



**Sardar Patel Institute of
Public Administration (SPIPA)**



2012



**Report of Seminar on
IMPACT OF WTO AND FTAs ON GUJARAT
Ahmedabad, 6-7 August 2012**

Seminar on Impact of WTO and FTAs on Gujarat

A seminar on 'Impact of WTO and FTAs on Gujarat' was organized on 6th & 7th August 2012 by Sardar Patel Institute of Public Administration, Ahmedabad in collaboration with FICCI-Gujarat State Council and Centre for WTO Studies, IIFT, New Delhi. The seminar had 38 participants – 26 from Government of Gujarat/ State PSUs and 12 from other stakeholders, i.e. private corporate sector, consultants and journalists. The one-and-half day seminar was spread over five sessions.

The aim of the seminar was to acquaint the stakeholders, including policy-makers in Government, with the main issues in international trade and provisions of WTO Agreements and Free Trade Agreements signed by India. The objective was to enable the stakeholders in the states to identify issues of interest/concern to them and also issues that impact the states, so that the stakeholders can make representation to the proper authorities, take suitable measures to protect their interests and also take advantage of the Agreements, wherever possible.

Ist Day

INAUGURATION

The Chief Guest at the Inaugural Function was *Mr. R.S Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation (GCMMF)*. *Mr. Rajeev Kher, Additional Secretary, Department of Commerce, Government of India* was the Guest of Honour.

At the outset, *Shri Arvind Agarwal, Director General, SPIPA* gave the welcome address. He highlighted the importance of international trade agreements and pointed out that the stakeholders are not adequately aware of these provisions and their impact, due to which they are not able to take corrective measures. To address this issue, the Department of Commerce had requested State Governments to appoint a nodal institution in each state to conduct research and training in WTO and FTA related issues. The Government of Gujarat has notified SPIPA as the nodal institution for the purpose for the state of Gujarat. He thanked the State Government for the confidence reposed in SPIPA and also expressed gratitude to IIFT, CWTOS and FICCI, who have helped in organizing this seminar. Shri Agarwal also touched upon Gujarat's contribution in the development of dairy sector, agro industries and other employment generating sectors such as textiles and gems and jewelry. He concluded his address by highlighting some of the recent new activities of SPIPA and introduced the agenda of the seminar.

Dr. Abhijit Das, Head and Professor, Centre for WTO Studies, IIFT, New Delhi spoke about the main purpose of the seminar which, he said, was not a one-off event but a link in the efforts of CWTOS and the Department of Commerce. He pointed out the main reasons for establishing nodal institutions at the state level – first, as a platform for State Governments to provide inputs so that the Department of Commerce can take well informed decisions; second to increase the existing information regarding the rights and obligations arising out of India's commitments in the WTO and



FTAs; third, as a forum to assess how exports from states can be boosted. He requested SPIPA to disseminate information on this subject at the state level.

Thereafter, a short documentary film showcasing the four pillars of WTO – stability, transparency, openness and participation – was shown.

Guest of Honour Shri Rajeev Kher emphasized on the importance of recognizing global commitments and the rights and obligations that are offered to the member states of an international institution. He pointed out that the economic entities governed by WTO provisions are essentially at the state level, which makes it imperative for them to understand how to utilize the provisions to their maximum advantage. SPIPA, notified by the Gujarat Government as the nodal institution, is the anchor point in the state for a two-way exchange of information and to make the stakeholders understand and articulate the agreements entered into. He mentioned how Gujarat is at the forefront of trade opportunities. He noted how exports were the manifestation of surplus, or entrepreneurship; but now we have a well informed and structured export framework in the country. Export has been recognized as an important and legitimate activity. He elucidated the relevance of global value chains. Like previous speakers, he also emphasized on the states' role, so as to make stakeholders actively involved in the negotiations. He spoke about the technical regulatory area, which can be improved by climbing the ladder of quality and safety, and adopting and maintaining standards and creating mandates. A lesson to be learnt from China's success story is that an environment should be built so as to offer a certain level of technically complying products. The fragmented industries in India require solutions provided by the states to become competitive. He brought to notice the embarrassment caused to India due to non compliance with its obligations when some states gave subsidies that are prohibited by an Agreement. He asked states to give feedback for present and future negotiations of agreements. In his concluding note, he advised Gujarat to prepare an export strategy for itself.

