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## Have trade policy reforms improved Indo-Hungarian trade? Some evidence from agriculture sector

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### SUMMARY

With a growing impetus of Hungary's current policy of Going Global and Indo-European Union (EU) Free Trade Agreement (FTA) this particular paper tests the hypothesis 'are Trade policy reforms imperative for improving bilateral trade'. Time series data collected from: Planning Commission (Govt of India), Hungarian Central Statistical Office and Embassy of India, (Budapest, Hungary) helps to see the trend of Indo-Hungary bilateral trade in agriculture sector. Analyzed data through line and bar diagram reveals a gradual shift in the bilateral trade in agriculture sector. Hungary, being an industrialized economy has an increasing export of cereals, vegetables foods, sugar & candies and dairy products to India which are an agro-based industrial product. While India has a noticeable export to Hungary in fruits, nuts, oil seeds, tobacco, and other plant species. Paper reaches to the conclusion that such visible bilateral trade was impossible without a proper trade policy reforms in both economies.

**Keywords:** bilateral trade, agriculture, bilateral agreements.

### INTRODUCTION

The Trade policy relates the overall structure of incentives for import and export of tradable goods and services. Trade serves the objective of growth and development. It is therefore closely linked with the policies of national and international investment, technology and

sectoral targets and objectives (industrial policy, agricultural policy, regional policies, etc.). Trade policy includes rules like tariffs, inspection regulations, quotas and anti dumping measures and many other quantitative and qualitative restrictions. Economies are protective in nature. A heavy import tariff, subsidies to domestic producers, tax holiday/tax reductions are just few on the way of protectionism. In the post WTO era the trade of goods and services is not only the matter of free trade but also the fair trade. In such circumstances protectionism are heavily criticized. Gone were the days when mercantilism was the only trade practice. The globally networked world is serious about free but fair trade. Under such a condition the protectionist trade policies has to be changed and a more reformed trade rules has to be implemented across the country. The main focus of the paper is to test the hypothesis that trade policy reforms is an important tool in improving bilateral trade. Majority of the papers show how India was active in restrictive trade practices for a long time. *Tendulkar and Bhavani* (2007) show India's high import tariff structure. Panagariya (2008) and *Dutt and Sundharam* (2009) present India's policy initiatives that have improved India's contribution in global trade. Hungary was also known for its restrictive trade practices being the member of Council for Mutual Economic Assistance (CMEA) in 1949. *Palánkai* (2004) and *Fazekas* (2008) describe how Hungary's development strategy was characterized by the forced industrialization, and autarkic goals in the 50's and 60's. The termination of the CMEA in 1991 gave a chance to Hungary for re-look its trade policy and it has really reformed in the current past. With this background, under the Indo-EU ongoing FTA framework the main goal of this paper is to see the relationship between trade reforms and bilateral (Indo-Hungary) trade especially in the agriculture sector.

## MATERIAL AND METHODS

Major data were collected from three sources to examine the inter-relationship between trade reforms and Indo-Hungary bilateral trade especially in the agriculture sector. The main source of data is from *Planning Commission Govt of India* (2012), *Hungarian Central Statistical Office* (2012) and *Embassy of India, Hungary* (2012). Time series yearly data were plotted on two different axis in all the diagram to show the relationship of specific trade items with different year in India independently and also in case of Indo-Hungarian Agriculture Trade. Bar graphs presented in the paper are useful to get an overall idea of trends in trade responses. While line graph connects points to show how Indo-Hungarian agriculture trade changes over time. These statistical exercises were imperative to see the improvement of bilateral trade between India and Hungary in the emerging environment of Indo-EU FTA.

## INDIA'S TRADE POLICY: PAST AND PRESENT

India embarked on the path of globalization in the early 1990s with the objective of improving overall productivity, competitiveness and efficiency of the economy in order to attain a higher growth profile. Concomitantly, industrial, financial and external sector

reforms were initiated with a view to creating an environment conducive for the expansion of trade. As a result, growth in trade accelerated in the early part of the 1990s. This momentum, however, could not be sustained in the face of various domestic bottlenecks and exogenous constraints (RBI 2003). India's Trade policy can be divided into two major periods:

- The period 1947–48 to 1990–91
- The period 1991 onwards

### ***Period 1947–48 to 1990–91***

By and large, the Import policy continued to be restrictive during period 1947–52. Besides this, restrictions were also placed on exports in view of the domestic shortages.

Liberalization of foreign trade was adopted during 1952–53 to 1956–57, as the goal of trade policy. Import licenses were granted in a liberal manner. An effort was also made to encourage exports by relaxing export controls, reducing export duties, abolishing export-quotas and providing incentives to exports. Liberalization led to a tremendous increase in our imports with India's. Consequently, there was fast deterioration in our foreign exchange reserves. This necessitated a reversal of trade policy.

