

# Foreign supermarkets face shut-out in Delhi

NEW DELHI, INDIA: Foreign supermarket giants faced being shut out of the Indian capital Tuesday after Delhi's new state government said it would not grant them a licence to operate.



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Amit Yadav, the Delhi municipality's industry commissioner, told AFP he had written to the federal government to indicate that foreign "multi-brand retailers" would not be given consent to open stores in the capital in a reversal of previous policy.

Foreign retailers which only sell their own branded products, such as Britain's Marks and Spencer, have long been able to operate in India.

But reforms unveiled by Prime Minister Manmohan Singh in late 2012 should pave the way for the first foreign supermarkets to operate, provided 30% of their produce is sourced locally.

Delhi had been expected to be one of the first places to welcome the likes of Walmart and Tesco under the reforms.

But Singh's Congress party was trounced in state elections in Delhi last month, losing power to a new anti-corruption party with a much cooler attitude towards foreign direct investment (FDI).

"It was a part of their manifesto to drop the FDI in multi-brand retail policy and accordingly, a letter has been sent to the government of India asking to withdraw it," said Yadav.

"FDI in multi-brand retail is a policy that lies with the consent of individual state establishments. Its implementation is strictly a state subject."

Aam Aadmi, a fledgling anti-corruption party, made opposition to the FDI reforms one of its pledges in the Delhi election

which had been ruled by Congress for the last 15 years.

Singh's FDI reforms, which allow Western supermarkets to hold a majority stake in local chains for the first time, have been seen as a chance to revive India's ailing economy.

But small family-run stores fear that they could be priced out of business by the major retailers while there has also been widespread opposition from labour activists.

India's main business lobby criticised the Aam Aadmi government move, saying it would hit investor confidence at a time when the economy is growing at its slowest rate for a decade.

"This direct negation without demonstrating a search for a viable alternative would hamper investment sentiment," said Sidharth Birla, president of the Federation of Indian Chambers of Commerce and Industry.

"It has been proven time and again that both large multi-brand retail stores and small kirana stores coexist peacefully," Birla told the Press Trust of India news agency.

Singh's FDI reforms, which also opened up the airline and insurance industries, had been meant to draw in more foreign investors into Asia's third largest economy.

But they have been undermined by persistent worries over issues such as corruption, red tape and tax battles.

Walmart and Indian firm Bharti announced in October that they were ending their retail partnership, with the US giant saying India's foreign investment rules were partly to blame for the split.

Source: AFP

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