



IMPACT OF INDIA CHILE PREFERENTIAL TRADE AGREEMENT ON THE PERFORMANCE OF PLANTATION SECTOR IN INDIA

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ABSTRACT

India and Chile signed the preferential trade agreement on January 2005 for the economic and social cooperation of the contracting nations. The study is about the impact of the trade agreement on the performance of the Plantation Sector in India. Five plantation crops such as tea, coffee, rubber, cardamom and pepper are selected for the study. The data regarding the export of the plantation crops from India to Chile are used for the study. The whole period is divided into two. The period from 1996-1997 to 2004-2005 is taken as the pre trade agreement period. The export data from 2005-2006 to 2017-2018 is taken as the post trade agreement period. The tools used for the study are %Growth rate, Compound Annual Growth rate and to know the significance t test is conducted. It is found that the India Chile Trade Agreement leads to significant decrease in export after signing the trade agreement.

Key Words: Preferential Trade Agreement, India Chile PFA

I INTRODUCTION

The trade agreements leads to change in export and import after signing the trade agreement. India and Chile enter into preferential trade agreement on January 2005. The purpose behind this trade agreement is also trade expansion between the countries. There are different types of trade agreements such as free trade agreements, preferential trade agreements, economic Union, Customs Union etc. But India and Chile signed the preferential trade agreement. The preferential trade agreement means the contracting countries give preference or tariff

reduction to certain commodities listed in the trade agreement that is mutually accepted by the contracting nations.

During September 2016, India and Chile expanded the preferential trade agreement and made certain amendments. The amended agreement prescribes to give 80 % tariff reduction to cardamom and 100% tariff reduction to pepper, tea and rubber. The study is about the impact of India Chile Trade Agreement on the performance of selected plantation crops such as tea, coffee, rubber, cardamom and pepper.

II STATEMENT OF THE PROBLEM

Trade Agreement may leads to change in export and import after signing the trade agreement. But the change may be either increase or decrease. The target of the contracting countries to enter into a trade agreement is to enhance the foreign trade between the countries. Since the India and Chile enter into trade agreement on January 2005, it is necessary to study the impact after into the trade agreement.

III OBJECTIVE OF THE STUDY

To study the change in export during the pre and post trade agreement period.

IV HYPOTHESES

Trade Agreements lead to change in export during the pre and post trade agreement period.

Ho. 1 There is no significant change in export during the pre and post trade agreement period.

VREVIEW OF LITERATURE

European Commission (2012) analysed the impact of the Trade Agreement between the European Union and Signatory countries of the Andean Community and found that there is positive impact on the trade and the economy of the both the contracting nations.

Hudo (2014) examined the impact of trade agreements on the performance of agriculture sector and found that there is increase in exports volume after enter into trade agreements by Albanian.

Alay and Bounlert (2015) analysed the impact of free trade agreements on exports of Lao PDR it is found that the contracting nations are not taking the favour of preferential treatment of trade agreement.

European Commission (2016) conducted an assessment of the economic impact of the trade agreement between the European Union and Ecuador and it has been found that the trade between the countries increased after enter into the trade agreement.

Aparna (2018) analysed the impact of India Korea Trade Agreement on the Performance of Plantation Sector and it is found that there is no significant improvement in trade after signing the India Korea Trade Agreement,2005

VI METHODOLOGY

The data regarding the export of plantation crops were undertaken for the study. The export data of tea, coffee, rubber, cardamom and pepper is collected. The export data from 1996 to 2017-2018 was used for the study. The whole period is divided into two, the period from 1996-1997 to2004-2005 is known as the pre trade agreement period. The period from 2005-2006 is known as the post trade agreement period. The export data was collected from the website of Export Import Data Bank, Ministry of Industry and Commerce, Government of India. The tools used for the analysis are CAGR (Compound Annual Growth rate), %Growth rate and t test is conducted to know the significance of difference.

The formulae to calculate the CAGR is

$(\text{Ending value} / \text{Beginning value})^{1/\text{No of Years}} - 1$

$\% \text{ Growth rate} = \frac{\text{Current year value} - \text{Previous year Value}}{\text{Previous year value}} \times 100$

$T \text{ test} = \frac{\text{Mean 1} - \text{Mean 2}}{\text{SE}}$

VII ANALYSIS

The following table shows the change in export of plantation crops during the pre and post India- Chile Trade Agreement, 2005

Table No.1 Change in export during the pre and post India-Chile Trade Agreement, 2005

