



WTO Agreements and Small Scale Industries in Karnataka State: An Explorative Study of Current Policy Issues and Interventions, and Future Policy Options

M.R. Narayana
Professor of Economics
Centre for Economic Studies and Policy
Institute for Social and Economic Change
Bangalore 56 072

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POLICY BRIEF

This report explored the economic aspects of current policy issues and interventions, and their implications for future policy alternatives, under the World Trade Organisation (WTO) regime for the small-scale industries (SSIs) in Karnataka State during 1995 to 2005. The study was empirical, and covered the entire Karnataka State and both registered modern and traditional manufacturing SSIs. The methodology comprised scientific collection and analysis of primary and secondary data, and interactions with the stakeholders. Primary data were collected from a random sample survey of 373 SSIs by major sectors and by three distinct regions: Bangalore Urban; Northern and coastal Karnataka; and Southern Karnataka. The descriptions and analyses of data and policy changes offered the

following major evidence and policy implications. (i) WTO agreements had implications on all SSIs, whether or not they had been in export and/or import trade. (ii) WTO Agreements were of both general and sector-specific relevance for SSIs. From the viewpoint of the State Government, Agreements related to grant of subsidies, concessions and incentives; measures of protection from domestic and global competition; and promotional and regulatory measures for trade-related investment activities were most policy relevant. (iii) Under WTO regime, SSIs have been exposed to both domestic and global competition. Determinants of competitiveness included quality, quantity and cost of public infrastructure, and quality of

business environment. Inter-regional variations were remarkable with Bangalore region having a comparative advantage. This situation calls for intensified policy measures for strengthening and enhancing the competitiveness of SSIs in all regions by combined efforts of all levels of government in the country. (iv) Highest number of closures was evident in the post-WTO period. Sickness was more among SSIs with lower size of employment, domestic-market oriented production, located in private places and industrial clusters. Prevention of closures and sickness calls for reduction in project cost, labour problems, marketing problems and delayed payments. (v) Awareness of public policies and programmes was low

among the proprietors of SSIs. This implies a need for greater joint efforts by the Central and State governments and industry associations for promotion of awareness as a strategy to increase the benefits of public policies and programmes. (vi) Multiplicity of institutions and variety of data collection were evident with no efforts towards consolidation of data for policy purposes. Data gaps existed in regard to performance indicators, factors influencing competitiveness, and compliance cost of WTO agreements. These gaps need to be filled up for current and future monitoring and evaluation of impact of WTO on SSIs in the State.