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Analysis of India's Agriculture Export Performance in Pre and Post WTO Regime

Tawheed Nabi[1], Dr. Jasdeep Kaur Dhami[2]
[1]Research Student, [2]Asst. Professor
School of Business and commerce, Lovely Professional University, Punjab, India

Abstract: International trade is defined as trade (Imports and Exports) of goods and services of nation with rest of the world. In other words International trade is the exchange of goods and services between countries WTO was established on 1st January 1995 by replacing General Agreement on Tariffs and Trade (GATT), which was in existence from 1947 to 1994. India is a founder member of WTO. The main aim of this paper is to analyze India's agriculture Export Performance in Pre and Post WTO Regime. The annual growth of exports also increased to 9.5 per cent during post-WTO period on an average as compared to -2.8 per cent during pre-WTO period. Moreover, exports index at base 1994-95 also increased to 98.0 per cent during post-WTO period on an average. In fact average Indian exports went up from USD 27242 million during pre-WTO period to USD 50163 million during the post-WTO period. Hence it is clear that the impact of WTO on India's primary product export performance was positive.

Keywords: World Trade Organization (WTO), General Agreement on Tariffs and Trade (GATT), International Trade, Agreement on Agriculture (AOA)

Introduction

International trade is the part of international economics. International trade is defined as trade (Imports and Exports) of goods and services of nation with rest of the world. In other words International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewellery, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

WTO was established on 1st January 1995 by replacing General Agreement on Tariffs and Trade (GATT), which was in existence from 1947 to 1994. India is a founder member of WTO. WTO is based on the principles of non-discrimination, free trade, and promotion of fair competition among the member countries. The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. As on 2 March 2013, total 159 countries are the member countries of WTO.

The WTO Agreement on Agriculture (AOA) came into force on 1 January 1995. The preamble to the Agreement recognizes that the agreed long-term objective of the reform process initiated by the Uruguay Round reform programme is to establish a fair and market-oriented agricultural trading system. The reform programme comprises specific commitments to reduce support and protection in the areas of domestic support, export subsidies and market access, and through the establishment of strengthened and more operationally effective GATT rules and disciplines. The Agreement also takes into account non-trade concerns, including food security and the need to protect the environment, and provides special and differential treatment for developing countries, including an improvement in the opportunities and terms of access for agricultural products of particular export interest to these Members. (www.wto.org)

Generally there are three main pillars of AOA that are:

Market access

Market access is the extent to which a country allows the importation of foreign products. Countries have traditionally used both tariffs and non-tariff measures (such as quotas and variable levies) to regulate imports of agricultural goods. The market access provisions aim to regulate and lower protectionist barriers to trade. The provisions relating to market access have to do with: a) tariffs, and b) minimum and current access volumes / quotas. The most important commitments are that developed and developing countries to convert all non-tariff barriers into simple tariffs (a process known as tariffication), all tariffs to be bound (i.e. cannot be increased above a certain limit). Developed countries to reduce import tariffs by 36 per cent (across the board) over a six year period with a minimum 15per cent tariff reduction for any one product and developing countries to reduce import tariffs by 24per cent (across the board) over a ten year period with a minimum 10per cent tariff reduction for any one product.

Export competition

The draft modalities propose that all export subsidies in the developed world should be phased out over a period of nine years, with some being cut within five years. Developing countries are given a slightly longer implementation period of twelve years. The commitments are that for developed countries, the value and volume of export subsidies to be reduced by 36per cent and 24per cent respectively from the base period 1986- 1990 over a six year period and for developing countries, the value and volume of export subsidies to be reduced by 24per cent and 10per cent respectively from the base period 1986-1990 over a ten year period.

Domestic Support

Domestic support is the annual monetary support given by the government to agricultural producers either for the production of specific agricultural products, or in more general forms such as in infrastructure and research. All forms of domestic support are subject to rules. The WTO classifies domestic subsidies into three categories known as the Amber, Blue and Green Boxes. Only the Amber Box is subject to reduction commitments as for developed countries, a 20per cent reduction in Total AMS (Amber Box) over six years commencing 1995 from a base period 1986-1988 and for developing countries, a 13per cent reduction in Total AMS (Amber Box) over ten years commencing 1995 from a base period 1986-1988.

Objective of the study

Analysis of India's agriculture Export Performance in Pre and Post WTO Regime

Review of literature

Thomas et. al. (2011) stated that the emerging world demand for Indian agricultural commodities offers great opportunity. Indian agricultural exports have increased manifolds. However, the contribution of agricultural export in the total export of the country has decline. This study has explores the growth performance of India's agricultural exports from 1991-92 to 2009-10, using compound annual growth rate and percentage share in total export of India as well as Gross Domestic Product. An in depth composition and structure analysis of the agricultural export is undertaken. The study has also examined the changing dynamics of the contribution of individual group of commodities in the basket of agricultural export.

R. Rajendran et. al. (2013) has investigated that the trade volume of India is increasing slowly. At present we are in the position to view seriously the impact of increased Indian foreign trade on three important and closely related areas that are food security, water and environment. Study on the impact of foreign trade on these areas becomes need of the hour on the following grounds: Food security is severely threaten by stagnant food production; shrinking in food production area; slow down in yield of food crops; overall slowdown in the growth of agriculture; and, increase in absolute size of population and demand for food grains. Per capita water availability is decreasing sharply in the recent years; and, widespread water conflicts occur among water using sectors.

