

**National Seminar on
Towards a Coherent Trade and Development Strategy of India
New Delhi, 24-25 July, 2008**

A Report

Introduction

CUTS Centre for International Trade, Economics and Environment (CUTS CITEE), Jaipur, organised a National Conference entitled ‘Towards a Coherent Trade and Development Strategy of India’ at the India Habitat Centre, New Delhi on 24-25 July 2008. The event discussed important issues such as the need for mainstreaming international trade into the national development strategy of India, how the country can respond to the challenges of international trade and secure an inclusive path to development. The discussion took into account various measures of disparity and deprivation: the regional trade openness index, income disparity and poverty.

Objectives

The objectives of the conference were to:

- discuss and draw some conclusions about the dynamic relationship between international trade and poverty reduction and
- address the need for mainstreaming trade into India’s national development strategy i.e. make use of the beneficial role that international trade can play in enhancing development and reducing poverty.

Participants

Participants included representatives of civil society organisations (CSOs), farmer associations, international and inter-governmental organizations and business associations as well as academicians, government officials, members of the donor community and media persons.

Inaugural Session

Bipul Chatterjee, Deputy Executive Director, CUTS International, outlined the initiatives undertaken by CUTS, and traced the genesis of this organisation to events that occurred 25 years back when India was increasingly getting involved in international trade. He emphasised the need under those changing circumstances to see individuals as consumers with rights. The Consumer Rights Act, 1986 can thus be seen as a timely intervention.

He then traced the genesis of CUTS CITEE. In 1991, when the Uruguay Round was at its peak, the Dunkel Draft was presented. The general reaction to the draft was one of suspicion; however, the intricacies of how the draft would affect the Indian economy were still unknown. As a fall-out of this, in 1996, CUTS CITEE, an exclusive centre of CUTS was envisioned and realised. The centre has been running for 12 fruitful years, and has received support from a number of overseas funders such as the Royal Norwegian Embassy, New Delhi; Common Wealth Secretariat, UK; Ministry of Foreign Affairs, The Netherlands and Department for International Development (DFID), UK.

He added that the Centre has three major programme areas: WTO Issues; Regional Economic Cooperation; and Developmental Issues. He also threw light on the latest happenings at the WTO on the basis of updates received from the recently established CUTS Geneva Resource Centre (CUTS GRC). He pointed out that Pascal Lamy had suspended the Green Room session and asked the country delegates to go back and discuss the draft modalities. He acknowledged the presence of Rupa Chanda, Professor, Indian Institute of Management (IIM), Bangalore, in the event who has been associated with CUTS for a long time and has contributed to its work on trade in services.

He followed up his discussion of WTO issues with a brief reference to issues related to Regional Economic Cooperation. He talked about the feasibility of the India –EU FTA being inked, given that issues relating to Government procurement were a major road block. He ended by introducing the event for the day, which was a combined initiative of two projects dealing with Developmental Issues: *Linkages between Trade, Development and Poverty* (TDP), funded by the Ministry of Foreign Affairs, The Netherlands and DFID, UK; and *Mainstreaming International Trade into the National Development Strategy*: A pilot project in Bangladesh and India, funded by the Royal Norwegian Embassy, New Delhi. He then invited Alok Ray, Former Professor, Indian Institute of Management, Calcutta, to open the day's discussion laying stress on the question 'Does Globalisation Hurt the Poor?'

Alok Ray attempted to answer the mentioned question by first placing it in the context of the most popular apprehension about globalisation: its impact on the poor i.e. globalization broadly enriches the rich at the expense of the poor. He started by first enumerating what globalisation entails, viz. international trade and direct foreign investment (FDI), but not short-term capital movement. While explaining links between globalisation and poverty, he informed that there are two schools of thought which have attempted to draw links between the two. One school maintains that trade promotes growth which in turn reduces poverty. The second school of thought, however, argues that only sustained growth can reduce poverty.

