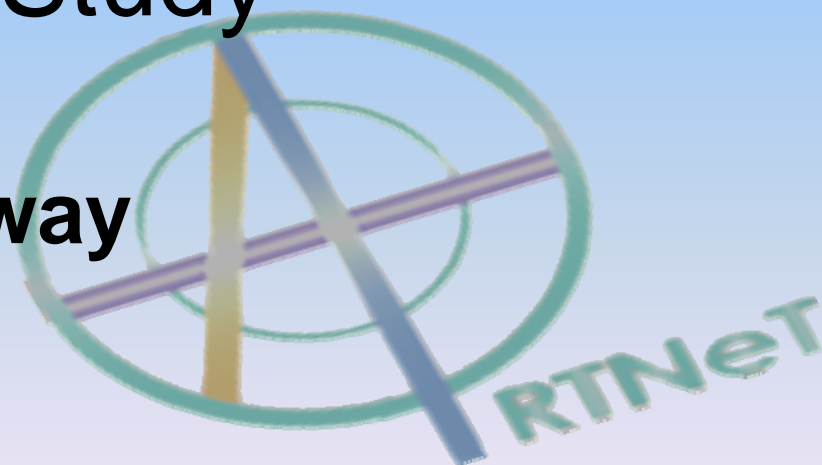


Trade-led Growth in Times of Crisis  
Asia-Pacific Trade Economists' Conference  
2-3 November 2009, Bangkok

**Session 13**

India Case Study

Indira Hirway



# Trade-led Growth in Times of Crisis

## Lessons Emerging from India

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CFDA, Ahmedabad

Asia-Pacific Trade Economists' Conference  
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Bangkok

# This Presentation

- Discusses the major findings of a study on impact of the global financial crisis on informal workers and small producers in India and
- Draws inferences and policy implications emerging from the study.

# Channels of the Impact

- Financial sector: capital outflows and decline in FDI, ODA, remittance, Export revenue – financial crunch for the govt and pvt sector
- Export markets collapsed
- Exchange rate: pressures on the Indian rupee leading to decline in its value: increase in cost of raw materials and intermediate goods raising the cost of production of export goods in some cases
- Decline in tradable services: tourism, IT services, etc
- Overall impact on investment, growth rate, employment, incomes etc, followed by negative impacts in the second and subsequent rounds

# Sectors Impacted

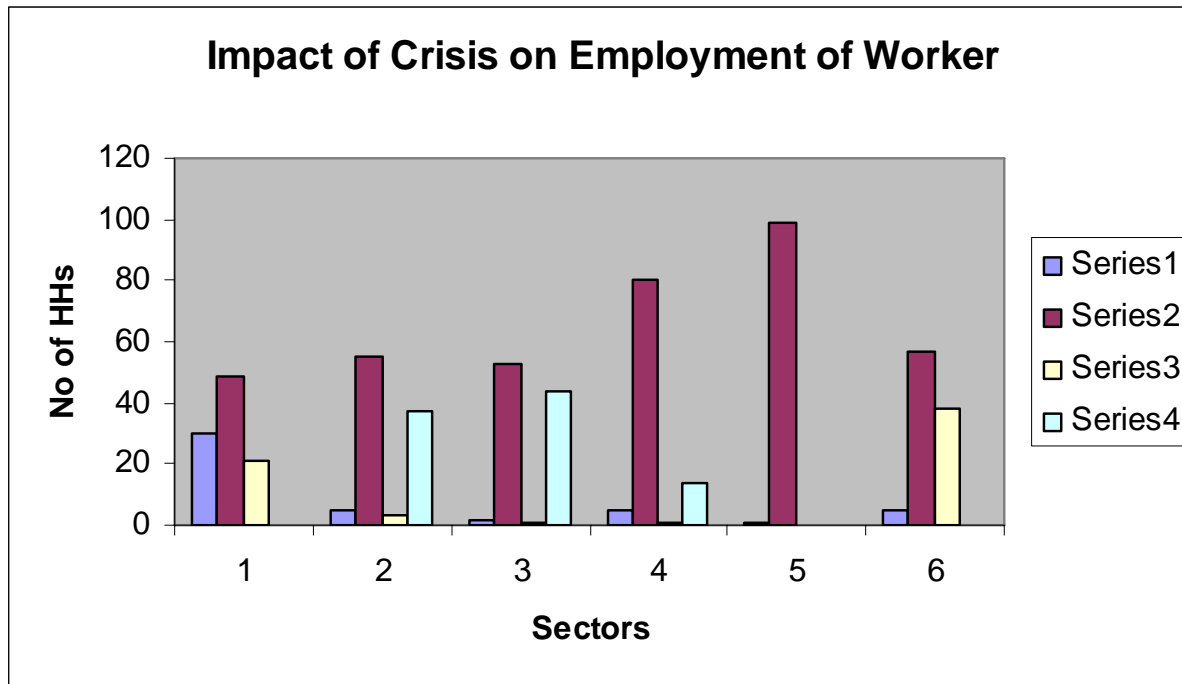
- A wide range of sectors: from Gems & Jewelry to waste picking
- Selected Sectors in 5 major states (April-June 2009)
  - Chikan craft - textile
  - Gems & jewelry
  - Engineering
  - Auto-parts
  - Home-based Garments
  - Agriculture
- Organizations involved: CFDA, GIDR, EDII and SEWA - CFDA coordinated the study

