Effects of Liberalization on the Economy, Changes in Industrial Policy and their Effects on Industrial Growth.

Prelims and Mains focus: above the move and its significance; about SEZs

News: Goods procured from units in special economic zones (SEZ) by single brand retailers, owned by foreign companies, would qualify for meeting the mandatory 30% local sourcing norms, the government said in a clarification.

Background

The statement came in the wake of the government having received representations from various business entities seeking clarification whether sourcing of goods from units located in SEZs would qualify as sourcing from India as per the FDI policy.

Details

- The Department for Promotion of Industry and Internal Trade (DPIIT) said goods which are proposed to be sourced by a single brand retailer from SEZ units will have to be manufactured in India.

- The department stated that compliance with all the conditions enumerated in the FDI policy and as notified under the Foreign Exchange Management Act (FEMA) would continue to be the responsibility of the manufacturing entity.

What are the FDI rules regarding SEZs?

As per the foreign direct investment (FDI) rules, 100% overseas investment is allowed in the sector but sourcing of 30% of the value of goods procured is mandatory from India for such companies having FDI beyond 51%.

What are Special Economic Zones?
• SEZs, developed as export hubs, are treated as foreign territory in terms of customs laws. Procurement of goods and services from units in these zones are treated as imports.

• In January 2018, the government allowed 100% FDI in the sector, permitting foreign players in single brand retail trade to set up own shops in India without government approval.

100% FDI in Insurance Intermediaries

• DPIIT notified the government's decision to allow 100% FDI in insurance intermediaries under the automatic approval route.

• Intermediary services include insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, surveyors and loss assessors.

• The FDI policy earlier allowed 49% foreign investment in the insurance sector, which includes insurance intermediaries.

• As per the press note, the insurance intermediary that has majority share holding of foreign investors shall undertake measures including incorporation as a limited company under the provisions of the Companies Act 2013 and that at least one from among the chairman of the board of directors or the CEO or principal officer or MD of the company shall be a resident Indian citizen.

• It also said the intermediary shall take permission of the Insurance Regulatory and Development Authority (IRDA) for repatriating dividend and not make payments to the foreign group or promoter or associate entities beyond what is necessary or permitted.