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SRL. NO.	CONTENT PAGE	PAGE NO.
1	JOB SATISFACTION AMONG WOMEN FISH VENDORS IN KANYAKUMARI DISTRICT: A CASE-STUDY DR. C. SURESH	1-10
2	THE SCENARIO OF HEALTHCARE AND WELLNESS TOURISM BUSINESS: AN INDIAN PERSPECTIVE MUKESH KUMAR	11-20
3	FINANCIAL LITERACY IN MUMBAI: AN ANALYSIS OF COLLEGE STUDENTS IN MUMBAI VEERKA KEDIA	21-42
4	QUALITY OF WORK LIFE AND WORK STRESS AMONG MANAGERIAL AND NON –MANAGERIAL EMPLOYEES IN PRIVATE SECTOR ORGANIZATIONS DR. ELIZABETH GEORGE	43-52
5	PARENTAL CONSUMPTION PATTERN – CHILDREN AS CHANGE AGENTS ATHENA JOY, DR. MOUJI P. KOSHY	53-59
6	ECONOMIC ANALYSIS OF TWO ENTERPRISES WITH REFERENCE TO MARKETING AND TOTAL QUALITY MANAGEMENT (TQM) IMPLEMENTATION: A STUDY DEEPAK HAJKORNY	60-64
7	MICROFINANCE – A HOPE FOR THE POOR IN THE CHANGING INDIAN ECONOMIC SCENARIO: AN EMPIRICAL STUDY OF BARPETA DISTRICT, ASSAM POURUSH SHEL, BHANUWANIDA DEB NATH	65-76
8	CONSUMERS' PURCHASE DECISION ON ECO-FRIENDLY PRODUCTS IN COIMBATORE –FACTORS DETERMINING DR. RAMESH BABU, MR. SHANKAR R, DR. E. NIDON AMBETHARAJ	77-84
9	A STUDY OF OBSTACLES FACED BY CUSTOMER USING ELECTRONIC BANKING SERVICES JYOTSNA SHARMA, DR. JACDEEP SINGH	85-95
10	MARKETING MIX STRATEGIES: A CASE STUDY OF JAMMU & KASHMIR CEMENTS LTD MS.TANZILA ASHRAF, DR.A.S.BHALLA	96-105
11	AN ECONOMIC ANALYSIS OF PRODUCTION EXPORT AND FOREIGN EXCHANGE EARNED IN HORTICULTURE SECTOR IN JAMMU AND KASHMIR SANDHEE ARUNDO MIB, DR. K. KOTTARVEERAN	106-116
12	INDIA'S SUB REGIONAL ECONOMIC INTEGRATION IN ASIA –AN ANALYSIS DR. B.P. SARATH CHANDRAN	117-131
13	IMPACT OF TRAINING PEDAGOGY ON ENGINEERING GRADUATES IN INFORMATION TECHNOLOGY COMPANIES WITH SPECIAL REFERENCE TO ERODE S. SIVARAMAKRISHNAN, DR. P. MOHANRAJ	132-138
14	A STUDY ON MARKETING STRATEGIES AND AWARENESS ABOUT ORGANIC PRODUCTS IN COIMBATORE DR.M. SUBODH, C.ANITHA RATHINA	139-147
15	ANALYSIS OF PROFITABILITY AND LIQUIDITY SCENARIO OF SELECTED PHARMACEUTICAL COMPANIES MS. NEETU SAINI, DR. SANJEEV BANSAL	148-159
16	STUDY ON NPS OF BANKS IN INDIA SHIVA KUMARA	160-169
17	A STUDY ON PERFORMANCE OF DISTRICT CONSUMER DISPUTES REDRESSAL FORUMS IN DISTRICTS UNDER DEWAPATAN, MEERUT, MIRZAPUR, MORADABAD, SAHARANPUR AND VARANASI DIVISION OF STATE OF UTTAR PRADESH HEENA SHARMA	170-175
18	VOLATILITY BEHAVIOUR OF INDIAN STOCK MARKET: A STUDY WITH SPECIAL REFERENCE TO SECTORAL INDICES OF BSE DR.M.BABU, C. HARSHARAN	176-188

INDIA'S SUB REGIONAL ECONOMIC INTEGRATION IN ASIA – AN ANALYSIS

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ABSTRACT

The proliferation of a large number of Regional Trade Agreements (RTAs) in the post-WTO era rapidly changing the global trade flows between nations. Taking cue from this global trend, India initiated many bilateral and regional economic cooperation agreements particularly with Asian countries who are the major drivers of the global economic growth. India is the dominant member of South Asian Association for Regional Cooperation (SAARC), FTA partner with ASEAN and actively pursuing an RTA with BIMSTEC. For a Regional Trade Agreement to be successful, the participating countries should have complementary trade structure. The paper looks into the trade structure of India with ASEAN, SAARC and BIMSTEC countries to identify complementary sectors and product groups for enhanced trade cooperation. Trade indices such as Trade Intensity Index (TII) and Revealed Comparative Advantage (RCA) are constructed at product group levels to get trade complementarity and Similarity. The paper concludes that there is trade potential exists between India and sub-regional groups in Asia and active persuasion these integration efforts help India to consolidate its position in the geopolitical and economic affairs of the region and emerge as the leader in this Asian century.