# Approach & Methodology

## Quick Survey: April – June 2009

- Sector profile
- Centre(s) profile
- FGDs
- Purposive sampling and survey
- Case studies

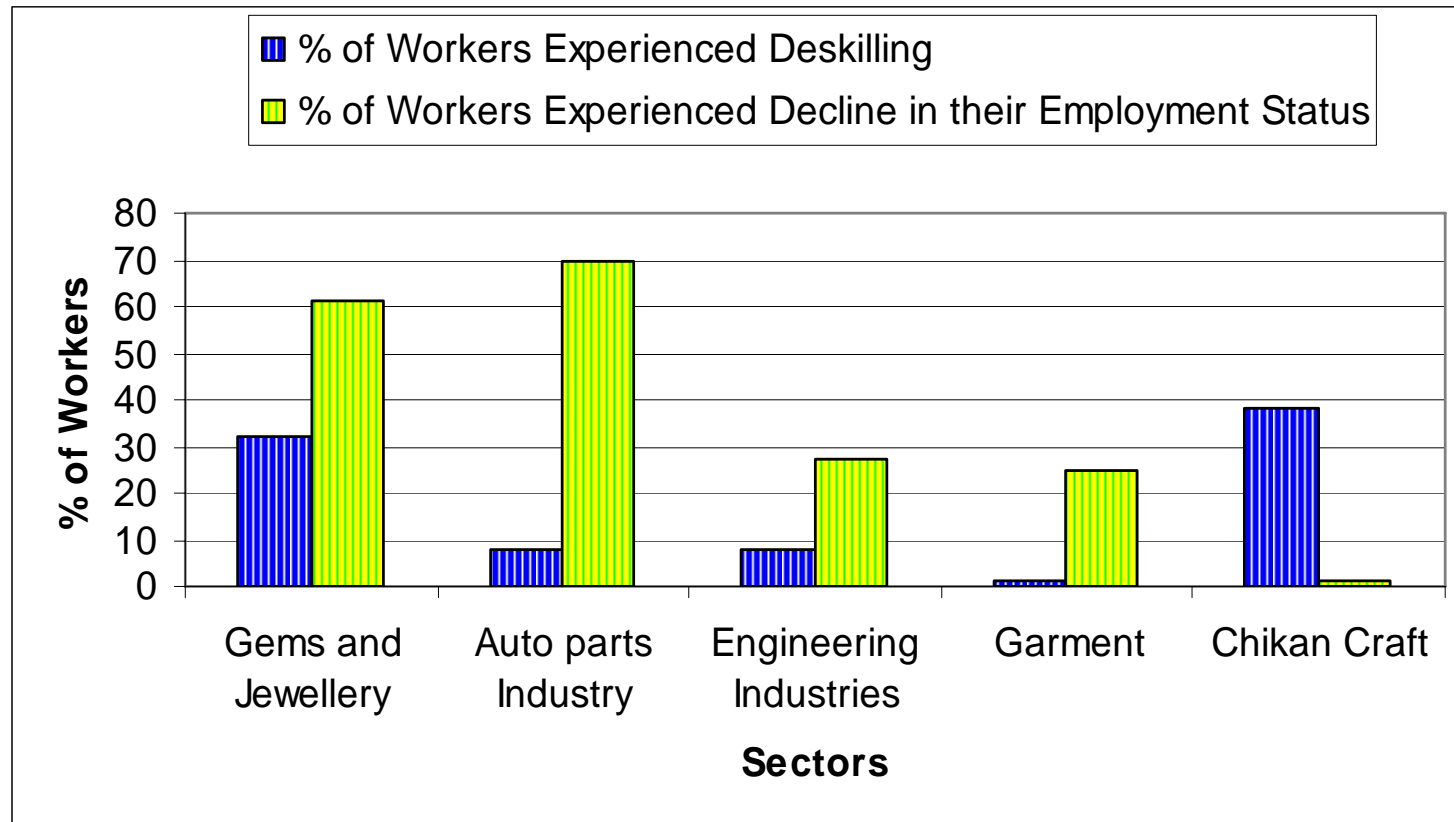
## Chart 1 Impact of Crisis on Employment of Worker



