chapter two

Literature survey
CHAPTER- 2
REVIEW OF LITERATURE

2.1 Introduction

This chapter attempts a review of the existing studies on the topic under study. This review is meant to throw light the nature and scope of these studies and to ascertain the research gaps. The review covers both the methodologies used in the studies and the inferences of the studies. In fact, literature review improves the theoretical background for the study through a review of relevant theories. An exhaustive and up-to-date literature review throws light on the determinations of agricultural export supply function and their analysis and approaches which will enable the multidimensional approach with scientific methodology to examine the theme selected of the study.

2.2 International studies pertaining to growth of agricultural export:

Abolagba E.O., Onyekwere N.C, Agbonkpolor B.N. and Umar H.Y (2010), determined the effective factors of Agricultural Exports in Nigeria. Secondary data was used for this study during the pre-1970 era. OLS was used in analyzing the data. The OLS findings revealed that rubber export was influenced significantly by domestic rubber production, producer price, exchange rate, domestic consumption and interest rate. For cocoa, the OLS showed that cocoa output, domestic consumption and rainfall significantly influence cocoa export.
Anderson, et al. (2003) estimated the likely changes in agricultural and other product prices as a result of the WTO access to examine empirically the factor reward implication of China’s succession. The results suggested that farm-nonfarm and western-eastern income inequality may well rise in China but rural-urban income inequality need not.

Ahmad and Hanhirun (1996) studied the co-integration and causality between the exports and economic growth in Argentina. They found that there is no statistical evidence of a long-term relationship from exports to economic growth in the ASEAN region. The findings from causality tests also supported the conclusion that it is domestic economic growth that causes exports to grow in all member countries of the ASEAN, rather than growth being export-led.

Bustaman and Jayanthakumar (2006) examined the long term and short term effects of exchange rate volatility on Indonesian exports to the US. They used monthly data from the years 1997–2005. Using ARDL model, the results from estimation of correlation showed that there were significantly both negative and positive coefficients among columns of goods. However, in the long term exchange rate high volatilities will cause higher costs and lower foreign trade. The gross effect of exchange rate uncertainty and instability on production and export depend on the degree of exporters risk taking ability.

Bashir (2003) studied the impacts of economic reforms and trade liberalization on agricultural export performance in Pakistan. The author suggested that the agricultural export performance is more sensitive to the
domestic factors, which changes due to economic reforms. In otherworld, agricultural export supply is more influenced by domestic than international reform.

**Chand (2006)** explored the international trade and food security as response to the WTO in South Asian countries. The study explained that agriculture contributes substantially to output and employment in South Asian countries, therefore any change like trade liberalization, that impact on agriculture sector has widespread ramifications in terms of employment, nutrition and livelihood and food security. The study concluded that the WTO caused serious concern to the performance of agriculture sector and food security mainly caused by increased dependence on food imports and deterioration in self-reliance in agriculture in post-WTO period.

**Edwin Muchapondwa (2009)** estimated the supply response of agriculture in Zimbabwean during 1970–1999. This paper uses data that spans different pricing regimes to estimate the aggregate agricultural supply response to price and non-price factors in Zimbabwe. ARDL approach and co-integration methods are employed to give consistent estimates of supply response in the presence of regressor endogeneity and also permits the estimation of distinct estimates of both long-run and short-run elasticities when exogenous variables are not integrated of the same order. The results confirmed that agricultural prices in Zimbabwe were endogenous and the exogenous variables were not integrated of the same order hence use of the autoregressive distributed lag approach was worthwhile. He found that a long-run price
elasticity of 0.18, confirming findings in the literature that aggregate agricultural supply response to price was inelastic. This result means that the agricultural price policy was a somewhat blunt instrument for effecting growth in aggregate agricultural supply.

**Fountas, and Berdin (1998)** used the co-integration technique and ECM in order to estimate the long run and short run relationship between exchange rate changes and Irish exports to Britain. The results of this study showed that in long run, exports was dependent on income importing countries and relative prices. Based on error correction model estimated, exchange rate changes only in short term was led to decreasing Irish exports to Britain.

