

Final Dissemination Meeting

Grassroots Reachout and Networking in India on Trade and Economics (GRANITE) Phase II

New Delhi, August 19, 2011

Executive Summary

The GRANITE project is supported by the Royal Norwegian Embassy, New Delhi and the Oxfam Novib, The Netherlands. The project seeks to generate a more coherent civil society voice on economic governance in the context of globalisation and its effects on the livelihoods at the grassroots, particularly the marginalised and women.

Inaugural

Pradeep S Mehta, Secretary General, CUTS International

Eva Brathholm, Counsellor, Political Affairs, Royal Norwegian Embassy New Delhi

Anwarul Hoda, Professor, Indian Council for Research on International Economic Relations (ICRIER)

E. M. Sudarsana Natchiappan, Member of Parliament, Rajya Sabha

Pradeep S Mehta welcomed the participants and introduced the distinguished guests present for the opening session of the final dissemination meeting. He began by highlighting the positives of the five year foreign trade policy initiative taken by the United Progressive Alliance (UPA) government, which seeks to include world trade into the development strategy with a medium term perspective. Thereafter, he also discussed the limitations of the trade policy and pointed out that poor communication, rather than capability of the stakeholders to take benefits of the policy measure, is one of the main hindrance in implementation of the policy to its full potential. Therefore, a better communication of trade policy measures to the stakeholders is the need of the hour and an active participation from state governments and civil society organisations (CSOs) is required to promote economic literacy. He underlined that it is essential to have an active involvement of stakeholders, CSOs and the state government in the policy making process.

Eva Brathholm in her address pointed out the increasing importance of India in global politics and economics. She also expressed the growing economic and trade ties between the two countries, with the signing of the new double taxation avoidance agreement in February 2011 and prompt progress in the FTA negotiations. Brathholm applauded the efforts of the GRANITE project for mooted for a more decentralised and bottom- up approach to the foreign policy by to include both the stakeholders and consumers.

Anwarul Hoda highlighted the importance of infrastructure – both social and physical in order to catalyse the impact of the trade policy. Hoda suggested the need for an infrastructure development policy independent of the trade policy, because the need of infrastructural development is beyond the export promoting sectors, of the economy as a whole. He also emphasised on the importance of diffusion of international best practices and norms like traceability in agricultural production among the stakeholders to make their product compliant to international standards.

E M S Natchiappan expressed that the state government must play an important role in the making of foreign policy, although foreign policy is a Central government responsibility as mandated by the Constitution. He suggested that the democratically elected bodies at the grassroots need to be involved in the process of implementation of the policies, as the elected representative is better aware of the capabilities of members in their community and is vital in catalysing the process of diffusion of knowledge of these policies. He further suggested for more inclusive development and growth and

stressed that investments in rural and informal sector in India is quintessential along with the urban and the formal sector.

India's Foreign Trade Policy and its Outreach: A Critical Reflection

Chair: Sajal Mathur, Professor, Centre for WTO Studies, IIFT

Presentation: Bipul Chatterjee, Deputy Executive Director, CUTS International

Discussants

Saikat Sinha Roy, Professor, Department of Economics, Jadavpur University, Kolkata

Milind Murugkar, Policy Analyst, Pragati Abhiyan, Maharashtra

Sajal Mathur briefly introduced the topic of the session to the panellists and invited the presenter. Bipul Chatterjee started his presentation by providing a general outline of India's trade and economic transformation in the past two decades and discussed the reasons for selecting National Foreign Trade Policy (NFTP) as a theme for research. He pointed that since the trade policy is aimed at mainstreaming international trade into national development strategy and seeks for a more inclusive growth, the impact of the policy can be observed at the grassroots, which are at the heart of the GRANITE project.

He briefly discussed the objectives of the GRANITE project and wide outreach carried under it. He informed the audience that research was carried out in eight Indian states which account for 60 percent of the population between 2007-2010.

Bipul Chatterjee highlighted the activities of the project and described that the objective has been to examine the involvement of the state government and other stakeholders in the formation and the implementation of the NFTP and to analyse NFTP impact on the livelihoods of stakeholders in specific product categories in order to advocate for a pro-poor and pro-development trade policy.