**Sectors:** 1= gems and Jewelry, 2=Auto parts, 3=Engineering, 4=Garment, 5=Agriculture, 6=Chikan craft.

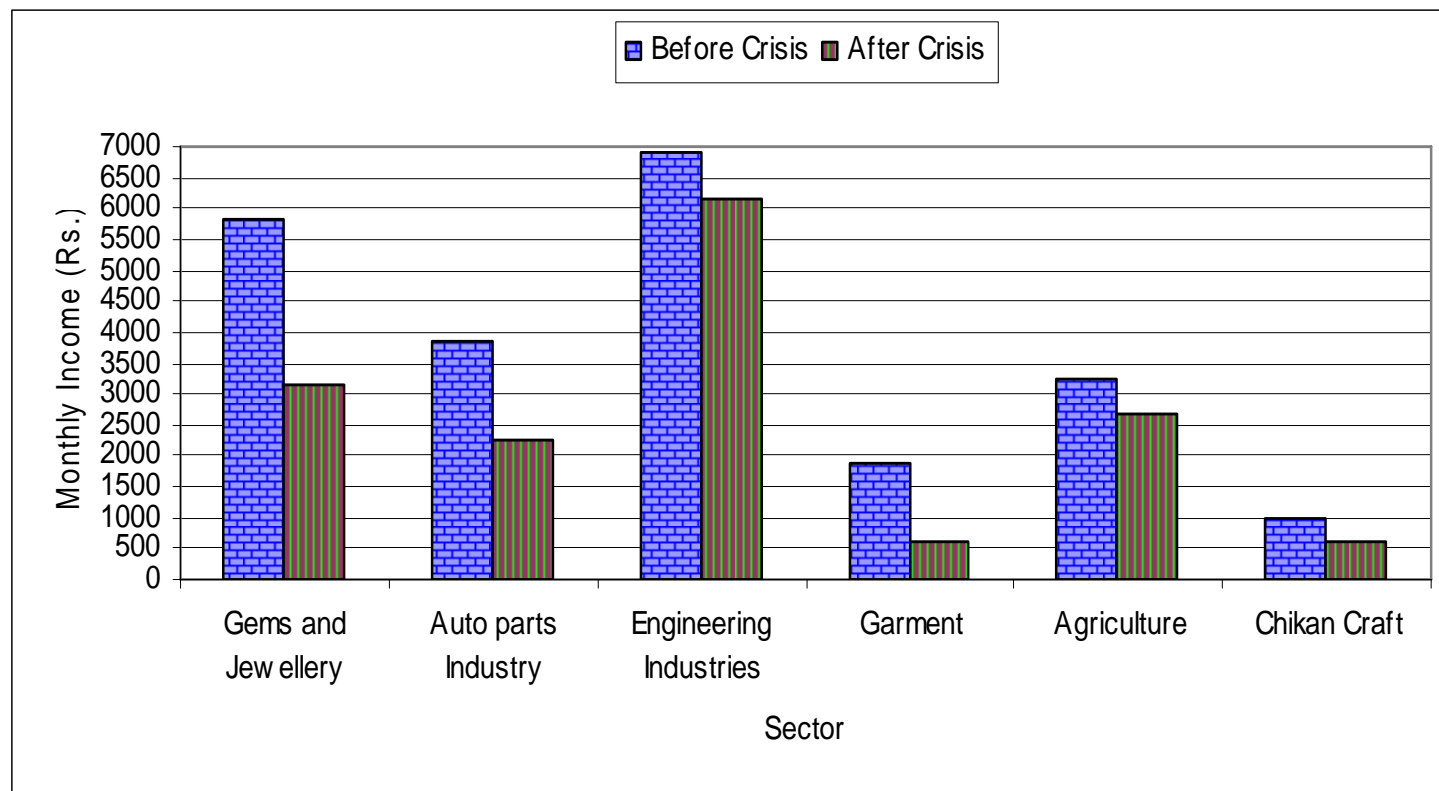
**Series** 1=Unemployed at present, Series 2= undertook similar work with lower incomes,  
Series 3= Shifted to another sector/ work, Series 4= No change

