

Foreign Direct Investment

GS Paper - 3- Growth & Development



Context

Foreign Direct Investment (FDI) inflows **grew 62% during the first four months** (April-July period) of current FY 2021-22 over corresponding period last year (2020).

Other related information

- India attracted a total **FDI inflow of USD 27.37 billion during** the four months.

- In the **FY 2020-21**, India saw growth of 10% (to \$82 bn) in FDI.

Key Points

What is FDI Equity:

- FDI equity inflow **grew by 112%** in the **April-July period** of FY 2021-22 (USD 20.42 billion) compared to the year ago period.

What are the Top Sectors:

- The **Automobile Industry** has emerged as the **top sector** with 23% share of the total FDI Equity inflow **followed by Computer Software & Hardware (18%)** and **Services Sector (10%)** respectively.

What are the Top FDI Destinations:

- **Karnataka** is the **top recipient** state for the period with 45% share of the total FDI Equity inflows followed by **Maharashtra (23%)** and **Delhi (12%)**.

What is mean by Foreign Direct Investment

- FDI is the process whereby residents of one country (the home country) **acquire ownership of assets for the purpose of controlling** the production, distribution and other activities of a firm in another country (the host country).
- It is different from **Foreign Portfolio Investment** where the foreign entity merely buys stocks and bonds of a company. FPI does not provide the investor with control over the business.

What are the Three Components in FDI

1)Equity capital: It is the foreign direct **investor's purchase of shares** of an enterprise in a country other than its own.

2)Reinvested earnings: It comprises the **direct investors' share of earnings not distributed as dividends** by affiliates, or earnings not remitted to the direct investor. Such retained profits by affiliates are reinvested.

3)Intra-company loans: These refer to **short- or long-term borrowing and lending of funds** between direct investors (or enterprises) and affiliate enterprises.

What are the Routes through which India gets FDI:

- 1)**Automatic Route:** In this, the foreign entity does **not require the prior approval of the government or the RBI (Reserve Bank of India)**.
 - 2)**Government Route:** In this, the foreign entity **has to take the approval** of the government.
- The **Foreign Investment Facilitation Portal (FIFP)** facilitates the single window clearance of applications which are through approval route. It is administered by the **Department for Promotion of Industry and Internal Trade (DPIIT)**, Ministry of Commerce and Industry.

What are the Measures taken by Government to Promote FDI:

- 1)Factors such as favourable demographics, impressive mobile and internet penetration, massive consumption and technology uptake, played an important role in attracting the investments.
- 2)Launch of **Schemes attracting investments**, such as, **National technical Textile Mission, Production Linked Incentive Scheme, Pradhan Mantri Kisan SAMPADA**

Yojana, etc.

- The government has elaborated upon the initiatives under the **Atmanirbhar Bharat** to encourage investments in different sectors.
- 3)As a part of its **Make in India initiative** to promote domestic manufacturing, India deregulated FDI rules for several sectors over the last few years.

Source: PIB

National single window system for investors and businesses

GS Paper - 2 GS Paper - 3 -- Government Policies & Interventions

NATIONAL SINGLE WINDOW SYSTEM (SOFT-LAUNCH)

Single Platform to Enable Investors Identify & Obtain Approvals & Clearances

- End to End facilitation and support to investors
- Pre-investment advisory to new businesses
- Facilitate clearances at Centre and State level
- Shares information related to land banks

Online Services Available

- Know Your Approval Service
- Common Registration Form
- State Registration Form
- Applicant Dashboard
- Document Repository
- E-Communication module

NATIONAL SINGLE WINDOW SYSTEM (SOFT-LAUNCH)

Single Platform to Enable Investors Identify & Obtain Approvals & Clearances

- Digital platform to streamline approvals
- Enhancing Ease of Doing Business
- Clearances to investors at one point
- Investors to get land in a transparent & simple manner

Context

The **Ministry of Commerce and Industry** has launched the **national single window system for investors and businesses** to improve Ease of Doing Business (EoDB).

Other related information

- India was placed at **63rd position** in the World Bank's **ease of doing business report, 2020** out of 190 countries. Recently, the World Bank has decided to **discontinue 'Doing Business' reports**.

What is the news says

1) DPIIT along with Invest India initiated the process of developing the portal as a National Single Window System (NSWS).

