

Making Things Happen

An Overview

The objective of the 'Grassroots Reachout & Networking in India on Trade & Economics' (GRANITE) project is to create a long-term capacity of Indian civil society organisations (CSOs) and other stakeholders to address trade and economic issues and their relationship with development and poverty reduction. The activities are designed to promote upward and downward linkages for the grassroots to convey their views and concerns to policy makers at different levels, and conversely to create a base for Indian civil society's participation and articulation on trade and economic issues.



An important component will be skills and knowledge development on trade and economic issues, and discussing grassroots concerns by organising trainings and a series of workshops/dialogues for network members. Outreach with the help of reader-friendly documents having better communication value is also envisaged. The project will enable, empower and facilitate the CSOs and others to analyse, enunciate and advocate on trade and economic issues, create an informed society and thus help enhance transparency and accountability in the system of economic governance.

In India, the space for civil society's participation and statement on trade and economic issues and their relationship with development and poverty reduction is limited. This is not because of lack of scope, but due to the fact that the Indian civil society has a somewhat skewed approach to these issues. Perhaps, the reason could be the complex nature of the issues and limited capacity of the CSOs to comprehend policies and praxis at the international and national levels and its implications at the grassroots.

Objectives

- To ensure that policy changes induced by WTO agreement have a positive impact on poverty reduction.
- The outcome of the project is intrinsically linked with the Millennium Development Goals (MDGs).
- The project will feed into CUTS' regional programme on WTO Doha Round of negotiations.

Expected Outcomes

- To enable eight CSOs to analyse, express and advocate on emerging and relevant issues with regard to globalisation and the World Trade Organisation (WTO) in India. To have a special focus on agriculture and textiles & clothing with civil society, and media at all levels (village, district, state, and national) for the benefit of the poor with concentration on women.
- Ensuring at least two pro-poor changes are made to the Foreign Trade Policy of India, 2004-2009.
- Establishment of a National Trade Policy Council (NTPC) and State Trade Policy Councils (STPCs) to assure the participation of civil society in policy development around trade issues.
- A well-established network of Indian CSOs to work on issues of globalisation and the WTO on a continuous basis, through interaction with research and other networks, which will enhance their skills and capacities.
- A study document will be prepared, indicating the impact of the WTO rules and regulations on the poor in India with priority on women, along with agriculture and textiles. Also, field work under the project will focus on these sectors and in States of Rajasthan and West Bengal because they are key to livelihood of the majority of population in both the States. The study document will be used for advocacy at the Hong Kong Ministerial of the WTO, in December 2005, relevant ministries/ departments in India, and with the civil society.

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China to Enter India's Domain

The Chairman of Textiles Export Promotion Council (Texprocil), B K Patodia, said that he was taken up not as much by the sheer size of the Chinese manufacturing prowess as by its commercial intent. He said that because of its gigantic production capacities, China was successful in exporting mass production items vis-à-vis India's export of high valued fashion garments.

But fearing sanctions from the US and the European Union (EU), the Chinese were now turning their attention to entering India's exclusive textile domain. They are also making a serious bid to export their textile machinery to India.

In this background, the Texprocil chief felt that Chinese authorities' advocacy for signing a free trade agreement (FTA) with India would have serious repercussions. He wanted the Indian textile industry to have a serious contemplation on this move. *(BL, 12.04.05)*

Must Factor in Women

Trade and technology policies must protect the livelihoods of women in agriculture. The National (India) Commission for Women (NCW) suggested that the WTO agreement on agriculture (AoA) and trade-related aspects of intellectual property rights (TRIPs) must be reviewed from a gender perspective.

Releasing a report on "Impact of WTO on Women in Agriculture," the NCW chairperson, Poornima Advani, said that "Agriculture and trade

Anatomy of Poor Farm Growth

The reforms decade of 1990s is looked upon as the worst phase for Indian agriculture. What is notable is that much of the deceleration was confined to the post-WTO period (the second half of 1990s).

A paper prepared by the National Centre for Agricultural Economic and Policy Research (NCAP) has found that the post-WTO slump is better explained by falling global prices, rather than by large-scale crop imports.

