



• Posted: Wed, Nov 30 2011. 12:59 AM IST

Cong backs govt on retail FDI, for now

Sonia Gandhi indicates approval to reform; decision not taken in haste, but after a lot of consideration, says PM

Liz Mathew

New Delhi: The Congress party has ranged itself behind the United Progressive Alliance (UPA) government on the issue of permitting majority foreign ownership in domestic retail ventures after party president Sonia Gandhi signalled her tacit approval to the move, although some people in her own party, who oppose the change, are still hoping that she will intercede on their behalf in the coming days.

Though Gandhi refrained from directly addressing the issue in her first public appearance after undergoing surgery for an unknown ailment in August, she did not rebut Prime Minister Manmohan Singh, who preceded her at a party forum and offered a detailed defence and justification of the government's controversial actions in his speech.



Photo: Reuters

Both of them were addressing the two-day convention of the national-level office bearers of the Youth Congress in Delhi.

Singh said the UPA government had not taken the decision in "haste, but after a lot of consideration". Arguing that the entry of multinational firms in the retail sector would benefit the country, he said, "We believe that it will bring modern technology to the country, improve rural infrastructure,

reduce wastage of agricultural produce and enable our farmers to get better price for their crops."

The strong defence by the Prime Minister, who did not attend the all-party meet convened by the government to defuse the logjam in Parliament, and Gandhi's quiet support was interpreted by one Congress leader, who did not want to be named, as the government's willingness to stay the course on this economic reform.

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Political analyst N. Bhaskara Rao said Singh's explanation in the presence of Gandhi would be taken "generally as an endorsement" from the party leadership. "The decision would not have been taken without some kind of agreement (between the two leaders). However, it (the convention) was a rare opportunity for the Prime Minister to justify his government's stance. Already, there is criticism that the party cadre is not convinced about the policies," he said.

The cabinet's decision on 24 November that allowed 100% foreign direct investment (FDI) in single-brand retail and 51% in multi-brand retail has triggered protests from the opposition, friendly parties and the Congress' own allies, all of whom argue that the move will hurt small Indian stores. With the opposition demanding a rollback, both Houses of Parliament, which began its winter session on 22 November, adjourned without transacting any major business for the sixth consecutive day.

An all-party meeting convened by the government on Tuesday also could not break the stalemate over the reform.

In his speech, Singh said FDI in retail would also result in the creation of many new employment opportunities in sectors such as food processing, transportation and storage. He urged the assembled Congress workers (around 6,500) to "inform the people correctly on the issue". Earlier in the day, finance minister Pranab Mukherjee also argued that the entry of foreign firms would result in the creation of cold storage chains, and that farmers and consumers would be the ultimate beneficiaries.

However, Singh added that the Union government is not forcing any state to implement the reform, which will allow global chains such as Wal-Mart Stores Inc. and Carrefour SA to own up to 51% of retail ventures. "State governments that are not convinced of its usefulness have the means to prevent foreign participation in retail businesses in their states," he said.

Singh's response came after many Congress leaders, including ministers, objected to the move because they think it will hurt small retailers. On Tuesday, Sanjay Singh, a Congress MP from Uttar Pradesh, publicly criticized the move.

Gandhi, who appeared cheerful in a vibrant blue *sari* and waved repeatedly to a cheering crowd, defended UPA policies, mainly its welfare schemes, but admitted that corruption was "a plague" and a villain in public life. She said that together with the Lokpal Bill, the government is working on a variety of legislations "which will systematically fight corruption". "I hope the opposition will support us in passing these important measures... The political system needs administrative, judicial and electoral reforms, including state funding of elections and fast-tracking of corruption cases," she said.

Invoking Mahatma Gandhi, Congress general secretary Rahul Gandhi, who has been struggling to revive the party's youth and student wings, said: "The only thing you will ever have as a political leader is the trust of your people. Gandhiji maintained this trust till the day he died. In fact, he maintains it today as I speak. Try not to lose this trust."

The UPA has been facing a loss of popularity over a series of scams and controversies involving its leaders.

Meanwhile, the main opposition BJP, which is adamant that the government should reverse its decision for Parliament to run smoothly, admitted that the 2004 election manifesto of the party-led National Democratic Alliance had promised to allow 26% FDI in the sector, and tried to explain away the volte-face on the issue. "It is a reality. We've not denied it. But in 2009 we had changed it. In 2004, the NDA may have seen some merit... We're not against the concept of FDI, but not in retail," the leader of the opposition in the Rajya Sabha, Arun Jaitley, told reporters.

PTI contributed to this story.

liz.m@livemint.com

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