CHAPTER I

INTRODUCTION

‘Liberalisation’ simply means to remove quantitative controls from the market. It would mean that an area market is liberalised if there are no restrictions, quantitative or other imposed on either the buyers or sellers. The difficulty with this definition is that there are a number of economic policies which can have the effect of reducing restrictiveness of a given quantitative controls in the market.

Releasing more foreign exchange to permit imports under area licensing regime would reduce restriction and have the control too. The more restrictive control is the one in which the market participants would pay more to carry out the transactions that are not permitted. Hence, more liberalization implies a greater reduction in the scarcity value attached to the restrictions. Therefore economic liberalization here is defined as a policy action which reduces the restrictiveness of controls in the market. Either they should be completely removed or are a more restrictive package of controls be replaced with a less restrictive package.

The package of new economic policies in which liberalization of an Indian economy has been stressed upon, received missed reaction all over the world. It appears that the idea of economic
liberalization given by the then Finance Minister Mr. Manmohan Singh, has been widely appreciated by the advanced countries of the world. Recent visits of the different executive heads like Mr. John Major of Britain, Mr. Boris Yeltsin of Russia and Mr. Helmut Kohl of Germany shows their appreciation of the new economic reforms. A large number of big industrialists from these countries also accompanied their executive head with a view to find opportunities to invest in India. This positive response will increase the future prospects of the Indian Economy and strengthen socio-political and economical system of the country. The recent policy measures announced by the Finance Minister are useful and thought-provoking thus, leading to its great achievements.

1.1. GOALS OF LIBERALIZATION

1. Opening of the economy

Liberalization aims to cover wide variety of reforms aimed at opening up the economy. This involves removal of various forms of control such as licences and permits as well as other barriers on investment represented by MRTP and FERA. One of the objectives of this reform programme is to invite and enlarge investment both domestic and foreign.
This opening up the industrial sector has led to large scale inflow of domestic funds. 15,000 enquiries were received by the industrial Ministry in 1994 for establishing industrial units. This opening up of the economy has invited foreign investment as against the annual $ 200 to 300 million flowing in from abroad, currency $ 2000 to 3000 million is coming in.

These positive aspects of foreign investment are mainly connected with the technology and modernity that compares it. Indian industry is not only logging in this area of modern technology but is also not generating or adapting the fast growing technologies in the non-energy intensive, non-material intensive areas for which we are still dependent on foreign technology.

2. Fiscal consolidation

Fiscal consolidation has been an important objective in our programme and the central government fiscal deficit was brought down from 8.4 per cent of GDP in 1990-1991 to 5.7 per cent in 1992-1993.

3. Structural reforms

The main theme of policy is structural reforms which are aimed at making the economy internationally competitive, open to trade and
foreign investment, encouraging the development of the private sector and refocusing the government activities on the development of infrastructure and human resources and on the alleviation of poverty. In the short period, we have achieved substantial progress in area of reforms, through the task is not yet complete. This assessment has been also shared by the World Bank which in the country economic memorandum states that “skill with which reforms have been introduced this far has few parallels elsewhere and enhances the credibility of the reform process.” The most radical changes implemented in the reforms packages have been in the area and industrial policy, the foreign trade and payment regime, the financial and capital market and tax system. Entry barriers in the industrial sector have been eliminated and many core sectors have been open up for private sector participation. These include power, hydrocarbons, air transport and telecommunications in which private promoters, both domestic and foreign have shown active interest.

4. Tax reforms

Reforms of tax system have been an important element of our programme. The strategy has aimed at moving towards simpler systems of taxation with moderate rates, few exemptions and broad tax base. Earlier budgets had implemented these principles in direct taxes. The
1994-1995 budgets has continued these trends in direct taxes and brought sweeping reform of indirect taxation which continues to account for over 80 per cent of tax revenues in India.

5. Capital Markets

Reform of the capital markets has been an important objective. Capital issues were decontrolled subject to supervision by an independent regulatory authority. Firms are now free to issue capital and price new issues according to market conditions subject only to guidelines aimed at effective disclosure of information necessary for investor protections ensuring transparency of trading practices and speedy settlement.

