



## Issues of Exporting Rice from Pakistan to India in the context of South Asian Free Trade Agreement (SAFTA)

Faiz Muhammad Shaikh

Assistant Professor

SZABAC-Dokri-Larkana-Sindh

Pakistan

Email:faizanmy2000@hotmail.com

Dr.Anwar Ali Shah G.Syed

Pro-Vice Chancellor

Sindh University Campus Dadu

Email:faizanmy2000@hotmail.com

Dr. Muhammad Saleh Memon

Assistant Professor

Deptt: Business Administration

SALU-KhairpurMirs

Dr.Nanik Ram

Professor-Deptt: of Economics

University of Sindh\_Jamshoro

**Abstract:** This research investigates the issues of Textile exporters in the context of PAK-India trade relation. Data were collected from 100 exporters by using simple random technique. Data were analyzed by using SPSS-20 version; a structural questionnaire was developed for the reliability and validity of the data. It was revealed that the tariff barrier might be below due to several rounds of GATT and WTO. It was further revealed major barriers but cultural one, the currency exchange rate and informational barrier end to be the major barriers to export. The Legal and Political barriers, Languages and Customs, demand of the product, working structure/schedule of the targeting country, business environment are not regarded as barriers to export.

**Key Words:** ISSUES; PAK-INDIA; TRADE.

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## Introduction

Rice is a staple for the majority of the 1.7 billion South Asian populations and a source of livelihood for more than 50 million households. Apart from its economic and strategic importance, rice is deeply engraved in the rich tradition and culture of many South Asian countries. In India and Nepal, rice offerings to bring good health and prosperity to family members are common on many auspicious occasions. The significance of rice extends beyond life for Hindu communities in the region with offerings given to the departed soul. Similarly, in Sri Lanka, during the marriage ceremony, known as *Poruwa*, the bride and groom are placed on the top of paddy to bring fertility to the couple. One can find many religious and cultural uses of rice or paddy throughout South Asia.

The region cultivates rice on 60 million hectares and produces slightly above 225 million tons of paddy, accounting for 37.5% of the global area and 32% of global production in 2013. Within South Asia, both India and Bangladesh are major rice-growing countries. India has the largest rice area in the world with 43 million hectares (more than a quarter of the global rice area) and contributes a little less than a quarter of global production. Bangladesh has more than 11 million hectares of rice area and produces 50 million tons of paddy.

## Literature Review

Siriwardana(2001) using version 4GTAP database focuses on bilateral trade liberalization between SriLanka and SAARC countries and the implications for Sri Lanka. It conducted 12 trade liberalization related experiments between SAARC countries, ASEAN countries and other Asian countries. The result of his study suggest that SriLanka would benefit from bilateral trade liberalization between SriLanka and SAARC countries. SriLanka would benefit further by expanding bilateral trade liberalization into ASEAN and other Asian countries. However, the results were mixed in terms of detailed commodity-wise analysis. De Rosa and Goninan(1995,1996)evaluate three possible policy options for South Asia First, the implications of SAPTA by looking at the effect of removal of tariff and Para- tariff so intra-regional imports; second, The implications of closer economic ties between SAARC and APEC countries by looking at removal of trade barriers between the two regions; and third, the implications of unilateral trade liberalization in South Asia. The results support SAPTA in terms of an increase in food trade. However, this study suggests that SAARC countries might achieve much larger gains in trade and welfare by intensifying efforts to integrate the South Asian economies with the world economy. This study found that the net trade creation of SAPTA was limited due to extensive trade diversification. Samarasinghe (1999) investigated the effects of SAARC-APEC trade links and found that the potential for export expansion of the SAARC region into APEC countries is limited within the 1991–1995 policy framework.

Bandara and Yu (2003) applied the CGE model with version 5 of GTAP data base and conducted a series of policy simulations to answer the question of how desirable South Asian Free Trade Area is? These policy simulations are related to unilateral trade liberalization by South Asia; preferential trade liberalization in South Asia; preferential trade liberalization between South Asia and ASEAN, NAFTA, EU; and multi-trade liberalization. The results suggest that the impact of preferential trade liberalization is very small, but that the impact of unilateral trade liberalization is significant for South Asian countries. Under preferential trade liberalization, small countries would lose or gain marginally. Daniel(2007) evaluates the SAFTA within the global structure of overlapping RTAs using modified gravity equation. First, it examines the effects of the Trade Liberalization Program (TLP), which started in 2006. SAFTA would have a minor effect on regional trade flows and the impact on custom duties would be a manageable fiscal shock for most members. Second, the paper ranks the trade effects of other potential RTAs for individual South Asian countries and SAFTA: RTAs with North American Free Trade Agreement (NAFTA) and the European Union(EU)dominate one with the Association of South East Asian Nations (ASEAN).

