

## **IMPACT OF WTO AND RELATED POLICIES ON COMPOSITION AND DIRECTION OF INDIAN SPICE EXPORT**

**Dr. Ibrahim Y.C**

Associate Professor and Head,  
Research Department of Economics,  
Government College, Kodancherry,  
Kerala-673 580  
Email:ycibrahim@gmail.com

**Dr. C. Krishnan**

Associate Professor  
Research Dept. of Economics  
Govt. College Kodanchery  
Kerala-673 580  
Email:drckcalicut@gmail.com

### **ABSTRACT**

India has a well known reputation as the land of spices from time immemorial. Indian spices have much popularity for their flavour in both domestic and foreign markets. During the WTO regime, the composition and direction of Indian spices export have changed. The share of traditional export items have declined and the share of value added spices and new items of exports have increased. Export markets for many items became instable; the number of export destinations has increased. The shares of traditional export destinations have declined and share of new market destinations have increased during the WTO regime. The changes in the composition of export in favour of value added spices and increase in the export destination shows an improvement of export performance of spices in the WTO regime.

### **Key Words:**

*Spices, Spice products, Value added spices, Spices Board, WTO regime, Foreign exchange, Composition of export, Direction of export*

### **INTRODUCTION**

The importance of export to economic development has been well documented in empirical as well as theoretical literatures. Various empirical studies proved that, export leads to greater capacity utilisation, incentives for technological improvement, economies of scale, and efficient management because of competitive pressures from foreign counterpart. Export has assumed an important place in the development process of any economy. For achieving rapid growth, a minimum of foreign exchange is necessary for a developing country like India. The safest and reliable source of foreign exchange in the long run is export earnings.

India now exports both traditional and non traditional items. Traditional products are the products whose production process is highly intensive in semi and unskilled labours, Since

this is the factor with which India is relatively well endowed, export of such products are argued to have been the obvious choice. For centuries India has comparative advantage in the production of labour and natural resource intensive commodities.

India is known to the world as “The Home of Spices” from time immemorial. She has natural comparative advantage in the production of many spices. The demand for spices and spice products are continuously increasing both in the domestic and foreign markets. But the present international trade scenario, after the establishment of WTO and the subsequent trade liberalization due to the adoption of new EXIM Policy, Foreign Trade Policies had a major impact on India’s agricultural trade. During this period, the levels of comparative advantages of Indian agricultural commodities in the global market have changed significantly and they responded to the new world trade scenario differently.

In this study, the researchers attempt to examine the changing pattern in the export performance of spices considering the changes in the composition and direction of spices and spice product trade during WTO regime.

### **OBJECTIVES OF THE STUDY**

The basic objective of the study was to examine the changes in composition and direction of Indian spices export during WTO regime.

### **METHODOLOGICAL ISSUES**

#### **The data**

The study is exclusively based on secondary data. Time series data related with the export of spices and spice products of India obtained from official sources have been taken into account. Data were obtained from

1. Spices Board, Cochin 1995 to 2017
2. RBI Hand Book 2017
3. RBI Bulletin 1985 to 2017
4. Directorate of Commercial Intelligence and Statistics 1995 to 2017

### **Tools and Analytical Models**

The data collected were analysed using simple arithmetic which has been widely used all over the world. The important tools used in this study are-

## **Chow Test**

In order to find out whether there is a structural change in the growth of spices export between two periods-Pre WTO and WTO ,a popularly used test known as ‘ Chow Test ‘ is used

## **Simple Arithmetic**

Changes in the composition and direction of trade are studied by using simple arithmetic like ratios and percentages.

## **Period of the Study**

The study is based on the time series data of 21 years from 1995-96 to 2015-16. This period includes the period WTO period and also the latest data related with the study.

## **EMPIRICAL RESULTS**

This study provides answers to the research question concerning the changes in the composition and direction of Indian spices export during the WTO regime.

Changes in the commodity composition of the exports and export destinations are the important determinants of export performance like the structural changes for the economic growth. A country is able to earn more foreign exchange and can attain more export growth by exporting more value added products and high valued commodities instead of products in the raw form and bulky products. Likewise, finding new market destinations, a country can attain more stable and growing export. Foreign market access is considered as an important determinant of export performance. For the calculation of export performance of India's major spices in respect of direction and composition, simple arithmetic such as percentages and ratios is used.

The analysis of this chapter is presented in two sections viz. Composition of Indian spices exports and direction of spices exports during the WTO regime.

### **I. Composition of India's Spices Exports during the WTO Regime**

India exports almost all major spices which are traded in the world market. Country's spices export basket consists of around 50 spices in whole form and more than 80 products in value added form. However few spices and the value added form constitute a major segment of the country's total export earnings and only 22 spices are grown in India as a commercial basis. Out of the 22 spices which are commercially cultivated in India, only ten items contributed around 90 percent of export earnings. The shares of these items are different in different periods.