There is a widely held view that large-scale imports of some of the commodities in the post-WTO period had an adverse impact on their domestic output, giving rise to livelihood concerns. However, this paper pointed out that there is a need for a quantitative study to establish the exact role of this and other factors in influencing the farm sector growth in the post-reforms and post-WTO period. *(Excerpts from an article by Surinder Sud, BS, 08.02.05)*

Period	Agriculture (whole)	Fisheries	Livestock	Crop sector (whole)	Fruits & vegetable crops	Other crops
1980s	3.13	5.82	4.99	2.47	2.36	2.48
1990s	3.28	5.46	3.82	2.99	5.97	2.26
1990-91 to 1995-96	3.16	7.49	4.25	2.65	4.96	2.13
1996-97 to 2001-02	1.75	2.72	3.47	1.28	4.55	0.34

Source: NACP Policy Brief 20

policy should be guided by the objectives of sustainability, livelihood, income and food security. These objectives also serve the interests of women." *(TH, 22.01.05)*

Inconsistency in Policy-making

After the dismantling of quantitative restrictions (QRs) on textile imports by the US, EU and Canada, a new era of opportunity as well as uncertainty has ushered in for the Indian textiles industry. While the industry can export as much as it can, open competition has increased the element of risk.

According to D K Nair of the Indian Cotton Mills Federation, the new era has opened a floodgate of opportunities for the textile exporters. This year the industry is expected to

grow by 15 percent. It accounts for about 37 percent of the country's gross export earnings, about 4 percent of the gross domestic product (GDP) and provides direct employment to an estimated 30 million people.

To help the industry grow to its potential, Nair said it is vital that the Government provides a stable policy environment. Pointing out the inconsistencies in policy-making, he said that first the Government came out with a scheme for 100 percent export-oriented units, then it announced a scheme of export promotion zones with more sops and now it has come up with a special economic zones scheme with yet more incentives. "It is not possible for a unit to relocate in order to have access to more incentives," he added. *(FE, 23.03.05)*

Exports Hit in a Free World

Believing expectations of a surge, India's textile and clothing (T&C) exports fell by 7.6 percent to US\$1.07bn in January 2005, the first month after the termination of export quotas. Industry sources feel that one reason for the dip in Indian textile exports was the reluctance by exporters to take up orders fearing lower margins.

The export of readymade garments, the largest segment in the textiles basket, dipped by 8 percent. The decrease in the export of cotton textiles was more pronounced: a 16.3 percent drop. *(BS, 11.04.05)*

	Jan 2004 (US\$mn)	Jan 2005 (US\$mn)	% Change
Readymade garments	589.1	542.0	-8.0
Cotton textiles	333.4	279.0	-16.3
Man-made textiles	156.7	166.8	6.5
Silk	55.4	50.7	-8.4
Wool & woollen textiles	27.3	35.2	29.2
Total	1,161.8	1,073.8	-7.6

China, on the other hand, increased its textile exports by 14 percent to US\$3.73bn, in the same period

Reviewing Land Resources Plan

The Agriculture Ministry proposes to review the progress of the ongoing programme of land resource management. It aims at reclaiming about 4.86 million hectares of degraded land for agriculture by 2010.

The schemes being operated under this programme are aimed broadly at the:

- enhancement of land productivity through soil conservation in river valley projects and flood-prone zones;
- reclamation of alkali soils; and
- watershed development projects in the north-eastern states, where shifting cultivation is in vogue.

(BS, 10.01.05)



Unveiling the Foreign Trade Policy



What is a foreign trade policy (FTP)? And what is the difference between an FTP and an Exim policy?

FTP is a policy that lays down the ground rules and also modifies them for carrying out the country's exports and imports. Apart from prescribing general provisions relating to imports and exports, it also provides core initiatives, duty exemption, remission schemes and promotional measures to help exporters compete in the global marketplace.

FTP and the Exim (Export-Import) policy are basically two names for the same policy. In 2004, the Commerce and Industry Minister, Kamal Nath, decided it would be more appropriate to call it the foreign trade policy. He argued that it was necessary for the policy to go beyond exports and imports and have an integrated approach to the developmental requirements of India's foreign trade. The FTP announced in 2004 like the Exim policies, regime, was for a five-year period. The Commerce Ministry will make annual revisions to the policy, as was done with the Exim policies.

Why is an annual revision necessary?

Since international trade is dynamic, market conditions change frequently, requiring quick responses. Five years is a long period for a policy to be continued without incorporating requisite changes. That is why it is revised annually.

How is the trade policy formulated?

While the Commerce Ministry is the nodal Ministry for formulating the policy, not much can move without the blessings of the Finance Ministry. All export promotion, duty exemption and remission schemes require the approval of the Finance Ministry. Also, the notifications for implementing most of the schemes, which entail sacrifice of revenue, are passed by the department of revenue. The government has spent more than Rs 41,000 crore (approximately

US\$10bn) of revenue on various export promotion schemes during 2003-04. The revenue foregone in favour of exporters was equal to the amount that the government collected from crores (one crore is ten million) of income-tax payers during the year.

What is a duty remission scheme?