Baysan, et al. (2006) conclude that, considered in isolation, the economic case for SAFTA is quite weak. When compared with the rest of the world, the region is tiny both in terms of economic size as measured by GDP (and per capita income) and the share in the world trade. It is argued that prima facie, the facts make it likely that trade diversion would be dominant as a result of SAFTA. This point is reinforced by the presence of high levels of protection in the region and the tendency of the member countries to establish highly restrictive 'sectoral exceptions/sensitive lists' and stringent 'rules of origin'. They further argue that SAFTA makes sense only in the context of a much broader strategy of creating a larger preferential trade area in the region that specifically would encompass China and the member nations of the Association of South East Asian Nations. In turn, the case for the latter is strategic; the pursuit of regional integration in the Americas and Europe has created increasing discrimination against



## MAJOR ISSUES ON SAFTA BY RICE EXORTERS OF PAKISTAN

The Cronbach alpha test was applied for reliability and internal consistency of the multi-item barriers scale on all barriers. The internal consistency of the questionnaire was checked by this test.

Table 1. Reliability Statistics

Cronbach's alpha	Cronbach's alpha based on standardized items	No of items
.887	.889	30

From Table 1 one can see that the Cronbach alpha value is 0.98, which is considered to have a very high internal consistency and reliability. So, it was concluded that the scales for the multi-item barrier questions were very reliable and had an internal consistency.

Table-1-Exporters' perception of barriers during export/Nature of problem faced by Pakistani exporters during export to the INDIA

### One-sample t-test

Table 2. One-sample t-test

Barrier	N	Mean	Std. deviation	t-value	Sig. (2-tailed)	Sig. at .05
Tariff barrier	60	3.0667	1.19131	7.196	.000	Yes
Governmental regulations	60	3.4667	1.25505	9.299	.000	Yes
Price of the commodity	60	2.5833	1.12433	4.294	.000	Yes
Market access problem	60	3.5000	1.44386	8.262	.000	Yes
Informational barrier	60	3.0667	1.26044	6.801	.000	Yes
Legal and Political barriers	60	2.4000	1.06086	3.213	.002	Yes
Custom procedure and licensing.	60	3.5000	1.30838	9.117	.000	Yes
Technical standards and health regulations	60	4.1000	1.18893	13.942	.000	Yes
Anti-dumping	60	3.1000	1.50367	5.873	.000	Yes
Languages and customs	60	3.0167	.96536	8.479	.000	Yes
Culture	60	2.8500	1.32544	5.201	.000	Yes
Labeling and packaging requirement	60	4.0333	1.05713	15.192	.000	Yes
Sanitary and phytosanitary (SPS) measures	60	3.9500	1.06445	14.481	.000	Yes
Import quotas of destination country	60	2.4333	1.14042	3.215	.002	Yes
Demand of the product	60	2.7000	1.19745	4.787	.000	Yes
Competition from firms in foreign markets	60	2.5833	1.23908	3.897	.000	Yes
Lack of capital to finance expansion into foreign markets	60	2.9667	1.22082	6.387	.000	Yes
Business environment	60	2.6000	1.06086	4.673	.000	Yes
Industrial property rights and copyrights	60	2.7333	1.27381	4.703	.000	Yes
Corruption	60	2.6167	1.27680	3.984	.000	Yes
Currency exchange rate	60	3.2667	1.19131	8.496	.000	Yes
Climatic conditions of destination country	60	2.0500	1.01556	.686	.495	No
Transportation cost and duration	60	2.7833	1.23634	5.158	.000	Yes
Certification	60	3.3167	1.26881	8.282	.000	Yes
Working structure/schedule of the target in g country	60	1.6667	.83700	-2.715	.009	Yes

Table-2 The above table shows the various barriers on exporting Rice to SAFTA countries specially India. According to exporters viewpoint that Pakistani exporters have significant cope all the above barriers except the climatic conditions.



**7.2 Percentage analysis**

Percentage analysis has been done to check the strength of each significant barrier. These barriers are divided into two parts – common barriers to export and hidden barriers. Common barriers are those that exist due to governmental regulations and policies and on.

Which global organizations such as WTO find a solution, and they can solve through the agreements. Hidden barriers are those that exist naturally, and government bodies cannot really make solutions on them, but these hidden barriers can affect export negatively.

