FDI and Economic Development – A Study with reference to the Implications of FDI in Multi Brand Retailing in India

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Abstract

Foreign Direct Investment has a dominant role to play in hastening the development process in developing countries like India by making possible transfer of financial resources, technology and improved management techniques that contribute to raising productivity of the nation. However, FDI is a mixed blessing. On one hand, it has the boon of supplementing domestic capital, increasing employment opportunities and making possible transfer of technology and knowledge, which has spurred the development process of India. On the other hand, FDI has contributed to increase in inflation and has made it difficult for uncompetitive domestic firms to survive. With gradual liberalisation in retailing in India, particularly in context to multi brand retailing many global retailers are eager to operate in the Indian economy. This paper makes an attempt to analyze the FDI inflows to India, with the help of secondary data. It makes an attempt to understand the sector-wise and state-wise distribution of FDI. It also attempts to understand the FDI inflows in India's retail sector and how the changed regulations will impact the different stakeholders.

Key-words: *FDI, Domestic Capital, Retailing, Multi-brand Retailing, Liberalisation.*

1. Introduction

Since independence, India followed a selective FDI policy, as self reliance and protection of the interests of the national industries and entrepreneurs was her primary vision. Her sole intention was procuring and utilising the advanced technologies from the foreign nations without indulging in any form of financial participation. All the economic, industrial and financial reforms those were initiated since the 1990s taking the path of Liberalisation, Privatisation and Globalisation, gradually shattered the licence-raj and changed India from a partially closed economy to one which was more open to foreign capital and international trade. Hence, FDI inflows gradually proved to be the panacea for all finance requirements of India. Since 1991 there have been a number of changes in the regulatory policies, namely, Structural Adjustment Programme (SAP), changes incorporated in the MRTPA and FERA. "As per the IMFs Global Financial Stability Report, April 2012, India has emerged as one of the major recipients of FDI flows among the major market economies in the last few years."

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FDI is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. Further in case of FDI, the investor's purpose is to gain an effective voice in the management of the enterprise." (http://unctad.org/en/Pages/DIAE) FDI is deemed as the most suitable form of attracting capital owing to its stable nature and since it does not increase the external debt stock of the host nation. In fact, it gives a win-win situation to both the 'home' and the 'host' nations. Owing to FDI inflows, the economic growth of the 'host' nation is hastened, as with capital, FDI brings technological advancements, knowledge, better training facilities for human resource, increased domestic savings and foreign exchange and gives a spur to direct and indirect job opportunities. Indeed, FDI generates job opportunities directly and indirectly through the multiplier effect. "The indirect employment effects may equal, and sometimes exceed, the direct effects. FDI sometimes also eliminates jobs through displacement of local firms, but the net effect is generally additional employment within the host economy." (Hill, 2005) However, FDI can make it difficult for small businesses to thrive in the face of enhanced competition. The boons experienced by the 'home' nation are that they get exposure to a greater consumer market, cheaper resources and talent specific to the host nation. In fact "it is the intent and objective of the Government of India to attract and promote foreign direct investment in order to supplement domestic capital, technology and skills, for accelerated economic growth."

2. Objectives of the Study

(a) To analyse the FDI inflows to India, with the help of secondary data.

(b) To understand the sector-wise and state-wise distribution of FDI with the help of secondary data.

(c) To understand the FDI inflows in India's retail sector and understand how the changed regulations will impact the different stakeholders.

3. Trend of FDI Inflows in the World and in India

The global FDI inflows fell by 18% in 2012 although the other major macroeconomic variables like GDP, GFCF (Gross fixed capital formation), and employment registered positive growth rates. In fact, the global FDI growth rate reached a point very close to the slump it fell to during 2008-2009. However, it is noteworthy that although in 2012 the rate of growth of global FDI inflows was negative, developing economies for the first time attracted more FDI than developed economies. The nine developing economies namely, China, Hong Kong, Brazil, British Virgin Islands, Singapore, Chile, India, Indonesia and Columbia ranked among the top 20 FDI receiving nations of the world.

