

Second National Seminar Grassroots Reachout & Networking in India on Trade & Economics (GRANITE) - Phase-II

October 29, 2009, Kolkata, West Bengal

Background

Several steps have been taken in NFTP, 2004-09, to enhance labour intensive Indian exports to major markets but many Indian producers (especially small producers) are mostly unaware of these issues. Moreover, the policy has not been adopted on the basis of wide consultation with the larger affected stakeholder community or systematic social impact analyses.

Given this background, CUTS has undertaken a three-year project in the period 2007-2010 titled GRANITE, Phase 2 which is being implemented in eight states in partnership with grassroots civil society organizations (CSOs). The overall goal of this project is to generate inclusiveness in the impacts and formulation of economic policies, especially trade policies. Economic literacy initiatives such as workshops and participatory outreach meetings have been used. The overall goal of this project is to foster equality and accountability in economic governance in India, ensure better economic literacy at the grassroots and generate a more coherent civil society voice on economic governance in India, given the effect of globalisation on livelihoods of the poor, marginalised sections of society and women.

Objective

The consultation will provide a coherent platform to:

- Review the content and implementation of NFTP, 2004-09 and to thereby generate forward looking recommendations for the implementation of NFTP 2009-14
- Review the processes used to formulate NFTP 2009-14, especially in regard to the extent of stakeholder participation

The Participants

More than fifty participants comprising of state government officials, growers, exporters and representatives from various food processing units, civil society organisations from eight different states of India etc took part in the workshop. In addition, there were representatives from the media of the eight project states.

Opening Session

Siddhartha Mitra, *Director (Research) CUTS International & Head CUTS CITEE*, delivered the opening address by providing a brief overview of the organisation, the GRANITE project and its major objectives. He said the project had effectively identified a number of issues having serious policy implications. For example, one of the major roadblocks to enhancement of exports is the deficit in infrastructure in almost all the project states. Stressing the pivotal role media can play in informing the masses, he invited inputs from the participants regarding the communication strategies that need to be adopted to sensitise the common man on issues pertaining to the National Foreign Trade Policy.

Milind Murugkar, *Samarthan, Mumbai*, felt that because the National Foreign Trade Policy (NFTP) covered a wide range of issues, it needs to be presented to the layperson in a way to

which he/she can relate. He also said there is a need to focus more on grassroots related issues through the NFTP.

Mitra added that there is a need to identify focused products and focused markets in such a way that a state or a region can have advantage in production of a specific commodity. To set the tone of the workshop he requested some of the stakeholders present at the workshop to shed some light on some of the infrastructure bottlenecks faced by them.

One participant pointed out that it is difficult for small food processing units to survive, given the limited and poor infrastructure at the district level and also due to competitive pressures of big conglomerates and export houses. He further added that low selling price of export quality



Figure1. Siddhartha Mitra delivering the inaugural address

mangoes is posing a problem for mango farmers in Malda, saying they sold for almost the same price as the ones sold in the domestic market, which had a much lower cost of production.

Another participant felt that growers are not getting any benefits from international trade, while the exporting agencies are. He further added that there is lack of awareness about quality standards associated with exports and also necessary infrastructure required for exports. It was also felt that most of the deliberations on international trade involve only policymakers and exporters and that producers should be a part of these

discussions. A participant observed the risk averse nature of producer groups, which prevented them from becoming exporters themselves. Others felt there was a need to identify best practices and replicate them in the partner states, while another participant stressed the need to integrate NFTP with domestic policies. Mitra concluded the opening session by saying a number of issues had already arisen and that the seminar would attempt to arrive at workable solutions to some of the problems raised – which GRANITE would take up in advocacy activities in the days to come.

