

 <p>ISSN NO. 2320-5407</p>	<p>Journal Homepage: -www.journalijar.com</p> <p>INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)</p> <p>Article DOI:10.21474/IJAR01/12595 DOI URL: http://dx.doi.org/10.21474/IJAR01/12595</p>	 <p>INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR) ISSN 2320-5407</p> <p>Journal Homepage: http://www.journalijar.com Journal DOI:10.21474/IJAR01</p>
---	--	--

RESEARCH ARTICLE

INDIA'S TRADE RELATIONS WITH SAARC - SPECIAL REFERENCE TO SAFTA

Dr. Pushia K.P., Jain Jacob and Dr. Jayesh G

Manuscript Info

Manuscript History

Received: 15 January 2021

Final Accepted: 19 February 2021

Published: March 2021

Key words:-

SAFTA, India, South Asia, Economic Integration, Exports, Regional Trade

Abstract

India played a proactive role in determining the of South Asian Free Trade Area (SAFTA) due to its economic strength. This study highlights recent trends in India's total trade relationship with SAFTA economies in general, and with each trade bloc members particularly during the period, from 2010 to 2019. The paper employs the compound annual growth rate technique to find out the growth rate of India's exports and imports. Also, a trend analysis has been made on India's exports and imports, total trade balance of trade with south Asian countries. The trend shows that in general both imports and exports were increasing over time except a negative export and total trade balance with Pakistan and import trade balance with Maldives. Bhutan and Bangladesh were the leading trade partners of India in south asian region. However, depending up on the economic and political conditions of the trading countries exhibit a characteristic trend unique to their own country in trading with India.

Copy Right, IJAR, 2021,. All rights reserved.

Introduction:-

For the past many decades, the South Asian Economies have been relentlessly striving to attain higher fronts of development through many means, since 1990's, South Asian Economies have made lot of hard work to augment trade and investment flows with the intention of achieving a diminution in poverty and improving growth and development in the region. South Asia economies also initiated economic reform measures such as deregulation of industries and other structural reforms in 1990's. By identifying the importance of exports for overall growth the governments and the private sector have accepted that export led growth is a driving force for each member country. The attempts by each member country to integrate global economy are evidenced by the improvement in the merchandise trade.

The recent past has witnessed that Regional Trade Agreements have reformed the world trade panorama. Both developed and developing nations are actively participating in such regional trade agreements. The paper aims to understand the Agreement implications on the South Asian Free Trade Area (SAFTA) launched in 2006 by the south Asian countries.

Methodology:-

The paper aims to not only outline a brief summary of SAFTA countries, but mainly to analyse India's total trade relationship with South Asian countries and also find out the compound annual growth rate of exports and imports. Compound Annual Growth Rate is (CAGR) is :

Corresponding Author:- Dr. Pushia K.P

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

The data consists of India's export and import, total trade, and balance of trade with seven of the SAFTA countries (Srilanka, Bangladesh, Nepal, Pakistan, Afghanistan, Bhutan, and Maldives). The period for the analysis is from 2010 to 2019. Data on India's exports and imports have been obtained from the Economic Survey of India (Various Issues), Website of Department of Commerce, Government of India.

Safta And India's Trade in South Asia:

During the summit in Islamabad in January 2004 the South Asian Association for Regional Cooperation (SAARC) members decided to establish a free trade area in South Asia. Thus "Islamabad Declaration" launched the South Asian Free Trade Area (SAFTA) on January 1, 2006. This decision brought in intense economic and political changes in the South Asian Economies. The member countries promised to uphold and augment mutual trade and economic cooperation among themselves. The major objectives included facilitating the cross broader movement of goods between the member states; successful implementation and application of this agreement, eliminating barriers of trade & commerce, promoting conditions of fair competition in the free trade area, joint administration and the settlement of the disputes; establishing a framework for future regional cooperation to expand and enhance the mutual benefits of the agreement, ensuring benefits in equitable manner to all states.

The former studies revealed that India would reap significant benefits under SAFTA. Among the SAFTA members, India could be expected as the major winner due to its initial high tariffs and biggest manufacturing sector (Bandara and Yu 2003). There is strong evidence of trade creation in the region under SAFTA, with no trade diversion effect as far as trade with non members is concerned (Hiranatha 2003). The trade structures of SAARC countries might not assist a quick increase in intraregional trade due to weak trading relations among SAARC countries (Pitigala2005). India served as the growth pole for the South Asian economies, and found out the smaller, least developed countries will gain due to the South Asian free trade agreement (UNCTAD and ADB 2008). Interestingly total share of trade is remarkably lower than the share of SAARC in world output (Rahman 2008). India is a source of potential investment and a major market for products from all other SAARC member countries (Kaur and Nanda, 2010).

