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IMPACT OF THE INDIA SRI LANKA FREE TRADE AGREEMENT ON PEPPER TRADE IN KERALA

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Abstract

From ancient times Kerala has had a special place in world trade in pepper. Kerala's pepper trade with the outside world went through the stages of (i) merchant capitalism of Europe, (ii) industrial capitalism in Europe and (iii) globalisation and international trade agreements around the end of the 20th century. The India-Sri Lanka Free Trade Agreement, made under the influence of globalisation, gave enough concessions to traders in India and Sri Lanka to expand trade in pepper between the two countries. A possible impact of this surge in international trade in pepper was the sharp fall in the farm price of pepper in Kerala (the main pepper producing state in India). Fall in pepper price, low yield because of crop destruction and higher cost of production forced some of the pepper farmers into indebtedness and out of pepper cultivation. In view of the strong possibility of international trade agreements under globalisation having adverse impact on farmers, it is necessary that the government should have a suitable policy to protect the interests of farmers, when such agreements are made.

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Kerala had been on the world trade map for generations. One of the main commodities that attracted the world traders to Kerala was pepper. International traders from early times had come to the Kerala coast in search of pepper. Pepper trade with the Kerala coast that started in the pre-colonial era was continued through the colonial times into the post-independence period. During the second half of the 20th century India became an important pepper exporting country in the world. The process of globalisation, that affected the world economy in different ways by the close of the 20th century, has had its impact in India's trade with outside world. Under the force of globalisation India signed trade agreements with other countries that affected import and export. Pepper was one of the commodities that came under the trade agreements. Kerala accounts for over 90 per cent of India's pepper production. It meant that India's pepper trade under the agreements, prompted by globalisation, had its impact on pepper economy of Kerala during the post-trade agreement period. This paper discusses pepper trade in Kerala against this background. The paper starts with a brief historical account of pepper trade in Kerala. Then it mentions the process of globalisation and one of the ensuing trade agreements, namely the India Sri Lanka Free Trade Agreement (ISFTA). Thereafter, the paper discusses the impact of the ISFTA on pepper trade in India, which in effect meant pepper economy in Kerala.

PEPPER TRADE IN KERALA

From time immemorial the agricultural economy of Kerala enjoyed a marvellous place not only in the sub-continent of India but also all over the world due to the presence of pepper. Pepper is one of the most important as well as the oldest spices in the world. Pepper was known as *peperi* in Greek, *piper* in Latin, and *pippali* in Sanskrit. Piper nigrum (or black pepper) is a native brand of the Malabar coast of Kerala that attracted traders from several countries including those of Europe, Africa and West Asia from early times. Since then pepper trade in Kerala has gone through different stages. Three broad periods can be identified – of (i) merchant capitalism of Europe, (ii) industrial capitalism of Europe and (iii) globalisation and trade agreements.

Merchant Capitalism of Europe

The first phase in the modern history of the agrarian economy of Kerala coincided with the period of merchant capitalism of the West, roughly between the sixteenth and eighteenth centuries. During this period, crops like pepper, ginger, cardamom and cinnamon were procured by European merchants from Kerala, of course, with the political and military patronage of the metropolis and sold in different parts of the world. The grip of the merchant capital of Europe over the Malabar (northern region of Kerala) coast lasted during the periods of the Portuguese, Dutch and French, and part of the British supremacy in the region.

Malabar as source of precious spices, especially pepper, was known all over the world from the very early times. Traders from distant lands used to come to this part of India for trade in pepper and other spices. The Portuguese explorer Vasco da Gama arrived at Kozhikode (Calicut) on the Malabar coast of Kerala in 1498. When he along with his fellow Portuguese citizens set foot on the shore of Kozhikode, an Arab trader who was there in the Kerala coast asked them in no courteous manner: “what devil has brought you here?” They replied that their king had sent them to get pepper (Menon 1937).

