

# **FDI in Multi-brand Retailing: Lessons from China**



Submitted by:

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## Introduction

Henry Ford, the technological genius once famous said, "Don't find fault, find a remedy; anybody can complain". This adage unprecedentedly reverberates ever so relevantly in today's Indian retail sector scenario (Kandarpa S.G. n.d.) primarily owing to the recent opposition to foreign direct investment (FDI) in multi-brand retail trading (MBRT) that is fraught with apprehensions of its impact on stakeholders such as small suppliers or farmers, small retail traders and consumers - all politically important classes, who have vested interests in the status quo (Nedungadi 2011). This was evident from the proposal to raise FDI cap in the retail sector passed in the Parliament in the winter session of 2011 that became bone of contention. Government of India on 10 January 2012 notified 100% FDI in single-brand retail trading (SBRT) raising the cap from 51% permitted in 2006 while putting on hold FDI in MBRT compelled by several political parties ("PTI" 2012) who fear the possibility of monopoly of foreign entrants over both farmers and consumers, their predatory pricing strategies, manipulation of prices for the entrants' own benefit and a fall in income, employment and the eventual destruction of the unorganised indigenous retail sector.

On the other hand, by building on other articles and reports published by various institutions and researchers it has been found that the biggest fear in India in fact is not that the FDI per se will be disadvantageous for farmers or traditional retailers, it is that the government and its agencies may not be able to regulate and monitor the operations of the global retailers (Singh 2010). This study discusses the four major dimensions of the policy on FDI in MBRT, i.e., impact on farmers, the impact on the domestic and traditional retail sector, impact on supply chain and the impact on consumers by citing China's case. It also suggests alternative policy measures to leverage FDI in MBRT for the benefit of farmers and the national economy (Singh 2011).

## Proposed FDI policy for MBRT in India

The conditions for 51% FDI in MBRT include a minimum investment of US\$100 million by each player, 50% of it in back-end infrastructure, 30% procurement from micro, small and medium enterprises (MSMEs) and the government's right to procure the farm produce first. But MBRT players are allowed to sell perishables such as fruits and vegetables as "unbranded". Further, the permission for MBRT has been granted for cities with a population of one million or more, which brings in 53 cities (Singh 2011). In order to address concerns of some states that multi-brand FDI will muscle out local shops, the draft framework proposes powers to state governments to impose additional conditions on MNC retailers, such as measures to integrate *kirana* or local retailers into the value chain (Sikarwar 2011). The Economic Survey Report, 2010-11 suggests that the Indian government also aims to take up this case gradually by permitting FDI in retail in a phased manner beginning with metros and incentivizing the existing retail shops to modernise, to help address the concerns of farmers and consumers (Kandarpa S.G. n.d.).

## FDI policy for MBRT in China

Fortunately, we are not the first country to have foreign investment in MBRT and hence, there are good experiences to understand and learn from so as to build our confidence to move forward (Nedungadi 2011). To get a sense of how things might pan out, we could look at China, which like India has historically had a vast and fragmented retail sector (S Ghosh 2011; Sharma and Mohanty 2005). It will be better to follow the Chinese model of caution and hurrying slowly. China took over 12 years to liberalise its FDI regime and in stages with reversals as well. It first allowed FDI in retail in 1992 at 26% (Dutta 2011). As soon as retail was opened to FDI in the late 1990s global retailers like Tesco, Wal-Mart, Metro and Carrefour were quick to enter (S Ghosh 2011). After 10 years the cap was raised to 49% when local chains had sufficiently entrenched themselves. 100% FDI in retail was permitted only in 2004, after the infant retailing industry had acquired some muscle (Guruswamy and Sharma 2006). It even revoked some previously granted approvals, to reduce the foreign retailers' footprint (Dutta 2011). Given this

timeline, the Chinese retail environment is 20 years ahead of us. Looking at their market today can give us a rough idea of how FDI in MBRT in India might pan out in the medium term (S Ghosh 2011).

Initially, China also allowed foreign retailers to open only in select metropolises, such as Beijing, Shanghai and Shenzhen, and moreover, only in certain districts in those cities. In Beijing and Shanghai, foreign retailers like Wal-Mart were only allowed to operate in districts where there were no local competitors. Through these “invisible barriers”, China succeeded in giving local retailers protection, while at the same time, they learnt from the “more efficient” business models of foreign companies (Krishnan 2011).