**Table -1**

**Composition of Major Spices Exports of India during the WTO Regime (Percentage share of value of each item to the total spices exports value)**

Items	1995-96	2000-01	2010-11	2015-16(P)
Pepper	24.4	20.77	5.6	10.66
Cardamom (s)	1.61	4.62	1.93	2.77
Chilli	24.29	12.53	22.45	24.62
Ginger	4.84	1.46	1.77	1.70
Turmeric	5.74	6.3	10.27	5.67
Coriander	2.79	2.04	2.44	2.63
cumin	2.16	9.73	5.79	9.43
Fenugreek	2.32	1.08	0.96	1.44
Nutmeg &Mace	0.084	0.89	1.43	1.29
Tamarind	2.57	1.23	1.17	0.8(2012-13)
Mint Products	5.9	8.45	24.8	15.90
Oil and oleoresin	14.3	20.35	13.31	13.19
Curry Products	2.18	2.35	3.08	3.27
Others	6.79	8.23	5.00	7.43

Sources: Calculated from Spice Statistics 1998, 2004 and Statistics Division of Spices Board, Cochin, various years

The table 1 indicates the percentage share of each item of spices in the total spices export from 1995-96 to 2015-16 and the changes in the composition during the WTO period. From the table, it is clear that, the share of pepper and chilli together in the total spices export was about 50 percentages in the year 1955-96. But during 2015-16, the share of pepper declined much to 10.66 percent from 24.4 percent of 1995-96. The decrease was sharp during this period. But there is a slight increase in the share of chilli during 2015-16. On the other hand, the shares of some items of spices have increased much. The share of cumin and mint products in the total export of spices has increased to a considerable extent in the last 21years. During 1960- 61 the share of pepper export in the total spices exports was 52.82 percent, it continued around 40 percent till WTO came into being. It was 38.16 percent in the year 1994-95.

**Table- 2**

**Ranking of Major Items of Spices as the Basis of Export Share**

Items	1995-96	2000-01	2010-11	2015-16
Pepper	1	1	6	4
Cardamom (s)	12	7	9	8
Chili	2	3	2	1

Ginger	6	10	10	10
Turmeric	5	6	4	6
Coriander	7	9	8	9
Cumin	11	4	5	5
Fenugreek	9	12	13	11
Nutmeg&Mace	13	13	11	12
Tamarind	8	11	12	-
Mint Products	4	5	1	2
Spice Oil and oleoresin	3	2	3	3
Curry Products	10	8	7	7

Source: Calculated from the data obtained from Spices Board ,Cochin

The table-2 reveals the rank of each major item of spices in different years calculated as the basis of export share. At the time WTO came into being, pepper was the major item of spice in the export basket of spices ranking first. But now its share has decreased and chilli is ranked first in the export basket. Even though the market share of spice oil and oleoresins decreased during the WTO period, it retained the same rank.

The share of some of India's traditional items of spices such as pepper, ginger, tamarind and fenugreek have declined much. The share of these items together was 34.13 percent during 1995-96; it dropped down to 16.57 percent in 2015-16. The share of some new items such as nutmeg/ mace, and mint products have increased during the WTO period. The share of valued added products such as curry products, mint products and oil and oleoresins together have increased much during this period. Their share was 22.38 percent during 1995-96 and it increased to 32.36 percent during 2015-16.

The analysis of the composition of spices exports during the WTO period revealed certain changes in its composition over time. Overall figure depicts a structural shift in India's spices export away from some traditional items such as pepper, ginger, tamarind and fenugreek towards more value added products such as curry products, mint products and to some new exportable items such as nutmeg/mace and cumin. Not much changes in the share of the traditional items such as cardamom (s),chilli ,coriander and turmeric.

## **II. Direction of India's Spices Exports during the WTO Period**

At present India exports one or the other spices or spice products to almost all countries of the world. India exports major spices to more than one hundred countries and was very few during the pre-WTO period. Even though India is exporting spices to large number of

countries, less than ten countries constitute the major buyers of our spices exports and they account more than half of our exports. The important destination for Indian spices exports are USA, UK, Canada, Japan, South Africa, Germany and West Asian countries like UAE, Saudi Arabia , Yemen; East Asian Countries like Malaysia, Singapore, Indonesia ,Vietnam ,Thailand; Neighbouring Countries like Pakistan, Bangladesh, Sri Lanka , China etc.