**Fahimifard, S. M.  Mohaddes, S. A. Mohammadi H. and R. Keshtkar (2011)** estimated the Cobb-Douglas production function and ARDL approach for estimating the long-run function of agriculture sector value added in Iran. They also compared the forecasting performance of specified ARDL model with Neural Network Autoregressive Model with Exogenous inputs using forecasting performance criteria. The results of ARDL specification indicated that 1% increase in labor, capital and energy factors will increase Iran's agriculture sector value added 0.36, 0.23 and 0.32%, respectively. Also, the results of forecast performance criteria showed that NNARX nonlinear model forecasting performance for Iran's agriculture sector value added was better in contrast with the ARDL linear model. Therefore, according to the importance of the agriculture sector as the main alimentary source for mankind,
accurate prediction of agriculture sector value added is strongly recommended to the agriculture sector policy makers.

Gbenkmo Daniel and Khan Sunday (2002) studied the determinants of agricultural exports in Cameroon, central Africa during 1971-1996. Export supply functions were specified and estimated for the three export crops, cocoa, coffee and banana. The major finding of this study indicated that the changes in the nature of the road network positively affect the export supply of cocoa, coffee and banana. More credit to crop exporters had a significant and positive influence on the export supply of all the crops. They also showed that the rainfall’s influence on the growth of these commodities was positive, but significant only for cocoa and coffee. Finally, structural adjustment dummies showed the positive effect of export policies on the export supply of crops.

Hejhabr Kiani and Nikeqbal (2000) have analyzed the effect of exchange rate instability on agricultural products in Iran. The results of this study showed that any deviation of exchange real rate from its balanced in the long run will have a negative effect on the supply of agricultural products.

Khaled Ramadan Elbeydi, Abdalhakim Ahemd Aljdi & Abdulhamid A. Yousef (2007) estimated the supply response function of barley in Libya. In this paper, the behavior of Libyan barley market during the period 1980-2005 was studied and important factors that determine its supply were identified. In addition, the paper had considered the main aspects of current situation of barley plantation by studying the most crucial economical
factors that influence the production of barley in Libya. Therefore, the study employed ARDL Bounds testing approach to co-integration and error correction methodology. The results of the study indicated that barley area and its determinants; relative price, wheat price were co-integrated. The results also indicated that barley acreage in Libya was responsive to domestic price. This implied that price can be used as instruments to maintain favorable acreage planted.

Khalilian and Farhadi (2002) studied factors affecting the supply of Iran’s agricultural exports by using of time series analysis and integration techniques for the period of 1962-1999. Experimental results of this study showed that the GDP (as production capacity), the relative prices of exports and domestic consumption (as domestic demand) have a significant impact on the supply of agricultural exports but the effect of variable effective exchange rate on supply of agricultural exports was insignificant.

Khan et al. (1995) investigated the direction of causation between exports growth and economic growth using the granger causality test and co-integration methods. They find stable long-run two way relationship between total exports and output while one way relationship between output and primary exports. They also find the bi-directional causality between total exports growth and economic growth.

Kohansal Mohammad Reza (2010) studied the impact liberalization on agricultural export in Iran. In this study time series data during 1968-2006 was
used. Variables of this study were Agricultural export, GDP, agricultural import, real exchange rate, dummy variable (war), IIT and domestic price of agricultural product. The result showed that GDP had positive effect on agricultural export. Also result of this study showed that the trade liberalization will increase the export of agricultural product in Iran.

**Manzoor H. M, Waqar S. B. and Muhammad A. (2008)** studied the causal relationship between exports and agricultural GDP in Pakistan. Time series data for the period between 1971 and 2007 was used. There were several efforts reflecting greater interest in exploring the possible relation between the international trade and economic growth. The findings had significant implications on Pakistan’s economic policy as both the variables have shown strong long-run relationship. There was also a bi-directional Granger-causality between the total exports and agricultural GDP. However, for short-run, both the variable did not cause each other in either direction.

**Morley Samuel and Valeria Piñeiro(2004)** studied the effect of WTO and FTAA on agriculture and the rural sector in Latin America. In this study analyzed the effect on output, employment and poverty of WTO and FTAA. This study introduced international commodity price changes derived from a world model into national, CGE and micro simulation models for fifteen Latin American countries. They found that either of these two alternatives was expansionary for both output and employment in general and for agriculture in particular in most Latin American countries. WTO particularly favors the rural sector because the elimination of the producer subsidies in developed countries
causes a big increase in prices of all food commodities, especially on grains, dairy products and milk. As a result they found that in general, trade liberalization reduced skill differentials, both within the urban sector, and where they had the information, between the rural and urban unskilled. Finally, the poverty Micro simulation exercise showed that the poor were helped by either WTO or FTAA. Both versions reduced poverty and inequality, and the changes were especially significant under the WTO. Clearly the rural poor paid a fairly heavy price for the producer subsidies in developed countries.

