

An Analysis Of India's Trade Performance With SAARC Countries In 21st Century

Ashish Jaiswal

Designation and Affiliation: Research Scholar, Department of Economics, University of Allahabad, Prayagraj-211002

Dr. Anup Kumar

Designation and Affiliation: Assistant Professor, Department of Economics, University of Allahabad, Prayagraj-211002

ABSTRACT

In today's world no nation exists in economic isolation. Driven towards integration by the pressure of economic interest of the region, seven South Asian countries- Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka formed the South Asian Association for Regional Cooperation (SAARC) in 1985. The SAARC comprises eight countries of South Asia is a manifestation of the determination of their people of south Asia to work together towards finding solutions to their common problem in a spirit of friendship, trust and understanding and to create an order based on mutual respect, equity and share benefits. The primary objective of the association is the acceleration of the process of economic and social development in member states, through collective action in agreed areas cooperation. The main objective of this paper is to study the trade performance of India with SAARC countries.

In simple terms it is proved that in recent time the general trend is that India does more exports and imports with Bangladesh followed by Nepal and Sri Lanka comes the third in terms of value, there seem to be an interesting turnaround from 2000-01, where Bangladesh (export) while Nepal (Import) comes first followed by Sri Lanka (export) while Bangladesh (Import) and then comes Pakistan (both). This trend of India's trade with the selected SAARC countries reflects the present period, but this may change over time. Overall data, share and growth rate seems very attractive but actually last seven years, it increased with low rate. From 2000-01 to 2006-07, bilateral trade has been increasing trend but after that it has fluctuated many times such that 2008 to 2010, 2015-16 and 2019-2022. *India must find out new innovative products and export them to different countries SAARC to become a renowned and prosperous nation in future.*

Keywords: - SAARC, Trade Performance, Global Economic Crisis

INTRODUCTION

In today's world no nation exists in economic isolation. The benefits of international trade have accrued the forms of lower domestic prices, development of efficient methods and new products. In an open trading system, a country will import those commodities that it produces relatively at a higher cost since resources are channeled from uses of low productivity to that of high productivity, gains from trade are attend permitting higher levels of consumption and investment. Although free trade is often strongly advocated, many countries believe that the expansion in trade is best accomplished through the establishment of regional economic association/integration. However, the emerging WTO regime has in no way undetermined the process of regionalism. It has wide ranging implications for the global economy.

The development of regional trade blocs has been one of the major developments in international relations in recent years. Virtually all countries are members of one bloc, and many of more than one. Regional agreements vary widely, but all aim to reduce barriers to trade between member states. In their simplest form, these agreements simply remove tariffs on intra-bloc trade in goods but go beyond this to cover many non-tariff barriers and extend liberalization to investment and other policies. At their core, they aim at economic union and involve the creation of shared executive, judicial and legislative institutions. Driven towards integration by the pressure of economic interest of the region, seven South Asian countries- Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka formed the South Asian Association for Regional Cooperation (SAARC) in 1985. In 2007, Afghanistan inducted as the 8th member of SAARC. Its secretariat is based in Kathmandu, Nepal.

The SAARC comprises eight countries of South Asia is a manifestation of the determination of their people of South Asia to work together towards finding solutions to their common problem in a spirit of friendship, trust and understanding and to create an order based on mutual respect, equity and share benefits. The primary objective of the association is the acceleration of the process of economic and social development in member states, through collective action in agreed areas cooperation.

South Asian nations do not have only a shared culture and a common history but also, a common destiny in the 21st century. SAARC comprises 3% of the world's land area, 21% of the world's total population and 5.21% (USD 4.47 trillion) of the global economy, as of 2021. South Asia also makes an integrated condominium of common rivers, mountain system,

ocean, and a conjoint ecological system. The SAARC policy aims to promote welfare, collective self-reliance among the countries of South Asia and to accelerate socio-economic-cultural development in the region.

Manju, T. K. and Sarath Chandran B.P. (2012) studied a certain trading system, in witnessing rapid rise of regional trade initiatives. They observed that intra-regional trade is very low and there is very limited progress in meeting the targets set under SAFTA.

Ratna V. (2012), in his study tried to reveal that there were enormous opportunities for forging closer economic relations among the SAARC countries. These opportunities could be fully utilized through the twin processes of trade liberalization and industrial restructuring which are complementary to each other and SAPTA is the first step in trade liberalization. This study also finds India's trade with the SAARC countries during the period 1999-2000 to 2009-2010 and observed whether SAPTA is successful in India's intra-regional trade.