Area national clearing and settlement system is also envisaged with the setting up of a National Stock Exchange and a Central Depository. An important initiative taken as part of the reform is the opening up of the capital markets for portfolio investments, Indian companies have been allowed to access international capital markets by issuing equity abroad through the mechanism of global Depository Receipts and foreign institutional investors have been allowed to invest directly in the Indian capital market.
6. **Public sector**

Another area of reform relates the public sector. Unlike the case in many other countries where public sector reform has involved outright privatization combined with closure of unviable units, our approach has been more measured we have begun by disinvesting up to 49 percentage of equity of these enterprises with the twin purpose of providing non inflationary resources for the budget and to import greater accountability through wider public participation. Public sector companies are increasingly financing their investment through natural cash generation or by raising resources from the capital market.

8. **Infrastructural support**

The success of our economic reforms will depend crucially upon the availability of infrastructure support for economic development. This will call for massive investment on sectors like power generation, roads, ports and telecommunications. While we are opening up these sectors to private sector participation and there is substantial scope for attracting such investment in some of these sectors even in the short run the bulk of investment in these sectors will have to come from the public sector.
9. Foreign trade

In the area of the trade policy and external payments regime. The sweeping reforms undertaken over the past five years are well known and described in the Bank’s Country Economic Memorandum. Capital and intermediate goods imports are almost wholly free of quantitative restriction. Imports of consumer goods remain subject to restrictions but fewer too, the objective of the policy is to gradually remove these restrictions and shift to a tariff-based system of projection. As a step in this direction, the export and import policy announced in April 1994 expanded the scope of the special import of consumer goods are permitted and the range of consumer goods which can be imported against these licences. The removal of quantitative restrictions on import have been accompanied by the massive reductions in customs tariffs. Most recently the 1994-1995 budget has brought down the maximum tariff rate of 65 per cent compared to rates of 300 per cent and higher prevailing in 1991. The rates on capital goods impost have been reduced to a range of 20 to 40 per cent compared to 100 per cent in 1991. We intend to further rationalize and lower the tariffs over the next few years to bring them to levels comparable with other developing countries.
We are going ahead with the policy of liberalization and it is proper to judge whether the policy is light giving or fruit giving or it is to be continued or not. But there are three considerations which would need to be kept in viewed here. If foreign investments are eying out large middle class market, they may not be interested in exports from India. Secondly more than stable capital prove to fly on the wings of speculation they could create great uncertainty in respect of rate of exchange and foreign resources which we could really depend upon for long term investments.

A third consideration equally significant in the fact that such capital resources from abroad could be inflationary unless the internal savings investment framework had necessary capacity for their absorption.

It can be concluded that at present India should go a head with liberalization policy and foreign investment will bring better results in the economy.¹

1.2. ECONOMIC LIBERALIZATION: AN OVERVIEW

The Indian economy has never been in such good shape as it is now with the liberalization measures initiated in 1991 becoming effective. The continued impressive performance of the agricultural

¹ Debendra Kumar Das, "Economic Development opportunities through Liberalisation", Deep & Deep Publications, New Delhi Page 17-21
sector and significant improvement in industrial production since September 1993 have enabled the rate of growth of the gross domestic product rise from 0.8 per cent in 1991-1992 to 5.1 per cent in 1992-1993, 5 per cent in 1993-1994, 6.3 per cent in 1994-1995 and 7 per cent in 1995-1996. by the survey of 1995-1996 it reveals the facts that GDP ha increased by 7.0 per cent in 1995-1996 and our GDP 7.2 per cent. the inflation rate has reduced to 4.4 per cent and there has been area good trend in our economy. The physical deficit which was 8.3 per cent of GDP in 1990-1991 decreased to 5.9 per cent in 1995-1996 and we all know that our approach of the ninth plan is to keep the deficit financing at 5 per cent of GDP. Due to reform the industrial growth which was 7.3 per cent in 1994-1995 went up to 4.4 per cent in 1995-1996. Not only this is 1995-1996 capital based industries showed area good sign of 20.4 growth which proved to be a very vital for economic growth.

The policy of structural reforms constitutes the other segment of the New Economic policy. Under the structural reform, policy measures are specifically related to the production and trade aspects which have implicit promise to induce suitable liberalization, privatization and globalization instincts in the Indian economic for

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2 Debendra Kumar Das, "Economic Development opportunities through Liberalisation", Deep & Deep Publications, New Delhi Page 43
enhancing efficiency, productivity and competitiveness. The important decontrol liberalisation measures undertaken by the government were:

- Abolition of industrial licencing under the New Economic Policy for all industries except area select list of hazardous and environmentally sensitive industries.

- Abolition of separate permission needed by MRTP houses for investment and expansion.