## Four major dimensions of the policy on FDI in MBRT

### Impact on Small farmers

It is surprising that with 85% of India's farmers being small or marginal land operators, the draft framework includes no restrictions on procurement of farm and allied produce to protect the primary producer or smallholder interest. In fact, there are no incentives even to encourage small farmer inclusion. Further, there is no provision in the decision for formal registered contract farming being mandatory. Even after so many years of domestic supermarkets operating in India, 60-70% of their procurement is from wholesale markets and not directly from farmers. The supermarkets are known to prefer large suppliers of farm produce. Thus, the last mile which is a must for farmer benefit may not be reached. The only protection granted is the mandatory 30% procurement from MSMEs though it is still not clear how this can be restricted to only Indian MSMEs when the World Trade Organisation (WTO) rules under the provisions of the Trade Related Investment Measures (TRIMs) may not permit this India specific protection since it will violate the national treatment clause of the agreement (Singh 2011).

The operations of the global supermarkets in China indicate, unlike what many proponents of liberal FDI in MBRT policy claim, the entry of foreign retailers will not make any difference to the producer's share in the consumer's rupee. Further, due to the sheer size and buying power of foreign supermarkets, producer prices may be depressed (Singh 2011). For instance, for a farmer from Hebei, who grows

vegetables on a 0.67 hectare plot of land (marginal farmers in India have land possession of not more than four hectares), the coming of retail has increased, not reduced his client base. He has direct sales in a Beijing neighbourhood every evening, while also supplying a supermarket chain, which he says, pays less for his produce. “My vegetables are cheaper than in the supermarket, so I will always have my customers,” he said (Krishnan 2011). The only impact so far has been in improving the productivity by increasing the size of landholdings. In a village in Hebei, for instance, each household had between 0.06 and 0.13 hectare, but as more farmers moved to the cities for work, they rented out their land to those farmers who stayed behind (Ibid.).

Certainly consolidation of the retail sector in China, as a result of the government-supported rise of local retail giants in order to protect them from foreign retailers, has put many small farmers who could not cope with lower prices, out of work (Krishnan, 2011). But it cannot be anyone's case that farmers are getting a good deal right now; they remain underprivileged in terms of accessing technology, inputs, and above all, credits and subsidies from the government in India. The fact is that farmers barely subsist while middlemen take the cream. Hence, we should not get dreamy about this unequal relationship and decline FDI in MBRT in the name of farmers (“TNN” 2011). Likewise, the argument that farmers will suffer once global retail has developed a virtual monopoly is also weak (Krishnan 2011).



**Photo 1.** A Hebei farmer sells his produce in a Beijing neighbourhood. Source: Krishnan 2011

## Impact on Organized Domestic Retail Chains

**Table 1:** Top 10 Chinese Retail Chains 2010

Top 10 Chinese Retail Chains 2010							
Retail Sales Rank	Name of Company	2010 Retail Sales (US\$ billion)	Number of Stores	Operational Format	Region of Origin	Regions of Operation	
1	Suning Appliance Group	24.76	1,342	Electronics Speciality	China	More than 300 cities in all regions, Hong Kong, Japan	
2	Gome Electrical Appliances Company Limited	24.55	1,346	Electronics Speciality	China	More than 200 cities in all regions	
3	Bailian Group Company Limited	16.43	5,809	Supermarket, Department Store, Convenience Store, Home Improvement	China	20 provinces and cities in China	
4	Dashang Group Company Limited	13.66	170	Supermarket, Department Store, Electronics Specialty, Home Improvement	China	Northeast China, North China and West China	
5	Vanguard Company Limited	11.38	3,155	Supermarket, Department Store, Convenience Store, Drug Store, Food and Beverage	China	27 provinces and cities in China	