Vetrivel K. and Kumar S. (2012) in their article entitled "SAARC and India – An Overview", tried to examine that if regionalism is properly pursued and accepted by all participating countries, it may reap political and economic benefits in this age of interdependence. Finally, this research has been set up on the formation of the SAARC as union has encouraged India's exports to SAARC countries.

Irum S. (2013) in his article entitled "South Asian Association for Regional Cooperation (SAARC): Its Role, Hurdles and Prospects", has observed, it is important to assess the origin, evolution, and achievement of SAARC in detail. This research paper analyzes the role of SAARC. A critical evolution has also been made of why SAARC has not been able to develop at par with other developed organizations like the European Union (EU).

Objectives of the study

1. To study the trade performance of India with SAARC countries.

Hypothesis

1. **Ho**-There is no significant change in trade performance of India with overall SAARC member after 2000.
Ha-There is a significant change in trade performance of India with overall SAARC member after 2000.

Research Methodology

To reach the objective of the study, secondary data is used from the Comtrace website to find growth rate with the help of semi log model by E-Views software application.

Trade Performance of India with SAARC Countries

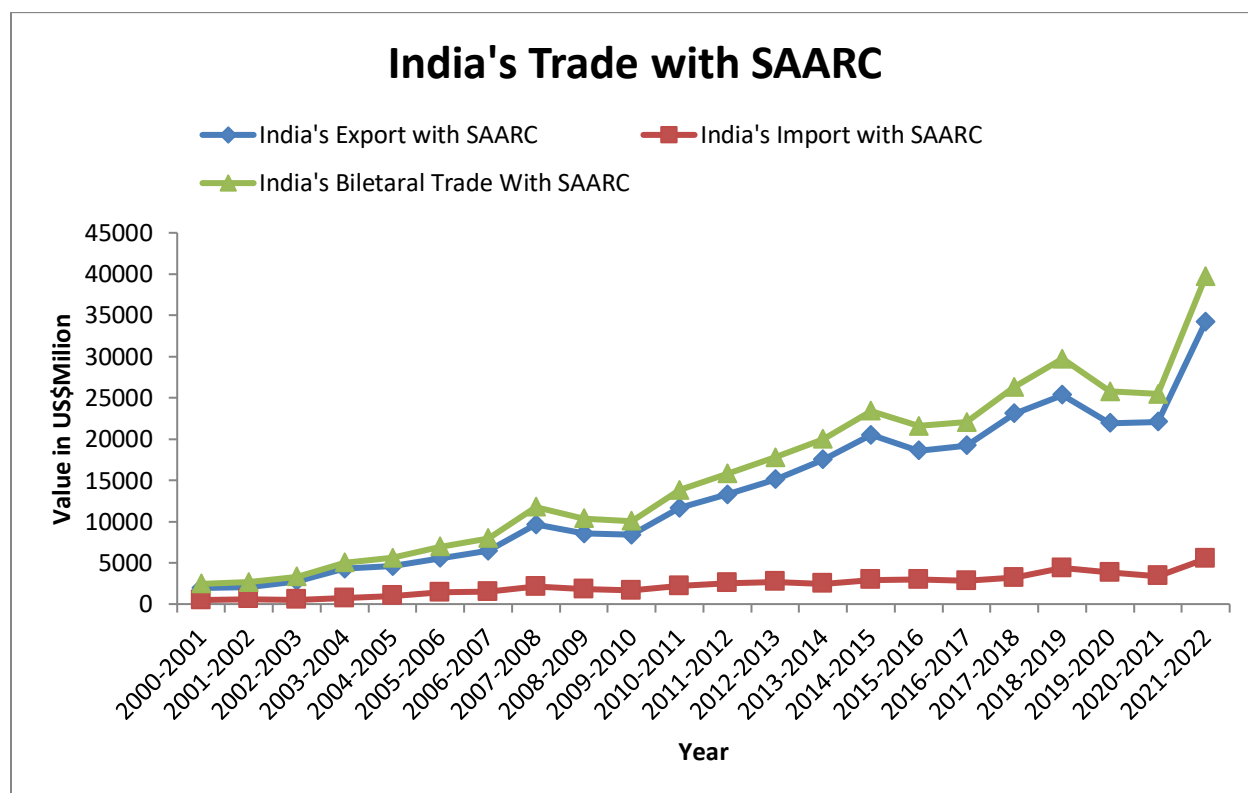
India is a founder member country of SAARC. Its trade relations with SAARC are very strong. The details of India's export to SAARC, India's imports from SAARC, Trade balance and trade growth is shown in Table 1 and 2. According to above Table-1 we can see that India's trade with SAARC has fluctuated with year by year. In the year 2000-01, India's total trade with SAARC was USD 2446.9 million but it is increases with 13.03% CAGR and is now USD 39715.17 million in 2021-22. The table-1 also shows that our trade is increasing over the period. Here it is also a fact that India's trade balance is showing positive trade balance with SAARC in study period.

