



International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at <http://www.serialsjournals.com>

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Volume 15 • Number 22 (Part-III) • 2017

Impact of India Vietnam Trade Agreement on the Performance of Plantation Sector in India

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Abstract: Trade Agreements are the result of friendly and good political relationship between the countries. They play a significant role in increasing foreign trade. They encourage the trade between the countries through tariff reduction and other measures. This study is conducted to know whether there is any increase in export and import of the plantation sector due to India- Vietnam Trade Agreement 2007. For the purpose of the study the pre and post export- import data of plantation sector are analysed. The data of five plantation products viz; tea, coffee, rubber, cardamom and pepper for a period of 19 years (1996-2015) are used. The data collected are analysed using % Growth Rate, CAGR and t test. The study found that there is no significant improvement in the export and import value of plantation crops to Vietnam after signing the trade agreement.

Key words: Free Trade Agreement, India- Vietnam Trade Agreement.

I. INTRODUCTION

Free Trade Agreements play an important role in the improvement of foreign trade. Free Trade Agreements are the agreements between the countries to exempt the tariff on export and import of certain commodities between the countries. India gave Vietnam the Most Favoured Nation Status in 1978 and both the countries signed a bilateral trade agreement in 1978. On the basis of that India Vietnam Joint Business Council was formed to promote trade and investment since 1993. In 2003 both the countries signed a comprehensive declaration to negotiate a free trade agreement. In 2007 a new Joint declaration was signed between India and Vietnam to improve the bilateral trade.

Mainly there are three type of trade agreements operating; Free Trade Agreement, Preferential Trade Agreement, Comprehensive Economic Cooperation Agreements. Free Trade Agreement is an agreement under which it eliminates the tariffs, import quotas and preferences to specific products which are traded

in between the contracting nations. Preferential Trade Agreement is an agreement under which preferential access to specific products are given to participating countries. Comprehensive Economic Cooperation Agreement is an agreement between two or more countries to have an economic cooperation in trade in goods, services and investment with growth in foreign trade.

The study is about the impact of India Vietnam Trade Agreement on the performance of Plantation crops in India. The selected plantation crops are tea, coffee, rubber, cardamom and pepper. Vietnam is one of the top producing countries of each selected crops. The trade agreement between the India and Vietnam is the result of the long term relationship between the countries. The export and import of each crops between the countries are analysed to know whether there is any change or increase in export and import of plantation crops as a result of the long term relationship and the bilateral trade agreement between the countries.

I. STATEMENT OF THE PROBLEM

The free trade agreements are the result of the friendly relations between the countries. As a result of these trade agreements the trade between the countries are encouraged through tariff reduction or exemption of duties to trade of specific goods. Because of the trade agreements the export and import between the contracting countries increases after the trade agreement.

For example: As a result of NAFTA Agreement there is increase in share of exports of Canada from 80.8% in 1993 to 84.3% in 1998 to NAFTA members and the share of imports from the NAFTA partners in Canada's total imports increased to 69.4% in 1998.

II. REVIEW OF LITERATURE

Dhami and Nabi (2013) analyse India's agriculture export performance in pre and post WTO Regime and found that the annual growth of agriculture exports on an average increased to 9.5% during the post WTO Period 1995, which was -2.8 % during the pre WTO Period.

Varma and Chowdhary (2013) analysed the trade creation and trade diversion effect of India Sri Lanka Trade Agreement and found that the trade agreement led to trade creation among the member countries than the trade diversion among the non- member countries.

Harikumar (2014) in his study on the changing phases of India's International trade before and after the liberalization period found that with the liberalization, India's exports and imports have increased.

Sahni (2014) analysed the trends in India's exports during the pre and post reform period and found that there is increase in India's exports during the post reform period and there is change in structure, composition and direction of India's exports to foreign countries.

III. OBJECTIVE

To study the change in export to and import from Vietnam after signing the India Vietnam Trade Agreement.

IV. HYPOTHESIS

There is increase in export and import after signing the trade agreement.