He explained that a case study approach was followed in order to understand the impact and the causal mechanism of NFTP on exports of specific products. The products which were chosen, were all labour-intensive and questionnaires were directed to key stakeholders and there were interviews and focussed group discussions were also carried out.

He presented a summary of the results of the findings and pointed out that there was an increase in exports in all products and a positive impact of the NFTP. He went on sensitising that this does not suggest it is a "great" policy. There are limitations of the NFTP which were also discussed.

Bipul Chatterjee concluded by putting forward the recommendations based on the findings of the GRANITE project and emphasised on the importance of consulting producers in the process of policy making, to provide technical assistance and capacity building, especially for small producers who are marginalised in the process of development for the lack of capabilities to compete with the larger players. He also pointed out one of the major limitations of the NFTP – it is benefiting exporters rather than producers and recommended the need for a scheme of benefit sharing among exporters and producers.

Saikat Sinha Roy stated that products which are selected in the GRANITE project are diverse and important. He expressed that the problem with NFTP is more fundamental, that of streaming trade into the national development agenda. He discussed that the objective to double exports by 2012-13 is only a means and not an end in itself and pointed out that amount of gross domestic product (GDP) which is explained by exports is a gross underestimate for exports and only includes merchandise and not services.

He emphasised on the importance of indirect services and employment which merchandise exports generated, he cited a study "Enhancing Trade and Investment Cooperation in Asia: Issues, Policies and Institutional Reforms" carried out by RIS in 2001. The study suggested an increase in exports lead to an increase in both direct and indirect sector, and that the increase in indirect sector is much greater and highlighted the need for capacity building both in the direct and indirect sectors. He further

explained that infrastructure is the key to generate both direct and indirect employment and may also help in realising its full potential.

Saikat Roy Sinha also underlined the lack of state government involvement in the policy making process and suggested that the state governments are key catalyst in implementation of the trade policy. He also pointed out the need for a state database of the products exported, which is currently only present in the state of Karnataka.

Milind Murugkar discussed the role of trade and the opportunity provided by trade to reduce poverty. He explained four broad issues based on the study conducted in the state of Maharashtra. He discussed the trade restriction and price ceilings on major crops, which lead to crisis in the agrarian economy. Secondly, he emphasised on inclusive growth. He pointed out that growth in agriculture leads to poverty eradication but policies which are present divorce the agrarian economy from international trade which increases the inequality.

Murugkar applauded National Rural Employment Guarantee Act (NREGA) for its positive impact on rural infrastructure, which is quintessential for the stimulation of growth and economic benefits it presents to farmers. The third issue underlined by him was to strengthen the close relationship between international trade and economic prosperity. He cited an example of the lifting of ban on rice and wheat and suggested this could lead to an increase in income of farmers, although he sensitised that the causal mechanism is not that simple. There are a number of factors such as food inflation and other policies which need to be in place to tackle these issues. Fourthly, he advocated for cash transfer instead of the public distribution system and the sheer inadequacy in the government procurement of grains through the minimum support price (MSP), piling up huge stocks while producers and consumers are suffering.

Sajal Mathur concluded the session by laying out the importance of complementary policies and importance of various organisations at the macro, meso and micro level coming together in the process of policy making. He then opened the floor for questions and suggestions for enhancing the policy recommendations.

Kamalkand Sahu, Centre for Youth and Social Development, Orissa, suggested two recommendations: i) there are no incentives for the state government for promoting exports and the state government and stakeholder must be sensitised on the importance of export for the growth of the economy and policies like DEP13 which promote exports are not there in the NFTP; and ii) need for educating producers to take advantage of the policies of NFTP.

Anil Singh, Network of Entrepreneurship & Economic Development, Lucknow, emphasised on three recommendations. First, that there is need of understanding the domestic supply chain, the fact that people down the order have no access to credit and other facilities. Second, he stressed on the need of trade facilitation centres in cities, as they are the missing links. Third, he pointed out the need of capacity building both at the level of producers, especially the small producers and at the level of formal institutions, the state government officials need to be trained and the aspects of the NFTP have to be demystified to the officials.