He provided the examples of India and China, which have exhibited reduced levels of poverty, after involvement in international trade. He raised the question as to how much of the reduction in poverty (or growth) could be attributed to effects of globalisation and how much to the impact of supporting (complementary) domestic policies, such as land reform, internal liberalisation (abolition of license/quota raj), green revolution, socio-political movements, investment in infrastructure etc. According to him, it is indeed difficult to disentangle these two effects.

He cited the example of sub-Saharan Africa (SSA) to highlight a case where globalisation had been accompanied by a rise in poverty. However, this could be attributed to factors other than globalisation, such as civil war, political instability etc. Hence, based on these two examples, he argued, that globalisation by itself cannot be held responsible for either the growth or the stagnation or deceleration of any economy; there are other factors which have to be taken into account while considering the impact of globalisation. He explained that there are studies which have made use of sophisticated techniques and regression analyses and have come to the conclusion that openness reduces poverty. However, it is important to know in this regard that globalisation affects different sets of people with different capacities, such as consumers, wage earners, self-employed workers and recipients of public services, differently. For example, among consumers, there could be both winners and losers; self-employed workers can benefit only if they have access to global markets.

A traditional trade theory based on the Hecksher-Ohlin model suggests that wages of skilled, poor workers will go up if they have trade relations with capital-intensive, developed countries, he argued. However, the conclusion derived from this theory is by no means certain, and may change depending on the number of countries being considered. He also mentioned that it is imperative to keep in mind that developing countries show different levels of development, and hence have differing experiences with respect to globalisation.

Another important dimension that he pointed to was the manner in which the agenda for globalisation is being pushed forward. On the basis of empirical evidence he pointed out that whenever countries have willingly or unwillingly followed the mandates of the International Monetary Fund (IMF)/World Bank they have had to reduce their government expenditure such as subsidies; consequently, subsidies for the poor, not other subsidies oriented toward the rich such as those on higher education and petrol, have declined. This has affected the poor adversely, he reasoned.

More generally, he continued, the power of multinational corporations (MNCs), international institutions and foreign governments often combine to tilt the domestic policies in favour of the rich in small and weak states. The bottom line is that globalisation is not necessarily the enemy of the poor, but without enough complementary policies, the poor cannot make use of the opportunities handed out by globalisation, he argued. Therefore, a lot of initiatives are needed in the domestic policy sphere to accompany globalisation, such as expansion of credit and marketing facilities, public works programmes, social security, land reforms, basic education, health and sanitation and provision of food at affordable prices, he added.

In conclusion, Ray remarked that the ‘the poor are poor’ due to two fundamental reasons: the endowment problem and the connectivity problem. The endowment problem suggests that the poor have little marketable assets including skills; they lack the endowments that are necessary for the production of marketable services. Even when some of them have the requisite skills they might be so far removed from the market that satisfactory remuneration might not be obtainable. This is the problem of connectivity. According to Ray globalisation itself, will not solve these problems.

However, he continued, if domestic policies help the poor to overcome both the endowment problem and the connectivity problem, by say providing better education, finance, roads, storage, communication, electricity in rural areas, then they can participate and contribute better to the process of globalisation. But there might still be stiff competition from ‘outside’. Thus, globalisation means more opportunities and more challenges at the same time. He ended on the note that, even with the right kind of domestic policies in place, there is a good chance that there will be some winners and some losers. He advocated use of safety nets for the poor who could be potential losers.

Anand Singh Bhal, Economic Adviser, DFID, India, spoke on the initiatives undertaken by DFID in the areas of international trade and development; in the latter the major areas of work were education and health. In the education sector, it has been involved in the *Sarva Shiksha Abhiyan (SSA)*, a Universal Primary Schooling programme.. In the health sector, Reproductive and Child Health (RCH) care are the two important areas that the DFID has focused on. It also has some programmes running on trade in collaboration with United Nations Conference on Trade and Development (UNCTAD). These programmes focus on helping small producers link up with the global market to benefit from trade, he stated.

Other projects that the DFID is working on include trade related issues, such as the Indo-EU FTA negotiations with a focus on Government Procurement. He emphasised on the ideology of DFID and said that it is noteworthy that in one of its projects, the research that came out of it went against the narrow interests of the UK Government; however, this did not in anyway hamper the dissemination of the findings or the continuation of the project.