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KEYWORDS: ASEAN, BIMSTEC, India, Regional Trade Agreement, SAARC.

1. INTRODUCTION

Multilateralism and regionalism are the two approaches adopted by countries across the world for trade liberalization. Multilateral trade liberalisation which is based on the Most Favoured Nation (MFN) principle of non-discrimination is considered a better approach than regionalism which is essentially discriminatory in nature. Even though regionalism had a long presence, there was a rapid growth in the number of Regional Trade Agreements (RTAs) in the post WTO period when countries failed to achieve major breakthroughs on WTO led multilateral trade negotiations. Consensus building was difficult due to diversity in the economic, political and social backgrounds of negotiating countries. The inordinate delay in decision making led to high transaction cost and countries could not realise the immediate benefits of trade cooperation and liberalization. The countries disappointed with the slow progress of multilateral trade liberalization under WTO turned their attention towards Regional Trade Agreements (RTAs) for quick and substantial gains from trade liberalization. This regionalisation effort got a further fillip with the United States becoming more open towards regionalism in the 90s and the emergence of EU and ASEAN as successful regional groups. India for a long time remained a staunch supporter of multilateralism and resisted regional trade initiatives. As the world trade gets increasingly regionalized, India started engaging its trade partners on the bilateral and regional basis. In recent past India signed bilateral trade agreements with Sri Lanka, Singapore, Thailand and South Korea, and signed RTAs with SAARC nations and ASEAN countries. India has also announced its intentions on trade cooperation with BIMSTEC, EFTA, EU and SACU (Table-1). Asia is central to India's regionalization efforts as the region has emerged as a driver of global economic growth and rapidly transforming itself as the most dynamic regions of the world. India is the most dominant member of SAARC, signed an RTA with ASEAN countries and vigorously pursuing an RTA with BIMSTEC. In this context, the paper is focusing on India's sub-regional RTAs in Asia such as India - ASEAN FTA, SAFTA and India BIMSTEC RTA and how these sub-regional cooperation is impacting India's Trade.

2. GROWTH OF REGIONAL TRADE AGREEMENTS

Multilateralism and Regionalism coexisted for along time in the international trade milieu. Bhagavati (1993) mentioned two waves of regionalism, one in the sixties and the second in the mid-eighties. The first wave of regionalism spread across Africa, Latin America and other parts of the Developing world as they tried to replicate the success of the European integration efforts. The protracted GATT negotiations and the embrace of America into regionalism led to the second wave of regionalism in the mid-eighties. The disintegration of the old Soviet Union and Eastern Europe in the early nineties led to are alignment and many countries joined in the European Union (WTO, 2003). Many economists consider the more recent proliferation of RTAs in the post WTO period as the third wave of regionalism. In the period 1948-1994, the GATT received 124 notifications of RTAs (relating to trade in goods), and since the creation of the WTO in 1995, more than 300 additional arrangements covering trade in goods or services have been notified (WTO). Of the 455 different types of RTAs in force as of January 2018, 49 were established under Enabling Clause, 151 were established under GATS Article V and 255 were established under GATT Article XXIV (WTO, 2018).

Table – 1 List of notified RTAs and announcement made by India (as of January 2018)

List of notified RTAs in force	List of RTAs for which an early announcement has been made
ASEAN - India Asia Pacific Trade Agreement (APTA) Asia Pacific Trade Agreement (APTA) - Accession of China Chile - India Global System of Trade Preferences among Developing Countries (GSTP) India - Afghanistan India - Bhutan India - Japan India - Malaysia India - Nepal India - Singapore India - Sri Lanka India - Thailand Korea, Republic of - India MERCOSUR - India South Asian Free Trade Agreement (SAFTA) South Asian Free Trade Agreement (SAFTA) - Accession of Afghanistan South Asian Preferential Trade Arrangement (SAPTA)	Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) EFTA - India EU - India India - SACU

Source: WTO

3. THEORETICAL DEVELOPMENTS AND EMPIRICAL STUDIES

The regionalism process received intense theoretical empirical treatment from economists and trade theorists. Studies were directed mainly at two dimensions namely how the formation of Regional Trade Blocks impact the welfare of the members and non-members and whether regionalism help or hinder the multilateral trade liberalization process. Major works in this area include Viner (1950) Meade (1955), Lipsey (1960) Ohyama (1972), Kemp and Wan (1976), Vanek (1965), Baldwin (1993; 1997), Levy (1997) Krishna (1998) Bird and Rajan (2002) Albertin (2008) etc.

