



INDIA'S TRADE WITH SAARC COUNTRIES: AN EVALUATION

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Abstract

In the present era of global liberalisation, every nation is associated with different countries through the way of trade blocs and regional trade agreements. Foreign trade is a way of regional cooperation, and every country wants to boost its position through maximization of exports with optimization of import, resulting in economic development as well as availing itself of the benefits on typical issues of peace, prosperity and social progress through regional cooperation. India too participates in several regional trade agreements and is associated with different large trade blocs of the world like EU, EFTA, SAARC, ASEAN etc. It has also signed free trade agreements with other countries which are not part of a trade bloc. Regional Cooperation is the spirit of sharing with and helping each other in a particular group of countries of a region towards the achievement of the common objectives. These objectives mainly refer to the achievement of economic development, peace, progress and prosperity and, on the other hand, to maintaining the strategic relationship with the big powers of the world.

This paper attempts to analyse the export and import situation of India with SAARC nations, India's share in export and import to SAARC nations and their related contribution to trade development.

Keywords: Export Share, Regional Cooperation, Export, Import



Introduction

The growth of regional economic cooperation arrangement is one of the major developments in the world. The philosophy of Regionalism is strengthened as a platform for all the developed and developing economies. **(Karl, 1998)** The author says, “Regions in international politics are described as 'a limited number of states linked by a geographical relationship and by a degree of mutual independence' and could be differentiated according to the level and scope of exchange, formal organizations, and political interdependence. It involves formal and informal agreements marked by “explicit and implicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations.” The expansion of such philosophy started mainly after the Second World War, when all war-influenced countries wanted to reform their economy. Various trade blocs were established in different regions of the world. According to **(Shobhan, 1984)**, “Economic cooperation among South Asian nations is not a new phenomenon. The quest of economic integration however, remained inhibited by the colonial heritage of these countries. Their economic links often remain vertically tied to the metropolitan world. Lateral links even with immediate neighbours have either never existed or have atrophied over the years. Patterns of development among the countries have been competitive rather than complementary so that current prospectus for trade among them is limited.”

In Asia a prominent trade bloc ASEAN emerged in 1967 and following the ASEAN Model, SAARC (South Asian Association for Regional Cooperation), a trade bloc of developing economies, was formed on **8th December 1985**. The South Asian Association for Regional Cooperation (SAARC), comprising Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, is a dynamic institutionalized regional cooperation in South Asia, basically perceived as an economic grouping to work together for accelerating the pace of socio-economic and cultural development. **(Grover, 1997)**. Later on in 1984 Afghanistan as a new member state joined the bloc. The objectives of such trade blocs were similar. The objectives, principles and general provisions, as mentioned in the SAARC Charter,



are to promote the welfare of the people of South Asia, to strengthen cooperation with other developing countries, to strengthen cooperation among themselves in international forums on matters of common interests and to cooperate with international regional organizations with similar aims and purposes. It aims to accelerate the process of economic and social development based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of the Member States, and mutual benefit, and is seen as complement to the bilateral and multilateral relations of its Member States. The special characteristic of this regional cooperative group of nations is that it consists of all developing countries. India plays an important role in SAARC. **India's total export and import in 2011-12 amounted to US\$ 305964 million and US\$ 489319 million respectively. It is a sixfold growth in export in the period of 10 years as it stood for US\$ 52719 million and in import eightfold growth recorded as it stood for US\$ 61412 million during the financial year 2002-03. India is accelerating its economic growth with increasing trend of trade.**

Objectives of the Study

- To analyse the situation of India's export and import to SAARC in ten years.
- To examine the fluctuation in the percentage share of SAARC in India's total export and import.
- To analyse the future trend of India's trade to SAARC in next five years.

Research Methodology

Collection of Data

This research study is descriptive in nature and primarily based on the secondary sources of data collected from various sources like research papers, reports and websites related to foreign trade. The purpose of it is to portray the picture of Indian export and import situation and the relative share of trade to SAARC countries in the total export and import of India.



Period of Study

The ten years data from 2002-03 to 2011-12 is taken for the purpose. On the basis of these ten years' data, the next 5 years' trade figures have been forecast for the period of 2012-13 to 2016-17.

Data Analysis (Tools and Techniques)

- Trend Analysis has been used through Scatter Diagram, which is the simplest and easiest technique to find trend in data. The data has been analyzed using MS-Excel.
- Some facts about the subject matter have been shown with the help of Charts and Tables. Trend analysis has been used for predicting trade volume in next five years.

Limitations of the Study

The scope for this study is limited:

- The data collected belongs to secondary source of data only, and primary data has not been included for the purpose.
- Foreign Exchange rate is supposed to be consistent.
- No change has been considered in composition of traded goods.