- DPIIT** (Department for Promotion of Industry and Internal Trade) comes under the Ministry of Commerce and Industry.
- Invest India** is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India.

2) The portal offers a single dashboard, allowing businesses to apply for clearances, track progress and respond to queries.

3) It would become a “one stop shop” for state and Central government compliances and bring transparency, accountability and responsiveness in the ecosystem.

4) It will also offer a Know Your Approvals service to inform businesses of the details of all the approvals they need to obtain as well as a common registration

form, document repository and e-communication module.

5)It will provide **strength to other schemes** e.g. **Make in India, Startup India, PLI scheme** etc.

What are the Other Initiatives to improve EoDB:

1)In the **Union Budget** speech 2020, the **Investment Clearance Cell (ICC)** was announced.

- ICC will provide “end to end” facilitation and support to investors, including pre-investment advisory, provide information related to land banks and facilitate clearances at Centre and State level. The cell was proposed to operate through an online digital portal.

2)Amendments to **Insolvency and Bankruptcy Code (IBC)** and Decriminalisation under **Companies Act, 2013**.

3)Reduction of corporate tax from 30% to 25% for mid-sized companies.

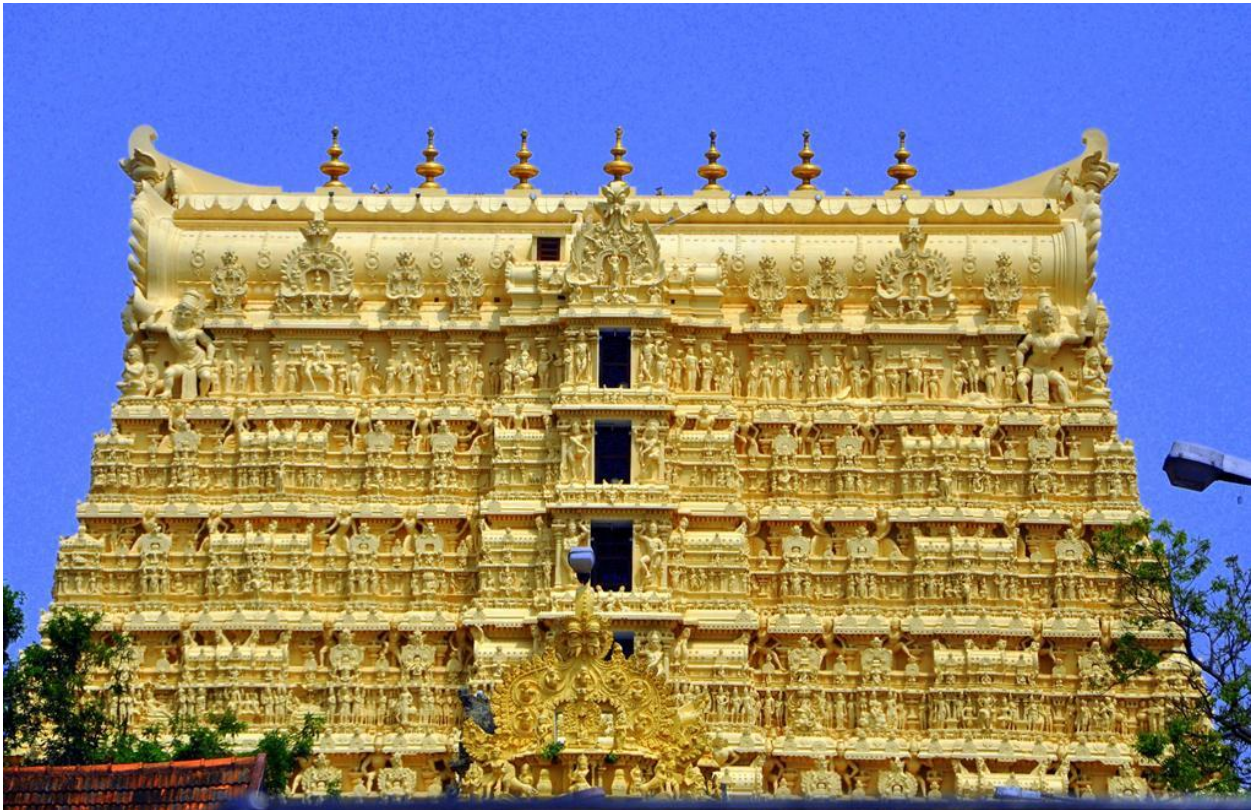
4)The **Ministry of Corporate Affairs (MCA)**, has initiated the **MCA21 project**, which enables easy and secure access to MCA services in an assisted manner for corporate entities, professionals, and the general public.

