

Globalisation, Economic Liberalisation and the Indian Informal Sector

A Roadmap for Advocacy



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1

Introduction

India had embarked upon the path of economic liberalisation in the early Nineties in a major way. The process of economic liberalisation and the pursuit of market-driven economic policies are having a significant impact on the economic landscape of the country. The striking characteristic of this process has been a constant shift in the role of the state in economic activities. The role of the state is undergoing a paradigm shift from being a producer to a regulator and facilitator. A constant removal of restrictions on economic activities and fostering private participation is becoming the order of the day.

Today's economy is being guided more by the market forces than the state forces. This thrust on market forces has both positive and negative aspects. The positive aspects include the opportunities for the growth of entrepreneurial skills and better market access, both at domestic and international levels. One of the negative elements has been the exposed vulnerability of the poor and the marginalised sections of the society.

According to Rajesh Tandon of Society for Participatory Research in India: "There is, indeed, an increasing and deepening divide or schism between globalised and globalising India, on the one hand, and marginalised and marginalising India, on the other. Nowhere in recent history has the distance – social, economic, cultural and political – between modern India and traditional Bharat been so stark, as it is today."

The image of a highly educated, professionally competent Indian and that of Indian companies—operating in pharmaceuticals, biotechnology, information technology, communications, entertainment, film industry – is far removed from the reality of the 'real' India inhabited by tribals, dalits and landless rural poor in remote parts of the country, especially in BIMARU states (Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, Chattisgarh and Orissa). But globalisation and economic liberalisation is a reality, and, therefore, the question

to be asked is, “how to maximise the opportunities and minimise the negatives?” (“The New Government Policy and Its Implications for the Civil Society in India: Opportunities for Deepening Cooperation”, Paper presented by Rajesh Tandon to the workshop on *Future Development Assistance from Smaller Bilateral Donors*, 6-7 October, New Delhi, India)

An important consequence of India’s economic liberalisation was the adoption of the multilateral trading regime under the World Trade Organisation (WTO). This multilateral trading regime is a rules-based, institutionalised system that calls for significant obligations on WTO members. This new regime is a reality and has significant ramifications for a developing country like India.

Keeping these issues in mind, the CUTS Centre for International Trade, Economics & Environment, with the support of Oxfam GB in India, had undertaken a project on globalisation and the Indian informal sector. The selected sectors were non-timber forest products, handloom and handcraft. The rationale was based on the premise that globalisation and economic liberalisation can result in potential gains, even for the poor, but there is the need for safety measures as well. This is mainly because unhindered globalisation can lead to lopsided growth, where some sectors may prosper, leaving the vulnerable ones lagging behind.

The objectives of the project were to:

- bring different stakeholders active in the informal sector, home-based production and cottage industries onto dialogue platforms for exchanging information and views on the opportunities and the challenges facing the sector, in the era of globalisation and economic liberalisation;
- disseminate balanced views on globalisation and economic liberalisation to the representatives of these sectors;
- create an enabling environment for policy advocacy so that these sectors are able to take up challenges and avail opportunities arising out of globalisation and economic liberalisation; and
- develop a long-term work programme with these sectors as the target groups, facilitate the process of getting benefits out of globalisation and economic liberalisation and understand the safety nets for taking risks, in order to avail the opportunities as well as insulate from threats.

The background and the context of the project originates from the “Make Trade Fair Campaign” of Oxfam International. In the words of Prof. Amartya Sen (Foreword to Oxfam International’s *Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty*): “The great rewards of

globalised trade have come to some, but not to others. What is needed is to create conditions for a fuller and fairer sharing of the enormous benefits from trade. Can this be done without destroying the global market economy? The answer is very firmly yes.

“The use of the market economy is consistent with many different resource distributions, rules of operation (such as patent law and anti-trust regulations) and enabling conditions for participating in the market economy (such as basic education and health care). Depending on these conditions, the market economy itself would generate different prices, dissimilar terms of trades, distinct income distributions, and, more generally, diverse overall outcomes. Institutional change and policy reform can radically alter the prevailing levels of inequality and poverty, without wrecking the global economy.”

Thus, although trade has the immense potential to improve the living conditions and enhance the earnings of a large majority of the marginalised population, many of the WTO provisions are tilted in favour of the rich. Therefore, there is the need for changing the institutional framework for the greater benefit of a large section of the population.

However, the present form of globalisation is driven by two distinct trends. The first one is led by transnational corporations, which are acting as the principal drivers of trade and investment . The other one is the increasing intra-industry trade. This has resulted in a situation where the supply chain of big corporations has penetrated deep and is affecting a large number of people of developing countries. The snowballing impact is felt by the domestic, home-based informal sector. Increased competition and continued pressure to reduce cost is posing threats to the survival of many informal sector units.

Globalisation and Economic Liberalisation: A Simple Fact Sheet	
<p>The Good News</p> <ul style="list-style-type: none"> ☺ Wider markets for trade; ☺ Larger private capital inflows; ☺ Better access to technology; and ☺ The availability of a wider variety of goods. 	<p>The Bad News</p> <ul style="list-style-type: none"> ☹ Reduction in sovereignty; ☹ Increased competition leading to the closure of some units; ☹ The risk of being left behind; and ☹ The payoffs are larger, but so are penalties for policy inaction or errors.
<p><i>Source: Pradeep S. Mehta and Purnima Purohit, "Globalisation and India – Myths and Realities", Consumer Unity & Trust Society, Jaipur, India, September 2001.</i></p>	

2

Economic Liberalisation and the Indian Informal Sector

Policy-makers in India have always been concerned about the growth of the informal sector. This sector was provided with a special impetus, with the aim that it would considerably contribute to the manufacturing capability and also generate employment. In India, the growth and expansion of the informal sector has not been as remarkable as it has been in many other countries, particularly East Asian. The government policy of excessive protectionism has not led to desired results and is losing its efficacy in the liberalised economic environment.