In conclusion, he informed the audience that DFID is presently considering a second phase of the same project (Strategies and Preparedness for Trade and Globalisation in India), which is likely to begin in 2009, and discussions are on with other stakeholders such as CUTS, World Bank, Asian Development Bank (ADB) and the IMF. As per the requirements of the Commerce Department, Government of India, DFID will try and beef up the capacity of State Governments to cope with international trade issues. The role of the WTO cells in the states has been rightly identified as the one in which CUTS has had considerable impact, he added.

Anwarul Hoda, Member, Planning Commission of India presented his personal views on trade and development borne out from experience, having dealt with trade policies for much of his career, and developmental or inclusive policies for the past four years in the Planning commission. He began interestingly by saying that there is not much overlap between development policy and trade policy. He listed some important policy actions that could promote inclusiveness: Universal Education at the primary and secondary levels, and free and universal health care. Also, anti-poverty programmes such as employment guarantees, food security, child nutrition, energy security and rural connectivity are important, he added.

He suggested that everyone present at the event reflect on the connection that each of these policies have with trade policy. His view is that, amongst the above stated policies food security is closest to trade policy. In the same breath, he also pointed out that the emphasis in the recent past has been more on providing the means to buy enough food rather than self-sufficiency in food stock. A parallel can be drawn for energy security. The Planning Commission, he informed, stresses less on overall availability of energy in the country, and more on giving the means to every person, including the poor to buy it to meet lighting and cooking requirements at the household level. He reiterated that the intersection between trade and development should not be exaggerated, as the theme presumes a huge overlap.

Hoda pointed out that food security has been an issue of discussion in both trade and development policy circles for a long time. However, it is livelihood security which is taking centre stage as far as the WTO negotiations on agriculture are concerned. In this context Special products should ideally have immunity from cuts in tariffs, along with protection through Special Safeguards, to meet the requirements of the developing countries. Small Scale Industries too can benefit from trade policies but they also need access to finance and markets, he continued. In industry, the policies of inclusive development are more about intervention through other domestic policy initiatives.

He also added that the multilateral framework should not only provide developing countries the means to protect labour intensive industries, but also facilitate reduction of tariffs and other protective barriers facing labour intensive products placed by developed countries. However, in the same vein he also made the point that protection of a sector need not necessarily be for its betterment but might lead to its stagnation.

He cited the example of the Indian automobile industry and said that after the mid-1950s, no import of cars was allowed. The result was that Hindustan Motors did not exhibit any technological dynamism. In the field of computers, it was recognised in the mid-1980s that India's main strength lay in the software; however the policymakers had a tough time comprehending that development of good software is not possible without a good base in hardware. It was only in the 1990s that India joined the IT agreement, which entailed elimination of duties on hardware.

Hoda informed the audience that that insistence by developed countries to include investment issues in trade was not received well initially by India. However, India gradually changed its stand when it saw more and more developing countries agreeing to this stand. The opinions and experiences of other developing countries taught India that it was not possible to negotiate issues related to services without any discussions on investment issues. Gradually we came to accept that there were positive externalities in allowing foreign establishments to invest in the service sector in India, he added.

In sum, he said that it would be erroneous to assume that every aspect of trade policy will have its impact on the development strategy of a country. It is essential that domestic policies be buttressed. This is because price distortion is a grave concern. Developed countries are moving from the Blue box to the Green box, but there is still a considerable amount of price distortion there. Hence, the need of the hour is special safeguards, and not so much protection Special Products, he concluded.

Session I: Responding to the Challenges of International Trade and Securing an Inclusive Path to Development,

Rajiv Kumar, Director, Indian Council for Research on International Economic Relations (ICRIER), New Delhi, introduced Siddhartha Mitra, Director (Research) of CUTS to make a presentation on “*Responding to the Challenges of International Trade and Securing an Inclusive path to Development*”.

