



Consolidated Comments on FDI Discussion Paper

7.1 *Should FDI in multi-brand retail be permitted? If so, should a cap on investment be imposed? If so, what should this cap be?*

- AMCHAM supports the opening of FDI in multi-brand retail ideally fully up to 100%. This would make for a level playing field for both domestic and foreign players alike.
- However, given the government's desire to have a calibrated approach, AMCHAM recognizes the importance of a phased change of allowing the first step of 49% FDI.

7.2 *To develop the retail trade in food grains, other essential commodities and multi-brand retail in general, should FDI be leveraged for creating back-end infrastructure? To ensure that foreign investment makes a genuine contribution to the development of infrastructure and logistics, should it be stipulated that a percentage of the FDI coming in (say 50%) should be spent towards building up of backend infrastructure, logistics or agro processing?*

- India's supply chains require substantial backend investment in order to build retail businesses. FDI in retail will bring in the much-needed international technologies to help India move toward a world-class supply chain.
- Given the current condition of India's back-end operations, the investment, particularly in the initial years, could well exceed 50%. Given this, stipulating a percentage would not be necessary.

7.3 *It is necessary to encourage only genuine players in this sector and avoid a situation where retail outlets are run through working capital support from financial institutions. Should a minimum threshold limit for investment in backend infrastructure logistics be fixed? If so, what should this financial threshold be?*

- Global credentials and accomplishments of retails would be proof of them being "genuine players."
- As state above, stipulating a percentage is not necessary.

7.4 *To develop our rural sector, should conditionalities be put on the FDI funded chains relating to employment? For example, should we stipulate that at least 50% of the jobs in the retail outlets should be reserved for the rural youth?*

- AMCHAM supports the creation of employability of under-privileged youth. While it is important to impart vocational training to both rural and urban youth (along the lines offered at Bharti Walmart Training Centres), it would be difficult to employ solely from rural India, particularly if there are limitations placed on the number of towns of >10 lakh population as stipulated in the paper.
- Migration of manpower from rural to urban areas would also make this difficult.

7.5 *Similarly, to develop our SME sector through local sourcing, should we stipulate that a minimum percentage of manufactured products be sourced from the SME sector in India?*

- AMCHAM supports the development of the SME sector by retailers, but in a phased manner since most SMEs would require a lot of time, direction and investment given their current level of development.
- This stipulation should hold true for both domestic and international retailers.

7.6 *How best can small retailers be integrated into the upgraded value chain? Can they be provided access to the logistics/supply chain set up by the FDI funded retailers? Should it be stipulated that a minimum percentage of the latter's sales should be made to retailers through special wholesale windows?*

- The current cash-and-carry stores where 100% FDI is allowed are already supporting and supplying small retailers with quality goods at transparent, reduced prices, in addition to assuring regular, on-time availability.
- This stipulation should be applied to foreign and domestic retailers equally, for the impact on small retailers does not distinguish between domestic or foreign origin.

7.7 *As a part of a calibrated reform process, should foreign investment for such stores be initially allowed only in cities with population of more than 10 lakhs (2001 census)? As there may be difficulties faced with regard to availability of real-estate in such cities for setting up such ventures, should an area of 10 kms around the municipal/urban agglomeration limits of such cities be included within the definition of the city?*

- This constraint will severely restrict any retailer, including in building an efficient supply chain since towns with >10 lakh population are geographically spread.
- This also does not support the objective of encouraging job opportunities of rural youth.
- Unavailability of appropriate real estate at affordable prices will compound the problems.

7.8 *Will any of the conditionalities mentioned above be inconsistent with our commitments under the agreement on TRIM at WTO? If not, to ensure national treatment, can such conditionalities be extended to all retail chains in India above a certain size? Will such extended conditionalities be consistent with Article 301 of the Constitution?*

- It would be best for an international trade attorney to provide an opinion on this issue.

7.9 *What additional steps should be taken to protect small retailers? Should an exclusive legal and regulatory framework be established to protect their interests? Is a Shopping Mall Regulation Act required? Does this require intervention at national level or should this be left to the States?*

- Retail is a local business and given the number of licensing required at the state-level a Shopping Mall Regulator would not serve any purpose.

7.10 *The present public distribution system provides a valuable safety net to vulnerable sections of society. To ensure the integrity of the PDS system is not weakened and buffer stock is maintained at the desired level, should Government reserve the right of first procurement for a part of the season or put in place a mechanism to collect a certain amount of levy from private traders in case the level of buffer stock falls below a certain level?*

- The government should continue to have the first right to procurement.

- However, organized retail can strengthen the hands of the government by working more closely with farmers to improve the quality and yield of their crops and improving supply chains.
- Additionally, stores can also provide a distribution channel opportunity.

7.11 *How should compliance be ensured with the above stipulations? Should a centralized agency, to be nominated by the State Governments concerned, be empowered to grant permissions to every outlet to be opened? The onus of proving compliance with these conditions could rest with the concerned retail chain. The chains could submit an annual statement to such State Government agency providing proof of compliance. Should this agency be empowered to monitor compliance of the present cash and carry outlets too?*

- AMCHAM recommend that compliance issues be addressed by the relevant State level authorities, who better understand the local context.
- A centralized agency would be detrimental to the efficiency of the retailers.

7.12 *The penalty for non compliance could include cancellation of approvals as well as denial of future permissions for such activities. What additional penalties could be levied? Should civil penalties be imposed? Or criminal? Or both?*

- Penalties for non-compliance would inherently be civil in nature and should not receive criminal penalties.
