

Export competitiveness of India and UAE in Horticulture sector with respect to Balassa Index

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Abstract

India is one of major producer and exporter of agriculture and processed food items in the world. UAE is India's third largest trading partner from past many years. UAE has provided huge market for Indian agriculture goods more particular horticulture products of India are high in demand not only in UAE but in the whole Middle East region also. The present study throws light on export competitiveness of India and UAE for the year 2019. India-UAE bilateral trade in visible goods has gained momentum during 1990's. Both the countries are the founder member of World Trade Organization. In this study export competitiveness of coconut, Brazilian nuts, cashew, Tea, nutmeg, cardamom, potato, onion and garlic is determined through BRCA which is similar to RCA. RCA index was first introduced by Balassa in 1965 that's why it is also known as Balassa index. Export performance of India and UAE is found to be satisfactory in the world market. Among all the goods India is highly competitive in the export of tea at global level.

Keywords: Revealed comparative advantage (RCA), Balassa index, Export competitiveness, horticulture.

Introduction

The present study throws light on export competitiveness of India and UAE for the year 2019. India-UAE bilateral trade in visible goods has gained momentum during 1990's. Both the countries are the founder member of World Trade Organization. Since then it has been showing a continuous rise in their bilateral trade. From the financial year 2012-13 there has been a slight decline in the total bilateral trade between these two countries. One of the major commodity among agriculture goods that has been exported to UAE from India is Rice (particularly Basmati Rice). Besides that fresh and dried Indian vegetables and various fruits have established huge market in UAE. Fruits, vegetables, flower, seeds, spices, tea and coffee fall under Horticulture products. Therefore, in this study five major horticulture products have been taken to analyze their comparative advantage in global market through RCA index. RCA refers to Relative comparative advantage index composed by Balassa in 1965 (Balassa 1965). There is huge literature available on RCA indice. Shahzad (2015), Batra and Khan

(2005), Chanadaran (2012), Utkulu (2004), Brakman (2015) and Leromain (2014) are various studies that are based on RCA index. There are very rare studies available on India - UAE trade by using RCA.

A high correlation between Trade and economic growth has been advocated by various researchers and academicians such as Kowalski (2010). India and UAE both are emerging economies although UAE is the fastest growing economy of Middle East region. Indian products have conquered substantial size market in UAE. More particularly diamonds and agriculture products (fresh and processed) of India are high in demand (Ministry of Commerce). Agriculture sector has been considered as the Indian economy's backbone. Similarly UAE's economy is highly dependent or backed up by the revenue from Oil sector. Horticulture sector is a part of agriculture. Following are a few Indian horticulture commodities that are in high demand in UAE.

Objectives – objective of the study is to determine the major horticulture exporting commodities of India to UAE.

Other objective of the study is to examine the comparative advantage of India and UAE in the world market in some selected goods during 2019.

Methodology

In this study BRCA has been taken as the tool for examining comparative advantage of India and UAE in the selected horticulture goods in the global market. BRCA is similar to RCA, it ranges from zero to infinity (Imran et al 2017). Value of the index less than one signifies comparative disadvantage at world market. Value of the index more than one indicates comparative advantage in that particular good or sector or industry at global level. The index is applied to the year 2019 only. The formula is given below:

BRCA- Bilateral relative comparative advantage

$$BRCA = X_{ij}^k / X_{ij} / X_{wj}^k / X_{wj}$$

k stands for commodity say, potato, tea coconut etc.

X_{ij}^k refers to exports of k commodity from country i to j

X_{ij} refers to total exports of country i to j.

X_{wj}^k indicates total world export of good k to country j.

X_{wj} indicates total world exports to country j

Important horticulture exports of India

National Horticulture Mission was launched in 2005-06 in India for promoting the production and growth of these products. For the promotion of exports of horticulture based products special economic zones established in India (Tanhoda). By recognizing the importance of horticulture sector government has started to take initiatives for expanding the growth of the sector and to reap maximum benefit from it. Today India is one of pivotal producer of horticulture goods. Presently UAE is the third largest trade partner of India, with a substantial share of horticulture goods. Following table reflecting the important horticulture products of India which are being exported to UAE during 2019-20.