- It has also launched the **Simplified Proforma for Incorporating Company Electronically Plus (SPICe+)** web form.
- 5)The **Central Board of Indirect Taxes & Customs (CBIC)** has launched **eSanchit (e-Storage and Computerized Handling of Indirect Tax documents)** for paperless processing, uploading of supporting documents and to facilitate the **trading across Borders.**
- 6)**E-assessment scheme** for taxpayers.

Source: IE

Supreme Court (SC) has declined a plea filed by Sree Padmanabhaswamy Temple

GS Paper - 1 - Temple Architecture



Context

Recently, the **Supreme Court (SC)** has declined a **plea filed by Sree Padmanabhaswamy Temple** Trust seeking to exempt it from the audit of 25 years as ordered by the court last year (2020).

What is news says

- The Temple has been **in the news since 2011 after the discovery of treasure worth over Rs. 1 lakh crore** in its underground vaults.
- The SC in 2011 said that, as per customary law, the **members of the royal family have the shebait rights** even after the death of the last ruler.
 - Shebait rights means the **right to manage the financial affairs** of the deity.
 - The Padmanabhaswamy Temple **Trust has been created by the former Travancore royal family.**
- However, the court **directed the setting up of an administrative committee** with the Thiruvananthapuram District Judge as its chairperson, for transparent administration of the Temple in the future.
- The **trust argues** that since it had been constituted (on earlier orders by the court) to oversee rituals of the Temple, with no role in the administration, it is a distinct entity from the temple and could not be included in the call for an audit.
- **According to the Administrative Committee**, it is in great financial stress and the offerings are not sufficient to meet the expenses, seeking an audit of

the temple-related trust run by the Travancore royal family.

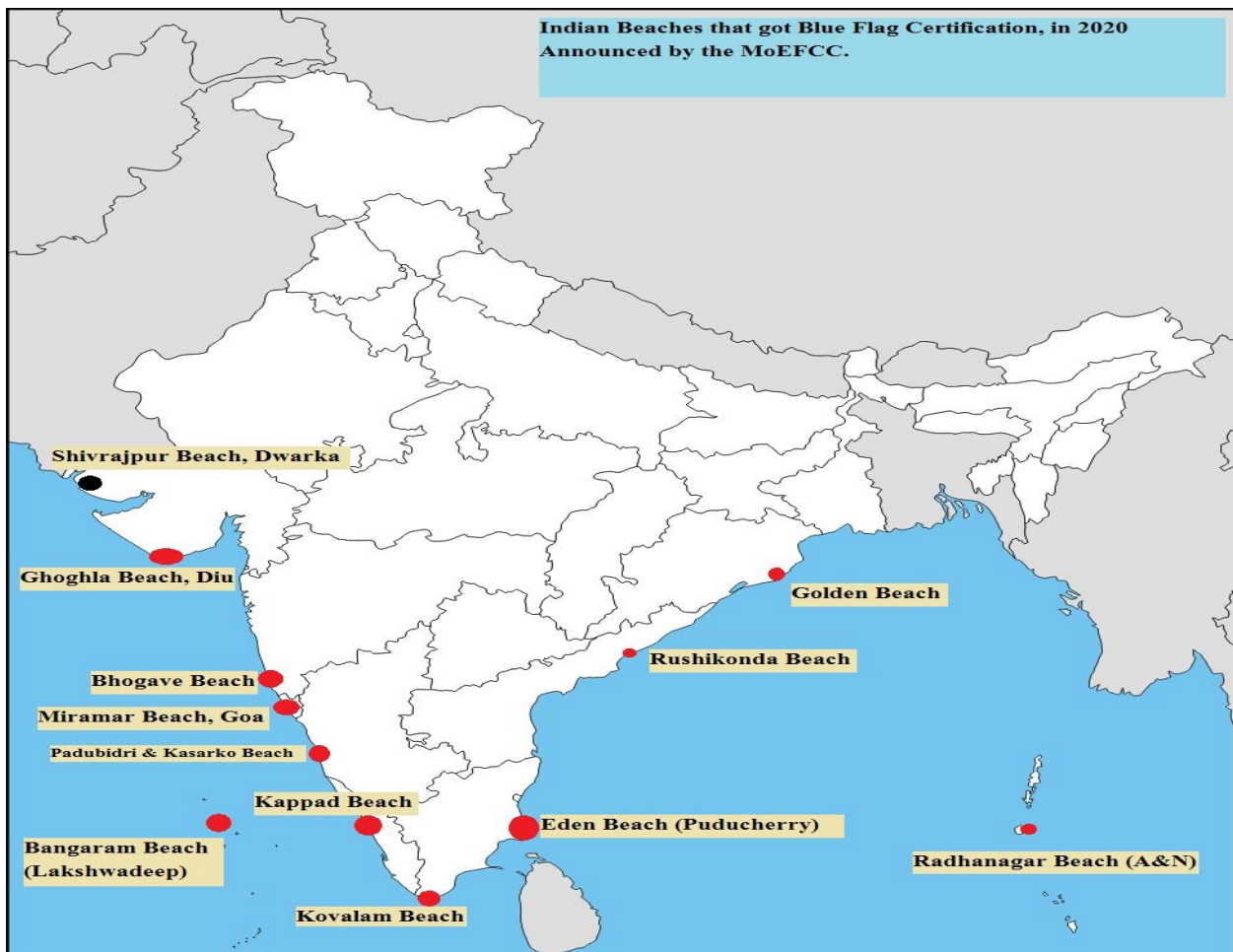
Details about Sree Padmanabhaswamy Temple:

- According to Historians, the temple dates back to the 8th century but the **present structure was built in the 18th century by the then Travancore Maharaja Marthanda Varma.**
- The temple was initially made of wood but later it was constructed with granite.
- The temple is built in the **unique Chera style of architecture**, and its main deity is **Lord Vishnu** who is found in the **Anantha Shayana posture** (reclined posture of eternal yoga) on **Adishesha or king of all serpents.**
- It is known to be one of the **108 holy temples associated** with Vaishnavism in India.

Source: IE

Denmark has awarded the Blue Flag Certification to Kovalam (Tamil Nadu) and Eden (Puducherry)

GS Paper - 3 - Conservation , Environmental Pollution & Degradation , 2nd ARC



Context

Recently, **Foundation for Environment Education (FEE), Denmark** has awarded the **Blue Flag Certification** to **Kovalam (Tamil Nadu) and Eden (Puducherry)**, taking the total number of **such beaches in the country to 10**.

Other related information

A waving “Blue Flag” is an indication of 100% compliance to the 33 stringent criteria and sound health of the beach.

What is Blue Flag Certification

- It is an **internationally recognised eco-label** that is accorded based on 33 criterias. These criterias are divided into 4 major heads namely,
 - Environmental education and information
 - Bathing water quality
 - Environmental management
 - Conservation and safety services in the beaches
- Blue Flag beaches are considered the cleanest beaches of the world. It is an **eco-tourism model endeavouring to provide the tourists/beachgoers** clean and hygienic bathing

water, facilities, a safe and healthy environment and sustainable development of the area.

- It is accorded by the international jury composed of eminent members - **United Nations Environment Programme (UNEP)**, **United Nations World Tourism Organisation (UNWTO)**, Denmark-based NGO **Foundation for Environmental Education (FEE)** and **International Union for Conservation of Nature (IUCN)**.
- On the lines of Blue Flag certification, **India has also launched its own eco-label BEAMS (Beach Environment & Aesthetics Management Services)**.

What are the Other Eight Beaches which have Received the Certification:

- Shivrajpur in Gujarat,
- Ghoghla in Daman & Diu,
- Kasarkod in Karnataka and,
- Padubidri beach in Karnataka,
- Kappad in Kerala,
- Rushikonda in Andhra Pradesh,
- Golden beach of Odisha,
- Radhanagar beach in Andaman and Nicobar.