The ability of a country to participate in international trade is based on its Comparative Advantage (CA) which derives from the differences in pre-trade prices across countries, underlined by supply and demand factors. Balassa (1965) introduced the concept of “Revealed Comparative Advantage” (RCA) as an approximate way to express comparative advantage and suggested that Comparative Advantage is ‘revealed’ by observed trade pattern. The index of revealed comparative advantage (RCA_{ij}) is simple to interpret, it takes a value greater than one if a country is having revealed comparative advantage in that product. Due to its simplicity many used Balassa RCA index in their studies [Chow (1990), Leu (1998) Lim (1997), Yeats (1997), Richardson and Zhang (1999), Yue (2001), Bender and Li (2002), Weiss (2004), Lall and Albaladejo (2003), Lall and Weiss (2004), Widgren (2005), Batra and Khan (2005) Burange and Chaddha (2008) and others] to measure the comparative advantage of countries. Vollrath (1991) made improvement in Balassa index and offered three alternative

ways of measurement of a country's RCA namely the Relative Trade Advantage (RTA), the logarithm of the relative export advantage (ln RXA), and the Revealed Competitiveness (RC).

4. METHODOLOGY

The study used Trade Intensity Index (TII) and Revealed Comparative Advantage (RCA) Index to see trade complementarity and Similarity between India and its partners. The trade intensity index (TII) is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is defined as the share of one country's exports going to a partner divided by the share of world exports going to the partner. It is calculated as,

$$T_{ij} = \frac{(x_{ij}/X_{it})}{(x_{wj}/X_{wt})}$$

Where x_{ij} and x_{wj} are the values of country i 's exports and of world exports to country j and where X_{it} and X_{wt} are country i 's total exports and total world exports respectively. An index of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country's importance in world trade.

Trade Intensity Index can be further divided into Export Intensity Index (EII) and Import Intensity Index (III) for looking the pattern of exports and Imports. Following Kojima (1964) and Drysdale (1969), the index of trade intensity is restated as follows,

$$EII \text{ between India and ASEAN} = \frac{X_{IA}/X_I}{M_A/(M_W - M_I)}$$

X_{IA} = India's Export to ASEAN; X_I = India's total Export; M_A = Total Import of ASEAN; M_W = Total World imports M_I = Total Imports of India

India's Trade Intensity Index with ASEAN, SAARC and BIMSTEC countries are calculated for the period 2005 to 2015 taking data from ARIC database of Asian Development Bank (ADB).

Revealed Comparative Advantage Index shows how competitive is a product in countries' export compared to the products share in world trade. A product with high RCA is competitive and can be exported to countries with low RCA. Measures of Revealed Comparative Advantage (RCA) have been used to assess a country's export potential. It can also provide useful information about potential trade prospects with new partners. Countries with similar RCA profiles are unlikely to have high bilateral trade intensities unless intra industry trade is involved. RCA measures, if estimated at high levels of product disaggregation, can focus attention on other nontraditional products that might be successfully exported. The RCA index of country ' i ' for product ' j ' is often measured by the product's share in the country's exports in relation to its share in world trade:

$$RCA_{ij} = \frac{(x_{ij}/X_{it})}{(x_{wj}/X_{wt})}$$

Where x_{ij} and x_{wj} are the values of country i 's exports of product j and world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product. Revealed Comparative Advantage is extracted from WITS database of World Bank and a mean RCA is arrived at for the period 2005 to 2014. WITS provide RCA for 20 broad product groups and RCA of these product groups are compared for ASEAN and SAARC countries. The product groups for which RCA computed include Capital goods, Consumer goods, Intermediate goods, Raw materials, Animal, Chemicals, Food Products, Footwear, Fuels, Hides and Skins, Machinery and Electricals, Metals, Minerals, Miscellaneous, Plastic or Rubber, Stone and Glass, Textiles and Clothing, Transportation, Vegetable and Wood

5. INDIA AND ASEAN TRADE RELATIONSHIP

ASEAN is the most dynamic regional grouping in Asia established 50 years back leading the Asian resurgence in the recent past. ASEAN which has a population of 634 million in 2016 has a percapita GDP of US\$ 4,021 (constant prices) has a trade value of US\$ 2218.534 billion. The GDP of ASEAN countries which were 3.2 percent in 1967 grew to 6.2 percent in 2016. ASEAN exports of goods amounted to US\$1.1 trillion in 2016 and imports touched too US\$1.1 trillion in 2016. In 2016, ASEAN trade to GDP ratio stood at 87.0 percent, in step with the observed trend of global trade moderation. During its 50 years of functioning, ASEAN made rapid strides in social development also in terms of removal of poverty, undernourishment, access to drinking water, health expenditure and improving life expectancy.

Trade Diversity index of ASEAN countries for the year 2016 showed that Brunei, Cambodia, Lao PDR and Myanmar has a different export structure compared to the average trade structure of the world whereas Thailand has amore similar structure with the world. But the imports of the ASEAN countries are more similar to the world import structure. Export concentration is more with Brunei whereas the import of ASEAN countries are more diversified. Thailand, Malaysia and Singapore have moderate overlap with the world trade whereas Brunei, Cambodia and Lao PDR have little trade overlap with the rest of the world.