**Common barriers**

Table3. Percentage analysis of Pakistani exporters' perception of common barriers

No.	Common barriers	Not an issue at all (1)	No barrier (2)	Not seen as barrier (3)	Barrier (4)	Very serious barrier (5)
1.	Tariff	5%	37%	20%	23%	15%
2.	Governmental regulation	10%	15%	13%	42%	20%
3.	Customs procedure and	7%	22%	17%	25%	30%
4.	Anti-dumping	17%	25%	12%	20%	27%
5.	Technical standards and health regulations	5%	10%	8%	30%	47%
6.	Sanitary and phytosanitary measures	2%	13%	8%	42%	35%
7.	Import quota of destination count	23%	33%	25%	13%	5%
8.	Industrial property rights and copyrights	20%	27%	23%	20%	10%
9.	Certification	10%	20%	17%	35%	18%
10.	Price of the commodity	20%	27%	33%	15%	5%

Not an issue at all (1) No barrier (2)

Not seen as barrier (3)

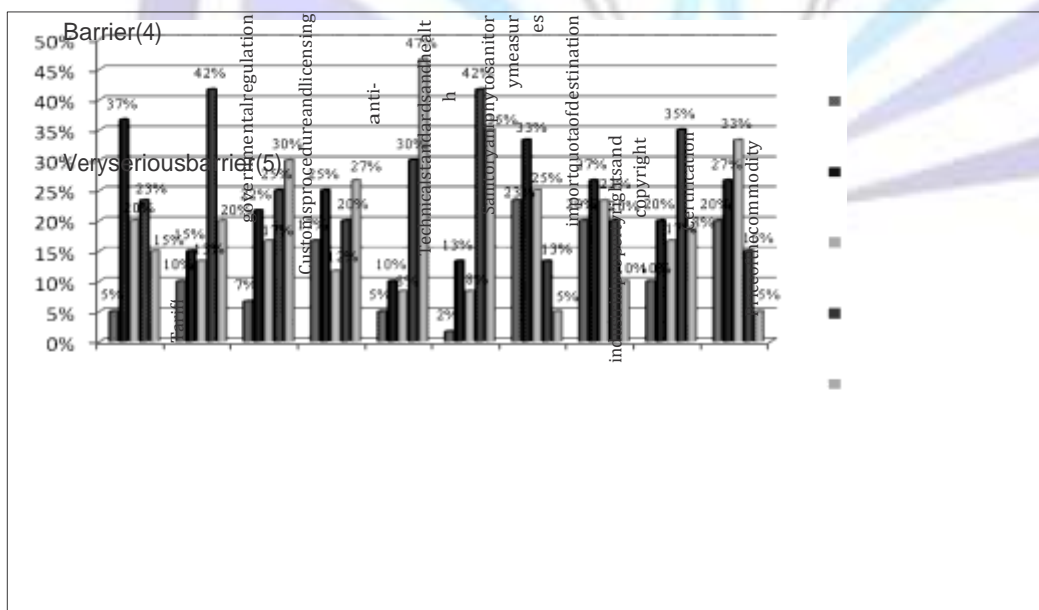


Fig.2. Percentage analysis of Pakistani exporters' perception of common barriers



Table 3 and Fig. 2 show that respondents regard governmental regulations, customs procedure and licensing, technical standards and health regulations, sanitary and phyto sanitary measures and certification as the major barriers to export. The anti-dumping and tariff barrier are not the major barriers but tends to be the major ones. The tariff barrier may be low due to several rounds of GATT and Wots. The import quota of the destination country and the Price of the commodity are not regarded as barriers, either.

### Hidden barriers

Table 4. Percentage analysis of Pakistani exporters' perception of hidden barriers

No	Hidden barriers	Not an issue at all (1)	No barrier (2)	Not seen as a barrier (3)	Barrier (4)	Very serious barrier (5)
1.	Market access problem	13%	17%	10%	27%	33%
2.	Informational barrier	13%	23%	18%	33%	12%
3.	Legal and political barriers	25%	27%	33%	13%	2%
4.	Languages and customs	5%	23%	43%	22%	7%
5.	Culture	17%	32%	15%	23%	13%
6.	Demand of the product	20%	22%	35%	15%	8%
7.	Competition from the firms in the foreign market	25%	23%	27%	18%	7%
8.	Lack of capital to finance expansion into foreign market	15%	18%	33%	22%	12%
9.	Business environment of the targeting country	18%	25%	38%	15%	3%
10.	Corruption	23%	30%	15%	25%	7%
11.	Currency exchange rate	8%	20%	23%	33%	15%
13.	Transportation cost and duration	17%	30%	20%	25%	8%
14.	Working structure/schedule of the targeting country	55%	25%	18%	2%	0%
15.	Labeling and packaging regulations	3%	7%	13%	37%	40%

Table 4 and Fig. 3 show that the respondents regard the market access problems and label in and packaging as the major barriers to export. Although not the major barriers but cultural one, the currency exchange rate and informational barrier tend to be the major barriers to export. The Legal and Political barriers, Languages and Customs, demand of the product, working structure/schedule of the targeting country, business environment are not regarded as barriers to export.