- Reduction of the list of industries reserved for the public sector from 17 to 6 and allowing of participation of private sector even in the reserved list; and

- Making access to foreign technology much freer.

On the production from particularly in the industrial sector, the reform and structural adjustment policy measures have attacked on the bureaucratic controls structure painstakingly built up over the years that only “served to protect the established producers from competition, thus encouraging inefficiencies and high costs” in fact, the objective behind such measures is to promote greater competition and to provide an environment conductive to the reduction in costs, up gradation of quality and increase in competitiveness.
1.3. SPICES - EARLY HISTORY

The earliest evidence of the use of spice by man was around 50,000 B.C. The spice trade developed throughout the Middle East in around 2000 BC with cinnamon, Indonesian cinnamon and pepper.

A recent archaeological discovery suggests that the clove, indigenous to the Indonesian island of Temate in the Maluku Islands, could have been introduced to the Middle East very early on. Digs found area clove burnt onto the floor of a burned down kitchen in the Mesopotamian site of Terqa, in what is now modern-day Syria, dated to 1700 BC.

In the story of Genesis, Joseph was sold into slavery by his brothers to spice merchants. In the biblical poem Song of Solomon, the male speaker compares his bellowed to many forms of spices. Generally, Egyptian, Chinese, Indian and Mesopotamian sources do not refer to known spices.

In South Asia, nutmeg, which originates from the Banda Islands in the Molu8ccas, has a Sanskrit name, Sanskrit is the language of the sacred Hindu texts, this shows have old the usage of this spice is in this region. Historians estimated that nutmeg was introduced to Europe in the 6th century BC.
The ancient Indian epic of Ramayana mentions cloves. In any case, it is known that the Romans had cloves in the 1st century AD because Pliny the Elder spoke of them in his writings. Indonesian merchants went around China, India, the Middle East and the east coast of Africa. Arab merchants controlled the routes through the Middle East and India until Roman times with the discovery of new sea routes. This made the city of Alexandria in Egypt the main trading centre for spices because of its port.

The use of spices dates back to centuries. The known origin of spices was India and the early references in ancient literature like the Vedas, the Bible and the Quran set the proof for this. The Rig veda (around 6000 BC) and the other three Vedas, Yajur, Sama and Atharva are replete with many references on spices. The Rig Veda mentions horse radish which is a close relation of mustard and turnip. Reference is also made of black pepper in yajur veda and to turmeric in Atharva Veda. The epic Ramayana too has lots of references on the use of spices.

Outside India, the first authentic record traces spices and their uses back to nearly 2600 BC to 2100 BC - The Pyramids Age of Egypt. The Assyrian and Babylonian connections to the Indian Malabar Coast for trading in cardamom, Pepper and Cassia, dispatch of the fleet of the ships by the Egyptian Queen, Hatshepsut, in 1000
BC, the return of Queen Sheba from the court of king Solomon with area convey of camels carrying spices during 950 BC etc generates authenticity for the tradition of spices. The aryl Ayurvedic books of 1000 BC and the medical treatises of the Assyrian Physicians make mention about the use of Cardamom and several other spices. Such is the importance of spices and India as the known source for which many seekers frequented the Indian Coasts.

Excavations in the Indus Valley have found spices that were used before 1000 BC when the Sacred Ayurvedic texts of the Brahmanical religious beliefs were formulated. Mentions of spices are also seen in Sasruta writings going back to about 500 BC. A number of spices have long been known in India and the far East and were important to add flavour and piquancy to the universal and the dull staple diet of rice. Rosengarten (1969) states that some of the spices known in India to day. Such as black pepper, cinnamon, turmeric and cardamom have been known there for thousands of years.

Spices have had a profound influence on the course of history and civilization. Area Ridley (1912) points out in his book on spices, the history of the cultivation and use of spices is perhaps the most romantic history of any vegetable product.

In the book, “Commerce between the Roman empire and India”, it has been recorded “Even the barbarous horders of Europe had fallen for briental luxuries” (Warmington 1928). Romans spent a fortune in procuring pepper and it is said that the Roman exports of goods in exchange for Muziris pepper by themselves were not enough to pay for the commodity bought. In the book, “Natural History”, Pliny the Elder (trans. H.Rackham 1960 London) complains, “it is surprising that the use of pepper has come so much into fashion. Commodities as a rule attract us much their appearances or utility, but the only quality of pepper is its pungency and yet it is for this very undesirable element, that we import it in very huge quantities from the first emporium of India, Muziris..”. As early as the first century AD, the Chinese made their presence in India in search of spices.

