



RESEARCH PAPER

Comparative Study of Intra Regional Trade Analysis of SAARC Nations

Namrata Yadav

Department of Business Administration,
Government Girls College, Kherwara (Udaipur)
Email: namratakryadav@yahoo.co.in

ABSTRACT

Trade amongst SAARC nations plays a very vital role in the economic development of every member country. SAARC Preferential Trade Agreement (SAPTA) was signed at the seventh SAARC summit in 1993, in Dhaka. The agreement provides a framework and institutional base for trade liberalization and economic cooperation between the SAARC member countries. It envisages four basic approaches to the exchange of trade preferences: 1. product-by-product; 2. across the board; 3. sectoral; and 4. "direct trade" measures. South Asian Free Trade Agreement (SAFTA) has been ratified and entered into force on January 1, 2006. The low volumes of intra regional trade in SAARC, and the limited impact of the SAPTA process of trade negotiations on trade expansion in the region, have raised some obvious doubts regarding the importance of trade as an instrument for promoting economic co-operation in South Asia. However, it needs to be emphasized that despite the current low volumes, there is significant potential for trade in the region which needs to be harnessed effectively. There exists in fact, a large untapped trade potential in the region, which is yet to be realized. The study in this paper takes attention towards the volume of trade amongst SAARC nations and concludes that imports from within the region would be far more cost effective and opens a vast scope for the economic growth of SAARC nations.

Key words: Liberalization, Para tariff, Preferential Trade, Tariff

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INTRODUCTION

South Asian Association for Regional Co-operation (SAARC) is the largest regional organization in the world covering approximately 1.47 billion people. SAARC is an economic & Political Organization of eight countries in southern Asia. The organization was established on 8th December 1985 by India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan. Afghanistan was the eight member of SAARC accepted on November 13, 2005. There all are neighboring countries and share a lot of similarities in terms of religion and culture. SAARC's mission is to accelerate the process of economic and social development of member states and the areas of cooperation are-

1. Agriculture and rural development
2. Health and population activities
3. Women, youth, and children
4. Environment and forestry
5. Science, technology, and meteorology
6. Human resources development
7. Transport

On May 4, 1995, SAPTA, essentially a framework in which members would accord a certain set of goods and commodities entry into their countries under preferential rates of import duties, was signed in New Delhi. But the agreement could not be implemented as the members could not even agree on the set of goods for this agreement. The agreement came into effect from December 7, 1995 after Pakistan and Bangladesh also endorsed it. The low volumes of intra regional trade in SAARC, and the limited impact of the SAPTA process of trade negotiations on trade expansion in the region, have raised some obvious doubts regarding the importance of trade as an instrument for promoting economic co-operation in South Asia. However, it needs to be emphasized that despite the current low volumes, there is significant potential for trade in the region which needs to be harnessed effectively. SAPTA was formalized in December 1995, which was a formal reflection of the desire of the SAARC countries to promote and sustain mutual trade and economic co-operation within the SAARC region through exchange of concessions.

Trade liberalization in South Asia started with a series of sweeping reforms in Sri Lanka in 1977/78. For the rest of South Asia, the 1980s and 1990s saw substantial reductions of tariffs and phasing out of quantitative restrictions (QRs), along with liberalization of the exchange regimes. With respect to SAARC, in the first phase, the Least Developed Countries (LDCs) in SAFTA will reduce their maximum tariff rates to 30% within two years from the date of coming into force of the Agreement. The non-LDC members will reduce their maximum rates to 20% within the same time frame. In the second phase, from January 1, 2008, the non-LDC members will reduce their import tariffs to the 0- 5% range in 5 years, while the LDCs will do the same in 8 years. With a view to further enhance regional trade and co-operation in the SAARC region, on January 01, 2008, India has reduced import duty on all items other than those in the negative list to zero. During the third SAFTA Ministerial Council meeting in New Delhi, on March 03, 2008, India also announced the pruning of negative list from 744 items to around 500 items for the least developed country members of the SAARC. Further, the third SAFTA Ministerial Council Meeting also directed the drafting of SAARC Framework Agreement on Trade in Services (SAFAS) under SAFTA Agreement.

OBJECTIVES

1. To study the volume of Export amongst SAARC Nations
2. To study the volume of Import amongst SAARC Nations
3. To study and compare the intraregional trade of SAARC Countries

HYPOTHESIS

1. There is increase in export and import between SAARC Nations
2. India plays the most important role in the trade amongst SAARC Nations

RESEARCH METHODOLOGY

The Research is depended on secondary Data and the paper is based on quantative analysis therefore year wise report of SAARC Nations is considered for reference. Using Tabulation and finding the percentage share in intra regional export and import of each country for the study time period (year 2008 to year 2012) the hypothesis will be proved and objectives may be fulfilled.