The Portuguese played a dual role in the agrarian economy of Kerala - one negative and the other positive from the point of view of Kerala. By displacing the Arabs from the Malabar coast, they monopolised trade in the spices of Kerala. In the process they extracted much of the region’s agricultural ‘surplus value’ through ‘unequal trade’ relations (Emmanuel 1972) and direct plunder. Their monopoly of spice trade in Europe netted them fabulous profits ranging from 800 to 1000 per cent on the capital invested (Chicherov 1971). On the positive side, the shift in the world demand for pepper and other spices of Kerala induced the Portuguese to introduce improvements in the mode of spice cultivation in Kerala (Panikker 1929). They encouraged a much more systematic and scientific way of farming cash crops compared to what the farmers of Kerala had hitherto practised. At the same time it led to a change in the economic balance between food and cash crops which still persists (Cock 1967). The Portuguese also introduced in Kerala a number of new crops like cashew nut, tobacco, tapioca, pineapple and papaya. They were responsible for converting coconut cultivation from food to cash crop. Trade in spices of Kerala enriched Portugal. Inspired by this unusual Portuguese gain, other European countries also started to come to Kerala for similar trade.

The second European country to establish power in Kerala was the Netherlands. In course of time the Dutch drove out the Portuguese from the Kerala coast. From the point of view of the agrarian history of Kerala, the Dutch should be remembered for their innovation of plantation type of agriculture in this region. They promoted a number of plantations in coconut and other crops and did much to improve the cultivation of these crops. The Dutch were the first to initiate commercialisation of indigo cultivation in Kerala. But they could not remain longer in this region due to the rivalry of the British and the French. Finally the British succeeded in driving out the other Europeans from not only Kerala but also the rest of India, and India became a true colony of the British.

Industrial Capitalism in Europe

British control of the trade in Kerala coincided with the transformation of capitalism from mercantile to industrial. During the mercantile phase spices and textiles were bought and sold as final commodities by the British. But as industrial capitalism emerged in Britain, Kerala was conditioned to provide raw materials for the emerging British industries and also to buy their manufactured goods. In the phase of monopoly capitalism, British industrial capital as well as finance capital penetrated into different parts of India, including Kerala.

We may discern two types of agrarian changes during the latter half of British colonialism and imperialism in Kerala. One is the introduction and commercialisation of a number of new industrial crops like coffee, cocoa, cinchona, tea, oil palm and rubber. The second type of change during the period of imperialism was the transfer of British capital into Kerala for starting a number of plantation enterprises. Buchanan (1934) correctly observes that “leadership in planting has been taken mainly by the Europeans, often with large joint stock companies registered in London.” In her study Devi (1989) has shown how the surrender of political supremacy of the erstwhile princely state of Travancore (the southern region of the present Kerala) to British since the Treaty of 1805 (by which the Maharaja of Travancore agreed to accept the advice of the British government when offered) helped acceleration of cash crop cultivation in the state in order to cater to British economic interests. The British fully tapped the resources of the virgin forest soil of Travancore, Kochi (another princely state under the British and presently part of Kerala) and Malabar by exploiting the cheap labour from these regions and Tamil Nadu.

Profitability of European owned plantations in course of time encouraged investment of indigenous capital in this type of agrarian activity. Most of the native plantation owners of Kerala, who ventured into this enterprise, were formerly somehow connected with the European planters. Members from the Syrian Christian community were the pioneering native planters (Back 1997). With the emergence of this plantation system, an economic dualism of a ‘modern’ agrarian sub-sector coexisting with the ‘traditional’ sub-sector of agriculture, became a conspicuous feature of the agrarian economy of Kerala. The former was a well organised, capital intensive and wage labour using plantation type of cash crops like coffee, cardamom, tea and rubber, while the latter represented subsistence agriculture of mainly food crops like paddy, tapioca, banana and vegetable.

