

Vol 3 Issue 11 May 2014

ISSN No :2231-5063

---

# International Multidisciplinary Research Journal

## *Golden Research Thoughts*

Chief Editor  
Dr.Tukaram Narayan Shinde

---

Publisher  
Mrs.Laxmi Ashok Yakkaldevi

Associate Editor  
Dr.Rajani Dalvi

Honorary  
Mr.Ashok Yakkaldevi

## Welcome to GRT

**RNI MAHMUL/2011/38595**

**ISSN No.2231-5063**

Golden Research Thoughts Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

### **International Advisory Board**

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Janaki Sinnasamy Librarian, University of Malaya	Catalina Neculai University of Coventry, UK	Anna Maria Constantinovici AL. I. Cuza University, Romania
Romona Mihaila Spiru Haret University, Romania	Ecaterina Patrascu Spiru Haret University, Bucharest	Horia Patrascu Spiru Haret University, Bucharest,Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pinteau, Spiru Haret University, Romania
Anurag Misra DBS College, Kanpur	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Titus PopPhD, Partium Christian University, Oradea,Romania	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences AL. I. Cuza University, Iasi	.....More

### **Editorial Board**

Pratap Vyamktrao Naikwade ASP College Devrukh,Ratnagiri,MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University,Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yaliker Director Managment Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU,Nashik
Salve R. N. Department of Sociology, Shivaji University,Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	Sonal Singh Vikram University, Ujjain	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotriya Secretary,Play India Play,Meerut(U.P.)	Maj. S. Bakhtiar Choudhary Director,Hyderabad AP India.	S.KANNAN Annamalai University,TN
	S.Parvathi Devi Ph.D.-University of Allahabad	Satish Kumar Kalhotra Maulana Azad National Urdu University
	Sonal Singh, Vikram University, Ujjain	

**Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India**  
**Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.aygrt.isrj.net**



## INDIA'S TRADE WITH SAARC COUNTRIES: AN ANALYSIS

**Kiran. R , K. Subashini and M. K.Nagamani**

Professor, AIBM, Bangalore, Karnataka  
CEO & Faculty, Martins Academy, Bangalore, Karnataka, India.  
Associate Professor (Statistics), U.A.S., GKVK, Bangalore, Karnataka, India.

**Abstract:-**SAARC countries are a large regional block with huge potential but achievement in regional cooperation so far is insignificant. The results show that the region is engaged in trade with the outside world and not within the economies of the region. India's trade with SAARC countries is not very impressive. SAARC countries need to have adequate physical infrastructure. Trade policy of SAARC countries, need to ensure that SAFTA ensures trade creation rather than trade diversion from the region as observed by many researchers. It is also noticed that while trade promotes growth, GDP growth also attract more participation in international trade.

**Keywords:**SAARC Countries , Analysis , India's Trade , achievement.

### INTRODUCTION :-

International trade has often been referred as the “engine of growth” that enhanced the development of today's economically advanced countries during the nineteenth and early twentieth centuries. The developing countries pursued on import substitution and industrialization strategy from 1950's but failed to achieve rapid economic growth and eradicate poverty (Venables, 2001). A few developing countries, especially in East-Asia, which undertook trade policy reforms had adopted and export oriented growth strategy specifically in line with regional integration (Association of South East Asian Nations, Asia-Pacific Economic Co-operation) Succeeded in achieving rapid economic growth and industrial development (Wilson, 2002).

During the economic reforms, trade liberalization has increased with the rise of regionalism. It is argued that trade liberalization and regional economic co-operation can help a region to increase inter-regional trade by exploring the size of the markets. This may in turn yield efficiency and bring benefits not only by exploration of economies of scale but also by dynamic and upward shifts in production function. The domestic firms become more competitive and develop the confidence to enter into global competition after exposure to a regional market. Driven towards integration by the pressure of socio-economic interests of the region, seven South Asian countries namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka formed the South Asian Association for Regional Co-operation (SAARC) in 1985. They also formed the SAARC Preferential Trading Agreement (SAPTA) in 1993 and transformed it into South Asian Free Trade Area (SAFTA) in 2004 with a view to enhancing their productive capacity and region's trading interests. As a eighth member, Afghanistan joined the organization in 2005. However, since the establishment of SAARC, the achievement has been considered insignificant and the level of intra-regional trade among SAARC Countries is still very low. With the present low level of intra-regional trade and the perceived competitiveness among the SAARC Countries, a question arises whether regionalism would benefit in this region.