The liberalisation of the Indian economy, by removing the quantitative restrictions and lowering of the tariffs on imports, has meant that the informal sector would face severe competition. Therefore, the need is to evolve a mechanism through which the competitiveness of this sector is enhanced. It is of utmost importance to ensure that small units, which are one of the basic features of the informal sector, do not start competing with bigger industries, as it would be uneven. But, this also does not mean that the informal sector should be shielded from competition, as it has been in the past.

The policy of excessive protectionism does more harm than good, as there is no incentive to expand, and, thus, the sectoral players are not able to reap economies of scale. These players are faced with a host of problems. It would be naive to think that globalisation has brought these problems. They have existed much before the winds of globalisation and economic liberalisation started to blow. Globalisation has only exposed the cracks in the fault lines that already existed. In other words, the forces of globalisation and economic liberalisation have exposed the vulnerability of this sector.

The need is to evolve a complimentary relationship between the informal (unorganised) and the formal (organised) sector. This is pertinent in the liberalised era, where every sector has a defined role and the informal sector should not be allowed to suffer because of unnecessary competition. It has often been felt that the policies pursued by the Government have led to distorted growth and unhealthy competition within the same industry, between the informal and formal sectors.

An important element of the liberalisation process has been the policy of de-reservation. It has been argued by many that the reservation policy, where certain goods are reserved for the exclusive production of the informal sector, has done more harm than good, as it restricts them from expanding and growing. This policy has been the most visible and feasible course *vis-à-vis* small units, and, therefore, it continues to be perceived as the most important approach to safeguard the interests of the informal sector.

The Abid Hussain Committee Report on small firms had pointed out that the reservation policy restricted the scope of expansion and the export potential of some of the important industries like light engineering, food processing and textiles. There is also an immediate need to extend the definition of informal (small-scale) sector to the services/tertiary sector, with an increased investment ceiling.

The laws governing this sector need to be reviewed with two basic objectives: a) to correct and remedy the problem of multiplicity of legislation; and b) to make the laws simpler.

Extending institutional and infrastructural support to the informal sector has always been a necessity. The need for such support in the era of liberalisation has increased manifold.

Better credit dispensation is also of utmost importance. In this regard, it is important that banks and other financial institutions devise and innovate new means to fulfil the sectoral requirements. Similarly, the restructuring of the State Financial Corporations, the State Industrial Development Organisations and other credit agencies is extremely pertinent.

The issue of labour has always been of critical importance for the informal sector. The ever-changing economic scenario has witnessed an increasing marginalisation of the labour force, especially in the informal sector. In order to minimise the adverse impact of this marginalisation, it is extremely important to have a safety and social security net for the displaced workers.

The Unorganised Sector Workers Bill 2003 is an effort to provide social security to the workers in the unorganised sector. This Bill is based on the recommendations made by the Second National Labour Commission (SNLC).

It is important that the proposed welfare measures should be concurrently backed by funds from the Central and State Governments. For this to happen, the share of funds for social welfare, which at present is 1.8 percent of the value of GDP, would have to increase.

Informal Sector's Contribution to the Indian Economy
<ul style="list-style-type: none">• Estimated 60 percent of the gross domestic product originates from informal sector activity (1996-97).• 69 percent of non-agricultural employment (1999-00).• 86 percent of women in non-agricultural workforce are engaged in informal sector, as are 83 percent of men (1999-00).• 82 percent of employment in manufacturing (1999-00).• 60 percent of total household savings.• Share of the informal sector in sectoral value-added is very high in certain sectors.
<p><i>Source: Samar Verma, Oxfam GB in India, New Delhi, "Globalisation: Implications for Indian Informal Sector", Paper presented in the Advocacy Meeting: Globalisation and the Informal Sector, 23-24 September, 2003, New Delhi, India.</i></p>

3

Sectoral Issues

Non-timber Forest Products

The term non-timber forest products (NTFPs) has been widely used, but it is important to specify the coverage of this term in the context of economic liberalisation. This is a generic term, which covers all forest products, other than those defined as timber. As such, it includes three main categories: a) timber substitutes; b) medicinal plants; and c) other raw materials.

These products, however, are not often directly exchanged in the market. In countries like India, there is a strong phyto-chemical industry, which transforms plants and herbs into medicines, cosmetics, perfumes and several other tradable products. As per the Census of India, 2001, this sector employs 140,000 rural workers. However, this figure is grossly under-estimated. According to the National Sample Survey of 1987-88, employment in the sector was about two million.

The relevance of NTFPs stems from the fact that they are not only ecologically sustainable but also play an all-pervasive role in the lives and livelihoods of the poor and marginalised sections of the society.

The possibilities of gains from international trade in the NTFP sector are very promising and bright. India has a monopoly in world trade over some of the NTFPs like Karaya gum, myrobalans and sandalwood chips and dust. The Planning Commission of India has set a target of increasing the exports of medicinal plants by ten fold, to Rs. 40bn crore, by the end of 2007.

The forces of globalisation have increased competition, as imports increased, especially in the herbal medicinal sector. In the medicinal plants sector, the exports of China stand at Rs. 100bn and that of Thailand at Rs. 40bn. The competition is not only in the Indian markets but also in the export markets.

The domestic market of medicinal plants is over Rs. 30-40bn. There is also a growing market for natural products like food, cosmetics and medicines, etc. There is an increasing emphasis on organic harvesting/products, and, thus, many countries have banned the use of synthetic substitutes, and, therefore, the demand for NTFP-based products is bound to increase.

The need to have a consistent and coherent policy on NTFPs is a necessity. Some policy recommendations are as follows.

Joint Forest Management

The Forest Policy of India, 1988, was used as a major plank to launch the Joint Forest Management (JFM) Programme. JFM has different connotations for different people. Diverse views have emerged regarding the interpretation of JFM. It is a forestry management practice, with the basic aim of forest regeneration and translating the pious objectives given in the Forest Policy of 1988 into realities.

But, the validity and legality of the JFM is an ambiguity, and, thus, an important issue. The JFM circular that was issued in 1990, pursuant to the Forest Policy, 1988, was more of a policy document, not legally binding. On the basis of this circular, 27 state governments issued orders for JFM.

