

Industry divided on entry of foreign retailers

Union Cabinet decides to allow majority foreign ownership in multibrand retail companies

Special Correspondent

BANGALORE: Industry in the State is divided on the Union Cabinet's decision on Thursday to allow majority foreign ownership in multibrand retail companies. While representative bodies of large industries such as the Confederation of Indian Industry (CII) have welcomed the development, representatives of small and medium enterprises (SMEs) have expressed dismay over the move. The Union Cabinet also allowed 100 per cent foreign ownership in single-brand retail companies operating in India.

The CII, the Associated Chambers of Commerce and Industry (ASSOCHAM), the Bangalore Chamber of Industry and Commerce, all of which have significant representation from large industries, have welcomed the decision.

Addressing a seminar here on Friday, J. Crasta, co-chairman, Southern Regional Chapter, ASSOCHAM, said that allowing foreign retailers into the country would result in the "modernisation of the supply chain". "End users will



A shopper looks at clothes on display at a shopping mall in Bangalore on Friday. Union Commerce Minister Anand Sharma has said that the decision has a built-in safety net for small shops and farmers. — AP PHOTO

benefit from the elimination of the many layers of middlemen in the supply chain," Mr. Crasta said. "The fact that a Cabinet decision is not required to be cleared by Parlia-

ment will ensure speedy implementation of the decision," Mr. Crasta told *The Hindu*.

The entry of foreign retailers would dampen the infla-

tionary spiral, he said. BCIC president Vinod Nowal said that the move "though late in coming, paves the way for the second wave of economic reforms".

Mr. Nowal said that the liberalisation of the retail sector will "attract global capital" into Indian retailing activity.

The CII too has welcomed the move, saying that it would be favourable to the interests of farmers, small producers and consumers.

Safeguards lacking

However, the Federation of Karnataka Chambers of Commerce and Industry (FKCCI) has said that the announcement has not been backed by adequate safeguards to protect the interests of small producers, especially farmers.

"We are totally against the entry of foreign companies in the foodgrains business because that would pose a threat to national food security," FKCCI president J.R. Bangera said.

"The argument that the move would help bring inflation under control is specious because inflation in food products in recent months

has been concentrated in protein products such as poultry, meat and other such items," he said.

Mr. Bangera said that the FKCCI has urged Chief Minister D.V. Sadananda Gowda not to allow foreign multibrand retailers to enter Karnataka. Asked if this was legally feasible, he pointed out that the Cabinet note had made it clear that the requisite permissions were to be given on a discretionary basis by the local authorities.

Responding to the argument that the entry of big foreign retailers would help in the modernisation of the sector, Mr. Bangera said, "This is only playing to the gallery of the sophisticated elite."

"In Malaysia and other parts of south east Asia I have seen how small shops have been wiped out after the entry of large retailers such as Carrefour and Tesco. The same will happen here," he said.

Mr. Bangera admitted that the industry is divided on the issue. He said that several of the large Indian retailers have welcomed the move because "it gives them an opportunity to sell out".

PRESS CLIPPINGS