Volume : 5 | Issue : 1 | JANUARY 2016 • ISSN No 2277 - 8179

Research Paper

WTO and its Impact on Indian Agricultural Export Products

Rural

KEYWORDS : WTO, Agriculture, Exports, Growth Trend, Agricultural Products

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ABSTRACT

The Uruguay Round of multilateral trade Negotiations, after having had a protected discussion and deliberations, came to a conclusion leading to establishment of a new and unique international institution known as the World Trade Organization (WTO), which came to replace the earlier GATT, on January, 1st 1995. India is one of the 139, founding members of the WTO. India is a relatively minor player in global trade and India still a developing economy. Against the back ground, the object of the present paper is to examine the impact of WTO agreements on India's agriculture and analyze the export experience of India during the ten years since the establishment of WTO and agriculture. However, in the leading to the WTO General Council Decision of August 1st, 2004, the negotiations among the five interested parties, comprising of EU, US, Australia, Brazil and India, resolved the divergent positions on key aspects of each of the three pillars in the agriculture negotiations. The agreement on agriculture, as a part of the WTO agreement, came into force on 1st January 1995 and was to be implemented over six year period ending by 31st December, 2000 for developed countries and 31st December 2004 for developing countries. The G-20 group of developing countries was formed on the eve of the Cancun WTO ministerial in August 2003 that reviewed that Doha round of trade negotiations and was a coalition exclusively, for talks on agriculture. It was formed to counter the EU and US who helped at Cancun to perpetuate the regime of large farm subsidies and discriminating tariffs. Cancun was a failure in terms of taking the Doha round forward but is succeeded in a way to prevent the EU and US from always having their at the WTO. The alliance was successful and played dominant role thereafter in the July 2004 negotiations.

The Uruguay Round of multilateral trade Negotiations, after having had a protected discussion and deliberations, came to a conclusion, leading to establishment of a new and unique international institution known, as the 'World Trade Organization (WTO)', which came to replace the earlier GATT, on January, 1st 1995. India is one of the 139 founding members of the WTO. The WTO aimed at establishing a new market – based trading system, which reflects the urge for evolving a rule-based trading environment. Many new areas such as Agriculture. Textiles, Technology, intellectual property rights, trade related investment and services have been covered by WTO. The WTO included in its scope of liberalization, "Non-Tariff Barriers (NTB) along with tariffs and convey many new norms and disciplines such as sanitary and photo-sanitary measures, anti-dumping measures, dispute settlement procedures, safeguard measures, etc., with a view to ensuring liberalism, effective market access and rule-based trade. The basis of establishing WTO in 1995 was to improve the standards of living and income levels, ensure full employment, bring about an expansion in production and trade; and ensure optimal use of the world sources.

However, India is a relatively minor player in global trade and India still a developing economy. Against the back ground, the object of the present paper is to examine the impact of WTO agreements on India's agriculture and analyze the export experience of India during the ten years since the establishment of WTO and agriculture.

WTO and Negotiations on India Agriculture:

Negotiations on agriculture, which have been taking place in special sessions of the WTO committee on agriculture, have focused on achieving progressive and Professor and Teaching Associate, Dept. of Rural Development, Andhra University Campus, Etcherla. Senior Lecturer, G.V.P. College for Degree G.P.C. Courses, Visakhapatnam.

Substantial reforms in global agricultural trade. Moreover, discussions leading to Cancun had entered around bridging the divergence between the positions taken by the European Union and US and there of G-20 alliance. Further, the post Cancun deliberations strengthened the G-20 alliance of developing countries on special productions, the Africa Group, and the cairns Group of Agricultural Exporting countries. However, in the leading to the WTO General Council Decision of August 1st, 2004, the negotiations among the five interested parties, comprising of EU, US, Australia, Brazil and India, resolved the divergent positions on key aspects of each of the three pillars in the agriculture negotiations. Thus, we can say that the "Framework Agreement," provides a useful basis for further negotiations on detailed modalities that could help to create market access opportunities for products of export interest and safeguard small and vulnerable producers of farm products.

The agreement on agriculture, as a part of the WTO agreement, came into force on 1st January 1995 and was to be implemented over six year period ending by 31st December, 2000 for developed countries and 31st December 2004 for developing countries. The agreement has a long term objective of establishing a fair and market oriented trading system and aims at reducing effects of trade distorting agricultural politics and high levels of support given to the agricultural sector of various countries.

The G-20 group of developing countries was formed on the eve of the Cancun WTO ministerial in August 2003 that reviewed that Doha round of trade negotiations and was a coalitions exclusively, for talks on agriculture. An alliance of countries with apparently conflicting in interests comprising farm-exporting domestic markets. It was formed to counter the EU and US who helped at Cancun to perpetuate the regime of large farm subsidies and discriminating tariffs. Cancun was a failure in terms of taking the Doha round forward but is succeeded in a way to prevent the EU and US from always having their at the WTO. The alliance was successful and played dominant role thereafter in the July 2004 negotiations. The WTO, July packing included a greatly, changed framework for negotiations in agriculture.