5.1 INDIA'S TRADE PERFORMANCE WITH ASEAN COUNTRIES

India has a historical relationship with south-east Asian countries. The relationship received major fillip since 1991 when India announced its 'look east policy'. India began a sectoral partner of ASEAN in 1992, dialogue partner in 1996, Summit level partner in 2002 and strategic partner in 2012. This enhanced engagement culminated in the signing of India ASEAN FTA in 2009.

The table-2 provides India ASEAN trade relationship in the recent period. The total trade between India and ASEAN touched 69.4 billion in 2015 and growing at a steady pace. The import share of India with ASEAN stands at 10.56 percent and the export share was 9.97 for the year 2015. It is noted that India's import from ASEAN increased rapidly compared with

India's exports and the trade deficit is widening after the initiation of India ASEAN FTA agreement which came in to force in the year 2010.

Table 2, India's Trade indicators with ASEAN Countries 2010 to 2015

Indicator	2010	2011	2012	2013	2014	2015
Export Growth (%)	32.51	56.54	-7.02	5.04	-11.15	-15.03
Export Share (%)	10.33	11.73	11.27	11.17	9.84	9.97
Import Growth (%)	23.96	36.29	4.43	-0.08	5.64	-4.02
Import Share (%)	8.46	8.70	8.62	9.02	9.68	10.56
Total Trade Growth (%)	27.56	45.13	-0.96	2.18	-1.99	-8.56
Total Trade, in million US\$	52700.48	76485.78	75748.97	77402.03	75858.28	69367.05
Trade Share (%)	9.19	9.90	9.62	9.88	9.75	10.33

Source: Computed from ARIC database of ADB

With regard to India's trade with individual countries of ASEAN, the bilateral trade is highest with Indonesia followed by Singapore, Malaysia, Thailand and Vietnam. India's export share is highest with Singapore (2.93) and the import share is highest with Indonesia (3.45) for the year 2015.

Table 3, India's Trade Performance with ASEAN Countries 2010 to 2015

ASEAN Countries	Total Trade (M US\$)		Trade Share		Export Share		Import Share	
	2010	2015	2010	2015	2010	2015	2010	2015
Brunei	228.66	668.85	0.04	0.10	0.01	0.01	0.06	0.16
Cambodia	68.75	177.82	0.01	0.03	0.03	0.05	0.00	0.01
Indonesia	14291.00	16,932.00	2.49	2.52	2.05	1.11	2.77	3.45
Lao PDR	28.27	179.97	0.00	0.03	0.00	0.02	0.01	0.03
Malaysia	9549.00	14,839.00	1.66	2.21	1.59	1.85	1.71	2.44
Myanmar	1394.3	1923.8	0.24	0.29	0.12	0.32	0.32	0.26
Philippines	1200.9	1821.6	0.21	0.27	0.36	0.49	0.11	0.13
Singapore	16364.0	15,797.0	2.85	2.35	4.08	2.93	2.07	1.97
Thailand	6094.0	8,800.0	1.06	1.31	0.96	1.18	1.13	1.40
Vietnam	3481.60	8,227.0	0.61	1.22	1.11	2.00	0.28	0.71

Source: Computed from ARIC database of ADB

5.2 EXPORT INTENSITY INDEX BETWEEN INDIA AND ASEAN COUNTRIES FOR THE PERIOD 2005-15

India's Export intensity with ASEAN as a group is more than one for all the years. This means there is a high level of trade between India and ASEAN countries already happening and there is limited scope for improvement. But if we look at the geographic proximity of India and ASEAN countries and the importance of South East Asian countries in the world, there is a possibility for further improvement. India also signed bilateral FTAs with some of the important countries of South East Asia such as Malaysia, Singapore and Thailand. India's export intensity is higher with regard to Vietnam, Thailand, Myanmar, Indonesia and Singapore as the values are above one. But the export intensity is less than one with regard to less developed countries of ASEAN namely Cambodia, Lao PDR, Philippines and Brunei revealing that India can substantially improve export with these countries with necessary reforms and address bilateral trade issues.

Table 4, India's Export Intensity Index with ASEAN Countries for 2005-15

Partner	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Viet Nam	2.02	2.15	2.19	2.05	1.81	1.82	1.71	1.78	2.02	2.11	1.68
Thailand	1.05	1.16	1.21	1.13	1.01	0.89	0.95	0.94	1.05	0.99	1.04
Singapore	3.08	2.89	2.74	2.60	2.30	2.27	2.90	2.61	2.34	1.65	1.66
Philippines	0.95	0.95	0.83	0.85	0.88	0.68	0.66	0.70	0.80	0.77	0.80
Myanmar	3.65	3.73	3.09	3.03	2.44	2.05	2.20	2.11	2.12	2.30	2.38
Malaysia	1.11	0.99	1.40	1.77	1.96	1.38	1.15	1.08	1.32	1.21	1.57
Lao PDR	0.45	0.21	0.17	0.29	0.59	0.17	0.21	0.29	0.40	0.52	0.47
Indonesia	1.81	2.20	1.85	1.66	2.07	2.15	2.18	1.84	1.53	1.37	1.22
Cambodia	0.62	0.89	0.81	0.58	0.49	0.42	0.45	0.49	0.46	0.57	0.53
Brunei Darussalam	2.37	0.98	0.45	0.59	0.79	0.50	9.00	0.34	0.28	0.38	0.33
ASEAN	1.86	1.86	1.86	1.84	1.80	1.64	1.84	1.64	1.61	1.41	1.40