**Chart 2: Shifting to Unskilled Work and Deterioration in Employment Status of Workers**

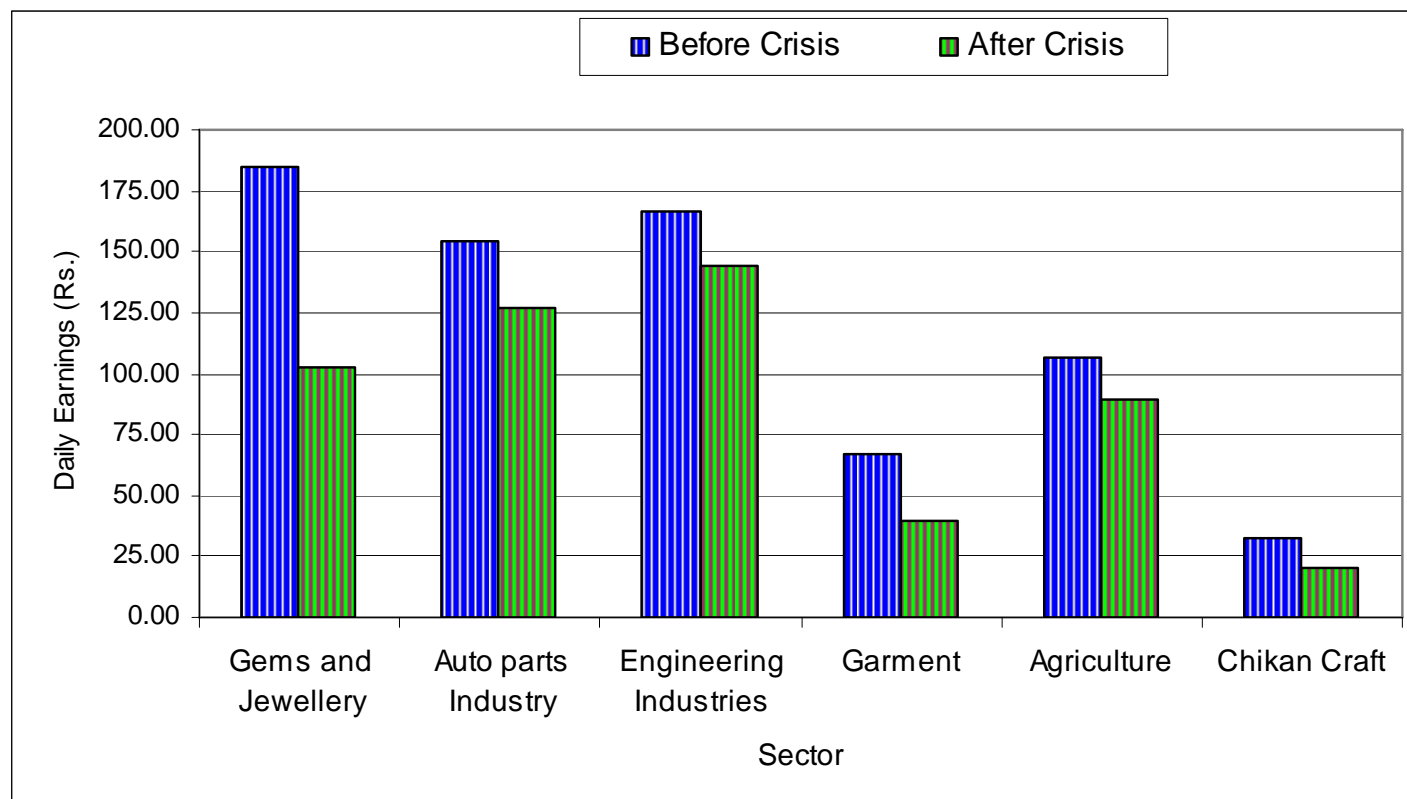




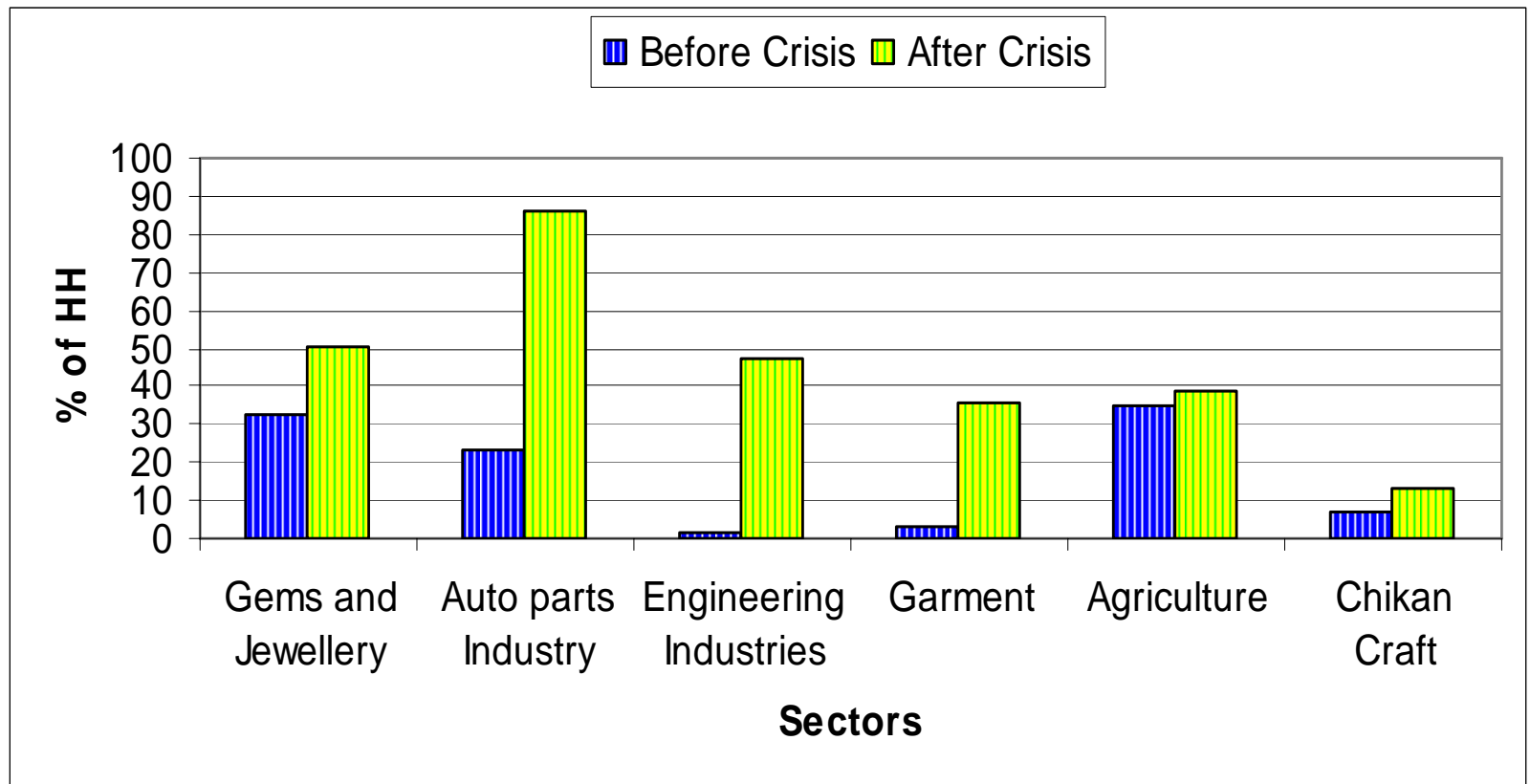
**Chart 3: Average Monthly Income of the Workers before and after Crisis**