Analysis and Interpretation

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Analysis and Interpretation

¹Charter of the South Asian Association for Regional Cooperation at [http://www.saarc- sec.org/](http://www.saarc-sec.org/)

²ibid

³Online Data Bank Department of Commerce, Ministry of Commerce at <http://commerce.nic.in>

**Table : 1 India's Export with SAARC**

S.no.	Year	SAARC(US Million Dollars)	Trade Share(%)	Increase or Decrease in Export Share(%)	India's Total Export (US Million Dollars)
1	2002-03	2784.90	5.28	-	52719.43
2	2003-04	4293.52	6.72	+1.44	63842.55
3	2004-05	4606.14	5.51	-1.21	83535.94
4	2005-06	5547.65	5.38	-0.13	103090.53
5	2006-07	6473.81	5.12	-0.26	126414.05
6	2007-08	9637.76	5.90	+0.78	163132.18
7	2008-09	8567.12	4.62	-1.28	185295.36
8	2009-10	8390.69	4.69	+0.07	178751.43
9	2010-11	11654.14	4.64	-0.05	251136.19
10	2011-12	13296.47	4.34	-0.30	305963.92
			Arithmetic Mean = 5.22		

Source: Data Compiled from online Data Bank of Ministry of commerce website.

Table: 1

Export Share in percentage in India's Total Ten Years Export to SAARC for Individual F.Ys

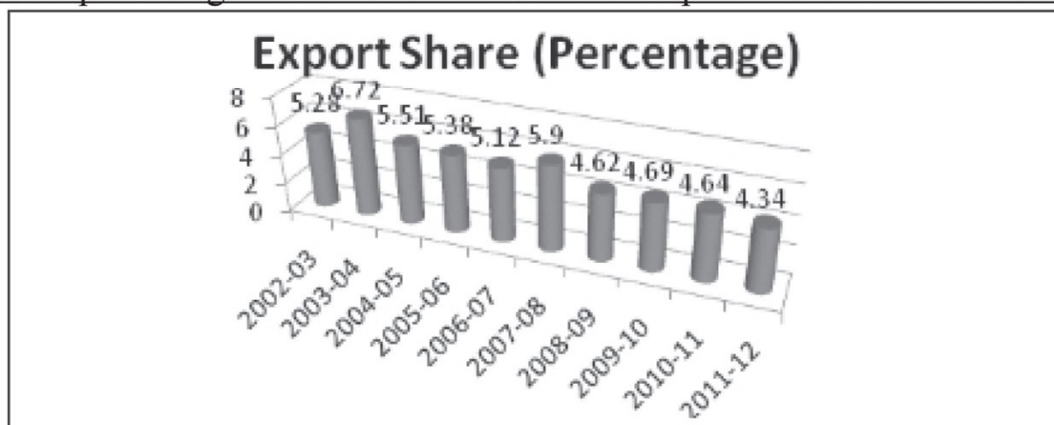




Chart: 1
India's Import with SAARC

S.no.	Year	SAARC (Amount in US Million Dollars)	Trade Share	Increase or Decrease in Export Share(%)	India's Total Export (Amount in US Million Dollars)
1	2002-03	530.43	0.86	-	61412.14
2	2003-04	709.31	0.90	+0.04	78149.11
3	2004-05	997.19	0.89	-0.01	111517.43
4	2005-06	1413.31	0.94	+0.05	149165.73
5	2006-07	1507.45	0.81	-0.13	185735.24
6	2007-08	2117.35	0.84	+0.03	251654.01
7	2008-09	1817.89	0.59	-0.25	303696.31
8	2009-10	1657.34	0.57	-0.02	288372.88
9	2010-11	2173.37	0.58	+0.01	369769.13
10	2011-12	2607.42	0.53	+0.05	489319.49
			Arithmetic Mean = 0.75		

Source: Data Compiled from online Data Bank of Ministry of commerce website.

