

Yet Another Episode Exposing the Dark side of FDI

Even though there are many warnings and bitter experiences with regard to the dangers and pitfalls of foreign direct investment (FDI), our rulers have been also avowedly pursuing the policy of inviting the FDI Consistently in the name of economic development and job creation.

Recently we had the experience of Nokia in India which shattered the myth of development, job provision by draining huge amounts of wealth in royalties, profits etc from our country besides evading taxes in large amounts and playing havoc with the lives of the workers of its manufacturing plants and sales and marketing net-works.

Now again we have to witness such an another experience with the General Motors(GM) India, after closing its Halol plant near Vadodara of Gujarat and closure of its domestic operations in India suddenly.

General Motors India's Halol manufacturing plant is the Gujarat's oldest automobile plant set-up in 1999 spread over 175 acres with an annual capacity of 110,000 units of production of Chevrolet vehicles.

In fact General Motors began business in India in 1928 itself assembling Chevrolet buses, trucks and cars.

In 1954 it ceased its assembly operations and continued tie-ups with Hindustan Motors to build Bed-ford trucks, vauxhall cars, Allison transmissions and off-road equipment.

In 1994 General Motors India P.Ltd. was formed as a 50:50 joint venture with Hindustan Motors to produce and sell Opal branded vehicles.

By 2003, G.M started production Chevrolet vehicles at Halol in Gujarat. It also started its technical centre operations in Bengaluru, which caters to global operations and employs about 2,50,000 employees.

In 2006, it began the construction of an assembly plant in Talegaon, Maharashtra.

In 2009, GM formed a 50-50 joint venture with Shangai Automotive Industry Corporation, and by oct-2012, GM-Chevrolet raised stake in Indian subsidiary to 93% by buying 43% from SAIC. It has been selling vehicles in India as well as exporting vehicle to other countries.

However labour disputes started in Halol plant from 2010 onwards with regards to wages, service conditions etc. In 2011, there was a strike of workers that continued for 6 weeks. Again in 2014 contract workers have resorted to strike demanding wage hike and other issues like regularisation of contract workers, working conditions etc.

Not agreeing to meet the demands of workers and their rights, G.M. had in a planned manner decided to transfer its operations to its Talegaon plant in Maharashtra. Systematically it transferred its production from Halol to Maharashtra to weaken the workers disputes and agitations at Halol in Gujarat.

Initially it announced about closing of Halol plant in mid-2015 at the same time raised its investment of 1 billion in Talegaon unit. It gave notice to Halol workers in July 2015, to shut down the plant by June 2016. It extended its closure deadline till March 2017 and on April 18, 2017 announced as final date of closure. It has forced a so-called financial separation package on its 625 permanent workers or the continuity of employment at Talegon, after discontinuing the agreement of around 400 contract workers without renewing in 2016. Initially the permanent workers protested against this closure and their transfer to Talegaon plant. They approached the Gujarat state government and the Gujarat High Court to no avail. The state government of Gujarat told the High Court that it would examine the legal aspects of labour management dispute at Halol and take action within four weeks. The action taken by the Gujarat state

government was to force and make the permanent workers at Halol plant to accept the “separation payment” offered by the management.

Thus the myth of job creation has been shattered. Now the GM India is transferring the 172 acre land to M.G.Motors India, a subsidiary of Shanghai Automotive Industry Corp (SAIC) a collaborator of G.M. India. It is transferring its other assets also to SAIC. Thus in order to suppress workers who have been agitating for their rights and rightful demands, G.M. has closed the Halol plant, and skilfully transferred its assets to its collaborator company M.G.Motor India, which intends to start its production by 2019.

On the other hand G.M. India has been continuing all its manufacturing in this country at Talegaon plant of Maharashtra, employing 2,500 workers. It is apparent that GMI is intending to sell even these Talegaon assets to another company that would continue to manufacture on contract for GMI.

While such has been its myth of job creation, true is another myth about its sales operations in India.

At present GM India is having 150 dealers, with big show-rooms in India. 15,000 employees are working in those sales operations. These dealers made long term investments both in infrastructure and manpower.

Till May 2017 the GM India has been telling that it would launch new product in Indian market and more investment would be made in the country. But suddenly the GM India announced the closure of its domestic operations. It announced that it would stop selling cars in India by the end of 2017, to focus on export from India. In Talegaon plant, it is manufacturing Chevrolet Beat, for exports to Mexico and South America.

On the ruse that the sales of its cars in India in the financial year 2016-17 fell to 25,823 units, GMI announced to close its sales in India. Though its market share in passenger vehicle space in India fell to a marginal 0.85 percent, its exports have considerably surged to 70,969 units in the same period. So GMI stops its sales operations in India.

Due to this decision of GMI, the dealers would face a total loss around Rs.1,000 crore besides job losses to a tune of 15,000 employees.

But G.M.I is offering only Rs.100 crore as compensation, a measly compensation to the dealers. GM also imposes condition that those dealers who do not accept its compensation offer by July 15, they would only get 15 per cent of the compensation amount being offered. In case a dealer does not accept by September 15, he would not get any compensation at all. Thus the dealers are forced in to a situation of ruination.

So the dealers have come on to roads, protesting and complaining that GMI had “cheated” and “misled” them. In 27-6-2017, the Federation of Automobile Dealers Associations (FADA) and dealers of GMI held a protest demonstration at Jantar Mantar New Delhi demanding the intervention of Govt of India.

These dealers are also trying to explore possibilities of filing a “class action suit” against the American automaker in the U.S. over inadequate compensation being offered to them.

Such has been the reality with FDI is bringing about “economic development” and “Job creation” In India.

GMI had used every opportunity of tax concessions, incentives, cheap labour power in amassing profits from its operations. Now it stops Indian sales and reduces the number of workers, but enjoying all the concessions and incentives offered by the govt of India.

This experience with GMI shall open the eyes of those who are in the illusion about the virtues of FDI in India and its contribution to the development of Indian economy.