Ho: There is no significant difference between the mean of percentage growth rate of export and import during the pre and post trade agreement period

V. METHODOLOGY

The study is based mainly on the secondary data. The 19 years export import data of five plantation products viz. tea, coffee, rubber, cardamom and pepper are collected. The data of five plantation products are collected separately and aggregated. The aggregate effect on all plantation crops together are only studied. For the purpose of the study the 19 years export to Vietnam and import from Vietnam data (1996-2015) are collected. The data of plantation crops are collected from the Export- Import Data Bank, Department of Commerce, Government of India website <http://www.commerce.nic.in/eidb/>

The data collected are analysed with % Growth rate and Compound Annual Growth Rate.

1. The **straight line method** is used to find the % Growth rate
 $\% \text{ Growth rate} = (\text{Current year} - \text{Base Year}) / \text{Base Year} \times 100$
2. **CAGR** = $(\text{Antilog } b^{1-1}) \times 100$
 $B_1 = \ln(1+r)$
3. **t test** is conducted for testing of the significance of the finding.
 $t \text{ test} = \text{Mean}_1 - \text{Mean}_2 / \text{SE}$

VI. ANALYSIS

The variables used for the study are export and import of selected plantation crops from India to Vietnam and from Vietnam to India. For the purpose of analysis the export import data of selected five plantation crops tea, coffee, rubber, cardamom and pepper during the pre and post trade agreement period is used. The export of selected plantation crops to Vietnam and import of plantation crops from Vietnam may change due to tariff reduction under the bilateral trade agreement. The bilateral trade agreement between India and Vietnam signed in 2007 to encourage the trade between the countries. The study analyses the impact of this trade agreement on the performance of the plantation crops after signing the trade agreement.

Table 1 and 2 shows the percentage growth rate of export and import of selected five plantation crops during the pre and post India Vietnam trade agreement period, 2007.

From the table 1 it is clear that the CAGR of export during the pre trade agreement period was 6.67% and it decreased to 3.02% during the post trade agreement period. The average annual growth rate of export during the pre trade agreement period was 14 and it decreased to 9.25 during the post trade agreement period. The difference is not significant as per the t test.

Graph 1 Change in export and percentage growth rate of export of plantation crops to Vietnam during the pre and post India Vietnam trade agreement period

From the graph 1 it is clear that the export of plantation crops during the pre trade agreement shows stable trend and starts to rise after the trade agreement. But the annual growth rate of export of plantation crops shows a fluctuating trend through out the pre and shows decreasing trend during 2012 to 2015.

Table 1
Export of plantation crops during the pre and post India Vietnam Trade Agreement, 2007

Year	Export of plantation crops during the pre trade agreement	% Growth rate	Year	Export of plantation crops during the post trade agreement period	% Growth rate
1996-1997	11.06		2008-2009	25.19	5.002084
1997-1998	12.38	11.9349	2009-2010	27.26	8.217547
1998-1999	8.19	-33.8449	2010-2011	38.58	41.52605
1999-2000	14.55	77.65568	2011-2012	68.26	76.93105
2000-2001	16.16	11.06529	2012-2013	45.92	-32.7278
2001-2002	10.5	-35.0248	2013-2014	43.03	-6.29355
2002-2003	8.39	-20.0952	2014-2015	31.03	-27.8875
2003-2004	6.72	-19.9046			
2004-2005	8.53	26.93452			
2005-2006	10.96	28.48769			
2006-2007	21.38	95.07299			
2007-2008	23.99	12.20767			
CAGR		6.67%			3.02%
Mean		14			9.25
SD		42.5			38.8
t value		0.241			
p value		0.81			

(Source: Export Import Data Bank, Ministry of Commerce, Govt. of India)