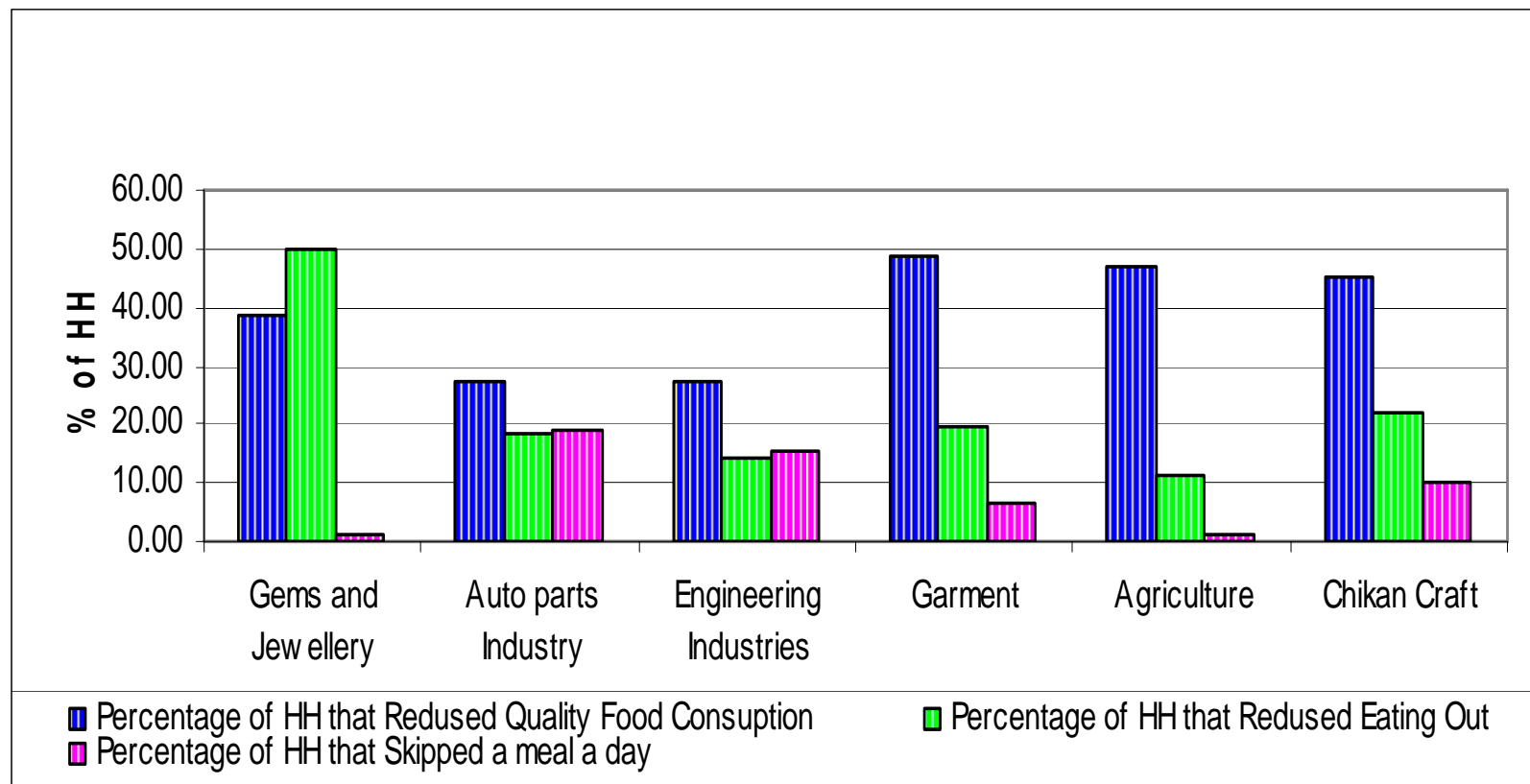
**Chart 4: Daily Wages (Earnings) of Workers before and after Crisis**



