the access to modern and state-of-the-art technology by the joint venture partner is a positive move. Though FDI above 26 per cent was allowed on a case to case basis vide DPP 2006, the Brahmos' benchmark (JV between DRDO and Russia's NPO Mashinostroyeniya with 50.5 per cent India's and 49.5 Russia's share) being a case in point, FICCI welcomes specific mention of this in the revised FDI norms for defence that will encourage such type of JVs. This clarity, FICCI hopes will allow OEMs to put up a proposal for infusing state of the art technology through the proposed JV before the CCS for a consolidated approval for the domestic and export markets.

*Ms. Naina Lal Kidwai, President of FICCI, said, "What India needs are JVs that enhance its strategic capabilities like 'Brahmos' which has catapulted India to the group of nations with supersonic cruise missile capabilities, with IPRs residing within the country giving it export potential. It is the transfer of 'Know Why' that is crucial in an alliance ensuring that the technology transfer has empowered India's defence capabilities."*

FICCI has been advocating its position on enhancement of FDI in defence sector above 26 per cent and would like to reiterate its stand on case to case approval of higher FDI subject to the four critical requirements such as control and governance should be in Indian hands, technologies are transferred by the partner OEM with pre-approval by OEM's government and should be in line with key technologies that India requires, Centers of Excellence are created in India for product development and the IPRs should reside within India, with global access to the indigenously developed products by the JV companies and the indigenisation level is more than 50 per cent.

With the modernisation programmes of the armed forces and big ticket procurements under way, the defence sector can give a major boost to the manufacturing sector creating a multiplier effect on the economy and jobs. For the success story to unfold, government should take a comprehensive approach and look at it in a holistic manner by addressing gaps in policy such as a level-playing field for private sector and FDI cap among others.

### **Telecom**

*According to FICCI, the decision on enhancement of FDI limit in the Indian telecom sector from 74 per cent to 100 per cent is a positive sign and showcases Government's commitment towards improving the current investment sentiment in the sector and aiding the telecom industry to recuperate from its debt issues. "Along with the National Telecom Policy 2012 and other*

*necessary reforms, this pro-industry announcement will benefit the Indian economy and consumers in the long term,” said Ms. Kidwai.*

### **Insurance**

Further, the approval to raise FDI in insurance to 49 per cent from the current level of 26 per cent will help insurance companies who are in need of capital.

*Raising the limit in the sector, will allow many of the foreign partners to bring in money and help with capitalisation requirements. This is a much-awaited reform and implementation may see an immediate inflow of FDI into the sector. This could go some way in bridging the CAD, said Ms. Kidwai.*

### **Single Brand Retail**

Commenting on the decision regarding FDI in single brand retail, **Mr. Bijou Kurien, Chairman of FICCI Retail Committee**, said, “FICCI recognizes the positive steps being taken by the Government to attract FDI in modern retail to India. A small step in further liberalizing the current policy was taken when announcing foreign investment of 49 per cent in single brand retail under the automatic route. There have been continuing dialogues between the retail industry and the government regarding streamlining current procedures and modifying conditions under the current multi brand retail policy. We are hopeful that these discussions will fructify into a simpler enabling policy which will stimulate significant new investment in the Indian retail industry.”

**FICCI MEDIA DIVISION**