**Mustafa, et al. (2001)** explored the WTO implications for agriculture, food security and poverty in Pakistan. The study elaborated the role of government policies that were influenced by the WTO. The policy measures mainly focused were government agriculture price policy, subsidies, credit, expenditures on agricultural research and development, corporate agricultural farming and their impact on food security and poverty. The study concluded that farming community was worse off due to the policy reforms, along with increase in poverty.

**Ngbede, Samson Ochoche, Akintola,Joseph Olatunji (2009)** analyzed the co-integration and ECM for agricultural output in Nigeria. The variables were producer price, rainfall, hectarage and fertilizer. The result indicated the existence of the one co-integrating vector at 5 percent significance’s level, thus rejecting the null hypothesis of no co-integrating vector. As a result a parsimonious ECM was set-up. The statistical significance of the error correction model for groundnut validates the existence of an equilibrium
relationship among the variables. The result therefore showed that the combined effect of producers price, hectarages, rainfall and fertilizer jointly affect the output of groundnut.

Nkang N.M., Abang S.O., Akpan O.E. and OFFEM K.J. (2006) estimated the cocoa export supply in Nigeria from 1970 to 2003. They used co-integration and ECM approach for analyzing of data. Results showed that any disequilibria away from the long-run steady state equilibrium of cocoa exports was corrected within one year. Specifically, the speed at which cocoa export supply adjusts to changes in real producer price, trading partners’ income and lagged cocoa export supply in an effort to achieve long-run static equilibrium was 78.75%. In the short-run, real cocoa producer price had significant but negative effect on cocoa export supply. However, in the long-run, the effect of real producer price on cocoa export supply was significant, positive and inelastic. Foreign income indicated a negative but non-significant effect on export supply in both the short and long-run.

Oyejide (1986) examined the effects of trade and exchange rate policies on Nigeria’s agricultural export using OLS over the period 1960-1982. He concluded that appreciation of real exchange rate adversely influences to non-oil export especially during the oil boom.

Rana Ejaz Ali Khan (2009) analyzed the Trade before and after the WTO in South Asia. Annual data during 1985-2006 by OLS was used to analyze the effect of explanatory variables on the agricultural trade volume
before and after the WTO. Variables were Volume of exports and imports as percentage of GDP, Value added by industry in GDP, Value added by Agriculture in GDP, World Income and Gross Domestic Product of countries. The result of the study showed that trade of the South Asian nations has not been increased up to the expectations that resulted in low gaining of benefits from world trade.

**Sabuhi Sabouni M. and M. Piri (2008)** considered the effect of exchange rate volatility on export price of agricultural products in Iran. In this study, the effects of short and long-run fluctuations of exchange rate were considered on Saffron export price by ARDL model. Results showed that the fluctuations of exchange rate have affected Saffron export price more than other variables under study. The effect of exchange rate and quantity of export, on export price of Saffron was positive and significant in long-run. Furthermore there was no significant relationship between export price and domestic production of Saffron. According to finding, some policies such as control and stabilization exchange rate came into sight constructive in order to increase Saffron export.

**Teweldemedhin M. Y. and Van Schalkwyk H. D. (2010)** studied the impact of trade liberalization on South African agricultural productivity. The variables related to this study were share of agricultural export in the ratio of total export, share of agricultural Import in the ratio of total import, real agricultural GDP, ratio of real imports and real exports to real GDP. The Error Correction Model of Ordinary Least Square (OLS) was used. Results showed
that the agricultural sector required support from all stakeholders to enable it to improve its contribution to the economy. Also the results showed that the share of export performance might encourage high investment growth and capital accumulation leading to better factor productivity growth.

Usman Haleem, Khalid Mushtaq, Azhar Abbas, and A. D. Sheikh (2005) estimated the supply elasticity for citrus export in Pakistan. In this study variables were domestic production, export quantity, export and domestic prices, GDP and exchange rate. Annual time series data from 1975 to 2004 were analyzed. The findings of this study showed that the export price of citrus, Exchange rate had positive relationship and domestic price of these products had negative relationship with exports supply of citrus. They also showed that the exchange rate had been important in explaining variations in citrus exports. Gross Domestic Product (GDP) of the country had a positive association for citrus exports. The overall results thus suggested that internal factors like domestic production, domestic prices, played a more important role than external factors in explaining variations in case of citrus export.