Table-1: India's Trade with SAARC (in US\$ million)

Year	India's Export with SAARC	India's Import with SAARC	India's Bilateral Trade With SAARC
2000-2001	1954.41	492.49	2446.9
2001-2002	2050.38	589.03	2639.41
2002-2003	2784.9	530.43	3315.33
2003-2004	4293.52	709.31	5002.83
2004-2005	4606.14	997.19	5603.33
2005-2006	5547.65	1413.31	6960.96
2006-2007	6473.81	1507.45	7981.26
2007-2008	9637.76	2117.35	11755.11
2008-2009	8567.12	1817.89	10385.01
2009-2010	8390.69	1657.34	10048.03
2010-2011	11656.59	2173.37	13829.96
2011-2012	13296.47	2524.74	15821.21
2012-2013	15110.7	2679.95	17790.65
2013-2014	17503.84	2472.98	19976.82
2014-2015	20480.02	2930.85	23410.87
2015-2016	18594.18	2975.01	21569.19

2016-2017	19222.14	2813.4	22035.54
2017-2018	23100.9	3202.66	26303.56
2018-2019	25348.82	4363.02	29711.84
2019-2020	21941.38	3835.58	25776.96
2020-2021	22077.79	3377.12	25454.91
2021-2022	34228.8	5486.37	39715.17

Source: <https://tradestat.commerce.gov.in/eidb/ergn.asp>



India's trade with SAARC members has not been very impressive, both in terms of value and percentage of global trade. India's business with seven South Asian countries has gone up to \$ 1954.41 million in 2000-01. Indian exports to SAARC countries are growing at a compound annual growth rate of 13.03% (Statistically significant at 5%, Table-2) while imports grew at 10.59% (Statistically significant at 5%, Table-2).

Table-2: Results of Growth Rate Test

Variables	Coefficient	SE	t-Statistics	p value	R ²	F-Statistics	p value
IEWS=0.13*t - 253.07 + 0.72 IEWS _{t-1}							
t	0.13	0.01	10.06	0.00	0.96	135.74	0.00
C	-253.07	26.07	-9.71	0.00			
AR (1)	0.72	0.16	4.57	0.02			
IIWS=0.11*t - 205.53 + 0.64 IIWS _{t-1}							
t	0.11	0.01	8.46	0.00	0.94	88.61	0.00
C	-205.53	25.19	-8.16	0.00			
AR (1)	0.64	0.21	3.0	0.00			

Source: Calculated by Researcher

The average exports share of India in the SAARC region has been 5.9% of its total product. The range of this share is 4.34% in 2011-12 to 8.11% in 2021-22 and its variation is 482.6, that shows fluctuations are very high in this figure.

India's lowest average export is USD 141.9 million is with Maldives and highest average export is USD 4870.818 million with Bangladesh followed by Nepal (USD 3273.91 million) but lowest variation in Maldives is seen i.e., 104.73% and highest variation is in Sri-Lanka is seen i.e., 189.58%.

