CHAPTER – 2

AIM AND METHODOLOGY
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This Chapter describes the significance of the study, objectives and the present study as well as the methodology adopted and the comprehensive literature review with special reference to India’s trade with SAARC countries and other current literature on the subject.

Introduction:

Counties are earning prosperity for their citizens by maximizing exports of their products and minimizing the intake, i.e. imports. Foreign trade is a vital sector of a country’s national economy and contributes substantially to the economic welfare of the people and the development of resources.

Economies of scale and international specialization as also the fruits of scientific and technical progress in the world became more easily available through foreign trade. In the context of planned economic development of developing nations, an appropriate policy has become very necessary and significant. Today no country in the world is self-sufficient in the sense that it does not possess facilities for economical production of all goods and services that are consumed by its people.

Thus, it is obvious that no country in the world can exist without any sort of trade relations. In fact, no country can hope to become self-sufficient by producing all types of goods since factor endowments and availability of technical skills vary between the countries.

Most of the LDC’s certainly, do not produce all the goods they need for developing. They may need more goods than they can
produce to feed a rapidly growing population. If these LDC’s want to develop industries or to increase the productivity of agriculture, they have to import capital goods and raw materials (or) new types of seeds and fertilizers from the relatively advanced countries.

Exports can be a leading sector in growth or a lagging one. This means that increased earnings from higher marketability of countries commodities in the international market would stimulate the indigenous industrial activity in the country. This in turn brings many distinct benefits viz., greater utilization of resources, larger employment opportunities, more foreign exchange, etc.

The Emergence of SAARC

The world has been groping for a new approach to an organization of the international system. The aggravation of international tensions and constant fear of nuclear holocaust has drawn states and peoples much closer to new patterns of internationalism. In fact, the compulsions of interdependence have now led to the evaluation of a safer alternative to the old unmitigated self-interest and the attitudes of confrontation against nations. A new world order based on solid foundations of mutual understanding and cooperation unfettered parochial walls of prejudice and mistrust is the need of the hour. The hitherto mutually antagonistic world systems are now seeking linkages of integration and cooperation.

In 1979, the late president Zia-Ur-Rahman of Bangladesh mooted the idea of South Asian regional cooperation. Meetings at official levels were held to give it a shape. Once the proposal for SAARC had been accepted, the Bangladesh Government prepared a working paper which was circulated in November 1980 to the countries of the region. The working paper identified the areas in which prospects of cooperation could be worked out for mutual benefits of the countries of
the region. This paper provided a forum for further discussions. Preliminary meetings were held in Colombo, (1981), Islamabad (1982) and Dhaka (1983). The South Asian Association for Regional Cooperation (SAARC) was formally launched in August 1983. The meetings at Secretary and Foreign Minister Level had prepared the ground for regional cooperation, defined its objectives, identified possible areas of cooperation and recommended an integrated programme of action in agreed areas.

Regional cooperation among South Asian nations was institutionalized with the formation of SAARC at Dhaka on 8th December, 1985. The salient features of the Dhaka Declaration and Charter adopted on 8th December were that the Heads of States of seven countries realized that SAARC would play an important role in accelerating the pace of economic and further the cause of peace, progress and stability in South Asia and the world.

The Present Study:

The seven – nation South Asian Association for Regional cooperation (SAARC) comprising Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka., established in December 1985, was rather late in coming. Afghanistan was added to the regional grouping at the behest of India on November 13, 2005 and became a member on April 3, 2007. South Asia is one of the poorest, most illiterate, heavily overpopulated, excessively militarized and incredibly conflict-prone regions of the world. These countries differ not only in size and stages of economic development but also in their political frame work and economic objective. Border disputes, ethnic issues, political outlook and affiliations, etc cause mutual distrust among some of the members of the Association and these prevent emotional closeness and, as a consequence, adversely affect the pursuit of cooperation. The other important problem that limits the scope of economic
cooperation is that the economies of the member countries are similar rather than dissimilar. Some of the member countries are important exporters of same type of the product and are, therefore, competitors in the international market. Underdevelopment of transport and communications, payment and clearing arrangements and institutional inadequacies, etc., also hinder expansion of economic relations. All these issues aroused curiosity to undertake this study that whether SAARC would achieve the objective of accelerating economic growth, social progress and cultural development in the region.

The present research project concerns broadly itself with the examination of the fairness and reliability of Indo – SAARC trade relations. It also concerns with the question as to how far the trade with SAARC has provided a new spirit and support to the growth of Indian foreign trade as a whole.