6	RT-MART International Company Limited	7.96	143	Supermarket	Taiwan	21 provinces and cities in China
7	Carrefour Société Anonyme (China)	6.66	182	Supermarket	France	21 provinces and cities in China
8	Anhui Huishang Group Company Limited	6.42	2,915	Supermarket, Department Store, Convenience Store, Electronics Specialty	China	50 cities in China
9	Wal-Mart Stores, Incorporation (China)	6.34	219	Supermarket	US	20 provinces and cities in China
10	Chongqing General Trading (Group) Company Limited	6.06	319	Supermarket, Department Store, Electronics Specialty	China	Chongqing, Sichuan, Guizhou

**Source:** Deloitte China CB and T Group Report 2011

The above table categorically shows that China's biggest retail firms today are all Chinese companies — the Shanghai Bailian group, Suning Home Appliances, Gome Home Appliances and Dashang Group, all have bigger sales than Walmart in China. Shi Yongheng<sup>1</sup> said that the success of China's local retailers was enabled by the government controlling the speed of the “gradual” opening up process, which gave local retailers enough time to adapt (Krishnan 2011). Apart from this, it is because of economic growth as well and also because big players’ strengths in their home countries are based on factors that are

<sup>1</sup> Shi Yongheng is a professor from the School of Economics and Management at Tsinghua University who has studied China's retail sector.



totally absent in other countries, for instance, Wal-Mart is able to drive costs down because of its incredible logistics and supply chains which are absent in India as they were absent in China. There is also the question of physical infrastructure like roads and ports that are not to the same level as they are in the US and they simply will not have the kind of scale that they have in the US to negotiate and bargain with the suppliers and drive down the cost (Manshu 2011).

Like China, India should first encourage and focus on strengthening the domestic organised retail chains' foothold and presence in the multi brand retail sector prior to completely opening the MBRT to foreign investment. Our country also poses a big challenge to organised large retailers particularly in food sector. Food being perishable item, for the retailer to be successful the key is proper supply chain management. The challenge comes from a number of factors, e.g., huge size and population of our country, varied culture and hence varied taste, very poor infrastructure like improper roads, bad connectivity between production centres and markets, lack of proper cold chain facility like refrigerated transportation, ware-housing (Mukhopadhyay n.d.).

Competition is especially cut-throat in the supermarket and the hypermarket segment of China's retail segment. The largest player in the supermarket segment, the China-based Shanghai Bailian Group (with 5,809 stores in 2010), enjoys only 11% market share. Even Wal-Mart which dominates the retail market in the US commands only around 6% market share in China, despite the fact the big-box retailer set up shop nearly 15years ago in the country (Thomas White2011).According to Kantar Worldpanel, RT-Mart International Limited, a Taiwan-headquartered company was the biggest retailer on the Chinese mainland with 6.3% market share until mid-2011, attracting more than one-fourth of households in the mainland market. The French retail giant Carrefour Group, the world's second-largest retailer by revenue held a 4.9% market share during 2010. Tesco Public limited company, the world's third-largest grocer by revenue, after the US Wal-Mart and French Carrefour, has had a 2.1% market share in China over the year 2011. CR-Vanguard Group saw its market share rise from 6.2% in the second quarter of 2010 to 6.7% in the second quarter of 2011 (Woke 2011). Similarly, in a highly fragmented retail sector

with a Brobdingnagian unorganised retail segment (circa 93% of the total market) it is very unlikely that global retailers will ever become monopolies in India provided that our government immediately identifies and implements those policy initiatives which are required to give a boost to our own domestic fledgling organised retail industry by providing them the desired level playing field as without that our own retail industry could result in more harm than good (Mathur 2005) and perhaps putting in place the right policy which controls how much share a company can enjoy in a particular sector.

The overall number of foreign retail stores in China in the Top 100 increased by 25.64%, exceeding the 11.49% of Chinese retail stores in 2010. There were 135 newly-opened stores of the six major foreign supermarket operators in 2010, up 22.77% over the previous year. Seven foreign retailers enjoyed the growth of more than 20% in the number of stores in 2010 (“Deloitte” 2011). This means burgeoning organised retail segment; and the benefits of a larger organised retail segment are several -the greater benefit being the expanded reach and increased volumes that organised retail can tap. Increased volumes translate into more manufacturing, more jobs in industry and more prosperity (Mathur 2005). Their sales greatly improved as well in 2010, but remained lower than the domestic average. Among the Top 100, foreign retailers had a sales growth of 18.09% in 2010, vs 25.3% sales growth of Chinese retailers (“Deloitte” 2011). This is mainly because only 5% of China’s retail enterprises are foreign invested and they still face restrictions and lack of clarity in rules (Woke 2011). However, for one, it is unclear if India can pose the barriers that challenged foreign retailers in China, starting right from land — foreign retailers here have complained of not being given land by local governments, who control all land transactions in prime locations (Krishnan 2011).