RESEARCH ANALYSIS

Secondary data from different sources has been collected and studies are done to understand intra regional SAARC Trade. Table 1 shows intra regional exports of all the eight SAARC countries from the year 2008 to year 2012. It shows that different countries of SAARC have different volume of intra regional export. We can see that in comparison to year 2008 the export in 2009 has decreased in large volume. Year 2010 shows fluctuation in the export as Afghanistan and Bhutan has decreased volume of export whereas other

six countries that is Bangladesh, India, Maldives, Sri Lanka, Nepal, and Pakistan has increased volume of export. Year 2011 and even year 2012 shows remarkable increase in the volume of intra regional export of SAARC nations. Also it is shown by the pie chart 1 that India is the highest exporting country amongst SAARC nations following Pakistan and Nepal. The change in export ratio of India year wise is highly affecting the SAARC intraregional exports as it makes 65 percent of the total intra regional exports.

Table 2 shows intra regional imports of SAARC countries from the year 2008 to year 2012. In comparison to year 2008 year 2009 has increased volume of imports in the countries Bhutan, Maldives and Nepal whereas Afghanistan, Bangladesh, India, Pakistan and Sri Lanka have decreased volume of imports. Year 2010 showed huge increase in the intra regional imports for all the eight countries and in year 2011 similar increase was seen except for Bangladesh which has decreased amount of imports. Again in year 2012 there were fluctuations seen in the volume of intra regional imports. Pie Chart 2 shows the percentage of intra regional imports of five successive years i.e from 2008 to 2012. Bangladesh counts for highest percent of imports followed by Nepal and Sri Lanka.

Table 1: SAARC Intra Regional Exports

SAARC Countries	Year wise Export details (Values in Million US Dollar)					Total	Percentage Share (%)
	2008	2009	2010	2011	2012		
Afghanistan	396.31	267.13	216.69	251.07	271.11	1402.31	2.31
Bangladesh	427.37	272.03	322.25	485.43	501.03	2008.11	3.30
Bhutan	515.14	481.05	361.5	371.04	182.37	1911.1	3.41
India	10130.43	7373.54	8465.77	1907.09	12105.96	39982.79	65.89
Maldives	13.98	189.9	218.04	227.25	222.76	871.93	1.43
Nepal	640.07	629.41	650.84	646.57	475.23	3042.12	5.01
Pakistan	2448.40	875.22	1396.7	1992.66	1974.95	8687.93	14.31
Sri Lanka	445.95	328.59	616.17	661.31	719.90	2771.92	4.5
Total	15017.65	10416.87	12247.96	6542.42	16453.31	60678.21	100

(Source: www.saarcstat.org)