The Indo-Arab trade in spices grew to newer heights with the birth of Islam. The discovery of the monsoon winds and the focus on ship building brought about rapid changes in spices importing countries. These helped in bringing down the voyage time considerably (Hourani G.F. 1951).

5 Warmington, FH, 1928, The commerce between the Roman Empire and India, Cambridge University Press, the U.K.
7 Hourani G.F., 1951, Arab seafaring in the Indian Ocean.
The Indian range of spices is very wide with other 70 varieties grown in the different agro climatic zones of this around 25 spices are commercially cultivated and at least 20 of them have tremendous export potential. The spices includes major ones like the black pepper, chillies, turmeric, ginger, cardamom, garlic, seed spices like fennel, cumin, fenugreek, coriander, celery etc. Almost all these spices are important from point of view of domestic demand as also export demand for this study six major spices -black Pepper, Cardamon (Small), Turmeric, Chillies, Ginger, Garlic which individually contributed to over 10 percent share in the exports of spices from the country during 1988-89 to 1997-98 have been selected. They together contributed to over 65 percent of the total volume of exports and over 55 percent of the total value of exports during the period. An attempt is made to study the area, production, yield, domestic and International prices, exports, global competition etc of these four spices and to identify factors affecting their performance. These are discussed with respect to the various promotional strategies undertaken and required to be taken to improve their exports to different world markets.
1.4. SPICES-TODAY

The spices that are grown round the world vary in their generic qualities because of different soil and climatic conditions. Besides, it is the varying cultural and post harvest management operations in vogue in different origins, that generates differences in quality parameters.

With the passage of time and the entry of new producing countries the international market for spices became more competitive. The increasing concerns for quality and cleanliness also came to the force. Since spice is area food ingredient, the buying nations especially, the developed ones are more keen on the quality of the spices and spices products that they import into their territories. This has made it imperative for the importing nations to government of India for area general acceptable standard for quality specifications. Although there is no general globalize standards or specifications nations that export spices often have their own quality standards to maintain their markets countries importing and consuming these spices have set up their specifications for the purpose of consumer safety in their countries.

The quality standards mostly used in international level are those of the American Spice Trade Association (ASTA) and the United States Food and Drug Administration (USFDA). The
international organization for standardization established its own standards in 1969 for the quality of various spices and specifications for spices imported into and consumed in the UK and Canada some of the leading exporters of spices have their own specification for exports based on level of extraneous matter, moisture contents etc. Such of these exporters have close links with the buyers who prescribe quality specifications to fulfill their obligations.

Spices are used in different ways and in different forms. The application of spices in the US and in Europe varied very much with that of India. Cumin is mainly used in India in powder or whole form in various dishes while its oil is mostly favoured in the developed markets for industrial and food applications. Chilies are mainly used in India for preparation of vegetarian and non vegetarian dishes like curries and mixes. It also goes as an active ingredient in the missals preparations while in the west chilies are bought mainly either for its colour value of heat value.

The markets have different preferences based on the life style and consumers tastes. These preferences have come into being an account of their traditional uses of the result of newer application.

8 www.indianspices.com
The use of spices in cooking varied from area to area. Spices not used in native cuisine are now being introduced and used in a new way other than the traditional ways of use. Lots of experiments take place for using various country cuisines. Lots of food specialists especially the chafes are now testing out the possibility of marketing the hitherto non-spice based cuisines more spice based to add flavor and tastes. The combination of ginger and pork also occurs in Japanese cooking such as grilled pork with ginger. Sliced ginger may be added to stewed giblets for the purpose of eliminating the unpleasant smell of giblets. Green pepper and pink pepper go as decorative pieces for various dressing in the west. In some countries these are accepted as best pickles.

The relationship of spices to cooking ingredients and techniques can be thought of as a kind of pattern. (Takamasa, M. Nippon Koshinryo, Kenkyuukai, Keenyeshisyu 1993)\(^9\). The patterning theory of spices use considers the suitability of area spice and certain raw materials to be the result of area “synthesis” that occurs in the mouth.

The term spice is derived from the word “spices” which was applied to different groups of exotic food stuff in the middle ages; it was formerly applied to all pungent or aromatic foods, to ingredients of incense or perfume and to embalming agents. Modern usage also tends to limit the term to flavorings used in feeds or drinks.

