

National Level Advocacy Workshop The National Foreign Trade Policy of India

September 10, 2010, New Delhi

Background

CUTS International, with the support of The Royal Norwegian Embassy, New Delhi and Oxfam India organised an advocacy meeting on The Foreign Trade Policy of India, in New Delhi, on September 10, 2010. This advocacy meeting was organised under a flagship project of CUTS International entitled *Grassroots Reachout and Networking in India on Trade and Economics (GRANITE)*.

Objective

The objective of the meeting was to bring together diverse stakeholders ranging from government officials to representatives of export promotion councils, civil society organisations (CSOs), business houses, academia and media to discuss findings by CUTS International on the *National Foreign Trade Policy of India (NFTP)* and provide their views regarding the same. The feedback received during the meeting will be used to formulate recommendations which would then be submitted to the *Directorate General of Foreign Trade (DGFT)*.

Participants

About 30 participants, including project partners, representatives of business chambers and associations as well as civil society, media, government officials and academicians attended the meeting. The workshop registered active participation from Ms. Eva Bratholm, Counsellor, Political Affairs, Royal Norwegian Embassy, New Delhi; Mr. Manab Majumdar, Assistant Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI); and Ms. Jayati Srivastava, Associate Professor, Centre for International Politics, Organisation and Disarmament, Jawaharlal Nehru University.

Inaugural Session

Siddhartha Mitra, Director (Research) and Head CUTS CITEE, started by highlighting that at present India accounts for around 1.5 percent of world trade and 17-18 percent of the world's population. This means that average trade per Indian is around 1/12th of that per world citizen. This, he said, points to the enormous scope for expansion of Indian trade. He further added that



Figure 1. L-R – Eva Bratholm and Siddhartha Mitra

while there is a need to increase India's share in world trade, there is also the need to ensure that the gains from trade percolate down to the grassroots. In an economy like India where approximately 60 percent of the GDP is produced by the informal sector, which employs 90 percent of the labour force in the country, ensuring trickle down effects of international trade is a challenging task, he continued. Given the centralised structure of trade policy making in India, he stressed on the need to involve civil society organisations as a bridge between two distinct sets of stakeholders – those affected by policies and policy makers. With these words he requested Ms. Eva Bratholm, Counsellor, Political Affairs, Royal Norwegian Embassy, New Delhi to deliver the inaugural address.

Eva Bratholm, *Counsellor, Political Affairs, Royal Norwegian Embassy, New Delhi*; stressed upon the need for decentralised policy making, given the effects of globalisation on the livelihood of diverse stakeholders. In this context, she added, the GRANITE project aims at fostering a bottom-up approach to trade policy making. She went on to say that the Ministries of External Affairs of India and Norway are looking forward to holding annual consultations with each other to address broader issues of bilateral trade that will benefit business communities in both countries.

Session II: A Retrospective Look at India's Foreign Trade Policies (FTP) and Recommendations for the future

Siddhartha Mitra said that international policy regimes such as the WTO and trading agreements impact Indian stakeholders significantly. Though the foreign trade policy of India helps these stakeholders benefit from the above regimes/agreements, however, centralised policy formulation is a roadblock to leveraging of benefits. In this regard, he said that Indian civil society has to play the role of linking the grassroots to the policy makers. He further added that the Indian civil society can also play a crucial role by demystifying the trade policy, taking feedback from those affected, communicating this feedback to policy makers, and advocating for policy changes that meet implied needs.