Source: Computed from ARIC database of ADB

5.3 ANALYSIS OF REVEALED COMPARATIVE ADVANTAGE (RCA) BETWEEN INDIA AND ASEAN

India does not enjoy revealed comparative advantage in capital goods with any of the ASEAN countries. This is primarily because some of the ASEAN countries developed competitiveness in capital goods and trade more intensely among themselves and India find it difficult to penetrate into their market. With regard to consumer goods, India got a comparative advantage in the world trade and against some ASEAN countries also. India got high RCA with Singapore for the consumer goods followed by Myanmar, Cambodia and Malaysia. India's trade of intermediate goods is also having a favourable RCA with the World and against some ASEAN countries.

India has high RCA values of raw materials trade with ASEAN countries except for Singapore and Thailand even though India did not enjoy competitiveness in world trade. For animal trade, India's comparative advantage was with Brunei, Philippines, Malaysia, Thailand and Vietnam. India developed a strong comparative advantage in the chemical sector in the recent past. This is reflected in the table with India having a comparative advantage against all ASEAN countries except Brunei. India got very high RCA with Vietnam and Thailand in food products and got the favourable situation with Cambodia,

Indonesia, Malaysia, Myanmar and Philippines. India's competitive advantage in footwear confines only to three ASEAN countries namely Indonesia, Malaysia and Thailand. India being the largest importer of petroleum crude in the world does not enjoy a comparative advantage in fuel except with Singapore. Same is the case with miscellaneous products where India's advantage is with Myanmar only. Products such as Hides & Skins, Minerals, Stone and Glass and Textile & Clothing India got a high RCA with the world. Other than Brunei, Cambodia and Vietnam; India got a favourable RCA with all ASEAN countries in metal trading. So is the case with mineral trading India possesses a favourable RCA with ASEAN countries with the exception of Myanmar, Philippines and Singapore. This is basically due to the fact that some of them do not possess the technology or infrastructure for the mineral processing. India exports vegetables to all ASEAN countries and possesses high RCA against them with the exception of Myanmar. With regard to Machinery & Electrical and Wood, India does not have any comparative advantage against any of the ASEAN countries. When we consider total number of product categories with positive RCA, India got a comparative advantage in less number of product categories against Brunei, Cambodia, Myanmar, Singapore and Vietnam and relatively high number of favourable RCA product categories with Indonesia, Malaysia, Philippines and Thailand.

Table 5, Mean RCA of India with ASEAN and World for the period 2005 – 2014

Product Group	Brunei	Cambodi a	Indonesi a	Malaysia	Myanma r*	Philippin es	Singapor e	Thailand	Vietnam **	World
Capital goods	0.36	0.58	0.67	0.29	0.45	0.49	0.22	0.58	0.35	0.37
Consumer goods	0.78	1.34	0.55	1.23	1.43	1.01	2.40	0.84	0.58	1.33
Intermediate goods	0.61	0.68	1.78	1.74	0.95	1.92	1.62	2.06	1.44	1.64
Raw materials	8.86	7.72	1.01	2.45	1.15	1.57	0.12	0.37	2.61	0.73
Animal	5.84	0.12	0.40	9.25	0.03	8.68	0.52	2.39	2.20	1.09
Chemicals	0.21	7.61	2.48	2.44	6.43	2.83	1.10	1.88	2.14	1.30
Food Products	0.55	1.74	2.50	1.29	2.42	2.17	0.54	4.08	8.27	0.83
Footwear	0.32	0.01	1.41	2.10	0.22	0.31	0.77	1.79	0.08	1.68
Fuels	0.12	0.00	0.35	0.84	0.02	0.10	2.22	0.28	0.09	0.76
Hides and Skins	0.50	4.25	2.17	7.00	0.92	1.70	0.45	1.32	2.23	2.78
Mach and Elec	0.39	0.67	0.60	0.28	0.56	0.32	0.18	0.46	0.35	0.36
Metals	0.26	0.26	1.35	1.73	1.48	2.59	1.24	1.25	0.87	1.17
Minerals	2.31	4.73	1.43	1.69	0.52	0.33	0.78	2.42	2.56	3.53
Miscellaneous	0.29	0.53	0.29	0.49	1.66	0.39	0.38	0.41	0.18	0.29
Plastic or Rubber	0.34	0.31	0.57	0.50	1.12	1.27	0.51	0.55	0.89	0.64
Stone and Glass	1.20	0.02	1.28	0.86	0.28	0.83	4.84	3.53	0.25	4.99
Textiles and Clothing	1.78	0.60	1.37	2.69	0.62	1.77	1.80	2.30	0.83	3.50
Transportation	1.22	0.32	0.85	0.32	0.35	2.09	0.31	1.07	0.29	0.43
Vegetable	6.25	1.17	2.74	4.57	0.29	1.70	1.55	1.89	2.16	1.87
Wood	0.27	0.14	0.18	0.39	0.76	0.65	0.27	0.31	0.33	0.24
No. of Favourable Sectors	07	07	11	12	07	12	08	12	08	11