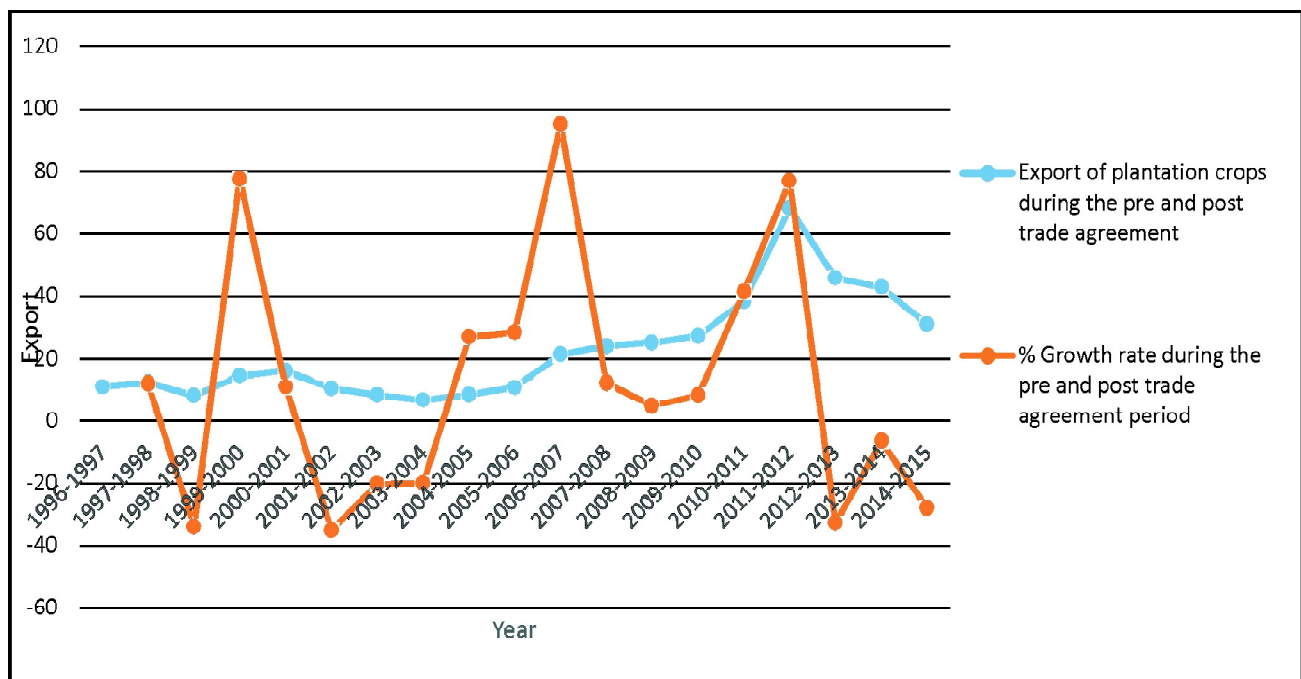


Table 2
Import of Plantation crops during the pre and post trade agreement period

<i>Year</i>	<i>Import of Plantation crops during the pre trade agreement period</i>	<i>% Growth rate</i>	<i>Year</i>	<i>Import of Plantation crops during the post trade agreement period</i>	<i>% Growth rate</i>
1996-1997	0.12		2008-2009	47.17	35.89744
1997-1998	1.54	1183.333	2009-2010	86.79	83.99406
1998-1999	1.41	-8.44156	2010-2011	141.44	62.96808
1999-2000	4.2	197.8723	2011-2012	250.12	76.83824
2000-2001	5.69	35.47619	2012-2013	364.71	45.81401
2001-2002	10.44	83.47979	2013-2014	300.32	-17.6551
2002-2003	16.74	60.34483	2014-2015	375.24	24.94672
2003-2004	21.49	28.37515			
2004-2005	44.74	108.1899			
2005-2006	49.63	10.92982			
2006-2007	41.46	-16.4618			
2007-2008	34.71	-16.2808			
CAGR		32.73%			34.48%
Mean		152			44.7
SD		348			34.8
t value		0.801			
p value		0.44			

Source: Export Import Data Bank, Ministry of Commerce, Govt. of India

From the table No. 2 it is clear that the CAGR during the pre trade agreement period was 32.73% and it increased to 34.48% during the post trade agreement period. The average annual growth rate of import during the pre trade agreement period was 152 and it decreased to 44.7 during the post trade agreement period. The difference is not significant as per the t test.