Table 1: Financial Year-wise FDI Inflows Data: As Per International Best Practices

(Amount US $ million)

Sl no	Financial Year (April- March)	FOREIGN DIRECT INVESTMENT					
		EQUITY		Re-invested earnings +	Other capital +	FDI FLOWS INTO INDIA	
		FIPB Route/ RBI,s Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI Flows	% age growth over previous year (in US $ terms)

FINANCIAL YEARS 2000-01 TO 2012-13 (up to February, 2013)							
1	2000-2001	2,339	61	1,350	279	4,029	
2	2001-2002	3,904	191	1,645	390	6,130	(+) 52 %
3	2002-2003	2,574	190	1,833	438	5,035	(-) 18 %
4	2003-2004	2,197	32	1,460	633	4,322	(-) 14 %
5	2004-2005	3,250	528	1,904	369	6,051	(+) 40 %
6	2005-2006	5,540	435	2,760	226	8,961	(+) 48 %
7	2006-2007	15,585	896	5,828	517	22,826	(+) 146 %
8	2007-2008	24,573	2,291	7,679	300	34,843	(+) 53 %
9	2008-2009	31,364	702	9,030	777	41,873	(+) 20 %
10	2009-10 (P) (+)	25,606	1,540	8,668	1,931	37,745	(-) 10 %
11	2010-11 (P) (+)	21,376	874	11,939	658	34,847	(-) 08 %
12	2011-12 (P)	34,833	1,021	8,205	2,494	46,553	(+) 34 %
13	2012-13 (P) (up to February,2013)	20,300	968	10,089	2,555	33,912	-
CUMULATIVE TOTAL (From Apr. 2000 - Feb . 2013)		1,93,441	9,729	72,390	11,567	2,87,127	-

Source:

(i) RBI‟s Bulletin April, 2013 dt. 10.04.2013 (Table No. 34 – FOREIGN INVESTMENT INFLOWS).

(ii) Inflows under the acquisition of shares in March, 2011, August, 2011 & October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).

(iii) RBI had included Swap of Shares of US$ 3.1 billion under equity components during December 2006.

(iv) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.

(v) Figures updated by RBI up to February, 2013.

„#‟ Figures for equity capital of unincorporated bodies for 2010-11 are estimates.

(P) All figures are provisional

“+” Data in respect of „Re-invested earnings‟ & „Other capital‟ for the years 2009- 10, 2010-11 & 2012-13 are estimated as average of previous two years.

India’s cumulative FDI inflows during the period from April 2000 to February 2013 were US $287,127 million, as shown in Table 1. Although the period from 2000 to 2002 experienced

52% growth in FDI flows into India, the two subsequent financial years did not prove India to be a favourable FDI destination. However, India's position in the world economy improved thereafter and India bagged as much as 146% growth in FDI inflows. India again faced a decline in FDI inflows during the years of financial crisis in 2009 and 2010 owing to global, economic and financial crisis that prevailed during that time. However, to give respite to all, the economic scenario and the FDI position of India again appears promising. It can be expected that the current Indian economic scenario along with the reforms introduced in India is sure to herald a golden era for the nation.

Table 2 shows the economic growth during the period 2000-2011. Here the GDP through FDI in India is considered for understanding economic growth.

Table 3 gives us a vivid account of the top 10 nations investing in India. The data from April 2010 to February 2013 depicts that around 48% of India's FDI requirements are financed by just Mauritius and Singapore. In fact, cumulative country-wise FDI equity inflows from April 2000 to February 2013 reveal Mauritius as the primary source of FDI to India over the last decade.

Table 2: FDI Net Flows (% of GDP) in India

Year	FDI, Net Flows (% of GDP) in India
2000	0.76
2001	1.11
2002	1.08
2003	0.70
2004	0.80
2005	0.87
2006	2.11
2007	2.04
2008	3.55
2009	2.61
2010	1.57
2011	1.74

Source: http://www.ijmrbs.com/currentissue.php

Table 3: Share of Top Investing Countries' FDI Equity Inflows

Amount in Rupees crores (in US $ million)