At present, the JFM lacks a legal character, and, therefore, often ends up being an arbitrary tool in the hands of the forest officials. Such arbitrary uses nullifies any potential benefit that JFM may have to offer. The frequent changes that are made in the JFM policy in many states are ample testimony to this arbitrary character.

The power of termination of JFM agreements lies with the Divisional Forest Officer, who may supersede a Joint Forest Management Committee (JFMC) after the approval of the District Forest Committee, whose constitution is totally tilted towards government officials. The forest officials have arbitrarily used this power, and, thus, rights to the communities have been denied.

An important step in making the JFM a success is to give a legal status to the JFMCs. The guidelines issued by the Central Government in February 2000, suggesting that the JFMCs be registered under the Societies Registration Act, 1860, is not a pragmatic suggestion, as JFMs are incentive-based management options, whereas the Societies Registration Act is meant to promote charitable activities. This suggestion does not take into consideration the real nature of the JFMs.

The contradictory nature of JFMs with the Panchayati Raj Institutions (PRIs) is another problem that needs some serious contemplation. The 73rd Amendment to the Indian Constitution institutionalised the three-tier Panchayati Raj model of governance. This was a significant step vis-à-vis NTFPs, as this is related to one of the 29 functions recommended for decentralisation to the PRIs. The enactment of the Panchayats (Extension to Scheduled Areas) Act (PESA), 1996, further gave mandate to the decentralised model of governance.

The basic problem exists because of the conflicting and overlapping functions of JFMs and the PRIs. PESA, 1996, appears to be in conflict with JFMs, as it seeks to transfer the ownership of NTFPs to the Panchayats. The contradictory nature of PESA, 1996, with the Forest Policy, 1988, and JFM can be gauged from the fact that the revised JFM guidelines issued by the Central Government in February 2000, do not even mention PESA. There is an immediate need to remedy this situation, so as to establish clearly the role and significance of not only JFM but also that of the PRIs and PESA.

There is a need to mitigate these conflicts by bringing about changes in various acts like the Forest Act of 1927. These changes would go a long way in providing a proper legal structure and basis to the JFMs and also help in redefining the role of the decentralised model of governance.

Panchayati Raj Institutions

The strengthening of the PRIs is an integral step for the better functioning of the NTFP sector. After institutionalising the decentralised model of governance, by enacting the 73rd Constitutional Amendment, the next logical step is to remove all those bottlenecks that come in the path of effective implementation of this model. Removing bottlenecks would entail identifying those measures that come in conflict with this model and redefine them, so as to provide a proper meaning to them. The strengthening of the PRIs would also help in strengthening PESA, which, in turn, would help in the proper conferring of the ownership rights of the NTFPs to the local Panchayat, which is the representative body of the local communities.

The role of non-governmental organisations in strengthening the capacities of the PRIs is very important and NGOs need to continue playing their critical role in the capacity building of the PRIs.

Information Dissemination

One common problem that forest dwellers face is the lack of proper knowledge about the market, both domestic and international, i.e., the products that are in

demand, the remunerative prices of the products, quality levels, training required and available, etc.

There is an urgent need to have an institutionalised mechanism of information dissemination. Information should be disseminated through network-based organisations, wherever they exist, as they have a good reach and are familiar with the know-how and the do-how of this activity.

In places where network-based organisations do not exist, information dissemination should be done by the agencies of the state governments, through monthly circulars or other institutionalised mechanisms. Such activity should contain information about the state-specific NTFPs, like their prices in the local and international markets, their demand, etc. This would empower the local community with a better bargaining power. Better bargaining abilities would enable them to sell their products directly to the buyers, avoiding the middlemen. For up-to-date information, NGOs and other stakeholders should work in close association with agencies like the National Medicinal Plants Board.

There is also an urgent need to sensitise the media about the forest dwellers dealing in NTFPs, so that it can play its role in dissemination of information to a wider audience.

Industry is also expected to play an important role in information dissemination, especially regarding the prices of various NTFP products in which it deals. It can provide information about the prices of various medicinal plants. Similarly, other industries dealing with the NTFPs should also provide information about the prices of other NTFPs. Such information dissemination would help forest dwellers in directly negotiating with and selling their produce to the industries, thus, avoiding the route of middlemen.

Institutional Capacity-building

Building the institutional capacity of forest dwellers is an integral step in the growth of the NTFP sector. It has been observed that forest dwellers lack marketing expertise and often do their business in an unorganised manner. Moreover, the process of selling NTFPs after collection involves a series of steps like drying, processing, packaging, etc. The forest dwellers are not adequately trained to perform these prerequisites before selling, and, thus, tend to lose out on the economic value of their produce. There is the need for imparting training (introduction of simple technologies, etc.) for better value realisation from the market.

The role of the State in this regard is of paramount importance. The State has to provide training on all aspects, right from procurement to marketing and selling to the eventual buyer. Such training was provided in the past, but suffered because of ad hocism on the part of the functionaries concerned. Today, the need is to have properly structured training modules (on quality aspects, sustainable practices, etc.) and their regular implementation at block and village levels, with active participation of NGOs, other than direct beneficiaries.

Role of Financial Institutions

The role of financial institutions is of immense importance. Banks and other credit agencies should provide cheap credit to the primary collectors and other NTFP producers. They should also come out with innovative schemes for these producers and the information regarding these schemes should reach the targeted beneficiaries, through a systematic process of information dissemination.

Infrastructure Development

Like many other sectors, poor infrastructure is a major bottleneck of the NTFP sectors. It is of utmost importance that the State spends in building, developing and sustaining infrastructure to reduce costs, and, thus, help in making NTFP products competitive.

At the International Level

The biggest challenge comes from the intellectual property rights system embodied under the TRIPs (Trade-related Aspects of Intellectual Property Rights) Agreement of the WTO, which requires countries to meet certain minimum standards for protection of intellectual property. The Agreement fails to recognise two noteworthy stipulations that have been given in the Convention on Biological Diversity (CBD).

The CBD recognises the sovereign right of the nations over their biological diversity and also the need to share benefits flowing from the commercial utilisation of biodiversity resources with the holders of the traditional knowledge. It is important to bring the TRIPs Agreement in conformity with these two basic stipulations given in the CBD. This would help in prohibiting bio-piracy, especially of the medicinal plants.

