India's Free Trade Agreements: Provisions and Prospects with reference to Agriculture Products

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Abstract: ***Regional integration in the name of bilateral and multilateral trade agreements has now become the important tool for promoting economic and political relations among countries/ groups, these agreements may range from preferential trade agreements to free trade agreements. Out of the 15 RTAs in force 4 RTAs have provisions on services as well. So far the agricultural products are concerned there coverage is partial with limited number of products being included in the tariff reduction list. Agriculture did not find due place in the RTAs because of its sensitiveness with respect to pressure from the domestic market. This paper critically analyses the share of major trading groups, with whom India has signed a Free Trade Agreement (FTA), in total exports and agriculture exports of India for the period 2001- 2014. The finding shows that although in case of total exports going to the trading groups for the period under study has seen an increase in its share but the same does not hold true for share in agriculture export going from India to these groups. Share in agriculture exports in most of the cases has registered a fall. Thus this***

Keywords: World Exports, Agricultural Products, Regional Integration, Free Trade Agreement, Developing Countries.

1. Introduction

Regional integration in the name of bilateral and multilateral trade agreements has now become the important tool for promoting economic and political relations among countries/ groups, these agreements may range from preferential trade agreements to free trade agreements. Nearly all the countries across the globe have entered into some sort of agreements and India is no exception to it. India has notified 15 RTAs to World Trade Organisation (WTO) till now with early announcement of four agreements- BIMSTEC, EFTA, EU and SACU. India as a party to Generalised System of Preference (GSP) is getting benefits from the major developed economies of the world.

Out of the 15 RTAs in force 4 RTAs have provisions on services as well. So far the agricultural products are concerned there coverage is partial with limited number of products being included in the tariff reduction list. Agriculture did not find due place in the RTAs because of its sensitiveness with respect to pressure from the domestic market. Although agriculture contribution to GDP is quite low but in terms of employment it is a source of livelihood for more than 50% of the population.

2. Literature Review

The history of finding out the benefits that accrue form trade agreement dates back to 1950 and is associated with the work of Jacob Viner who evaluated with respect to Trade creation and diversion, his model is single market model.

Study by Shearer, Matthew et.al. (2009) tried to find out the treatment of agriculture in RTAs of Americas. They found that tariff liberalisation is key to agriculture trade in RTAs and found other factsos such as non tariff measures (NTM) affect the RTAs.

The work of Korinek, J.(2009) et.al. on Trade Impact of selected RTAs in Agriculture brought forward the factors that promotes and discourage the RTAs. They examined the trade effects of three regional trade agreements ASEAN Free Trade Agreement (AFTA), Common Market for Eastern and Southern Africa (COMESA) and Southern Cone Common Market (MERCOSUR) in the agricultural sector. Results from a gravity model suggest that the creation of AFTA, COMESA and MERCOSUR have increased trade in agricultural products between their member countries with no sign of trade diversion and factors such as transport and communications, supply constraints reduces the impact of RTAs.

There are product specific studies also one such study is by C. Veeramani, C et. al (2010) which tried to find out the impact of India-ASEAN FTA on plantation commodities. They applied SMART and found that the imports have increased and this will result in teh revenue loss are the tariff have been reduced along with consumer being benefitted from teh agreement as he get low price prodct which in turn is harmful for domestic farmers.

Now coming to country specific study by Chandrima Sikdar, Chandiram et. al. (2011) applied general equilibrium model for evaluating the India-ASEAN FTA. They applied GTAP database for arriving at the results and found that FTA has been beneficial for both and more benefits have accrued to smaller countries and at teh same time there has been loss of market to India by some countries specially China.

There are the studies specifically focusing on the India-Sri lanka (Chaudhary, Sonam et. al (2013)). This study also applied SMART for finding out trade creation and diversion. They also applied RCA, Vertical Intra Industry Trade Index, Finger-Kreinen Index for arriving at the sectors for FTA.