The above discussion on pepper and related trade in Kerala during the pre-colonial and colonial period has shown how the initial trade in spices especially pepper carried on by the Arabs got transformed under the European capitalism and British colonialism. As they established their trade in Kerala, initially with the spices, the European traders and colonisers expanded their trade to products other than spices and finally engaged themselves in large scale cultivation of all types of profitable cash crops. As a result pepper lost the traditional prime position in trade and became one of the cash crops traded out from Kerala, although Kerala remained the prime producer of pepper in the country.

The system of production and trade of commercial crops that was developed in Kerala during the colonial period continued into the post-independence period. The government of India encouraged the system as it promoted international trade. However, the post-independence period also witnessed neo-colonialism in the form of the increasing presence of multi-national corporations and expansion of foreign investments. By the close of the 20th century the process of neo-colonialism led to what is called globalisation which significantly affected foreign trade, including pepper trade in Kerala, which continued to be the largest producer of pepper in India and maintained its attraction among international pepper traders for the quality of the product.

Globalisation and Trade Agreements

The term globalisation was first introduced into business literature by Levitt (1983) in an article published in Harvard Business Review. Since then it has assumed wider currency. Now one hardly comes across a social discourse without the mention of globalisation. However, there is no unanimously accepted definition of globalisation. There are multiple views. Some consider it as the ushering in of a new global order. To some others, it is imperialism under a new garb. We review globalisation from three perspectives: (i) as a programme/project, (ii) as an ideology and (iii) as a process. As a programme, it is the creation of transnational corporations (TNCs) that want maximum freedom of operation all over the world. They want the regional and national economies to be integrated with the world economy through neo-liberal programmes. 'Market' is being identified as the core vehicle for this integration. So, for them globalisation is 'marketisation' on a global scale. Privatisation and liberalisation are prescribed to facilitate 'global marketisation.' Globalisation as an ideology bears 'neo-liberalism' which promotes a set of coherent beliefs, views and ideas legitimising global capitalism. The neo-liberal creed may be summed up in three beliefs: (a) belief in private property, (b) belief in market laws and (c) belief in free enterprise and free trade. Globalisation as a process is the subjugation of the world's economy to capitalist transformation that has been happening for the last five hundred years. Global economy reached the new phase of 'globalisation' through various stages of transition. Thus globalisation is characterised by aggressive pursuit of capitalism or global markertisation by TNCs under the ideology of privatisation and liberalisation. It can be viewed as economic neo-colonialism at the global level, particularly of the third world countries.

There is no country which has not experienced the impact of globalisation. Its impact is greater in the third world countries. They have been forced to entering into different kinds of trade agreements, such as the General Agreement on Tariff and Trade (GATT), a forum to promote free trade in manufactured goods and the World Trade Organisation (WTO), a full fledged institution with immense power to monitor globalisation (Kurian 1998). The third world countries like India have been pressurised to join this ordeal of globalisation. Under the influence of globalisation India has signed regional trade agreements (RTAs). The growth of RTAs has been one of the major developments in the global trade system in recent years.

Under the impact of globalisation India started initiating a number of neo-liberal economic policies since the early 1980s. These policies were sharpened in the 1990s with the introduction of the so-called new economic policy. It was believed that legitimisation of trade liberalisation would lead to economic growth, benefiting all. In the mid 1990s, India initiated a series of negotiations for RTAs. India has been a late starter in this regard and by 2010 only two RTAs have been in operation, namely the India Sri Lanka FTA (ISFTA) that became operational by March 2000 and the IAFTA or the India ASEAN FTA (between India and the countries of the Association of Southeast Asian Nations) that came into operation in January 2010.

India Sri Lanka Free Trade Agreement

India and Sri Lanka have had a long relationship which is reported to be more than 2500 years old. Both the countries share a legacy of intellectual, cultural, religious and linguistic interaction. In recent years, the relationship has been marked by the contacts at the political level, growing trade and investment, cooperation in the fields of education, culture and defence, as well as a broad understanding on major issues of international interest. As far as trade is concerned, there is a significant growth in trade between India and Sri Lanka. The ISFTA, which was signed in 1998 and became operational in 2000, has been an important step in furthering trade and investment between the countries (Orland 2008). Under the IFSTA tariff on several items of import and export between India and Sri Lanka was totally removed or substantially reduced (Government of India 2010a; Kelegama and Mukherji 2007; Yatawara 2007). As a result, there has been a surge in import and export between the two countries.