The trade policy was re-oriented to meet the requirements of planned economic development. A very restrictive import policy was adopted 1956–57 to June 1966, and the import controls further screened the list of imported goods. On the other hand, a vigorous export promotion drive was launched. The trade policy assumed that a lasting solution to the balance of payments problem lies in the promotion and diversification of our export trade. Not only the exports of traditional items were expanded, but exports of newer items were also encouraged. Similarly, import substitution industries were also encouraged so that dependence on foreign countries is lessened.

During this period trade policy attempted to expand exports and strangely liberalized imports too. Actually, export promotion was given a big boost through the acceptance and implementation of the recommendations of the Mudaliar Committee (1962). The major recommendations included increased allocation of materials to export-oriented industries, income tax relief on export earnings, export promotion through import entitlement, removal of disincentives, and setting up of Export Promotion Advisory Council, a Ministry of International Trade, etc. when these export promotion measures did not succeed and adverse balance of payments persisted, the government of India undertook devaluation of the rupee in 1966 as a major step to check imports and boost exports. Initially devaluation was not successful and adverse balance of payments worsened during the Annual Plans. But during the fourth plan, the trade policy was quite successful in restricting imports and promoting exports. This period continued till 1975–76.

The government adopted a policy of import liberalization, with a view to encourage export promotion. During Janata rule (1977–79) import liberalization was also adopted to augment domestic supply of essential goods and to check rise in price level. Import-export policy of the Indian government attempted to achieve such objectives as:

- To provide further impetus to exports;
- To provide support to the growth of indigenous industry;

- To provide for optimum utilization of the country's resource endowments, especially in man-power and agriculture;
- To facilitate technology up-gradation with special emphasis on export promotion and energy conservation;
- To provide a stimulus to those engaged in exports and in particular, to manufacturing units contributing substantially to the export efforts; and
- To effect all possible savings in imports.

Thus, the purpose of trade policy has been to stimulate economic growth and export promotion via import liberalization.

### ***India's Trade Policy Reforms (1991 onwards)***

The commerce minister, Mr. Chidambaram, announced India's trade policy on July 4, 1991. Trade policy (1991) aimed to cut down administrative controls and barriers which acted as obstacles to the free flow of exports and imports. The basic instrument developed by the policy was the Exim scrip in place Rep licenses. The purpose of this instrument was to permit imports to the extent of 30 percent on 100 percent realization of export proceeds. Obviously, the purpose was to bridge the BOP gap.

Since the time of Mudaliar Committee in 1962, the country has been fed on the slogan of export-promotion through import entitlement. Various instruments have been forged thereafter, but a long term view only underlined the fact that the country failed to check the faster growth of

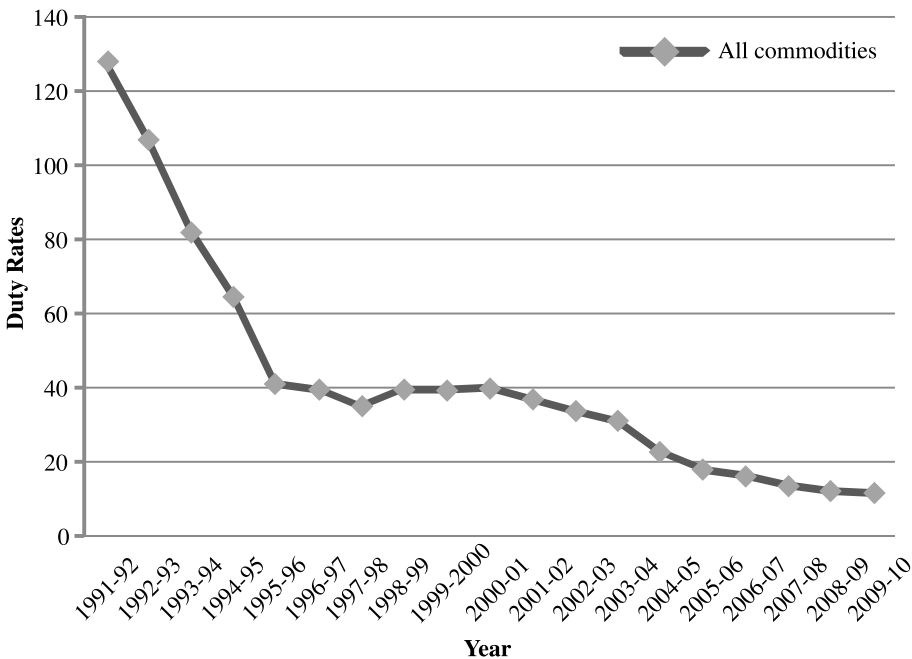


Figure 1. Simple Average of Total Nominal Import Duty Rates: 1991–1992 to 2009–2010