The spices trade has been a big business from time immemorial. Spices from India and far eastern Asia were in demand from ancient times. They were carried by caravan across China and India to ports of the Mediterranean or the Persian Gulf and from there to the market places of Athens, Rome and other cities where they were sold exorbitant prices. The use of spices from the East became a status symbol by the year 1200. Indian spices also fitted into philosophic concepts of improving health. For instance, ginger was used to heat the stomach and improve digestion and clove was believed to comfort the sinus. There are sixty-three spices grown in India and almost all spices can be grown in India because of the varied climate—tropical, subtropical, and temperate prevailing in India. However, only fifty-two spices have been brought under the spices Board Act 1986.

Some of the common Indian spices include cinnamon, cardamom, pepper, turmeric, chilly. At present India produces around 2.5 million tonnes of different spices valued at approximately 3 billion US$ and holds the premier position in the world. In each of the 25 states and 7 union territories of India at least one spice is grown in abundance. No other country in the world produces as many kinds of spices as India.

10 Krishnamoorthy V. and Baskar Kamiek. “Indian Spices - Tastes of Paradise”
11 www.spicesindia.com
Cardamom is one of the world’s ancient spices. It is popularly known as “queen of spices” because of its very pleasant aroma and taste. Cardamom is often named as the third most expensive spice in the world next to saffron and vanilla. The western Ghats forest of the Malabar is the centre of origin and diversity for cardamom and it might be nature’s desire that the king and the queen of spices (black pepper and cardamom) originated in the same forest.

Despite the global economic recession, spices exports from India has continued its upward trend and has crossed Rs 5000 crores mark for the first time during the year 2008-09. The exports during the year 2008-09 has been 470520 tonnes valued Rs. 5300.25 crores (US $ 1168.40 million) against 444250 tonnes valued Rs.4435.50 crores (US$ 1101.80 million) in the last financial year. The spice export during 2008-09 is an all time high both in terms of volume and value. Compared to last year, the export has shown an increase of 19 per cent in rupee value and six per cent in quantity, in dollar terms, the increase is six per cent.

The spices export during 2008-2009 has also exceeded the target in terms of volume, rupee value and dollar terms of value. Against the export target of 425000 tonnes valued Rs. 435000 crores (US $ 102500) for the year 2008-09, the achievement of 470520
tonnes valued Rs. 5300.25 crores (US $ 1168.40 million) is 11 percent in quantity, 122 per cent in rupee value and 114 per cent in dollar terms of value.

In the export basket of spices and spice products, spices oils and oleoresins including mint products like mint oils, menthol crystals, and menthol powder contributed 40 per cent of the total export earnings. Chilli contributed 20 per cent followed by cumin 10 per cent, pepper 8 per cent and turmeric 5 per cent. During the year 2008-09, Indian spices and spice products reached more than 135 countries in world. The leading among them are USA (21 per cent), Malaysia (7 per cent), UAE (6 per cent), China (6 per cent) and the UK (5 per cent). Area detailed review on export of major splices from India.

Spices perhaps are the only one farm commodity which had area profound role in the history of civilization. The history of Indian spices dates backs to the beginning of the human civilization. There are references about spices and their uses in the Vedas (6000B.C), by ‘Manu’, the law giver in 4000 BC, by the Babylonians and Assyrians (around 3000BC), and the Old Testament (1000 BC) of the Bible (Siva Raman and Peter, 1999). Traditionally India was known as land of spices and the West Coast of India, known as the Malabar Coast with very active trade relations with ancient Egypt, Greek, and Rome.
India is blend with varied agronomic and climatic conditions which helps in growing area number of spices (Selvan et al; 1999). High valued saffron grows in the temperate zone of Kashmir in the North. Black pepper, ’the king of Spices’ and Cardamom, ‘the Queen of Spices’ and other few spices are grown in down south in the Tropical zone in Kerala.

Geographically, the State of Kerala is highly suitable for the cultivation of Black pepper, Cardamom, Ginger, Turmeric, Clove, Garcinia, Nutmeg etc.

The Arabs, Assyrians, Babylonians, Phoenicians, Israelites, Greeks, Romans and Chinese had trade contacts with the Keralas coast during the ancient period. This early contacts though were mainly commercial had lead to the introduction of Religions like Christianity, Judaism and Islam into the land and helped to mould the culture of Kerala into area composite and cosmopolitan one. The countries of Europe were also benefited by this contact. It is certain that Indian ideas and practices contributed largely to the form which orthodox Christianity in the West finally adopted. Monasteries and nunneryes, tonsures, rosaries, confession and celibacy all seem to have found their way to Europe from India. And return the West seems to have given to the east arts and sciences, architecture, the art of coining and in particular, the high ideal of religion contained in Christianity (William
Logan), In order to understand the story of this interaction of cultures in its true historical perspective, it is necessary to trace in brief the history of the early foreign contacts of Kerala and the channels through which such contacts were established and kept up.

