

Analysis Of India's Export Performance In The Pre And Post WTO Regime

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ABSTRACT

WTO is a rule based multilateral trading system of the world. It was established on 1st January, 1995 by replacing General Agreement on Tariffs and Trade (GATT). WTO is based on the principles of non-discrimination, free trade, and promotion of fair competition among the member countries. About 95 percent of the world's trade is governed by the rules and regulations of WTO. The QUAD countries (USA, EU, Canada and Japan), with their share of 80 percent of the global trade, dominate the decision-making of WTO. The scope of this paper is limited to India's Export performance during the Pre and Post WTO periods.

Keywords: World Trade Organization (WTO), Gross Domestic Product (GDP), International Monetary Fund (IMF)

INTRODUCTION

International trade helps in enlarging the size of the market, extending the international division of labour and specialization and expanding the scale of production. The question arises that whether international trade requires more restrictions, fewer restrictions, or no restrictions. But the present trend is towards fewer restrictions. The establishment of WTO is a move towards liberalization of the world economy. WTO is a rule based multilateral trading system of the world. It was established on 1st January, 1995 by replacing General Agreement on Tariffs and Trade (GATT). 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 10 February, 2011, a total of 153 countries were the member countries of WTO (wto.org). About 95 percent of the world's trade is governed by the rules and regulations of WTO. The QUAD countries (USA, EU, Canada and Japan), with their share of 80 percent of the global trade, dominate the decision-making of WTO. The WTO Agreements are permanent and are ratified by Members' Parliaments (economywatch.com).

The scope of this paper is limited to India's Export performance during the Pre and Post WTO periods (1981-2010).

The Indian economy is a developing economy and is moving rapidly towards the targets of higher rate of growth. The Gross Domestic Product (GDP) in India expanded by 6.1 percent in the fourth quarter of 2011 over the previous quarter. Today, sustained export growth or increased openness is good for economic growth. In order to achieve high economic growth, there is a need to exploit export potential at a national level.

Since the implementation of the Final Act of the Uruguay Round in 1995, the WTO Agreements have become important factors in determining the patterns of world trade. Their full impact is not yet obvious, as many provisions of these agreements are yet to be implemented because of the transition period provided. Most of the remaining provisions of the WTO agreements would be implemented in the coming five years. Therefore, the patterns of trade in 2020 would have to be speculated, keeping in mind the impact of full implementation of the WTO agreements (Nagesh, 2001).

According to the World Development Report, during 2002, the GDP of India was USD 501.5 bn, the share of India's GDP in the world was 1.6 percent, and the share of India's total exports in the world was 0.8 percent. India's share in world merchandise exports increased from 0.8 percent in 2004 to 1.3 percent in 2010.

According to the IMF, in the year 2010, the GDP of India was USD 1,631.970 at current prices, the real GDP at current prices in US dollars in India was reported at USD 1235.98 billion in 2009. In 2015, India's GDP at current prices in US dollars is expected to be USD 2185.20 billion. In 2009, the Indian economy's share of world total GDP, adjusted by Purchasing Power Parity, was 5.06 per cent. In 2015, India's share of the world total GDP is forecasted to be 6.12

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percent .

In 2011, India's economic growth slowed to below 7 percent, and the stock markets mirrored the weakening economic conditions. Industrial sector output growth briefly slipped into a negative territory. On the demand side, fixed investment and consumption growth slowed. India's exports were growing very strongly through 2011, despite the worsening economic conditions in Europe, which continued to be India's most important export market (World Bank Report).

India's exports were worth USD 24618 million in February, 2012. Exports amounted to 22 percent of India's GDP. Gems and jewelry constituted the single largest export item, accounting for 16 percent of the total exports. India is also a leading exporter of textile goods, engineering goods, chemicals, leather manufactures and services (tradingeconomics.com). India's exports during 2010-11 amounted to USD 245.9 billion, as compared to USD 178.8 billion recorded during 2009-10 (Report- EXIM Bank).

Exports are essential for a nation. It makes the economy of the country healthy and strong by maintaining positive trade balances. Exports have become vital, especially when the markets are becoming global. Almost all the nations of the world make an effort to develop exports because of the importance of exports to the concerned economy. Exports provide foreign markets, which provide an opportunity to achieve economies of scale and growth, earn foreign exchange etc. The present liberalized economy of the country has given a boost to exports from India to almost every nation of the world. Now, India is also a partner in international trade and business. The strategy of India's export policy changed since 1991. The major changes in exchange rate and reduction of tariff barriers in imports were introduced. The impact of these changes can be seen in India's export performance as depicted in the Table 1.