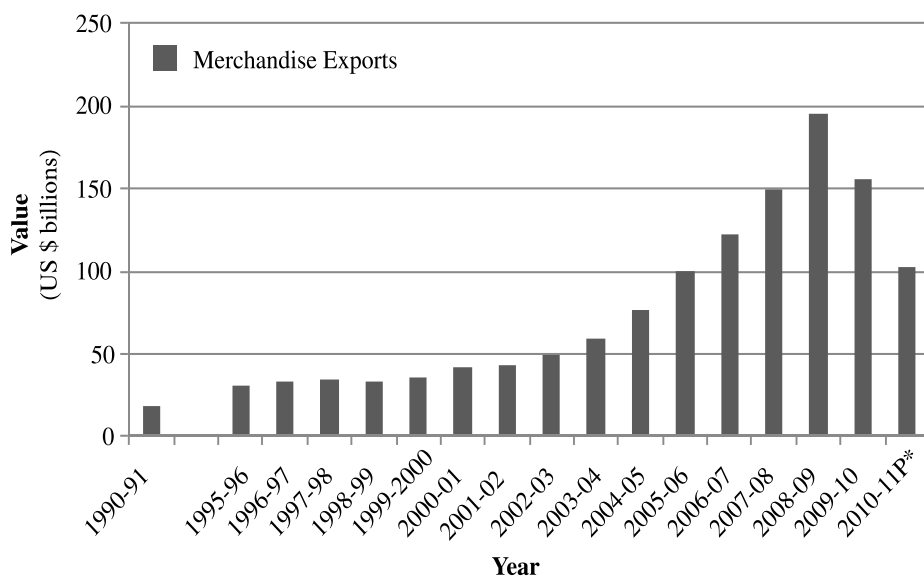
Sources: Planning Commission, Govt of India (2012)

imports than that of exports during the last three decades. There was a strong need to exercise extreme caution in liberalizing imports, more so inessential imports.

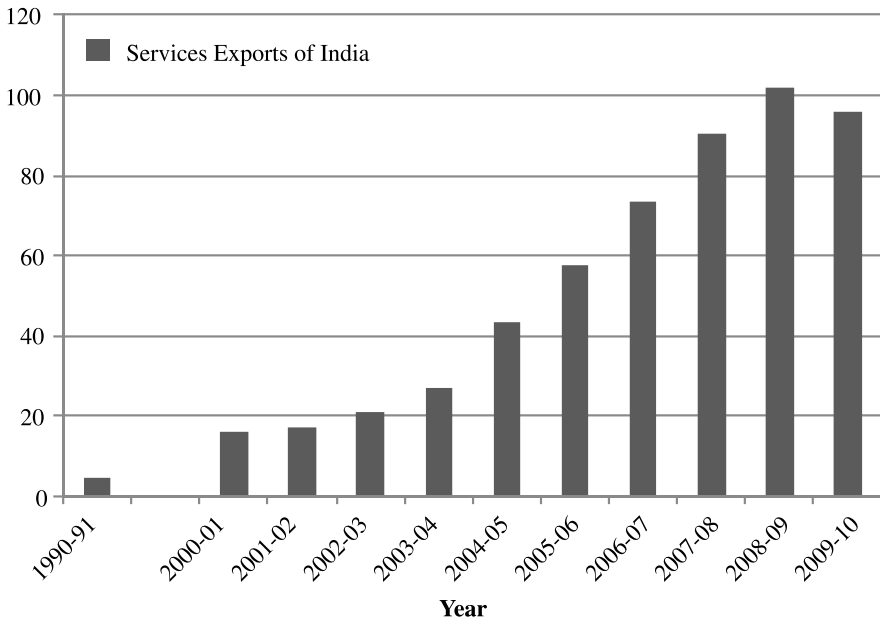
In the context of liberalization, significant and progressive external trade liberalization has taken place since 1991, starting with the removal of Quantitative Restrictions (QRs) on most capital and intermediate goods, a drastic reduction in an absurdly high level of basic peak tariff rate from 350 percent in 1991 to 15 percent in 2006, and, over time, a reduction in the average level of nominal import duty rates (*Tendulkar and Bhavani 2007*).

The nominal import duty rates on all commodities declined to less than one-third of its initial level of 128.0 percent in 1991–92 to 39.9 percent in 2000–01 and 11.8 percent in 2009–10. The degree of distortions in import duty or tariff rates has progressively declined over time, thereby improving the associated allocative efficiency (*Figure 1*).

In the context of globalization, excessive and indiscriminate protection was given to the domestic industries. This would develop a vibrant export sector and create a regime of price based system. In fact, it will promote international integration of Indian economy. The aim of the government is to eliminate progressively the system of license and quantitative restrictions, particularly for capital goods and raw materials so that these items can be placed easily on open general license (OGL). The new policy made provision for reduction of the scope of public sector monopoly sharply for most export items and also a good number of import item. Keeping these facts in mind, the government has introduced Export-Import Policy 1992–1997, 1997–2002 to achieve 1 percent share in global export (*Dutt and Sundharam 2009*). The latest *Export-Import Policy 2009–2014* is being carried out with further trade reforms.