Study by Bureau, J. Et. al. (2013), worked on finding the RTAs impact on trade in agricultural products, This study focuses on measuring the effects of tariff preferences accorded by agreement partners. It relies on trade and tariff data at a detailed product level for each of the 78 Agreements considered, over the period 1998-2009. The econometric assessment is based on difference-in-differences panel estimations, whereby exports to third destinations and imports from third origins are used as a benchmark when assessing the trade impact of RTAs between partners, product by product.

Latest work by Linda Fulponi, Lunda (2015) on ‚Regional trade agreements and agriculture", she tried to find out the affect of level of liberalisation on the RTAs. For the purpose of study 53 RTAs were selected and evaluated and major findings werer that market access along with other measures such as rules of origin, safeguards measures and export subsidies and other such measures reduces the benefits from the RTAs.

Thus from the above it can be seen that there have been few detailed studies of the treatment of the agricultural sector in RTAs and that to specifically for India. Most of the studies have evaluated the FTA taking all products together and covering one or two country at a time. The purpose of this paper is to map the treatment of this sector in RTAs.

3. Objectives

1) Finding out the share of agriculture products in country's/region trade.
2) Finding out the trading pattern among countries member to the agreement.
3) Finding out the trend in exports of the agricultural exports for India for selected agreements.

4. Methodology

This study is based on the secondary data. Major source of information that are consulted are WTO Trade Policy Review (India), World Trade Profile and World Tariff Profile. Online information regarding trade is accessed through World Integrated Trade Solutions (WITS) and Trade Map (ITC). Online simulation tools such as SMART (WITS) and Market Access Map (ITC) have been used. For getting detailed information regarding FTAs and PTAs, WTO database on RTA and PTA has been accessed. Apart from the above mentioned sources detailed information is also extracted form the countries respective ministries.

Out of the 15 RTAs that are in effect only 3 RTAs have been selected for study. The RTAs selected are India-MERCOSUR (Argentina, Brazil, Paraguay, Venezuela, Uruguay) , APTA (Bangladesh, China, Korea and Sri Lanka) and SAFTA.

Results Analysis

Table 1.1 shows the share (%) of India in total exports and agriculture exports for the period 2001-2014 and the compound annual growth rate (CAGR) for the same period. From the table it is clear that the share of India has seen an increasing trend with respect to both with share of less than 1% in 2001 it increased to 1.70% in 2014 and it had grown annually at the rate of 16.44% on the the other hand the share of india in agriculture exports has also seen an increasing trend with just 1.37% share in 2001 it increased to 2.54% in 2014 growing at 15.12%.

Table 1.2 shows the share of trading groups (APTA, MERCOSUR and SAFTA) in world exports and the share of India in exports of these group. All the groups have registered an increase in its share of world exports. And the same is applicable for India also. But the major change in exports going to India happen to APTA with just 13.13% share in 2001 for APTA India share in exports increased to 56.99% in 2014.

Table 1.3 and 1.4 shows the India total and agriculture exports going to APTA and the share of the member countries in the same. For total exports going to APTA from India it can be seen that after reaching the share of 12.43% in 2010 it again came down to 9.76%. The trend is fluctuating and did not follow the pat. Individual country share in exports to APTA show that China share in the exports has increased remarkably where as Bangladesh share has reduced and there is slight change in the share of Korea.

For agriculture exports going to APTA it can be seen that there is reducing trend it eh share of APTA in agriculture exports. From 11.20% share in 2001 it has constantly decreased and in 2014 it reached the all time low of 8.80%.Sri Lanka and Korea have seen the increase in their share of agriculture exports whereas for China its share has reduced significantly from 48.81% in 2001 to 42.05%% in 2014.

MERCOSUR share in India total and agriculture exports are shown in table 1.4 and 1.6 respectively. The share of MERCOSUR in total exports of India had not change much with just nearly 1% share in 2001 it had increased to 2.58% registering 25.84% compound growth rate for the whole period. All the member countries have seen a fall in the share in India exports expect for Brazil whose share has increased from 55.80% in 2001 to 87.13% in 2014.