Session-I: 1st Presentation

Chair: Nilachal Ray, Former Director General, Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Government of India

GRANITE Phase- II: Project Overview and Major Findings from Eight States

- Anutosh Biswas, CUTS International

NFTP and major development concerns: Past Experience and the Way Forward

- Kritika Kapil, CUTS International

Discussants:

- Raj Veer Singh Rathod, Deputy Director General, Upkaar, Government of Uttar Pradesh
- P.Subhodini, Assistant Director of Agriculture and Incharge of WTO Cell, Office of Commissioner Agriculture, Government of Andhra Pradesh
- Govind Hande, Inspecting Authority for Phytosanitary for Export, Govt. of Maharashtra
- S.N.Khara, Mango Development Officer, Malda, Department of Food Processing Industries and Horticulture, Government of West Bengal

Anutosh Biswas, *CUTS International*, gave a brief overview of the GRANITE project i.e. its overall objectives, project duration, geographical coverage and products selected for case studies.. He said that throughout the second phase of the project, the major focus has been to analyse the impact of the National Foreign Trade Policy on the grassroots. One of the primary reasons for this thrust on NFTP has been its inherent potential for employment generation. He further pointed out the role of NFTP in facilitating a number of major infrastructure development schemes for the agriculture and allied sectors: Assistance to states for infrastructure development of exports (ASIDE), Market Access Initiative (MAI) and Marketing Development Assistance (MDA), Promotion of Towns of Export Excellence (TEE), Vishesh Krishi and Gram Udyog Yojana (VKGUY) etc

However, Biswas did point out some of the major limitations of the policy:

- Centralised nature
- Lack of grassroots inputs
- Lack of consideration for local specifics and variations
- Lack of inclusiveness of the decision making process – its inability to involve grassroots stakeholders
- Lack of interaction among MPs/MLAs/political parties regarding economic problems and trade related issues
- Lack of reflection of grassroots demands in formulated trade policy



Figure 2. Anutosh Biswas making his presentation

Biswas then went on to share major findings of state level case studies conducted on specific products.. He pointed out noticeable benefits: an increase in the area and production of products promoted through the NFTP and tracked through the case studies, increased employment in supporting sectors, easier access for exporters to government schemes; and higher involvement from women. The major roadblocks were lack of necessary export infrastructure, low degree of awareness about trade and economic issues and government policies, lack of systematic dissemination and lack of research and development (R&D). In light of the limitations of the NFTP and major roadblocks identified from case studies he put forward recommendations:

- Special schemes should be targeted towards small players.
- Information dissemination mechanisms need to be more extensive.
- Schemes should be made less complex and more transparent.
- The policy making process should be made more inclusive/consultative
- Panchayats should be empowered in regard to policy making
- A Market Intelligence cum Marketing Network should be developed.
- Technological support should be provided to ailing food processing units
- The Board of Trade should be representative of all major stakeholders

Biswas concluded his presentation by saying that although the NFTP is a welcome step and has had positive impacts on specific sectors, greater dissemination and wider consultation is the need of the hour to make it more inclusive and pro-poor.

Kritika Kapil, *CUTS International*, started by giving a brief overview of her presentation. She said that the presentation was an attempt to analyse the new NFTP, 2009-14, identify the major development concerns in the light of the GRANITE project and suggest the way forward. She said that the underlying long term objective of the NFTP is to promote exports and increase



Figure 3. *Kritika Kapil making her presentation*

India's competitiveness globally, leading to employment generation particularly in the labour intensive sectors. The short term objective is to stop and reverse the declining trend in exports. She further added that both the long and short term objectives of the policy are to be achieved through infrastructure improvement related to exports, transaction cost reduction and full refund of all indirect taxes and levies. She also briefly mentioned that the new NFTP had special initiatives in the areas of market diversification, technological upgradation, support to status holders, promotion of green products and export products from North East.

She described some of the major development concerns highlighted by the field studies completed in the first two years of GRANITE: low economic literacy, infrastructure bottlenecks, lack of training and skill generation, innovation and marketing strategies, lack of efficient information dissemination about structural changes and exploitation by middlemen. Moreover, from the surveys it became evident that most stakeholders were of the opinion that NFTP was directed towards large farmers/producers/exporters. Further, there is a tendency for NFTP to provide incentives to exporters instead of producers who are often prone to exploitation by the former. The lack of coordination among various levels of government on implementation issues was also highlighted. She advocated changes in policy and process to address the above development concerns.