Reiterating the bottom line that was stressed in the Inaugural Session that the intersection between international trade policy and development was crucial, Mitra, however, put his point across metaphorically and said that trade policy and development policy are like partners in a relay race, i.e. without a reasonable/sustainable level of development, there cannot be any chance of taking advantage of the benefits of international trade. He emphasised that it would be incorrect to think that trade alone can take care of developmental needs. This is because certain sections of the population, for lack of skills or endowment, might find themselves less fit to survive in a globalised regime. Therefore, it is very important to have the required levels of development to take advantage of the globalised regime, and at the same time insulate people from the distortionary effects of trade, he reasoned.

His presentation focused on the complementarities between development policy and trade policy. The main questions that he tried to tackle through his presentation were:

- How can any country contribute to strengthening the development dimension of the Multilateral Trading System?
- What would be the desirable characteristics of a pro-developmental regional trading system in Asia?
- What are the features of a holistic trade sustainability impact assessment?

Mitra explained that there is a two way linkage between trade and poverty alleviation, trade leads to faster economic growth and poverty alleviation, this is commonly known as the scale effect of trade. But certain distortionary practices and income volatility that accompany trade hamper the beneficial impact of scale effects of trade and the resulting trickle down of benefits to the poorer people. Hence, it is the distortionary practices which need to be taken care of by sufficient safety nets. He reiterated Alok Ray's point that in order to ensure the type of development that promotes competitiveness in the international market, people have to be endowed with skills which could enable them to participate in a globalised regime.

He suggested two approaches for this: the contract approach, which would entail that the government would give out concessions to the private sector to carry out developmental initiatives (such as in health or education); in this case the people, the civil society organisations (CSOs) and media would monitor and evaluate the benefits from such initiatives. This type of system has been implemented in a limited way by the Public Affairs Centre in Bangalore through the 'report card approach', he informed. The other approach is the giving out of education and health vouchers to poor people, and then allowing the public as well as private sector to compete. These two approaches i.e the first which simulates competition in a monopolistic situation and the second which uses vouchers, are the alternatives which can replace direct government provision of services, which are seen to be fraught with corruption, he commented.

The next important point Mitra put emphasis on was to see how trade would lead to growth, in other words, how it could be ensured that the poor benefit from trade. He strongly emphasised the role of supply side factors, such as infrastructure (better roads and ports).. He added that tax exemptions for export industries and trade facilitation through improvements in port and customs procedures, could also stimulate trade.. He pointed out that in order to ensure that trade leads to poverty reduction, it is important to give impetus to the labour intensive industries. Measures to ease import of inputs for labour intensive industries are an option that could be considered, according to him. Relaxation of the labour legislation is another option, he argued as it encourages employment.

With regard to the capacity to take advantage of opportunities offered by freer trade he explained that even least developed countries (LDCs) cannot take advantage of zero-tariff lines, given their very narrow export basket. There is a need to widen the export basket of LDCs to make them take full use of the zero-tariff lines.

On the sustainability of international trade policy, he suggested that it is useful to trace the chain of events from policy change to consequent economic, social and environmental sustainability, which are the three types of sustainability. So far as environmental sustainability is concerned, it is important that enough attention is paid to environment to let it recuperate in time, given that trade could lead to an excessive exploitation of the environment. On social sustainability, he remarked that trade affects different people in different ways, and people with favourable endowments can take advantage of trade opportunities much better than those who are not endowed with those skills and find themselves edged out. There is a need to find out the poverty and the inequality rates to keep a check on social instability.

Mitra explained economic sustainability, which is about looking at Current Account Deficits (CAD), and in the process looking at trade deficits. If there is a burgeoning CAD, there might be a budget deficit as well. In order to tackle the budget deficit, the government might have to undertake borrowings; the associated repayments would further widen the budget deficit and lead to a decline in investible resources, thereby hampering the rate of growth, he reasoned.

Rajiv Kumar, in response to Mitra's presentation, remarked that trade sustainability is now an especially important issue for emerging economies. When there is a growth in Gross Domestic Product (GDP), and a greater share of trade in GDP, the incomes generated might lead to demand for foreign goods and services; and that leaves open the possibility of inter-class, inter-generational inequities getting sharpened. That is the real issue. The question then is how, despite such factors, growth can be more convergent than divergent, he added. Can there be a set of public policies to prevent these inequities? If not, can there at least be a set of safety nets so that people do not sink to levels of human development which do not even support sustenance.