After discussing the long term and short term objectives of India's FTP he elaborated on some of the major schemes available under the FTP viz. Assistance to States for Infrastructure Development of Exports (ASIDE); Market Access Initiative (MAI) and Market Development Assistance; Towns of Export Excellence (TEE); Export Promotion Capital Goods (EPCG) Scheme, Vishesh Krishi and Gram Udyog Yojana etc. In his critical analysis of India's new FTP which came into force from 2009-14 in the light of the successes and failures of the previous FTP (i.e. 2004-09,) he made the following observations –

- ⇒ Important steps taken to reduce transaction costs, simplify procedures and incentivise exports in recessionary conditions were positives.
- ⇒ The following were significant inadequacies: -
 - Not much has been done to promote labour intensive exports – this is inconsistent with the stated long term objective
 - Markets covered by the Focussed Product Scheme (FPS) are at odds with the products covered
 - Not enough attention has been paid to alleviation of infrastructure deficiencies
 - Mechanisms for directly involving the grassroots in trade policy formulation are still absent
 - Schemes still cater mainly to exporters and not to producers of exportables

Panel Discussion

Manab Majumdar, *Assistant Secretary General, FICCI*, made the following observations:

- ⇒ India's FTP gives only an incomplete picture of the entire gamut of trade policies followed by its government. In this regard, he made a special mention of the multilateral as well as bilateral agreements that India pursues and stressed on the need to interpret the FTP in the light of regional agreements.



Figure 2. L-R – Milind Murugkar, Siddhartha Mitra, R.S.Ratna, Manab

- ⇒ He agreed that there is a need to adopt special programmes for small exporters but pointed out that the Policy does not just serve large exporters
- ⇒ He further added that India's FTP looks at increasing returns to primary producers through the promotion of exports of specific commodities. The rationale is – more exports imply more demand and hence more production and consequently, employment generation. Hence, it cannot be said, he concluded, that the Policy only looks after the interest of the exporters.

Milind Murugkar, Agri Policy Researcher, Pragati Abhiyan, stressed the following issues –

- ⇒ He stressed on the need for developing infrastructure at the grassroots to encourage exportable production as well as exports. He mentioned the case of grape export from Maharashtra which recently had a face a major setback owing to presence of an enzyme which is considered harmful in the developed world. In this regard, he stressed upon the role of the State Government in setting up quality testing labs as well as the need to disseminate good production practices to encourage production of exportable grapes.
- ⇒ Next he emphasised on the need to chalk out specific norms to guide the imposition of export bans. Pointing to the ban on exports of cotton, he said that the decision to impose an export ban should not just be driven by the interests of a particular lobby but must also take into account the interests of primary stakeholders.

R. S. Ratna, Professor, IIFT, New Delhi, pointed out that cost of production of some of the major exportables from India are on an average 13-20 percent higher than that of exportables from other ASEAN countries. Under these circumstances, the FTP plays the dual role of encouraging exporters to explore business opportunities in overseas markets and neutralisation of various costs associated with exports viz. customs duty, countervailing duties etc. He further added that as FTP is about exports and imports, the Ministry of Commerce and Industries, Government of India is carrying out regular consultations with relevant stakeholders – the export and import associations. As far as the primary producers are concerned, he stressed that it is the domestic policies and not the FTP that should address their concerns. He also pointed out the need to build the capacity of officials in the State Government to enable them to grapple with the situation at the grassroots. This, he continued, will culminate in meaningful and state specific recommendations. He further added that though a number of incentives had been given to exporters, the extent to which this has benefited the relevant stakeholders needs to be looked into through case studies which examine situations before and after the provision of incentives.

Open House Discussion

The following points were made through the open house discussion

- ⇒ India's FTP only looks to increase competition at the level of the firm but not competitiveness at the sectoral level.
- ⇒ There is a lack of understanding among the state government officials regarding India's FTP.
- ⇒ There is a need to develop an export oriented value chain to reduce the prevalence of middlemen.