The ISFTA is reportedly working with some credibility and shows how bilateral cooperation can lead to regional cooperation. Being the first of its kind in the south Asian region, it has had several implications. Some of the recent studies have focused on the impact of the ISFTA on agriculture and trade (Joshi 2010; Kelegama and Mukherji 2007; Yatawara 2007). However, enough attention has not been given to the study of commodity-wise impact of the ISFTA. While analysing this FTA, it was observed that it would have a significant impact on agricultural commodities like pepper and other spices. It would mean that under the ISFTA import and export of pepper between India and Sri Lanka would take different course.

There is no consensus among scholars on the possible impact of globalisation. Some point out that the negative impact of globalisation belies the claims of its advantages to the modern society (Stiglitz 2006). It would be interesting to look into the impact of the ISFTA, which emerged as a product of globalisation. Going beyond the increase in trade, it needs to be seen to what extent and in what from the enhanced trade in agricultural products affected farmers who are the producers of agricultural commodities. We discuss this issue with reference to pepper, which is one of the items of export and import under the ISFTA. As Kerala is the main producer of pepper in India, the impact of ISFTA on pepper trade in India can be viewed as the impact on pepper economy in Kerala.

IMPACT OF ISFTA ON PEPPER TRADE

The ISFTA was expected to boost import-export trade between India and Sri Lanka. In fact there has been a surge in the India-Sri Lanka trade as a whole since the ISFTA became operational in 2000. The data in table 1 show that India's total export to Sri Lanka was worth US$ 640.14 million in 2000-01 and US$ 2830.43 million in 2007-08 – that is, an increase by more than 4 times during the seven year period after the ISFTA. Similarly, the value of India's total import from Sri Lanka increased from US$ 45.01 million in 2000-01 to US$ 634.96 million in 2007-08, which was over 14 times during this period.

Table 1
India's Total Trade with Sri Lanka during 2000-01 and 2007-08
(Value in Million US Dollars)

Year	Export to Sri Lanka	Import from Sri Lanka
2000-01	640.14	45.01
2001-02	630.89	67.38
2002-03	920.98	90.83
2003-04	1319.20	194.74
2004-05	1413.18	378.40
2005-06	2024.67	577.70
2006-07	2258.30	470.33
2007-08	2830.43	634.96

Source: Government of India 2010b

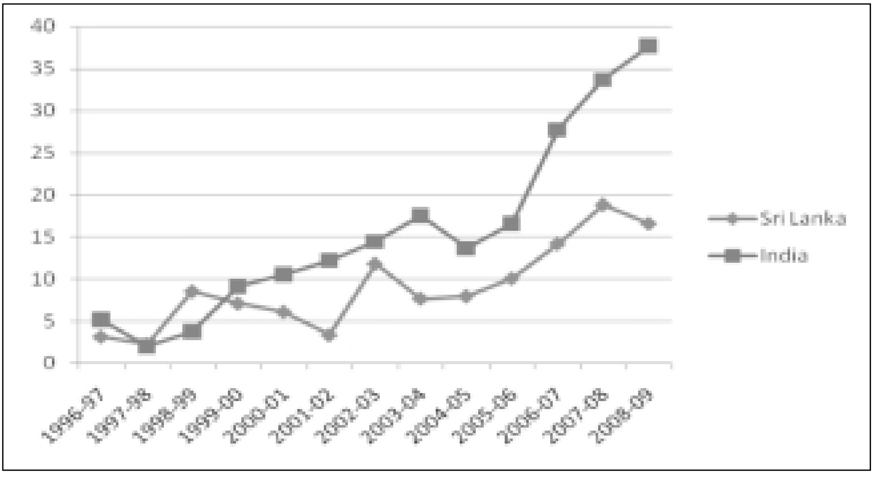
The ISFTA has had its impact on pepper trade in particular between the two countries. Two types of impact of the ISFTA on pepper trade are considered here. The first is on the import and export of pepper between India and Sri Lanka. This, of course, was the immediate and direct consequence of the IFSTA. The second may be viewed as the indirect impact, the result of the increased export and import of pepper on the pepper farmers in Kerala, the pepper producing state in India.