Table: 2

Import Share in percentage in India's Total Ten Years Export to SAARC for Individual F.Ys

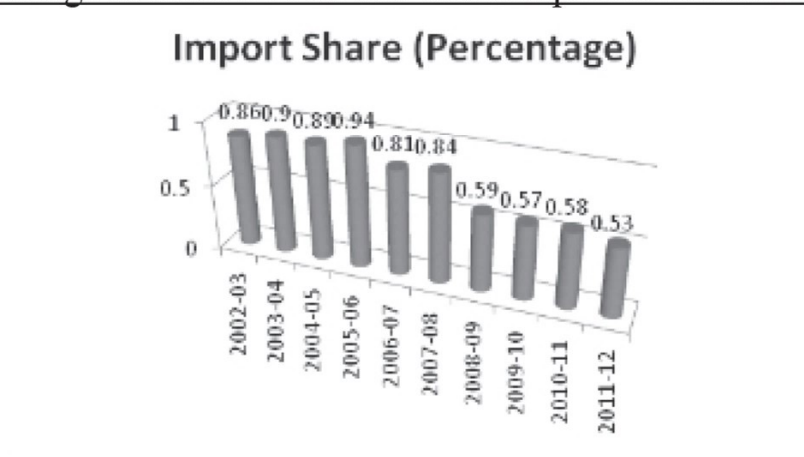




Chart: 2

Linear Trend Line for Export to SAARC Countries

(For the period 2002-03 to 2011-12)

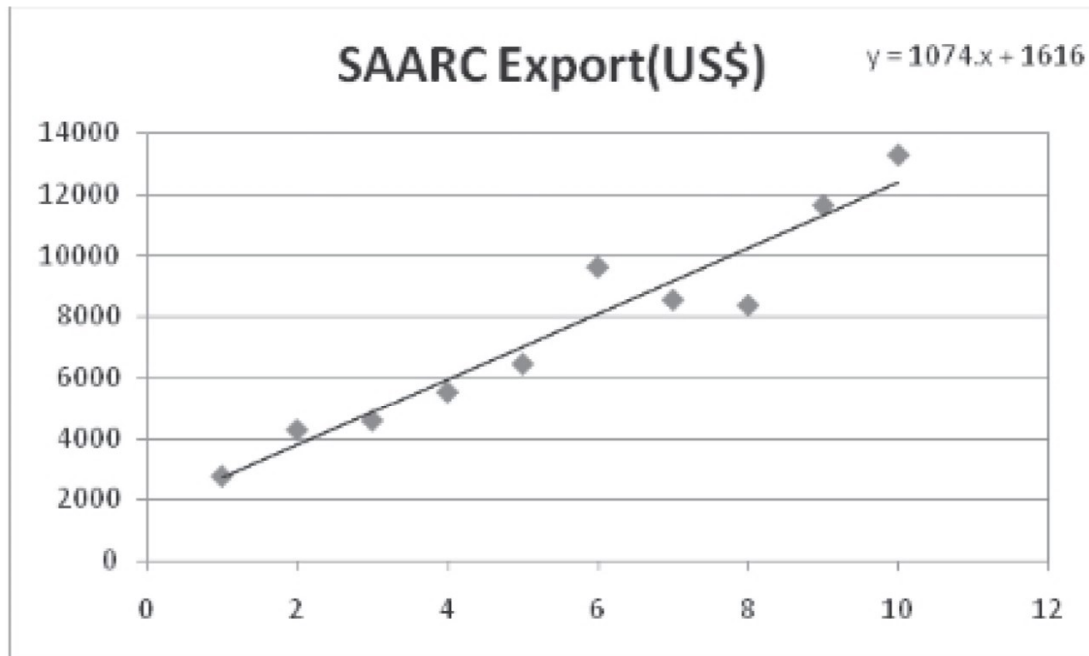
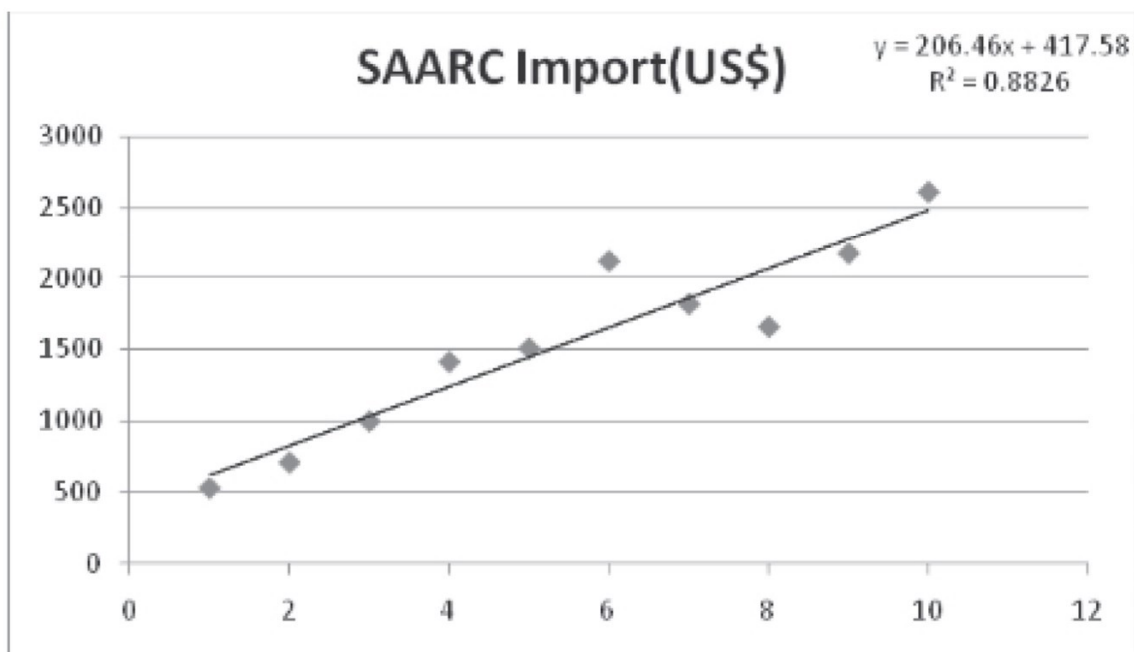