Foreign retailers have yet played an instrumental role in providing impetus to organised retail in China as well as modernising the sector through best practices and state-of-the-art technology with modern management techniques and brand recognition becoming the mainstays of the Chinese retail sector (Thomas White 2011). “In terms of logistics, procurement and management, we have clearly seen the benefits,” Shi Yongheng said. “Prices have fallen, and efficiency has increased. Initially, we had fears of

the coming of foreign companies, but now we are no longer concerned as local companies have been able to learn from them, and compete with them.” Many of these changes, according to Chinese analysts also, were made possible by the entry of foreign retail giants such as Wal-Mart and Carrefour, who changed the way Chinese companies managed their businesses from farm procurement to logistics (Krishnan 2011).

### **Impact on Traditional Retail**

There are somewhere between 10-13 million retail outlets in India dominated by the *kirana* stores. Some worry that the entry of large multinational companies (MNCs) like Wal-Mart will affect these establishments and throw large number of people out of work (“Agencies” 2012). One should remember that our retail market is disorganised, but vast. The retail pie is large enough for everyone to get a slice (S Ghosh 2011). Is it feasible for a single foreign entity to emerge as a dominant player, even if it had unlimited capital and expertise and a lot of luck? Apart from the challenges associated with establishing a business, it would have to fight all the incumbent organised and unorganised local players, who will contest foreign entry into their fiefdoms every step of the way. Indeed, local players have already thrown down the gauntlet and very successfully so by forcing the government to put the FDI decision on ice (Ibid.).

The Chinese example indicates that foreign players may not be as much of a threat to incumbents as is being parroted in the media. They will have to navigate an unfamiliar cultural and culinary environment, as well as the infamous bureaucracy (to deal with this to an extent, Wal-Mart made a point to have 99.9% of China’s associates and all store managers Chinese Nationals (Mathur and Martow 2011)). They will also face significant political opposition and will always be vulnerable to adverse media coverage. Indeed, they will have to bend over backwards to convince the Indian authorities that they are not exploiting the Indian farmer or consumer (S Ghosh 2011).

According to a study by the Vale Columbia Centre for Sustainable Economic Development<sup>2</sup>, the Centre's Nandita Dasgupta notes that there is no evidence that the huge investments have hurt mom-and-pop operations or domestic retail chains in China (Rao 2011; Government of India 2010). Since 1992 it has attracted huge investments in the retail sector without affecting either small retailers or domestic retail chains. In fact, since 2004 the number of small Chinese outlets has increased to around 2.5 million from 1.9 million ("PTI" 2011). It is because the market is so large and growing so quickly that even today, hypermarkets, convenience stores and other examples of organised retail make up less than half of the urban food market (S Ghosh 2011). In China, unorganised retail, represented by street vendors and neighbourhood "community retailers", has continued to thrive, offering cheaper prices than supermarkets and retail chains (Krishnan 2011). Similar is the scene expected in India as poor are not able to negotiate prices with modern but traditional retailers. Further, the products which are offered at a lower price by modern retail are less relevant for the poor who buy them loose in small quantities (Singh 2011a). Likewise, the presence of big global retailers in rural China is also much smaller (S Ghosh 2011).

Certainly consolidation of the retail sector in China, as a result of the government-supported rise of local retail giants like Bailian, has put many small retailers who could not cope with the surge in number of competitors and lower prices, out of work. This phenomenon is called "retail Darwinism" in which only the fittest survive (Singh 2011). Nevertheless, the job losses in China have not been felt because of the pace of urbanisation and the growth of cities. "Yes, some small retailers have lost their jobs, but the question is, have the benefits outweighed the costs? I would certainly say 'yes'." said Professor Shi (Krishnan, 2011).