When exporters were asked about the other barriers they face than the above-mentioned common and hidden barriers, most of the respondents said that coordination is another barrier they face mostly during export.

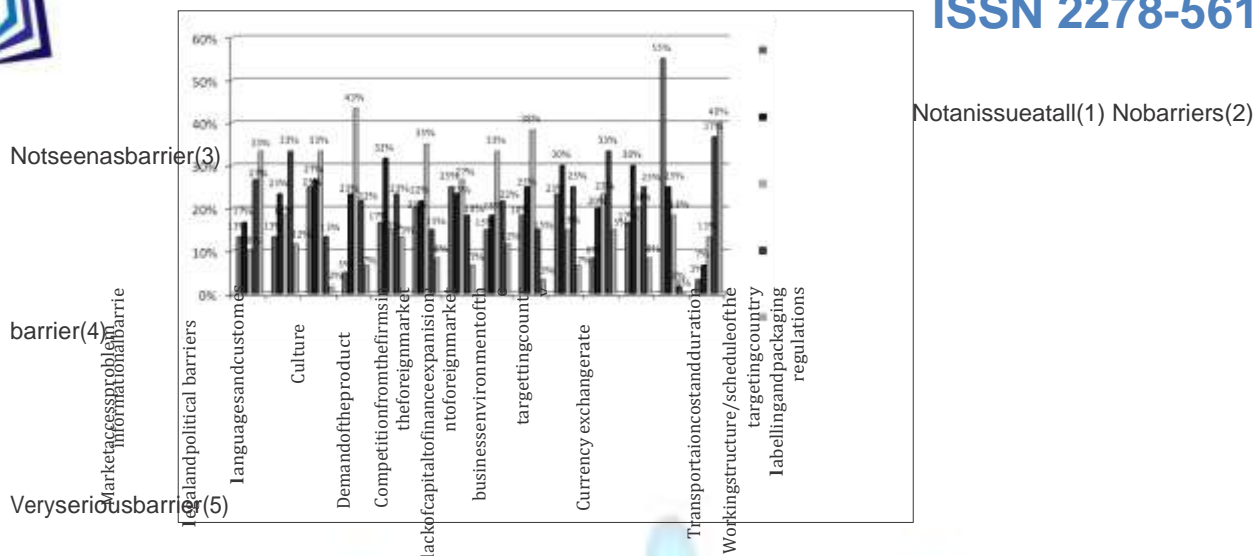


Fig3. Percentage analysis of Pakistani exporters' perception of hidden barriers

### 2. Exporters' attitude after decreasing the strength of barriers

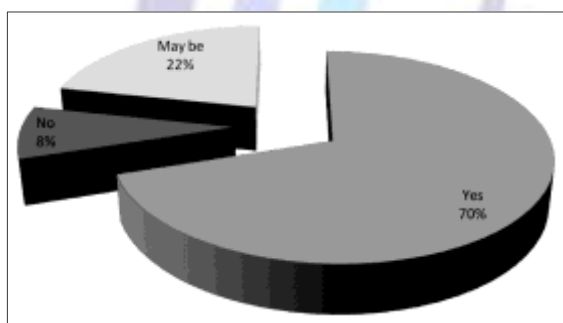


Fig.4. Exporters' opinion on export after decreasing the strength of barriers

Exporters have been asked if they are ready to export more to the INDIA after these barriers will be less, and 70% of the exporters said yes, 22% said may be, and 8% said no. Thus, exporters are positive regarding export to the INDIA. India's export to the INDIA can be increased if these barriers get less or are removed. Exporters can exhibit their

### Conclusions

Governmental regulations, customs procedure and licensing, technical standards and health regulations, sanitary and phyto sanitary measures and certification as the major barriers to export. The anti-dumping and tariff barrier are not the major barriers but tends to be the major ones. The tariff barrier may below due to several rounds of GATT and WTO. The import quota of the destination country and the Price of the commodity are not regarded as barriers, either.

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