Session III: Submission by Project Partners on GRANITE – II project in different states

Jayati Srivastava, Associate Professor, Centre for International Politics, Organisation and Disarmament, JNU, welcomed the GRANITE II state level partners and invited them to present recommendations based on their project findings



Figure 3. L-R – Tara Murli, Arnab Ganguly, Anil Singh, Jayati Srivastava

Tara Murli (state partner from Tamil Nadu), Nodal Person, Citizen Consumer and Civic Action Group (CAG), Chennai pointed out that in Tamil Nadu while the big manufacturers are well aware about the various provisions of the policy, the small and medium ones are unaware about the incentives available under the policy. It was also observed that while the consultation process takes into account the concerns of the big players, the smaller ones have hardly any voice. Various exporters had complained about red tape and delays in official procedures.

Anil Singh (Uttar Pradesh), CEO, Network for Entrepreneurship and Economic Development (NEED), Lucknow, said that in the case of Zardozi, a majority of relevant officials at the state level are not aware of the FTP and hence there is a need to build their capacity through training programmes. While the FTP is primarily focused on the exporters and importers, there is a need to take into account the concerns of the primary producers at the grassroots.

Arnab Ganguly (West Bengal), CUTS Calcutta Resource Centre (CRC), Kolkata, pointed out that in the tea sector, producer exporters as well as merchant exporters are well aware about India's FTP and its provisions. As such, they are not facing any significant problems in availing of the schemes. However, the small tea growers are still at the mercy of middlemen and hence are not getting the right prices for their produce. He also advocated for dissemination of appropriate technical know-how and provision of suitable infrastructure for promotion of exports.

Anutosh Biswas (Rajasthan), CUTS Centre for International Trade Economics and Environment (CITEE), Jaipur, said that in the case of Kota Doria, a traditional handloom in Rajasthan, producers are not aware of export destinations. He emphasised that the role of the Handloom Export Promotion Council needs to be strengthened to facilitate an export oriented supply chain.

Seema Gupta (Orissa), Centre for Youth and Social Development (CYSD), Bhubaneswar, reported that in the case of Niger, which is labour intensive, the situation is not very different from that of the mentioned products being studied in other states. She highlighted the lack of awareness about the FTP and its various provisions at the grassroots as well as the need for training programmes for growers to make them aware about quality norms in regard to production for export.

Nagendra Murthy (Karnataka), Senior Faculty, J.S.S Law College, Mysore, mentioned that in the case of coffee production, awareness about the FTP among the exporters can be considered to be above average. However, it is the labourers who do not get any benefits from exports. He further added that the FTP must look into how benefits can percolate down at the level of the labourers.

Milind Murugkar (Maharashtra), mentioned that in the case of pomegranate availability of infrastructure is the biggest problem, especially with no capital investment taking place. Agricultural research on how to combat pest attack also needs to be strengthened.

Narasimha Reddy (Andhra Pradesh), *Nodal Person, Consumers Guidance Society (CGS), Vijaywada*, pointed out that the FTP has not greatly benefited the turmeric sector even though India is a major producer, consumer and exporter. He further stressed on the recent decline in profitability that has resulted from significant increase in the cost of production accompanying a fall in returns. In this regard, he mentioned that the FTP, apart from focussing on competitiveness, must directly benefit primary producers by encouraging production of export quality turmeric.

In summary, **Siddhartha Mitra** concluded that producers and exporters are the two key classes of stakeholders determining international trade. While the decisions of producers shape exportable surpluses, it is the traders and exporters who find markets for their produce. Thus, the FTP needs to benefit both sets of stakeholders. Since the present FTP is heavily biased towards the traders and exporters, the civil society needs to make focussed interventions to ensure that the voices of producers are heard. He ended with the following key recommendations emerging from the consultation:

- ⇒ Need for focussed intervention by CSOs to demystify the FTP
- ⇒ Role of the state government in ensuring development of infrastructure through the ASIDE scheme
- ⇒ Need for special schemes for small exporters who are currently in a disadvantaged situation compared to large exporters as the former have to incur the same costs to avail of benefits under the FTP, which are, however, not comparable to those enjoyed by large exporters
- ⇒ Need to promote manufacturer exporters to ensure that producers reap greater benefits from exports