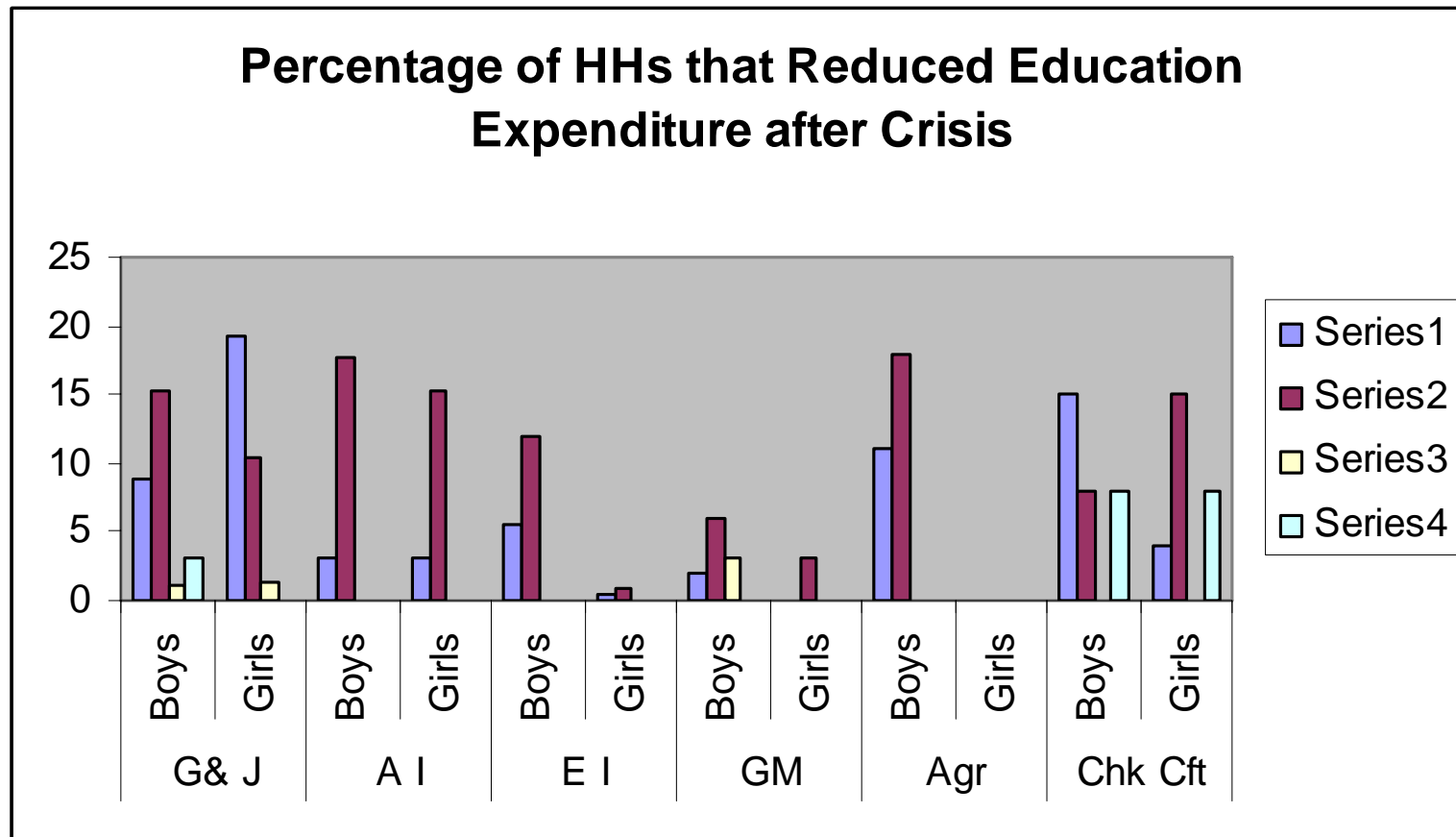
**Chart 5 Borrowing Before and After Crisis**



