India’s Trade with SAARC and ASEAN: A Comparative Analysis

Mohd. Salim
* Senior Research Fellow, Faculty of Commerce, Banaras Hindu University, Varanasi (U.P.)
221005,
Email: salim.bhu@gmail.com
Abstract

Globalization has transformed the national economic activity into transnational one. In this scenario the trade between countries plays a vital role in developing economies of scale, market efficiency and creating access to the world’s market. Though in this paradigm shift India is moving a step ahead and having economic relations through regional cooperation by participating in different trade blocs through bilateral trade agreements or being a member state. A trade bloc is an intergovernmental organization, where regional barriers to trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states. This paper attempts to analyze India’s trade situation with SAARC and ASEAN comparatively for the period of 2001-02 to 2012-13.

Keyword: SAARC, ASEAN, Regional Cooperation, Overall Trade, Foreign Trade

JEL Classification: F1, F2, F5
INTRODUCTION

Regional cooperation is the philosophy of life and has been in existence since the dawn of civilization. The form of cooperation has been kept on changing according to the needs and motives of human beings. Cooperation is nothing but the willingness of individuals, societies or states to help each other. Cooperation is voluntary in nature. It begins initially at community level and extends to national, regional and international level. Regional economic cooperation means collaborating among a group of countries on economic matters for mutual benefits and wellbeing. (Chase, 2006) After setting up of the United Nations Organization (UNO), several regional cooperation arrangements were made. It gave birth to different regional trade blocs as European Union, ASEAN, SAARC, APEC and many in different regions of the world.

Before independence British and some common wealth countries were main destination for India. At the time of Second World War, India was main exporter to Britain. India’s total exports were oriented to Britain and somewhat to Japan. After independence India’s trade was expanded and planned through the concept of planning. Under this five year plans were introduced. Later on, in 1991 a new phase of liberalization started. (Singh, 1985) The doors of foreign trade were opened. In comparison to china, India was laggard to make its economy restriction free. But gradually the need of time was considered and India took various steps to boost up its situation of foreign trade through regional trade agreements and with participation in regional trade blocs.

India is participating in different trade blocs for economic cooperation. India is an economic trade partner with EU which is a largest trade bloc of the world and an external trade partner with ASEAN and India is developing its relation on many levels with ASEAN. India is a founder country with SAARC which is a group of developing countries. Except this India has
bilateral and multilateral trade with other regions of the world too. India needs to concentrate more on export side because since independence we have got negative balance of trade and still India has trade deficit. In present study, two prominent trade blocs for India have been taken for study. These are SAARC and ASEAN. A short profile of both trade blocs is given here blow:

SAARC (South Association for Regional Cooperation):

The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical cooperation among eight members. The idea of regional political and economic cooperation in South Asia was first coined in 1980 and the first summit held in Dhaka on 8 December in 1985 led to its official establishment by the governments of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The SAARC policies aim to promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region. India is a member state of this regional trade bloc.¹

ASEAN (Association of South East Asian Nations):

The Association of Southeast Asian Nations or ASEAN was established on 8th August 1967 with the signing of the ASEAN Declaration in Bangkok, Thailand by the Founding Fathers of ASEAN namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Later on other countries joined ASEAN, Brunei Darussalam on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up what is today the ten Member States of ASEAN. The main objective of the association was to accelerate economic growth, social progress and cultural development among its members, protect the

¹ SAARC Charter through http://saarc-sec.org/saarc-charter/5/
peace and stability of the region and provide opportunities for the member countries to discuss their differences peacefully. India is a sectoral dialogue partner of this regional trade bloc.

**OBJECTIVES OF THE STUDY**

- To analyze the situation of India’s export and import to SAARC and ASEAN for the period 2001-02 to 2012-13.
- To examine fluctuation in the percentage share of SAARC and ASEAN in India’s total export and import.

**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 portrait the picture of Indian export and import situation and relative share of trade to SAARC and ASEAN countries in the total export and import of India.

**Period of Study**

The data for the period 2001-02 to 2012-13 is taken for the purpose.

**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 and some simple mathematical calculation like percentage, ratio etc. have been used.

**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.

---

ASEAN Charter through http://asean.org/archive/publications/ASEAN-Charter
Foreign Exchange rate is supposed to be consistent.
No change has been considered in composition of traded goods.