Pepper Trade between India and Sri Lanka

The obvious impact of the IFSTA is the increase in the volume of trade in pepper between India and Sri Lanka. Both are traditionally pepper exporting countries. Exporters and importers had their speculation in pepper trade and grabbed the opportunity provided by the tariff concessions. Traders in both the countries not only exported but also imported pepper. They did it not only with other countries but between them too. That is both import and export of pepper took place between India and Sri Lanka during the post-IFSTA period. There is lot of scope for speculation in pepper trade. Traders can buy it when the cost is low and sell it when they can make good profit. Traders may import and re-export pepper at a convenient time if it is profitable to them.

Graph1

Value in Million US Dollars of Export of Pepper from India and from Sri Lanka to Each Other during 1996-97 and 2008-09



Source: Government of India 2010b

Graph 1 presents the data on the export of pepper from India to Sri Lanka and vice-versa during the period from 1996-97 to 2008-09. It is noticed that export of pepper from India and Sri Lanka to each other increased since the ISFTA became operational by 2000. For instance, the value of pepper export from Sri Lanka to India (or import into India) increased from US$ 3.17 million in 1996-97 and US$ 3.37 million in 2001-02 to US$ 16.57 million in 2008-09. Similarly the value of India's export of pepper to Sri Lanka rose from US$ 5 million in 1996-97 to US$ 37 million in 2008-09.

India’s net export of pepper to Sri Lanka rose significantly during this period – from around US$ 2 million in 1996-97 to more than US$ 20 million in 2008-09. That is, India’s net export of pepper to Sri Lanka increased by more than 10 times during this period. The value of the total pepper trade of both the counties together increased from around US$ 8.5 million to around US$ 54 million between 1996-97 and 2008-09. In other words, exporters of pepper in both the counties made the best use of the provisions of the IFSTA to maximise their benefits. More importantly, they have been engaged in re-export of pepper between the countries.

It may be noted that India imports pepper also from other pepper producing countries, such as Indonesia, Thailand and Vietnam. Table 2 shows that during the 21st century the highest total import of pepper recorded in India was in 2007-08. The value of the total import of pepper in that year was 43.16 US$ million. The lowest value of total pepper import – 11.96 US$ million – was in the year 2001-02. But a sizeable proportion of India’s import of pepper in the post-ISFTA period has been from Sri Lanka. As can be seen from table 2, the annual import of pepper from Sri Lanka varied from 28.43 to 45.80 per cent of the total import during the period from 2001 to 2009.

Table 2
India’s Import of Pepper during 2001-02 and 2008-09
(Value in Million US Dollars)

Year	Total from All Countries	Only from Sri Lanka
2001-02	11.96	3.40 (28.43)
2002-03	25.61	11.73 (45.80)
2003-04	21.51	7.58 (35.24)
2004-05	24.14	7.96 (32.97)
2005-06	27.33	10.06 (36.80)
2006-07	34.05	14.15 (41.56)
2007-08	47.42	18.80 (39.65)
2008-09	43.16	16.57 (38.39)

Figures in parentheses are percentages on the total import from all countries.
Source: Government of India 2010b

Another piece of interesting information on India-Sri Lanka pepper trade is that pepper export of Sri Lanka is largely to India. Table 3 shows that Sri Lanka exports a negligible amount of pepper to countries other than India. It is also noticed that Sri Lanka's share of pepper export to India has been increasing during the last few years presumably as an impact of the ISFTA. For instance, the proportion of Sri Lanka's export of pepper to India to the total export increased from 79 per cent in 2002 to 93 per cent in 2005.

