The Issue of FDI in Retail

Proposed Conditions	Comment
FDI in multi-brand retail is permitted to the extent of 51 per cent with government approval.	This means that foreign retailers would have commanding position in the venture. This is not in spirit with the 'calibrated' approach suggested by DIPP.
Retail sales locations may be set up only in cities with a population of more than 10 lakh (1 million) as per 2011 Census and may also cover an area of 10 km around municipal urban agglomeration limits of such cities. Retail locations will be restricted to areas as per the master zonal plans of the cities concerned and provisions will be made for requisite facilities such as transport connectivity and parking.	It allows them to open stores in around 53 cities. These cities generate substantial portion of the total income in India. Apart from thee 53 cities, states with no million plus cities can also allow FDI Retail outlets in million minus cities.The condition gives a free run to foreign retailers to directly compete with existing businesses in the established and natural markets with different sizes of superstores in as many numbers as they wish.
Minimum amount to be brought in as FDI by a foreign investor would be around $100 million.	It's a pittance considering that super-retail is a business of scale.
At least 30 per cent of the procurement of manufactured processed products shall be sourced from small industries that have total investment in plant and machinery not exceeding $250,000 (around INR1.25 crore). This investment refers to the value at the time of installation, without providing for depreciation.	It has potential to threaten our MSME sector by opening a floodgate of imports denying the country any opportunity to enhance its skill and base of production. It has nothing to do about protecting domestic small industry as the cap is applicable for MSMEs world wide.
The government will have the first right to procurement of agriculture products.	This is far from being sufficient and the Govt. must also keep power to buy agricultural products from superstores at pre-specified prices in case of food sortage in the country.
Fresh agricultural products, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products may be unbranded.	It is likely that with reduced tariffs under various multilateral/regional/bilateral free trade agreements superstores would import these products.
At least 50 per cent of the total FDI brought in shall be invested in back-end infrastructure. Back-end infrastructure will entail capital expenditure on all activities, excluding that on front-end units. For instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce, infrastructure, etc. Expenditure on land cost and rental, if any, will not be counted for purposes of back-end infrastructure.	Back end infrstructure defined as any expenditure other than on front end is fallacious. Office expenditures would also be counted as investment in back end infrastructure.
Self-certification will be done by the company	This actually undone all the riders. There is no

to ensure compliance of all the conditions.	monitoring machanism proposed to ensure compliance of conditions.

Myths being propogated by vested interests	**Facts**
States can deny trade licenses	Given the national treatment commitment under the bilateral trade treaties with close to hundred countries no state can discriminately treat FDI retailers. Rules and regulations have to be same for domestic and foreign retailers. And states are constitutionally not in a position to keep corporations away from retailing. Hence, having the same Govt. treatment even foreign corporations can open retail outlets in all states. In fact, Corporate retailers have already used court to get trade licenses. So even if an authority (state/municipal/panchayat) deny a trade license, corporations are likely to get court order citing trade as fundamental right.
30% sourcing regulation would help MSMEs	India is signatory to General Agreement on Trade in Services (GATS) which does not allow India to have any such local content requirement. Such sort of proposed regulations could be challenged under WTO.
Corporatizing the supply chain would reduce gap between producers and consumers prices	There is no such obvious evidence. Superstores squeeze both ends of the supply chain by buying cheap and selling dear. It's widely found those final products sold in the superstores are of higher prices.
Small farmers would benefit	Superstores generally deal only with big farmers. There is no such international precedent.
FDI in retail would help curb inflation	It could infact lead to the opposite. Prices in India are comparatively stable.
It will wipe out middlemen	Superstores are giant middlemen and do deal through a chain of agents.
Corporatizing retail would create 10 million jobs	The projection is baseless and meant to influence debate. The efficiency of corporations comes from being low labour intensive. According to an estimate, while one billion USD of turnover currently generates 104,821 jobs in current Indian retail, it only generates 3,241 jobs in average global retailers. The autonomus growth of Indian retail market with the projected annual compound rate of 10 to 12% is capable of generating many more jobs without FDI in retail.