Source: Computed from data extracted from WITS database, World Bank

6. INDIA AND SAARC TRADE RELATIONSHIP

SAFTA came into effect on 1 January 2006, with the aim of reducing tariffs among original seven members. According to SAFTA tariff reduction plan, Pakistan and India are to complete implementation by 2012, Sri Lanka by 2013 and Bangladesh, Bhutan, Maldives and Nepal by 2015. The trade complementarity index for the SAARC countries showed that there is very little trade overlap for Bangladesh, Bhutan and Maldives. For Pakistan, Sri Lanka and Nepal also showed highly complementary trade structure. Only India got a relatively higher complementary trade index (0.5) which means it possesses trade overlap with rest of the world.

6.1 INDIA'S TRADE WITH SAARC COUNTRIES

India's total trade with SAARC countries touched 20.68 billion dollars in 2015 from 13.22 billion in 2010. India's trade with SAARC countries is a meagre share of 3.08 percent which was at 2.3 percent in 2010. India's export share to the SAARC region was 6.59 percent in 2015 and the import share was only 0.77 percent which is showing the distorted trade pattern with the area.

Table 6, India's Trade Indicators with SAARC Countries 2010-2015

Indicator	2010	2011	2012	2013	2014	2015
Export Growth (%)	49.37	23.56	7.79	11.16	24.11	-14.31
Export Share (%)	5.00	4.49	4.99	5.24	6.45	6.59
Import Growth (%)	35.32	23.15	6.58	-9.13	8.84	16.33
Import Share (%)	0.59	0.55	0.55	0.53	0.58	0.77
Total Trade Growth(%)	46.98	23.49	7.60	8.02	22.13	-10.76
Total Trade, in million US\$	13218.26	16323.70	17565.01	18973.72	23171.87	20678.56
Trade Share (%)	2.30	2.11	2.23	2.42	2.98	3.08

Source: *UNCTAD statistical Database*

India's trade with individual countries of SAARC showed that the highest trade is with Sri Lanka and Bangladesh followed by Nepal. The bilateral trade with Pakistan which is the second largest economy in the region is noticeably low due to the poor bilateral political relationship. India's export share is highest with Bangladesh (2.14) and Sri Lanka (2.07) in 2015 and the import share are largest with Sri Lanka (0.22). Import share with Pakistan is very low with only 0.11 percent.

Table 7, India's Trade Performance with SAARC Countries 2010 to 2015

SAARC Countries	Total Trade (M US \$)		Trade Share		Export Share		Import Share	
	2010	2015	2010	2015	2010	2015	2010	2015
Afghanistan	538.10	831.90	0.09	0.12	0.18	0.20	0.04	0.07
Bangladesh	3383.10	6,350.30	0.59	0.95	1.36	2.14	0.10	0.16
Bhutan	345.40	671.50	0.06	0.10	0.07	0.16	0.05	0.06
Maldives	131.96	172.76	0.02	0.03	0.05	0.06	0.01	0.00
Nepal	2413.70	3,802.60	0.42	0.57	0.86	1.22	0.14	0.14
Pakistan	2572.30	2,447.70	0.45	0.36	1.01	0.75	0.09	0.11
Sri Lanka	3833.70	6,401.80	0.67	0.95	1.49	2.07	0.15	0.22

Source: *UNCTAD statistical Database*

6.2 EXPORT INTENSITY INDEX BETWEEN INDIA AND SAARC COUNTRIES

Table-8 provides India's Export Intensity Index (EII) against SAARC countries for the period 2005 – 2015. If the Export Intensity Index is more than 1 it means the country is exporting more intensely with the partner compared with partner's position in world import. If the export intensity is high, improving the export share is difficult without intra industry trade. India being the dominant country in the region got high EII with all countries of SAARC. EII with Nepal is highest as Nepal is highly dependent on India on most of the commodities. Sri Lanka and Bangladesh are also importing a lot of commodities from India which is reflected in the high EII of India with these countries.