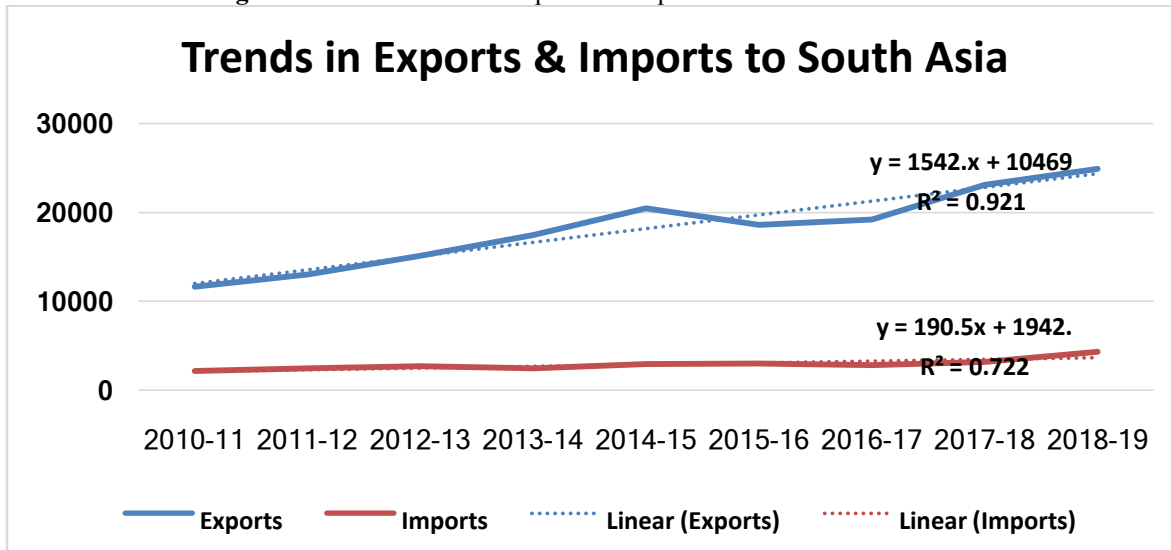
In the present paper India's trade to South Asian countries like Bangladesh, Pakistan, Sri Lanka, Nepal, Bhutan, Afghanistan, and Maldives is subject to study and the exports, imports, total trade and balance of trade relations of these countries with India has been analyzed from 2010 to 2019 and results have been produced.

Table 1:- India's Balance of Trade to South Asian Economies (Value in US \$ million).

Year	Exports	Total Exports	(%) share	Imports	Total Imports	(%) share
2010-11	11659	251136	4.64	2173	369769	0.58
2011-12	13033	304624	4.28	2498	489181	0.51
2012-13	15111	300401	5.03	2680	490737	0.54
2013-14	17504	314405	5.57	2473	450200	0.54
2014-15	20480	310338	6.6	2931	448033	0.65
2015-16	18620	262290	7.1	2975	381007	0.78
2016-17	19222	275852	6.97	2813	384357	0.73
2017-18	23101	303526	7.61	3203	465581	0.68
2018-19	24917	329536	7.56	4311	514034	0.83
CAGR	9.96	3.45	6.29	8.94	4.20	4.54

India's balance of trade to South Asian countries has been a significant increase with respect to value and as a percentage share of its overall trade. Perusal of table shown as India's exports to South Asia has increased from US\$ 11659 million in 2010-11 to US\$ 24917 million in 2018-19. The India's percentage share of export to south Asia region has also increased from 4.64% in 2010-2011 to 7.56 % in 2018-2019. The compound annual growth rate of south Asian exports was 9.96 percent. As far as imports are concerned, India's share has been only 0.58, 0.51, 0.54, 0.54, 0.65 & 0.83 for the years 2010-11, 11-12, 12-13, 13-14, 14-15 & 18-19, respectively. The compound annual growth rate of south Asian imports was 8.94 percent.

Figure 1:- Trend in India's export and import to South Asian countries.



The export trend indicates a positive and linear relationship and R²value is 92 percent i.e. the variations are explained by the variables included in the function. The import trend also indicates a positive and linear relationship and R² is 72 percent i.e., the variations are explained by the variables included in the function.

India's Balance of Trade with Sri Lanka:

The Indo - Sri Lanka trade relations instigate from the colonial period and rapport was strengthened by the formation of SAARC, SAPTA (South Asian Preferential Trade Arrangement) in 1995 and SAFTA (The Agreement on South Asian Free Trade Area) in 2006. All these lead to a greater economic integration. Figure 2 indicates that the export trend was not impressive and R²value is 3.5 percent i.e., the variations are explained by the variables included in the function. The import trend also indicates a positive and linear relationship and R² is 43 percent i.e., the variations are explained by the variables included in the function.

Figure 2:- Trend in India's Export and Import to Sri Lanka.