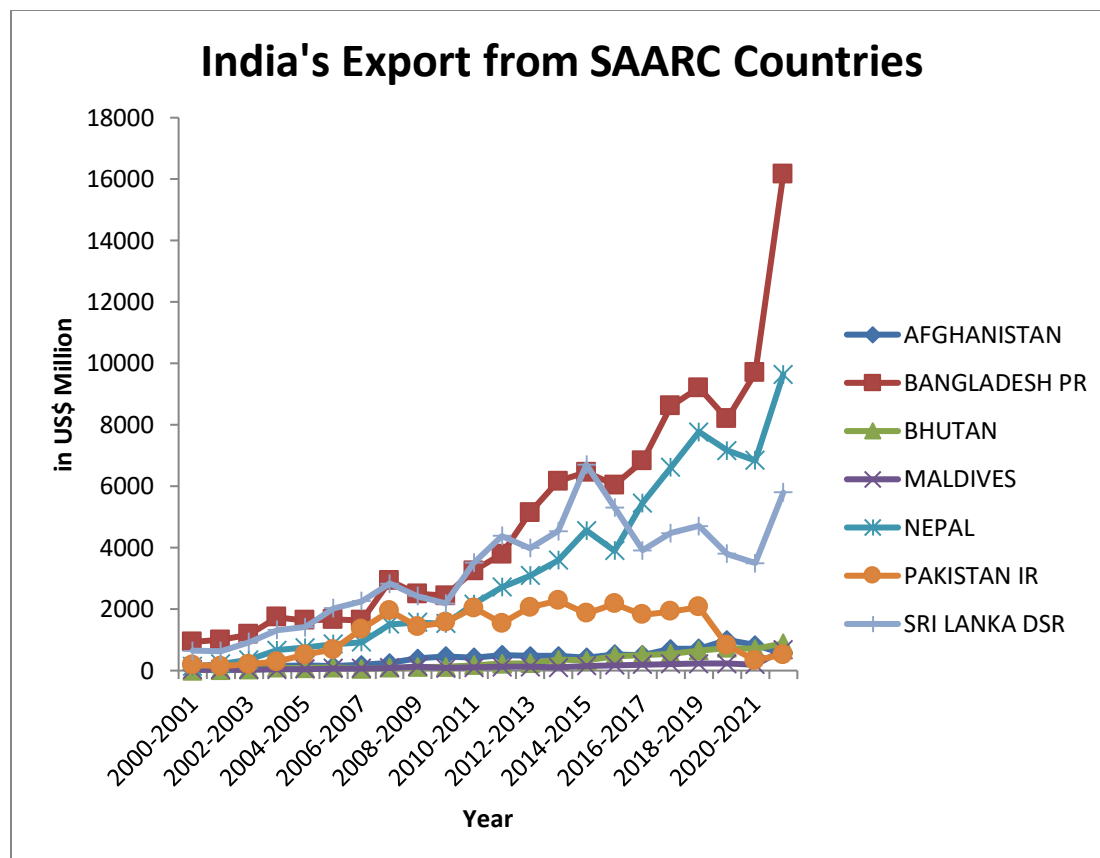
Highest export is done with Bangladesh i.e., USD 16156.37 million in 2021-22 while it is USD 935.04 in 2000-01 but at that time it is also highest among all. Lowest export is done with Pakistan i.e., USD 513.82 million in 2021-22 in comparison to USD 186.83 in 2000-01 that has seventh rank in this series. CAGR is highest in Bhutan (35.66%) and lowest in Pakistan (4.71%). Exports to Bhutan is USD 1.08 million in 2000-01 which now is USD 885.81 million is seen and got fourth position. In 2000-01 Bangladesh has been First position followed by Sri Lanka, Pakistan, Nepal, Afghanistan, Maldives, and Bhutan gets 3rd, 4th, 5th, 6th, and 7th position, respectively. Now Bangladesh is in first place followed by Nepal. Sri Lanka, Bhutan, Maldives, Afghanistan, and Pakistan has 3rd, 4th, 5th, 6th, and 7th position respectively in 2021-22.

Table-3: India’s Export with SAARC (in USD million)

Country / Region	Afghanistan	Bangladesh	Bhutan	Maldives	Nepal	Pakistan	Sri Lanka	Total Export With SAARC	India’s Total Export	Share of India’s Export with SAARC countries
2000-2001	25.86	935.04	1.08	24.61	140.84	186.83	640.14	1954.41	44560.29	4.386
2001-2002	24.37	1002.18	7.6	26.88	214.46	144.01	630.89	2050.38	43826.72	4.6784
2002-2003	60.77	1176	39.05	31.59	350.36	206.16	920.98	2784.9	52719.43	5.2825
2003-2004	145.47	1740.74	89.49	42.34	669.35	286.94	1319.2	4293.52	63842.55	6.7252
2004-2005	165.44	1631.12	84.58	47.61	743.14	521.05	1413.18	4606.14	83535.94	5.514
2005-2006	142.67	1664.36	99.17	67.58	859.97	689.23	2024.67	5547.65	103090.5	5.3813
2006-2007	182.11	1629.57	57.66	68.68	927.4	1350.09	2258.3	6473.81	126414.1	5.1211
2007-2008	249.21	2923.72	86.74	89.72	1507.42	1950.53	2830.43	9637.76	163132.2	5.9079
2008-2009	394.23	2497.87	111.15	127.91	1570.15	1439.88	2425.92	8567.12	185295.4	4.6235
2009-2010	463.55	2433.77	118.86	79.86	1533.31	1573.32	2188.01	8390.69	178751.4	4.6941
2010-2011	422.41	3242.9	176.03	100.14	2168.06	2039.53	3507.5	11656.59	249815.6	4.6661