Panel Discussion

Raj Veer Singh Rathod, the first panellist commended CUTS International for its implementation of the GRANITE project. In this context he averred that he did not know the answers to most of the questions asked in the GRANITE questionnaires – something which he has in common to most of the state government officials. Such low degree of awareness also points to lack of coordination among different government departments. Referring to the CUTS study under the GRANITE project he mentioned that the survey and the case study had been instrumental in identifying the major bottlenecks in the process of effective policy formulation and implementation of the NFTP. He said that now that issues are known, appropriate advocacy and communication strategies need to be formulated to present these to the respective government departments and ministries.

P.Subhodini emphasized the role of the WTO Cell in Andhra Pradesh in overcoming some of the problems mentioned in the presentations. She said the Cell was working hard on making farmers aware of the various WTO negotiations and it had already made significant progress in making the farmers aware of the quality standards associated with exporting to different countries. However, she mentioned that to encourage the farmers to grow export quality products there is a need for market assurance along with setting up of proper export infrastructure and strong market intelligence. She said that although the NFTP has these provisions most of the farmers are still unaware and thus more awareness generation is needed.

Govind Hande began by saying that information on quality standards for many agricultural crops is often not available to the governments themselves. He felt that such lack of information gets manifested in quality of production that is unfit for export markets. In this context he gave the example of *GRAPENET* whereby a consumer can actually trace the entire activity of grape processing and farming from the farm to the table. This activity required registration of vineyards and vine owners, marking of trees, adherence to international standards etc. Thus, it had also led to improved level of exports of grapes from Maharashtra, which at present exports 40-45 thousand metric tonnes of grapes each year to European Union and other countries.



Figure4. Panellists expressing their views on the presentation. L-R: P.Subhodini, Govind Hande, S.N.Khara, Nilachal Ray,Raj Veer Singh Rathod

Samarendra Nath Khara thanked CUTS International for undertaking the GRANITE project and also conducting the case study on the mango economy of Malda. This study had been helpful to them for chalking out an annual action plan for the horticulture department in Malda. While stressing the need to make growers aware about export quality standards, he mentioned the need for strengthening food processing units in Malda as well. Before concluding he also emphasised the need to keep state government officials well informed on issues related to the NFTP.

Open House Discussion

Some of the important points that came up are detailed below:

- Lack of export infrastructure, especially in the rural areas, is a major roadblock to production of export quality produce by farmers.. As an example, he cited the case of Andhra Pradesh where there is no quality certifying laboratory.
- The NFTP has not been able to encourage producers to export directly mostly because of the complex procedures that have to be followed. There is a need to demystify provisions at the grassroots.
- A participant raised environmental concerns that have been overlooked in the NFTP. He felt that in a drive to double exports overexploitation of natural resources (especially in the marine sector) might occur, which is harmful in the long run.

Nilachal Ray responded to the last comment by saying export targets were fixed by the Ministry of Commerce in consultation with the respective export promotion councils, commodity boards and other relevant stakeholders; and while fixing these targets various factors are taken into account – for example, seeing that resources do not get over-exploited.

Session-I: 2nd Presentation

Chair: Alok Ray, Former Professor, Indian Institute of Management, Calcutta

Impact of Globalisation on Poverty and Regional Inequality

Arne Melchior, The Norwegian Institute of International Affairs (NUPI)

Discussant(s):

- Professor Saikat Sinha Roy, Faculty, Jadavpur University
- Professor Nabinananda Sen, Faculty, Department of Business Management, University of Calcutta

Alok Ray, *Former Professor, Indian Institute of Management, Calcutta*, requested Arne Melchior to give his presentation.

Arne Melchior began by elaborating on the objective of his presentation -- to examine how globalisation has affected different states in India and thereby identify the various regional patterns of development emerging in India in the post liberalisation era. With this backdrop, he continued, the study had been done from three perspectives, namely regional, sectoral and that of economic geography. He outlined the methodology of the study and also different aspects of his model. His major findings were:



Figure 5. Arne Melchior, making his presentation

- Even though India's openness has accelerated it is still a small global trader. As illustration, India's foreign trade is now just slightly larger than that of Norway – a country with 4.8 million people.
- Growth and increased openness have been accompanied by increased regional disparities in India. Preliminary assessment seems to indicate that globalisation is not the cause for this trend. For example, rising regional

disparities are not driven by distinct sectoral patterns of growth across regions, the only sector standing out as a “regional growth sector” in this respect being ‘Trade, Hotels and Restaurants’. As another approach to analyse the link between regional disparities and globalisation, numerical model simulations were used to derive hypotheses about how increased openness and trade may affect various regions. India seems to be a more complex case with a less distinct pattern of geographical change across states. In India, there is no coastal-inland divide of the same significance as that in China, or a core-periphery pattern as strong as that in Europe.

