

Argument: *Farmers will benefit.*

➤ **TRUTH:** Actually Farmers will face problems related to depressed prices due to cut throat competition among the food retailers, delayed payments and lack of credit and insurance.

Argument: *China has become the manufacturing hub of the world because it opened up the Retail market fully. India should also open retail sector.*

➤ **TRUTH:** One should not forget that China has opened up its retail sector only some months ago and only after it has had a head start in terms of economic development. China has become the manufacturing hub of the world because the retail giants have been sourcing all their garments, shoes, bags, belts from China. Would the MNCs do so in India? After all they are interested in making profits that appear in the Indian market with its middle class of 150 million people.

Argument: *The Minimum Capitalisation of US \$ 5 mn, permitted to operate in six metros, minimum space of 5,000 sq. metres etc would limit operations*

➤ **TRUTH:** Any one who is familiar with the Indian Retail scene would realize that any major Retailer would actually have to spend much more than US \$ 5 million, just to set up an economic operation in the Metro cities. The Business Plan of any foreign Retailer would involve initial operations only in the metros where the maximum opportunities lie. Also, a Retailer of the level of Wal-Mart or Carrefour would certainly have a minimum space of that size in any case. At the same time, the impact of large spaces being taken over by foreign retailers could make it impossible for others to buy even small retail spaces.

Argument: *The FDI limit should be capped to 49% or 74% initially.*

➤ **TRUTH:** There is enough evidence to suggest that multinational partners will not limit themselves to anything less than 100%. Even if the FDI is allowed it should not be more than 49%.

Argument: *Conditions may be attached to FDI entry.*

➤ **TRUTH:** Government may place certain conditions for allowing the foreign entity. However, as per experience, most of these conditions have no meaning or importance once the entity sets up shop. Look at Pepsi and Coke, they had many conditions put on them, but, as is well-known, these were blatantly disregarded.

Questions?

- What is the reason for pushing for FDI in Retail in priority over other key areas?
- Of what use would the FDI in Retail be if the country does not possess the infrastructure and the manufacturing capacities?
- What guarantee is there that Wal-Mart will source its supplies from India alone?
- How can we ensure that there will not be any job loss?
- How are we going to ensure welfare of the workers from the exploiting nature of MNCs?

It is just not possible to justify this proposal, as it does not serve interests of any of the stakeholders, except Wal-Marts and other retail giants at this point of time.

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**Join us in opposing
FDI in retail sector!**

Read and React.



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What is FDI?

Foreign direct investment is an investment of foreign assets into domestic structures, equipment, and organizations. FDI is mainly criticized for “crowding out” domestic investment, lowering certain regulatory standards, exploiting labor standards and seeking out cheap labor.

Why No FDI in Retail Sector?

FDI in the retail sector has destroyed livelihood options of many societies throughout the world. It is fundamentally different from foreign investment in manufacturing sector. The Western concept of efficiency that maximizes output and minimizes the number of workers is not going to be valid in India. It will only raise social tensions.

FDI Driven Modern Retailing Will:

- Destroy the traditional retail sector
- Increase the exploitation of our people
- Possibly wipe out more than 45 million family owned shops in the unorganized sector
- Enable the MNCs, whom are constantly acquiescing power, to squeeze out producers in India and across the globe
- Negatively Impact Policy Making (eg. Nutrition policy), Economy (eg. Lopsided growth), Environment (eg. Deforestation and pollution)
- Accelerate Consumerism from increased incomes, and easier access to plastic money and other direct borrowing

Why No Wal-Mart?

FACT: Wherever Wal-Mart opens up shop, poverty rate increases there.

Wal-Mart is the top retail chain in the world. It operates in more than 12 countries and has 5,000 retail outlets. It is one of the main stakeholders that will benefit from FDI in Retail in India.

Wal-Mart's Violations

- Subjects employees to work off-the-clock
- Blatantly violates Labor Standards in countries it set up shop
- Does not treat women workers fairly
- Spends meagerly on worker's Health and cares little for the safety of its workers
- Stifles competition in the domestic market
- Destroys the environment
- Increases vehicle traffic.
- Committed to an anti-union policy.

Myths of FDI in Retail:

Argument: Potential spin-offs on large scale job creation, FDI in retail will bring 8 million jobs

➤ **TRUTH:** The projection is based on a projected 10 per cent GDP growth for the 10-year period and assumes a 20 per cent market share for the modern format retailers. In the

case of a more realistic scenario of a lower GDP growth (current GDP growth is around 6 per cent) and a greater market share for the labour-displacing modern format retailers which is likely if FDI is permitted, total employment in the retail sector would actually shrink.

Argument: FDI in Retail will provide consumer products at a lower price

➤ **TRUTH:** Mass purchases lead to better prices, but it should be evident that the benefit of lower prices is moving only from one sector viz. the Indian manufacturer to another viz. the consumer. Also, what if the MNCs are going to import goods from foreign suppliers? Will it not damage the domestic retail sector? Certainly the benefit to the customer is not at the cost of the Global player's profits but at the cost of the supplier and the domestic market. Using their deep pockets the multinational retailers can under-price domestic retailers thus pushing them out of business. However, once a monopolistic situation is created it could turn into procuring low and selling high.

Argument: The foreign entities will bring technologies and management skills. Also farmers will benefit.

➤ **TRUTH:** In reality, the only technologies and skills they would bring would be for serving their own business needs and would be related to their own Retail operation. With out understanding the problems of low productivity in Indian agriculture and trying to solve it by introducing new technology, better irrigation methods and better post harvest management, there is no real benefit for the farmers.