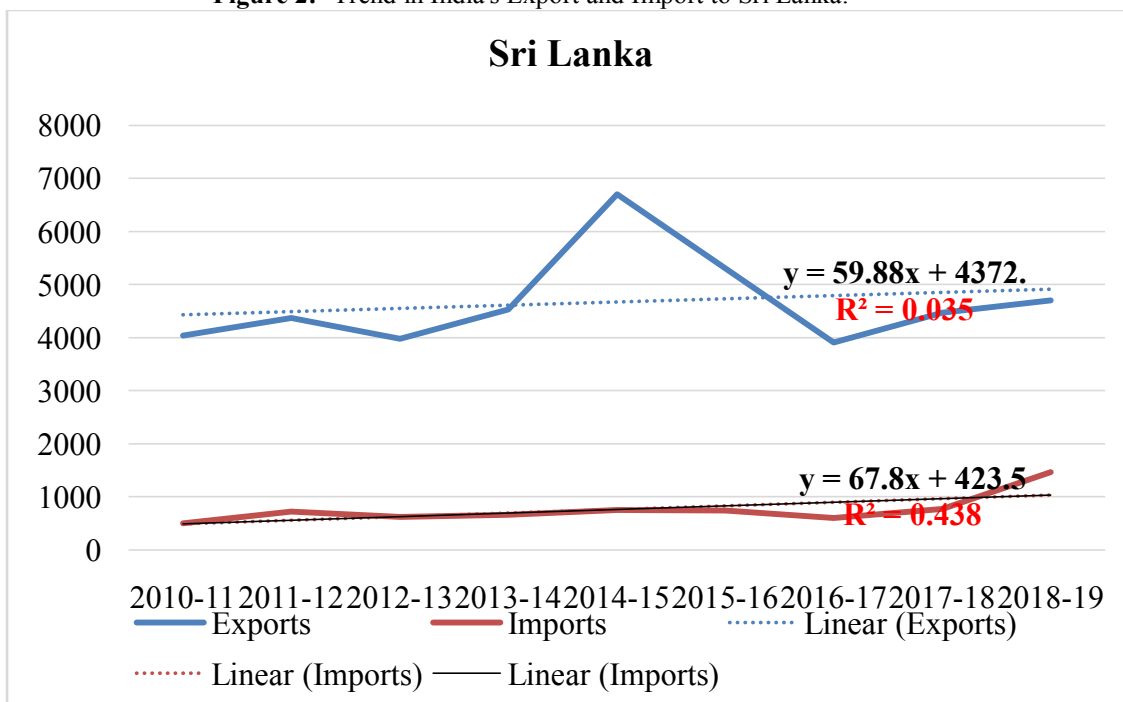


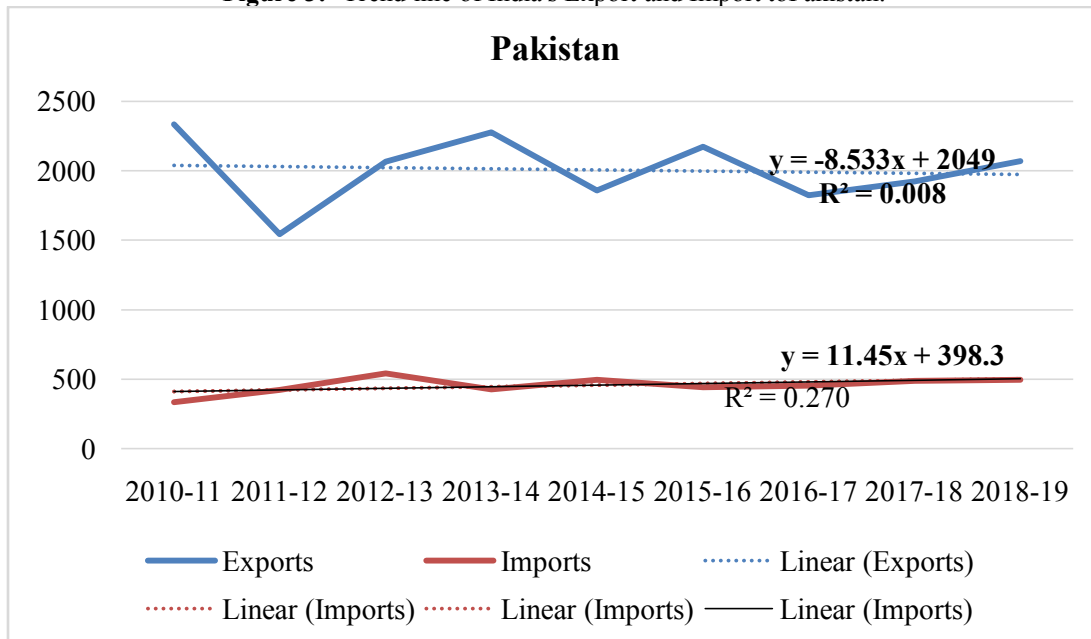
Table 2:- India's Balance of Trade with SriLanka (Value in US \$ million).

Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	4040	502	4542	+3538
2011-12	4379	721	5100	+3658
2012-13	3984	626	4610	+3358
2013-14	4534	667	5201	+3867
2014-15	6704	756	7460	+5948
2015-16	5310	743	6053	+4567
2016-17	3913	602	4515	+3311
2017-18	4476	773	5249	+3703
2018-19	4707	1473	6180	+3234
CAGR	2%	14%	4%	

Table 2 depicts India's balance of trade to Sri Lanka which shows an increasing trend from US\$4542 million in 2010-11 to US\$6180 million in 2018-19. India's export with Sri Lanka has shown a slight increase from US\$ 4040 million in 2010-11 to US\$ 4707 million in 2018-19. The imports also increased from US\$ 502 million in 2010-11 to US\$ 1473 million in 2018-19. The compound growth rate of exports and imports is 2 percent and 14 percent, respectively.

India's Balance of Trade with Pakistan:

The India's trade with Pakistan is diminishing over the years. South Asian Free Trade Area agreement has not much affect on the Indo – Pak trade relations. Figure 3 reveals that trend of exports and imports has almost stagnant and R²value is 1 percent and 27 percent, respectively.

Figure 3:- Trend line of India's Export and Import to Pakistan.**Table 3:-** India's Balance of Trade with Pakistan(Value in US \$ million).

Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	2334	333	2667	+2001
2011-12	1542	422	1964	+1120
2012-13	2065	542	2607	+1523
2013-14	2275	427	2702	+1848
2014-15	1857	497	2354	+1360
2015-16	2171	441	2612	+1730

2016-17	1822	454	2276	+1368
2017-18	1924	489	2413	+1435
2018-19	2067	495	2562	+1572
CAGR	-2%	5%	-1%	

Table 3 incorporates the data on India's trade with Pakistan along with the Compound annual growth rate. Perusal of the table indicates that total exports from India to Pakistan were declined from US\$ 2334 in 2010 -11 to US\$ 2067 in 2018-19. India's export growth rate is not much impressive and CAGR is negative 2 percent. At the same time import data exhibit a positive growth rate of 5 percent. Total trade is negative at a rate of 1 percent.

India's Balance of Trade with Afghanistan:

India's export relations with Afghanistan began to improve by the emergence of SAARC, but not yet perfectly normalized. The export trend indicates a positive and linear relationship and R^2 value is 62 percent i.e. the variations are explained by the variables included in the function. The import trend indicates a very good positive and linear relationship and R^2 is 92 percent i.e., the variations are explained by the variables included in the function.

Figure 4:- Trend line of India's Export and Import to Afghanistan.

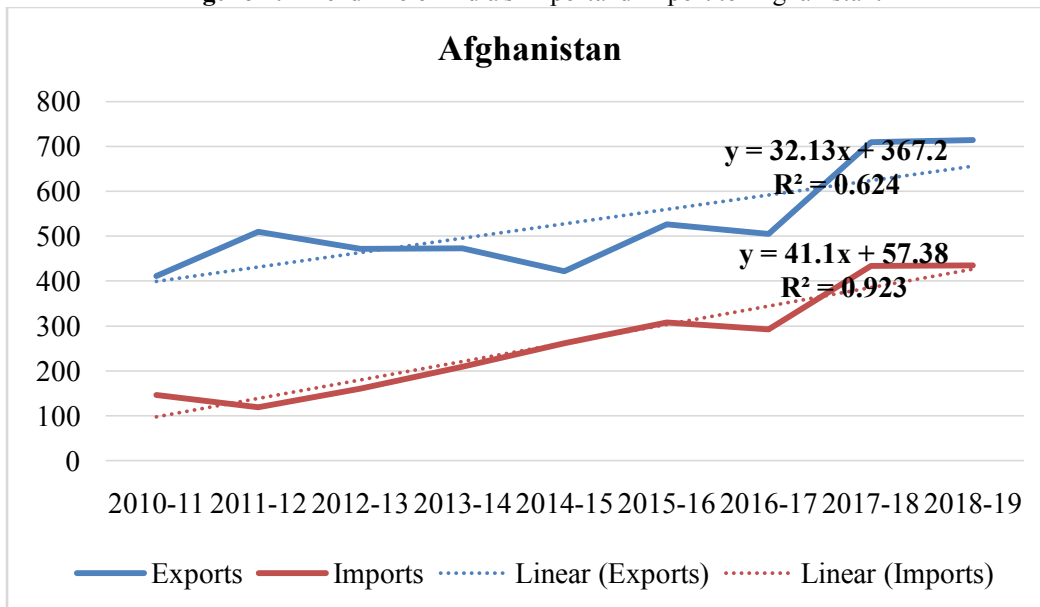


Table 4:- India's Balance of Trade with Afghanistan (Value in US\$ Million).