But coming to MERCOSUR share in India agriculture exports the total share has decreased from .30% in 2001 to .21% in 20014. Brazil, Argentina, Paraguay and Uruguay have seen an increase in their share on exports.

Finally coming to SAFTA share in India total and agriculture exports which are shown in table 1.7 and 1.8 respectively the share in total exports has increased from 4.77% in 2001 to 6.25% in 2014. On individual basis share of Sri Lanka, Nepal, Pakistan and Afghanistan has increased form there 2001 level and only Bangladesh has seen reduction in its share in India total exports.

So far share in agriculture exports are concerned it does not follow a trend and not much change has registered in tit. On individual basis except for Bangladesh and Nepal all other countries have registered a fall in its share.

Implications and Future Scope

This study may be used as an input for further talks on FTA's with specific reference to agriculture products This study has covered 3 RTAs and therefore there is ample scope of extending this research to the remaining RTAs.

The main limitation of the study is that it had only covered 6 RTAs and in most of the RTAs countries are same, secondly the time span for analysing the trade in some case is too short. Thirdly the study has not used any economic model.

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Table 1.1: Share (%) of India in Total World Exports and Agriculture Exports

Year	*World*	*Agriculture*
2001	0.72	1.37
2002	0.78	1.40
2003	0.80	1.23
2004	0.83	1.29
2005	0.97	1.37
2006	1.01	1.42
2007	1.06	1.51
2008	1.14	1.65
2009	1.44	1.43
2010	1.46	1.64
2011	1.66	2.11
2012	1.59	2.63
2013	1.81	2.84
2014	1.70	2.54
CAGR	**16.44**	**15.12**
Source: Author's Calculation from ITC.		

Table 1.2: Share (%) of Trading Groups in World Exports and Export going to India

Year	*APTA*		*MERCOSUR*		*SAFTA*	
	World	*India*	*World*	*India*	*World*	*India*
2001	5.67	13.13	6.61	4.04	1.67	7.33
2002	5.84	15.00	6.38	4.72	1.69	6.56
2003	5.66	20.25	6.81	2.93	1.76	7.91
2004	5.56	28.08	7.36	2.63	1.78	9.51
2005	5.90	34.39	7.63	3.52	1.96	12.62
2006	6.03	44.46	7.83	3.16	2.01	11.24
2007	5.99	56.40	8.24	2.50	2.07	12.50
2008	5.69	63.48	8.92	1.95	2.31	8.74
2009	5.85	63.67	8.55	4.72	2.04	9.23
2010	6.46	70.32	8.94	4.68	2.28	7.66
2011	7.03	64.80	9.48	3.26	2.78	5.84
2012	7.65	55.60	9.30	5.10	3.24	5.78
2013	7.90	51.17	9.19	3.10	3.49	4.36
2014	7.82	56.99	8.53	15.31	3.20	5.30
Source: Authors calculation form ITC.						

Table 1.3: APTA Share(%) in India's Total Export and Country wise Share(%) in India's Total Exports

Year	*% Share of APTA in India's Exports*	*% Share in India's Exports*				
		China	*Sri Lanka*	*Bangladesh*	*Korea*	*Lao*
2001	7.00	30.05	20.24	34.62	14.90	0.19
2002	8.01	38.16	20.72	25.55	15.52	0.05
2003	10.24	42.23	19.66	27.19	10.91	0.01
2004	10.65	50.71	17.32	19.96	12.00	0.01
2005	12.33	58.08	15.68	13.90	12.29	0.05
2006	11.49	56.22	15.12	11.98	16.67	0.02
2007	11.39	57.13	15.61	12.42	14.82	0.02
2008	10.97	50.59	14.22	16.25	18.91	0.02
2009	10.22	57.38	9.54	12.05	20.87	0.15
2010	12.43	63.64	12.06	11.01	13.26	0.03
2011	9.67	57.37	15.28	11.69	15.61	0.05
2012	9.53	53.40	13.82	17.90	14.78	0.10
2013	9.42	51.75	14.99	18.90	14.17	0.19
2014	9.76	43.36	20.77	20.19	15.48	0.21
CAGR	**19.46**	**22.88**	**19.70**	**14.61**	**19.81**	**20.28**
Source: Authors calculation from ITC.						

