

## CHIEF MINISTER JAYALALITHAA OPPOSES FDI IN RETAIL

The sudden decision of the Government of India to open up Foreign Direct Investment (FDI) up to 51 percent in multi brand retailing and 100 percent for single brand retailing has come as a rude shock to the thunder struck millions of traditional retail vendors in the country. While Parliament is in session, this move of the Government of India to announce such a major policy decision affecting millions of people outside the Parliament without even consulting the State Governments is unprecedented and indicates the overweening arrogance of the UPA Government. The FDI policy in the retail sector is a sensitive issue and it was strongly opposed by various trade bodies even when the Committee appointed to study this issue made field visits. But, by making this sudden announcement ignoring the sentiments of the people, the Central Government has stirred the proverbial Hornet's Nest.

The purported intention of the Government of India seems to be to bring more foreign investment into the country to improve market efficiency and bring down double digit inflation prevailing in the country, mainly due to the series of policy blunders made by the Congress led UPA Government at the Centre. Does our Nation lack such resources or the technology to deal with such problems? The Central Government should realize that constraints on farm products, on the supply side, which is one of the contributory factors to food inflation cannot be addressed through the FDI route, but only by squarely addressing the infrastructural constraints through appropriate policy support.

The world over, whenever local Governments opened up the retail sector, local prices went up sky high instead of curbing the price level. There are many countries whose experience shows just the reverse, as the price mark up by such MNCs is much higher than what is being charged by the small vendors. Further, such invasion of MNCs leads to monopolisation of the market, exploiting both farmers and producers on the one side and the consumers on the other side as, once the traditional system of retail is broken, it cannot be rebuilt, if the MNCs adopt a predatory pricing policy. In most such countries, the unorganised retail sector, which provided livelihood to millions of traditional retail vendors, has been completely destroyed, as the organized Multi National Companies swamped the retail markets. For instance, in the U.K., it is reported that 3 retail chains now control 65 percent of the entire retail market. Similarly, in a country like Thailand, over 30 percent of the local shops were forced to close and pull down their shutters within 10 years of the entry of Foreign retailers. In India reports suggest that 90% of the total retail business is in the unorganized sector wherein 40 million people

depend on unorganised retail for their employment and livelihood. While the Government of India talks about creation of 10 million jobs in the next 3 years, this will lead to 40 million people being uprooted and thrown out from their business. Most of these people are not well educated and will remain unemployed for ever. When we talk about the creation of employment opportunities, these retail vendors in the country who depend on this business for their livelihood will be rendered destitute and will be driven to the streets. Therefore, I strongly feel that this decision of the Government of India is a wrong decision, taken under pressure from a few retail giants, who are starved for capital infusion for their future survival.

The announcement of the Government of India has come as a thunderbolt and shocked millions of small vendors who have been completely taken off guard. Their fear that this move will completely throttle small retailers and distributors is not unfounded. As this will affect the livelihood of millions of small departmental store owners and completely destroy the unorganized retail sector within the next couple of years, I strongly oppose this move of the Government of India to open up the retail trade to Foreign Direct Investment. Though the policy guidelines are yet to be released by the Government of India, any amount of safeguards will not be any use in protecting the interests of the domestic sector. Therefore, I demand that this ill advised move of the Government of India should be reversed as it will not serve to bring down inflation or improve market efficiency. Rather, the domestic manufacturing and services sectors will take a serious hit and the retail trade will be completely taken over by the MNC dominated big retail giants which is not good for our country. Therefore, I am constrained to state that my Government will not allow the multi brand global players as permitted under the new policy to set up their hyper markets in Tamil Nadu.

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