

Inception Workshop

Grass Roots Reachout Networking in India on Trade and Economics

Phase II

Bangalore, November 27, 2007

Background

The inception workshop of the Grassroots Reachout and Networking in India on Trade and Economics (GRANITE) Phase II was held on 27 November 2007 at the Training Centre of the National Law School of India University (NLSIU), Bangalore. This three-year project is being supported by CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), Jaipur. The object of GRANITE is to bring pro-poor development by addressing the concerns of the export potential of commodities in the employment-intensive sectors like agriculture, silk, handlooms, handicrafts, etc. Besides, the project aims to identify the role of the State Governments and the civil society in formulating the National Foreign Trade Policy (NFTP). The overall goal of the project is to foster equity and accountability in the economic governance of India at the local, state and national levels.

In Karnataka, the project is focused on agriculture, including silk, handloom and handicrafts. Karnataka has considerable potential for exports in products and commodities like spices, silk, hand loom and handicrafts. In the past few years, the State is moving ahead with horticultural products and is also emerging as one of the exporters of cut flowers (floriculture). Besides, certain districts of Karnataka have the potential in commodities like arecanut, coconut, vanilla, etc. Coffee is another cash crop that is a major exportable commodity.

The objectives of the inception workshop included the following:

- To inform and discuss the framework of NFTP;
- To identify the role of the State Government in formulating the NFTP;
- To discuss the role of the stakeholders, including the civil society; and identify methods for a meaningful intervention while the NFTP is framed;
- To identify the products/commodities of Karnataka which contribute to the export potential; and
- To launch the project in Karnataka by making the participants aware of the project methodologies.

Participants and Resource Persons

Keeping the objectives of the Project in view, the invitees were selected from across the State, covering all stakeholders. The stakeholders who were associated with GRANITE- I were also invited. The participants included farmers, agricultural workers, weavers, consumer groups and government officials. The resource persons included officials from the WTO Cell of Karnataka, the Central Silk Board, the Visweshwariah Industrial Trade Centre, the APEDA and the Federation of Exporters Association of India.

Proceedings

Welcoming the speakers and the participants, Y.G. Muralidharan of CREAT explained the background to GRANITE and its objectives. He said CREAT has been associated with CUTS for the past one decade and thanked CUTS for its continued support. He said, but for CUTS, CREAT would not have taken up the WTO, globalisation and economic governance issues. He called upon the participants and the institutions to extend their support in achieving the objectives of GRANITE - II.

Muralidharan said that the project is of a three-year duration and during the first (current year) year, the focus will be on obtaining the perceptions of the stakeholders and government officials about the NFTP and identify the spaces available for stakeholder participation while framing the NFTP. He said, in the next

three months, Focused Group Discussions will be held in various parts of Karnataka and a survey will be carried out among the government officials. He also explained the other activities of GRANITE and the role of the civil society in influencing the NFTP.

The workshop was inaugurated by Chandrashekar, Managing Director of the Karnataka Council for Technical Up-gradation (KCTU), which also houses the WTO Cell. He said that the WTO cell is an advisory body to the Government of Karnataka and is focusing on industry. There is a separate cell for agriculture under the Department of Agriculture/Horticulture. He said that knowledge and awareness about the NFTP are very limited and the general public has not taken interest in making their contributions before the NFTP was framed.

Chandrashekar said that there is a need to make the process of framing the NFTP more transparent and participative and improve the knowledge and capacity of the chambers of commerce, trade bodies and industry associations on issues related to the NFTP, the WTO, etc. He appreciated the interest taken by CUTS and CREAT in this direction and assured all cooperation from the WTO cell to enhance the general understanding of the NFTP and making it more pro-poor and citizen- friendly.

K. Unnikrishnan, Joint Director in the Federation of Indian Export Organisations, Karnataka Chapter, made a presentation on the framework of the NFTP. He explained the background to the NFTP and its salient features. He said that the NFTP, earlier called Export and Import Policy, is governed by the Foreign Trade Development and Regulation Act, 1992. It is announced for a period of five years, in accordance with the Five-Year Plan period of the Government of India.

Unnikrishnan said that the object of the NFTP is to promote exports, facilitate imports and act as an instrument for employment generation. He said the object of the FTP is to increase India's share of global merchandise trade to 1.5 percent by 2009. Detailing the principles on which the NFTP is based, Unnikrishnan said that the strategy is to reduce control and create transparency and simplify procedures, neutralising the incidence of all levies and duties on imports used in export products. Unnikrishnan said that the four pillars of the NFTP are the exemption schemes, remission schemes, export promotion capital goods scheme and the export-oriented units and recently the special economic zones. Upon a request from a participant, Unnikrishnan explained the features of the *Visvesh Krishi and Gram Udyog Yojana*.