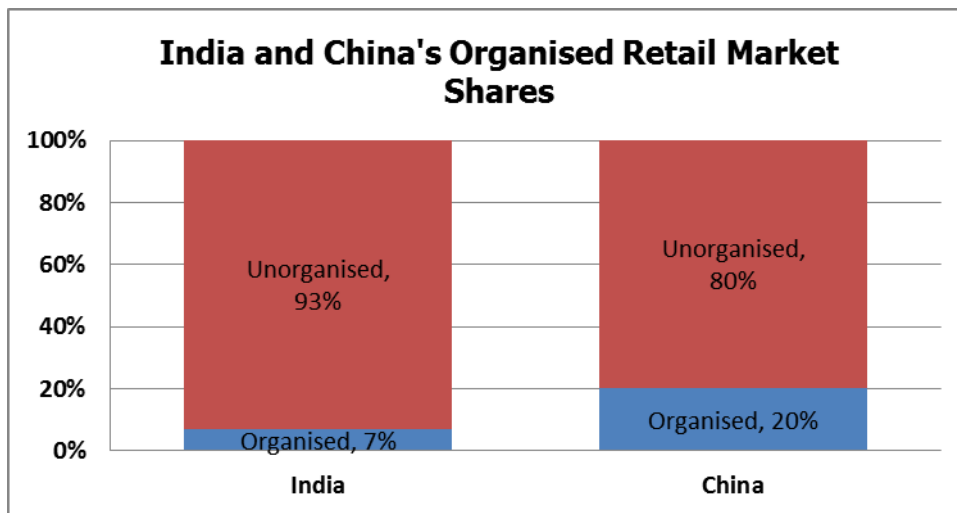
Coming to India, it is unclear if India can pose the barriers that challenged foreign retailers in China as the unorganised retail sector is also far larger in India, with organised retail accounting for less than 7%, compared with 20% in China (Ibid.). Regarding the protection of traditional retail interest, if there could

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<sup>2</sup>Vale Columbia Centre for Sustainable Economic Development is a think-tank that studies FDI trends.

be the Milk and Milk Products Order (MMPO) in the dairy sector to protect dairy cooperatives from private and multinational onslaught in the post-1991 phase, why cannot there be protection of the traditional retail sector for some time to give it breathing space as has been done in China? (Singh 2011).

**Figure 1.** India and China's Organised Retail Market Shares



Source:Devonshire-Ellis et al.2012

### Impact on Supply Chain

As evident from the Chinese example, the global big-box retailers have mostly focused more on opening stores in a drive to capture market share; but there has not been much investment in making supply chain improvements and operational efficiencies (Singh 2011; Dutta 2011). Wal-Mart has a 40,000 square meter, central distribution centre in Kengzian (China) and Carrefour uses a different approach, it relies more on local distributors to deliver direct to the stores to reduce the cost of developing its supplier network and supply chain (Wang and Jha 2011). This may not change even in India with FDI in MBRT though 50% investment in back-end infrastructure seems a reasonable condition (Singh 2011). Yet, almost two decades after China opened up retail fully, the sector has seen rapid growth against the backdrop of increased market consolidation, higher production efficiency enabled by rising investments

in rural infrastructure and booming exports made possible by the setting up of new supply chains (Krishnan 2011).

Without investments in the supply chain de facto neither can the quality of products be significantly improved nor their cost significantly reduced. The new FDI policy partly addresses this issue, as it requires a minimum investment of US\$50 million in the back-end, which cannot include land, rentals or front-end storage. While the final notification should be clearer on the exact implications, for now one can assume that this investment is envisioned in the storage, processing and transportation infrastructure. However, the impact this can have on a US\$450 billion retail market of India will be too small to be immediately meaningful (Dutta 2011).

### **Impact on Consumers**

I believe that no one impugns the positive impact of FDI in MBRT on consumers. If anything, the entry of retail big boys is likely to hot up competition, giving consumers a better deal, both in prices and choices. Mega retail chains need to keep price points low and attractive – that is the USP of their business. This is done by smart procurement and inventory management, good practices from which Indian retail can also learn (“TNN” 2011).

For Chinese consumers the attractions of hypermarkets are low prices and one stop shopping for food and general merchandise. China’s middle class consumers visit hypermarkets once every 10 days on average. While hypermarkets are gaining market share among food retailers, the majority of consumers still buy food at supermarket stores and traditional open markets, especially in rural areas where supermarkets do not exist (Wang and Jha 2011).