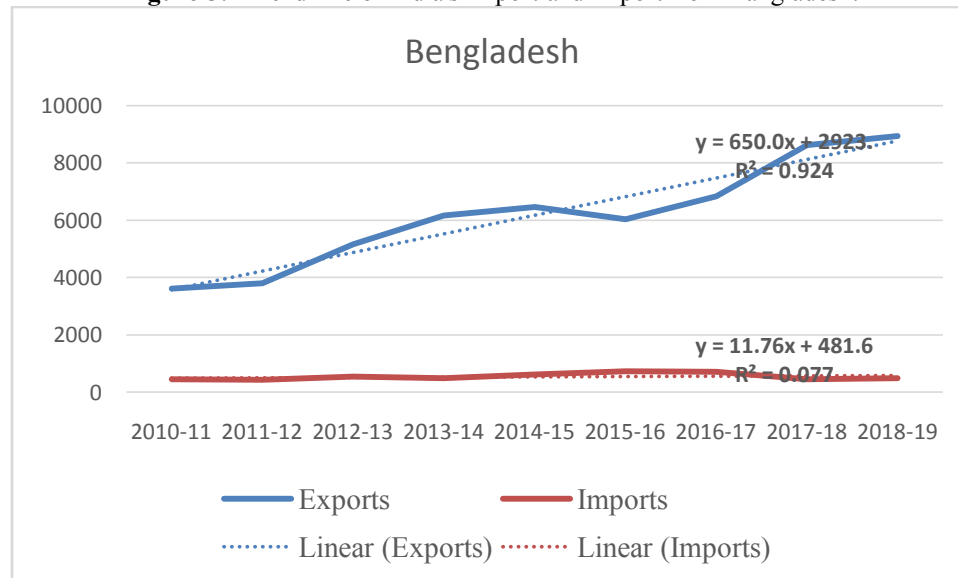
Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	412	146	558	+266
2011-12	511	119	630	+392
2012-13	473	160	633	+313
2013-14	474	209	683	+265
2014-15	423	262	685	+161
2015-16	527	308	835	+219
2016-17	506	293	799	+213
2017-18	710	434	1144	+276
2018-19	715	435	1150	+280
CAGR	7%	15%	9%	

Table 4 incorporates the data on India's trade with Afghanistan along with the Compound annual growth rate. India's export to Afghanistan has shown a significant increase from US\$ 412 million in 2010-11 to US\$ 715 million in 2018-19. The compound annual growth rate of exports is just 7 percent. As far as imports are concerned there exists a 15 percent growth and total trade growth rate is 9 percent.

India's Balance of Trade with Bangladesh:

India- Bangladesh trade and investment relationship have a great impact on the socio-political and economic demography of the south Asian region and relations between them influences the fate of South Asia. Both countries share more than 4096 km contiguous border and can benefit immensely by enhancing bilateral trade and investment. For achieving long term development agenda and enhancing competitiveness in the Bangladesh economy, they adopted an outward-oriented growth strategy. As per Global Economic Prospects June 2017 despite ongoing security concerns, the growth in trade is attributed by agricultural sector and services sector.

Figure 5:- Trend line of India's Export and Import from Bangladesh.



The export trend reveals a very good positive and linear relationship and R^2 value is 92 percent i.e., the variations are explained by the variables included in the function. The import trend indicates a non - linear relationship and R^2 is 7 percent i.e., the variations are explained by the variables included in the function.

Table 5:- India's Balance of Trade with Bangladesh(Value in US\$ Million).

Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	3606	447	4053	+3159
2011-12	3789	427	4216	+3362
2012-13	5145	543	5688	+4602
2013-14	6167	484	6651	+5683
2014-15	6451	621	7072	+5830
2015-16	6035	727	6762	+5308
2016-17	6820	702	7522	+6118
2017-18	8615	438	9053	+8177
2018-19	8933	475	9408	+8458
CAGR	12%	1%	11%	

