



Performance Of World Trade Organization(WTO) In Promotion Of Indian Agricultural Trade

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ABSTRACT

India will be able to expand its exports of agricultural commodities in which it has tremendous comparative advantage. The WTO has been welcomed by a broad range of Indian agricultural interests. The WTO agreement will lower tariffs and other barriers, and increase market access, but the actual benefits to Indian exporters will depend on the competitiveness of Indian exports with those of other countries and on India implementation of WTO rules. Analysis by the India Department of Agriculture indicates immediate gains in export sales for India agriculture, gains that will increase over time as market access expands and as India economic growth boosts demand for imported agricultural products. The agricultural commodities from India can be made competitive in international market and the prices of agricultural goods in the domestic market can be improved by taking serious steps of reform.

Keywords : Agricultural Export Policies, Agreement On Agriculture, Domestic Market, International Market

Introduction

Foreign trade plays an important role in the economic development of a country. In the present day world, every country depends upon other countries for its exports and imports. Foreign trade of an economy promotes economic development and economic development promotes foreign trade. Indian economy is basically agriculture in nature.

Agriculture has not only the primarily economic activity but also the fulcrum around which our economy has resolved for ages. It represents 14.2 per cent of India's Gross Domestic Product, the highest proportion in the developed and developing world and still engages 65 to 80 per cent of population from the livelihood. Thus, India is still an agricultural dominant economy. Hence, it will continue to be the backbone of the economy for years to come.

The World Trade Organization (WTO) came into existence on January 1, 1995 with the basic objective of promoting global trade by establishing an open, rule based and non discriminatory multilateral trading system. Under this system, every member nation was expected to participate effectively in international trade and gain from it. India became an initial member of the WTO expecting substantial expansion in her exports through an easy access to world market.

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 (NTBs) along with tariffs conceived many new norms and disciplines such as sanitary and phytosanitary measures, anti dumping measures, dispute settlement procedures, safeguard measures etc., with a view to ensuring liberalized 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's resources.

Agricultural export policies began to change in 1994 and barring the occasional reversal have been progressively liberalized. The ministry of commerce, through the Director General of Foreign Trade, imposes or removes export restrictions in order to promote exports while also ensuring adequate domestic supplies of essential commodities at reasonable prices.

With this background, the present paper is a modest attempt to examine the Post WTO growth performance of agricultural exports. The paper has been organized as such. Section I is Introduction. Data and Methodology have been outlined in Section II. Section III examines trends in growth of agricultural export. The final section deals with conclusions and policy implications.

Data and Methodology

To know the present scenario and future trend in agricultural export in the wake of WTO, the secondary data on export were collected from Economic Survey, GOI and RBI Bulletin. The export data were pertains to the period from 1995 - 96 to 2009 - 10, to know the progress made by the country in post WTO era. Compound growth rates were estimated by fitting exponential trend equation of the following type.

$$Y = ab^t \dots\dots\dots (1)$$

Where,

Y = Country's Total Exports / Agricultural exports

t = Time variable in year

a = constant

and b = (1 + i)

where i = Compound Growth Rate

The equation (1) takes the following linear form by taking logarithms of both sides of the equation

$\log y = \log a + x \log b$

Compound growth rate is computed using the following formula.

Compound Growth Rate (CGR) = (Antilog (log b 1) x 100

Performance of Agricultural Exports

Before analysis the trade of agricultural commodities, it is important to examine the value of exports and imports by India. Hence, the value of export, import and trade balance is provided in Table 1. Trends in India's trade were collected for the periods 1995-96 to 2009-10, representing after the establishment of the WTO in 1995.

Table 1 : Trends in India's Trade (1995-96 to 2009-10)

(Rs. in Crores)

Year	Exports		Imports		Balance of trade
	Value	Percentage change over previous year	Value	Percentage change over previous year	
1995-96	106353	28.6	122678	36.4	-16325
1996-97	118817	11.7	138920	122	-20103
1997-98	130101	9.5	154176	10.9	-24075
1998-99	139753	7.4	178332	15.7	-38579
1999-00	162925	16.6	204583	14.7	-41658
2000-01	203571	24.9	230873	12.9	-27302
2001-02	209018	2.68	245200	6.21	-36182
2002-03	255137	22.1	297206	21.2	-42069
2003-04	293367	15.0	359108	20.8	-65741
2004-05	375340	27.9	501065	39.5	-125725
2005-06	456418	21.6	660409	31.8	-203991
2006-07	571779	25.3	840506	27.3	-268727
2007-08	655864	14.7	1012312	20.4	-356448
2008-09	840755	28.2	1374436	35.8	-533680
2009-10	845534	0.57	1363736	-0.78	-518202
CGR	17.28	-	20.27	-	-