The study is explorative in character as it seeks to make an in-depth as well as an extensive study of the Indo – SAARC trade relations and also covers the whole gamut of historical, cultural, scientific and economic relations among the SAARC Nations.

The present study covers the period of seventeen years from 1994 – 95 to 2010-2011. The selection of the study period has been done keeping in view the objectives of the study. It has been expected that the data pertaining to this period will reveal the trends of various aspects of the trade relations of the Indo – SAARC Nations and also provides the relevant basis to understand the quality of various facets of mutual cooperation.
Objectives of the study: The following are the various objectives of the study.

1. To probe in to the trends of India’s foreign trade
2. To study India’s trade with different regional trading blocs visa-a-vis the SAARC
3. To study country wise India’s trade with SAARC Nations.
4. To study the outcome of SAARC summit meetings and
5. To project findings and give suggestions for further development of Indo – SAARC trade.

Importance of the Study:

The study assumes greater importance in view of the fact that India has a dominant position in the SAARC, demographically and economically and India stands as a centre of the SAARC region both location wise and area wise. Moreover, with its population and area, India is the largest country in the SAARC region. It has an area of thirty two lakhs eighty eight thousand square kilometers and its share in the regions area is around 73.4 per cent. India has about two thirds total of the population of SAARC. On the other extreme is the tiny country of Maldives with a land area of 298 sq. kms, inhabited by about 3 lakh people. Bhutan also is comparatively small country, with a total population of 6,72,425. While Sri Lanka is an Island, Maldives is an archipelago. India lies south of the Himalayas and extends to the Indian Ocean. It is bordered by four SAARC countries namely Pakistan, Nepal, Bhutan and Bangladesh besides China and Burma. The other two SAARC countries namely Sri Lanka and Maldives, though not connected by common border, being Islands, can be considered as border countries.

The study assumes further significance due to the commendable technological and other economic capability which India
has achieved, and because of its gigantic size, India has a special role to play in the SAARC. India has a broad, diversified and relatively well developed industrial sector and has built up considerable scientific knowledge and expertise in several other areas like space sciences, agriculture, medical science, infrastructural development, electronics, telecommunications, etc. This strength of India could be of considerable help to the fellow members of the SAARC. This could be made use of, for extending aid to other countries as well as for establishing joint ventures and for supply of technology on commercial basis.

Although, India suffers from a number of economic problems, the study reveals that India is in a position to help other countries, particularly the least developed and tiny ones of the Association. It may be noted that the total population of Maldives (only three lakhs) and of Bhutan with 7 lakh, is not even half of the population of Bangalore, where the second SAARC summit was held in 1986. This shows that even an amount which is a very negligible share of the budget of the Government of India would be a considerable one for Maldives or Bhutan. The study also explains how a country that has relative advantages could provide aid to the needy members. It could perhaps step up its aid to the needy members, owning special moral responsibility because of its special position, even while it has its own problems. There is a lot of scope for joint ventures in the fields of industry and business. Considerable scope exists for cooperative ventures in agricultural development, energy development, transport and tourism, communications, etc.

There is also scope for cooperation in the field of foreign trade. Unhealthy competition in the trade can be avoided and collective measures to strengthen the market power could also be adopted. The expertise of trading houses, including that of the state
trading organizations like STC and MMTC, could be of help to other member countries. These public sector organizations have done offshore trading for some of the members of SAARC. Indian firms may also establish joint ventures, or other forms of enterprises in other countries in the export oriented sectors.

The study tries to focus on the dominant position of India. India, by virtue of its resource endowments and impressive developments in many fields should, however, be considered as an asset, but this is not always will taken by some of the members.

South Asia is passing through a turbulent phase today. Old problems continue to spawn new crises in various forms and intensity. Obsessed with the past and plagued by a plethora of new crisis, the south Asian states are increasingly to becoming vulnerable to internal crisis fanned by external factors.

The study becomes all the more significant since problems of population and migration, politicized religion, ethnic and secessionist war, cross-border terrorism, collusion between external criminals and internal operators, criminalization of politics, rampant corruption and governments inability to curb it, breakdown of institutions, loss of credibility of leaders, are some of the aspects that have ominous impacts on each nation.

However, despite arguments for and against the prospects of SAARC in the given context of regional and international developments, it seems that it is now being necessitated for the South Asian countries to act in concert for enhancing the spirit of cooperation amity and peace.
Policy implications of the study:

Studies of this type, in general provides guidelines to the developing countries in formulating policies of trade. Further such a study initiates the importance for fostering peace and friendship among the nations on the principles of equality.