Chief Guest Mr. R.S. Sodhi dwelt on the impact of international trade agreements on the farm and dairy sector. He began with the trading history of the world. He quoted the founder of Amul, Mr. Kurien Verghese, on the establishment of WTO. *"WTO is nothing but a new tool formed by the*

developed countries to exploit the market of developing countries,” – a statement he strongly believed to be true for the agro-industry sector. He drew attention to the fact that India has the largest dairy industry in the world, producing 123 million liters of milk per day. However, he expressed concern that only 18% of this is in organized sector. The first negotiation in the WTO on the dairy sector was dismal for India, as the base rate of duty was agreed to at 0%, while Bangladesh had 400%. However, a series of meetings forced the government to increase the base rate of duty to 60%, after which no import of milk has been done. Another concern was the lack of buffer stock in India to store the winter surplus. He articulated the concept that as subsidies are increased, prices decrease. Hence, India should protect farmers by imposing duties on exports. He said that special safeguard measures need to be taken in case of dumping. He concluded by highlighting the multi functional role of dairying and that India should agree only for win-win agreements for both importers and exporters.

FIRST SESSION

INTRODUCTION TO WTO AND FREE TRADE AGREEMENTS

The first session, a panel discussion, was chaired by **Mr. Mahendra Patel, CMD, Mamata Machinery**. The chairperson started with an overview of the topic of the session. He believed that FTAs are fairly one-sided, a result of political compulsions, and the stakeholders are informed only after commitments have been made. This view was supported with an example regarding the FTA with Vietnam, which provides that for setting up factories, the Vietnamese products can be exported to India at 0% duty; which in turn is killing the value added products domestically. He stressed upon the need for FTAs to be transparent and opined that, on occasions, India is seen to be a weak negotiator internationally.

Presentations on Overview of WTO and FTAs were made by **Prof. Sajal Mathur and Dr. Abhijit Das**. Prof. Sajal Mathur narrated the history of WTO starting from the Great Depression till the Uruguay Round. While developed countries were in majority at the founding of WTO, gradually the table turned and now 75% membership is held by developing countries. He shed light on the active role played by India as a founding contracting party to WTO. He explained the objectives and functions of

the WTO, emphasizing on the consensus based approach followed in monitoring and administrating WTO obligations. The main principles and features governing the WTO mechanism were underlined. In conclusion, he said that although it would not be possible to reach a deal this year, the broad contours of agreement are there, which only need a political momentum.

Continuing from where Prof. Sajal left, Prof. Abhijit Das spoke about ongoing negotiations, their impact vis-a-vis employment at the state level. He gave two examples, one of dumping of agricultural products, and the other on subsidy on wines and spirits, both of which could not be sustained due to lack of evidence to establish injury. In conclusion, he urged SPIPA and other state-level research institutions to undertake industry-specific research and to create a database having comprehensive information.

SECOND SESSION

ISSUES OF INTEREST TO GUJARAT IN THE INTERNATIONAL TRADE CONTEXT

The post tea session was a panel discussion on ‘Issues of Interest to Gujarat in the International Trade Context’, which was chaired by *Prof. Vijay Paul Sharma, of IIM Ahmedabad*. The session began with a talk by **Mr. Sunil Parekh, Corporate Advisor, Zydus Cadia Healthcare Ltd**. Mr. Parekh explained the concept of FTAs which, in his opinion, is a tool for development. More FTAs would result in success of WTO. However, he drew attention to the impact of FTAs on Gujarat; that the state has witnessed more job cuts than job growth. He expressed concern on the difficulty in finding out the correct trade figures for Gujarat, which is a maritime state, as a lot of export originating from the state takes place from ports outside the state, mainly JNPT and Mumbai. Advantage of FTAs is that it can drive competitive conditions and domestic markets. He gave an account of the world’s most traded products globally, largest items of exports from India and world’s major trading countries. He highlighted an interesting fact that South Asian trade is re-routed through Middle Eastern countries and that Indian products have less value addition. India is very well protected and supported this by two arguments; first, although custom tariff haven’t changed much, exchange rate deductions have protected the Indian industry; and second, CVD on imports protects agriculture even in the absence of

domestic reforms. Focusing on agriculture and services, he said that although raw material base is expensive India does not use them for finished products. He concluded by stating that macro-economic circumstances affect India more than FTAs with respect to investment.