**ANALYSIS AND INTERPRETATION**

<table>
<thead>
<tr>
<th>S.N</th>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>Total trade</th>
<th>Increase/Decrease in Total Trade</th>
<th>Trade Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>2,050.30</td>
<td>589.03</td>
<td>2,639.33</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>2784.9</td>
<td>530.43</td>
<td>3,315.33</td>
<td>676.00</td>
<td>20.39</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>4293.52</td>
<td>709.31</td>
<td>5,002.83</td>
<td>1,687.50</td>
<td>33.73</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>4606.14</td>
<td>997.19</td>
<td>5,603.33</td>
<td>600.50</td>
<td>10.71</td>
</tr>
<tr>
<td>5</td>
<td>2005-06</td>
<td>5547.65</td>
<td>1413.31</td>
<td>6,960.96</td>
<td>1,357.63</td>
<td>19.50</td>
</tr>
<tr>
<td>6</td>
<td>2006-07</td>
<td>6473.81</td>
<td>1507.45</td>
<td>7,981.26</td>
<td>1,020.30</td>
<td>12.78</td>
</tr>
<tr>
<td>7</td>
<td>2007-08</td>
<td>9637.76</td>
<td>2117.35</td>
<td>11,755.11</td>
<td>3,773.85</td>
<td>32.10</td>
</tr>
<tr>
<td>8</td>
<td>2008-09</td>
<td>8567.12</td>
<td>1817.89</td>
<td>10,385.01</td>
<td>-1,370.10</td>
<td>-13.19</td>
</tr>
<tr>
<td>9</td>
<td>2009-10</td>
<td>8390.69</td>
<td>1657.34</td>
<td>10,048.03</td>
<td>-336.98</td>
<td>-3.35</td>
</tr>
<tr>
<td>10</td>
<td>2010-11</td>
<td>11654.14</td>
<td>2173.37</td>
<td>13,827.51</td>
<td>3,779.48</td>
<td>27.33</td>
</tr>
<tr>
<td>11</td>
<td>2011-12</td>
<td>13296.47</td>
<td>2607.42</td>
<td>15,903.89</td>
<td>2,076.38</td>
<td>13.05</td>
</tr>
<tr>
<td>12</td>
<td>2012-13</td>
<td>15,110.70</td>
<td>2,679.95</td>
<td>17,790.65</td>
<td>1,886.76</td>
<td>10.60</td>
</tr>
<tr>
<td></td>
<td>CAGR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17.24 %</td>
</tr>
</tbody>
</table>

**Table 1: India’s Trade with SAARC (2001-02 to 2012-13)**

**Source:** Compiled from Export Import Data Bank, Ministry of Commerce, Government of India.
Chart 1: India’s Export to SAARC

Chart 2: India’s Import from SAARC
Chart 3: Trend of India’s Total Trade with SAARC through Scatter Diagram

![Chart 3: Trend of India’s Total Trade with SAARC through Scatter Diagram](chart3.png)

- **Equation:** $y = 1321x + 676.7$
- **$R^2$:** 0.948

**Axes:**
- **Y-axis:** Amount (US$ millions)
- **X-axis:** Period (F.Y)

**Legend:**
- Total trade
- Linear (Total trade)
Table 2: India’s Trade with ASEAN (2001-02 to 2012-13)

<table>
<thead>
<tr>
<th>S.N</th>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>Total trade</th>
<th>Increase/Decrease in Total Trade</th>
<th>Trade Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>3,457.01</td>
<td>4,387.22</td>
<td>7,844.23</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>4,618.54</td>
<td>5,150.17</td>
<td>9,768.71</td>
<td>1,924.48</td>
<td>19.70</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>5,821.71</td>
<td>7,433.11</td>
<td>13,254.82</td>
<td>3,486.11</td>
<td>26.30</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>8,425.89</td>
<td>9,114.66</td>
<td>17,540.55</td>
<td>4,285.73</td>
<td>24.43</td>
</tr>
<tr>
<td>5</td>
<td>2005-06</td>
<td>10,411.30</td>
<td>10,883.67</td>
<td>21,294.97</td>
<td>3,754.42</td>
<td>17.63</td>
</tr>
<tr>
<td>6</td>
<td>2006-07</td>
<td>12,607.43</td>
<td>18,108.48</td>
<td>30,715.91</td>
<td>9,420.94</td>
<td>30.67</td>
</tr>
<tr>
<td>7</td>
<td>2007-08</td>
<td>16,413.52</td>
<td>22,674.81</td>
<td>39,088.33</td>
<td>8,372.42</td>
<td>21.41</td>
</tr>
<tr>
<td>8</td>
<td>2008-09</td>
<td>19,140.63</td>
<td>26,202.96</td>
<td>45,343.59</td>
<td>6,255.26</td>
<td>13.79</td>
</tr>
<tr>
<td>9</td>
<td>2009-10</td>
<td>18,113.71</td>
<td>25,797.96</td>
<td>43,911.67</td>
<td>-1,431.92</td>
<td>-3.26</td>
</tr>
<tr>
<td>10</td>
<td>2010-11</td>
<td>25,627.89</td>
<td>30,607.96</td>
<td>56,235.85</td>
<td>12,324.18</td>
<td>21.91</td>
</tr>
<tr>
<td>11</td>
<td>2011-12</td>
<td>36,744.35</td>
<td>42,158.84</td>
<td>78,903.19</td>
<td>22,667.34</td>
<td>28.72</td>
</tr>
<tr>
<td>12</td>
<td>2012-13</td>
<td>33,008.20</td>
<td>42,866.36</td>
<td>75,874.56</td>
<td>-3,028.63</td>
<td>-3.99</td>
</tr>
</tbody>
</table>