A duty remission scheme enables post-export replenishment of duty on inputs used in the export product. It includes the duty entitlement

Salient Features of Foreign Trade Policy of India

- Exports to record high of US\$80bn and double India's share in world trade
- Steps to enhance competitiveness of manufacturing sector and employment generation
- Big thrust on agricultural exports, removal of export cess on agricultural and plantation commodities
- New initiatives on infrastructure to reduce congestion at major ports
- Focus on marine exports in the wake of tsunami
- Setting up of Inter-State Trade Council
- Procedures simplified to cut transaction costs *(HT, 09.04.05)*

passbook (DEPB) scheme and the duty-free replenishment certificate (DFRC). The objective of DEPB is to neutralise the incidence of customs duty on the import content of the export product. Although it is the most popular scheme among exporters, it will soon be replaced by a scheme which is in tune with WTO requirements.

What is the problem with the DEPB scheme?

The WTO stipulates transparency in all remittances made to exporters. Although DEPB aims to neutralise the customs duty paid on imported raw materials by exporters, it is specified as a percentage of value of exports made by an exporter and is

transferable. So, an exporter claiming DEPB need not actually use the scrip to import raw materials. Exporters may sell the DEPB scrip to other importers at a premium. Presently, the Government is working out an alternative to the DEPB scheme. Under the new scheme, it will reimburse all duties and levies paid by exporters, like excise, electricity cess, octroi, etc.

How does DFRC work?

DFRC is issued to exporters of goods for duty-free import of inputs used in the manufacture of goods. It is issued on the basis of exports made and can be used by exporters for future imports. However, it is issued only for products covered under the standard input output norms (SION) notified by the Commerce Ministry.

What is the duty exemption scheme?

It enables duty-free import of inputs required for export production. An advance licence (AL) is issued as a duty exemption scheme. ALs allow duty-free import of inputs, which are physically incorporated in the export product. In addition, fuel, oil, energy, catalysts etc, which are consumed to obtain the export product, may also be allowed under the scheme.

Moreover, to avail ALs, exporters have to undertake an export obligation to ensure that the duty exemptions being given by the government translate into increased exports.

What is the procedure for claiming duty drawback?

Duty drawback is an alternative to the DEPB scheme. It is a reimbursement for any duty paid on materials, whether imported or indigenous, used in the export product as per the drawback rate fixed by the Directorate of Drawback (Ministry of Finance), and is non-transferable. *(FE, 28.03.05)*

Grassroots Reachout & Networking in India on Trade & Economics (GRANITE)

CUTS-CITEE, in association with CUTS Centre for Consumer Action, Research and Training (CART), organised the launch meeting-cum-first training seminar under the GRANITE project at Jaipur, Rajasthan, India, from February 24-27, 2005. It is being supported by NOVIB (Oxfam, The Netherlands), and Norwegian Agency for Development Cooperation (NORAD). The project endeavours towards "Creating long-term capacity of grassroots civil society organisations (CSOs) and local media in India to address complex issues of globalisation and the WTO and their relationship with economic development and governance in India, with a



special emphasis on two sectors, i.e. agriculture and textiles & clothing, keeping in focus women and the marginalised sections of society".

The role of CUTS-CITEE has been envisaged as that of a "national coordinating unit" (NCU), in the project. It will be implemented over a two-year period in eight states, viz Andhra Pradesh, Karnataka, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

The launch meeting was marked by articulation of perceptions of various CSOs, which have shown a deep interest in percolating benefits to the grassroots through the country's trade related policies.

A success!

State Governments' Role in Foreign Trade Policy

India is a huge federal country with 28 states & 7 union territories, some of which are bigger than many United Nations (UN) member nations. While the Government of India brings out supplement to the Foreign Trade Policy every year, the state governments are hardly consulted for this matter. On the other hand, each of the state governments periodically brings out its own trade and industrial policies, which differ from the Government of India's approach.

Through articles in media and personal lobbying with the Commerce Ministry and key chief ministers of states, CUTS tried hard to engage state governments in the formulation and implementation of trade policy.

We met with success when the Commerce Minister, on April 8, announced the annual supplement to the Foreign Trade Policy, which would also for the first time include the setting up of an *Inter-state Trade Council* to engage states in implementation of the trade policy.

GRANITE PARTNERS

Andhra Pradesh

Consumer Guidance Society (CGS), Vijayawada

Karnataka

Consumer Rights, Education & Awareness Trust (CREAT), Bangalore

Maharashtra

SAMARTHAN, Mumbai

Orissa

Centre of Youth and Social Development (CYSD), Bhubaneswar

Rajasthan

CUTS Centre for Consumer Action, Research & Training (CUTS-CART), Jaipur

Tamil Nadu

Citizen, Civic & Consumer Action Group (CAG), Chennai

Uttar Pradesh

Network of Entrepreneurship & Economic Development (NEED), Lucknow

West Bengal

CUTS Calcutta Resource Centre (CUTS-CRC), Calcutta

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