Utku Utkulu, Dilek Seymen and Aydın Arı (2004) studied the export supply and trade reform in Turkey. Annual data for the period of 1950-2000 was used In order to estimate the export supply function through co-integration and error correction analysis. The variables were total exports of agricultural products, Real Exchange Rate, Wholesale Price Index, Exports of goods, Export price index, Gross National Product (GNP) and real average annual wages per worker. Result showed that the prices, relative prices, and real
exchange rates had no significant effect on the Turkish export supply in the long run. Results of the basic model suggested that the Turkish export supply has been significantly driven by variable cost especially real wages.

Wong Swee Kiong, Khalid Abdul Rahim and Mad Nasir Shamsudin (2010) studied the long-run determinants of export supply of Sarawak black and white pepper in Malaysia. This paper explored and compared the long-run determinants of both black and white pepper in Malaysia by using ARDL Model. The paper concluded by providing some policy recommendations to Malaysian government to continue making Malaysia as one of the top pepper exporting countries in the international arena.

Zulfiqar Bashir (2003) analyzed the impacts of economic reforms and trade liberalization on agricultural export performance in Pakistan. Annual data during 1961 – 2000 by the co-integration analysis was used. The results indicated that the effects of economic reforms trade liberalization policies on agricultural exports performance seem to be lagged in the case of Pakistan and relatively modest. The main empirical finding of their analysis was that the export diversification and openness played a key role in agricultural export performance.

2.3 Studies pertaining to growth of agricultural export in India:

There are few studies, which have tried in recent past to analyze the trend and pattern of India’s international agricultural trade. Some important studies are mentioned as follows:
Goldar, B., D. Pratap, et al. (2012) studied the Impact of Tariff Reduction according to Doha Modalities on India’s Trade of Agricultural Products. The trade data considered for the analyses relates to 2006-2009. Demand function was used for calculation of partial elasticities. The estimates indicated that the reductions in agricultural tariff rates will lead to an increase in India’s imports of agricultural products by about 1%. An increase in its exports of agricultural products to the US and US markets by about 2% to 4%.

Chand (2005) investigated India’s agro export performance and competitiveness in changed international scenario. Policy of reducing controls over exports and exchange rate adjustments boosted growth of farm exports. Study concluded that despite several odds such as TBT-SPS issues and domestic infrastructural bottlenecks, in the new international trade environment India performed much better in exporting horticultural, livestock, and processed products whose demand is more elastic. India has an advantage and potential for promoting exports of rice, groundnut, soybean, cotton, and sugar, but it is in a disadvantageous position to compete and benefit from wheat. Domestic factors such as improvement in efficiency which includes reduction in production cost as well as other costs and processes which reflect into price like cost of marketing, cost of transport and cost of processing, are key to improve export performance.

Chakraborty et al., (2005) compared the recent Indian export performance with that of China and attempted to analyze the situation through various features of Indian export basket, namely competitiveness,
diversification trends and instability and examined the recent stance adopted by India at WTO. Results of the study reveal that while diversification of the export basket has slightly been increased, the instability index is quite insignificant for a number of commodity groups at major export destinations. Besides the competitiveness, the number of product groups has declined in post WTO phase.

Deepak Nayyar (1994) analyzed the impact of trade policy reform and multilateral trade liberalization internationally in Indian agriculture. The rationale and structure of India's trade policy regime for agriculture over the last three decades are outlined to highlight the fundamental departures implicit in the recent trade policy reform. This study was followed by discussion of the significance of the agricultural sector in India's economy and foreign trade on the one hand and the importance of Indian agriculture in world output and trade on the other and comparison of domestic and world prices for selected agricultural products. The analysis was developed further to cover the implications and consequences of trade policy reform in India for the agricultural sector in particular and the economy in general. Shifting attention to the international context, the status of trade in agriculture in the multilateral trading system so far is outlined to bring out the fundamental departures contemplated in the Uruguay Round and their possible implications for the agricultural sector and the economy in India were examined.
Dass (1991) studied the coffee exports in India. The aims of this study were including determination of effective factors on coffee exports, measuring growth rate of coffee exports and effective factors on it. The results of this study showed that domestic product has a positive and significant effect on product export but the actual increase in exports and pure national income per capita leads to decreasing volume of coffee exports during (1972-1986) in India.