The second presentation was by M.A. Shariff, Additional Director of the Visveshwariah Industrial Trade Centre (VITC). The VITC is an apex body co-ordinating the exports from Karnataka. He said the VITC was set up in 1965 and is functioning under the aegis of the Industries and Commerce Department of the Government of Karnataka (GoK). He said the VITC promotes exports from the state by conducting export awareness programmes, short term training programmes, seminars and workshops, buyer-seller meets, and arranging trade fairs and exhibitions.

Speaking on the topic '*Role of State Government in Export Promotion*', Shariff said that the GoK has initiated several schemes and programs to promote exports. He said the GoK has framed the Export Policy of Karnataka'. The revised policy is submitted for the government approval. Apart from the Policy, the GoK has set up the following committees to promote exports:

- State-level export promotion council;
- State-level export promotion committee Export Facilitation co-ordination committee Sub-Committee of SLEPC; and
- District-level export promotion committees.

Shariff said that apart from the above institutional arrangements, the GOK has been promoting export by developing export infrastructure (ASIDE), de-regulation of business environment (green card facility/gold card facility), providing incentives, export awards and export potential survey.

Shariff gave some statistics about the performance of Karnataka in terms of exports. He said the total exports of Karnataka were Rs. 105850 crore during 2006-07, as against Rs. 82279 crore in 2005-06, thereby registering a growth of 29 percent. He said the State achieved a share of 15.06 percent of the country's total exports during 2005-06.

Silk (sericulture) is an important product/commodity as far as the export potential of Karnataka is concerned. Besides its earnings, a large number of poor people's livelihood depends on this sector. However, due to the threat of imports from China and other international factors, the indigenous silk industry is facing a crisis. Hence, any effort to make the NFTP pro-poor has to focus on silk and sericulture. In this background, the officials of Central Silk Board (CSB) were invited to make a presentation covering the above aspects.

Dr. Beers Sarathchandra, Director (In-charge) and M.S. Kshama Giridhar of CSB made a presentation about sericulture in India, with particular reference to Karnataka. He said that sericulture is important because of its high employment potential and high demand, both within and outside the country for silk. He said that over six million people are employed in this sector. Further, he said that 60 percent of those employed are women. Dr. Sarathchandra said that India is the only country producing all the four commercially exploited silks, namely, Mulberry, Tasar, Eri and Muga. The export earnings are more than US\$700mn. Silk is mainly purchased by urban rich and around 57 percent of the final value flows back to the rural farmer.

Highlighting the demand-supply position, Sarathchandra said that India produces around 18745 million tonnes "of raw silk per annum, whereas the annual consumption is 26000 million tonnes. During 2006-07, the export earnings were Rs 3244 crore (US\$722mn). Saraschandra said that the Government of India has taken steps to amend the Central Silk Act to promote the industry, in general, and exports, in particular.

R. Ravindra, Assistant General Manager, APEDA, made a presentation on 'APEDA's Role in Enhancing Agricultural Exports'. His presentation focused on the APEDA's status, functions and strategies for increasing agricultural exports. He also explained the incentives provided for exports and the potential product groups. He also added that the products within APEDA's ambit cover cut flowers, dry flowers, seeds, fruits and vegetables, processed fruits and vegetables, livestock products and cereals and some non-scheduled products. He said that the contribution of various items in APEDA's export during 2005-06 was Rs 17918 crore. The exports are mainly to countries in South East Asia, Middle East, North America, Africa and West Europe. He said the developed country markets had a share of 45 percent and developing country markets the remaining. Explaining the reasons for export of agricultural products, Ravindra said that India has inherent strength in agricultural products.

Highlighting the various schemes in the National Foreign Trade Policy with regard to agricultural products, he said the NFTP has three types of incentives, i.e., Advance Licence, EPCG scheme and *Vishesh Krishi UPAJ Yojana*. In addition, the APEDA is also offering financial assistance and transport subsidy for exportable agricultural products. He also gave the details of agricultural products which have the potential for exports.

Each of the presentations was followed by a question-answer sessions and discussions. Most of the participants felt that they are not aware of any of the district-level meetings of the Export Promotion Councils/Committees. The participants felt that the Government and concerned agencies should inform the public about the meeting so that they can participate. It was suggested that the District Commissioner (District Collector) is the chairperson of these committees and he/she has to take the lead. The WTO cell, the APEDA and the FIEO representatives said that they were happy to find some civil society groups have taken interest in these issues. Particularly the APEDA and FIEO officials said that this is the first time that they have come across a broad spectrum of civil society organisations coming together to discuss issues related to trade, exports and economic governance. They assured full support in the work launched by CREAT and CUTS.