2011-2012	510.9	3789.2	229.86	124.6	2721.57	1541.56	4378.79	13296.47	305963.9	4.3458
2012-2013	472.63	5144.99	233.22	122.36	3088.84	2064.79	3983.87	15110.7	300400.6	5.0302
2013-2014	474.34	6166.93	355.6	106.07	3592.3	2274.26	4534.35	17503.84	314405.3	5.5673
2014-2015	422.56	6451.47	333.94	152.38	4558.77	1857.18	6703.72	20480.02	310338.5	6.5993
2015-2016	526.6	6034.94	468.95	179.07	3902.7	2171.17	5310.75	18594.18	262291.1	7.0891
2016-2017	506.34	6820.11	509.28	197.79	5453.59	1821.87	3913.15	19222.14	275852.4	6.9683
2017-2018	709.75	8614.35	546.12	217	6612.96	1924.28	4476.46	23100.9	303526.2	7.6108
2018-2019	715.44	9210.06	657.33	223.02	7766.2	2066.56	4710.21	25348.82	330078.1	7.6796
2019-2020	997.58	8200.75	738.6	226.57	7160.35	816.62	3800.91	21941.38	313361	7.0019
2020-2021	825.78	9691.56	701.02	195.88	6838.46	326.87	3498.23	22077.79	291808.5	7.5658
2021-2022	554.47	16156.37	885.81	670.4	9645.74	513.82	5802.18	34228.8	422004.4	8.111
Mean	408.7491	4870.818	296.87	141.918	3273.906	1262.116	3239.62909	13494	214773.4	5.934055
SD	264.028	3831.654	270.1341	135.4972	2841.023	772.2437	1708.81798	8884.44	113655.3	1.229608
COV	154.81285	127.1205	109.8973	104.7342	115.2369	163.4349	189.583041	151.8835	188.969	482.5974
CAGR	14.95063	13.8284	35.65967	16.20836	21.18163	4.705889	10.5387055	13.89826	10.75935	2.833976

Source: <https://tradestat.commerce.gov.in/eidb/ergn.asp>



The average import share of India from the SAARC region has been 0.77% of its total product. The range of this share is 0.51% in 2011-12 to 0.97% in 2000-01 and its variation is 465.31% that shows fluctuations are very high in this figure.

India's lowest average import is USD 10.11 million with Maldives and highest average import is USD 570.85 million with Sri Lanka followed by Bangladesh (USD 535.89 million) but lowest variation is Maldives is seen i.e., 64.49% and highest variation is in Nepal is seen i.e., 218.78%.