## Conclusion

There are certain policy issues in the proposed FDI policy in MBRT in India which need to be rectified, like there are no restrictions on procurement of farm produce from small farmers and no mandatory contract farming. Riders like mandatory 30% procurement from MSMEs also need to be amended since it will violate the national treatment clause of the agreement with World Trade Organisation (WTO). Chinese experience, first indicates that coming of foreign retailers will not make any difference to the farmers' share and it has mixed effect on farmers' client base. In some cases the client base has increased while in other cases farmers have been rendered out of work due to market consolidation. However, it cannot be anyone's case that farmers are getting a good deal right now. They remain underprivileged in terms of accessing technology, inputs, and above all, credits and subsidies from the government in India. Second, all China's biggest retail firms are Chinese companies despite the fact the big-box retailer set up shop nearly 15 years ago in the country, which was enabled by the government controlling the speed of the "gradual" opening up process, which gave local retailers enough time to adapt. It is also because big players' strengths in their home countries are based on factors that are totally absent in India and China, like incredible logistics and supply chains; physical infrastructure like roads and ports. However, foreign retailers have yet played an instrumental role in providing impetus to organized retail in China as well as modernising the sector through best practices and state-of-the-art technology with modern management techniques and brand recognition becoming the mainstays of the Chinese retail sector. While there are so many retail players in the vast market, Wal-Mart shares 6% market space in China and Carrefour enjoys only 4.9% market share. Similarly, in such a disorganised and vast retail sector of India it is very unlikely that global retailers will ever become monopolies provided that our government immediately identifies and implements those policy initiatives which are required to give a boost to our own domestic fledgling organised retail industry by providing them the desired level playing field. It is also indicated that foreign players will have to navigate an unfamiliar cultural and culinary environment, as well as the infamous Indian bureaucracy. They will also face significant political opposition and will always be vulnerable to adverse media coverage. Indeed, they

will have to bend over backwards to convince the Indian authorities that they are not exploiting the Indian farmer or consumer. Since 2004 the number of small Chinese outlets (equivalent to Indian *kirana* stores) has increased to around 2.5 million from 1.9 million and unorganised retail has continued to thrive, offering cheaper prices than supermarkets and retail chains. On the contrary, some small retailers have lost their jobs, but the question is have the benefits outweighed the costs? The answer is certainly a “yes”. Third, as regards to impact on supply chain, foreign retailers do not invest in supply chain improvements. This may not change even in India with FDI in MBRT though 50% investment in back-end infrastructure seems a reasonable condition. Fourth, foreign investment will only lead to an expansion of the organised sector whose benefits are several. The most obvious is to the consumer who gets a better product at a cheaper price and thus the standard of living of people improves. But the greater benefit is the expanded reach and increased volumes that organised retail can tap. Increased volumes translate into more manufacturing, more jobs in industry and more prosperity. All said and done, it is still obscure if India can pose the barriers that challenged foreign retailers in China as the unorganised retail sector is also far larger in India, with organised retail accounting for less than 7%, compared with 20% in China.

## Recommendations

- Consider upto 49% FDI in multi brand retailing instead of 51% (Mariwala 2011)<sup>3</sup> as the Indian retail sector, particularly organised retail, is still under-developed and in a nascent stage and therefore, it is important that the domestic retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors (Government of India 2010). FDI allowed in multi-brand retail in a phased manner will also facilitate investment in the supply chain and increase domestic sourcing (Mukherjee et al. 2011).
- Increasing the limit of the population of cities where FDI could be permitted from 1 million to 1.5 million (Mariwala 2011) as the entry of foreign players must be gradual and with social safeguards

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<sup>3</sup>Harsh Mariwala, *President of FICCI*.



so that the effects of the labour dislocation can be analyzed and policy fine-tuned. Initially allow them to set up supermarkets only in metros. Make the entry according to specific norms and regulations so that the retailer cannot indulge in malpractices such as “predatory” pricing (MBA Universe 2011).