Rank	Country	2010-11 (April–Mar.)	2011-12 (April–Mar.)	2012-13 (April – Feb.)	Cumulative Inflows (April '00 – Feb. '13)	%age to total inflows(in terms of US $)
1	MAURITIUS	31,855 (6,987)	46,710 (9,942)	48,786 (8,970)	338,257 (73,139)	38 %
2	SINGAPORE	7,730 (1,705)	24,712 (5,257)	10,831 (1,984)	88,419 (19,136)	10 %
3	U.K.	12,235 (2,711)	36,428 (7,874)	5,736 (1,069)	80,397 (17,537)	9 %

4	JAPAN	7,063 (1,562)	14,089 (2,972)	11,559 (2,111)	69,410 (14,425)	8 %
5	U.S.A.	5,353 (1,170)	5,347 (1,115)	2,923 (537)	50,812 (11,101)	6 %
6	NETHERLANDS	5,501 (1,213)	6,698 (1,409)	9,054 (1,672)	41,379 (8,781)	5 %
7	CYPRUS	4,171 (913)	7,722 (1,587)	2,490 (459)	32,160 (6,858)	4 %
8	GERMANY	908 (200)	7,452 (1,622)	3,473 (637)	24,300 (5,258)	3 %
9	FRANCE	3,349 (734)	3,110 (663)	3,483 (646)	16,861 (3,572)	2 %
10	U.A.E.	1,569 (341)	1,728 (353)	969 (177)	11,289 (2,419)	1 %
TOTAL FROM	FDI INFLOWS ALL COUNTRIES *	97,320 (21,383)	165,146 (35,121)	113,610 (20,899)	888,616 (191,878)	

*Includes inflows under NRI Schemes of RBI.

Note: % age worked out in US$ terms and FDI inflows received through FIPB/SIA+RBI's Automatic Route + acquisition of existing shares only.

4. Sector-wise and state-wise distribution of FDI

Table 4 shows the sector-wise distribution of FDI equity Inflows. During the period, April 2010 to February 2013 the service sector which comprises of financial and non financial services received the maximum amount of FDI inflows and has also very effectively contributed to employment generation. This is in sharp contrast to the picture which existed in the pre-liberalisation era when chunk of the FDI inflows were directed to the manufacturing sector. The service sector is followed by the construction development, telecommunication and computer hardware and software sectors.

Table 4: Sectors Attracting Highest FDI Equity Inflows

Amount in Rupees crores (in US $ million)

Ranks	***Sector***	***2010-11 (April - March)***	***2011-12 (April - March)***	***2012-13*** (April – Feb.)	***Cumulative Inflows*** (April □00 - Feb.□13)	***% age to total Inflows (In terms of US $)***
1.	**SERVICES SECTOR ****	15,054 **(3,296)**	24,656 **(5,216)**	25,839 **(4,747)**	171,817 **(37,151)**	**19 %**
2.	**CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT-UP INFRASTRUCTURE**	7,590 **(1,663)**	15,236 **(3,141)**	6,853 **(1,260)**	100,655 **(22,008)**	**12 %**
3.	**TELECOMMUNICATIONS** (radio paging, cellular mobile,	7,542 **(1,665)**	9,012 **(1,997)**	585 **(107)**	57,663 **(12,660)**	**7 %**

	basic telephone services)					
4.	**COMPUTER SOFTWARE & HARDWARE**	3,551 **(780)**	3,804 **(796)**	2,546 **(466)**	52,664 **(11,671)**	**6 %**
5.	**DRUGS & PHARMACEUTICALS**	961 **(209)**	14,605 **(3,232)**	5,960 **(1,114)**	48,828 **(10,309)**	**5 %**
6.	**CHEMICALS (OTHER THAN FERTILIZERS)**	10,612 **(2,354)**	18,422 **(4,041)**	1,488 **(272)**	40,388 **(8,861)**	**5 %**
7.	**AUTOMOBILE INDUSTRY**	5,864 **(1,299)**	4,347 **(923)**	7,111 **(1,303)**	37,896 **(8,061)**	**4 %**
8.	**POWER**	5,796 **(1,272)**	7,678 **(1,652)**	2,887 **(529)**	36,101 **(7,828)**	**4 %**
9.	**METALLURGICAL INDUSTRIES**	5,023 **(1,098)**	8,348 **(1,786)**	7,479 **(1,393)**	34,415 **(7,434)**	4 %
10	**HOTEL & TOURISM**	1,405 **(308)**	4,754 **(993)**	17,548 **(3,217)**	33,031 **(6,589)**	**4 %**

***** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis***

The region-wise FDI inflows which are classified as per RBI's Regional Office received FDI inflows, furnished by RBI, Mumbai, reveals that the FDI inflows in India are concentrated in certain states. Those states which are commercially and industrially more viable have received the lion's share of FDI, which has further fastened their economic development, and, a large number of other Indian states are deprived of the benefits that can be reaped from a liberalised FDI regime. The cumulative FDI inflows to Mumbai and New Delhi from April 2010 to February 2013, accounts for 52% of the total FDI inflows to India (in terms of US $). New Delhi has attracted as many as approximately 305 projects during the period from 2007 to 2011from international companies, particularly those operating in the service industry and has been able to generate around 34,100 jobs in the economy. In Mumbai, the service sector and the manufacturing sector has attracted a lump sum amount of foreign investment. Chennai, Bangalore, Ahmadabad and Hyderabad have also received considerable proportion of the FDI inflows to India, whereas, Kolkata and Chandigarh have respectively received as low as 1% of the total FDI inflows to India (in terms of US $).

5. FDI inflows in India's retail sector

According to the Global Retail Development Index 2013, "India has its lowest ranking in the GRDI's 12 years, amid high operating costs, low bargaining power with vendors and heavy discounting to improve sales. However, the long term fundamentals remain strong: a large, young and increasingly brand and fashion-conscious population".(http://www.atkearney.com/consumer-products)The growing popularity of nuclear families, large working population, growing trend in double-income households and the rising disposable income due to that are the other major factors driving the growth of the Indian retail sector. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. Hence the Indian retail sector is growing at a phenomenal pace.

Retailing is the last phase in the distribution channel that helps the products to reach out to the direct consumers, i.e. for personal consumption and not for further sale or processing. The retail industry can broadly be subdivided into the organised and the unorganised sectors. Organised retailing encompasses trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax etc. Hence this category includes hypermarkets, retail chains and privately owned retail businesses too. Such retailing formats are gaining popularity as they are able to offer steep discounts on bulk purchases owing to low operating costs and quality assurance. On the contrary, unorganised retailing refers to the traditional forms of Kirana shops, owner manned general stores, convenience stores, hand cart and pavement vendors etc. A considerable chunk of the Indian population prefer unorganised retail formats as they offer credit facilities, flexible conditions for product exchanges, the facility of home delivery, convenient timings and focus on strong customer relations. Around 98% of the retail industry in India is unorganised. This sector also generates the largest employment opportunities after agriculture and has a far reaching impact on the economy of rural India due to its deep penetration therein.

India being a signatory to the World Trade Organisation's General Agreement on Trade in Services, which includes both wholesale and retail services, had to open up the retail sector to foreign investment gradually. The current spate of reforms in the Indian retail sector combined with India's strong growth fundamentals and the scenario of increased urbanisation and consumerism even in the Tier II and Tier III cities will surely attract more FDI inflows to India in future and spur its development process, without harming the interest of the different stakeholders of the society. 'Estimated to be worth more than 500 Billion USD, the Indian retail industry is considered as one of the world's top 5 retail markets in terms of economic value.'(*http://www.ibef.org/industry/retail-indiaaspx).* According to the Department of Industrial Policy and Promotion the FDI inflows in single-brand retail trading during April 2000- September 2013 was 97.29 Million USD. Hence, it is not surprising to find India as one of the major destinations of the global retail giants.

In 1997, FDI in cash and carry (wholesale) with 100% ownership was allowed under the government approval route. In 2006 this was brought under the automatic route and 51% investment in single-brand retail was permitted. In 2011, 100% FDI in single-brand retail was allowed. In 2012, after different rounds of discussion to subdue various oppositions launched against liberalisations in context to retail trade, the cabinet has allowed FDI to the tune of 51% in multi-brand retailing subject to some preconditions. The prevailing regulations call for an approval firstly, from the central government and subsequently, from the local state government. It mandates that at least US $100 million must be invested as equity in the Indian company and at least 50% of the total FDI is to be invested for development of infrastructure. It also mandates that retail outlets can be set up only in those cities which have a population of at least 1 million according to the 2011 census. Permission has been granted to sell fresh agricultural produce in an unbranded form. Indian states have the prerogative to accept or reject implementation of FDI.

