Likely impact of retail deregulation on the right to food in India
Right to Food in Trade Policies

- RTF part of ICESCR, ratified by India and EU and member states
- Dimensions: availability, adequacy, physical and economic accessibility and sustainability
- Gov. must respect, protect, fulfill human rights internally and externally in all policy areas
- Do no harm: No trade agreement must prohibit necessary measures to realize the RTF
Retail: relevance for RTF

- Second most important labor market: 37 million jobs, with 96% of turnover in informal sector
- Particularly the 10 million poor and often food insecure hawkers have no job alternative
- Food accounts for 74% of retail revenues: important market for small scale farmers
- Hawkers offer low prices for poor consumers
- EU wants India to allow European retailers to open up supermarkets in India
1) Employment: Past impact

- ICRIER: “No evidence of a decline in overall employment”
- Data: 15% decline in profit in 21 months in the neighborhood of modern retail formats
- Closure of 151 traditional outlets = annual closure rate of 4.2%
- “Impact weakens over time”, but 1st edition: “Structural changes will surely affect large numbers of small retailers at some stage”
- Street vendors not considered in the study
Employment: future impact

- Carrefour predicted 1.8 million direct and indirect new jobs through supermarkets within 5 years
- Carrefour, Tesco and Metro together employ 1.2 million people worldwide
- C. assumed 18-20 fold expansion of surface
- Market share would increase from 4 to 43-48%
- Would destroy 2.9 to 5.7 million informal jobs
- No alternative livelihood nor social security > no economic access to food = violation of RTF
2) Small farmers: past impact

- Markets still regulated, but Model Act 2003 promoted private markets and contract farming
- ICRIER-survey on cauliflower: “Farmers benefit”
- Production costs 50-100% higher, profit margins for collection centers of supermarkets ranged at number 6 out of 7 marketing channels
- Suppliers had more land, education and assets
- Metro discriminated against trade unionists, up to 12 hours and six days, women earned 50%
Small farmers: future impact

- GoI will allow supermarkets to purchase food directly from farmers along with FDI deregulation
- Supermarkets centralize procurement > source from capital intensive agro-industrial production
- Will import from established sources, as only 2% of food is processed in India and tariffs are cut
- Carrefour accepts <10% local sourcing threshold
- Expansion would threaten market access, incomes, economic access to food of farmers
3) Consumers: past impact

• High food prices increased hunger. GoI blamed middlemen and argued for FDI in retail
• India performed better than others in limiting transmission of international price increases
• Modern retail offers better prices for processed, packaged and labeled food in Delhi
• Poor consumers negotiate better prices with informal retail, buy lose food in low quantities
• Hawkers support their economic access to food
Consumers: future impact

- FTA would increase transmission of international volatility: cut of import and event. export tariffs
- Supermarkets have the capacity to offer food at better prices
- Supermarkets in Argentina, Mexico, Nicaragua, Thailand, Vietnam and Madagascar are more expensive than traditional outlets in food
- Abuse of market power may have worse impact than the current abuse by middlemen
- Contribution to the RTF more than questionable
Recommendations

- No FTA commitments to open retail for FDI
- Conduct HRIA and facilitate democratic and transparent debate on FDI in retail
- Implement existing policy to protect rights and improve conditions for small vendors
- Control market abuses by middlemen, promote direct markets and farmers’ markets
- Support infrastructure and transport for farmers: reduce gaps between producer and retail prices
Thank you!

Further information:  
www.ecofair-trade.org