Source : Various Issues of Economic Survey, Ministry of finance, Economic division, GOI

It is evident from Table 1 that the fiscal year 1995-96 began a high 28.6 per cent growth in exports. However, the next three years, immediately after the formation of WTO, witnessed a decline in the export growth to 11.5 per cent, 9.5 per cent and 7.4 per cent in 1996-97, 1997-98 and 1998-99. Exports increased by 16.6 per cent in 1999 - 00 to 24.9 per cent in 2000-01. But in the year 2001-02, the export was declined to 2.68 per cent. From the period 2002-03 to 2008-09, growth in export showed a mixed trend and it was 28.2 per cent in 2008-09. However, in the last year 2009-10, the growth of exports was recorded only 0.57 per cent. The trade balance during the reference period was negative in all the years due to import outweighing export. The estimated compounded growth rate was 17.28 per cent for total export and 20.27 per cent for total import. Therefore, it is understood that the annual rate of growth of import was higher than the export.

Sector wise Exports by India

Sector wise exports by India during the post WTO period from 1995-96 to 2009-10 is shown in Table 2. The table shows that export of agricultural and allied products which ranked second after manufactured goods accounted for 75.4 per cent of the total exports of the country in 1995-96. But in 2009-10, the relative contribution of agricultural export declined to 10.1 per cent, while that of manufactured goods share was 67.4 per cent. The export of minerals, fuels and lubricants showed an increasing trend in the period of reference.

Though, the relative contribution of agricultural export to the total export showed a declining trend during the period of reference (1995-96 to 2009-10), export of agricultural and allied products still occupied an important place next to manufactured goods and minerals, fuels and lubricants in the total export of the country. The actual value of agricultural products exported by India increased from Rs. 21,138 crores in 1995-96 to Rs. 85,211 crores in 2009-10. The estimated growth rate in the value of export in all sectors was positive. It was highest in mineral, fuels and lubricants (50.75 per cent) which was followed by ores and minerals (25.72 per cent),

manufactured goods (16.09 per cent) and agricultural and allied products (10.71 per cent) respectively

Table 2 : Sector wise exports by India (1995-96 to 2009-10) (Rs. in Crores)

Year	Agricultural & Allied products	Ores and Minerals	Manufactured goods	Minerals, Fuels & Lubricants	Others	Total
1995-96	21138 (19.8)	3061 (2.8)	80219 (75.4)	1761 (1.6)	174 (0.2)	106353 (100)
1996-97	24239 (20.4)	3185 (2.7)	88528 (74.5)	1832 (1.5)	232 (0.2)	118817 (100)
1997-98	25419 (20.1)	3018 (2.4)	96795 (76.6)	1443 (1.2)	359 (0.3)	130101 (100)
1998-99	26104 (18.7)	2827 (2.1)	109787 (78.6)	594 (0.4)	441 (0.3)	139753 (100)
1999-00	24576 (15.1)	2975 (1.8)	126329 (77.5)	467 (0.3)	8578 (5.3)	162925 (100)
2000-01	28582 (14.0)	4139 (2.0)	160723 (79.0)	8822 (4.3)	1305 (0.6)	203571 (100)
2001-02	29312 (14.0)	4736 (2.3)	161161 (77.0)	10411 (4.9)	6698 (1.6)	209018 (100)
2002-03	33691 (13.2)	7591 (3.0)	198760 (77.9)	13102 (5.14)	1993 (0.8)	255137 (100)
2003-04	36247 (12.4)	8876 (3.0)	228246 (77.8)	17159 (5.85)	2839 (0.9)	293367 (100)
2004-05	38079 (10.5)	22422 (6.2)	266552 (73.7)	31221 (8.63)	3605 (1.0)	375340 (100)
2005-06	46703 (10.2)	23733 (5.2)	328507 (71.9)	52538 (11.5)	4937 (1.1)	456418 (100)
2006-07	58959 (10.3)	27311 (4.8)	392447 (68.6)	85542 (15.0)	7520 (1.3)	571779 (100)
2007-08	76006 (11.6)	32887 (5.0)	422353 (64.4)	116878 (17.8)	7740 (1.2)	655864 (100)
2008-09	81710 (9.7)	36411 (4.3)	587020 (69.8)	126575 (15.1)	9039 (1.0)	840755 (100)
2009-10	85211 (10.1)	41265 (4.9)	570046 (67.4)	136623 (16.2)	12389 (1.5)	845534 (100)
CGR	10.71	25.72	16.09	50.75	32.47	17.28