**Table -3**

**Changes in the Export Destination of Spices and Spice Products during WTO Regime (from 1995-96 to 2015-16)**

Items	Countries which have Increased share of market	Countries which have Decreased share of market	Countries having more or less stable share	More unstable markets	Major New Destinations
<b>Pepper</b>	USA, UK,Germany	Russia, Italy, Poland, canada		Poland, Germany	Netherland, Japan, Vietnam
<b>Cardamom (S)</b>	Saudi Arabia, USA	Japan, UK, Malaysia, Kuwait		Kuwait, South Africa, UK, Malaysia	UAE
<b>Chilli</b>	Malaysia	UAE, USA, Bangladesh, Sri Lanka, Singapore,Pakistan	-	USA, Bangladesh,Singapore , Malaysia,Pakistan	Vietnam, Tailand
<b>Ginger</b>	USA	Pakistan, Saudi Arabia, Bangladesh, Yemen,Moroco	Bangladesh	Morocco, UAE,Bangladesh pakistan	Spain
<b>Turmeric</b>	Iran	USA, Iran, UK, Sri Lanka, South Africa	Netherlands	USA,Iran	UAE, Malaysia
<b>Coriander</b>	UK, Saudi Arabia,USA, Malaysia	Malaysia, Singapore, South Africa, UAE	UAE,USA,U K, Saudi Arabia	-	Pakistan
<b>Cumin</b>	USA	Nepal, Japan, UK, Singapore, Algeria, South Africa		Japan, UK, Singapore, Algeria	Vietnam Malaysia, UAE

<b>Items</b>	<b>Countries which have Increased share of market</b>	<b>Countries which have Decreased share of market</b>	<b>Countries having more or less stable share</b>	<b>More unstable markets</b>	<b>Major New Destinations</b>
<b>Fenugreek</b>	Japan, USA, Saudi Arabia	UAE, Morocco, South Africa	USA	UAE, Sri Lanka, USA, Saudi Arabia, Japan	Sudan
<b>Nutmeg &amp; Mace</b>		UAE, USA, Germany, South Africa			Vietnam, Nigeria
<b>Tamarind</b>	UAE Saudi Arabia Syria, Egypt	Pakistan Japan Germany	Saudi Arabia		USA, UK
<b>Mint Products</b>	Germany	USA, France, Singapore, UK, Brazil, Argentina	Singapore	USA	China,
<b>Spice oil &amp; Oleoresin</b>	France	USA, UK, Spain, North Korea, Germany	USA, France		China
<b>Curry products</b>	USA	UK, Kuwait, Australia, Canada, Bahrain	Saudi Arabia	Australia Bahrain, Kuwait	UAE

Source: Calculated from the data obtained from Spices Board, Cochin

**SUMMARY AND CONCLUSION**

From the analysis of data, the following findings were obtained.

1. Even though India's export basket consists of around fifty spices and more than eighty spice products (value added spices) ten items contributed around 90 percentages of export earnings.
2. During the WTO regime (1995-96 to 2015-16) the composition of spices export has changed .The combined share of India's traditional items of spices such as pepper ,ginger, tamarind and fenugreek has declined much from 34.16percentage to 16.57 percentage. On the other hand, the share of some new items of Indian exports such as nutmeg/mace, and mint products have increased from 5.98 percentages to 17.19 percentage.

3. During the WTO period, the share of pepper has declined sharply to 10.66 percentages from 24.4 percentages. The share of mint products has sharply increased from 5.9 percentages to 32.53 percentages(2012-13) and to 15.9 percent (2015-16).
4. The shares of value added spices such as curry products, mint products and oils and oleoresins have increased much. It was only 22.38 percentages during 1995-96 and it increased to 32.36 percentages during 2015-16.
5. The share of export to the countries other than major export destinations have increased for all items of spices during the WTO period. This increase is substantial for cumin (14.3 percentage to 73.04 percentage), mint products (10.58 percentage to 58.07 percentage) and spice oils and oleoresins (20.83 percentages to 47.45 percentages).
6. Even though the shares of export to USA and UK have decreased for some spices, they have gained in some other spices and continued to be the largest markets for Indian spices.
7. There exists wide instability in the share of exports to majority of countries.

To conclude, during the WTO regime, the composition and direction of Indian spices export have changed. The share of traditional export items have declined and the share of value added spices and new items of exports have increased. Export markets for many items became instable; the number of export destinations has increased. The shares of traditional export destinations have declined and share of new market destinations have increased during the WTO regime. The changes in the composition of export in favour of value added spices and increase in the export destination shows an improvement of export performance of spices in the WTO regime.



## **References**

- Dacosta, G.C., Goddamwar, S.B. (1988). "Export of Agricultural Commodities from India". Bombay: Himalaya Publishing House.
- Datta,S.K,etal.(2001). "Composition of India's Agricultural Export: Changes in the Post Reform Period". New Delhi: Oxford& IBP Publishing Co. Pvt. Ltd.
- Datta,S.K., Deodhar,S.Y.(2001). "Implications of WTO Agreement for Indian Agriculture". New Delhi: Oxford& IBP Publishing Co. Pvt. Ltd.
- Dhindsa,(1981). "India's Export Performance: Some Policy Implications". New Delhi: Intellectual Publishing House.
- Khan,M.S.(1990). "Spices in Indian Economy". New Delhi: Academic Foundation Publication.
- Ragnar, Nurkse.(1959). "Pattern of Trade and Development". Stockholm: Almqvist and Wicksell Publication.
- Marco,Fugazza.(2004). 'Export Performance and Its Determinants: Supply and Demand Constraints. Policy Issues in International Trade and Commodities'. Study series No.26.New York: United Nations.