*Figure 2. Merchandise Exports of India*  
*Sources: Planning Commission, Govt of India (2012)*  
 (P\* = projected)



*Figure 3. Service Exports of India*

*Sources: Planning Commission, Govt of India (2012)*

The response to outward-oriented trade policies in trade has increased after the reforms. Growth in India's trade has picked up recently. However, this is seen in *Figures 2. and 3.*, which shows merchandise and services exports, respectively, at various points in time starting with 1991. *Figure 2.* explains that the merchandise trade has 10 fold increases in 2008–09 from the year 1990–91. The exports in 1990–91 doubled for the first time in 1999–2000. In the more recent period, they tripled in just six years. The main reason can be dated back to India's general growth. *Figure 3.* explains that services exports have grown rapidly in recent years. The services trade has 20 fold increases in 2008–09 from the year 1990–91.

India's share in world merchandise exports grew from 0.5 percent in 1990–91 to 0.7 percent in 1999–2000 and to 1.0 percent in 2005–06. In services exports, the share had grown to a respectable 2.5 percent in 2005–06. These changes have greatly increased the integration of India into the world economy. The proportion of total trade (exports plus imports of goods and services) to the GDP rose from 15.9 percent in 1990–91 to 25.2 percent in 1999–2000 and to 43.1 percent in 2005–06. Thus these changes represent a major shift in the growth of India's trade due to the liberalization in India trade policy (*Panagariya 2008*).

To conclude, India's trade policy since independence has been used as part of general economic policy to develop the country and to diversify the economy. Initially, it took the form of restricting imports and boosting exports, it also took the form of organizing



international trade and bilateral and multi-lateral trade agreements. In the later years, trade policy took the form of export promotion through import liberalization. Formulated by bureaucrats under the influence and guidance of Indian business houses and multinational giants, India's trade policy did have an important influence on the rapid development of the country, but it was basically responsible for leading the country (Dutt and Sundharam 2009).

## **HUNGARY'S TRADE POLICY: PAST AND PRESENT (1945–1991)**

### ***The post World-War II period (1945–1975)***

During World-War II our foreign trade was predominantly transacted with Germany. The reconstruction has allowed a gradual increase in trade. The development strategy was characterized by the forced industrialization, and autarkic goals in the 50's and 60's (Palánkai 2004, Fazekas 2008).

The forced industrialization result in production structure and the increase of production led to the increase of foreign trade within the 1945–1975's range. In 1957, the trade balance showed a huge deficit, which was clearly political reason after the 1956 revolution. After economic reform started, the first large peak revenue surplus was showed in 1969.

After the World-War II the German predominance has been replaced by the dominance of the Soviet Union and the socialist countries of European. Hungary became a member of the Council for Mutual Economic Assistance (CMEA) in 1949 that was guided by the Soviet Union. The task set was the economic cooperation between the socialist countries and the poorer countries close-up, mainly through specialization and division of labor. The organization organized the foreign trade coordination of the countries engaged in planned economy. 60% of Hungary's turnover was regularly drifted within the framework of CMEA. Expansive collaborative development policy had become common based on self-sufficiency and the CMEA cooperation. Ambitious growth trends were prescribed that was based on various development programs. Small number of specialized foreign trade company performed foreign trade activities, national economic plans according to corporate targets. In 1968 a greater degree of autonomy of foreign trade companies were noticed. More companies were provided the right to export their products in this year. Between the 1950 to 1960 period the national economic plans were broken down into corporate level at the export and import regulations. Incentives and campaigns were used at the trade and industrial companies. 1968 meant a breakthrough. Only a few central target and informally conveyed expectations were applied for the formation of exports and imports. While subsidies and other benefits, which are linked 39 products, projects, or even companies, and various authorizations had became common at the export, till then the import regulation were characterized by informal control based on the consensus of users, domestic producers, monopolistic trading companies and the licensing authority.

### ***The Process of Trade Liberalization in Hungary***

In the period of 1979 and 1990 restrictive economic policy was characterized. The cooperation with the CMEA lost its importance gradually. Following the termination of the CMEA (1991) the trade of goods had increased with Germany and Austria. Much more manufacturing companies get at export right. Gradual reform had begun, and all resulted in the declare of subjective right of foreign trade. Each producer could trade with any goods or services that were not on the exception list. While in 1979, demand restrictions had been applied at macro-level and different bargains have been assessed in order to increase exports, till then in 1990, a system had been established in which those companies could get imports easier that reached higher exports. Imports were characterized by rigor and batch authorization. In 1990, at first the 10%, then 70% of the import was liberalized. The raw materials, semi-manufactured goods were dominant within the import, while the spectacular development was shown by the growth of the rate of machinery and transport equipment within the export.

### **INDO-HUNGARY BILATERAL TRADE RELATIONS IN PAST**

India's relations with Hungary have been close and friendly, multi-faceted and substantive. They have survived the vicissitudes of political and economic changes particularly in Hungary and reorientation of foreign policy in the post-cold war period. Both countries commemorated the 50th year of establishment of diplomatic relations in 1998. Hungary is an important partner in Central Europe for India. Historically, Hungary and India have enjoyed close and friendly relations since the establishment of diplomatic relations in 1948.