Kathuria (1996) examined the impact of recent policy changes on India's exports with special reference to export incentives during pre and post reforms periods. Since July 1991, there have been dramatic changes in the trade policy regime in India. The objective of these reforms has been to enhance export performance by improving export incentives and eliminating discretionary controls. By means of a simple model, this paper sets out to examine whether export incentives actually improved as a result of the policy changes. The model is divided into two parts: one compares (EP) across regimes, and the other compares the gap between domestic and export profitability across regimes. The export basket is divided into eight sub-sectors, and the model applied to each of those sectors. Several sets of simulation exercises have been performed. The dominant results are that relative to export profitability in the pre-July 1991 period, EP declined in the dual exchange rate regime (March 1992-February 1993) for most export sectors. The gap between domestic and export profitability also increased in this period, meaning that domestic sales became even more attractive relative to export sales than they
already were. This adverse movement in export incentives was reversed with the unification of the exchange rate in March 1993.

**Kishor Sharma (2004)** studied the relationship between export growth and FDI in India. Annual data during 1970-1998 was used. He investigated the determinants of export performance in India in a simultaneous equation framework. Results suggested that demand for Indian exports increased when its export prices fall in relation to world prices. Furthermore, the real appreciation of the rupee adversely affects India's exports. Export supply was positively related to the domestic relative price of exports and higher domestic demand reduces export supply. Foreign investment appears to have statistically no significant impact on export performance although the coefficient of FDI has a positive sign.

**Karnool, N. N. and et al. (2007)** studied the impact of WTO on Groundnut in Karnataka, India. The data was annual data from 1985-86 to 2004-05. Techniques used for the analysis was growth functions. The study revealed that the growth of groundnut export from India has been impressive during the pre-WTO period. But, it declined substantially during the post WTO period.

**Nagoor B.H. (2009)** examined the performance of India’s tea exports and identified the underlying factors. Prospects of India’s tea exports were also discussed. Comparison was also made with the other major tea exporting countries. This study also looked at Tea exports and production response in
major tea exporting countries under the WTO regime. He found that the India’s export performance of tea from 1981 to 2004 showed that, the percentage share of India’s tea export in total agricultural exports has declined drastically. During 1981-90 the share was 20.16 per cent, declined to 5.78 in 2001-04. The export of tea in post liberalization and post- WTO period has not benefited the Indian tea economy. The export of tea in major exporting countries\textsuperscript{1} had not benefited economically in both periods 1986-95 and 1995-04. Increase in global supply of tea, decline in import by major developed countries of the world and price war between major exporting countries were responsible for poor export performance of tea in these countries.

\textbf{Nanda and Raikhy (2003)} examined the implications of Environmental and Labour Standards in WTO context for India’s textile exports on the basis of a painstaking analysis of the changing composition and direction of India’s trade in textile and ready-made garments. They discover that reduced off-take by Germany, Netherlands and other European countries very largely owes itself to strict environmental and labour standards imposed by them. Study found that the developed countries still remain the major destination for India’s textile exports and imposition of strict environmental and labor standards is a cause of worry for India's textile exports. A number of suggestions, most notably the needed precaution for the use of industrial chemicals, are made to ward off restrictions that are likely to follow from the U.S.A and many other European countries.

\footnote{Include Srilanka, Kenya, China, Indonesia and India}
Narayanan and Reddy (1992), studied behavior of net export supply function for dominant agricultural commodities in India. They used time series data during 1960-1986 published by FAO. The results showed that India does import substitution policies instead of export encourage and also states that domestic factors such as production and domestic price had an important effect on export changes.

Nabi T. and Dhami J. K. (2013) have analyzed the Analysis of India’s Agriculture Export Performance in Pre and Post WTO Regime using descriptive statistics. The result showed that the annual growth of exports increased to 9.5 per cent during post-WTO period on an average as compared to -2.8 per cent during pre-WTO period. Moreover, exports index at base 1994-95 also increased to 98.0 per cent during post-WTO period on an average. The finding also revealed that the impact of WTO on India’s primary product export performance was positive.

Nalini Ranjan Kumar, B.P. Singh, S.M. Paul Khurana and N.K. Pandey (2005) analyzed the impact of WTO on potato export from India. The secondary data on export of potatoes during 1988 to 2001 were obtained from the web-site of FAO. This study used before and after approach to analyze the impact of WTO on export performance of Indian potatoes. Compound growth rates were estimated using the logarithmic function for comparing potato export pre and post WTO. liberalization of Indian economy and establishment of WTO it was expected that the WTO regime would increase the price level in
the international market due to implementation of proposed heavy cut in agricultural subsidies by the developed countries and hence the export of potatoes from India may get a boost. The study has indicated a declining export competitiveness of Indian potatoes in the post-WTO era, which required immediate attention of policymakers as well as researchers in India to improve the export competitiveness by increasing the productivity and decreasing the cost of production. The findings of this study showed that the Frozen-potatoes export from India had depicted competitiveness in the post-WTO era.