The Assyrians and the Babylonians whose civilizations flourished in the third and second millennium BC carried on extensive trade and bought cardamom and cinnamon came from the Kerala coast. The ancient Egyptians also used spices from Kerala to make perfumes and holy oils and to preserve the dead bodies of their kings and other highly placed persons by area system of mummification. In 1500 BC the Egyptian queen Hatshepsut sent an expedition of five ships down the Red Sea to obtain spices from the east. The great Egyptian city of Alexandria was for long the leading emporium of trade in oriental spices. The women of ancient Egypt are said to have burnt ginger, cinnamon and other spices on area small charcoal set in hole on the floor to produce scented fumes to bath their bodies.

The Old Testament too contains plentiful references to cinnamon is referred to in the Bible as one of the ingredients of the holy anointing oils and perfumes used in the ritual of the Tabernacle erected by Moses, the great Jewish law-giver, in the wilderness of Sinai. The date of the building of Tabernacle is given as 1490 BC and it is clear from this that cinnamon was well known to the Hebrews of
the day. Another reference in the Holy Testament to the use of spices is in connection with the visit of Queen Sheba to King Solomon of Israel (1015-966 BC). It is said that Queen Sheba came to Jerusalem “with area very great train with camels that bear spices”, and that “there came no more such abundance of spices as those that the Queen Sheba gave to King Solomon”. The Holy Testament also refers enticing role played by perfumes made of spices in the field of love making.

Keralas was famous due to spices and its trade. Spices were cultivated organically through in due courts fertilizers and pesticides were used to overcome challenges in productivity and diseases. The entry of other countries in production of spices has resulted in competition on the international market. Spices are available from different sources at varied prices. However India remains as the only one country in the world offering spices in varied value-added forms backed by assurance of quality. Drastic changes have been brought in improving productivity through integrated disease and pest management of crops, scientific post-harvest operations, quality maintenance programmers etc., All these put together has enhanced the value of Indian spices acceptable to the various international markets13.

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1.5. STATEMENT OF THE PROBLEM

Globalisation is the new buzzword that has come to dominate the world since the nineties of the last century. With the end of the cold war and the break-up of the former Soviet Union and the global trend towards rolling back the frontiers of the state. With increased reliance on the market economy and renewed faith in the capacity of private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other international organisations have started in many of the developing countries. Globalisation is increasingly emerging as a kind of irreversible process that challenges the importance of the authority and welfare functions of the state, the complex implications of which are far-reaching for developing countries.

Globalisation in trade and industry had already taken root in the world. When it created conflicts among nations and partners who were distrustful of one another, and many strategic alliances faltered and failed. Since then the countries have greater exposure to one another’s culture, changing economic policies, business practices, and the radical changes in the world economic structure itself.

The process of globalisation and liberalisation in developing societies and the accompanying forces of market economy have given risk to questions of far-reaching substantial and procedural
importance. Liberalisation calls for a rolling back of the state on economic issues which necessitates a re-defining of state’s new role and re-examining of its structures and processes. It may no longer remain to be the owner of strategic industries, but it is still a regulator that oversees and prevents abuses of market and provides legal, physical and human infrastructure.

Quest for liberalisation has seen the re-emergence of complex framework of trade negotiations, GATT, WTO, TRIMS, TRIPS and so on. And states have been instrumental in binding economies and markets of specific regions to these not so freely negotiated terms of trade. State is expected to take active interest increasing conditions through intervention for the growth of markets. The importance of the agricultural sector in the Indian economy is paramount. The contribution of various agricultural commodities and the products there from are adding to the country’s export earnings. The Indian strength in the production of grains and pulses, marine products, cashew, silk, coffee, tea etc has been quite strong. In the case of spices and spices products also the country gets strong influences in the international market.

The monopolistic position Indian Spices had in the world market got eroded on account of new production sources and higher productivity levels that are being recorded in different producing
countries. The sellers market turned out to be area buyer market and the market place stared witnessing stiff competition. This has made it imperative for the producers to undertake newer ways of selling their merchandise. Value addition and perfection in the cultural and post harvest operations are the important areas where constant attention had been given, at the end of the road there emerged the need for market promotion efforts.