Pushpa Trivedi, Professor of Economics, Indian Institute of Technology, Mumbai, one of the key discussants, highlighted the need for taking into consideration financial flows in case of inclusive growth. She emphasised the need to analyse the regional dimensions of trade induced development, for instance, considering how the effects on the unorganised manufacturing sector have been different from that on any other sector? In addition, she advocated caution while selecting the data source especially in case of sustainability impact analysis.

Saikat Sinha Roy, Associate Professor of Economics, Jadavpur University, Kolkata, second discussant of the session, talked about the mutually exclusive relationship that exists between full employment and trade balance with the possibility of trade deficits existing with full employment and unemployment existing with trade balance. This point reinforced the views expressed by previous speakers that trade policy must accompany domestic support policies to strike a balance between the two. He opined that while opening up trade one must control operation of dirty industries along with proper land water management and incorporation of the correct cost of pollution in decision making. To maintain economic sustainability, it is necessary to consider whether globalisation is crowding out public investment, he added. In this context, he pointed out the growing income inequality and income volatility, especially in the case of agricultural incomes. In the post globalisation era, poverty has come down in India but has been associated with a simultaneous increase in income inequality, where the bottom 20 percent have not been able to participate in the growth process because of lack of education, he concluded.

Session II: Is the Stage Set for Mainstreaming International Trade into the National Development Strategy of India?

Pramod Dev, Policy Analyst of CUTS International, started with an explanation of the concept of mainstreaming international trade into the national development strategy. He explained that it is basically a process of integrating trade policies and priority areas of action within the overall national action plan, and more importantly it is a process of bargaining among key stakeholders to strike the correct balance between trade and companion policies within the national development strategy. This can take place at two different levels:

- Policy level which integrates macroeconomic policies into trade concerns
- Institutional level which marries the concerns of all stakeholders and the ministries they represent in determining policies

He made it clear that the objective of the study was to go beyond the current impact of trade and enquire about the prevailing conditions in India that would allow or disallow the mainstreaming of trade into the national development strategy. He informed the audience that the study was an attempt to understand the processes of decision making in India and hence was an enquiry into how inclusive and responsive the consultation processes are. With a brief overview about the methodology of the study, he presented the following major findings of the field survey:

- Elected female representatives operated in constraining environments that favoured men;
- Functional literacy was poor among the farmers;
- Knowledge about international trade and agricultural trade is abysmally low;
- Propensity of farmers to cultivate new crops or adopting to new production processes is very low due to lack of availability of water and concerns regarding subsistence;
- Due to the lack of marketing infrastructure and high transportation costs small farmers had to sell their produce at the farm gate resulting in low prices for their produce, wastage and exploitation;
- Delivery of Government support according to the respondents is often untimely and insufficient;
- Difficulty in accessing government funds: the unholy nexus between the bank officials and the middlemen and the high rate of interest charged by banks makes it difficult to access agricultural credit;
- Funds available at the *gram sabhas* are underutilised due to untimely allocation and improper planning;
- Lack of understanding at the grassroots of the roles and responsibilities of the *gram sabhas*;
- Policy makers often do not pay attention to the action plans of the *gram sabhas*;
- *Gram Sabhas* are often misused especially in West Bengal due to competitive politics; and
- Process of elimination of requests made at the *gram sabhas* is problematic and snaps the signaling process.

He explained that given the various constraints on successful policy implementation at the grassroots, the study attempted to understand why the National Rural Employment Guarantee Scheme (NREGS) is performing better than some other schemes. One main reason, as revealed by the field survey, was its transparency and therefore the higher awareness about its benefits. However, as a note of caution, he mentioned that the success of the scheme might be limited by its tendency to replace and not supplement other avenues of rural employment.

After presenting the major findings of the study, he emphasised the need for a wider stakeholder consultation at the state and district levels and also strengthening the capacity of Central Government and its officials to deal effectively with poverty and livelihood concerns. He added that raising awareness about and ensuring transparency in old and new development support schemes along with enhancement of the capacities of local CSOs and media is the need of the hour.