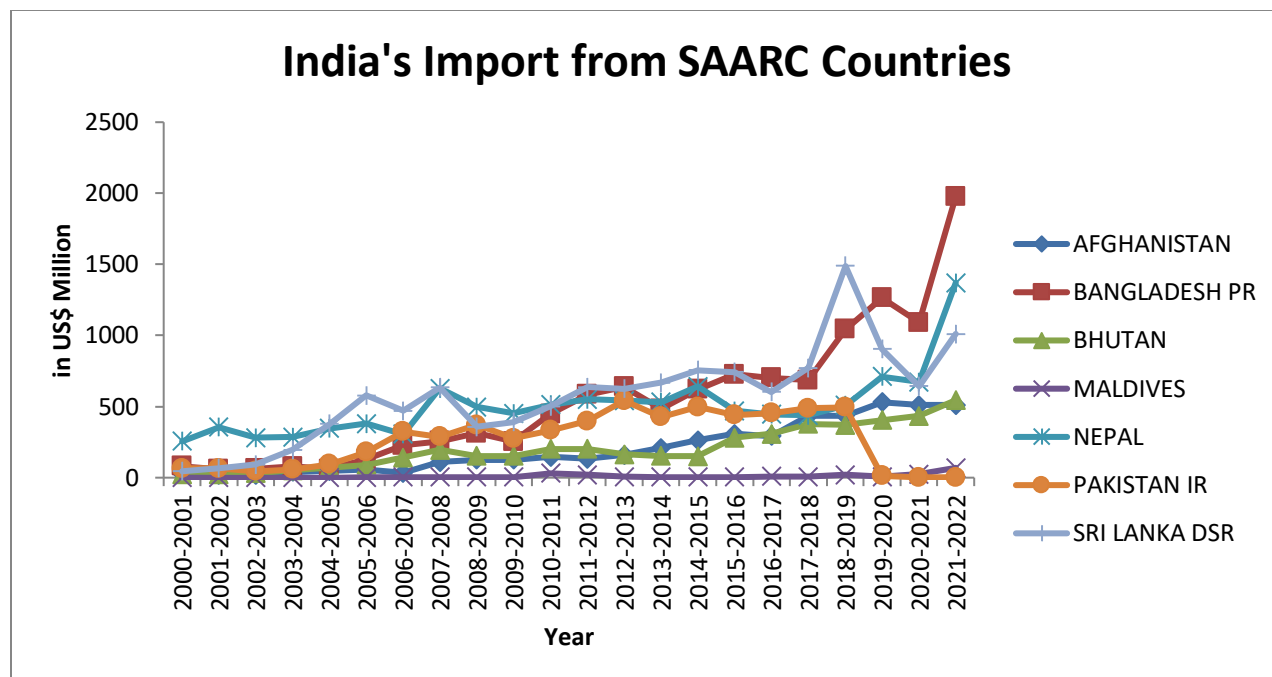
Highest import is done with Bangladesh i.e., USD 1977.93 million in 2021-22 while it is USD 80.51 in 2000-01 but at that time it is also highest among all. Lowest import is done with Pakistan i.e., USD 2.54 million in 2021-22 in comparison USD 64.03 in 2000-01 that has third rank in this series. CAGR is highest in Maldives (30.72%) and lowest in Nepal (7.94%). Import to Nepal is USD 255.08 million in 2000-01 which now it has USD 7.94 million is seen (2021-22) and got seventh position. In 2000-01, Nepal has been First position followed by Bangladesh, Pakistan, Sri Lanka, Afghanistan, Bhutan, and Maldives gets 3rd, 4th, 5th, 6th, and 7th position respectively. Now Bangladesh is in first place followed by Nepal. Sri Lanka, Bhutan, Afghanistan, Maldives, and Pakistan have 3rd, 4th, 5th, 6th, and 7th position respectively in 2021-22.

Table-4: India's Import with SAARC (in USD million)

Country / Region	Afghanistan	Bangladesh	Bhutan	Maldives	Nepal	Pakistan	Sri Lanka	Total SAARC Import	India's Total Import	%Share of India's with SAARC
2000-2001	26.59	80.51	21.09	0.19	255.08	64.03	45.01	492.49	50536.44	0.9745
2001-2002	17.52	59.12	23.92	0.4	355.94	64.76	67.38	589.03	51413.27	1.1457
2002-2003	18.46	62.05	32.15	0.33	281.76	44.85	90.83	530.43	61412.13	0.8637
2003-2004	40.51	77.63	52.37	0.37	286.04	57.65	194.74	709.31	78149.1	0.9076
2004-2005	47.01	59.37	71	0.61	345.83	94.97	378.4	997.19	111517.4	0.8942
2005-2006	58.42	127.03	88.77	1.98	379.85	179.56	577.7	1413.31	149165.7	0.9475
2006-2007	34.37	228	142.05	3.05	306.02	323.62	470.33	1507.45	185735.2	0.8116
2007-2008	109.97	257.02	194.72	4.15	628.56	287.97	634.96	2117.35	251654	0.8414
2008-2009	126.24	313.11	151.79	3.97	496.04	370.17	356.57	1817.89	303696.3	0.5986
2009-2010	125.19	254.66	153.11	3.63	452.61	275.94	392.19	1657.34	288372.9	0.5747
2010-2011	146.03	446.75	201.57	31.38	513.4	332.51	501.73	2173.37	369769.1	0.5878
2011-2012	132.5	585.73	202.55	18.89	549.97	397.66	637.43	2524.74	489319.5	0.516
2012-2013	159.55	639.33	164	6.29	543.1	541.87	625.81	2679.95	490736.6	0.5461
2013-2014	208.77	484.34	152.17	3.97	529.93	426.88	666.93	2472.98	450199.8	0.5493