Methodology:

To know the present scenario and future trend in agricultural export in the wake of WTO agreement signed in 1994 and implemented from 1995, the secondary data on export were collected from handbook of Statistics of Indian Economy, RBI Data on tariff rates were culled from different volumes of Exim policies

announced by the Ministry of commerce Government of India, and other related reports. The export data pertains to the period 1986-87 to 2003-04. The data have been further divided into two parts – 1986-87 to 1994-95 pre WTO and 1995-96 to 2003-04 post WTO, to know the progress made by the country in post WTO era. All the values of exports have been referred US Dollars to net out the effect of changes in exchange rate.

Growth rates of exports have been estimated by using the following function:

$$Y = ab^{t}_{e}$$

Where y = dependent variable/export earnings

a = intercept

b = regression coefficient

t = time variable

e = stochastic term

The compound growth rate was estimated by the logarithmic form of the equation (1).

$$\text{Log } y = \log a = \log b$$

Then the compound growth rate (g) was estimated using

$$G = (\text{Antilog of log } (b) - 1)\ 100$$

Performance of Agricultural Exports:
Agricultural Exports from India:
The exports of major agricultural products in terms of quantity and value during the period 1980-81 to 2003 -04 are shown in Table-1. There has been appreciable increase in agricultural exports after economic reforms initiated. Though the economic reforms of 1991 did not contain an explicit agriculture component, it created favorable conditions to agriculture through the trade policy reform and devaluation of rupee (World Bank 1996). Aggregate Agricultural exports rose from 6 billion in 1980-81 to 6.3 billion in 1995-1996, but thereafter decline to 6.1 billion in 2001-2002, and again registered an increase to the tune of 7.8 billion in 2003-04. The country's export basket in the past was heavily dependent upon items like tea, mater and coffee which in recent years has widened to include commodities like rice, marine products, fruits and vegetable etc. Some of these commodities such as rice, other cereal preparations, fruits and vegetables, and processed fruits and vegetables have high potential for exports from India.

India has dramatically increased its rice exports in the last decade. During 2002-2003. India exported around million tons of rice accounting for nearly $1/5^{th}$ of world rice trade.

India has been able to raise its coffee export from less than one lakh tone (0.87 lakh tones) in 198081 to 1.88 lakh tones by 2003-04. The export canings increased 270.9 million in 1980-81 to 449 million 1995-1996, but registered a declined after that and reached 236 million during 2003-2004 during a crash in global coffee prices, which has put coffee industry in serious trouble.

Growth trend in the Agricultural exports:
The estimated annual compound growth rates for the Agricultural exports for the period-1 (1986-87 to 1994-95), period-II (195-96 to 2003-04) and Period-III (1986-87 to 2003 -2004) are given in Table-2. It shows that exports earning from India's agricultural and allied products grew at the rate of 7.78 percent per annum in period-1 (pre-WTO) and plummeted to 0.81 percent in period-II (post _ WTO) Growth rate in the Voral period-III was shown 7.35 percent. Appreciable increase in export has come about mainly due to devaluation of the Indian rupee and opening up of the economy due to significant reduction in the import duties. The decline in Agricultural exports in the latter half of the nineties is probably due to sharp reduction in the international prices of Agricultural products.

Among the various agricultural export groups, the growth rates registered by fish and fish preparations were significant both in volume and value in all the three periods followed by cashew kernets and meat and meat preparation.

The results reported in the table showed that during period-I the quantity exported of coffee rose at the rate 5.80 per cent per annum while in terms of value if registered a negative growth rate to the fune of 0.49 per cent. Similar trends were recorded for the period-II too. Tea and mate witnessed a negative growth rate both in volume and value in period-III. During period I, the export of tea (in quantity terms) declined at annual rate of 3.4 per cent, while it recorded a positive growth rate of 6.33 per cent in period-II.

Tea industry's capacity to increase export substantially in terms of volume has been threatened by steady in domestic consumption, Export of Indian tea has also received a setback due to war in traq and due to disintegration of cast while soviet union.

The export of oil cakes reported positive growth rates 14.4 percent in quantity and 18.86 percent involve, during periods whereas in the second period under steady both turned negative 13.76 percent and 6.66 percent respectively.

The exports of Tobacco showed a higher growth rates in volumes as well as value during period-II as compared to period-I. The exports of sugar, cotton and rice witnessed high rates of growth during period-I whereas these turned out to be negative in period-II.

The exports of fruits and vegetables grew at the rate of 4.28 percent in period I and plummeted to 1.68 percent during period-II, but registered an annual growth rate of 8.22 percent in the overall period.