- In general, the model results suggest that during early stages of development, accumulation of physical and human capital are the major driving forces behind growth differences, and economic geography effects linked to scale economies and proximity to foreign markets are much less important although these could also matter.

Panel Discussion

Saikat Sinha Roy started by complimenting Arne on his work. He felt the study effectively shows, in defiance of popular belief, that “Trade, Hotels and Restaurants” is the greatest contributor to India's growth ahead of the IT and ITeS sector. He further added that there is a fair amount of uncertainty about the magnitude and significance of impact of growth in export of trade related services on growth of the services sector and overall economic growth. This, he said, has immense implications for regional equality and poverty. In conclusion, he stressed that regions of India and China are comparable but comparing India with European Union is not possible due to a number of economic, geographic and cultural differences.

Nabinananda Sen agreed with many of the points raised by Saikat. He felt the study needs to incorporate many micro level issues as well, because there are many sectors that have immense growth potential but they may not be the sensitive ones generating the largest employment and associated with serious livelihood concerns. He further added that the paper needs to have a policy outlook as well and should point out implications on the social security net.



Figure 6. L-R: Nabinananda Sen, Alok Ray, Saikat Sinha Roy

Alok Ray began by saying that in India growth has been associated with decrease in , poverty but increase in regional inequality. In the post liberalisation era states with better institutions and governance have attracted more domestic and foreign investment with some laggard states benefiting. He concluded by saying that examination of linkages among trade, poverty and regional inequality from a macro perspective may not be apt due to inherent complexities.

Session II - Strengthening the Linkages between International Trade and benefit(s) to the Grassroots Stakeholders: Role of Export Promotion Councils and Commodity Boards in strengthening the linkage

Chair: Sanjeev Nandwani, Joint Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India

Discussant(s):

- Pankaj Parekh, Chairman, Eastern Region, Gems and Jewellery Export Promotion Council, West Bengal
- Prabhat Ranjan Giri, Director, Export Promotion and Marketing, Government of Orissa
- Siddhartha Mitra, Research Director, CUTS International

Sanjeev Nandwani started the second session by giving a brief overview of the role and functioning of Export Promotion Councils (EPC) and Commodity Boards (CB). He said EPCs and CBs are formed under the Ministry of Commerce and Industries as non-profit autonomous bodies with EPCs have greater autonomy than CBs. Every council, he continued, needs to have a *Registration cum Membership Certificate (RCMC)* against which it receives grants from the Ministry of Commerce. Such grants are usually under various NFTP schemes viz. MAI, MDA, FPS, FMS etc. He further stressed that the onus is on the councils to make their members aware of these schemes and that small players with annual exports of less than Rs. 5 crore can avail of

these schemes. Next he touched upon the ASIDE scheme and requested Pankaj Parekh to elaborate on the role that the gems and jewellery EPC based in Kolkata has played in strengthening the linkages between international trade and benefits to the grassroots.



Figure 7. L-R: Prabhat Ranjan Giri, Pankaj Parekh, Sanjeev Nandwani, Siddhartha Mitra

Panel Discussion

Pankaj Parekh highlighted the efficiency of the gems and jewellery EPC, a major achievement of which has been the establishment of the Manikanchan Export Processing Zone (EPZ) in Kolkata in 2004. At present, he continued, exports from Manikanchan are worth Rs 2,000 crore and the major positive outcome has been in terms of curbing migration of artisans to Gujarat and other states in search of jobs. He further added that the most crucial role of the EPCs is to generate business and link domestic companies to buyers in overseas markets. This is crucial as benefits from greater market access will in turn benefit the artisans in terms of higher remuneration, longer job tenure etc. Before concluding he expressed his sincere wish to implement a cluster model of artisans as found in Italy to increase their productivity and offer better living standards and a cleaner environment.