Jayati Srivastava, Associate Professor, Centre for International Politics, Organisation and Disarmament, Jawaharlal Nehru University, New Delhi, started by praising CUTS for undertaking the study under the above mentioned project. She reiterated the fact that it is indeed unfortunate that the small and medium farmers by and large remained outside the purview of the development paradigm. She pointed out that though the pilot study has been successful in identifying the major roadblocks to mainstreaming international trade into the national development strategy, for a better understanding one needs to take into account the complementarities and/or substitutability of other sectors with respect to the agriculture sector. For example, one pertinent question related to whether the gain in the service sector is offsetting the loss in the agricultural sector and thereby affecting channels to mainstream trade into the development strategy. To strengthen the study even more she gave the following suggestions:

- Ascertaining people's views about the state as a facilitator of rural infrastructure.
- Highlighting regional variations within Rajasthan and West Bengal with regard to the variables under study to understand better as to how globalisation had affected different Indian states.
- Identify and explain ways in which vested interest groups act as a roadblock to effective people's participation in decision making.
- Given the fact that *panchayats* are an important institution of democratisation, the study should highlight as to how these institutions can be made accountable and participatory.

Nabinananda Sen, Professor of Economics, University of Calcutta, praised CUTS for its attempt to collect first hand data to understand the existing mechanisms prevailing at the grassroots that impede or facilitate the effective mainstreaming of trade into the national development strategy. He opined that findings of the study indeed corroborated some of the recent happenings published in the media highlighting gender gaps, lack of access to agricultural credit, growing rural indebtedness, politicisation and subsequent inefficiency of the *panchayats* in effective policy implementation etc. He further added that inefficient management of the value chain for agricultural products from farm to fork leads to a high and ever increasing profit mark up charged at every step with the primary producer getting only a limited share of the profit cake.

Pointing to the major findings of the study by CUTS, he opined that the study would have been better if the reasons for regional variations in different variables had been investigated at length. To cite an example, he referred to the section on the preferred form of government support whereby a majority of the farmers in Rajasthan had opted for food support, while in West Bengal the stakeholders had asked for cash support. The reasons for such regional variations can be incorporated in the study, he added.

Alok Ray, who chaired the session, reinforced the point that there is a lack of physical infrastructure due to which the farmers or the primary producers are unable to take advantage of the export opportunities. Responding to a question raised by Sen, he pointed out that a small farmer will go for food grains and not cash crops unless they are provided with various safeguard mechanisms like crop insurance policy. There are many alternative development models for agriculture like contract farming, developing e-chowpal etc., which might add to growth and prosperity of the sector, he added.

Corroborating the fact that the block level effort to trace the nature and direction of development funds is problematic, Keya Ghosh, Adviser, CUTS Calcutta Resource Centre

pointed out that introduction of various participatory social accountability tools should be made mandatory for evaluating developmental projects. In addition to the lack of physical infrastructure, a low level of awareness about export markets and insufficient information at the grassroots is a major impediment to farmers using export opportunities, she argued.

J. George, an old associate of CUTS and the convener of a DFID sponsored capacity building programme on poverty reduction argued that anti –poverty schemes, developed mainly by the Central Government, failed to address the issue of poverty reduction. Thus, he reinforced the point put forward by Dev that there is a need to build the capacity of Central Government in dealing with poverty and livelihood concerns. Though the study by CUTS covered various aspects and brought to the fore various grassroots issues, more detail was probably needed in developing an effective and strong advocacy tool, he added.

Session III: Regional Trade Openness Index, Income Disparity and Poverty – An Experiment with Indian Data

The chairperson of this Session, J. George, introduced the speakers. Following this, Saibal Kar, Associate Professor of Economics, Centre for Studies in Social Sciences, Kolkata, began his presentation by stating that trade affects regional incomes in a geographically large developing country. He quoted Egger, Huber and Pfaffermayr (2005) who have dealt with trade openness of the European Union and associated regional disparities (based on available regional trade data). In India, however, he said that there is an absence of regional/provincial trade data and a lack of proper indicators of regional trade openness, the relation between openness and poverty, regional income differences, etc.