Chart: 3

Linear Trend Line for Import to SAARC Countries

(For the period 2002-03 to 2011-12)



**Chart: 4****Forecasted Values of Export and Import for the Period 2012-13 to 2016-17**

Serial No.	Year	Export (US\$)	Import (US\$)
1	2012-13	13434.50	2688.64
2	2013-14	14508.90	2895.10
3	2014-15	15583.30	3101.56
4	2015-16	16657.70	3308.02
5	2016-17	17732.10	3514.48

Table: 3

Category	2006-07 to 2011-12 (Growth rate)	2012-13 to 2016-17 (Estimated Growth rate)
Export	37.96 %	33.36 %
Import	23.14 %	30.70 %

It is evident from Table no.1 that in the F.Y 2002-03 India's total export stood up for US\$ 52719.43 million and the direction of exports to SAARC has been US\$ 2784.90 million which contributes 5.28 percent export share for the year and similarly it can be seen from the same table that in the F.Y 2011-12 India's total export stood up for US\$ 305963.92 million and the direction of exports to SAARC has been US\$ 13296.47 million which contributes 4.34 percent export share only for the year. It describes that in terms of volume, India's export to SAARC is increasing, but in terms of export share it is declining. It has the highest export share as 6.72 percent in the F.Y 2003-04 and the lowest as 4.34 percent in the F.Y 2011-12.



Table no.2 explains that in the F.Y 2002-03 India's total import recorded for US\$ 61412.14 million and the direction of imports to SAARC has been US\$ 530.43 million which contributes less than 1 percent as 0.86 percent import share for the year and in the same way, it is visible from the table that in the F.Y 2011-12 India's total import stood up for US\$ 489319.49 million and the direction of imports to SAARC has been noted US\$ 2607.42 million which contributes 0.53 percent import share only for the year. It proves that in terms of volume India's imports to SAARC is increasing, but in terms of import share, it's declining. It has the highest import share as 0.95 percent in the F.Y 2005-06 and the lowest as 0.53 percent in the F.Y 2011-12. A bird's-eye view of India's export and import share to SAARC countries and its fluctuations can be had with the help of Chart1 and Chart2. Further Chart3 and Chart4 show the Linear Trend Line and trend equations for export and import respectively for the period of the selected 10 years. On the basis of trend equations the forecasting of trade figures has been estimated for next 5 years.

The forecasting done for the period 2012-13 to 2016-17 can be viewed from Table no.3, where export and import figures are shown for individual years. The analysis explains that both exports and imports are having increasing trend in terms of volume. Consequently Table no.4 states that combined growth rates for exports and imports for last 5 years 2006-07 to 2011-12 stands for 37.96 percent and 23.14 percent respectively have been compared with the forecasted period from 2012-13 to 2016-17; as it stands for 33.36 percent and 30.70 percent, we conclude that Exports are going to be declined while Imports will increase.

Conclusion:

India's export to SAARC countries increased in terms of volume during the chosen study period but with a fluctuated share of export in India's total export, and many times it got negative. The future trend of export has been forecasted which also is showing a low growth rate according to the estimation. India's import to SAARC countries also increased in terms of volume but also with fluctuated share of import. The fluctuations in imports were slighter in comparison to exports. The future trend of import was forecasted, and it estimates an increasing trend in imports. India has an



important place in this trade bloc. India occupies 70% of the SAARC region, both geographically and economically and being the biggest and most industrialised trading partner among the SAARC nations, it is the need of the hour that India recognises it as a special responsibility and take the lead to turn this Regional Economic Cooperation into reality. India needs to open more ways of economic development with member states, which bring equality in all fields of development.

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