Article 27.3(b) of the TRIPs Agreement enunciates, apart from other things, that member countries need to provide for an effective protection of plant varieties, either by patents or an effective *sui generis* system of protection of

plant varieties. The patent regime at the multilateral trading level is in the form of Union for the Protection of Plant Varieties (UPOV 1991). The biggest flaw in UPOV 1991 is that it significantly diminishes the farming community's capacity to be self-sufficient in seed and self-reliant as agricultural producers.

The *sui generis* option is the most effective system for developing countries like India and any attempt to have a single-legislation model for all the countries, like UPOV 1991, should be resisted.

The challenge of standards is equally profound for the NTFPs. The wide variety of uses to which NTFPs could be put in food and pharmaceutical industries have the possibility of being challenged under the Sanitary and Phytosanitary Safeguards (SPS) and Technical Barriers to Trade (TBT) Agreement of the WTO. The real issue is that if stringent certification standards are adopted, they may result in denial of market access to many NTFP products.

Thus, certification of NTFPs, as a policy instrument, should aim at addressing the issues of forestry degradation and deforestation. It should primarily aim at achieving certain predefined minimum standards of forest management. The issue of NTFP certification has gathered momentum in the wake of talks of ecological sustainability. NTFP certification would, undoubtedly, help consumers. However, it is important that these certification standards should not be too stringent to make it extremely difficult for developing countries to meet them. Thus, an important strategy, at the international level, would be to advocate for reasonable certification standards that are established after taking into consideration the pragmatic needs of developing countries.

Some Other Initiatives

The Biological Diversity Act of India, 2002, is an attempt to protect the country's biodiversity, in which the NTFPs occupy a central place. This Act aims at exercising the sovereign right of defending the rich and varied biological resources and traditional knowledge from the non-citizens. It also incorporates the principle of benefit-sharing, as embodied in the Convention on Biological Diversity (CBD).

This Act has certain lacunae, which need to be addressed. The Act does not define "benefit claimers" in a proper manner. The definition of "benefit claimers" lays a lot of emphasis on the individual members of the community, but, in reality, it has been found that the "benefit claimers" are the entire community and not just any individual member. The Act has no provision to identify the "benefit claimers" in cases where the entire community is to benefit.

The other lacuna is that it allows Indian citizens and corporations to use the biological resources and knowledge without the prior approval or permission from anyone. They are only bound to give prior intimation to the concerned State Biodiversity Body (SBB). This needs to be rectified by bringing suitable changes in the Act.

The principle of benefit-sharing should also be given due recognition in those cases where Indian citizens are involved in obtaining any biological resources for commercial utilisation. The term “benefit claimers” also needs to be defined in such a way that it covers those cases where the whole society is the “benefit claimer” and not just an individual.

The Protection of Plant Varieties and Farmers’ Rights Act of India, 2001, is another attempt to safeguard biological diversity. This Act also incorporates the principle of “benefit-sharing”. However, the present system of benefit-sharing needs to be made much more simpler and easier to implement and farmers must be given the right to decide how the money, which has been collected by applying the principle of benefit-sharing, is to be spent.

Key Recommendations for the NTFP Sector

- Protection, management and other related rights should be handed over to the village communities, which will help in achieving better livelihood security.
- Management of NTFPs, including marketing and benefit-sharing, should be determined by the primary collector organisations, which would in turn also lay down rules, procedures and conservation principles.
- There should be an appropriate network involving all stakeholders (primary collectors, NGOs, government officials, research organisations, local bodies, etc).

Source: Ranjan Panda, MASS, Bhubaneswar, “Sectoral Issues: Non-timber Forest Products”, Paper presented to the Advocacy Meeting: Globalisation and the Informal Sector, 23-24 September 2003, New Delhi, India

Handlooms and Handicrafts

In India, the handloom and handicraft sectors are important from the point of view of their size and employment potential. These two sectors provide direct and indirect employment to more than 3 million weavers and artisans, with women constituting a substantial part. The significance of these sectors, along

with their inseparable links with the country's cultural heritage, further expounds their vitality. In this era of globalisation and economic liberalisation, they are facing many challenges.

The changes in the textile sector, because of the overall changes in the economic landscape, have made it imperative to shed the traditional mindset of handloom versus powerloom. Hand woven fabrics are fast disappearing from the market because they are unable to compete with the powerloom sector.

Thus, there is an immediate need for the handloom sector to emerge as a specialised sector, seeking niches in its areas of strength. It is extremely pertinent to identify products that can be produced only in the handloom sector and exclusively focus on them. This would reduce unnecessary competition between the handloom and powerloom sectors.

Information Dissemination

Information dissemination is extremely important, as it has often been found that weavers and artisans, both in handloom and handicrafts sectors, do not possess the required information on various inputs that are indispensable for the production process. They suffer due to non-availability of information regarding yarn prices, availability of yarn and the kind of colours and designs that would be well received in the markets.

The Government should provide this information to the weavers and artisans on a regular basis, through monthly circulars or any other institutionalised mechanism. These circulars and other information dissemination materials should be printed in local languages, so that dissemination is effective. The first step in this regard would be to identify the areas that are actively engaged in the handloom and handicraft sectors. The next step would be to locate sector-specific areas, i.e. identify the areas on the basis of product specialisation. All this would be necessary to provide the type of information to different players, depending upon the products they are dealing in.

Agencies like the Handloom Export Promotion Council (HEPC) and Handicrafts and Handlooms Export Promotion Council of India (HHEC) should provide information regarding export prices, designs and colour preferences in international markets, demand availability of different products, etc. Similarly, information regarding the domestic market should also be made available to them. This would require massive efforts in terms of conducting surveys and studies, of both the international and domestic markets. For the handicraft

sector, the All India Handicrafts Board, which was established for the purpose of information dissemination, should be made to play an active role.

In this regard, the role of NGOs is of immense importance. NGOs should act in association with government agencies for reaching out to wider sections of weaver and artisan communities.