**Chart: 6 Percentage of HH Experienced Reduction in Food Consumption after Crisis**



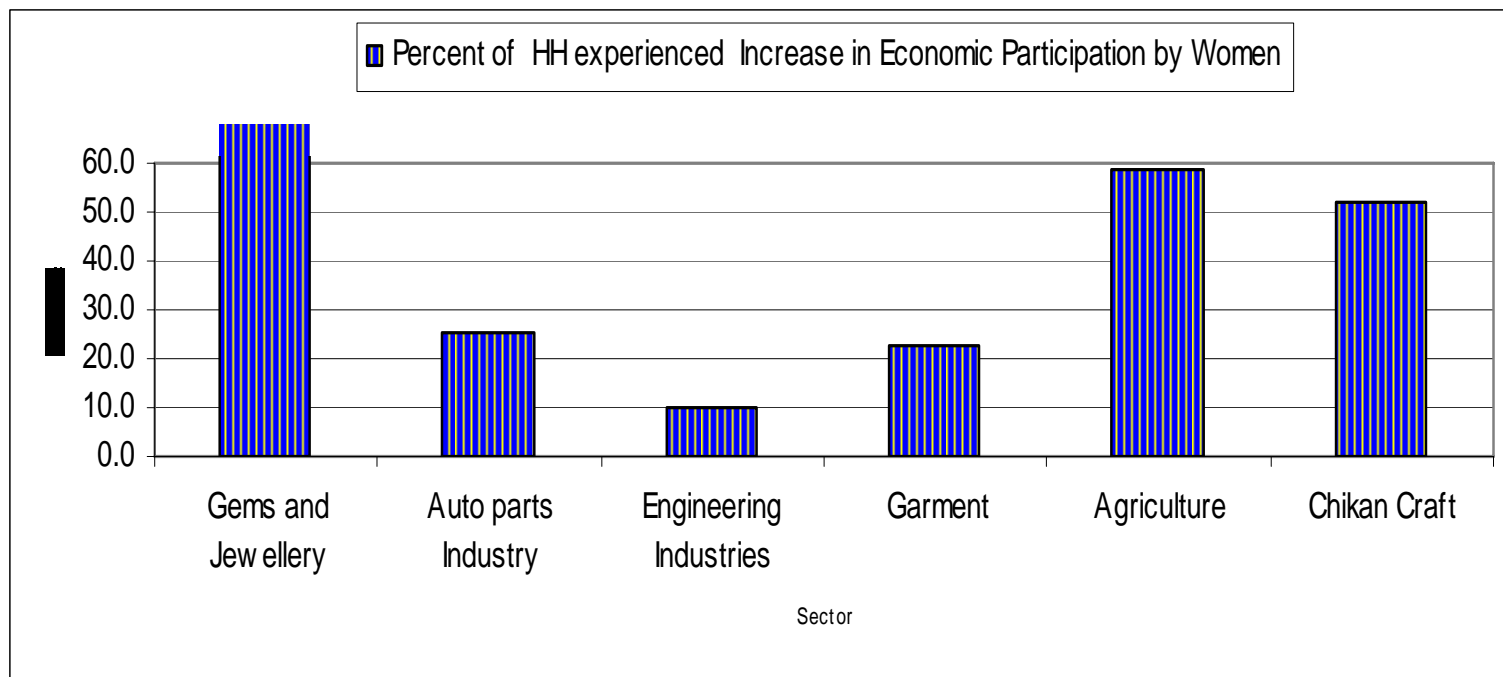
**Chart 7 Percentage of HHs that Reduced Education Expenditure after Crisis**