Table 1.4: APTA share in India's Agriculture Exports and Share of APTA Member Countries in India's Agriculture Exports.

Year	% Share in India's Agriculture Exports	China	Sri Lanka	Bangladesh	Korea	Lao
2001	11.20	48.81	18.38	18.98	13.75	0.08
2002	11.69	44.92	17.98	23.19	13.81	0.11
2003	15.87	58.29	15.06	16.95	9.69	0.01
2004	13.85	53.60	14.57	18.28	13.55	0.00
2005	12.87	50.21	24.77	14.39	10.62	0.00
2006	12.77	37.17	29.68	15.86	17.29	0.00
2007	14.30	44.21	24.61	16.68	14.50	0.00
2008	13.35	46.62	19.61	16.13	17.65	0.00
2009	10.36	41.53	30.38	14.85	13.24	0.00
2010	11.89	33.54	37.56	13.92	14.97	0.00
2011	10.39	30.57	37.55	21.13	10.75	0.00
2012	8.98	35.66	31.73	13.22	19.09	0.30
2013	9.19	38.24	27.36	11.87	22.09	0.44
2014	8.80	42.05	22.89	18.09	16.11	0.87
CAGR	**13.01**	**11.72**	**14.93**	**12.59**	**14.39**	**35.7**
Source: Author's calculation from ITC.						

Table 1.4: MERCOSUR Share(%) in India's Total Export and Country wise Share(%) in India's Total Exports

Year	*Share(%)in India Total Exports*	*MERCOSUR Member Countries Share(%) in India Total Exports*				
		Brazil	*Argentina*	*Paraguay*	*Venezuela*	*Uruguay*
2001	0.94	55.80	20.26	14.26	7.92	1.75
2002	0.96	75.34	10.99	8.65	3.49	1.53
2003	0.87	75.12	14.79	4.71	3.64	1.75
2004	0.97	73.41	14.30	7.39	3.21	1.70
2005	1.36	70.83	18.91	7.19	1.96	1.10
2006	1.55	79.64	11.08	6.34	1.66	1.27
2007	1.64	79.18	10.91	5.93	2.04	1.95
2008	2.14	83.58	9.79	3.72	1.82	1.09
2009	1.31	77.11	10.73	8.82	1.97	1.38
2010	1.96	85.00	8.70	3.58	1.82	0.89
2011	2.09	85.65	7.35	3.86	2.12	1.03
2012	2.46	86.46	7.05	3.54	1.95	1.00
2013	2.16	84.03	9.24	3.20	2.25	1.28
2014	2.58	87.13	6.09	2.90	2.65	1.21
CAGR	**25.84**	**30.23**	**14.73**	**11.34**	**15.69**	**22.33**
Source: Author's Calculation from ITC.						

Table 1.6: MERCOSUR share in India's Agriculture Exports and Share of MERCOSUR member countries in India's Agriculture Exports.

Year	*Share(%)in India Agriculture Exports*	*MERCOSUR Member Countries Share(%) in India Agriculture Exports*				
		Brazil	*Argentina*	*Paraguay*	*Venezuela*	*Uruguay*
2001	0.30	50.90	12.77	0.92	33.28	2.13
2002	0.12	71.05	9.21	1.93	16.56	1.24
2003	0.16	70.34	21.57	0.05	1.71	6.33
2004	0.13	66.07	19.14	4.35	4.34	6.10
2005	0.14	56.55	16.52	8.38	5.62	12.93
2006	0.14	66.10	17.28	3.88	4.20	8.54
2007	0.23	82.88	10.81	0.49	1.44	4.37
2008	0.25	75.73	11.50	2.84	4.59	5.35
2009	0.35	82.01	6.08	7.35	2.65	1.92
2010	0.36	80.36	9.01	6.87	2.07	1.68
2011	0.39	85.00	8.65	3.30	1.41	1.64
2012	0.24	76.26	12.17	7.63	2.37	1.56
2013	0.25	72.15	14.41	8.12	3.55	1.77
2014	0.21	61.96	17.72	15.82	2.44	2.06
CAGR	**12.06**	**13.76**	**14.92**	**39.46**	**-8.34**	**11.78**
Source: Author's Calculation from ITC Trade Map						