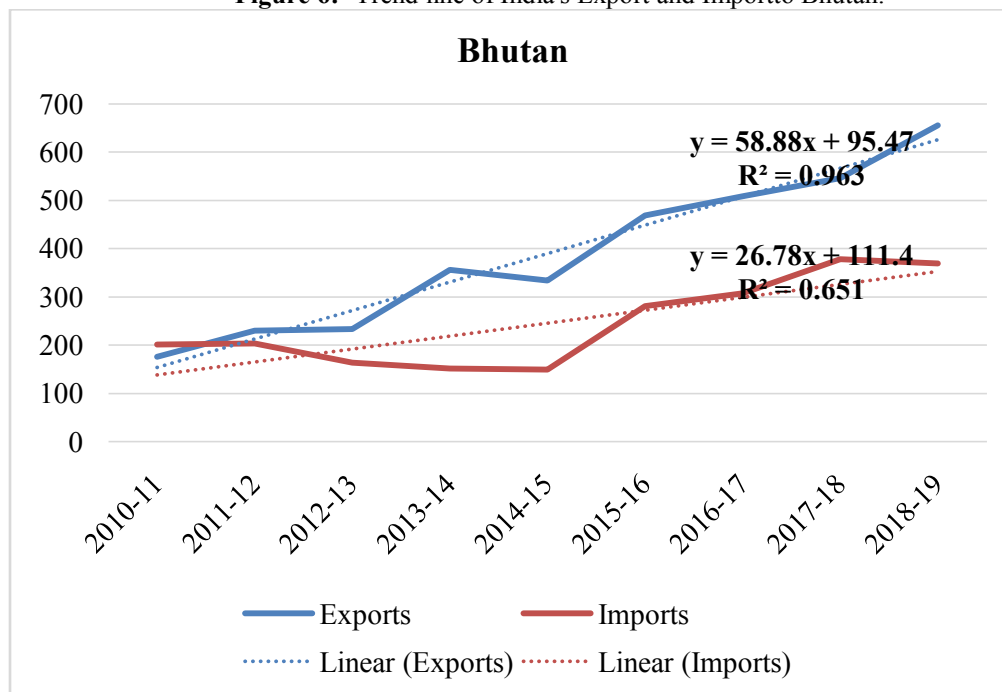
India's trade with Bangladesh is given in the Table 5, from the data it can be clearly understood that the overall exports of India to Bangladesh has shown a significant improvement from US\$ 3606 million in 2010-11 to US\$ 8933 million in 2018-19. The compound growth rate of export and import are 12 and 1percent, respectively. The total trade revealed an increase from US\$ 4053 million to US\$ 9408 million in 2018-19.

India's Balance of Trade with Bhutan:-

India acts as both development and emerging trade partner with Bhutan. The India- Bhutan Trade and Commerce Agreement were first signed in 1972 and renewed periodically, with mutually agreed modifications. The existing free trade regime between two nations was last renewed in 2006 for a period of 10 years. The agreement provides for duty free transit of Bhutanese merchandise trade with third world countries. Global economic prospects June

2017 analyzed macroeconomic policies, strong energy and construction sectors paved the growth of Bhutan's economy. We can see that the year 2018 was a milestone year for India-Bhutan relationship as the countries celebrated the accomplishments of the last fifty years of time-tested and unusual partnership. Cooperation in hydropower projects is one of the most significant examples of win-win cooperation between India and Bhutan. These projects are a reliable source of inexpensive and clean electricity to India, and it is the major contributor towards Bhutanese GDP.

Figure 6:- Trend line of India's Export and Import to Bhutan.



The export trend indicates a very good positive and linear relationship and R^2 value is 96 percent i.e., the variations are explained by the variables included in the function. The import trend indicates a positive and linear relationship and R^2 is 65 percent i.e., the variations are explained by the variables included in the function.

Table 6:- India's Balance of Trade with Bhutan (Value in US\$ Million).

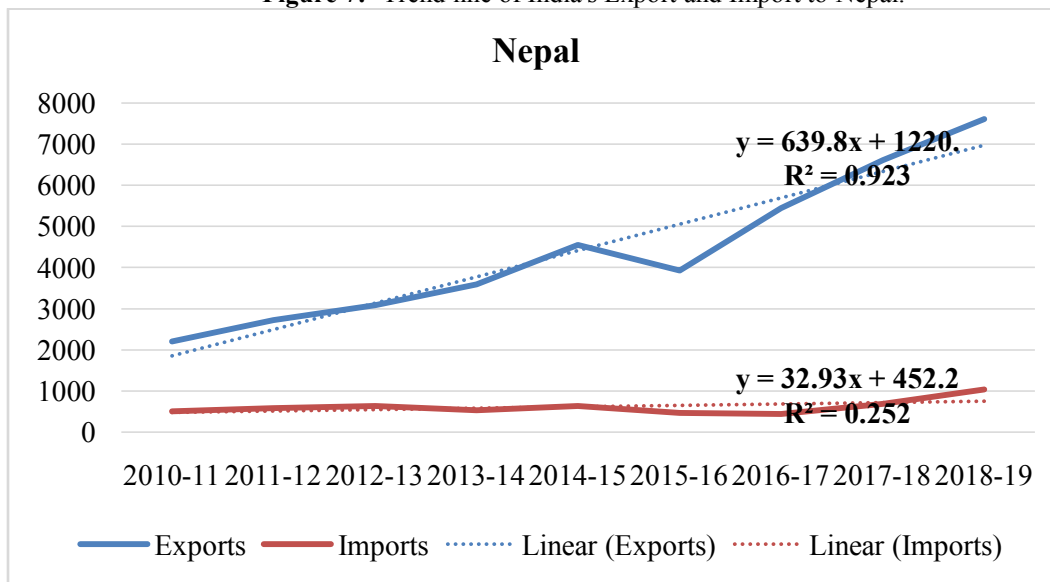
Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	176	202	378	-26
2011-12	230	204	434	+26
2012-13	233	164	397	+69
2013-14	356	152	508	+204
2014-15	334	150	484	+184
2015-16	469	281	750	+188
2016-17	509	308	817	+201
2017-18	546	378	924	+168
2018-19	656	369	1025	+287
CAGR	18%	8%	13%	

India's total trade with Bhutan indicates a threefold increase from US\$ 378 million in 2010-11 to US\$ 1025 million in 2018-19. The compound annual growth rate is 13% per annum which indicates India has got highest export growth with Bhutan. And we can see a unique, time-tested, and longstanding relationship between India- Bhutan which may be characterized by trust, goodwill and mutual understanding.