Table 3
Sri Lanka's Export of Pepper during 2002 and 2006
(In Metric Tonne)

Year	Total to All Countries	Only to India	India's Share in Percentage
2002	7583	5978	79
2003	7609	5848	77
2004	4678	4268	91
2005	8130	7582	93
2006	8190	6628	81

Source: International Trade Centre 2006

While about 80 per cent of the Sri Lankan export of pepper has been to India over the last few years, a negligible portion of India's export of pepper has been to Sri Lanka. Table 4 shows that, while export of pepper from India to Sri Lanka and other countries increased over the last few years (2004-2009), export to Sri Lanka constituted just around 10 per cent of the total export of pepper from India. If one compares this piece of data with the data in table 3 on the huge proportion of the Sri Lankan export of pepper to India, it shows that the traders in India as well as Sri Lanka used the FTA for enhancing their trade profits. In the process, it appears plausible that Sri Lankan traders found it more profitable to export their pepper to other countries through India.

Table 4
India's Export of Pepper during 2004-05 and 2008-09
(Value in Million US Dollars)

Year	To All Countries	To Sri Lanka
2004-05	125.46	13.63 (10.86)
2005-06	123.69	16.57 (13.40)
2006-07	264.00	27.73 (10.50)
2007-08	399.34	33.67 (08.43)
2008-09	339.39	37.69 (11.11)

Figures in parentheses are percentages on the export to all countries.
Source: Government of India 2010b

The above discussion on the post-ISFTA pepper trade between India and Sri Lanka shows that there has been substantial increase in the trade between the two countries. Second, it can be noticed that trade in terms of import and export of pepper between the two countries has not been symmetrical. A third conclusion that emerges from the discussion is that the traders in both the countries drew maximum benefit out of the tariff concessions and would have enhanced their profits in the pepper trade. This discussion on the impact of the ISFTA would not be complete without considering its impact on the producers of pepper in India. The overwhelming majority of the pepper producers in India are the pepper farmers of Kerala. Therefore, one should logically consider to what extent the pepper farmers of Kerala have benefited from the ISFTA and the subsequent surge in pepper trade.

Impact on Pepper Farmers

To what extent the pepper farmers have benefited from the ISFTA or the ISFTA induced pepper trade? We consider this issue from the point of view of the economic returns from pepper cultivation, which directly depends on the price of pepper. How did the post-ISFTA trade in pepper affect the pepper price which ultimately determines the impact of the trade on pepper farmers? Price of a commodity is determined by the demand and supply principle. Price of an export commodity like pepper is dependent on its availability in the international market and its domestic and international demand.

As discussed earlier, both import and export of pepper in India increased in the post-ISFTA pepper trade. But as far as the availability of pepper in the Indian market for domestic use and export is concerned, the increase in import of pepper seems to have unmatched export. One of the reasons for this is that a good proportion of the export of pepper from India has been re-export of the pepper already imported from Sri Lanka and other countries under the FTA. It means that increase in the export of pepper did not create additional demand for it in India during the first decade of the present century. Secondly, with the expansion of international trade under FTA, there has been an inflow of lower quality pepper from other countries into India. As a result Kerala pepper, which traditionally has had its premium price because of its intrinsic quality, could not retain it in the international market.