To accelerate the process of socio-economic development in member countries is one of the major objectives of formation of SAARC forum. Thereafter, trade promotion was also pursued as an area of economic Co-operation. It is in this context, the present study has been undertaken to study the India's trade with SAARC countries from 2000-01 to 2011-12.

### DATA AND METHODOLOGY:

To study this topic secondary data were collected from RBI, Handbook of Statistics, World Development Indicators and UNCTAD.

**Table-1**  
**Socio-economic Development indicators in the SAARC Countries:2000**

Particulars	India	Pakistan	Sri Lanka	Nepal	Bangladesh	Bhutan	Maldives
Life expectancy at birth (years)	62.9	64.4	73.3	57.8	58.6	61.2	65.0
Adult literacy rate (% age 15 and above)	55.7	44.0	91.1	39.2	40.1	42.0	96.0
Gross enrolment ratio (%) (includes primary, secondary and tertiary)	54.0	43.0	66.0	61.0	36.0	33.0	75.0
Human Development Index (HDI) value	0.563	0.522	0.733	0.474	0.461	0.483	0.725
GDP per capita (US \$)	444	511	802	217	348	493	1247

Source: UNCTAD : 2000

**Table-2**  
**Share of India's Exports and Imports to SAARC Countries (US \$ million)**

	Exports		% Share of SAARC countries in India's Total Exports	Imports		% Share of SAARC countries in India's Total Exports
	India	SAARC		India	SAARC	
	44560.3	1928.5	4.33	50536.5	465.8	0.92
	43826.7	2026.0	4.62	51413.3	571.5	1.11
	52719.4	2724.1	5.17	61412.1	512.0	0.83
	63842.6	4148.1	6.50	78149.1	668.8	0.86
	83535.9	4440.7	5.32	111517.4	950.2	0.85
	103090.5	5547.6	5.38	149165.7	1413.3	0.95
	126414.1	6469.5	5.12	185735.2	1507.2	0.81
	162904.2	9617.2	5.90	251439.2	2111.4	0.84
	185295.0	8440.5	4.56	303696.0	1796.9	0.59
	178751.4	8356.5	4.67	288373.7	1651.8	0.57
	251136.0	11636.5	4.63	369769.1	2170.2	0.59
	305963.9	13084.8	4.28	489319.5	2487.2	0.51

## RESULTS AND DISCUSSION

The SAARC region being the most populated part of the world (1.47 billion) is characterized by greater inequality in distribution of income with 43 per cent of its people living below the poverty line. South Asia's economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries and a multitude of support services. SAARC, is the world's only region, which has failed to tap the potential for social-cultural exchange and economic co-operation, with the continuation of war (Asian Development Bank, 2005) and cold war in the region between India and Pakistan. Intra-SAARC trade is dismally as low as 4 per cent and the collective share of the region in world trade was just one per cent. However, recently South Asia's fastest growth in exports has been predicted by a report published by the World Bank. But according to a recent World Bank report "South Asia's integration into the Global economy", predicts South Asia will have the World's fastest growth in exports by 2028.

The trade among any group of countries always depends on the level of its socio-economic development. In case the various indicators of socio-economic development are dismal, the volume of trade and many other businesses will also be low and vice-versa.