India’s balance of Trade with Nepal:

The Indo- Nepal Trade relations are the product of the age old cultural, geographical, and economic ties between the two countries since the dawn of civilization in the Indian sub- continent. Their relations acquired new dimensions in 1951 when the first treaty on trade and commerce was signed by the two nations. Since Nepal is a land locked country, treaties on trade and transit used to be entered between the governments of two countries almost every five years. The treaties gave provisions for conducting mutual trade in rupees, dismantling basic customs duties as well as quantitative restrictions. Agreements were also reached to promote technical cooperation and diversify trade between two countries. Global Economic Prospects June 2017 states that favourable monsoon, reconstruction efforts and normalization of trade across southern borders with India are the major factors that contributed to Nepal’s growth. Double Taxation Avoidance Agreement (DTAA) with Nepal was signed on 27th November 2011 to help exporters and investors of both the countries in improving mutual business engagements.

Figure 7:- Trend line of India's Export and Import to Nepal.



The export trend indicates a very good positive and linear relationship and R² value is 92 percent i.e. the variations are explained by the variables included in the function. The import trend indicates a non linear relationship and R² is 25 percent.

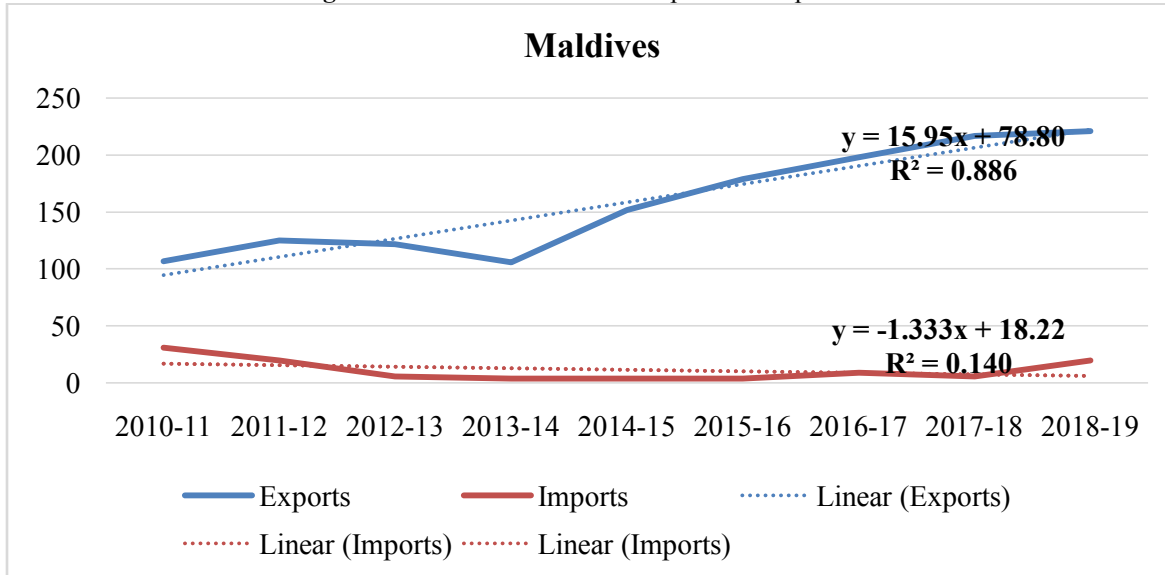
Table 7:- India’s Balance of trade with Nepal (value in US\$ Million).

Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	2204	513	2717	+1691
2011-12	2722	585	3307	+2137
2012-13	3089	639	3728	+2450
2013-14	3592	530	4122	+3062
2014-15	4559	640	5199	+3919
2015-16	3930	471	4401	+3459
2016-17	5454	445	5899	+5009
2017-18	6613	686	7299	+5927
2018-19	7616	1043	8659	+6573
CAGR	17%	9%	16%	

Table 7 shows India’s trade with Nepal along with the compound annual growth rate of exports. India’s export to Nepal has shown a notable improvement from US\$ 2204 million in 2010-11 to US\$ 7616 million in 2018-19. The compound growth rate of export is 17 % and import shows 9% growth rate. The total trade also improved from US\$ 1691 million in 2010-11 to US\$ 8659 million in 2018-19.

India's Bilateral Trade with Maldives:

Indo- Maldives trade relations started soon after the independence of Maldives in 1965. India's exports to the Maldives have been growing exponentially and India continues to be Maldives's third largest trading partner. Their exports primarily scrap metals to India, while India exports agricultural and poultry produce, pharmaceuticals, textiles, and a variety of engineering and industrial products to the Maldives.