Table:1 Prominent Horticulture exports of India to UAE during 2019-20
Values in million US\$

Numbers	Main Horticulture Commodities	Exports to UAE during 2019-20
1	Onion,garlic	43.03
2	Potato fresh and dry	1.31
3	Tomato fresh and dry	8.67
4	Coconut, brazil nuts, cashew	132.23
5	Tea	40.19
6	Nutmeg, cardomoms	27.77
7	Grapes fresh and dry	17.90
8	Seeds (cumin,coriander,fennel)	24.56
9	Ginger,Safforn, Turmeric,Bay leaves	23.84
10	Banana fresh and dry	19.71

Source: Ministry of Commerce, GOI

From the above table it is clear that coconut and related products are the most demanding horticulture with an amount of US\$132.23 million from India to UAE. But besides Coconut it also consists of Brazilian nuts, Cashew. Therefore Tea is the only horticulture item in the above table that has highest exports to UAE during 2019-20 valued at US\$ 40.19 million. Therefore, after recognizing the importance of horticulture exports to UAE, present article attempts to examine the export competitiveness of India in the global market, the competitiveness has been compared with UAE for the same goods. In the following table selected goods along with their HS code are mentioned. The most intense exported item from India to UAE among the following remained Coconut and nuts. Onion garlic is the second major horticulture export of India to UAE during 2019. India is known for its spices and tea flavours, accordingly Nutmeg cardamom and tea are the other significant exports of India to UAE. Least demand has been observed for potatoes. Similarly, UAE's major export to India is nutmeg for the year 2019. And the least exporting item for the same year for the same country remained potatoes.

Table:2 Selected horticulture exports of India and UAE during 2019.
Values in thousand US\$

Commodity (HS code)	India's exports to UAE	UAE's exports to India
Potato (0701)	794	262
Onion, garlic (0703)	50785	7549
Coconut, Brazilnuts, cashew (0801)	129068	590
Nutmeg, Cardamom (0910)	25972	28843
Tea (0902)	41768	1141

Source: ITC

Results and Interpretation

BRCA (Bilateral relative comparative advantage) index that has been calculated for potato, coconut-Brazilian nuts-cashews, onion-garlic, nutmeg-cardamom, and tea at HS code two for the year 2019. The value and results of BRCA have similar interpretation as of RCA index. The data is extracted from trade statistics for international business development, ITC. The value of BRCA (given in table 3) for India comes out as greater than one for onion, coconut, nutmeg and tea. However, for potato it remained less than one. It can be interpreted as India has relative comparative advantage in the production and exports of onion, coconut, nutmeg and tea in the global market. While in case of potato India is having comparative disadvantage. As far as UAE is concerned, it has relative comparative advantage in potato, onion and nutmeg. It is clear from the analysis that UAE has comparative disadvantage in tea and coconut at global level. UAE has high comparative advantage in exporting potatoes. Both countries that is India and UAE are competitive players in the global market due to their respective comparative advantages. India has great comparative advantage in tea while UAE has disadvantage in tea. India is one major producer, consumer and exporter of tea. UAE is the major market for Indian tea, one of the most possible reason for such huge demand in UAE for Indian agriculture or horticulture products is the presence of substantial Indian migrants in UAE.

Table:3 RCA values for India and UAE for the year 2019

Commodity	RCA India	RCA UAE
Potato (0701)	0.11	53
Onion, garlic (0703)	3.3	6.1
Coconut, Brazilnuts, cashew (0801)	7.1	0.01
Nutmeg, cardamom (0910)	1.7	10

Source: compiled by author

Conclusion

The article attempts to create a clear picture of Horticulture exports of India to UAE. By the means of BRCA it has also determine export competitiveness of Indian and UAE's a few horticulture goods in the global market. Analysis suggests that two countries- India and UAE performed well during 2019. Both countries have comparative advantage in onion, garlic, nutmeg, cardamom. Moreover, UAE have immense advantage in potato at global level, It is interesting to know that in the same product (potato) India has comparative disadvantage in the world market. Against this in the international market India has comparative advantage in coconut, Brazilian nuts, cashew and tea. While, UAE has comparative disadvantage in same commodities. It is observed that India has scope of expanding its horticulture exports to UAE and to global market. Although the scale of the study is very small but it proved useful in determining export competitiveness of horticulture goods in India and UAE in the global markets. The future scope of the study is that export competitiveness can be determine for large scale of goods along with longer period of time that is time series data. Further this article can be a little useful for policy makers while framing policy regarding horticulture exports.

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