### ***Indo-Hungary's Bilateral Trade Policy***

The Hungarian exports have hitherto been confined to high technology, industrial products, automobiles, telecom and IT, but Hungarian government is keen for developing exports in agricultural and food products and services, too.

India holds promise as a potential market for Hungarian goods and services. Indian companies have invested \$1.3 billion in Hungary, but there is scope for more. Purpose of the recent high-level visits, are to attract more Indians to come to Hungary. Hungary is fairly central position in Europe and it has a well developed and is economically stable structure. Hungary is one of a few European countries where fiscal deficit is under 3 percent. Hungary is keenly watching the ongoing negotiations between the European Union and India on the FTA, and wants the negotiations to be completed soon.

*Ramachandran* (2012) highlights Hungarian Minister for Foreign Affairs Janos Martonyi eagerness to engage India on a bilateral level as Martonyi Argued:

"Hungary is in a new phase and has a new approach; it has a new priority for foreign policy. In the present stage of trade and investment, India now has tremendous potential. Trade should be much more, given the size of India and the export potential and capacity

of Hungary Given the fact that India is one of the most important strategic partners of the EU, we think that this could be a very welcome development, if the negotiations could be completed and signed and ratified. EU-India relationship is more complex. Hungary is interested in the early conclusion of the negotiations, because we believe India's market would give us tremendous possibilities. We want to see how far and to what extent India will be willing to open its market for services and tourism.”

India and Hungary agreed that the volume of bilateral trade was not commensurate with the potential that existed and noted the need to achieve more balanced bilateral trade. Greater efforts were needed to be made by both sides to diversify the structure of bilateral trade and cooperation especially in sectors like industry (auto-components, port equipment, electrical components, chemicals), energy, investments, infrastructure building, information technology (software), health care (pharmaceuticals, medical equipments, Ayurveda), finance, banking, agriculture (dairy plants, milk processing equipments, agricultural products), environment protection (water management, waste-water purification), tourism, science and technology, R&D, biotechnology, defense technology etc (*Embassy of India in Hungary 2012*).

India and Hungary both have reformed its trade policy. They have really crossed the era of trade restriction and are in active open trade practice. We present some evidence from agriculture which proves that this was highly impossible in a closed trade popularly named as Import Substitution Industrialization Model by many economists. The trade policy reforms in both economies have proved the mutual opportunities. In last 15 years we have seen the movements of goods between India and Hungary. India and Hungary have agreed to double their bilateral trade within the next three years.

### ***Empirical Evidence of Indo-Hungary Bilateral Trade in Agriculture Sector***

This section presents the evidence of trade between India and Hungary in agriculture sector. Some of the recent data shows the growing export and import between these two economies in the following *Figure 4–6*. and *Tables 1–2*.

India's import of agricultural products (shown in *Table 1*. and *Figure 4–5*.) from Hungary has a mixed trend during 1995–2011. India's imported products like live animals showed imports of 21 million euro in 1995 but marked a constant decline in imports and hence came down to 5 million euro in 2011. But dairy product; birds' eggs; etc has a rise in import of 37 and 61 million euro in 2006 and 2007 respectively and it was doubled to 111 million euro in 2011. The vegetables foods have a declining import in the last 15 years. Cereals witnessed 52,421 and 10,244 million euro in 2006 and in 2007 compare to 4 million euro import in 1995. Many agro-by products also show fluctuation Import.

India's main agricultural export to Hungary are the products like fruits, nuts; Oil seeds; Tobacco; plant species for spinning etc which have an increasing export trend during 1995–2011. While the products like Milk, eggs, honey; Cereals; Fat - animal, plants; by-products have a decreasing export trend during the same period. Fish, crabs; other animal products; vegetables foods; fruits, nuts; malt; gum, rosin; vegetables, showed variation in export to Hungary during the same period as evident from the *Table 2*. and *Figure 6*.

Table 1. India's Imports from Hungary (In Million Euros)