He explained that this study is a macro exercise which aims to develop a holistic measure of trade openness index (TOI) across regions and relate it to regional disparity in income, regional indices of poverty and industrial employment. The most important findings are the discovered positive impact of TOI on the urban Head Count Ratio (HCR) and rural inequality. States with traditional emphasis on production of commodities that are intrinsically import-competing in nature have suffered relative income losses with respect to other states over the post-liberalisation period, he said. On the other hand, states that had a larger share of production in exportables had experienced relative improvements in their positions. Industrial employment which had shown a tendency to increase till the immediate pre-reform period started falling after liberalisation

He said that there was an unavailability of trade data by regions for the initial periods and a proxy for ‘trade’ constructed from production (export and import competing commodities) data had to be devised at the state level. Director General of Commercial Intelligence and Statistics (DGCIS) was the source of trade data according to HS classification and Annual Survey of Industries (ASI) was the source of state industrial data according to National Industrial Classification (NIC). Since ASI and DGCIS used different definitions, Kar and Marjit reclassified and merged comparable data at the 2-digit level. For a specific state, he said, the level of output (i.e. sum of industrial and agricultural output) has been linked to All-India trade figures to get an approximate indicator of how ‘open’ a particular state is. They excluded the service sector due to lack of production or trade data instead of using 0.5 as the arbitrary share of both exports and imports in trade, as had been the practice previously.

Kar informed the audience that theirs was the first disaggregated (state-level) measure of TOI. Within a state disaggregation is unobservable due to lack of data (Topalova , 2005, looks at only import competition at the district level, not TOI). Thus, certain areas with high trade related activities were identified for analysing micro implications of trade. Case studies based on primary surveys in West Bengal were conducted. Subsequently, two specific case studies were also done in Maharashtra \and Gujarat, he said. These were more akin to their previous and continuing work on ‘trade in informal sector products and poverty’ (Kar and Marjit, IREF, 2008, forthcoming; Marjit and Kar, 2007, PEP Working Paper).

The study of the linkages among trade, development and social change, he explained, also involved an examination of the effect of international trade on low wage workers in West Bengal. Data was collected from the weavers of Santipur-Phulia (Nadia) and on import competing production in Durgapur-Asansol (Burdwan), industrial belts of Kolkata-Hoogly and migrant labourers from Sagardighi (Murshidabad). Five small scale exporting firms were selected from all three areas (except Sagardighi). About 150 employees were randomly selected and interviewed with the help of structured questionnaires. In Sagardighi, 50 labour households were selected, he added.

In Santipur, Phulia, before 1991, he continued, it was found that textile firms were many in number; there were a few cooperatives but major businesses were controlled by a few traders. The major demand was from local and Kolkata markets. Firm infrastructure was poor and prices were low. Weavers were paid low wages and there were limited formal credit facilities. Since 1991, some hurdles have been removed mainly via access to information about markets in other metros and overseas. The dependence of producers on middlemen has been substantially reduced, and they have been able to market directly, take part in trade fairs etc.

He informed the audience that Durgapur was a booming industrial town till the late 1980s. In the 1990s, large public sector units (PSUs) and millions of ancillary industries based on them went out of business. Industrial resurgence is very recent – in the span of last 3-5 years, mainly driven by demand for steel in China. The ailing ancillary industries are also coming back to life. Five such companies were surveyed with response from 50 employees, he added.

He said that Murshidabad is one of the poorest districts in West Bengal and has recently been categorised under category A (severely problematic) in terms of concentration of minorities and the gaps that exist in per capita basic amenities compared to the national averages. Only 38 percent of people live in pucca house, general work participation is 39 percent, 24 percent houses have electricity, 23 percent houses have in-house toilet facilities and 92 percent of students drop out before the 8th standard.

Essentially, (not formally) linking labour mobility with high activities in real estate - an outcome of capital inflow - is a possible future research agenda across religious communities, gender and income classes, said the speaker.

