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Abstract

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Research Title: A Study on India's Trade Relationship with SAFTA Countries

If South Asia is taken as a whole, India is home to 75 per cent of the population, 62 per cent of the total area, 81 per cent of the GDP (PPP), 79 per cent of GDP (Nominal) of South Asia but the giant country's trade with SAFTA countries has not been very impressive as a percentage of its global trade.

Its trade with the seven neighboring countries as a whole has been below 3.0 percent of its total trade while export share has been below 6.6 percent since 1995. The condition of India's import is also worse with share hovering down 1.5 percent mark since the period mentioned above.

India's export shares in 1995, 2006, and 2013 were merely 5.47, 5.14, and 5.02 per cent respectively. Similarly, its import shares from South Asian neighbors in 1995, 2006, and 2013 were 0.71, 0.84, and 0.46 per cent respectively.

Even Intra-regional export and import have followed the same foot step as that of India. Despite being an abode for more than 23 per cent of total world's population (as in 2014) Intra-SAFTA export shares were 5.20, 5.90, and 5.90 per cent respectively for the years mentioned above while Intra-SAFTA import have been 2.72, 3.11, and 2.45 per cent restively for the same years as above.

Seven South Asian countries namely Bangladesh, Bhutan India, Maldives, Nepal Pakistan & Sri Lanka formed a free trade agreement among themselves in the year 2004 the purpose of which was to foster intra-regional trade by eliminating barriers to trade in an amicable and friendly atmosphere. Similarly many bilateral agreements have taken place among the regional members such as India-Sri Lanka FTA, India-Bhutan Trade Treaty. In spite of these, India's trade with the SAFTA members and Intra-regional trade have remained confined to what they were a decade ago.

The consistent low level of trade poses many questions such as "Is India's trade relationship with all the SAFTA members not good?, Is intra-regional trade below potential?, Aren't there trade complementarities among SAFTA members?, Does a SAFTA member meet the import requirement of another SAFTA member?, Does intraregional trade meet the natural trading theory hypothesis?, Are there political factors responsible for low trade?, Is unofficial trade among member countries hampering official trade?, and Are there any tariff and non-tariff barriers which are hindering trade and so on?"

Nonetheless, the literature available has tried to find out why India's trade with SAFTA Countries & intra-regional trade have remained subdued and have given explanation of it, they could not go to the

bottom of the cause of low level of trade. After a thorough review of some of the good literature available and keeping in mind the questions arisen above, the following objectives were framed, the meeting of them went a great way in finding out the root causes and solutions to the problems plaguing India's trade with SAFTA countries and intra-regional trade. In addition to this, the research also explores current scenario and future trade prospects in other areas such energy, tourism, foreign direct investment, joint ventures, technology transfer, infrastructure development. Following are the specific objectives of the study: (1) To analyze the trends in India's trade with SAFTA Countries for the Period 1994- 95 to 2011-2012, (2). To analyze the intra- regional trade among SAFTA countries before and after Implementation of SAFTA, (3) To facilitate in identifying the appropriate Policy instruments and strategies for achieving the objectives of Free Trade Area, (4) To find avenues for promotion of Intra-regional trade through Free Trade Area, Joint ventures, Technology Transfer and Investments, (5) To highlight the intra-regional Co-operation prospects in areas such as Regional projects, Physical infrastructure, energy sector and Regional Tourism, and (6) To recommend ways and means to improve and consolidate India's trade with SAFTA countries. There were two hypotheses of the Study such as SAFTA has not led to improvement of India's Trade with SAFTA countries and there is no trade complementarity that exists between SAFTA countries.

In order to conduct research on the topic, the data have been collected from primary as well as secondary sources. The data collected have been analyzed and interpreted by applying the need based statistical tools and indicators such as Revealed Comparative Advantage, Trade Complementarity Index, Average Annual Growth Rate, Compound Annual Growth Rate (CAGR), Value Index, Herfindahl-Hirschman Index (HHI) Of Product Concentration, Trade Intensity Index, Indicative Trade Potential etc.

Based on the findings of the research, it can be concluded India's trade relationship with SAFTA as a whole is not good. Even it has not improved satisfactorily after the SAFTA Agreement. India's trade with Bangladesh and Sri Lanka have become weaker, and remained stagnant with Bhutan and Maldives in post-SAFTA period but India's trade with Pakistan, Nepal, and Afghanistan has become stronger in the post SAFTA period. India's trade with them and Intra-SAFTA trade are marred by high level of comparative disadvantages in products, low trade complementarity among them and inability of India in tapping sizeable indicative trade potential in the region. Based on analysis, it can be concluded that the first hypothesis "SAFTA has not led to any improvement in India's trade with SAFTA countries" is accepted. The second hypothesis "There is no trade complementarity that exists between SAFTA countries" is also accepted (not completely) as the region suffers from low trade complementarity.

Following are the recommendation of the study (1) Indicative trade potential needs to be tapped and for that the policy makers should find out the hindrance in tapping them, (2) large volume of informal trade should be brought under the ambit of formal trade and for that integration of customs departments of SAFTA countries is a must to bring transparency in export and import values, (3) long negative list of SAFTA should be pruned in time bound manner, (4) Non-Tariff barriers need to be converted to tariff barriers and then eliminated or they should be directly eliminated, (5) India should explore more opportunities of Investment in the region (especially in Pakistan) as India has already proved its mettle in neighboring countries such as Bangladesh and Sri Lanka.