The next speaker **Mr. Yatindra Sharma, President, KHS Machineries**, spoke about the small car business, non-tariff barriers, machinery exports and emerging market industries. He also mentioned that India's restrictive policy regime disallowed a lot of investments. In his opinion, China is playing a selective WTO game, wherein they are protective if there is a local industry base; for example, their monopoly in solar panel manufacturing. He concluded saying that India should create a link between raw materials, finished products and brands, in addition to highlighting the importance of research database as recommended by earlier speakers.

Next to address the panel was **Prof. Rajasi Clerk, Dean and Head, School of Social Sciences, Gujarat University**. Prof. Clerk focused on the human philosophy of the impact of WTO and FTAs. She underlined the shifting of work force from organized to unorganized sector. The focal point of her talk revolved around linkage between WTO and International Labor Standards. She began with the history of debate between ILO and WTO, and the efforts to include a social clause in trade by developed countries. She dealt with the social clause, its opponents and proponents, and what are their fears. She spoke of the social and cultural implications citing a 1996 OECD study stating that there is no empirical evidence which proves or disproves any difference between the importance of labor standards and comparative advantage. Then she went on to describe the structure of labor force in India, attitude of social partners in India implications for employers and workers, and the slow pace of NGOs. She concluded by stating that our focus should be on entire competitive change, as competition is effected not only by low wages but also by labor productivity differences.

The last speaker to address the session was **Mr. Padmin Buch, MD, GITCO**. Mr. Buch's presentation focused on the impact of WTO and FTAs on the Intellectual Property. He touched upon the fact that the number of applications filed in the Indian Patent Office showed that the maximum number are by foreign companies, and only 20% of the applications were filed by Indian companies. He moved on to

explain the term Globalization and its impact on the development of IPR. WTO provisions ensure market access and elimination of unfair advantage. Patents have a direct impact on the economy and it is the knowledge economy that gives competitive advantage. He underlined India's IPR policy, which meets its obligations under WTO. He also explained the Indian Patents Act which has various safeguard measures. The insertion of the Product Patent concept since 2005 has been a major reform in IPR regime. He explained the strengths and weaknesses of India's IPR policy. He also addressed various issues such as availability, pricing and technology transfer. He gave suggestions for the availability of IPR data in an organized manner. He concluded with the threats involved in the IPR policy-making, such as non-tariff trade barriers, litigation and unresolved IPR issues such as compulsory licensing.

With this the pre-lunch session of the first day concluded.

THIRD SESSION

CASE STUDIES ON EXPERIENCES OF RELEVANCE TO GUJARAT IN THE WTO CONTEXT

The post lunch session resumed with case studies of relevance to Gujarat in the WTO context. The speakers were officials of two major companies of Gujarat, viz. Gujarat State Financial Corporation (GSFC) and the Adani Group. Each speaker gave an account of their company/group's experience in the implementation of WTO provisions and their efforts against dumping by foreign countries in India which, if unchecked, would have affected them adversely.

First, the two officials of GSFC made a presentation of the success of GSFC in using anti-dumping measures to protect the domestic industry. *Ms. Farhat, Additional General Manager, GSFC* spoke about the imposition of anti-dumping duty on melamine. She explained each step involved in filing and pursuing anti-dumping cases before the Directorate. She highlighted the importance of companies formulating their costing data in advance and proper presentation of data. In her words, data speaks for itself. The aforementioned stages include: proper documentation, sufficient evidence of dumping,

issue of public notice, questionnaire, preliminary findings, oral evidence produced by interested parties, public hearing, invitation of comments on disclosures, the final finding, and lastly the form of customs notification given to the government, subject to challenge in court. She also spoke about the importance of selecting an appropriate period of investigation, which can be decided in the initial stage by the party. The DA decides upon the quantum of dumping and amount of injury. She opined that although the WTO has taken a diplomatic stance focusing only on ‘material injury’, the DA discourages anti-dumping in the first instance. She spoke about the volume and price effect. She was of the opinion that even if they are efficient in procedure, high input costs result in an unequal platform, apart from an unsatisfactory return on investment.

