Indian government puts retail sector restructure on hold

Deepal Jayasekera
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The Indian government has been forced to suspend its major policy decision to open up the retail sector to foreign transnational corporations amid widespread protests and the blocking of parliamentary business by some coalition partners as well as the opposition parties.

Following an all-party meeting, Finance Minister Pranab Mukherjee announced on Wednesday that the plan would be put on hold pending "consultation among various stake holders," including opposition parties and state chief ministers. The announcement was welcomed by opposition parties as well as key government's allies—the Trimamool Congress (TMC) and Dravida Munnetra Kazhagam (DMK)—which have ended their parliamentary obstruction.

Expecting opposition, the cabinet decision on November 25 had been hedged with conditions. It allowed single-brand retailers such as Nike to establish 100 percent foreign-owned businesses in India, but required multi-brand retailers—supermarket chains like Tesco—to have a local partner and restricted foreign ownership to 51 percent.

In addition, multi-brand retailers had to purchase nearly 30 percent of their goods from small and medium-sized local suppliers and invest at least $US100 million over five years—over half had to go to cold storage, packaging and logistics. Moreover, their operations were to be confined to cities with a population over one million.

Despite a concerted campaign by the government and foreign corporations extolling the virtues of the "reform" for Indian producers and consumers, the decision generated intense opposition from small traders and retailers who feared they would be wiped out. On December 1, traders throughout the country went on strike to oppose the move. Another country-wide protest was planned for December 14.

Big business groups, financial analysts and foreign corporations have denounced the suspension as a missed opportunity to press ahead with a broader pro-market agenda. Prime Minister Manmohan Singh had already been under pressure from the corporate elite for stalling on economic restructuring. As a result, the "reform" of the retail sector was regarded a key test of the ruling Congress party.

Harsh Mariwala, president of the Federation of Indian Chambers of Commerce and Industry (FICCI), declared the reversal was "deeply disappointing" and "highly regressive." Chandrajit Banerjee, director general of the Confederation of Indian Industry (CII), expressed the hope that the suspension would "not be a rollback."

Tesco in the UK commented: "The decision to defer FDI [foreign direct investment] is a missed opportunity for Indian producers, farmers and consumers." Oxus Investments chairman Surjit Bhalla bitterly told the *Washington Post*: "I cannot find any parallel to this kind of political suicide. If the government's credibility could go to below zero, it just did. This shows how Prime Minister Manmohan Singh had been undercut not just by the opposition parties, but his own party colleagues."

This last remark indicates that section of big business might well initiate a political destabilisation campaign to refashion or even bring down the Singh government. Whether that is the case or not, the ruling coalition has been significantly weakened.

Terrified of the political impact on their social base, the TMC in West Bengal and DMK in Tamil Nadu were compelled to oppose the decision. At the same time, the parties assured the government that they would not withdraw from the coalition. Opposition even was expressed within Singh's own Congress party. MPs from Bareilly in Uttar Pradesh raised concerns that the party's prospects in the upcoming state election could be hurt.

The two Stalinists parties—the Communist Party of India (CPI) and Communist Party of India Marxist (CPM)—along with the Bharatiya Janatha Party (BJP) immediately seized on the issue to try to reverse their declining political fortunes. All of them demagogically declared their opposition to foreign investment and vowed to defend the Indian people.

Following the reversal, BJP parliamentary leader Sushma Swaraj proclaimed that it was "a victory of democracy." CPI leader Gurudas Dasgupta declared the decision was "a virtual roll-back" and "a victory of the democratic force that have been fighting for the cause." No credibility should be placed in this "opposition." None of these parties have any principled disagreement with the government's policies and have implemented similar pro-market measures in office.

While in government from 1998, the BJP attempted to open up the retail sector to foreign corporations, but failed due to widespread public opposition. The party lost the 2004 election primarily because of broad hostility to its pro-market agenda. Similarly the CPM lost this year's state election in West Bengal as a result of deep opposition to its pro-business measures, including the ruthless eviction of farmers to clear land for major corporations.

The government and big business attempted to sell the retail policy by claiming that 10 million jobs would be created, farmers would receive better prices and the consumer cheaper products due to the elimination of wastage. The opposition parties sought to exploit the legitimate fears of millions of small traders, retailers and businesses on the basis of economic nationalism and protectionism—insisting that barring foreign investment was the solution.

Neither side of this "debate" could state what is: namely that the economic and social crisis facing farmers, small businesses and the working class is a product of a failed social order, the profit system.

Tesco, Wal-Mart, Carrefour and their potential Indian partners are not queuing up to establish supermarket chains out of concern for ordinary working people, but to exploit what they see as profitable opportunities in the large, untapped Indian retail market. One estimate indicates that the supermarket sector in India could expand from $US26 billion to $314 billion over the next 25 years.

At the same time, banning FDI in the Indian retail sector will do nothing to solve the immense problems facing farmers, small businesses and working people. The Indian economy has already begun to slow amid the global economic crisis and will be impacted further if global investors conclude that the Singh government is incapable of meeting their requirements for further pro-market restructuring.

Justifying the decision to open up the retail sector, Prime Minister Singh warned parliament last month: "As you know, the global economy is facing serious difficulties and if we don't manage our affairs well we can also go down." The government had been planning to encourage foreign investment in the financial sector. It has already given approval to allow up to 26 percent foreign ownership in the pension sector and to raise foreign investment limits in government and corporate bonds.

In opposing the government's pro-market agenda, the working class cannot defend its class interests under reactionary banner of nationalism and protectionism. To fight for jobs and decent living standards, workers have to mobilise independently of all factions of the ruling class and draw the oppressed masses behind them in a struggle against the capitalist system itself. That requires a turn to workers throughout Asia and the world on the basis of a socialist and internationalist program.