(Figures in parentheses indicate percentages top total exports)

Source : Various Issues of Economic Survey, Ministry of finance, Economic division, GOI

Commodity wise agricultural Exports

The information about commodity wise agricultural exports from India during the period from 1995-96 to 2009-10 in value terms showed that the commodity wise agricultural export was maximum in Rice Rs. 4568 crores which was followed by fish and fish preparations Rs. 3381 crores, Oil cakes Rs. 2349 crores, Coffee Rs. 1503 crores, cashew Kernels Rs. 1237 crores and tea Rs. 1171 crores in 1995-96. In 2009 - 10 also, the export of Rice was maximum accounted Rs. 11,255 crores which was followed by raw cotton Rs. 9537 crores, fish and fish preparations Rs. 9900 crores, oilcakes Rs. 7832 crores, Fruits and vegetables Rs. 6370 crores and spices Rs. 6157 crores. During the post WTO period the export of various agricultural commodities showed a mixed trend.

(Table 3)

The estimated compound growth rate was positive in all types of agricultural exports. It was maximum in export of raw cotton (28.77 per cent) which was followed by meat and meat preparations (16.82 per cent), sugar (16.33 per cent and spices (12.63 per cent) respectively.

Conclusion and Policy Implications:

For the first time in history, the world can embrace a rule based system for economic existence, the essential principles of which are generally agreed. Globalisation has created both the opportunity and the challenge.

India needs to develop strategies to enhance exports and prevent possible large scale imports. The basic push to agricultural exports in India, along with policy initiatives, has to come through (a) Yield improvement (b) Strengthening and upgrading rural infrastructure (c) Improvement in rain fed agriculture and water management (d) Increase the flow of institutional credit (e) reduction in wastages and (f) efficiency in resource management of land and capital.

India may focus on markets, which have large potentials such as Rice, raw cotton, fish and fish preparations, fruits and vegetables and spices for export purpose. This would require addressing effectively the existing quality and infrastructure related problems. Since, the cost of production of agricultural commodity is less compared to other advanced countries, it is possible to encourage exports through liberalizing the trade still more.

Table 3 : Commodity wise agricultural Exports from India (1995-96 to 2009-10) (Rs. in Crores)

Year	Agricultural & allied Products	Coffee	Tea	Oilcakes	Tobacco	Cashew Kernels	Spices	Sugar	Raw Cotton	Rice	Fish & Fish preparations	Meat & Meat preparations	Fruits, Vegetables & Pulses	Miscellaneous proceeds foods	Total exports
1995-96	21138	1503	1171	2349	447	1237	794	506	204	4568	3381	627	802	745	106353
1996-97	24239	1426	1037	3495	757	1288	1202	1078	1575	3172	4008	709	828	974	118817
1997-98	25419	1696	1876	3435	1070	1407	1410	255	822	3371	4487	808	1067	528	130101
1998-99	26104	1728	2265	1942	762	1627	1633	24	207	6281	4369	788	931	546	139753
1999-00	24576	1364	1766	1603	993	2451	1702	38	81	3105	5114	781	1212	760	162925
2000-01	28582	1185	1976	2045	871	1883	1619	511	224	2943	6367	1470	1609	1094	203571
2001-02	29312	1095	1719	2263	808	1652	1497	1782	43	3174	5897	1193	1560	1236	209018
2002-03	33691	994	1663	1847	1022	2053	1659	1814	50	5831	6928	1377	1692	1484	255137
2003-04	36247	1066	1637	3348	1096	1700	1544	1235	942	4708	6106	1714	2358	1403	293367
2004-05	38079	1009	1795	3125	1242	2349	1798	153	376	6696	6198	1795	2546	1219	375340
2005-06	46703	1731	1589	4875	1032	2594	2116	598	2904	6221	7036	2750	3649	1589	456418
2006-07	58959	1969	1970	5504	1685	2506	3158	3260	6108	7036	8001	3314	4383	1836	571779
2007-08	76006	1872	2034	8141	1932	2235	4204	5663	8865	11751	6927	3749	4053	2139	655864
2008-09	81710	2256	2689	10269	3461	2931	6338	4532	2866	11164	7066	5371	5650	3176	840755
2009-10	85211	2032	2944	7832	4344	2829	6157	130	9537	11255	9900	6286	6370	3255	845534
CGR	10.71	1.78	4.18	10.50	12.23	5.66	12.63	16.33	28.77	9.22	6.05	17.96	16.82	12.03	17.28

Source : Various Issues of Economic Survey, Ministry of Finance, Economic Division, GOI

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