Period –wise analysis indicates that performance of Agricultural exports in almost all the commodities was much better during the pre-WTO period than the past-WTO periods.

India's Share in World Exports of Selected Agricultural products:
India's share of Agricultural exports in different years is presented in Table-3. However, it reveals that India's share of the traditional items in world export has been declining rapidly in the post-WTO period. In the case of tea and to India's share in the world exports declined from 26.2 percent in 1985 to 12.6 per cent in 2002. Earlier India enjoyed a respectable place in spice exports with its share in world exports around 19.3 per cent in but it came down to 8.5 percent in 2002. India has had a reasonable presence in the world exports market of rice with India's share around 5.1 per cent in 1985, but if further increased to 18.1 per cent in 2003-2004, which is really commendable.

On the other hand, India's share in the world fisheries export hovered around 2.5 per cent in value terms. India's share in world coffee export increased from 1.9 per cent in 1985 to 2.8 per cent in 1995 and remained close to it in the subsequent period.

Share of Agricultural Exports in India's Total exports:
In India, agricultural exports contribute to the trade balance.

While, the share of agricultural exports in the total exports is eroding, for examples from 30.65 per cent in 1980-81 to 12.36 per cent in 2003-2004 according to economic survey, 2005. The data reveal that until 1980-81 the traditional products like tea and mate, rice, coffee, raw cotton, tobacco, oil cakes, cashew kernels and spice occupied predominant place, each of which contributed nearly exports to recent to the country's total exports with the exception of tea. Tea agricultural contributed 20.68 per cent alone. Agricultural exports accounted for about 12.36 per cent of total annual exports of the country in 2003-2004. Agricultural products valued more than 4.5 billion were exported from the country, 16.85 per cent of which was contributed by the marine products alone.

Conclusion:

The studies revealed that as far as the exports of Indian Agricultural and allied products before and after advent of WTO are concerned, India's share in global Agricultural exports before WTO witnessed an increase but experienced a decline in the past WTO period.

From the foregoing discussion, it can be concluded that despite adverse situation in post-WTO period, India has been able to maintain the steady flow of exports of those commodities which are consistent with emerging global demand patterns, like fresh and processed fruits, fish and meat products.

Table-1

Composition of India Agricultural Exports in Quantity & Value (Tonnes) & (000$US0

Commodity	1980-81		1990-91		2000-2001		2003-2004	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Coffee	87.3	270.9	86.5	141	184.9	259	188	236
Tea & Mate	229.2	538	199.1	596	202.4	433	178	356
Oil Cake	886	158	2447.8	339	2417.8	448	325	729
Tobacco	91.3	178.7	87.1	147	108.3	191	121	238
Cashew	32.3	177.2	55.5	249	83.8	412	99.7	370
Spices	84.2	140.8	103.3	133	244.9	354	267	336
Sugar	97	50.4	191	21	769	112	--	--
Rice	720.7	283.2	505	257	1534.4	644	3412.1	1025
Fish	69.4	269.2	159.9	535	502.6	1394	--	1329
Meat	--	70.81	--	78	--	322	--	373
Fruit& Vegetable	--	277.8	--	120	--	239	--	513
Others	--	101	--	119	--	906	--	305

Source: Directorate General of Commercial Intelligence & Statistics, Kolkatta

Table-2: Growth Trends in the Export of Agricultural Products (1986-87 to 2003-2004),(in%)

Commodities	1986-87 to 1994-95 Period-I		1986-87 to 2003-04 Period-III	
	Quantity	Value	Quantity	Value
Coffee	5.8	-0.49	6.65	3.05
Tea & Mate	-3.4	-4.87	-0.70	-1.48
Oil Cakes	14.4	18.86	7.24	5.44
Tobacco	0.34	0.51	4.03	4.60
Cashew	9.34	5.94	6.18	4.28
Spices	8.04	-3.72	7.65	5.23
Sugar	45.43	3.87	21.70	22.14
Rice	15.49	10.29	14.37	11.51
Fish	15.75	12.41	12.38	8.05
Meat	--	9.41	--	11.62
Fruit & Vegetables	--	4.28	--	8.22

Source: Directorate General of Commercial Intelligence & Statistics, Kolkatta

Table-3: India's Share in World's Exports of selected Agricultural products (in %)

Commodity	1985	1995	2003
Coffee	1.9	2.8	2.3
Tea & Mate	26.2	14.3	12.6
Cereals	0.6	2.7	2.8
Tobacco	1.8	0.5	0.7
Spices	19.3	9.5	8.5
Sugar	0	0.8	2.4
Rice	5.6	18.6	18.1
Fish	2.4	2.1	2.6
Meat	0.4	0.4	0.6
Fruit & Vegetables	1.4	1.0	1.1

Source: Directorate General of Commercial Intelligence & Statistics, Kolkatta

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