An integral element of information dissemination is about various government schemes and budgetary allocations and policies regarding the handloom and handicraft sectors. Another indispensable element is information on the emerging international scenario, with respect to external trade in these products.

Policy Support

It has often been found that weavers and artisans lack adequate marketing opportunities, training facilities, marketing expertise, lack of co-operatives and federations, and no culture of brand-building or packaging. These are important factors to be taken into consideration for institutional support, so that these sectors become more competitive in the emerging era.

The role of the Government in this regard is of critical importance. The Government should enable them to utilise their skills and become competitive in the globalised milieu. The Textile Policy of 2000 has brought out a comprehensive scheme for the handloom sector, called “Deen Dayal Haath Kargah Protsaahan Yojana”, to take care of the entire gamut of activities. For the handicrafts sector, it has launched “Ambedkar Hast Shilp Yojana”. There is an urgent need to implement these programmes in their letter and spirit.

The Textile Policy of 2000 also talks about providing full support to the handicraft sector in the form of better marketing opportunities, better working environment for the weavers, development of clusters for specific crafts with common service facilities, etc. The litmus test is in the actual translation of these objectives into reality and the NGOs have a crucial role in monitoring and evaluating these schemes, so that actual beneficiaries are benefited.

In order to boost handicraft exports, the EXIM Policy of 2002-07 has launched a programme called “Special Focus on Cottage Sector and Handicrafts”, keeping in view that the informal sector forms 50 percent of India’s exports. Handicraft units can access funds for getting better market access. The EXIM Policy also recognises the need to promote towns of export excellence. Towns like Moradabad, which are considered to be hubs of handicrafts, should get encouragement under this new policy.

The Government (centre, state as well as at the local level) should introduce appropriate changes in the procurement policy, so as to minimise market uncertainties. Such changes should put special emphasis on products produced by the marginalised sections of the society.

Training

Training provided to weavers and artisans should be comprehensive and broad-based, encompassing all the essential elements. The first and foremost thing is to identify the areas of handloom and handicraft concentration and then to impart training on the basis of products that are specific to a particular area. It is also important to identify the areas of handloom and handicraft productions that have export potential and then cultivate export culture. In such areas, the concept of product mix and novel designs should be introduced.

The training module should impart skills on designs and colours, especially those that would be received well in the international market and are based on latest consumer choices and tastes. Brand-building and packaging should also be an integral part of the training process. Training should also be imparted to build the marketing wherewithal of weavers and their agencies. In the process of developing the marketing capabilities, the thrust should also be on the marketability of the products. The idea of having brand ambassadors for handloom and handicraft products also needs to be explored.

Training to the weavers should be provided through the Weaver Service Centres and other institutionalised agencies. The real challenge is to expand the reach of training, so that more and more weavers could be trained. To achieve this objective, the Government, apart from imparting training through the Weaver Service Centres, should also explore other avenues. Training could be provided through the Panchayati Raj Institutions (PRIs) and developmental agencies.

Use of Technology

An important element in providing institutional support is to protect and further promote the exquisite designs of the handloom and handicraft sectors, by making use of appropriate technologies.

This should be done by introducing computer-aided designs and other innovative means. The Textile Policy of 2000 talks about extending computerised colour-matching and testing facilities in decentralised clusters of handloom production.

Similarly, for the handicrafts sector, the All India Handicrafts Board has assisted the state governments in setting up design and technical centres across many states in India. In these centres, artisans work out new designs and items. This needs to be done on a more regular and sustainable basis. The reach of these centres should be expanded, so as to cover more and more artisans. The idea of building design centres at Industrial Training Institutes (ITIs) should be seriously pursued.

Marketing

Marketing support to weavers and artisans is very important. Many a times, they are unaware of new markets, prevailing price, etc. Finding newer and better markets should be done by organising fairs through which the weavers and craftsmen would get an opportunity to develop linkages with buyers and production houses. Export and other agencies should organise regular fairs, not only in India but also at the international level. Lesser-known products and crafts should be encouraged to be exhibited, as they can bring new marketing opportunities.

In an attempt to develop better markets for handloom products, the Handloom Export Promotion Council has developed some products under an initiative called the Development of Exportable Products and their Marketing (DEPM). There is a need to bring in more handloom products under this scheme, so that newer and better markets could be found. Similar effort should also be made for the handicraft sector.

Another important dimension of marketing is to identify those areas or sectors that consume handloom and handicraft products in a major way. For instance, focusing on the hospitality industry could provide a huge market for these products.

Budgetary Support

For strengthening the existing institutional support measures and introducing new ones, a lot of funds would be needed and there has to be an increase in budgetary allocation for the handloom and handicraft sectors. However, the budgetary allocation for these sectors is decreasing. There is an urgent need to change this trend, and in order to bring that about, select NGOs should undertake budget analysis of this sector, so that advocacy work at the State and Central level is supported by data analysis.

Co-operative Movement

The weakening of the co-operative movement is one of the major reasons for the decline of the handloom and handicraft sectors. Many of the ills of the handloom and handicraft sectors could be rectified, if the co-operative movement gets renewed. One positive feature of this movement is that it empowers people with the weapon of collective bargaining.

In this regard, it is important to have an independent weavers' representative body: an elected, non-official, non-commercial body supported by the Government, for handlooms, and a similar body of artisans for handicrafts. These bodies should co-ordinate the development of the sector. The most important issue in establishing such a body would be to define its legal character, with a high degree of precision.

Reservation

The issue of reservation for the handloom sector is debatable. The Satyam Committee had recommended the abolition of the Handloom Reservation Act of 1985 and the removal of the hank yarn obligation. However, the Textile Policy of 2000 has not accepted these recommendations.

One view is that the Handloom Reservation Act of 1985, which provides for reservation of certain articles for exclusive production of the handloom sector, needs to be retained, and in fact, strengthened. The other view is that the reservation policy for the informal sector has lost its meaning and efficacy in the liberalised era and it has often acted as a smokescreen to ignore affirmative actions .

Initially, this Act provided for the reservation of 22 articles, but later on in 1996, 11 items were de-reserved. Today, the question is whether this Act is helping the handloom sector to compete and grow in the new economic environment. Any decision, however, should have a proper yardstick.