- Given the global experience, it is important to keep the foreign food supermarket expansion slow by using mechanisms such as zoning, business licences, and trading restrictions. There are several instances in other countries where large stores are kept away from the traditional markets. Hypermarkets are not allowed within 3.5 km of housing estates or city centres in Malaysia. Indonesia prohibits hypermarkets within 500 m of traditional markets, and large stores of more than 40,000 sq ft are to be at least 2.5 km from traditional markets (Singh 2010).
- With the instruments of public policy in its hands, the Japanese government has effectively slowed down the process of entry of FDI in retail sector. Similarly the Indian government can try to ensure that the domestic and foreign players are more or less on an equal footing and that the domestic traders are not at a special disadvantage. The small retailers must be given the opportunity to provide more personalised service, so that their higher costs are not taken advantage of by large supermarkets and hypermarkets (Guruswamy et al. 2005).
- Provisions for legally binding and clearly worded rules for fair treatment of suppliers, an independent authority like a retail commission to supervise and regulate supermarkets for supplier, consumer, and labour aspects and support to local retailers, are required. Such an agency should ban buying of products below cost and selling below cost, improve local traditional markets for small growers, establish multi-stakeholder initiatives in the chains and provide support to small producers and traditional food retailers (Singh 2010).
- On the other side, farmers’ organisations and non-governmental organisations need to monitor and negotiate more equitable contracts with the supermarkets. Producers’ organisations amplify the

political voice of smallholder producers, reduce the costs of marketing of inputs and outputs, and provide a forum for members to share information, co-ordinate activities, and make collective decisions. On the other hand, they also lower the transaction costs for the processing/marketing/retailing agencies working with growers. The government should also play an enabling role through legal provisions and institutional mechanisms, like helping farmer co-operatives, producer companies and producer groups, to facilitate smooth functioning of the contract farming system, and not intervene in contracts directly (Singh 2010).

- The vulnerability of the growers due to fluctuations in market prices needs to be reduced by making supermarkets offer minimum purchase prices, not market-price-based premiums (Singh 2010).
- It is also known that the problems of Indian farming are not about market risk alone but also about production risk and structural factors like irrigation, technology, credit and so on which foreign MBRT players may not address (Singh 2011). The big domestic retailers and perhaps even the government can jointly invest in these areas and not rely on FDI in MBRT. Bulk buying and contract farming should be encouraged as that will lead to farmer protection and the below-standard produce that is rejected by their primary buyers can be sold where there is demand for such quality. Similar to Philippines', the policy should also insist that 30% of inventory by value be grown within the country (Guruswamy and Sharma 2006).
- India should write laws to prevent foreign retailers like Wal-Mart from having a high concentration of business in the country. For example, in Argentina provincial lawmakers passed legislation that no business could control more than 30% of the market in one sector. In Mexico, where Wal-Mart gained control of more than 50% of the market in less than 10 years, they are evaluating laws to protect domestic businesses (AFL-CIO n.d.). To protect the interest of consumers, the Competition Act, 2002, the Consumer Protection Act, 1986 and the Consumer Protection (Amendment) Act, 2002 needs to be reviewed and if required amended (Mukherjee et al. 2011).

- Global experience shows that FDI in retail can sometimes negatively impact consumers if corporate retailers adopt anti-competitive practices such as predatory pricing. In India, the Competition Act 2002 has provisions to check abuse of dominant position by major players, including predatory pricing. In the Act, dominant position is defined as “a position of strength, enjoyed by an enterprise, in relevant market, in India” (The Competition Act, 2002, No. 12 of 2003, pp. 9). To protect the interest of consumers, the Act can be further strengthened. For instance, the dominant position can be clearly specified, in terms of the market size of the retailers, as has been done in countries like Australia (Mukherjee et al. 2011).
- Last but not the least, the so-called freedom being given to states on the FDI decision is not a good step as it may fragment the market and the benefits of FDI will be undermined. This is evident from the experience of freedom given to states to amend the Agricultural Produce Market Committees (APMC) Act. Even eight years later there are still some states which have not amended the Act, many others have done it in their own way and this has become a thorny issue in agribusiness policy and practice. Further, given that FDI is an important global issue in terms of TRIMs and WTO negotiations and involves foreign relations, it is important to treat it as a national, and not a regional issue (Singh 2011).

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