Table 8, India's Export Intensity with SAARC Countries 2005-15

Partner	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sri Lanka	22.09	21.06	21.87	17.57	13.69	16.78	14.74	14.22	13.55	17.60	16.09
Pakistan	2.73	3.91	4.62	3.46	3.34	3.85	2.13	2.26	2.67	2.37	2.12
Nepal	63.74	60.48	54.32	56.06	43.52	39.05	34.22	32.24	30.93	33.62	37.97
Maldives	9.63	8.58	7.70	8.41	8.78	6.22	5.18	5.86	4.84	5.29	6.48
Bangladesh	13.67	11.07	13.90	11.06	8.36	7.44	6.48	9.30	9.13	9.13	8.41
Afghanistan	9.02	7.83	7.47	8.66	7.07	4.25	3.77	4.31	5.03	5.15	8.88
South Asia	3.72	2.90	2.70	2.08	1.77	1.78	1.54	1.61	1.84	2.23	2.16

Source: ARIC, ADB Database

6.3 REVEALED COMPARATIVE ADVANTAGE ANALYSIS FOR THE SAARC COUNTRIES

India got a comparative advantage in consumer goods across all SAARC countries except Maldives and Pakistan. Maldives market is small and Pakistan not importing goods due to political considerations. India's RCA for raw material and animal trade is above one for all countries except Sri Lanka. Being a major exporter of chemicals and food products India enjoy a very high RCA across all SAARC countries. India does not enjoy a comparative advantage in footwear, miscellaneous products and machinery & electrical products. India provides fuel to Bhutan and Nepal and enjoys high RCA. India exports mineral products to Bhutan, Maldives, Nepal, Pakistan and Sri Lanka but the RCA is highest for Maldives and Pakistan. India does not enjoy a comparative advantage with any of the SAARC countries in Machinery and electrical and Miscellaneous products. This shows that even in the south Asian region India is unable to export capital-intensive technology products and there is an urgent need to make substantial innovation and R&D development in this sector to improve competitiveness in this high-value sector. India enjoys a high comparative advantage with Afghanistan and Pakistan in textiles and clothing and with Bangladesh and Sri Lanka for transportation equipment.

India and Pakistan are the two largest economies of SAARC and the trade dynamism of the group depends on the active engagement of trade between these two countries. But the trade between these two countries is marred by long-held political conditions. Out of the twenty product categories for which RCA is calculated, India got a favourable comparative advantage in 11 product categories with Afghanistan and 10 with Bhutan, Bangladesh, Maldives and Nepal, with Pakistan in nine categories and Sri Lanka eight groups.

Table 9, India's Mean RCA with SAARC Countries for the period 2005-14

Product Group	Afghanistan	Bangladesh	Bhutan	Maldives	Nepal	Pakistan	Sri Lanka
Capital goods	1.03	0.94	0.79	0.36	0.82	0.17	1.02
Consumer goods	1.92	1.11	1.14	0.68	1.22	0.42	1.59
Intermediate goods	2.54	0.91	0.92	1.57	0.86	2.02	0.86
Raw materials	4.95	1.27	1.29	3.66	1.09	1.33	0.30
Animal	10.01	1.11	1.34	1.21	1.28	3.17	0.19
Chemicals	3.93	1.26	1.11	1.79	1.08	2.52	1.20
Food Products	2.44	1.84	1.14	1.07	1.12	8.82	1.46
Footwear	0.04	0.37	0.99	0.31	0.26	0.02	0.84
Fuels	0.00	0.38	1.35	0.09	1.53	0.03	1.10
Hides and Skins	0.17	0.39	1.09	0.58	0.26	0.13	0.92
Mach and Elec	0.45	0.60	0.71	0.35	0.58	0.15	0.51
Metals	0.34	1.44	0.94	1.66	1.28	0.61	1.29
Minerals	NA	0.59	1.25	6.07	1.59	5.12	1.33
Miscellaneous	0.16	0.75	0.80	0.66	0.46	0.29	0.46
Plastic or Rubber	3.09	1.13	0.89	1.64	0.79	1.86	0.72
Stone and Glass	1.27	1.53	1.16	0.80	0.23	0.74	0.33
Textiles and Clothing	11.63	1.33	0.72	1.16	0.73	3.22	0.79
Transportation	0.55	1.46	0.94	0.28	1.27	0.16	2.07
Vegetable	0.44	0.80	1.07	3.03	0.61	1.49	1.08
Wood	1.63	0.63	1.22	0.69	1.02	0.22	1.02
No. of Favourble Sectors	11	10	11	10	10	09	08

Source: Computed from WITS database of World Bank

7. INDIA AND BIMSTEC TRADE RELATIONSHIP

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, or BIMSTEC, consists of seven countries namely Bangladesh, Bhutan, Burma, India, Nepal, Sri Lanka and Thailand aims to achieve a free trade area in the immediate future. BIMSTEC is a sector driven cooperative organisation with key areas economic cooperation include trade, investment, regional value chains, energy, connectivity, technology, management and capacity building, people to people contact, among others.