The liberalization is attempted through (i) Import liberalization, (ii) reducing import duties (iii) incentives for exports (iv) partial convertibility of rupee with US $ with a promise for full convertibility (v) streamlining and reducing the procedures for foreign investments, similariscation of procedures and ensuring speedy decisions pertaining to domestic industry (vi) reducing the rate of direct taxation for higher income groups (vii) promised to reduce the burden of indirect taxation (viii) reducing subsidy (i) disinvestment in public sector companies and (x) encouraging joint ventures as well as management of public sector on business lines.

In the early 1990’s, considerable progress was made in lossening government regulations, especially in the area of foreign trade. Many restrictions on private companies were lifted, and new areas were opened to private capital. However, India remains one of
the world’s most tightly regulated major economics. Many powerful vested interests, including private firms that have benefited from protectionism labor unions, and much of the bureaucracy, oppose liberalization.

Trade policy reforms among developing countries boost their overall income and agricultural exports. But it also creates distributional impacts between those developing countries are best able to gain from trade openers versus those less able to do so. The benefits from reduced trade - distorting subsidies and border protection globally will not be universal or evenly distributed among poor countries. The need for targeted assistance should however, not be an excuse for falling to make changes that create agricultural trade opportunities.

Many research studies have been conducted to analyse the impacts of trade liberalization on various sectors in India and other developing countries. Most of the studies revealed that there is significant changes in the agriculture, trade and other service sectors due to the implementations of liberalization policy. An attempt has been made to analyse the impact of trade liberalization on the spices sectors in the state of Tamil Nadu, India.
1.6. OBJECTIVES

The specific objectives of the study are:

i) To study the growth performance of spices in terms of area cultivated, production level and exports at world level, India level and the Tamil Nadu state level, after liberalization,

ii) To examine the factors influencing area expansion, production and productivity of selected spices;

iii) To analyse the impact of trade liberalization on marketing of selected spices in the study area;

iv) To assess the problems faced by the producers and traders of spices in the study area; and

v) To suggest suitable remedial measures to overcome the constrains faced by producers and traders of spices.

1.7 CONCEPTS

Spices

Standard ISO 676:1995 of the International Organization of Standardization (ISO) defines spices and condiments as “Vegetable Products or mixtures thereof free from extraneous matter, used for flavoring, seasoning and imparting aroma in feeds”. The term “applies equally to the product in the whole from or in the ground form”.
There are different definitions for spice seasonings. Spice seasonings can be added to all kinds of feeds, enhancing one’s statistics preference for these feeds. Generally, it has area pungency or flavor and is composed of for example, salt, herb and spice which enhance or improve the flavour of the feed. The spice seasoning is area mixture containing one or more spices or spice extracts that enhances the flavour of the original feed and is added during processing by the feed industry or during the cooking process in the home.

Spices are used to season many kinds of feeds either alone or as part of area complex seasoning containing sugar, salt or other ingredients. Spice seasonings and condiments are considered to be complex seasonings with which spices have been mixed (Kenji Hirasa 1998)\textsuperscript{14}

Spice is a plant composed of fiber, sugar, fat, protein, ash, gum essential oils and other components. Among these components, it is the volatile essential oil that imports to area spice its particular flavour. Essential oil consists not of area single chemical compound but of area number of compounds. The aroma and flavour differ subtly according to the amount of essential oil and the proportion of

\textsuperscript{14}Kenji Hirasa etal, 1998, Spice science and Technology, Marcel Dekker Inc, New York.
each compound contained in it for this reason, there may be delicate differences among different samples of the same spice. The flavour characteristics of two spices belonging to the same botanical category differ according to where it is grown, harvest season, and such other related factors, even if their appearance is similar. The major chemical components of the essential oils of spices are Terrence compounds consisting of carbon, hydrogen and oxygen.

Monster pone generally has a strong aroma and is very volatile. (Compounds having 10, 15, and 20 carbons are called monoterpenes, sesquiterpenes and diterpenes, respectively) Monoterpenes are utilized as ingredients in perfumes and essences Green plants emit oxygen during carbon assimilation. They also release terrene compounds, which are said to strengthen the anticold property of spices and work as an insect repellent (Kenji Hirasa, Mitsuo Takemasa 1998)15

Over a period of years many new sources were found out. Some more countries entered the field of spices production and the one time monopoly in spices production which India enjoyed virtually started eroding. This has resulted in competition between producing countries often resulting in under cutting of prices to retain or capture markets. Spices are used in fees to impart flavour, pungency and

colour. They also have antioxidant, antimicrobial, pharmaceutical and nutritional properties. Spices also help in reducing the effects of salt and sugar and improves texture for certain foods.