2014-2015	261.91	621.37	149.87	4.32	639.91	497.31	756.17	2930.85	448033.4	0.6542
2015-2016	307.9	727.15	281.27	4.29	470.59	441.03	742.79	2975.01	381007.7	0.7808
2016-2017	292.9	701.68	307.82	9.17	445.13	454.49	602.2	2813.4	384357	0.732
2017-2018	433.78	685.65	377.99	5.68	438.38	488.56	772.63	3202.66	465581	0.6879
2018-2019	435.44	1044.8	370.96	20.41	508.14	494.87	1488.4	4363.02	514078.4	0.8487
2019-2020	529.84	1264.74	405.73	6	711.61	13.97	903.69	3835.58	474709.3	0.808
2020-2021	509.49	1091.66	433	24.49	673.16	2.39	642.94	3377.12	394435.9	0.8562
2021-2022	510.93	1977.93	545.04	68.93	1371.04	2.54	1009.97	5486.37	613052	0.8949
Mean	206.06	535.8923	205.5882	10.11364	508.2768	266.2545	570.8545	2303.038	318496.9	0.7737
SD	176.6907	481.1143	146.4055	15.68115	232.3256	191.8369	331.5743	1304.689	174900.5	0.166274993
COV	116.6219	111.3856	140.4238	64.49552	218.7778	138.7922	172.1649	176.5201	182.1018	465.313506
CAGR	14.37929	15.66401	15.93053	30.72178	7.944074	13.643866	15.1889	11.57986	12.01285	0.38658057

Source- <https://tradestat.commerce.gov.in/eidb/ergn.asp>



Suggestions

India is one of the developing SAARC Countries. It has achieved very predominant export products. Export and Import are helpful in increasing its foreign exchange value. India can make a strong and healthy relationship with other SAARC Countries through export and import of its products. India must find out new innovative products and export them to different countries SAARC to become a renowned and prosperous nation in future.

REFERENCES

1. Farhat, R., Sami, U., and Bedi-uz-Zaman (2012), "Effects of Exports Instability on Economic Growth in SAARC Region Countries", Pak. J. Commer. Soc. Sci., Vol. 06, No.01, PP. - 97-120
2. Hasan, A. H. R. (2010), "International Business Relation of Emerging India with South Asian Neighbors: Analysis of Manufacturing Exports", Department of International Business University of Dhaka, Dhaka 1000, Bangladesh.
3. Irum, S. (2013), "South Asian Association for Regional Cooperation (SAARC): Its Role, Hurdles and Prospects", IOSR Journal of Humanities and Social Science.
4. Manju, T. K. and SarathChandran, B. P. (2012), "Current Status and

- Prospects of Regional Integration among SAARC Countries*”, Journal of Commerce and Management Thought III - 4, ISSN - 0975-623.
5. Ratna, V. (2012), “*A Study on India’s Trade Relationship with SAARC Countries*”, International Journal of Indian Culture and Business Management, Vol. 05, No. 01, PP. 15-36.
 6. Sharma, S. K. (2011), “*South Asian Regionalism: Prospects and Challenges*”, Indian Foreign Affairs Journal, Vol. 06, No.03, PP. 305-314.
 7. Suhail, P. and Sreejesh, S. (2011), “*The Bilateral Trade Agreement and Export Performance and Export Performance of South Asian Nations with Special Reference to India Sri Lanka Free Trade Agreement*”, The Romanian Economic Journal, Year XIV, No. 42, PP. 115-130.
 8. Vetrivel, K. and Kumar, S. (2012), “*SAARC and India - An Overview*”, Golden Research Thoughts, Vol. 01, ISSUE. XII, PP. 01-04.
 9. Andrew K. Rose and Mark M. Spiegel (January 2012). "Cross-country causes and consequences of the 2008 crisis: Early warning". *Japan and the World Economy*. **24** (1): 1–16. doi:10.1016/j.japwor.2011.11.001
 10. “AID FOR TRADE AT A GLANCE 2009: MAINTAINING MOMENTUM,” OECD/WTO 2009, <https://www.oecd.org/dac/aft/43234753.pdf>
 11. www.rbi.org.in
 12. www.saarc-sec.org
 13. https://en.wikipedia.org/wiki/Financial_crisis_of_2007%E2%80%932008
 14. <https://tradedat.commerce.gov.in/eidb/ergn.asp>