India's total trade with BIMSTEC countries rose to 27.95 Billion US \$ in 2015 from 17.46 billion in 2010. India's trade share with BIMSTEC countries were 4.16 percent in 2015 which rose from 3.04 percent in 2010. India's export share to the BIMSTEC region was 7.08 percent and the import share was to the tune of 2.24 percent. The total trade with the region was growing at steady pace but the year 2015 saw a decline of 10.05 percent.

Table 10, India's Trade with BIMSTEC Countries 2010-15

Indicator	2010	2011	2012	2013	2014	2015
Export Growth (%)	49.48	40.17	8.69	10.70	20.94	-14.57
Export Share (%)	4.86	4.94	5.55	5.79	6.95	7.08
Import Growth (%)	32.56	26.07	5.09	-1.06	3.34	1.05
Import Share (%)	1.89	1.80	1.79	1.86	1.95	2.24
Total Trade Growth (%)	42.56	34.80	7.41	6.61	15.26	-10.05
Total Trade, in million US\$	17,464.20	23,542.6	25,287.80	26,959.60	31,073.10	27,950.00
Trade Share (%)	3.04	3.05	3.21	3.44	3.99	4.16

Source: ARIC, ADB Database

India's largest trade partner in the region for the year 2015 was Thailand followed by Sri Lanka and Bangladesh. India's export share was highest with Bangladesh followed by Sri Lanka (2.07) and Thailand (1.18). India's highest import share for the region was with Thailand (1.4) for the year 2015.

Table 11, India's Trade Performance with BIMSTEC Countries 2010 to 2015

BIMSTEC Countries	Total Trade (M US \$)		Trade Share		Export Share		Import Share	
	2010	2015	2010	2015	2010	2015	2010	2015
Thailand	6094.0	8,800.0	1.06	1.31	0.96	1.18	1.13	1.40
Bangladesh	3383.10	6,350.30	0.59	0.95	1.36	2.14	0.10	0.16
Bhutan	345.40	671.50	0.06	0.10	0.07	0.16	0.05	0.06
Myanmar	1394.3	1,923.8	0.24	0.29	0.12	0.32	0.32	0.26
Nepal	2413.70	3,802.60	0.42	0.57	0.86	1.22	0.14	0.14
Sri Lanka	3833.70	6,401.80	0.67	0.95	1.49	2.07	0.15	0.22

Source: ARIC, ADB Database

India's export intensity index is above one with all BIMSTEC countries showing there is an above average trade taking place with these countries. The export intensity is highest with Nepal followed by Sri Lanka and Bangladesh. The two SouthEast Asian members of BIMSTEC namely Thailand and Myanmar have lower export intensity compared with South Asian partners.

Table 12, India's Export Intensity Index with BIMSTEC Countries for 2005-15

Partner	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Thailand	1.05	1.16	1.21	1.13	1.01	0.89	0.95	0.94	1.05	0.99	1.04
Sri Lanka	22.09	21.06	21.87	17.57	13.69	16.78	14.74	14.22	13.55	17.60	16.09
Nepal	63.74	60.48	54.32	56.06	43.52	39.05	34.22	32.24	30.93	33.62	37.97
Myanmar	3.65	3.73	3.09	3.03	2.44	2.05	2.20	2.11	2.12	2.30	2.38
Bangladesh	13.67	11.07	13.90	11.06	8.36	7.44	6.48	9.30	9.13	9.13	8.41

Source: ARIC, ADB Database

8. CONCLUSION

Analysis of trade indicators between India and the three sub-regional grouping mainly ASEAN, SAARC and BIMSTEC showed that there is complementary trade structure existing between India and these trade partners. The trade intensity with developing economies of ASEAN is low and India can trade more with these economies. Also, India developed competencies in some product categories such as chemical, intermediate goods, raw materials, minerals, food articles, vegetables and these can be exported to developed countries of ASEAN also. To take advantage of these trade potentials, India needs to address trade facilitation measures and maintenance of international standards. India's position in SAARC is dominant but the dynamism of the group is marred by India Pakistan relations. Some of the members of SAARC which were dependent on India are moving towards China. Also, there are efforts to bring in China into SAARC to reduce the dominance of India. Time has come to take a call on the efficacy of SAARC as a dynamic regional grouping or look for an alternate structure to steer the region for enhanced trade and rapid economic development. The diminishing role of SAFTA led to the renewed interest in BIMSTEC economic cooperation. The invitation of BIMSTEC leaders on the sidelines of the BRICS summit at Goa is a clear shift in India's approach towards SAFTA. There is trade potential existing between India and BIMSTEC countries and immediate conclusion of FTA can provide gains to members. BIMSTEC countries should address challenges confronting them such as Connectivity and infrastructure constraints, Non-tariff and long negative list, Trade Facilitation problems, Border issues, refugee issues, lack of political will, bureaucratic hurdles and Lack of regular summit meetings. Active persuasion of sub-regional integration by India will consolidate its position in the geopolitical and economic relationship and emerge as the Asian leader in this Asian century.

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