The Table 1 reveals that export openness of Indian economy increased during the post-WTO period (1995-2010). The annual growth of exports also increased to 3.63 percent during the post-WTO period on an average, as compared to -2.21 percent during the pre-WTO period. Moreover, exports index at base 1994-95 also increased to 53.06 percent during the post-WTO period on an average. In fact, average Indian exports went up from USD 27190.86 million during the pre-WTO period to USD 38618.2 million during the post-WTO period. Hence, it is clear that the impact of WTO on India's export performance was positive.

However, the performance has been poor in terms of India's share in world exports. The country has been able to achieve only one per cent share in world exports. The share of exports increased slightly in the post- WTO period as compared to the pre-WTO period.

Russia's membership of WTO will have a "positive impact" in boosting its bilateral trade with India, which is currently hovering at around USD 10 billion a year. Russia's formal accession into the World Trade Organization (WTO) after 18 years of negotiations was a bright spot amid the turbulence in the European economy. India has expressed its readiness to enter into a Comprehensive Economic Partnership Agreement with the Customs Union comprising of Russia, Belarus and Kazakhstan.

These industries continue to be the main foreign exchange earner for the country, and have played a pivotal role in balancing India's balance of trade. However, for the last few years, these industries have been passing through a very difficult period. The global financial crisis in the US and other economies of the world started in the year 2007, and thus affected the performance of these industries. Global competition and stagnation have pushed the product prices to such an extent that maintaining a reasonable performance has become a great challenge. The serve squeezes on the margins are affecting efforts as well as profitability of these industries. The entry of China into WTO has had a major impact on these industries. China is a great challenge for the domestic producers.

Some industries are basically labour intensive industries. Due to the competition in the global market and for the survival in the international market, these industries require zero MFN tariffs in the developed countries on labour intensive goods. However, developed countries continue to maintain high tariffs on labour intensive goods to protect their domestic industries.

The high domestic support, export subsidies and denial of market access through various tariff and non- tariff barriers in the developed countries resulted in a fall in global industrial commodity prices in the post WTO period. International quality standards are very difficult to be maintained by exporters from India in the WTO regime. The threats of WTO on industry are cost competitiveness, competition from China, Indonesia etc., import licensing procedure, environmental threats etc.

Table 1: India's Export Performance During 1981-2010 (Value in million USD)			
Year	Real Exports*	Annual Growth (Per cent)	Export Index (base 1994-95)
Pre-WTO Period			
1981-82	33252	-10.3	132
1982-83	32711	-1.6	130
1983-84	29669	-9.3	118
1984-85	27581	-7.0	109
1985-86	24717	-10.4	98
1986-87	25752	4.2	102
1987-88	29330	13.9	116
1988-89	28524	-2.7	113
1989-90	28474	-0.2	113
1990-91	29411	3.3	117
1991-92	22923	-22.1	91
1992-93	20851	-9.0	83
1993-94	22238	6.7	88
1994-95	25239	13.5	100
Average	27190.86	-2.21	107.86
Post- WTO Period			
1995-96	31132	23.3	123
1996-97	31440	1.0	125
1997-98	28158	-10.4	112
1998-99	25746	-8.6	102
1999-00	28903	12.3	115
2000-01	33856	17.1	134
2001-02	33622	-0.7	133
2002-03	40313	19.9	160
2003-04	45041	11.7	178
2004-05	54104	20.1	214
2005-06	61247	13.2	243
2006-07	69447	13.4	275
2007-08	82250	18.4	326
2008-09	94201	14.5	373
2009-10	91223	-3.2	361
Average	38618.2	3.63	153.06
*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)			

CONCLUSION

Like a coin has two sides, in the same way, WTO has two aspects - one is good and the other is bad. The annual growth of exports also increased to 3.63 per cent during the post-WTO period on an average as compared to -2.21 percent during the pre-WTO period. Moreover, exports index at base 1994-95 also increased to 53.06 per cent during the post-WTO period on an average. In fact, the average Indian exports went up from USD 27190.86 million during the pre-

WTO period to USD 38618.2 million during the post-WTO period. Hence, it is clear that the impact of WTO on India's export performance was positive. There are certain ample opportunities of WTO for the ambitious young exporters, entrepreneurs, industrialists, 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. The Most Favored Nation treatment (MFN) provides equal treatment to all member countries. Any trade concession offered to any one member country must be offered to all the member countries. Imported goods' share should not be discriminated against in favor of the domestic goods. Same treatment must be accorded to goods imported from outside the country. This would reduce barriers to trade. Hence, it can be concluded 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 giving concessions and extra times to fulfill 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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