| Agricultural Products                       | 1995  | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006   | 2007   | 2008 | 2009 | 2010 | 2011 |
|---|-------|------|------|------|------|------|------|------|------|------|------|--------|--------|------|------|------|------|
| Live animals                                | 21    | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 0    | 0    | 0    | 1      | 7      | 3    | 8    | 7    | 5    |
| Meat and edible meat offal                  | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Fish, crustaceans, etc                      | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Dairy produce, birds' eggs, etc             | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 37     | 61     | 0    | 0    | 0    | 111  |
| Animal origin, etc                          | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Floral products                             | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Vegetables foods                            | 4,339 | 948  | 885  | 185  | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 20     | 46     | 42   | 35   | 209  | 0    |
| Other fruits, nuts                          | 0     | 0    | 0    | 0    | 0    | 0    | 7    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Coffee, tea and spices                      | 0     | 0    | 0    | 0    | 2    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 6    | 0    | 0    | 0    |
| Cereals                                     | 4     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 52,421 | 10,244 | 0    | 0    | 0    | 0    |
| Products of the milling industry, malt, etc | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Oil seeds                                   | 139   | 0    | 0    | 11   | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 1    | 1    | 1    | 1    |
| Shellac, gums, resins, etc                  | 0     | 0    | 0    | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 23   | 0    |
| Vegetable plaiting materials, etc           | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Animal and vegetable fats, etc              | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Products – meats, fish                      | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Sugar, candies                              | 0     | 0    | 0    | 0    | 0    | 0    | 8    | 0    | 0    | 0    | 0    | 4      | 5      | 0    | 3    | 0    | 8    |
| Cacao                                       | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 1    | 10   | 0    |
| Cereals, flour, starch, etc                 | 0     | 0    | 0    | 0    | 0    | 4    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Products – vegetables, fruits, nuts         | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 0    | 0    |
| Other products                              | 0     | 0    | 0    | 0    | 18   | 1    | 2    | 1    | 0    | 0    | 0    | 0      | 0      | 0    | 0    | 83   | 145  |
| Beverages, alcohol, etc                     | 1     | 0    | 0    | 2    | 0    | 1    | 0    | 6    | 0    | 3    | 1    | 0      | 1      | 0    | 1    | 1    | 18   |
| By-products                                 | 33    | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 80   | 38   | 216  | 57     | 22     | 0    | 0    | 0    | 0    |
| Tobacco                                     | 0     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 0      | 0      | 0    | 0    | 0    | 0    |

Source: Hungarian Central Statistical Office (2012)

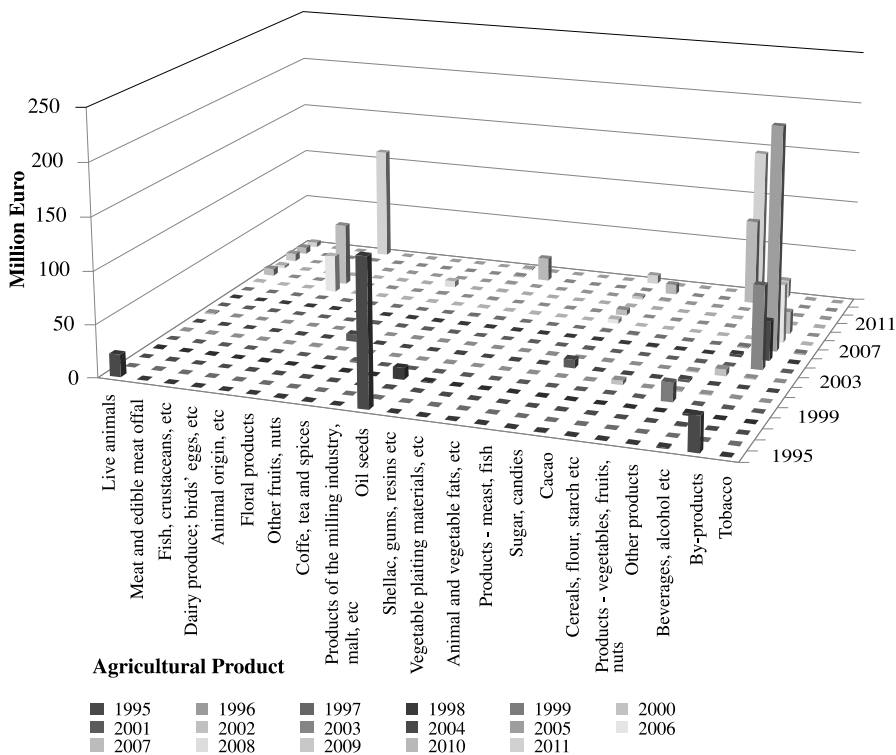


Figure 4. India's Agricultural Imports from Hungary  
 Source: Hungarian Central Statistical Office (2012)

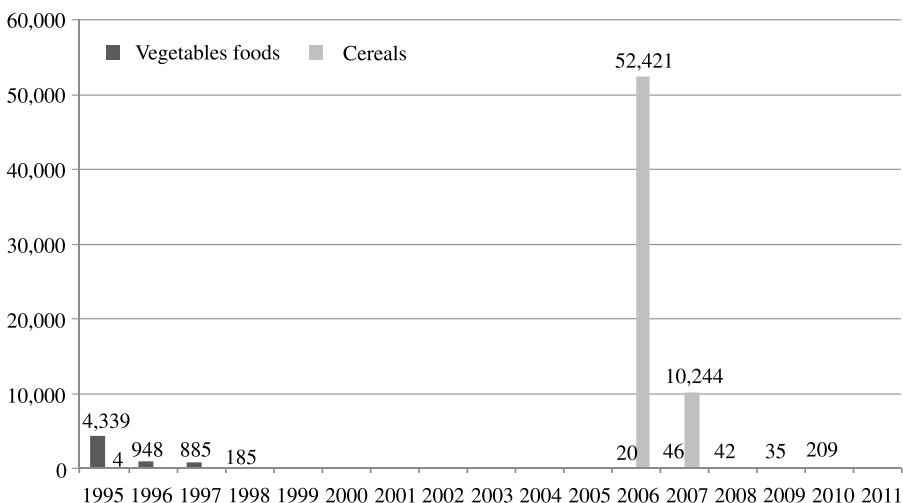


Figure 5. India's Agricultural Imports from Hungary – Cereals  
 Source: Hungarian Central Statistical Office (2012)