Table 1.7: SAFTA Share(%) in India's Total Export and Country wise Share(%) in India's Total Exports

Year	*Share(%)in India Total Exports*	*Share(%) of SAFTA Member Countries in India's Total Exports*						
		Sri Lanka	*Bangladesh*	*Nepal*	*Pakistan*	*Afghanistan*	*Bhutan*	*Maldives*
2001	4.77	29.70	50.81	9.10	7.87	1.00	0.29	1.23
2002	4.82	34.44	42.46	10.99	7.77	2.07	0.96	1.30
2003	6.53	30.84	42.66	15.61	4.74	2.97	2.19	0.99
2004	6.03	30.58	35.22	16.31	11.40	3.66	1.90	0.93
2005	5.38	35.91	31.85	15.50	10.98	2.74	1.76	1.25
2006	5.14	33.77	26.76	14.85	19.82	2.74	1.02	1.04
2007	5.38	33.05	26.30	15.76	20.19	2.78	0.90	1.02
2008	5.57	28.01	32.02	16.75	17.50	3.60	1.05	1.07
2009	4.17	23.39	29.53	18.00	19.74	6.40	1.47	1.47
2010	5.04	29.74	27.14	17.14	20.12	3.53	1.43	0.90
2011	4.29	34.41	26.32	19.79	12.97	3.90	1.69	0.91
2012	4.74	27.76	35.93	18.83	11.89	3.46	1.24	0.89
2013	5.02	28.13	35.47	18.79	12.88	3.04	0.96	0.74
2014	6.25	32.44	31.53	21.14	10.94	2.23	1.01	0.70
CAGR	**18.89**	**19.70**	**14.61**	**26.85**	**21.94**	**26.49**	**31.04**	**13.87**
Source: Authors calculation from ITC.								

Table 1.8: SAFTA share(%) in India's Agriculture Exports and share of SAFTA member countries in India's Agriculture Exports.

Year	*Share(%)in India Agriculture Exports*	*Share(%) of SAARC Member Countries in India's Agriculture Exports*						
		Sri Lanka	*Bangladesh*	*Nepal*	*Pakistan*	*Afghanistan*	*Bhutan*	*Maldives*
2001	9.64	56.69	14.10	4.32	22.04	1.36	1.09	0.41
2002	8.96	58.61	3.66	3.95	30.25	1.65	1.20	0.68
2003	14.39	64.27	4.64	8.88	18.69	0.90	1.11	1.52
2004	12.51	59.32	7.68	8.40	20.23	1.19	1.20	1.99
2005	11.23	57.52	11.21	10.94	16.49	1.22	1.18	1.46
2006	13.46	35.28	37.51	9.15	15.05	1.08	1.30	0.63
2007	12.63	50.04	16.68	10.12	18.88	1.03	2.78	0.47
2008	11.68	53.28	14.77	9.31	18.43	1.51	2.31	0.39
2009	9.48	45.38	19.83	11.80	16.22	2.07	3.93	0.77
2010	12.00	33.26	39.97	9.71	13.80	1.34	1.49	0.43
2011	8.67	36.65	21.70	11.23	25.34	1.84	2.71	0.54
2012	6.95	46.09	18.87	12.75	17.08	1.88	2.65	0.67
2013	7.59	46.29	17.74	16.94	14.37	1.74	2.50	0.42
2014	8.97	41.28	18.92	18.33	17.76	1.51	1.35	0.85
CAGR	**14.48**	**11.72**	**17.10**	**27.95**	**12.59**	**15.44**	**16.37**	**21.19**
Source: Authors calculation from ITC.								