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Topic – Impact of BIMSTEC in Product-Market Selection of Indian Firms

Abstract

In the era of globalisation markets are theoretically expected to become much more free, leading to increased economic integration among the countries. The growth of regional trading blocs has been one of the major developments in regional integration in recent years. This is a means of fostering economic development and in this light the cooperation effort in the Asia-Pacific region considered in the study is the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), formerly known as the Bangladesh – India – Myanmar – Sri Lanka – Thailand Economic Cooperation, initiated in 1997 as a sub-regional grouping. Currently with seven member countries sharing the common waters of Bay of Bengal, viz., Bangladesh, Bhutan, India, Nepal and Sri Lanka, Myanmar and Thailand BIMSTEC aims at promoting harmonious economic development in the sub region through expansion of trade. The BIMSTEC acts as a bridge between the two regional groupings in Asia, viz., SAARC and ASEAN and received a major impetus after the signing of the framework agreement for free trade in 2004 and the entry of Bhutan and Nepal as its new members. India's interest in BIMSTEC integration is to appropriate full potential of its member economies and its other members in creating a competitive market. India is making an attempt to get integrated with the East and South East Asia through cooperative moves at the regional level. Besides, India's look-east policy enunciated in the 1990s makes a good headway in promoting interrelationship with Southeast Asia through its involvement and participation in BIMSTEC.

India's involvement in BIMSTEC has opened new opportunities for Indian firms to markets its goods in these countries. This is expected to enhance significantly the competitiveness of Indian firms in the BIMSTEC market. In this context, the present study tries to understand the synergic impacts of this BIMSTEC in unleashing the full potential of select Indian firms. Based on the results it further clarifies the probable marketing strategy to be adopted by the Indian firms to expand into the neighbouring Asian markets of the BIMSTEC region. The research work has been presented in six chapters which include Concept of international market identification and selection, Regional Trade Agreements and India's participation, BIMSTEC: An Overview, Product-Market analysis for the BIMSTEC, Field survey and analysis and Summary and Recommendations. The basic objectives of the study are:

- To discuss the concept and significance of identification and selection of international markets.
- To carry out Product-Market analysis for BIMSTEC.
- To identify thrust products and markets.
- To suggest marketing strategy for Indian firms in BIMSTEC.

The methodology included both secondary as well as primary research. The secondary research has been carried out by the analysis of trade profiles of BIMSTEC, subsequently analyzing the Export Competitiveness in the form of evaluation of the Intra-industry Trade Index, Trade Intensity Index, Complementarity Index and the Growth Share Matrix. This is followed by the Export Potential Analysis which has been carried out through the identification of the products through Decision Support Model and understanding the Trade Concentration trends. Further the Market Access analysis using SMART simulation has been done for the identified products to understand the static effects of welfare and trade. The entire analysis is validated by the primary research whereby the field survey for select Indian firms has been carried out for BIMSTEC based on Product-Market profile. Subsequently the impact Analysis on the firm performance has been carried out using Arellano Bond Dynamic Panel Generalized Method of Moments besides suggesting as how the Indian firms should expand their markets in BIMSTEC based on reliability and association of identified attributes.

The study carried out for the Indian firms provides interesting insights and relates to designing successful marketing strategies for the Indian firms expanding their markets in the region. Firstly since the product basket and the target markets provide huge complementarities, the firms should target as many markets as possible in the region, (i. e., adopting a market diversification approach). The impact of macro variables like gross fixed capital formation, population factor has a negative impact on firm performance as ongoing population pressure provides a huge market demand for products that promotes investment from domestic firms. Secondly as revealed from the results, the number of product lines can also be increased as well as the new product creation may also be looked into as there exists huge potential in these markets. Thirdly, promotion strategy can be undertaken looking into the cultural perspective of the people in the region as well as different other techniques may be deployed for successful expansion of the products in the target markets. Finally the intensity of international involvement matters a lot as seen from the empirical results besides the firms' size which are crucial determinants of the market expansion strategy of the firms. Thus combining the market expansion strategy, product breadth strategy and the promotion strategy the Indian firms can provide better export performance in the BIMSTEC region. The multinational corporations are thereby encouraged to such kind of a regional bloc that would encourage production within the region thereby creating a complete integrated international production network unleashing each other's complementarities to the fullest possible extent.

This study suggests a substantial and conclusive relationship between firm characteristics, international marketing strategies, and export performance which indicates that export performance is significantly influenced by a firm's choice of market expansion strategy, product breadth strategy, and promotion strategy. The engagement of Indian firms in BIMSTEC will provide a critical minimum mass of economic activity that can catalyse and strengthen the process of economic integration. However, an important caveat is that since most BIMSTEC members are small and low-income developing countries, they would also need to concomitantly pursue domestic reforms to improve upon their growth prospects to exploit the complete liberalization and achieve welfare gains.