Table 5

Average Farm Price of Pepper in Kerala during 1999-00 and 2005-06

(In Rupees per Kilogram)

Year	Price
1999-00	205.06
2000-01	124.68
2001-02	67.45
2002-03	76.92
2003-04	68.02
2004-05	60.32
2005-06	59.80

Source: AMIC 2011

Table 5 shows that there was a sudden and sharp drop in the domestic price of pepper coinciding with the beginning of the implementation of the ISFTA. The farm price of pepper in Kerala fell from Rs. 205.06 a kg. in 1999-00 to Rs.60.32 within five years after the ISFTA became operational in 2000. It seems reasonable to conclude that the nature and extent of the pepper trade during the post-ISFTA has been a factor for the fall in pepper price in the domestic market. Another factor that may have contributed to the drop in pepper price is the increase in the production of pepper, particularly in Vietnam that has replaced India as the number one exporter of pepper in the world today.

Table 6

Pepper Production in India and Kerala during 2002–03 and 2006-07

(In Metric Tonne)

Year	India	Kerala
2002-03	70920	67360 (94.98)
2003-04	74260	69020 (92.94)
2004-05	81930	74980 (91.52)
2005-06	49997	33500 (67.00)
2006-07	49997	33950 (67.90)

Figures in parentheses are percentages on the production in India
Source: Government of India 2010c

Fall in the price of pepper has had its impact on pepper production as well. Some of the pepper farmers withdrew from pepper cultivation in Kerala and resorted to more viable or profitable crops like rubber. This could be one of the reasons for the sharp decline in the production of pepper in Kerala after 2005 (Table 6) when the price of farm pepper hit the low mark of Rs.60.32 a kg. There may be other reasons for the drop in pepper production, such as crop destruction and low yield caused by pests and adverse weather conditions. But, since it coincided with the fall in price, one cannot dismiss the diversion of pepper farmers to other crops in the context of low price as a cause of lower pepper production.

The answer to the question on the positive impact of the ISFTA on pepper farmers in Kerala is quite simple. The farmers did not have any benefit from it. On the contrary, the above discussion on the nature of pepper trade following the ISFTA, the sharp fall in the farm price of pepper and the possible withdrawal of some of the farmers from pepper cultivation seems to indicate adverse impact of the ISFTA on pepper farmers.

CONCLUSION

From ancient times Kerala has acquired a place in the map of world trade as far as pepper is concerned. This position of Kerala as the producer of premium pepper continued unchallenged till recently. But the process of globalisation by the close of the 20th century, among other factors, has had its impact on the pepper economy of Kerala. The ISFTA signed between India and Sri Lanka under the force of globalisation gave enough concessions to traders in India and Sri Lanka to expand export and import of pepper between the two countries. A possible impact of this surge in international trade in pepper was the sharp fall in the farm price of pepper in Kerala which forced some of the pepper farmers out of pepper cultivation.

Sudden fall in the farm price of pepper created a difficult situation for many of the farmers of Kerala who have been dependent on pepper cultivation. The immediate and direct consequence of the sharp fall in the farm price of pepper was the sudden decline in the agricultural income of the pepper farmers. In addition, increase in the cost of the production of pepper coincided with the fall in the price of pepper. Production cost rose because of the withdrawal of government schemes (like subsidised fertilizers) and higher wages for labour. The cost on agricultural credit also went up with the change in monetary policy. The small farmers, who tried to survive in pepper farming with loans from different sources, became indebted. It is possible that some of the pepper farmers struggling under poor yield of pepper and low prices of their product might have been driven to suicide. The fact, that there was a surge in suicide in 2004 among the farmers of Wayanad, one of the pepper producing districts in Kerala, gives some credence to this hypothesis on the consequence of the linkage between the fall in pepper price and suicide.

The discussion on the impact of the ISFTA on farmers leads us to the need of protecting the interests of farmers when international trade agreements are made under compulsions of liberalisation and globalisation. The FTAs undoubtedly help the traders involved in import and export. Farmers, who are involved in the production of the commodities for international trade, need not necessarily benefit from such trade agreements as long as the farm price of the agricultural products does not go up. If, on the contrary, price of agricultural products falls following trade agreements, it is the responsibility of the government to see that the farmers are suitably protected, through concessions and incentives in farming. There has to be a firm policy in this regard while international trade agreements are signed.

NOTE

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