Chart 1: Percentage of intra regional exports of SAARC Countries

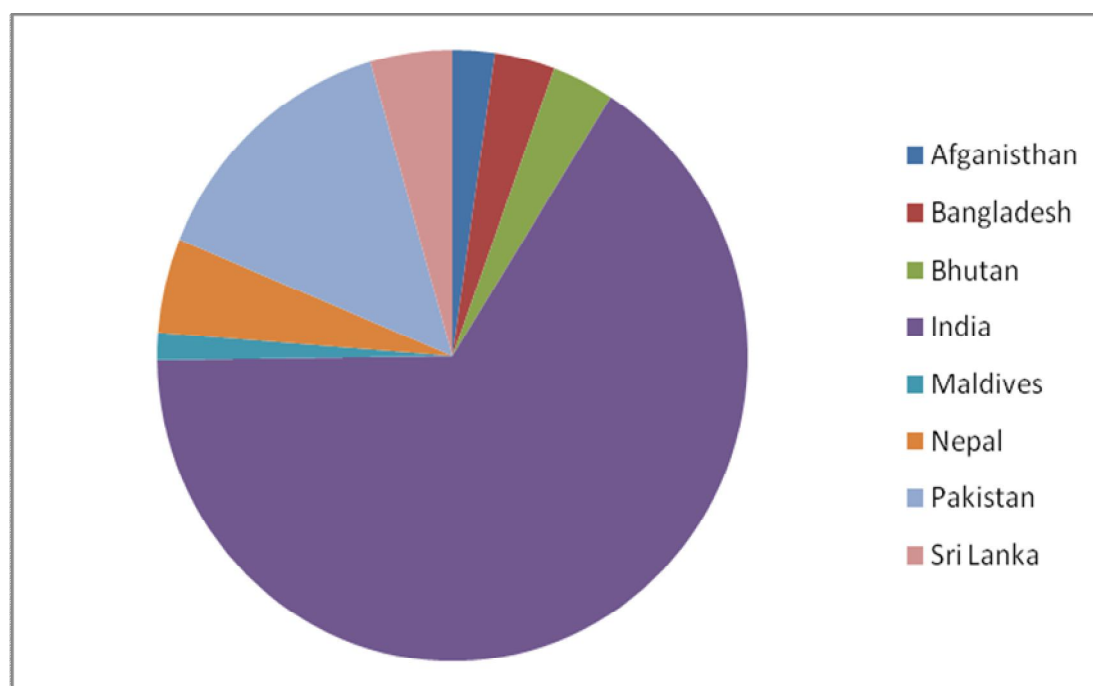
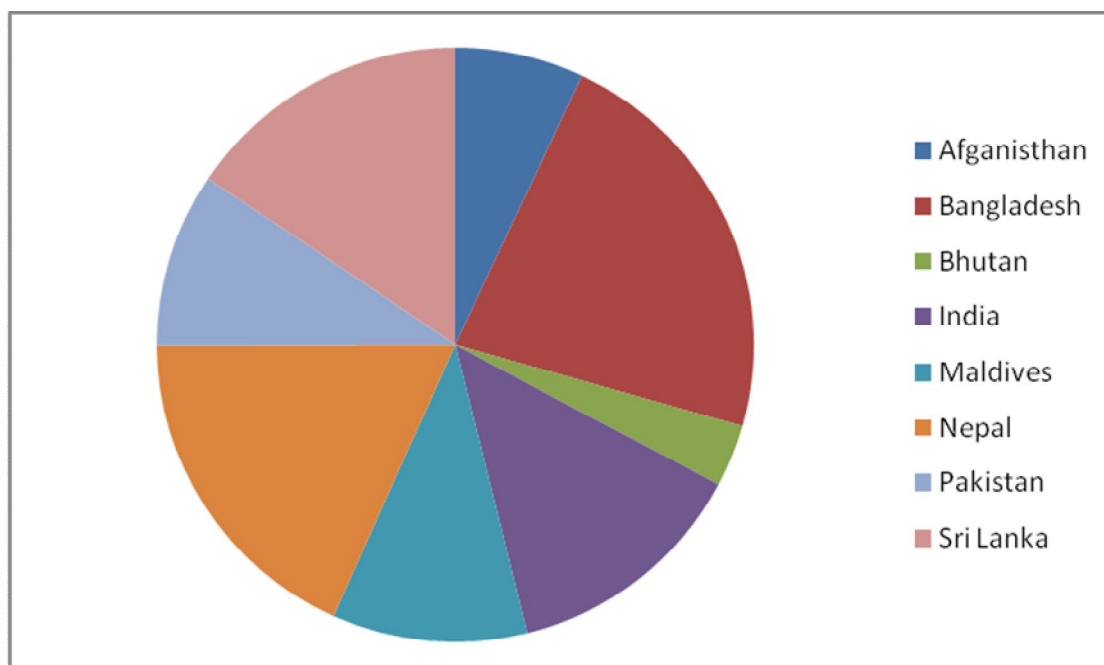


Table 2: SAARC Intra Regional Imports

SAARC Countries	Year wise Import details (Values in Million US Dollar)					Total	Percentage Share (%)
	2008	2009	2010	2011	2012		
Afghanistan	1812.8	414.25	712.00	983.39	1001.15	4923.59	6.97
Bangladesh	3699.59	2588.27	3136.06	1100.57	5315.23	15839.7	22.43
Bhutan	407.82	422.15	657.91	766.86	158.47	2413.21	3.41
India	2179.98	1515.46	1630.95	1907.10	2159.86	9393.35	13.30
Maldives	232.1	1949.82	2063.54	2969.20	245.64	7460.3	10.56
Nepal	1701.84	2144.98	3271.46	3778.82	1991.10	12888.2	18.25
Pakistan	1930.19	951.54	1075.38	1296.35	1473.77	6727.23	9.52
Sri Lanka	1197.79	888.89	2243.67	4034.74	2603.46	10968.6	15.53
Total	13162.1	10875.4	14791	16837	14948.7	70614.2	100

(Source: www.saarcstat.org)

Chart 2: Percentage of intra regional imports of SAARC Countries**CONCLUSION**

Comparison of the intra regional trade has been studied in this research where data of five years (2008-2012) are used to support the study. South Asia is a large regional bloc with huge potential but achievement in regional economic integration is insignificant so far. India plays a very important role in the intra regional trade amongst SAARC nations and being the larger in geographical area it can lead the trade amongst SAARC nations. Nepal also plays an important role as it is actively involved in export and import both in the intra regional trade. We can see in the study that there is increase in the trade majorly in the export and to growth is seen even in imports. With time and with this we can assume that if all the eight countries start depending on each other for the requirement of raw materials, goods and products and if trade with each other is carried out in a disciplined framework, no one can stop SAARC nations to be a super power in economic development. Hence there is lot of potential for growth and economic development in SAARC nations if this regional bloc unites and starts trading with each other up to the maximum possible level.

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