The second speaker in the panel discussion was **Mr. Snehal Desai, Associate General Manager, Adani Group**, who spoke on Infrastructural Services: Case Study on Experience of the Adani Group. Mr. Desai discussed how Adani Group has been directly and indirectly benefitted by the WTO provisions and FTAs. He mentioned how the Group took maximum advantage of the recession situations and invested in building one of the largest ports. He also explained the Chinese philosophy of business and emphasized on how Chinese grew economically.

The last Speaker of the first day of the seminar was **Mr. Manab Majumdar, Asst Secretary General, FICCI**, who elucidated on Stakeholders Consultation & Private Sector Participation in Trade Policy Making: the experience of FICCI. Mr. Majumdar started with the working of FICCI; that FICCI has been engaged in mobilizing private sector consultation with the policy makers. He underlined the three principles – Engage, Partner and Consult – which is followed by FICCI in stakeholders consultation. Promoting awareness, sensitizing stakeholders and information exchange are the core activities in stakeholder consultation. Stakeholders consultation can be multilateral as well as bilateral, though complete adequacy has yet not been achieved. He then, through a presentation, dwelt on the various stakeholders consultation organized by FICCI in Gujarat and other states. He emphasized that stakeholders in not only the capital cities of states but the other cities also should be actively involved in the consultation process. He also stressed on the need for interface between stakeholders and policy

makers both at the Centre as well as State level. He concluded by drawing participants' attention to the need for wider policy debates and industry-government interface.

IIInd Day of the Seminar

FOURTH SESSION

IMPACT OF INTERNATIONAL TRADE ON HANDICRAFTS IN GUJARAT

The first session of the second day was addressed by **Ms. Uma Swaminathan, SEWA**. She introduced her topic by narrating the scope of SEWA's operations across 11 states of India. 2/3 of the members of SEWA are from rural areas, with 80,000 artisans, mainly women weavers, from Gujarat alone. The main operations of SEWA are in the Patan and Kutch districts. She explained the objectives guiding SEWA, which include giving livelihood to artisans and, thereby, empowering them, direct market linkages and making the domestic markets reach out to the international markets. Although SEWA Trade Facilitation Centre is registered under section 25 of the Companies Act, 1956 as a Non Profit Organization, they are planning to convert it into a profit making organization in order to facilitate more partnerships. This brief introduction was followed by a short documentary on the overview of the working of SEWA.

She emphasized on the involvement of artisans in the negotiation process at the international level with the establishment of Trade Facilitation Centre. SEWA has witnessed a reduction in migration and has been able to set up security for artisans so as to sustain them in case of emergencies, following an Impact Livelihood Model. She gave details about the threats, opportunities and challenges faced by women at the grassroots level. She concluded by stressing upon demand driven approach employed by SEWA, which includes the five focus point of SEWA TFCs and the sources of their funds. 60% of the returns from the products sold go to the artisans and brings them dignity.

The next speaker **Dr. P. Nayak, Member Secretary, Textile Committee, Government of India**, addressed the seminar on the topic of GI registration of Surat Zari. Dr. Nayak started with the conceptual basis of the various rights available to a proprietor through IPR, moving on to the GI protection regime under IPR, and gave several examples of products that are capable of getting GI

protection such as Lucknow Chickan work, Banarasi Saris and Bandhini. He then gave an analysis of the concept of GI and its registration. He enumerated four characteristics of GI and also explained the process of registration. Manufacturers are necessarily the registered proprietors, and in order to salvage the situation, they register the producer groups in Form B. Globalization has had a definite impact on handicraft products. Subsequently, he touched upon the need for GI registration as an instrument for poverty alleviation. Various products have obtained GI registration in Gujarat – Bandhini, Surat Zari, Kutch Shawl, Kutchi embroidery, Sankheda furniture and agate stones. He emphasized on how the Development Commissioner of Handicrafts has registered four of these products. They have brought to the notice of the manufacturer that he is, in fact, the real proprietor and owner of the handicraft. They further assist the manufacturer in becoming a registered user by filling Form B, after which he can make the linkage with the market and also file for infringement. He then spoke on whether registration brings tangible benefits to the producer. He cited the contrasting cases of Pochampalli ikkat producers and the Sonapur chaddar producers. While the former had aggressively, with a coordinated effort, followed up on their GI registration, the latter remained inactive after the GI registration. He concluded by stating the post GI initiatives, which include market linkage and brand promotion along with containment of infringement.