Role of Financial Institutions

The role of the financial institutions (FIs) in providing credit to weavers and craftsman is of immense importance. The FIs should make the availability of credit easier and cheaper. Weavers and artisans should be regularly made aware of the different schemes that the FIs are offering. The NABARD Refinance Scheme is one such example, where soft loans with four percent interest and working capital of three months is given to handloom weavers. There is a need

to expand the reach of these schemes, so that more and more weavers and artisans are covered.

Standards

There is an urgent need to develop a law related to standards for the handloom and handicraft products. This has become important in the era of WTO-led international trade regime, where more and more countries are stressing on strict technical standards. There is also an urgent need to develop a proper framework of standards for domestic products, by taking into account the dyes and colours the use of which has been banned and those that are preferred in the international markets. The logical implication of having these standards is to have proper testing facilities in the laboratories in the vicinity of the production centres. This would ensure that our handloom and handicraft exports do not suffer because of want of proper quality standards.

Protection of Intellectual Property

Intellectual property protection of handloom and handicraft varieties is a good idea. There is a need to work out the feasibility (whether patents or other forms of protection) of these ideas in concrete legal terms. Community-patenting is a concept the implementation of which may create a host of problems, given the present law related to patents in India. The law has a provision of joint application for a patent.

If the entire community wants to have a patenting right, then the legal character of the community would need to be defined, as only then it can act as an assignee under the present law. The other option would be to introduce the concept of community-patenting in the Indian patent law, whereby the entire community becomes the patentee and the fruits of the invention are evenly distributed to it. However, this will be possible only when, apart from other things, the conditions of invention, as given in the patent law, are satisfied.

Another important issue is whether a geographical indication (GI) could be used to safeguard the handloom and the handicrafts sector. The Geographical Indications of Goods (Registration and Protection) Act of India 1999 could be used for the protection of handloom and handicraft products. There are ample provisions under this Act for registering a geographical indication. Thus, GI could be used to safeguard the Lucknow Chikan or the Banarasi Silk Saree or any other product that has built its reputation in terms of its geographical origin.

Fair Trade

The channels of fair trade movements need to be explored, for both handloom and handicraft products. Fair trade movements, which are based on transparency and mutual trust, have helped producers in many poor countries, especially in Africa, to develop export markets in a major way. There is a need to replicate this success in India. This would ensure a fair return to handloom and handicraft producers.

CHIP: A Model to Replicate

In India, the major contribution of the handloom sector is in terms of providing employment to 12.4 million people. At present, handloom weavers are facing severe livelihood crisis because of adverse government policies and the changing socio-economic conditions. While earlier advocates of the handloom sector within the policy-making circles were extremely active, presently there are no protagonists of this sector. As a result, many decisions of the Government have detrimental effects on the sector.

The need of the day is to look at the quality of change and the change processes that are affecting the sector. This becomes important when changes are affecting a large number of people who remain outside the decision-making processes and structures. Given this situation, with the support from Oxfam GB in India, the Centre for Resource Education, Hyderabad, has established the Centre for Handloom Information and Policy Advocacy (CHIP). Its aim is to enable the handloom sector to be involved in the change process and benefit from the changes. CHIP has envisaged a programme of information development and sharing among the relevant stakeholders.

Source: Handloom News, Issue 1, February 2002, Centre for Resource Education, Hyderabad, India.

Handicrafts: Integration of Local and International Markets

According to the conventional theory of development economics, traditional goods are inferior and easily replaced by factory goods. Consumer behaviour is understood largely as one of preferring standardised products. The process of development is viewed essentially as a transformation process – from traditional to modern, rural to urban and agrarian to industrial.

Hence, it is argued that the traditional and handicraft products would disappear, as development proceeds. Studies in the late 1960s and 1970s, however, have shown that small-scale handicraft products experienced rapid growth and were income-elastic internationally. While the new finding has induced export promotion initiatives, it has not led to a significant innovation in production to consumption systems. Handicrafts have been viewed as meant exclusively for the export markets. Therefore, the need for organisational innovation was not significantly felt.

What the craftsmen could do was only to sell their products to a government outlet, an exporter or a middleman. The demand for handicraft products shows a tendency to increase alongwith increasing levels of income. At lower levels of income, consumers are not willing to trade off the use value of products for its exchange value significantly. Therefore, any handicraft item, which is tailored to the average levels of the tastes of the people, is likely to attract a local market.

In the handicrafts market of India, production is specified as per specifications (which are often kept a secret) of the exporters or middlemen, or according to a free-for-all design given by the government training institutions. While the exporters do not generally allow their designs and specifications to percolate down to the local market, the government training institutions often assume that the craftsmen are incompetent to market their products.

If these two extreme situations can be avoided, by a progressive integration of the markets, most handicraft items can find an enhanced local market as well. This high level of the quality of local handicrafts may also help block the inflow of cheap foreign items. Moreover, it may also help the craftsmen to withstand the vagaries of a fluctuating export market.

Source: P. M. Mathew, ISED, Cochin, "International Trade and the Indian Informal Sector", Paper presented to the Advocacy Meeting: Globalisation and the Informal Sector, 23-24 September 2003, New Delhi, India.

4

Conclusion

The process of globalisation can be described as a gradual removal of barriers to trade and investment between nations. It aims to achieve economic efficiency through competitiveness, while seeking the broader objectives of economic and social development.

However, this process needs to be viewed in a different manner, rather than merely in terms of liberalisation and privatisation, which many people tend to club together. While globalisation is not time-bound, the other two can occur in a more specific manner.

The decade of 1990s showed that India is fast becoming a part of the globalising world economy. Between 1990-91 and 1999-2000, the share of exports, as a percentage of the gross domestic product (GDP), increased from 5.8 to 8.5 percent. The corresponding figures for imports, as percentages of the GDP, were 8.8 and 12.3 percent, respectively. Further, there has been a huge increase in foreign direct investment – from US\$155mn in 1990-91 to US\$2.15bn in 1999-2000.