From September 2012, 100% FDI in single-brand retail trading is permitted to only one non-resident entity which may be the owner, the brand or otherwise. As per the latest mandate, the 30% compulsory domestic sourcing requirement from the small and medium-sized industries has been eased. Instead of that a preferable sourcing requirement has been mandated, to encourage the investing companies to set up local manufacturing facilities. There is absence of any specific definition of the term "single-brand" by the government; it implies granting of permission to foreign companies like Nokia, Adidas etc to sell goods which are sold internationally under one brand name. That is, precisely, there is a ban on manufacturers to carry on retail trade in multiple brands even if they were manufactured by the same manufacturer. So FDI in single brand retail, implies, that permission for selling only one brand is granted to a retail store with foreign investment. The government has also not defined the term “multi brand”. FDI in multi brand retail means that a retail store with a foreign investment is entitled to sell multiple brands under one roof.

While India is fervently striding in this modern era of liberalisation there is a great debate involving issues on if the reforms can prove to be disastrous for India. This fear emanates from the fact that the traditional low cost style of organised retailing is predominant in India. Wal-Mart has already entered the Indian economy. Their earlier entry into China must have provided them enough insight and experience on how to cater to a huge Asian market that is characterised with diversities. Carrefour has already entered India with their wholesale cash and carry operations.

6. Possible Impact of FDI Policy on Different Stakeholders

- ***Indian People (Consumers)* -** Opponents of FDI oppose to the reforms as they fear that the global retailers may exercise monopolistic power to raise or reduce prices of products in the economy. Initially the global retailers may reduce prices to wipe out the existing competitors and subsequently they may raise prices which have to be paid by the consumers. Entry of global retail chains will also lead consumers to indulge in the habit of wasteful consumerism. The very fact that global retailers will have long distance supply chains also prove that they will fail to dish out farm fresh products that are locally available to the Indian consumers. On the contrary, others argue that consumer’s tastes and preferences will be better satisfied as there will be availability of a wider range of products, and, they will also prefer the new shopping experience. Indians are also showing an increasing preference for foreign products and international food product.

  However, for sustenance it is essential for all players in the retail sector to identify the unique attributes of the potential Indian consumers. Most of the Indian consumers still have no preference for packaged food. Above all, the poor availability of electricity, refrigeration facilities and lack of personal transport leads them to prefer purchasing from stores in their locality in convenient quantities, rather than experiencing the urbanisation impact.

- ***Indigenous Retailers* -** Liberalisation of FDI in retail will undoubtedly increase competition but it will largely give rise to unfair competition due to which all indigenous retailers in the economy may suffer. There is existence of the potential risk of displacing those individuals who are presently engaged in the indigenous retail sector, and, the question regarding the responsibility on the part of the government to make available alternative employment opportunities to absorb them exists. Critics believe that a few thousand jobs may be created but millions will be lost. However, food price inflation in the economy can be checked, as FDI in multi-brand retail would ease supply side pressures, particularly in the unorganised sectors.

- ***Organised Trade Retailers* -** Development in the organised retail sector and hence the economy as a whole can be expected as a result of the demonstration effect by the stores and markets in the modern formats. Indian organised retail industry will get an exposure to knowledge and global integration. The efficiency of the retail sector would also increase. FDI in retail will give a boost to the supply chain investment and improve sourcing possibilities. It will reduce the number of intermediaries in the channel of distribution who dominate the value chain and will give a cost advantage. In India a large number of intermediaries operate at a local level due to absence of 'barrier to entry'.

An apprehension about the inability of the organised retail sector to withstand the competition that is unfurled with the reforms is strong. This fear particularly exists as the Indian retail sector is still at a very nascent stage of development. Thus, initially this sector must be given due protection, by various regulations, until it can establish its foothold in the economy very firmly, and, can compete with their foreign counterparts.

- ***Small Farmers and Manufacturers*** **-** Farmers, manufacturers and suppliers of the local market will get an exposure to the global markets and hence will be compelled to improve quality standards and cost competitiveness. Improvement of back end infrastructure with FDI inflows will prevent farmers from making distress sales and incurring lump sum losses arising out of wastages. Hence, there would be improved agricultural-commodity management. Furthermore global retail giants who have the ability to generate their profit margin even by selling at a lower cost will induce reduction in local costs. Thus, malpractices by intermediaries in the form of flouting market norms to escalate prices can be stopped. Apart from this, small farmers and manufacturers will have a direct exposure with the retailer in the supply chain with minimal intervention of intermediaries, thereby, increasing their margin.

- ***MSME*** **-** The Indian Micro Small and Medium Enterprises (MSME) sector which has been unable to reach the global market due to their inability to access latest technology, probably, will register developments with availability of technological advancements in the economy. Antagonists of FDI, however warn that MSMEs may suffer as import from other low cost manufacturing countries may increase.

- ***Government*** - India will be able to get easy access to funds much needed for development of her infrastructure and to meet her budget deficits. With the opening up of the retail sector there will be creation of greater quality job opportunities. Millions of job opportunities will open in building and maintenance of retail stores, cold storages and in various avenues supporting retail. However, fear also lingers around the issue that the reforms may lead to asymmetrical growth in the nation which may give rise to social discontent.

In order to flourish in the Indian economy, it is essential for all retailers to lay out strategies after an in-depth study of the challenges faced by the Indian retail sector and their success factors. Catering to the diverse needs of the inhabitants of this seventh largest nation with optimum inventory management, without ignoring the existing infrastructure bottlenecks is no trivial issue. There is great necessity on developing a strong back-end support system particularly to prevent depletion in quality of a substantial portion of the perishable products of the nation. Identifying the right location at the right cost has always been a major concern for the retailers. The most important issue which can make or break their business is actually being able to decide the location of his setup which will ensure maximum footfall of potential consumers. Penetration of private labels in retail trade is slow but steadily picking up. Private labels give an opportunity to the retailers to bargain with the suppliers directly and make prices competitive.

In spite of all reforms there appears to be enough space for all kind of retailers to flourish and co-exist in the Indian economy owing to the existence of a huge rural market parallel to the urban and the semi-urban markets. The retail sector has to definitely take advantage of technology for their sustainence. Retailers have to cater to a heterogeneous market in India as the consumers' tastes and preferences vary with the changing geography of the country. Retailers have to make their presence be felt in the economy by building retail brands. Retail brands which dominate can easily find a market for their private labels. Existence of retail brands also goes a long way in strengthening their ties with the customers. The existence of innovative Customer Relationship Management (CRM) activities like loyalty programmes also help to expand the customer base and increase the value of their brand.

7. Conclusion

The phased system of liberalising the FDI norms in India is sure to prove its worth in the economy in the forthcoming era. We can be optimistic particularly from the observations that can be made from China, Malaysia, Taiwan, Indonesia and Thailand who have registered GDP growth and rise in employment levels after following liberalised FDI regulations. A plethora of business opportunities existing in the Indian market allures retailers like Wal-Mart, Metro etc. Above all, changing consumer trends such as increased use of credit cards, brand consciousness and an increasing proportion of the population belonging to the under 35 age group has contributed to attractiveness of the Indian market. However, the approach of phased reforms and consciously incorporating several restrictions is commendable. This is surely necessary in view of the potential socio-economic uncertainties that prevail in the Indian economy.

Cash and carry seems to be the preferred route for the investors as via this mode of business they are permitted to retain 100% ownership. However, several global players who have entered through the cash and carry format are currently exploring the possibilities of entering in multi-brand retail trading. With liberalisation of FDI, particularly in context to multi-brand retail, it can be expected that a multitude of malls and supermarkets will be thrown open in the economy in the forthcoming years. This in turn will fuel the growth of the organised and the unorganised retail sector of India. India will be able to emerge, leaving behind its current sordid state which is characterised by insufficient infrastructure, absence of a good supply chain and lack of efficient back-end support system. It is in the best interest of the nation to maximise the positive impacts of FDI and minimise the negative effects in a prudent manner. Strict norms relating to local sourcing requirements must be enforced, to prevent the occurrence of the ill effects of the predatory practices adopted by the multinational retail chains.

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