Table 2. India's Exports to Hungary (In Million Euros)

| Agricultural Products               | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Live animals                        | 0     | 0     | 0     | 0     | 2     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Meat and edible meat offal          | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Fish, crabs                         | 25    | 8     | 21    | 3     | 118   | 155   | 219   | 65    | 96    | 78    | 62    | 0     | 0     | 0     | 0     | 0     | 28    |
| Milk, eggs, honey                   | 103   | 18    | 43    | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Other animal products               | 2     | 0     | 3     | 0     | 0     | 1     | 2     | 12    | 8     | 5     | 4     | 10    | 3     | 2     | 2     | 14    | 1     |
| Floral products                     | 18    | 80    | 38    | 90    | 87    | 83    | 124   | 189   | 106   | 94    | 164   | 333   | 46    | 15    | 10    | 19    | 16    |
| Vegetables foods                    | 0     | 0     | 25    | 40    | 0     | 18    | 96    | 422   | 29    | 23    | 61    | 45    | 0     | 44    | 0     | 53    | 223   |
| Other fruits, nuts                  | 31    | 68    | 117   | 295   | 299   | 295   | 284   | 362   | 273   | 481   | 499   | 328   | 522   | 413   | 895   | 1,143 | 957   |
| Coffee, tea and spices              | 318   | 395   | 2,710 | 2,899 | 2,711 | 4,182 | 1,023 | 1,370 | 908   | 146   | 292   | 862   | 402   | 88    | 56    | 53    | 11    |
| Cereals                             | 418   | 1,665 | 956   | 1,065 | 1,169 | 0     | 33    | 2,172 | 0     | 0     | 11    | 0     | 70    | 103   | 1     | 1     | 15    |
| Malt                                | 0     | 7     | 8     | 16    | 10    | 7     | 15    | 8     | 0     | 1     | 0     | 0     | 0     | 0     | 0     | 0     | 1     |
| Oil seeds                           | 238   | 98    | 111   | 1,868 | 717   | 805   | 724   | 689   | 93    | 373   | 661   | 564   | 411   | 673   | 886   | 1,126 | 1,003 |
| Gum, rosin                          | 47    | 2,459 | 2,052 | 2,949 | 537   | 789   | 639   | 458   | 113   | 137   | 216   | 432   | 234   | 226   | 182   | 295   | 172   |
| Other plant species for spinning    | 8     | 1     | 12    | 56    | 70    | 31    | 21    | 42    | 15    | 39    | 75    | 108   | 224   | 109   | 75    | 94    | 100   |
| Fat – animal, plants                | 564   | 51    | 144   | 191   | 258   | 318   | 199   | 127   | 9     | 2     | 0     | 3     | 2     | 4     | 1     | 1     | 2     |
| Products – meats, fish              | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 1     | 0     | 0     | 2     | 5     | 2     | 5     |
| Sugar, candies                      | 4     | 149   | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Cacao                               | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Wheat, flour                        | 3     | 0     | 0     | 0     | 0     | 0     | 1     | 0     | 2     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Products – vegetables, fruits, nuts | 5     | 88    | 57    | 97    | 55    | 35    | 43    | 53    | 0     | 3     | 35    | 42    | 80    | 71    | 5     | 24    | 122   |
| Other products                      | 1,003 | 1,829 | 2,231 | 2,062 | 1,988 | 4,720 | 3,337 | 1,573 | 1,846 | 2,640 | 3,020 | 4,118 | 3,873 | 4,713 | 5,159 | 1,809 | 700   |
| Beverages, alcohol and vinegar      | 0     | 0     | 43    | 80    | 48    | 39    | 17    | 10    | 4     | 0     | 0     | 0     | 0     | 0     | 1     | 0     | 0     |
| By-products                         | 0     | 0     | 0     | 0     | 9     | 8     | 52    | 15    | 14    | 21    | 15    | 2     | 4     | 12    | 9     | 2     | 1     |
| Tobacco                             | 762   | 181   | 9     | 4     | 470   | 200   | 196   | 133   | 0     | 0     | 9     | 368   | 1,131 | 3,173 | 947   | 2,001 | 4,932 |

Source: Hungarian Central Statistical Office (2012)