Prior to 1991, India practised an inward-looking strategy or import-substitution policy in order to be self-reliant. However, this did not work as effectively as expected. This is not meant to be a criticism of the past policies, as perhaps they were the need of the day. Unfortunately, these policies, for various reasons, could not serve the following purposes:

- to achieve the expected growth rate;
- to reduce poverty; and
- to substantially improve human development indicators like literacy, life expectancy and the general well-being of people.

Therefore, the country seeks to review development strategies, encompassing economic openness and integration between its economy and the global

economy, i.e. by actively participating in the process of globalisation. This is not to say that earlier India was not a part of the process, rather it was more of a passive bystander than an active participant. The reasons for this shift are to:

- be better equipped to improve the performance of the government with respect to fiscal situation, etc;
- provide opportunities to launch development plans by securing long-term foreign direct investment flows; and
- expand job opportunities, reduce poverty, and create consumers in the market place.

The underlying reason of this shift is to make the circle of economic development virtuous rather than vicious. However, going by the experience of the last decade, it appears that globalisation has not led to much improvement in the living standards of the poor. This led to a predominant sense of India's economic progress in recent years, i.e. of unease and comparative failure. This is despite the fact that the country's economic growth has been quite steady, while other macroeconomic indicators are showing encouraging signs of progress.

The bottom line for globalisation to have positive effects on the living standards of the poor is that the country should respond to opportunities and adjust to constraints with proper safety nets. The emphasis should be on the development and implementation of safety nets, not only for insulating the vulnerable from shocks, but also to assist the poor to undertake risks in order to avail opportunities. The informal sector has a significant stake in this process.

This is not to say that there will not be any negative effects of globalisation. In fact, this can happen not only in the short-run but in the long-run as well. The important thing is to take on board such facts and develop and implement appropriate policies vis-à-vis governance distortions.

The real effect of growth has to be in terms of availing basic minimum needs by the poor. In this regard, the country does have a specific strategy, but governance distortions skew the desired approaches and results. Moreover, a sustained strategy for communication with the people on these issues does not exist, thus resulting in mixed opinions. Thus, the most important requirement is to revisit the country's approach to globalisation and reforms, with the need to create and implement policies on terms appropriate with peoples' interests, by involving them in the process.

This can be done by:

- creating and building sustainable capacity of stakeholders to address the process and issues of globalisation, particularly trade and investment liberalisation, the complex linkages between the process and issues with social and developmental issues, their impact on the policy-making at local, state and national level, and implications for poverty reduction;
- analysing policies and praxis of local, state and national governments and other organisations/institutions regarding the process and issues of globalisation, so as to enhance their responsiveness and accountability to the people, while adopting measures for ensuring the development and implementation of safety-nets for insulating the poor for adverse shocks of globalisation and helping them in availing opportunities; and
- setting upward and downward linkages with the grass roots to convey their views and concerns to the policy-makers at local, state and national levels, and vice versa.

This is required in order to:

- impart policy-making and analysing skills to stakeholders, which are different from those used in a closed economy;
- create an informed society, through exchange of information and knowledge, thus enhancing transparency and accountability in the system of economic governance, which, in turn, helps in developing and implementing appropriate policies vis-à-vis governance distortions; and
- promote co-operation between and among different stakeholders in comprehending and analysing the process and issues of globalisation.

5

Recommendations from Regional Workshops

Non-timber Forest Products, Bhubaneswar, 17-18 July 2003

- Rules and regulations are to be developed for sustainable forest management and potential assessment of non-timber forest products (NTFPs).
- Protection, management and usufruct rights of NTFPs are to be handed over to the village communities to provide livelihood security.
- Trading in NTFPs in a larger market to be encouraged only after meeting the local need.
- Infrastructure base to be developed for sharing of technical knowledge and support to primary collector's organisations.
- Appropriate legal and operative framework is to be created by the government for primary collector's organisations to procure, process and market the NTFPs.
- The public and private sector together should market NTFP products, including exploring the markets for non-traditional products.
- The government should recognise the importance of forming cooperative federations while marketing NTFPs.
- Long-term NTFP policy to be developed by the government, taking care of the factors responsible for sustainable management of forests and NTFPs. The policy should not promote plantation/monoculture and should have clear synergy with timber-based forest management practices.
- Both the government agencies and cooperatives should announce the requirement of different products before the season (for different NTFPs) starts.
- Public and private sector organisations dealing with NTFPs should work as facilitating agents, accountable to the cooperatives and primary collector's organisations.

- Government to create facilitating environment for Panchayat Raj Institutions (PRIs) to exercise their ownership control over NTFPs.
- NGOs should advocate for turning policies into practices and build-up public opinion for community-based forest management initiatives.
- Financial institutions to support enterprise development on trading of NTFP products.
- NGOs and media should play a proactive role in disseminating information and advocate for the promotion and growth of NTFP products.

Handloom, Hyderabad, 28-29 July 2003 & Ahmedabad, 7-8 August 2003

- Yarns (e.g. hank yarn) and other basic raw materials (like colours) should be provided to small-scale units at subsidised rates.
- Decentralised spinning mills are to be established for generating better employment and regular supply of quality raw materials at reasonable prices.
- Training for weavers should be conducted regularly, particularly on designs and colours.
- A mechanism is to be evolved for protecting local designs and varieties.
- The Supreme Court order on handloom reservation should be implemented.
- The minimum wage act should be implemented.
- Financial institutions should make available working capital and other credit facilities and simple procedures should be followed for clearing loans.
- Handloom cooperatives should be given maximum autonomy in decision-making and marketing of products.
- Both the central and state governments should allocate more budget for the handloom sector.
- NGOs and community-based organisations should conduct regular information dissemination activities among the weavers and related stakeholders on issues relating to the handloom sector. Among others, the activities should include exposure visits of handloom weavers to different centres of excellence (e.g. weavers from Chirala, Andhra Pradesh to visit Sanganer in Rajasthan to get first-hand knowledge on designs and other attributes of handloom products).