Mousavi et. al. (2013) has investigated the causal relationships among quantity of agricultural export and real exchange rate in India by using time series data for the period between 1980 and 2010. All the macroeconomic series used here are non-stationary, integrated at order one but not co-integrated. The long run relationships between exchange rates and agricultural export were explored by using co-integration analysis. A Granger-causality analysis has been carried out in order to assess whether there is any potential predictability power of one indicator for the other.

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The finding shows that there is no significant relationship between quantity of agricultural export and real exchange rate. In Other words, both the variables do not cause each other in either direction. The result also shows that the variables are not co-integrated, so there is no the long run relationship between agricultural export and exchange rates in India.

Khan (2001) has reviewed Pakistan's experience with the implementation of Agreement on Agriculture shows that it has not defaulted on its obligations and commitments under the Agreement and has rather gone far ahead of the Uruguay Round (UR) requirements. However, due to the developed countries' increased protection and subsidies that have denied the market access opportunities to Pakistan, it could not realize the expected gains in terms of exports and growth. Pakistan like the Cairns Group is rightly in support of fast liberalization of trade in agriculture.

Singh Kulwinder et. al. (2012), analysed that India has a competitive advantage in a broader range of export commodities. The rapidly increasing world demand for India's exports has played a significant role in the satisfactory export performance. Apart from expanding world demand, India's export performance benefited from the competitiveness and market-wise distribution during the study period. The gap between actual growth and potential growth of India's exports is primarily attributed to their competitive strengths. Export promotion measures, adopted by Indian policymakers, have significant effect on its export competitiveness as it would be difficult for exports to sustain competitiveness in this era of global competition and flexible of exchange rate.

Table 1: India's Agriculture Export Performance During 1980-2010 (Value in million USD)

Year/ Commodity	**Total Exports/All Agriculture Commodities**	**Unit value index base year 1993-94**	**Real exports***	**Annual growth rate (per cent)**	**Export Index (base 1994-95)**
Pre WTO period					
1980-81	7885	23	34283		31
1981-82	8516	26	32754	-4	34
1982-83	8983	28	32081	-2	36
1983-84	9277	32	28989	-10	37
1984-85	9645	36	26793	-8	38
1985-86	10338	36	28716	7	41
1986-87	8814	38	23196	-19	35
1987-88	9883	41	24104	4	95
1988-89	13970	49	28511	18.3	113
1989-90	16613	58	28642	0.5	113
1990-91	18145	62	29266	2.2	116
1991-92	17865	78	22904	-21.7	90
1992-93	18537	89	20828	-9.1	82
1993-94	22238	100	22238	6.8	88
1994-95	26331	104	25318	13.8	100
Total	**207040**	**800**	**408623**	**-21.1**	**1049**
Average	**13803**	**53.33**	**27242**	**-2.8**	**70**

Post WTO period					
1995-96	31795	102	31171	23.1	123
1996-97	33470	106	31575	1.3	125
1997-98	35006	124	28231	-10.6	112
1998-99	33219	129	25751	-8.8	102
1999-00	36822	127	28994	12.6	115
2000-01	44560	132	33758	16.4	133
2001-02	43827	130	33713	-0.1	133
2002-03	52719	131	40244	19.4	159
2003-04	63843	142	44960	11.7	178
2004-05	83536	154	54244	20.7	214
2005-06	103091	168	61363	13.1	242
2006-07	126414	182	69458	13.2	274
2007-08	162904	198	82275	18.5	325
2008-09	185295	194.05	95488	16.1	377
2009-10	178751	195.95	91223	-4.5	360
Total	**1215252**	**2215**	**752449**	**139.2**	**2972**
Average	**81017**	**147.66**	**50163**	**9.5**	**198**

*Real exports have been calculated by dividing the current export with Unit Value Index of exports at base 1993-94 of the respective years.

Source: Government of India, Economic Survey (various Issues)

We have analyzed the impact of the WTO above. The annual growth of exports also increased to **9.5** per cent during post-WTO period on an average as compared to **-2.8** per cent during pre-WTO period. Moreover, exports index at base 1994-95 also increased to **98.0** per cent during post-WTO period on an average. In fact average Indian exports went up from USD **27242** million during pre-WTO period to USD **50163** million during the post-WTO period. Hence it is clear that the impact of WTO on India's primary product export performance was positive. There are certain ample opportunities of WTO for the ambitious young exporters, entrepreneurs, industrialist etc. The aim is to pave the way for greater market access for all member countries by slashing the import duties on thousands of industrial goods. Most Favored Nation Treatment (MFN) provides equal treatment to all member countries. Any trade concession offered to one member country must be offered to all their member countries. Imported goods share should not be discriminated against in favour of the domestic goods. Some treatment must be accorded to goods imported from outside the country. This would reduce barriers to trade.

Conclusion

In last, we conclude that developing countries have no alternative but to agree with this arrangement of trade. Though WTO has given special status to the developing countries by given concessions and extra times to full fill their commitments yet the global economic scenario is not in favour of them. Most of the developing countries are not keen on fresh negotiations as they feel that the WTO agreement has not given them the benefits that were promised to them. The use of collective bargaining power by the developing countries is the only way out to protect their interest at WTO. The exports of India can benefit only in this way.

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