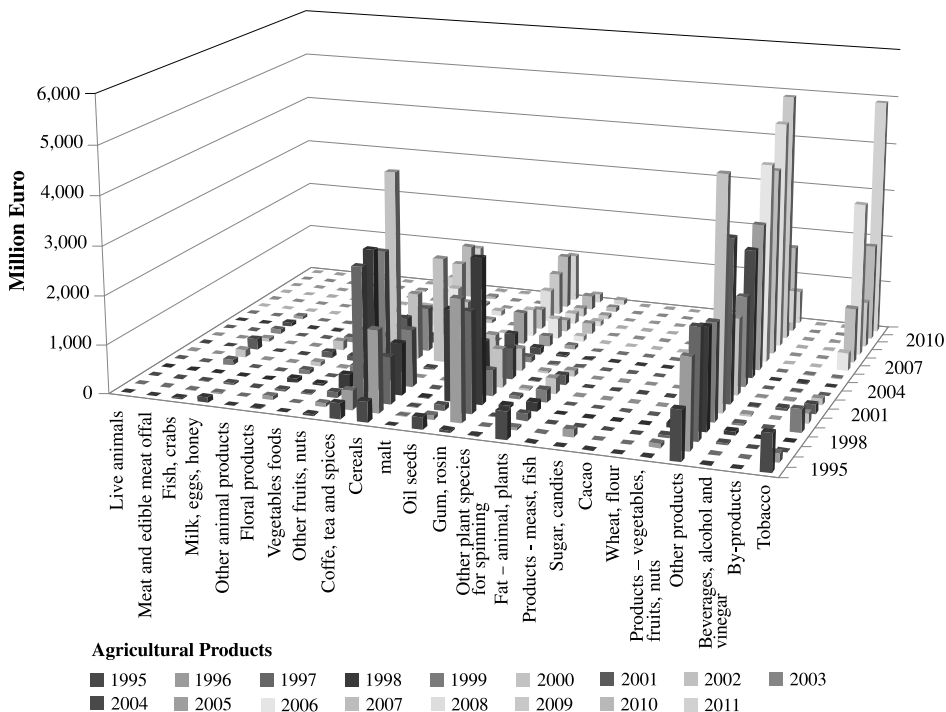


Figure 6. India’s Agricultural Exports to Hungary  
 Source: Hungarian Central Statistical Office (2012)

### RESULTS AND DISCUSSION

Trade policy of both countries, India and Hungary has given many insights in protectionism prior to its policy reforms. Both economies were following an inward looking trade model for a long time which continued almost till 80s. Hungary was dominantly following the council of mutual economic association (CMEA) guidelines just to strengthen the trade among the member countries which was almost 60% of the overall trade by Hungary. India was involved in protecting its local industry through a very high level of import duty. The simple average of total nominal import duty was 128 percent in 1991–92 which was further dropped to the level of 11.8 percent in 2009–10. India’s gradual liberalization of import tariff (in Figure 1.) and other policy tools helped to get a big shift in the merchandise (in Figure 2.) as well as in service export (in Figure 3.). The gradual shift in the trade liberalization of both economies has been noticed in agriculture sector. Hungary being an industrialized economy has also seen an increasing export (in Figure 4.) of cereals, vegetables foods, sugar & candies and dairy products which are an agro-based industrial product. While India being a huge base of agriculture product has a noticeable export to Hungary (in Figure 5.) in fruits, nuts, oil seeds, tobacco, and other plant species. It was also observed that in many other products such as malt, gum, rosin, vegetables, there are evidences of fluctuating export.

## CONCLUSION

Empirical evidence suggests us for more steady trade path for both economies in agriculture sector. Such opportunities would have been a mere dream in the absence of a proper trade reforms. Indo-Hungary agriculture trade is an example to support the argument of Indo-EU FTA.

### **Elősegítették-e a kereskedelempolitikai reformok az indiai–magyar kereskedelmet? Bilaterális mezőgazdasági termékkereskedelem**

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A tanulmány célja a indiai–magyar kereskedelem történeti fejlődésének vizsgálata, a "Going Global and Indo-European Union (EU) Free Trade Agreement (FTA)" kereskedelmi egyezmény szellemében. Kiindulópontként az a kérdés került megfogalmazásra, hogy a kereskedelempolitikai reformok előrevitték-e a két ország közötti bilaterális kereskedelmet. A kereskedelempolitikai intézkedések történeti bemutatása után idősoros adatok segítségével mutatjuk be az indiai–magyar kétoldalú mezőgazdasági kereskedelmet (Tervhivatal India Kormányzata, KSH és az Indiai Nagykövetség adatai felhasználásával). Az 1995–2011 közötti adatok fokozatos növekedést mutatnak a mezőgazdasági termékek kétoldalú kereskedelmében a két ország közötti legfontosabb kereskedelmi termékek esetén. Magyarország növekvő exporttal jellemezhető a néhány mezőgazdasági és élelmiszeripari termék esetén (gabona, zöldség, cukor és édesség, valamint tejipari termékek) India Magyarország felé irányuló exportja jelentős gyümölcsökből, magvakból (dió, mogyoró), olajos magvakból, dohányból és egyéb növényekből. A tanulmány megállapítja, hogy a két ország közötti ilyen mértékű kereskedelmi forgalomnövekedés nem valósulhatott volna meg a mindkét országban végbemenő igazi kereskedelem politikai reformok nélkül. **Kulcsszavak:** kétoldalú kereskedelem, mezőgazdasági termékek, kétoldalú kereskedelmi megállapodások.



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