Prabhat Ranjan Giri said the prime role of an EPC is to bridge the gap between growers and exporters, but unfortunately it is often not possible for the EPCs to access the grassroots. He cited the case of handloom exports where the exporters are siphoning off almost all the benefits and incentives while the primary producers are getting a very small share of the profit. He said this could be because of both the limited number of exporters and their even limited association with the grassroots. There is thus a need to encourage more people to enter the export business which will make the market competitive and to help producers export their products themselves.

Siddhartha Mitra emphasised the role of EPCs in terms of increasing the number of direct stakeholders. He said the prime focus of NFTP is to increase the number of economic agents in trading activity. However, he added that the CUTS study does not reveal the fulfilment of this objective as many of the stakeholders are not aware that such a policy actually exists while many government representatives are not adequately aware of its provisions. He went on to highlight a few considerations that need to be taken cognisance of while framing the NFTP:

- To make the Policy simple and understandable by the common man
- To simplify procedures for availing the various schemes under NFTP and make these transparent
- To include CSOs in the trade policy making process to make it more pro-poor.

Open House Discussion

- A question was raised about whether the ASIDE scheme can be availed of by grassroots institutions such as Panchayats. Nandwani replied that proposals for such schemes should come to the DGFT through the state governments and given to institutions which are directly linked to exports.
- A participant felt that most EPCs do not function effectively – a drawback which can be attributed to the framing of the NFTP

Before closing the session, Nandwani said that there is a necessity to chalk out an effective benefit sharing mechanism between the exporters and primary producers. For this he requested CUTS to play a role and send suggestions to the DGFT for suitable incorporation into policy.

Strengthening the Linkages between International Trade and benefit(s) to the Grassroots Stakeholders: *Strengthening Small Scale Units at the grassroots to support the objectives of NFTP, 2009-14*

Chair: Anil Singh, CEO Network Entrepreneurship and Economic Development, Lucknow

Discussants:

- Siddhartha Shankar.Gupta, Assistant Director, Directorate of Micro and Small Scale Enterprise, Government of West Bengal
- Piyush Shukla Senior Manager, Uttar Pradesh Export Promotion Bureau, Government of Uttar Pradesh, Lucknow

Panel Discussion

Siddhartha Shankar Gupta gave a brief overview of the functioning of his directorate. He highlighted its primary objective of encouraging entrepreneurship at the grassroots and the means employed to achieve it: training and other necessary assistance to start micro or small enterprises. He drew attention to the major problems facing micro and small scale units: working capital, lack of efficient management of available resources, financial accessibility etc. Government of West Bengal had been trying to provide necessary support to these units so that these can overcome these problems. In this context he talked about MAI which sends representatives from small units abroad to attend various international trade fairs, buyer seller meets etc. However, he said that due to lack of access to modern technology the producers could not charge a competitive price that is acceptable to the buyers. He said the state government was trying its best to give the necessary support to the MSSE units but these also required handholding by the exporters who can effectively market their product in international markets.



Figure 8. L-R: Siddhartha Shankar Gupta, Anil Singh, Piyush Shukla

Piyush Shukla started by highlighting the fact that Uttar Pradesh Export Promotion Bureau is the only full time government agency or bureau undertaking export promotion in the country. It organises workshops for existing and/or new enterprises in the export business almost on a fortnightly basis in collaboration with Indian Institute of Foreign Trade (IIFT) and Federation of Indian Exporters Organisation (FIEO). He pointed out that Uttar Pradesh (UP) is the largest handicrafts producing state in India and accounts for 50-60 percent of the total handicrafts produced in India. However, most of the exports from UP are indirect exports i.e. the artisans supply products to middlemen in other states who in turn export these. It is important for artisans to get the actual market price for their product and towards that end the government in UP is also adopting a cluster approach to eliminate the existence of middlemen. Regarding functioning of the bureau, he pointed out that it provides assistance to the exporters (who attend international seminars), artisans (by sending product samples to international customers) etc.. He further added that the MAI, FPS and FMS schemes are being utilised by the state to explore opportunities in overseas markets. In this context, he further mentioned that USA and EU account for the biggest share of handicraft export from the country and so more emphasis should be placed on exploring opportunities in other markets such as Latin America. .