Narasimha Reddy, Consumer Guidance Society, Andhra Pradesh, also laid following three issues and expressed that the policy is not revised since its formulation in 2004 by citing an example from the handloom sector. He underlined that the policy dwelled with the absence of a mechanism of translating market price to the producer, there are only talks about lowering the transaction costs but none to ensure the transfer mechanism, without the higher prices reaching to the producer which is essential for catalysing exports. He pointed at the failure of NFTP in Andhra Pradesh by citing an example and stated that in the last four years the prices of turmeric has increased in the world market but the prices to farmers have witnessed a fall.

Saikat Sinha Roy added to the discussion by raising the importance of the knowledge of “best practices” globally to be an important source to build up on domestic capacity. He stated the example

of Chile how it gained from export of fruits by importing the knowledge of ways to preserve fruits from California.

Suresh Pai, Secretary, Small Coffee Association, highlighted the importance of promoting Self-Help Groups in promotion of exports and also the need for certified warehouses and e-auctions to better market their products to foreign markets.

Sunil, Journalist, Agrowon, Pune, discussed the ground realities in Maharashtra and recommended the need for proper infrastructure for agriculture and the combination of civil societies, the government and the people in the process of policy making.

Conclusion

In the conclusion it was emphasised that there is a need for dealing with existing discord at the international, national and the state level. The need for transfer mechanism of prices from international and national markets to producers, especially in the agrarian economy is required to be attained.

GRANITE Partners' Meeting

The meeting was opened by Bipul Chatterjee, requesting views, recommendation and suggestions which are to be presented to the Director General of Foreign Trade and mapping the way forward for Project GRANITE for a probable phase III.

Milind Murugkar suggested that since the NFTP includes a plethora of issue to address but if results are to be expected it should based on a focussed approach, which can be substantiated by case studies.

Narasimha Reddy recommended the need for an active involvement of the state government in the process of the policy making, to this Bipul Chatterjee added the need of DGFT office in all the states, and suggested a value chain analysis to study the trickle down of development initiatives in the NFTP and to conduct a sector wise analysis to study the sustainability of these policy initiative.

Diwakar Babu pointed out that the state has withdrawn from the social sector without adequate regulation special trade related at the sub regional level and that there is a need for regulation with respect to production specially to ensure benefit sharing between exporters and producers.

Saroja added to the importance of sector wise focus. She cited an example from her experience, in the marine sector, where warehousing is a serious constraint especially for the small producers and hinders their competitiveness. She also added for the need active participation of State DGFT.

Laxmi suggested a corporate sustainability analysis of these policies both from an economic and environmental point of view.

Seema Gupta added to the discussion and stated the need to develop clusters to organise producers to gain from economies of scale and need of capacity building programs for development of skills in both direct and indirect employment.

Kamalkand Sahu highlighted the problem of rare meetings at the state foreign trade offices. He further highlighted the importance of livelihood for CYSD, although it has mobilised resources from the state government to improve conditions in nine clusters, but the problems of value addition and marketing are still nagging and needs to be addressed.

Anutosh Biswas suggested that GRANITE through its Phase I and II has done research and advocacy, it was now time for action and the approach should be area focused, because the problems which are faced are very heterogeneous in nature.

Yogesh suggested three points, first there is a need for a survey which document the impact of exports on production specially producers. Second, there is a need to have a time bound approach towards response and awareness of foreign policy initiatives by the government officials. Thirdly, to think beyond a time bound aspect of a project, there is a need to create platforms through which stakeholders and consumers can benefit even after the completion of the project, he quoted the example of FCMI providing a platform for small producers.

Prithvijit Mukherjee suggested the role of state and regional government promoting brands, as it was done in Italy.

Suresh Pai pointed out the need for a carbon credit exchange for environment friendly production of coffee and horticulture as they have very high sustainability.

Vittal Rao recommended for a need of a seminar on coffee production.

Bipul concluded the discussion by highlighting the importance of economic literacy and it is a very resource intensive process and requested the partners of GRANITE to contribute to it, in whatever way possible and sought to revive the e-group on GRANITE and add policy makers to the group for the purpose of debate and awareness.