Mr. R.M Shankar, Principal Scientific Officer, ATIRA was the next speaker in this session, who spoke on the importance of GI to economy and business. He recapitulated the definition of GI as stated earlier by Dr. Nayak. Three areas of goods are covered under GI, but no services can be covered. For manufactured goods, the main condition is production by a number of producers. He dwelt on the aspects related to the registration of GIs. A product that is generic cannot be registered under the GI regime. In Gujarat, six products are covered under GI. Geographical region is a very important aspect. GI is based on traditional formulas and knowledge. Know-how is transferred through generations. It takes a long period of time for a product to become eligible for being registered under GI regime. Value of the product is linked to the place of its origin. It has to be legally protected under the GI Act, 1991. He stated that GI registration is always initiated by organizations or NGOs; producers rarely come up themselves for registration. This is a very sad state of affairs. In India, we have registered 172 products; EU has 250 products. In Gujarat, only 8 products, mostly related to textiles, have been

registered. He spoke about the counterfeiting of GIs around the world, illustrating the case of Darjeeling tea, which is the first registered GI product. However, it has been registered in 25 other countries of the world. But still the Darjeeling logo is used in France for other products such as undergarments, tea etc, and also Russia has been using the same for tea. USA also has been using the logo for its tea. He then went to explain the activities undertaken by ATIRA for registering GIs. He highlighted that the process of GI registration is itself very important for business and economy. The producers themselves are not aware about the WTO provisions. The producers are first made aware about the provisions of WTO and other laws by bringing them on a common platform and make a case about their activity, and also about the competition in the outside market. They sensitize the whole issue and inform them as to what will happen if they don't stop the infringement. After convincing the producers, they go for making a legal entity in form of an association, because GIs are only granted to legal entities. Certainty is given by legal protection and it is supported by legal framework which, in turn, leads to investments and collective monopoly right. He gave examples of Kanchivaram Sari and Kutch Shawls, and then moved to product differentiation as a marketing tool. The publicizing of GI registered product becomes very important. He concluded by highlighting the relevance of GI in preservation of aura of the product and illustrated how Kolhapuri Chappals have, due to lack of GI protection, converted from a unique product to generic product.

Mr. Dharendra Kumar, Assistant General Manager, NABARD, concluded this session by focusing on the funding aspect of GI registration. He mentioned how the registration of GI requires funding, and how NABARD has supported the artisans in this aspect. He also stated how NABARD has supported all the initiatives of SEWA, and assisted in formulating a similar working model in Rajasthan. He concluded by mentioning that the regional office of NABARD can be approached in order to seek any financial assistance for GI registration in Gujarat.

FIFTH SESSION

IMPORT-EXPORT AND FOREIGN TRADE POLICY

The last session of the seminar was addressed by *Dr. Anup K. Pujari, IAS, Director General of Foreign Trade*, who spoke about the Import-Export and Foreign Trade Policy. He started off a highly



informative and interactive session by asking the participants about the reasons for exporting. He then gave the basics of the forces of demand and supply vis-a-vis imports and exports. If the price in the domestic market is higher than the foreign market, a country should be importing the commodity; an opposite situation would imply a chance for export, assuming that the transport cost is subsumed therein. Also, the price of a commodity is inversely dependent on several factors like technology and efficiency in production, for which he gave the example of beedi. Even if there is efficiency, it may not sell in the market, as the price of this technology is higher than the price of the product, which he illustrated with the example of the technology which is used to sharpen shaving blades. He then mooted the question as to whether something can be added to the import price (by taxing the foreign commodity) or reduced from the domestic price (by subsidizing the domestic product), in order to tilt the balance in the favor of domestic markets. Access to raw materials is another factor affecting prices. India's national income is highly wheat oriented. He explained the theoretical aspects of national income by stating that income is divided into taxes, savings and consumption; while expenditure consists of government expenditure, consumption and investments. On equating income and expenditure, government expenditure minus tax is the budget deficit, export minus import is the balance of payment and savings minus investment is the savings balance. Petroleum, fertilizer and gold are the highly imported products in India. \$185 billion was India's negative balance of trade last year, which can be compensated by running a budget deficit or through savings. China runs a huge budget surplus, due to which it has excess dollar reserves. Whether looking at it from the macro perspective, this shows the importance and need for exporting. Another reason for exports is diversification of businesses and, hence, diversification of risks, which can act as backup in case of losses in one kind of business or market.