Handicrafts, Lucknow, 7-8 August 2003

- Consumer awareness campaigns should be conducted in different places to promote the sale of only those products, which are qualified as handicrafts. There should be a direct communication between producers and consumers.
- Producer groups and other agencies dealing with handicrafts should fix fair wages for artisans.
- There should be a regular participation of producer groups in the decision-making processes of the government and other relevant agencies.
- Different groups must come together to sell their products collectively so that the artisans are able to get a fair share of profits.
- There should be an institutional mechanism defining the relationship between the producer groups and traders, so as to ensure better security for artisans.
- Skill development and time-to-time training of artisans are to be conducted to make them aware of changing tastes and other attributes vis-à-vis the consumption of handicrafts.
- Extensive promotion of handicrafts must be made through media.
- The governments (both the central and the states) should make appropriate changes in their procurement policy to encourage the use of handicraft products, like jute bags, conference files and folders.
- Handicraft items must have their own Craft Mark to ensure quality and originality.
- There should be institutional mechanisms for ensuring social security provisions (like health insurance, provident fund) for the artisans.
- The government and the private sector together should evolve better marketing strategy to reduce market uncertainty.
- The EXIM Policy of India should have a separate section, outlining policies for promoting export of handicraft items.
- NGOs and producer groups in different parts of the country should develop a network to share information, etc., so that better awareness is created among the stakeholders.

‘CUTS’ PUBLICATIONS

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The author finds that many of the lessons that can be drawn from India's experience with the TRIPs negotiations are the same as those that can be drawn from the negotiations more generally and true for many other countries. It goes beyond a narrow analysis of events relating strictly to the negotiations during the Uruguay Round and looks at the negotiating context in which these negotiations took place.

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This study also examines pros and cons of Carrots and Sticks approaches, and analyses incorporation of these approaches in three major

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In this paper, the author focuses on the findings of a 1998 case study into the European Commission's ban of fishery products from Bangladesh into the EU, imposed in July 1997.

This research report intends to increase awareness in the North about the ground-level situation in poor and developing countries. At the same time, it makes some useful suggestions on how the concerns of LDCs can be addressed best within the multilateral framework. The suggestions are equally applicable to the developing countries.

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These sanctions were exercised to alleviate the problem of child labour by US policy-makers and also by some countries in the EU. But, the question arises – have the trade sanctions imposed by these countries in any way helped eliminate this problem? This research report of CUTS Centre for International Trade, Economics & Environment tries to address this question.

It has explored the impact of these trade sanctions and finds that these sanctions resulted in the contradiction of the basic objective, i.e., elimination of child labour. By banning the import of those goods in the production process of which child labour was used wholly or partly, the developed countries have aggravated the sufferings of child labour and their families.

Besides highlighting the causes of child labour, the report makes some very useful recommendations on how the issue of child labour can be addressed best at the domestic as well as international level.

(Rs.100/US\$25) ISBN 81-87222-82-4

18. TRIPs and Public Health: Ways Forward for South Asia

Trade Related Aspects of Intellectual Property Rights—or TRIPs—has always been one of the most contentious issues in the WTO. Several studies have been conducted on the political economy of TRIPs *vis-à-vis* WTO, the outcome of which are crucial to the policymakers of the developing economies more than those in the rich countries. Increasing realisation of the poor countries' suffering at the hands of the patent holders is yet another cause of worry in the developing and poor countries.

This research document tries to reach the answer to one specific question: what genuine choices do policymakers in South Asian developing

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(Rs.100/US\$25) ISBN 81-87222-83-2

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Analyses of the Proposals on Investment
and Competition Agreements at the WTO

“Let them put their fears on the table and that should guide the negotiations.” The UNCTAD Secretary General, Rubens Ricupero, made this comment just after the Doha ministerial meeting of the WTO held in November 2001.

He was referring to India’s stand at Doha on the ‘Singapore issues’ and arguing that it was pointless in just opposing the ‘new’ issues at the WTO without putting forward constructive arguments.

“Putting our Fears on the Table” is the title of a recently published report of the CUTS Centre for International Trade, Economics & Environment. It provides analyses of the proposals on investment and competition agreements at the WTO, especially in the areas taken up and/or proposed at Doha for possible future negotiations.

This volume is a product of comprehensive research and dialogue of leading international experts, practitioners and other stakeholders. It will really help developing countries to comprehend and deal with the issues in the WTO context.

(Rs.300 for India/US\$25 for OECD Countries/US\$15 for other)
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This book is a product of the project, EU-India Network on Trade and Development (EINTAD), launched about a year back at Brussels. CUTS and University of Sussex are the lead partners in this project, implemented with financial support from the European Commission (EC). The CUTS-Sussex University study has been jointly edited by Prof. L. Alan Winters of the University of Sussex and Pradeep S. Mehta, Secretary-General of CUTS, India.

The five issues discussed in the book are Investment, Competition Policy, Anti-dumping, Textiles & Clothing, and Movement of Natural

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1. Existing Inequities in Trade - A Challenge to GATT

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Bipul Chatterjee and Raghav Narsalay analyse the impact of the GATT Agreements on developing countries. The analyses takes stock of what has happened at the WTO until now, and flags issues for comments. (#9810, Rs.100/US\$25)

4. Domestically Prohibited Goods, Trade in Toxic Waste and Technology Transfer: Issues and Developments

This study by CUTS Centre for International Trade, Economics & Environment attempts to highlight concerns about the industrialised countries exporting domestically prohibited goods (DPGs) and technologies to the developing countries that are not capable of disposing off these substances safely, and protecting their people from health and environmental hazards. (ISBN 81-87222-40-9)

EVENT REPORT

1. Challenges in Implementing a Competition Policy and Law: An Agenda for Action

This report is an outcome of the symposium held in Geneva on “Competition Policy and Consumer Interest in the Global Economy” on 12-13 October, 2001. The one-and-a-half-day event was organized by

CUTS and supported by the International Development Research Centre (IDRC), Canada. The symposium was addressed by international experts and practitioners representing different stakeholder groups viz. consumer organisations, NGOs, media, academia, etc. and the audience comprised of participants from all over the world, including representatives of Geneva trade missions, UNCTAD, WTO, EC, etc. This publication will assist people in understanding the domestic as well as international challenges in respect of competition law and policy.
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