**CAGR** 20.82%

*Source:* Compiled from Export Import Data Bank, Ministry of Commerce, Government of India.
Chart 4: India’s Export to ASEAN

Chart 5: India’s Import from SAARC
Chart 6: Trend of India’s Total Trade with ASEAN through Scatter Diagram

Table-3

<table>
<thead>
<tr>
<th>Year</th>
<th>India's Overall Trade</th>
<th>ASEAN Total Trade</th>
<th>Trade Share(%)</th>
<th>SAARC Total Trade</th>
<th>Trade Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>95240.00</td>
<td>7844.23</td>
<td>8.23</td>
<td>2639.33</td>
<td>2.77</td>
</tr>
<tr>
<td>2012-13</td>
<td>791137.33</td>
<td>75874.56</td>
<td>9.60</td>
<td>17790.60</td>
<td>2.24</td>
</tr>
</tbody>
</table>

Source: Compiled from Export Import Data Bank, Ministry of Commerce, Government of India.
RESULTS AND DISCUSSION

This paper attempted to portray the picture of India’s trade situation with two big regional trade blocs as SAARC and ASEAN. It is evident from the Table 1 and Table 2 that India’s trade with SAARC and ASEAN have been increased in terms of volume. As India’s exports and imports both have shown upward trend but total trade has been fluctuated for both blocs. It is clearly defined by analysis of its overall trade growth which explained that India’s trade with SAARC countries had observed the highest growth rate in 2003-04 and it was observed as negative growth rate constantly as -13.19 percent and -3.35 percent for the year 2008-09 and 2009-10 respectively. At present trade growth was recorded at declining rate as 13 percent in 2011 and reached to its lowest as 10.6 percent in 2012-13 during the study period.

On the other hand, India’s trade with ASEAN countries also has been recorded having increasing trend. Exports and imports both have been increased during the study period. While we analyze the overall trade growth, it was recorded as 19.7 percent in 2001-02 and with increasing trend reached 24 percent in 2004-05. Later on with a tremendous growth rate, it reached at its highest as 30.67 percent in 2006-07. After it was recorded a continuous declining growth rate and observed as -3.26 percent negative growth rate in 2009-10. After the year it improved strongly and achieved a figure of 28.72 percent in 2011-12 and again in 2012-13, it was recorded a negative growth rate about 4 percent. India’s trade trend as exports and imports with SAARC and ASEAN for 12 years can be viewed through Chart 1, Chart 2, Chart 3 and Chart 4 graphically.
The trade share of SAARC and ASEAN and its change in India’s overall trade can be analysed through the Table 3. It is evident from the table that in 2001-02, India’s overall trade was stood for 95240 million US dollars which includes exports for 43826.72 million US dollars and imports for 51413.28 million US dollars. In India’s overall trade, ASEAN’s trade share was counted for 8.24 percent for having 7844.23 million US dollars trade. On the other hand SAARC’s trade share in India’s overall trade was recorded as 2.77 percent with a trade figure of 2639.33 million US dollars. In 2012-13 India’s overall trade was observed as 791137.3 million US dollars where exports accounted for 300400.68 million US dollars and imports for 490736.65 million US dollars. It was about eight folds growth in India’s trade from n2001-02 to 2012-13.

In 2012-13 ASEAN’s trade share in India’s overall trade was recorded as 9.6 percent with a trade figure of 75874.5 million US dollars which increased by 1.4 percent since 2001-02. SAARC’s trade share was observed as 2.24 percent having trade of 17790.6 million US dollars that revealed a decline of share by 0.53 percent since 2001-02. This analysis of trade witnessed that ASEAN has larger share in India’s overall trade than SAARC.

The descriptive figures as exports, imports, total trade, increase/decrease in overall trade for the years and overall trade growth rate can be seen with the help of Table 1 and Table 2 for SAARC and ASEAN respectively. Lastly Chart 3 and Chart 6 show the trend of India’s trade with SAARC and ASEAN with Trend Equation and R square which explained the linear relationship and strength of association. This is the possible analysis with few limitations of India’s trade with SAARC and ASEAN.

**CONCLUSION**

India’s trade with SAARC and ASEAN can be concluded in some major points:
1. India’s trade with SAARC and ASEAN had increasing trend as exports and imports have increased in terms of volume during the period of twelve financial years.

2. India’s trade with SAARC and ASEAN had increased but also declined two times for both blocs. And have been observed as fluctuated in terms of overall trade growth rate.

3. India’s trade with ASEAN countries has large trade share in terms of volume than SAARC even SAARC is a member state of this bloc.

4. India’s trade growth can be viewed through CAGR (Compounded Annual GrowthRate) for both countries. Saarc’s CAGR was 17.24 percent and Asean’s CAGR has been 20.82 percent for the study period. It revealed that India’s trade with ASEAN has grown rapidly than SAARC.

5. India’s trade share with ASEAN is greater than SAARC. Here it can be concluded that SAARC needs to open some more ways of economic development with its member states.

6. India needs to maintain its trade with ASEAN at a stable level of volume and growth rate as it was observed negative and declining since 2008-09 to 2012-2013.
REFERENCES:


