



REPORT

Wal-Mart's impact on India's suppliers and small businesses

Wal-Mart is the largest private employer in the United States with 1.3 million employees and is moving to dominate retail sectors in other countries including Mexico, Canada, and Brazil. Wal-Mart's size gives it power to drive down costs in the retail and manufacturing sectors and to ignore and even attack the rights of workers. Workers and unions, small businesses, environmental organizations, investors, and political and religious leaders in the U.S. and around the world have condemned Wal-Mart's refusal to treat workers and communities with dignity. These institutions have produced numerous reports documenting Wal-Mart's abuses, many of them focusing on the destruction of small businesses and jobs, and the washing away of local production by Wal-Mart's flood of Chinese-made goods.

While total imports to India from all countries has risen by 56% in the last five years, imports of Chinese-made goods to India has jumped by more than 200% in the same period.¹ In 2003 alone, Chinese imports to India grew by 45%, but Indian manufacturing production grew by only 6.9%.²

Wal-Mart emphasizes the amount that it sources from India, as a reason it should be

¹ Government of India, Ministry of Commerce and Industry

<http://commerce.nic.in/eidb/default.asp>, 8/2005

² World Bank,

http://www.worldbank.org/data/countrydata/aag/ind_aag.pdf, 8/1/05

allowed to build stores. However, the amount that Wal-Mart actually sources from India is tiny when compared to Wal-Mart's sourcing operations in China. Additionally, manufacturing work for Wal-Mart is not reliable because the company moves production wherever it can find the lowest prices.

Wal-Mart's entry to the Indian retail sector is sure to produce a flood of cheap Chinese-made goods. Even as Wal-Mart was advertising its "Made in America" products to American consumers in the 1990s, the company was quickly replacing U.S.-made products with Chinese goods. While once sourcing the majority of its products sold in U.S. stores from the U.S., today up to two-thirds of goods sold in Wal-Mart are imported from China. Furthermore, Wal-Mart retail stores would have a negative impact on small businesses in India, and could force many small shops and traders to close.

Wal-Mart's Dependence on China

Wal-Mart emphasizes its contribution to exports in India, yet in 2004 Wal-Mart sourced only \$1.2 billion worth of goods from India, not even one-fifteenth of the amount Wal-Mart purchased from China in the same year.³ The total amount that Wal-Mart sources from India every year amounts to only a little more than a dollar per person in India.⁴ And, if allowed to open retail stores, Wal-Mart could upset the import balance by importing massively from China rather than using local production.⁵

³ Bloomberg, 7/13/05

⁴ CIA World Fact Book, India, from 6/30/05

⁵ Atimes, 1/31/04,

http://www.atimes.com/atimes/Global_Economy/F_A31Dj03.html

Wal-Mart misleads customers about the percentages of goods it buys locally to hide its deep dependence on imports. For example, Wal-Mart claims that 80-90% of goods sold in their Canada and Mexico stores come from local sources, but this means local suppliers or transporters, not just local producers.⁶ In fact, Wal-Mart Canada has been forced to admit that, of all the goods Wal-Mart sells in Canada, only half of that 80 percent are made “entirely in Canada.”⁷

Initially, Wal-Mart sourced its products from America. However, the company began to pressure its suppliers to produce goods at the lowest price possible, forcing them to move production overseas, especially to China. In 1995, 6% percent of Wal-Mart’s total merchandise sold in the United States was imported.⁸ Today 60% of its total merchandise is imported from more than 6,000 suppliers in 63 countries, with China at the top of Wal-Mart’s supplier list.⁹

The Closing of Small Businesses

Wal-Mart claims that it does not hurt small businesses, yet in Puerto Rico, between 1993 and 2002 some 130 businesses went bankrupt because of the expansion of large chain stores on the Island, and of those, two-thirds were attributable to the growth and expansion of Wal-Mart.¹⁰ Eight Latin American countries—Mexico, Puerto Rico, Costa Rica, Argentina, Dominican Republic, Brazil, Uruguay, and Chile—joined together to condemn the ‘predatory

practices’” of Wal-Mart on a global level. Some wrote laws to prevent the retailer from having a high concentration of business in their countries. For example, in Argentina provincial lawmakers passed legislation that no business could control more than 30 percent of the market in one sector. In Mexico, where Wal-Mart gained control of more than 50 percent of the market in less than 10 years, they are evaluating laws to protect domestic businesses.¹¹

The retail industry in India is already very crowded. Wal-Mart’s entry will destroy small mom-and-pop shops. India’s retail sector is already the second largest employer after agriculture, employing about 10 percent of the labor force. According to global consultancy firm A.C. Neilson, India had the highest shop densities in the world. In 2001, it was estimated that there were 11 outlets for every 1,000 people.¹² Wal-Mart’s entry to India could devastate the small traders and their employees.

⁶ Latin Trade, 08/03 and Canada Newswire 10/28/04

⁷ Stratford Beacon Herald (Ontario), 6/10/05

⁸ Frontline interview with Gary Gereffi

⁹ Morgan Stanley, 03/04

¹⁰ El Nuevo Dia, 3/21/05 and 9/11/05

¹¹ Logistics Today, <http://www.logisticstoday.com/sNO/7121/iID/20909/LT/displayStory.asp>

¹² Atimes, 1/31/04, http://www.atimes.com/atimes/Global_Economy/F A31Dj03.html