He then elucidated about the Export-Import Policy of Government of India. The basic tenet of this policy is that the country's taxes should not be exported. This can be done by either exempting the goods exported from tax or by rebates or by reimbursing the tax to the exporter. Government of India should play the role of a facilitator. With respect to input taxation, advance authorization (for exemption) is a method utilized, whereby the inputs are imported duty free; the other being the drawback route (for reimbursement), which is governed by the Norms Committee. He spoke about the

difficulty in examining the exact amount of capital good utilized to determine its exact value of taxation, due to which giving exemptions to taxes on machines is hard. Further, he gave the example of export obligations in North Eastern states. With respect to taxation on services, which is an expanding area, only some amount of reimbursement is granted as one cannot specifically identify the direct linkage of services on exports. Rebate is not given on state taxes as this would raise a moral dilemma. An argument of exporters is that due to high taxations imposed by states, the commodity becomes less competitive.

Players involved in trade facilitation include customs, ports/airports, banks/insurance, road/rail. He expressed concern that the cost of transportation of products within India, in some cases, is higher than the cost of exporting the commodity outside India, which cannot be rebated. In conclusion, he stated that the government constantly tries to increase exports instead of controlling imports, with different type of exemptions.

VALEDICTORY SESSION

The valedictory session of the seminar was chaired by the Chief Guest, Dr. Anup K. Pujari. In his brief speech, the Director-General thanked all the participants. He informed of SPIPA's plans to conduct more seminars on this subject and also preparation of a database for products relevant to the state in international trade. SPIPA would identify support mechanism to identify issues of interest and concerns to the state in WTO and FTAs and for preparation of database for the same. Gujarat State Fertilizer Corporation, Baroda has agreed to provide specific grant to fund research based projects of SPIPA for one year. He concluded by reiterating the suggestions given in inaugural session that SPIPA should conduct sector specific research relevant to Gujarat in international trade.

Thereafter, two participants gave their feedback on the two-day seminar. Mr. R.N. Raval and Mr. M. B. Pandya appreciated the seminar and congratulated SPIPA for conducting such an informative and knowledge oriented program. Mr. Abhjit Das thanked Director General and officials of SPIPA for successful organization of the seminar. He also thanked FICCI for their support. Last but not the least,



the valedictory concluded by the address by Dr. Anup K. Pujari, Chief Guest, who appreciated the efforts of SPIPA team in regularly following up with all invitees and speakers. He asserted that only giving of information is not enough; its application for mutual benefit is equally important. Thereafter, certificate of participation was given to each participant by the Chief Guest and the two day seminar happily concluded.

The Way Ahead

The speakers urged SPIPA to do the following:

- SPIPA and other state level research institutions should undertake industry specific research and create a database having comprehensive information.
- SPIPA, having been identified by the Gujarat government as the nodal institution in the state for WTO and FTA related training and research, should act as the anchor point in the state for two way exchange of information and to make the stakeholders understand and articulate the agreements entered into internationally.
- SPIPA should help disseminate information at state level.

Concluding Remarks

To sum up, the two day seminar was an achievement for SPIPA in its endeavor to comply with the responsibility of being a nodal institution of Gujarat Government for training and research of WTO Agreements and FTAs and for dissemination of WTO provisions and their impact on state level stakeholders. The seminar was a blend of meaningful discussion and interface between the representatives of Government of India from Ministry of Commerce and Industry, from the Textile Committee, from IITF and CWTOS and the state-level stakeholders. The seminar resulted in exchange of information and experiences of the participants, which resulted in drawing of significant conclusions to the present situation of inadequate involvement of stakeholders in the negotiation process at the international level. The most striking feature of the seminar was the nature of speeches

delivered by the speakers, which were full of facts and also provided concepts. Moreover, the interactive nature of sessions in the form of questions-answers and suggestions added to the active involvement of the participants.

Director General, SPIPA assured that the institution would earnestly take up the follow-up measures to make SPIPA a very useful nodal institution in this sector.

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