Ramesh Chand (2004) studied the impact of trade liberalization and related reforms on agricultural sector, rural food security, income and poverty in India during pre and post WTO reforms. He found that the agricultural exports have been adversely affected and imports have seen fast growth after WTO. He also found there was modest increase in per capita income of farm and labor households during reforms, contributed more by non farm incomes than farm incomes. There was also significant reduction in poverty. However, household food security and nutrition have worsened during reforms, the reason for which have seen to be high growth in prices of cereals caused due to government policy to give substantial hikes to cereal prices during reforms.

Rampratap Singh (2010) studied the impact of WTO on the Indian agricultural system. Appropriate kinked model was used to measure the growth rates. Kinked model that imposes linear restriction, so as to eliminate discontinuity between sub-periods, provided a superior basis for comparisons
of sub-periods growth rates. The AOA under WTO places emphasis on export as an instrument of growth. However, the share of agricultural export from India declined over the years, though the decline in import was much steeper than export indicating favorable terms of trade for India. Developing countries face threats from developed markets in the form of non-trade barriers like SPS Measures and TBT. Among the domestic factors that continue to hamper the export growth of India were infrastructural constrains, high transaction cost, erratic climatic conditions, policies relating to production, distribution etc. Out of the essential commodities, the fall in export was observed in milled paddy rice, cotton lint, wheat, sugar etc. Agricultural Export in India under the WTO regime focused on its growth and instability.

Sekhar (2003) analyzed the likely implications of agricultural trade liberalization for the rice sector in India with a special focus on determining the role of major exporters in world rice market. The results indicated that the world markets for rice are mainly influenced by reduction in income levels in the major importing countries. Demand functions showed high elasticity with respect to Indian exports prices relative to that of Thailand and Pakistan.

Shinoj p. and V.C Mathur (2008) analyzed the comparative advantage of India’s major in agricultural exports vis-à-vis Asia during 1991-2004. They used RCA. RCA is a measure of international trade specialization. It identifies the comparative advantage or disadvantage a country has for a commodity with respect to another country or group of countries. Recent developments in the international trade scenario and corresponding alterations in India’s foreign
trade policies have depicted far reaching implications for India’s agricultural sector in general and agricultural exports in particular. The result of this study showed that in exports of certain commodities like cashew and oil meals, India has been able to maintain its comparative advantage, but several others like tea, coffee, spices, marine products, etc. have been negatively affected. India has been found losing out its comparative advantage in export of some of the agricultural commodities to other Asian competitors during the period after economic reforms.

**Tomas s. and sheikh w. (2011)** have analyzed the growth and composition of Indian agricultural exports during 1991-2010. The compound annual growth rate and percentage share in total export of India as well as Gross Domestic Product. The study also examined the changing dynamics of the contribution of individual group of commodities in the basket of agricultural export. The result showed that the ratio of Indian agricultural export to that of non-agricultural export has increased during the study period. The result also revealed that the Growth of percentage share of each of the commodity groups indicates improvement for all except tea and coffee which has negative growth.

**Verma (2001)** have given a brief pre and post-Uruguay Round history of textile and clothing sector exports in particular. Product group wise differences between applied and bound tariff rates in developed against the developing economies are brought out in brief. The study found the positive impact of WTO agreement on Indian textile and clothing industry. Again, the
formation of CU and FTA (i.e. NAFTA, CBI, Sub Saharan African Region, etc.) has adverse effect on textile exports’ rather than the newly emerging non tariff measures.

2.4 Summary

This chapter provides an overview of growth of agricultural exports across the countries and different methods used to calculate the export supply function of agricultural products. The review has found that the literature has employed advanced time series econometric approaches in export supply analysis.

Combing all the studies done these far, empirical results suggest that there is no statistical evidence of long term relationship from export to economic growth but domestic economic growth causes to grow in the long term. In the long term exchange rate, high volatilities will cause higher costs and lower foreign trade. The agricultural export performance is more sensitive to the domestic growth.

The next chapter will be focusing on the quantitative components of this study where the study shall apply econometric techniques to analyze the variables that are supposed to be the driving forces behind agricultural exports in India.