What is BEAMS

- Beach Environment & Aesthetics Management Services comes under ICZM (**Integrated Coastal Zone Management**) project.
- This was **launched by** the Society of Integrated Coastal Management (SICOM) and the Union Ministry of Environment, Forest and Climate Change (MoEFCC).

objectives of BEAMS

- Abate pollution in coastal waters,
- Promote sustainable development of beach facilities,
- Protect & conserve coastal ecosystems & natural resources,
- Strive and maintain high standards of cleanliness,
- Hygiene & safety for beachgoers in accordance with coastal environment & regulations.
- It has helped in saving 1,100 ml/year of municipal water through recycling; educating around 1,25,000 beachgoers about responsible behaviour at the beaches; providing alternate livelihood opportunities to 500 fishermen families through pollution abatement, safety and services and has also increased footfall for recreation activities at the beaches by approximately 80% leading to economic development.

Source: PIB

World Health Organisation (WHO) has released new Global Air Quality Guidelines (AQGs).

GS Paper - 3 - Government Policies & Interventions , Environmental Pollution & Degradation , Important International Institutions, Health

Table 1. Recommended 2021 AQG levels compared to 2005 air quality guidelines

Pollutant	Averaging time	2005 AQGs	2021 AQG level
PM _{2.5} , µg/m ³	Annual	10	5
	24-hour ^a	25	15
PM ₁₀ , µg/m ³	Annual	20	15
	24-hour ^a	50	45
O ₃ , µg/m ³	Peak season ^b	–	60
	8-hour ^a	100	100
NO ₂ , µg/m ³	Annual	40	10
	24-hour ^a	–	25
SO ₂ , µg/m ³	24-hour ^a	20	40
CO, mg/m ³	24-hour ^a	–	4

Context

Recently, the **World Health Organisation (WHO)** has released **new Global Air Quality Guidelines (AQGs)**. Under these guidelines, WHO has **further lowered the recommended levels of pollutants** that can be considered safe for human health.

Other related information

This is the **first-ever update of WHO since 2005**. The goal of the guideline is **for all countries to achieve recommended air quality levels**.

What are the New Guidelines:

- The guidelines recommend **new air quality levels** to protect the health of populations, by **reducing levels of key air pollutants**, some of which also **contribute to climate change**.
- By striving to achieve these guideline levels, **countries will be both protecting health as well as mitigating global climate change**.
- WHO move sets the stage for eventual shifts in policy in the government towards **evolving newer stricter standards**.
- WHO's new guidelines recommend air quality levels for **6 pollutants**, where evidence has advanced the most on health effects from exposure.
- 6 classical pollutants include **particulate matter (PM 2.5 and 10), ozone (O₃), nitrogen dioxide (NO₂) sulfur dioxide (SO₂) and carbon monoxide (CO)**.

Major Effect of Air Pollution on Human Health:

- According to WHO, **Air pollution is one of the biggest environmental threats** to human health, alongside **climate change**.
- Every year, exposure to air pollution is estimated to cause **7 million premature deaths** and result in the **loss of millions more healthy years of life**.
- In **children**, this could include **reduced lung growth and function**, respiratory infections and aggravated asthma.
- In **adults**, **heart disease and stroke** are the most common causes of premature death attributable to outdoor air pollution, and evidence is also emerging of other effects such as **diabetes and neurodegenerative conditions**.
- This puts the burden of disease attributable to air pollution **on a par with other major global health risks such as unhealthy diet and tobacco smoking**.
- **Disparities in air pollution** exposure are increasing worldwide, particularly as low- and middle-income countries are experiencing growing levels of air pollution because of large-scale urbanization and economic development that has largely relied on the burning of fossil fuels.

Current Status of Pollution in India:

- India continues to remain **one of the most polluted areas in the world**, with pollutant levels several times higher than recommended levels.
 - For example, a **Greenpeace study** found the average concentration of **PM2.5 in New Delhi in 2020 to be nearly 17 times higher than the recommended levels.**
 - In **Mumbai**, pollution levels were **eight times** higher; in Kolkata, over nine times higher; and in Chennai, over five times higher.
- According to experts of **Global Burden of Disease study**, **over 95% of India's population already lived in areas where pollution levels were higher than WHO's 2005 norms.**
- India's own **national air quality standards are much more lenient**, even compared to WHO's 2005 norms.
 - For example, the recommended PM2.5 concentration over a 24-hour period is 60 micrograms per cubic metre, compared to 25 micrograms advised by WHO's 2005 guidelines.
 - But even these lower standards are hardly met.