Open House Discussion

- There is a need to have innovative market protection and market initiative policies to safeguard interests of the artisans and entrepreneurs in the small scale sectors. There is a need to step up allocation for the small scale sector and provide necessary infrastructure support to the clusters to reduce their cost of production.
- Collection and analysis of firm level export data would throw up important implications for export promotion policy

- The greatest advantage of adopting the cluster approach is the chance clusters provide for forming marketing and producer cooperatives with attendant economies of scale.

Role of Civil Society Organisations in Trade Policy Making - Siddhartha Mitra, Research Director, CUTS International

Chair: Nabinanda Sen, Professor, Calcutta University

Discussants:

- Milind Murugkar, *Samarthan, Mumbai*
- Shyam Sunder
- Muralidharan, *CREAT, Bangalore*

Siddhartha Mitra started the session by saying that it was probably the most important session of the day because it indicated the way forward. He said that the day's discussions had revolved around what governments and exporters can do while this session focused on what CSOs can do to make sure everyone (governments, exporters etc.) functions to facilitate the percolation of benefits to the grassroots.. CSOs act as a conduit or channel linking those supplying the trade policy to those affected by it. Civil Society has three major roles to perform -- demystifying the trade policy, taking feedback from those affected by the policy to those implementing it; and ensuring that the feedback gets suitably reflected in policy changes.

Mitra said that in order to undertake these roles effectively, civil society performs three functions: research, advocacy and networking. He concluded his presentation by saying there is a missing market for trade policy because there is no communication between demanders of trade policy i.e. grassroots and the policy's formulators. Thus, civil society is a kind of intermediary which ensures trade policy is fitted to the demands of the grassroots.

Panel Discussion

Milind Murugkar began his discussion by saying that there was an assumption that civil society in India views trade favourably, but if the scenario was closely examined, this is actually not the case. He said many CSOs with the exception of CUTS and a few others view trade as anti-poor and in his opinion the poor bear the costs of this kind of ideological dogma. He went on to cite a few examples where civil society in India has not taken any action to reverse the plight of agricultural producers. One of these was the export ban on food grain that has been in place for the last three years. Because of this, India imported wheat from Australia two years ago at double the price India given to local producers. Murugkar questioned civil society's lack of protest of this situation. Murugkar also strongly felt that India's corrupt public distribution system comes in the way of any reforms being made in favour of farmers and civil society's silence on the issue has resulted in the rural economy continuing to suffer. He suggested that the public distribution system be replaced with a system in which subsidy is transferred to the producers directly.

Shyam Sunder opined that although journalists played a big role in bringing people's issues to the fore, they have their own agenda of indulging in sensational stories. He went on to say that a journalist has little power over what he writes because he has to appease his editor, his manager and his proprietor. He said that there is a need for journalists working in regional languages to write about trade issues more prominently.

Muralidharan opined that more CSOs in India need to work in the trade policy arena. However, such work required sound knowledge regarding trade policy and various issues surrounding it. As a result, there needs to be capacity building of existing civil society so that it can become more

active in trade issues. Muralidharan also felt that CSOs need to identify the various government committees working on trade policy issues in India and make extensive use of law as an advocacy tool – for example, by making use of India’s Right to Information Act. In Muralidharan’s opinion, the effectiveness of civil society hinges on its ability to engage and inform government officials. In addition, they could work with various educational institutes to make use of their past research.

Open House Discussion

- There is an urgent need to increase the number of CSOs looking at trade policy.
- There is a need to monitor what Export Promotion Councils (EPCs) do and constantly communicate with DGFT which is not aware of primary stakeholder issues.
- There should be civil society representation on the Board of Trade.
- The negative perception of trade by stakeholders needs to be changed

Mitra summed up by saying that civil society ensures that government policy is formulated in the interests of stakeholders. He went on to say CUTS looked at trade as potentially beneficial and he hoped that the GRANITE partners looked at it the same way because otherwise it would make the whole project framework somewhat redundant. The idea is to use the GRANITE framework to harness potential benefits of trade for the stakeholders and control the negative fallouts that can occur due to external reasons such as volatility in international markets. Mitra opined that it is important to look at trade as a powerful pill with some possible side effects but with huge curative power.