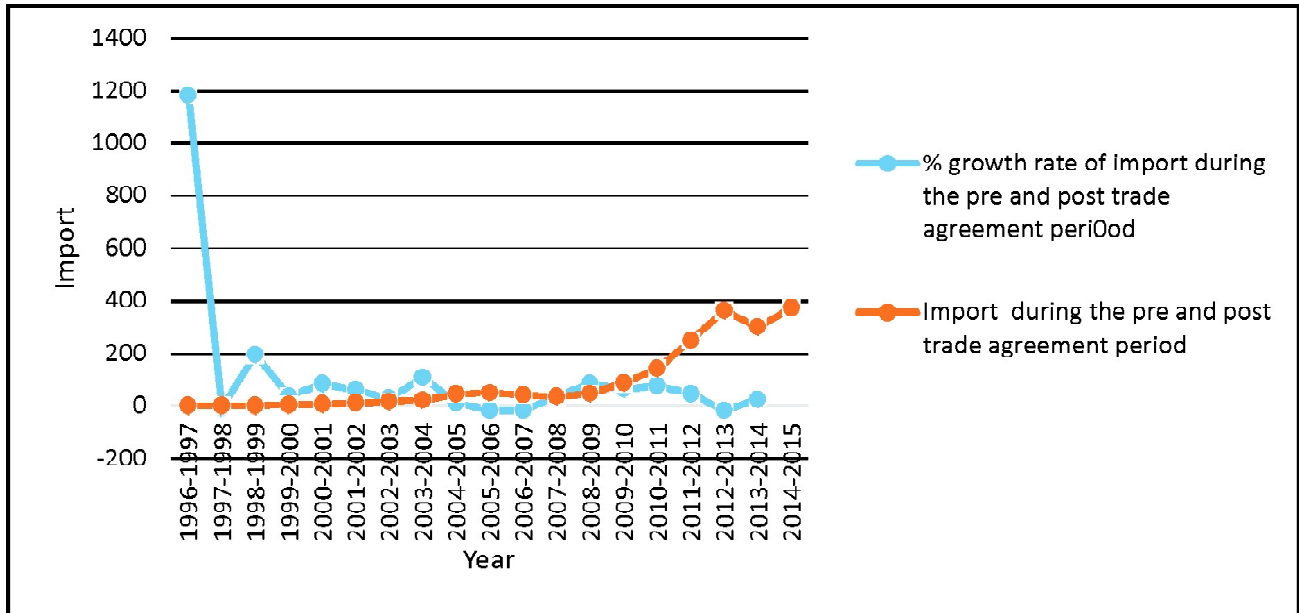
So it is concluded that there is no significant change in export and import after signing the trade agreement.

Graph 2 Change in import and the % growth rate of import during the pre and post India Vietnam trade agreement period.

From the graph 2 it is clear that the import shows a flat trend and starts to rise after the trade agreement but the % growth rate shows a decreasing trend after the trade agreement in 2007.

VII. LIMITATIONS OF THE STUDY

1. Impact of trade agreement on the performance of five selected plantation crops are studied
2. The separate effect of trade agreement on the export and import of all plantation crops are not studied
3. Only one trade agreement Impact of India Vietnam Trade Agreement is studied.



VIII. FINDING

It has been found that the average annual growth rate of export and import of plantation crops shows decrease after signing the trade agreement. But the difference is not significant statistically. So there is no significant increase of export and import of plantation crops after signing the India Vietnam trade agreement.

IX. CONCLUSION

Usually the trade agreements between the two countries are formed to encourage the trade between the countries through tariff reduction. But it has been found that there is no significant increase in export and import after signing the India Vietnam Trade Agreement, 2007 as part of the friendly relations between the countries.

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