

India's Trade before and after the WTO

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Abstract

The Indian economy has experienced a major transformation in trade after the implication of WTO. On January 1, 1995 when World Trade Organization (WTO) came into existence the entire economy of the world affects in respect of international trade because WTO framed the new global trade rules for international trade. This study is concerned with implications of the WTO with reference to India. How much trade has been increased by India after the implementation of the WTO? To analyse the impact of WTO on foreign trade of India the study is divided into two parts ten years before and ten years after the WTO. How much the agriculture and industrial sectors were contributing in boosting the trade of the nations before the WTO and how it is doing after the WTO. It concluded that trade of the India has not been increased up to the expectations that results in to low gaining of benefits from world trade.

KEYWORDS : WTO, Exports, Imports, Agriculture, Industry.

Introduction :

On January 1, 1995 when World Trade Organization (WTO) came into existence the entire economy of the world affects in respect of international trade because WTO framed the new global trade rules in the form of TERIFF and NON – TERIFF for in international trade .This study is concerned with implications of the WTO with reference to India. How much trade has been increased by India after the implementation of the WTO? The increase in trade can result into benefits of the WTO. To analyse the impact of WTO on foreign trade of India the study is divided into pre – post WTO. How much the agriculture and industrial sectors were contributing in boosting the trade of the nations before the WTO and how it is doing after the WTO. Although India had adopted the process of liberalisation in 1991 but with the implementation of World Trade Organization (WTO) in 1995 there was increased openness in trade at global level.

India's foreign trade pre - WTO

In table - 1 shows the estimated results of model of India for the data – sets of Pre WTO which focus on the four predictors, whether they are statistically significant and, if so, the direction of the relationship. The ratio of industrial sector in GDP (IN.IND., $t=.544$) is not significant ($p=0.610$), but has positive impact on international trade of India. Next, the effect of agriculture sector (IN.AGRI. $t= - 2.063$, $p=.094$) is significant and its coefficient is negative indicating that the agriculture sector is negatively affecting the international trade of India. India's GDP is also significant – value (IN.GDP - 2.020) but the coefficient is negative which would indicate that the negative effect. Finally, the world GDP

(WD.INCOM, $t=9.840$, $p=.000$) have statistically significant values for the data set pre WTO and indicate that positive effect.

Table 1: Model Results for India (Pre WTO)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations		
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero order	Partial
(Constant)	1.374	24.999		.055	.958	-62.887	65.635			
IN.Industry	.347	.637	.060	.544	.610	-1.290	1.983	.421	.236	.016
IN. Agri	-.659	.320	-.202	-2.063*	.099	-1.481	.162	-.846	-.678	-.062
IN. GDP	-2.190E11	.000	-.206	-2.020*	.099	.000	.000	.668	-.670	-.061
WD. INCOME	5.062E-13	.000	.948	9.840*	.000	.000	.000	.989	.975	.295

Source : Journal of Finance and Management, Volume 6, pp. 803

India’s foreign trade post-WTO :

In table 2 shows the analysis of India’s foreign trade post-WTO. The t-test for industrial sector in GDP .953 have predicted positive value, but not statistically significant, meaning that the regression coefficient for industrial sector in GDP affect the India’s trade but not significant. Note that t-value for agriculture sector is (-.965) which is remained negative effect even after post WTO. There is pragmatic change in India’s GDP during post WTO with significant t-value (IN.GDP 2.097). The fourth, explanatory variable the world GDP is not statistically significant after WTO and indicate that negative effect.

Table 2: Model Results for India (Post WTO)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error				Beta	Lower Bound
(Constant)	17.440	56.802		.307	.771	-	163.455

						128.575	
IN.Industry	.704	.739	.110	.953	.384	-1.195	2.603
IN. Agri	-.761	.788	-.347	-.965	.379	-2.786	1.265
IN. GDP	3.441E-11	.000	.756	2.097**	.090	.000	.000
WD. INCOME	-1.000E-13	.000	-.170	-.283	.789	.000	.000

Source : Journal of Finance and Management, Volume 6, pp. 804

Conclusion

The trade volume of India was increasing after the WTO implementation, though not at so good rate as compared to world trade. This is due to the new challenges faced by Indian economy imposed by WTO. The trade volume of India was rising before the WTO. The country has not only maintained the trend but rate of growth in also increased. India is the only country in the current analysis, who has gained advantage of the WTO in the perspectives of international trade. The ratio of industrial sector in GDP is not significant but has positive impact on international trade of India. The industrial sector in GDP after WTO have predicted positive value, but not significant. The rate of increase in imports of India is greater than rate of increase in exports even after the WTO, which shows that India still face the deficits in their balance of trades. The effect of agriculture sector is negatively affecting the international trade of India because the WTO caused serious concern to the performance of agriculture sector and food security. The negative effect of agriculture sector remained continue even after WTO.

India's GDP is also significant t-value but the coefficient is negative which would indicate that the negative effect. There is pragmatic change in India's GDP during post WTO and positively affect the trade of India. The trade volume of India was rising before the WTO. The country has not only maintained the trend but rate of growth in also increased. India is the only country, who has gained advantage of the WTO in the perspectives of international trade. For India, both the growth rate of exports and imports has risen after the WTO. The contribution of industrial sector to the nation's international trade has been increased after the WTO.

Thus, WTO has been playing a very important role in India's foreign trade. It needs further research to see why India has not benefited from the WTO as per expectation while the major speculated beneficiaries of the WTO were the developing countries. As concerned the econometric results, we have to wait for some years to have the robust results about the impact of different variables on international trade of the nations before and after WTO. It is suggested that being a member of the WTO, India enjoys the most-favoured nation status instead of accepting the agreements which are against the national interest. Scope of the above studies is restricted factors and it has not covered the other implications of the WTO. The other implications of WTO which are concerned with India must be study for research. However as mentioned in the above analysis there is serious and urgent need to re-analyse the policy followed by India in the context of increasing competition and openness at global level.

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