What are the Impact of New Guidelines on India:

- The new air quality guidelines mean that nearly **entire India would be considered a polluted zone for most of the year.**
- However, by WHO's own admission, more than **90% of the world's population lived in areas** which did not meet its 2005 pollution standards.
- The new WHO norms **should push India** to work harder to make its air cleaner and safer.
- Further, the **feasibility of implementing the new guidelines is questionable**, especially in challenging geo-climatic zones like south Asia, including India.
- Experts point out that this region has **challenging meteorological and climatic conditions**, with the added challenge of haze columns, heat island effects and very high base pollution.
- However, as the WHO's guidelines are **not binding**, the move doesn't immediately impact India as the **National Ambient Air Quality Standards**

(NAAQS) don't meet the WHO's existing standards.

- The government has a dedicated **National Clean Air Programme** that aims for a 20% to 30% reduction in particulate matter concentrations by 2024 in 122 cities, keeping 2017 as the base year for the comparison of concentration.

What can be done more

- Given the condition of the Air Pollution in India, there is a need to strengthen health data and **revise National ambient air quality standards** accordingly.
- Further, the hard lockdown phases during the pandemic have demonstrated the dramatic reduction that is possible when local pollution and regional influences can be minimised.

Source: TH

Comprehensive Economic Partnership Agreement (CEPA).

Context

Recently, India and the United Arab Emirates (UAE) formally launched negotiations on the **India-UAE Comprehensive Economic Partnership Agreement (CEPA)**.

Other related information

- Looking to build on the progress made by both countries under the **Comprehensive Strategic Partnership signed in 2017**, both countries expressed a desire to reach a **mutually beneficial economic deal**.

What is Comprehensive Economic Partnership Agreement:

- It is a **kind of free trade pact** which covers negotiation on the trade in **services and investment**, and other areas of economic partnership. It may even consider negotiation on areas such as trade facilitation and customs cooperation, competition, and **Intellectual Property Rights**.

- Partnership agreements or cooperation agreements are more comprehensive than **Free Trade Agreements**.
- CEPA also looks into the **regulatory aspect of trade** and encompasses an agreement covering the regulatory issues.
- India has signed CEPAs with South Korea and Japan.

India-UAE Economic Relations:

- The **UAE is currently India's third-largest trading partner** with bilateral trade in 2019/2020 valued at **USD 59 billion**.
- The **UAE is also India's second-largest export destination after the US**, with exports valued at approximately **USD 29 billion in 2019-2020**.
- The **UAE is the eighth-largest investor in India**, having invested USD 11 billion between April 2000 and March 2021, while investment by Indian companies in the UAE is estimated to be over USD 85 billion.
- **Major Exports:** Petroleum products, precious metals, stones, gems and jewellery, minerals etc.
- **Major Imports:** Petroleum and petroleum products, precious metals, stones, gems and jewellery, minerals etc.

Significance of India-UAE CEPA:

- It is expected to increase bilateral trade in goods to USD 100 billion within five years of the signed agreement and increase trade in services to USD 15 billion, leading to wider social and economic opportunities in both nations.

What are the Other Types of Trade Agreements

1) Free Trade Agreement (FTA):

- It is an agreement in which **two or more countries agree to provide preferential trade terms, tariff concession etc.** to the partner country.
- India has negotiated FTA with many countries e.g. Sri Lanka and various trading blocs as well e.g. **ASEAN**.

2) Preferential Trade Agreement (PTA):

- In this type of agreement, two or more partners give **preferential right of entry to certain products**. This is done by reducing duties on an agreed number of tariff lines.
- Tariffs may even be reduced to zero for some products even in a PTA. **India signed a PTA with Afghanistan**.

3) Comprehensive Economic Cooperation Agreement (CECA):

- CECA generally **covers negotiation on trade tariff and TRQ (Tariff Rate Quotas) rates only**. It is not as comprehensive as CEPA. India has signed CECA with Malaysia.

4) Bilateral Investment Treaty (BIT):

- It is a bilateral agreement in which **two countries sit together and decide the conditions for private investments** by citizens and firms of the two countries.

5) Trade and Investment Framework Agreement (TIFA):

- It is a trade pact between two or more countries which **establishes a framework for expanding trade and resolving outstanding disputes** between countries.

Source: PIB