Primary Surveys and case studies on the leather products (handbags) industry of Dharavi, he continued, revealed that since the inception of Dharavi’s re-development plan most leather exporting associations in the area are shifting the Rs. 300-crore industry to Bhiwandi. International buyers sometimes reject Dharavi’s products as they have a tendency of not being consistent in quality. Mumbai has lost its prowess in the leather business to cities such as Kolkata, Chennai and Kanpur, he stated.

Kar explained that the shift to other locations was due to the proximity of abattoirs and tanneries to production centres in other areas. Notably, this leather industry by itself may still be profitable, but has given way in the face of high land prices in the Mumbai region – this was another possible outcome of a high level of openness, capital inflow into retail sectors, real estate and the growth of the urban service sector. A final factor pushing most entrepreneurs out is the access to credit, he added.

He observed that the paper product industry of Surat is demand driven with the local demand increasing with a rise in the literacy rate. The export market has opened up for Indian made notebooks and all types of writing books etc. Indian manufacturers were accepting small orders, whereas Chinese manufacturers wanted huge orders to feed their big capacities. The new Linomatic Ruling machine's one-day production equalled production by ten hand-ruling machines. One Linomatic machine operated by two people displaced ten hand ruling machine operators, he stated.

He brought to everyone's notice some other topics for future research:

- Transmission mechanisms connecting regional trade openness to growth to poverty reduction – an ambitious project given the paucity of Indian data.
- Trade, firm structures and labour mobility – specialisations and vanishing occupations – theory and application with Indian data.

Shovan Ray, Professor, Indira Gandhi Institute of Development Research, Mumbai observed that the paper has looked at international trade openness at the state level and on issues of poverty, its incidence, depth and severity, employment across states, trade openness and regional disparity. He also said that the paper has traced the link between trade, growth and poverty and the trickle-down effect of globalisation. He congratulated the paper presenters for their commendable research on a topic for which data is not available.

He raised the 'product variety problem' and the problem of aggregation and the need to go into finer levels of disaggregation. He took up the example of the textiles and clothing industry in two hypothetical states X and Y. Presuming that the two are equal sized states, every other factor has the same magnitude and one state is producing for a local market and the other is producing for export, the regional openness index will rank both states equally.

His next point was that with the regime change in 1991 and the trade liberalization following it, lot of other domestic policies changed. There has been a change in subsidy structure, less public investment in agriculture and the rural sector and more internal competition. All these can have a greater impact than trade liberalisation. If there is a common market then the impact will be much more than that produced by international trade. With liberalisation, inter-regional trade also needs to be liberalized, he added.

Rashmi Banga, Senior Economist at the UNCTAD India Programme, while commenting on the study said that there should be a separate analysis for agriculture as well as manufacturing. She said that if in a state we take one industry, for instance the textile industry which is not exporting much at the national level, the state's ranking in terms of exportable products may be very high but in effect it may not be open in terms of exports. While congratulating the speakers for the impressive survey, she said that with some improvements in the methodology the conceptual problems can be addressed.

Srikanta K Panigrahi, from the Indian Institute of Sustainable Development, New Delhi, said that the methodology has been kept very broad by choosing limited sectors and elaborating it further. Only three sectors have been touched upon in 4-5 case studies. There is enough availability of data in state specific areas. By looking into other constraints the scope of methodology could have been worked out. Also there is a problem of convergence. His final point was that company level data on exports and imports can be obtained from factories and the methodology could be cross checked using an alternate data base.

Sugata Marjit, Director and RBI Professor of Industrial Economics, Centre for Studies in Social Sciences, Kolkata responded by saying that that they would be happy to work on these lines, while reiterating that the work done with regard to developing a regional trade openness index amongst states within a country is novel, and has not been attempted before.

Bipul Chatterjee concluded the event by thanking the participants for their excellent inputs, and all those present for all their valuable thoughts. As a continually growing and evolving centre, CUTS CITEE, he said, welcomes such inputs and seeks to collaborate and engage in many more such academic and insightful exercises which are complementary to the work areas of the centre.