Year	PRE TA	%Growth rate	Year	Post TA	% Growth rate
1996-1997	0.61		2005-2006	9.52	22.36504
1997-1998	2.05	236.0656	2006-2007	9.9	3.991597
1998-1999	0.72	-64.878	2007-2008	13.25	33.83838
1999-2000	1.32	83.33333	2008-2009	14.52	9.584906
2000-2001	2.18	65.15152	2009-2010	14.62	0.688705
2001-2002	3.34	53.21101	2010-2011	15.98	9.302326
2002-2003	4.01	20.05988	2011-2012	24.62	54.06758
2003-2004	4.5	12.21945	2012-2013	25.96	5.442729
2004-2005	7.78	72.88889	2013-2014	22.77	-12.2881
			2014-2015	17.84	-21.6513
			2015-2016	12.07	-32.343
			2016-2017	12.54	3.893952
			2017-2018	12.59	0.398724
CAGR		-12.30%			-100%
Mean		59.8			5.95
SD		85.6			22.4
P value		0.042			

(Source: Export Import Data Bank, Ministry of Industry and Commerce, Government of India)

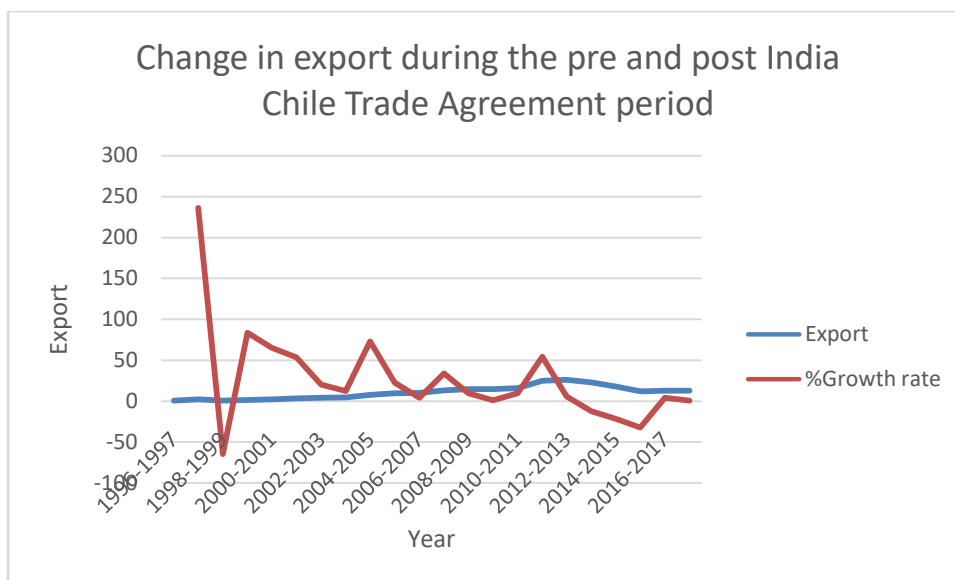
From the above table it is clear that the CAGR during the pre trade agreement period was -12.30% and it decreased to -100% during the post trade agreement period. The annual average growth rate during the pre trade agreement period was 59.8 and it decreased to 5.95 during the post India –Chile Trade Agreement, 2005. The significance of difference is tested using the null hypothesis:

Ho: There is no significant change in export during the pre and post trade agreement period.

Since the p value is .042 which is less than the level of significance .05, the null hypothesis is rejected. So there is significant decrease in export after signing the India Chile Preferential Trade Agreement, 2005.

The following figure No.1 shows the trend of export and its growth rate during the pre and post India Chile Preferential Trade Agreement, 2005.

Figure No.1 Change in export during the pre and post India Chile Preferential Trade Agreement, 2005.



(Source: Export Import Data Bank, Ministry of Industry and Commerce, Government of India)

From the above figure No.1 it is clear that the export shows a flat trend from 1996-1997 to 2004-2005 and it shows a slight increasing trend and decreasing from 2016-2017 period. The percentage growth rate shows a decreasing trend and from 2000-2001 onwards a fluctuating trend during the post 2016-2017 period.

VIII FINDING OF THE STUDY

There is significant decrease in export during the post India Chile Preferential Trade Agreement, 2005.

IX LIMITATIONS OF THE STUDY

1. The impact of the trade agreement on the selected plantation crops are only studied.
2. Separate effects of trade agreements on each crops are not studied.
3. The impact of the India Chile Preferential Trade Agreement, 2005 on imports are not studied, there is no import of plantation crops during the period.

X CONCLUSION

Trade Agreements normally leads to change in export and import after enforcing the trade agreement. The main purpose of the trade agreement is to increase trade flow between the countries, to increase the GDP etc. The study shows that there is significant change in export after enter into India Chile Preferential Trade Agreement, 2005. The export to Chile had decreased after enter into the trade agreement. So the Governments of both countries had

made certain amendments to the trade agreement. It is necessary to conduct review of the trade agreements periodically and to analyse the performance of trade. Rather than the trade agreements, it is necessary to have friendly, political and a diplomatic relationship between the countries is required to enhance the exports and imports between the contracting nations.

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