Spices are non-leafy parts (e.g., bud, fruit, seed, bark, rhizome, bulb) of plants used as flavoring or seasoning, although many can also be used as herbal medicine. A closely related term, ‘herb’, is used to distinguish plant parts finding the same uses but derived from leafy or soft flowering parts. The two terms may be used for the same plants in which the fresh leaves are used as herbs, while other dried parts are used as spices, e.g., coriander, dill.

The term spices used in the study pertains to the spices under the purview of the spices board as per the spices board act of parliament. However, six major spices viz., pepper, cardamom, chillies, ginger, garlic, turmeric are subject to detailed study.

**Sales Promotion Strategies**

Sales promotion strategies means the concerted and organized efforts taken at the Government and spices board level to maximize the export of Indian spices in different overseas market.

**Promotional Programmes**

This refers to the various programmes for market promotion like participation in international food ingredients exhibitions in different countries, depuration of delegations, inviting trade
delegations appointment of market consultants, special market studies abroad, efforts to be set up new standards for quality testing as required by the different overseas markets, production of promotional literature for different products for different markets etc

**Producing and Competing Countries**

The term producing countries implies the various spices producing countries. Competing countries are the countries who are selling various spices in the different global markets. This includes research exporting countries also.

**Statutory Authority**

Organisations set up by the Government to operate market promotion exercises are referred to as statutory authority, the spices board.

**Promotional Expenditure**

Promotional expenditure is the quantum of money allotted by the government of India to the spices board to undertake various market / sales promotion programmes in different overseas market.

1.8. METHODOLOGY AND DESIGN OF THE STUDY

The present study is based on primary as well as secondary data. The secondary data were collected from the reports and records of statistical departments, Ministry of Agriculture, Ministry of
Industry and Commerce, New Delhi, Indian Spices Board, Cochin and records of the spices offices of the concerned Dindigul, Nilgiris and Coimbatore districts.

Secondary data were collected for the period of 10 years (1998 - 1999 to 2007 - 08) from the reports of Government of India publications on liberalization, various evaluation reports on liberalization journals, newspapers and books.

Six spices are selected for the study. They are : Ginger, Chillies, Cardamom, Pepper, Turmeric and Garlic. These spices have domination in export from Tamil Nadu state. To review the impact of liberalization on spices sector in Tamil Nadu state, three districts, namely Dindigul, Nilgiris and Coimbatore districts were selected for the study based on the criteria that the selected spices have best performance in the selected districts.

After selecting the study district, ten sample traders from each selected spices were randomly selected in each districts. A total of 180 respondents were selected at equal category, which constitute 60 respondents from Dindigul district, 60 respondents from Coimbatore district and 60 respondents from Nilgiris district.
The primary data were collected through the field work from the 180 sample respondents by using the interview schedule. A pilot study was undertaken in the Dindigul, Nilgiris and Coimbatore districts. Both secondary and primary data were collected keeping in view the objectives of the study.

Simple statistical tools were used in the analysis of data. In the process of analysis, inter-district comparison was made in respect of all production and marketing practices. The inter-district differences if any, in regard to any practice was tested for its significance using statistical test. The compound growth rate was worked out to find out the trends in production and yield of spices and also used percentage analysis.

1.9. CHAPTERISATION

Chapter 1 deals with the statement of the problems, objectives, methodology and design of the study, limitations and chapter schemes. Chapter 2 reveals the past studies on the spices in agriculture sector, marketing of spices, etc., Chapter 3 deals with the profile of the study area and selected spices. Chapter 4 analyse the Performance of Spices after Liberalization. Chapter 5 analyses the impact of trade liberalization on marketing of the spices sector. Chapter 6 presents the findings, suggestions and conclusion of the study.
1.10. LIMITATIONS

The study was confined to the views and opinions expressed by the respondents. Their personal bias and limitations are applicable to the study. Due to time and cost constraints, the researcher has confined himself to the chosen sample size only, which are the limitations of the study. She contacted the respondents with the support of an interpreter. She had to select the respondents only from the selected places of the three districts to meet the sample size.