Figure 8:- Trend line of India's Export and Import to Maldives.

The export trend indicates a very good positive and linear relationship and R^2 value is 89 percent i.e. the variations are explained by the variables included in the function. The import trend indicates a non linear relationship and R^2 is 14 percent.

Table 8:- India's Bilateral trade with Maldives (value in US\$ Million).

Year	Exports	Imports	Total Trade	Balance of Trade
2010-11	107	31	138	+76
2011-12	125	20	145	+105
2012-13	122	6	128	+116
2013-14	106	4	110	+102
2014-15	152	4	156	+148
2015-16	179	4	183	+175
2016-17	198	9	207	+189
2017-18	217	6	223	+211
2018-19	221	20	241	+201
CAGR	9%	-5%	7%	

Table 8 shows the India's trade with Maldives along with the compound annual growth rate of exports. The total exports from India to Maldives increased from US\$107 million in 2010-11 to US\$ 221 million in 2018-19. The compound growth rate of export shows 9% and Import shows a negative growth of 5 percent. The total trade enlarged from US\$ 138 million in 2010-11 to US\$ 241 million in 2018-19.

Conclusion:-

India's bilateral trade with the South Asian countries witness a general increase in the overall trade. This study highlights total exports of India to south Asian economies showed a significant improvement from its trading partners except Pakistan. As far as imports are concerned, Maldives has got negative terms of trade. Thus, India has a favourable balance of trade with all south Asian economies except Pakistan. Results also indicate that India has a massive trade surplus with Bangladesh, Nepal, and Bhutan. During 2010-19, Bhutan was the leading export partner

of India in South Asian region. The lowest growth in trade balance of exports was recorded for Srilanka, Afghanistan and Maldives. To conclude, South Asian countries have got immense potential to expand their trade which made SAFTA a successful trade and investment integration.

References:-

1. Ali, Ershad and Dayal Talukder (2010): "Political Economy of the Preferential Trade Liberalizations and Regionalism in South Asia: Opportunities and Challenges", *Canadian Social Science*, Vol. 6, No. 3, pp.16-25.
2. Ambrose, B&P, Sundararaj (2014): "A Brief Analysis on India's Trade with SAARC countries: A recent Trends", *Global Journal of Human Social Science*, Vol.14, Issue 6, Version 1.
3. Bandara, Jayatilleke S and Wusheng Yu (2001): "How desirable is the South Asian Free Trade Area? A quantitative assessment", *Working Paper No.16/2001*, Danish Institute of Agricultural and Fisheries Economics (SJFI), <http://www.kvl.foi.dk/upload/foi/docs/publikationer/erworking%20papers/2001/16.pdf>
4. Batra, Amita. (2005): "South Asian Free Trade Area. Opportunities and Challenges", *Working Paper No. 151*. Indian Council for Research on International Economic Relations, New Delhi.
5. Export-Import Bank of India (2014): "Potential for Enhancing Intra-SAARC Trade: A Brief Analysis", *Working Paper No. 31*, Government of India, Mumbai.
6. Hafiz Wasim Akram, Md. Daoud Ciddikie and Khan, M. Altaf (2014): "India's Trade Relationship With SAFTA countries: A Review", *Journal of Indian Research*, Vol.2, No.1, Jan – March, pp.46-58.
7. Hirantha, Seekkuwa Wasan (2004): "From SAPTA to SAFTA: Gravity analysis of South Asian freetrade", *Mimeo*, Department of Commerce, Faculty of Management Studies and Commerce, University of Jayewardenepura, Sri Lanka.
8. Loknath Acharya Ashima Marwaha (2012): "India- Bangladesh economic relations", *Status paper*, Federation of Indian Chambers of Commerce & Industry (FICCI), New Delhi.
9. Ministry of Finance (2010 to 2019): *Indian Economic Survey - Various Issues*, Government of India.
10. Mohanty, S.K. and Chaturvedi, S. (2006) "Impact of SAFTA on trade in environmentally sensitive goods in South Asia: emerging challenges and policy options", *Asia Pacific Trade and Investment Review*, Vol. 2(2), pp.1-3.
11. Temel Taskin & Boaz Nandwa (2017): "Global Economic Prospects South Asian Analysis", <http://pubdocs.worldbank.org/en/372561512062619975/Global-Economic-Prospects-Jan-2018-South-Asia-analysis.pdf>, June.
12. UNCTAD and ADB (2008): *Quantification of Benefits from Regional Cooperation in South Asia*, <https://www.gsid.nagoya-u.ac.jp/sotsubo/SouthAsian-Quantification-Benefits.pdf>.
13. USAID (2005): *South Asian Free Trade Area: Opportunities and Challenges*, http://pdf.usaid.gov/pdf_docs/Pnade563.pdf, United States Agency for International Development.