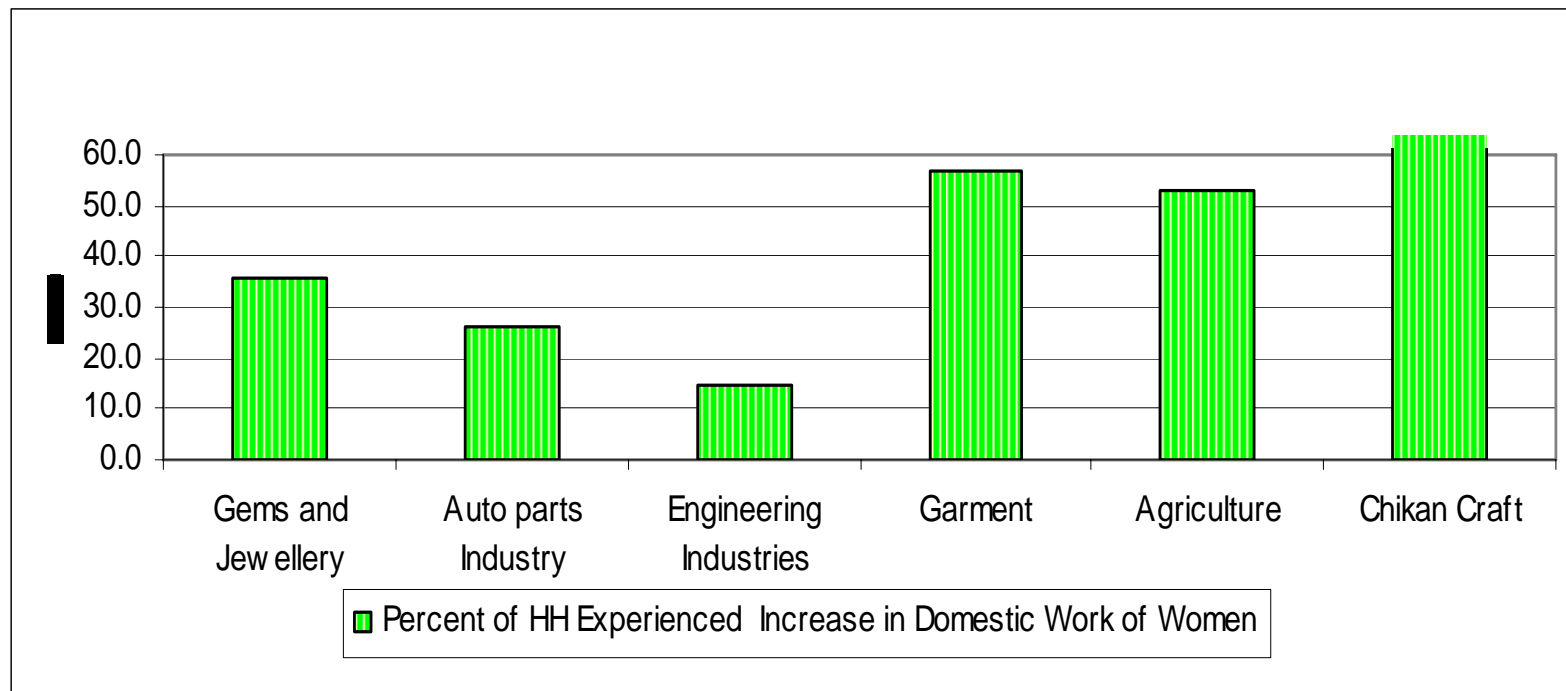
**Sectors** 1& 2= Gems and Jewelry, 3&4= Auto parts industry, 5&6= Engineering Industry, 7&8 = Garment, 9&10= Agriculture, 11& 12 Chikan Craft.

**Series**1= Dropped out from school/college, Series 2=Change to cheaper school, Series3= Loan for Education, Series 4= Have not paid fees.

**Chart 10 Percent of HH experienced Increase in Economic Participation by Women**



**Chart 11 Percent of HH experienced Increase in Domestic Work of Women**



# Other Impacts

- Increased depression
- Increased domestic Tension & conflicts,
- Increased domestic violence,
- increased addictions,
- Cases of suicides by workers, a few times with family



# Return Migration

- Going back to villages is an important coping strategy of affected workers
- 10 m workers returned back under the crisis in India (Surat: 50 %)
- Impact on returned migrants
- Generation of pockets of poverty

# Impact on Small Producers

- As it is a neglected group of producers
- Under the crisis it became the worst affected group of producers
- Many small units closed down
- Started small petty business, or became hired workers or were unemployed

# Implications

- Workers in the globalized sectors - who earn more than 30 percent of foreign exchange - are thrown to the volatility of the global market without any protection.
- The impact is not short term, the recovery will take time to go back to the original employment and wage levels
- In spite of about 60 years of planning we have not ensured universal access to basic health and education to all.
- Small producers / own account workers, are the worst sufferers among the producers in the crisis.
- No institutionalized arrangements to help workers to look for alternative jobs, leading to wastage of skills
- There is a need to bail out women, who are shock absorbers but whose role in the crisis has remained almost invisible in official data and policies.

# Recommendations

- Universal social protection to workers - need to ensure legal, institutional and financial support
- Ensuring employment services to all workers
- Right to food, health and education
- Addressing problems of small producers
- Skill training and skill up-gradation
- Giving visibility to workers and small producers
- Bail out package for women
- Use employment guarantee to address such crisis

# Two Sets of Origin of the Adverse Impact of the Crisis: Weaknesses in Trade Policy and Development Model

- What are the gains of globalizing at the lowest end of the value chain when the GPNs dominate the global markets?

Incorporate development goals (decent work, poverty reduction, promotion to MSME, gender equality, human development etc) into trade policy

- What are the gains of treating exports as “the driver of growth”, when the global market is not only competitive but can also shrink under protectionism of developed countries?

Rebalance sources of growth: develop domestic markets

- Is trade and trade-induced growth the goal or means of achieving human well-being?

Composition of growth matters: the weaknesses of the growth process cannot be corrected after the growth has taken place (low employment coefficients, vulnerability and insecurities, widening inequalities leading to dualism in growth, environmental non-sustainability)

# Sustainable and Inclusive Trade Policy

- Trade policy should be inclusive domestically, i.e. it should be treated as a part of development model: a means of achieving development that leads to (1) poverty reduction, reduced vulnerability and security, human dev, (2) sustainable development, (3) equitable development,
- Globally, the policy framework and institutions should provide space to national economies to follow this path: Implications for (1) exchange rate management, (2) SDR vs US\$, (3) freedom to determine sequencing and pacing of trade liberalization, (4) FTAs between developed and developing countries, (5) IPR related stringencies etc

THANK YOU!