

● CLEARING THE AIR

FDI norms for e-commerce: Govt may issue clarification

FE BUREAU
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THE GOVERNMENT IS considering issuing a clarification on foreign direct investment (FDI) rule for e-commerce, commerce and industry minister Piyush Goyal said on Tuesday. The statement comes amid reports that the government could tighten the policy that could force players like Amazon and Flipkart to restructure their existing marketing tie-ups.

Goyal said India will resume talks on a trade deal with the US once a new trade representative assumes office there. Despite differences over offers, both India and the US negotiated a mini deal for months, before the American election purportedly slowed down the process. The US was the largest single market for India, with bilateral goods trade worth \$89 billion in FY20.

At the same time, India has stepped up talks to forge balanced trade agreements with other large markets, including the EU and the UK, the minister said.

Already, in a virtual meeting with EU trade commissioner Valdis Dombrovskis on February 5, Goyal pitched for a quick "early-harvest deal" followed by a time-bound and balanced free trade agreement (FTA), formal negotiations for which have been stuck over



Commerce and industry minister Piyush Goyal

differences since 2013.

Separately, he held talks with Britain's international trade secretary, Liz Truss, last week. Both the sides are weighing the prospect of an enhanced trade partnership, which could lead to a broader FTA, the minister said. The EU, including the UK, was India's largest export destination (as a bloc) last fiscal, with a 17% share in the country's overall outbound shipments.

Calling on e-tailers having foreign investments to comply with the "spirit of the law", which bars them from offering discounts directly or indirectly, Goyal said the players are supposed to provide only platforms for buyer-seller transactions and not be a part of such transactions themselves.

In December 2020, the commerce and industry minister asked the Reserve Bank of

India (RBI) and the enforcement directorate (ED) to take "necessary action" on allegations made by traders' body CAIT against Amazon, Flipkart and Walmart relating to FDI rule violations. For their part, Amazon and Flipkart have maintained that they comply with all relevant rules.

The FDI policy also disallows such online marketplaces from selling products of the companies where they hold stakes or control inventory, and also bars exclusive marketing arrangements, among others.

Goyal said the government is focusing on about two dozen champion sectors through interventions, including production-linked incentives schemes, phased-manufacturing programme, tariff rationalisation and logistics support. This will result in incremental manufacturing output of ₹20

lakh crore a year, he added. The sectors include pharma, textiles, auto components, aerospace and defence.

Similarly, in a bid to ensure consumers have access to quality products and low-grade imports are curbed, the government has developed technical standards for 185 products, imports of which stand at \$57 billion a year. Goyal highlighted the government's resolve to raise the number of products for which technical regulations will be in place.

Responding to a question, Goyal asserted that India's MSP (minimum support price) regime is fully compliant with the World Trade Organization (WTO) rules. Commerce secretary Anup Wadhawan said India's farm subsidies are well within the WTO limit and it's the developed world that extends exorbitant, trade-distorting dole-out to their farmers. Amid demand by protesting farmers for legalising the MSP, a recent report by the WTO secretariat suggests India's MSP regime distorts its cropping patterns.

Goyal exuded confidence that the growth in exports in January will continue in the coming months. Signalling a nascent recovery, merchandise exports in January grew 5.4% from a year before, the highest since September 2020 and compared with a 0.1% rise in December.