The data presented in Table-1 show that in the SAARC countries, the Human Development Index (HDI) was the highest in Sri Lanka (0.733) followed by Maldives (0.725), India (0.563), Pakistan (0.522), Bhutan (0.483), Nepal (0.474) and Bangladesh (0.461). India and Pakistan are the two big nations of SAARC region. As far as per capita income is concerned, Maldives comes first followed by Sri Lanka, Pakistan, Bhutan, India, Bangladesh and Nepal. The per capita income of Maldives and Sri Lanka was high. This was mainly due to the size of these countries. In addition to this, the inflow of tourists

was more in these countries due to locational factors. Nepal and Bangladesh had low per capita income as compared to other SAARC countries.

#### **India's Exports to SAARC Countries:**

The data relating to India's exports to the SAARC countries is given in Table-2. This table shows that India's total exports to all countries of the world had increased from US \$ 44.56 billion in 2000-01 to US \$ 305.96 billion in 2011-12. Similarly the exports to the SAARC countries had increased from \$1.93 billion to \$ 13.08 in the corresponding period. In percentage terms, the exports had declined to the SAARC countries from 4.33 in 2000-01 to 4.28 per cent in 2011-12. This decline in percentage share of exports may be attributed to a number of economic and non-economic factors. In the recent period, the Indian exports related to Information Technology (IT) have increased very fast to the developed and developing countries. In India, the Information Technology sector is creating wealth worth more than Rs.60,000. But the SAARC countries expect India has limited scope to absorb the IT due to low level of industrial development and infra-structural facilities.

#### **India's Imports**

The data regarding India's imports from other SAARC countries has been included in Table-2. India's total imports from all over the world had increased from \$50.54 billion in 2000-01 to \$489.32 billion in 2011-12. During the corresponding period, the imports from SAARC countries had increased from \$ 0.47 billion to \$2.49 billion. India's exports to the SAARC countries exceeded very little. In percentage terms, India's imports from SAARC countries remained less than one per cent in most of the years.

#### **CONCLUSION AND SUGGESTION**

SAARC countries are a large regional block with huge potential but achievement in regional co-operation so far is insignificant. The results show that the region is engaged in trade with the outside world and not within the economies of the region. India's trade with SAARC countries is not very impressive. SAARC countries need to have adequate physical infrastructure. Trade policy of SAARC countries, need to ensure that SAFTA ensures trade creation rather than trade diversion from the region as observed by many researchers. It is also noticed that while trade promotes growth, GDP growth also attract more participation in international trade. GDP is the driving force behind the movement in trade inflows and outflows, once growth is enhanced, foreign trade can be improved.

#### **REFERENCES**

- 1.Asian Development Bank (2005). Regional Co-operation Strategy and Programme, South Asia (2006-08).ADB.
- 2.Chowdhury, Mamata.B. (2005). Trade Reforms and Economic Integration in South Asia: SAARC to SAPTA, Applied Econometrics and International Development. Vol. 5-4, pp.23 to 40.
- 3.Mehta, S.P and Kumar.P. (2004) RTA's and South Asia Working Paper 2004-11, Canberra. The Australian National University.
- 4.Rehman,M., Shadat, W.B. and Das,N.C (2006). Trade Potential in SAFTA: An Application of Augmented /Gravity Model, Dhaka, Centre for Policy Dialogue.
- 5.Sidhu, M.S. , Rangi, P.S and Kaur,L. (2004). India's Regional Trading with SAARC Countries: Some Experience, Southern Economist, November 15, Vol.43, No, pp.8-10
- 6.UNCTAD:2000
- 7.Venables, A.J.(2001). Regional Integration Agreements: A Force for Convergence or Divergence. World Bank Paper Series, No.2260, The World Bank, Washington DC.
- 8.Wilson, J.S (2002). Liberalizing Trade in Agriculture -

# Publish Research Article International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

## Associated and Indexed, India

- \* International Scientific Journal Consortium
- \* OPEN J-GATE

## Associated and Indexed, USA

- EBSCO
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Golden Research Thoughts  
258/34 Raviwar Peth Solapur-413005, Maharashtra  
Contact-9595359435  
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com  
Website : www.aygrt.isrj.net