The study also reveals the manner in which amicable settlement of foreign exchange transactions can be attained leaving fewer burdens on the part of the trading partners, which they are acutely facing at present. Further this study signifies that the trade among SAARC nations should not be deemed as an end itself, but should be instrumental in the acceleration of economic relations among the SAARC countries, because the trade can be transformed as an aid to the weaker trading partners. The weak partner can repay the value of this assistance in the form of exports to that country without straining its foreign reserves.

This study brings out the importance of such cooperation as an attractive and equitable and enables the partners to make wide use of the existing international division of labor and better use of their natural and economic peculiarities. Thus, the cooperation among the SAARC nations would become an ideal example for the whole world, worth to be emulated by other countries.

The study is explicit in its character as to how the trade links that exists among the member countries having dissimilar socio, economic and political systems can flourish and enhance the mutual benefits. If the trade is linked on the aforesaid basis, the benefits that accrue to the weaker trading partners will be the utilization of factors of production hither to unused and they will be used towards exports, broadening the base of industrialization and providing employment thereby increasing the domestic consumption. In other word trade
links among the trading partners need not be just a commercial transaction, but can manifest in different forums of economic relations resulting in effective mutual trade. Moreover, this study gives the direction in which expansion of mutual trade is possible.

As such this study helps reaffirms faith in the Indo – SAARC trade and encourages the policy makers to open up new visions of cooperation among the member countries.

**Methodology:**

The data and the other relevant information were collected through the following secondary sources:

1) Published literature available with Indian Institute of Foreign Trade, New Delhi and Badruka Institute of Foreign Trade (BIFT), Hyderabad

2) Various statistical data (reports) relating to Indian foreign trade were collected from RBI Regional Branch, Hyderabad

3) Secondary sources such as, commercial journals, economic dailies, books, trade statistics, records, etc and consultations with experts in this area at IIFT, New Delhi Branch.

**Period of the Study:** The present study deals with the trends in Indo-Saarc trade for the period 1994-95 to 2010-11.

The information collected pertains to SAARC origin, and information regarding various summits, held in the member countries. The secondary sources provide the extensive literature regarding international business. Articles published in this area, highlight the historical roots of the development of the relations and the previous studies conducts in this area, revealing the salient features and the pattern of the trade agreements, commercial items involved, growth
and the diversification of trade, existing packages of trade payment mechanism, planned nature of the trade relations, etc.

**Survey of Literature:**

The literature on Indo – SAARC relations throws enough light on various aspects such as cultural, economic, political, etc. The studies having the economic aspects as their local point are of recent origin. While different viewpoints on Indo – SAARC trade can be found in the form of numerous news items, articles, books, comprehensive studies with research orientation are a very few.

A review of existing literature has revealed two types of studies -- the first category includes those which are mostly descriptive in nature outlining the development of trade between India and the members of the SAARC, examining the opportunities for mutual evaluation leading to either favorable or unfavorable conclusions.

The second category comprises research studies which are specific in nature making in depth study of the trade and economic relation be between India and the SAARC nations.

The following review covers the opinions, ideas and research findings of the luminaries in the field of regional trade arrangements.

**Survey of Literature relating to India’s FT in General:**

Chandrasekhar\(^1\) dealt with the crucial external aspects that have a bearing on the pattern of growth of Indian economy in the context of greater global integration on India’s dependence on international markets. Ray\(^2\) examined the role of various determinants like real effective exchange rate, domestic consumptions, FDI on

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foreign income on balance of trade for India. Gupta and Neetu\textsuperscript{3} examined in their paper the extent to which India’s foreign trade is affected by the global crisis amidst the signs of slowing down of the economy.

Ranjit Singh\textsuperscript{4} lamented in his study that inspite of enormous potential of trade between India and Pakistan, both countries did not make any sincere and earnest efforts to exploit that potential. Srinivasam Bipul Chatterjee and Joseph George\textsuperscript{5} advocated for boosting trade ties through Free Trade Agreements. Narisimha Rao\textsuperscript{6} called for adoption of increasingly outward-oriented trading regions for greater competitiveness of SAARC economies and advocated to work practically towards a frees market of the SAARC region and to integrate their economies to enhance their range and dynamism. CII\textsuperscript{7} suggested setting up of a regional find to help countries of the region to carry out necessary stabilization programmes and overcome fiscal problems among the SAARC nations and also called for completion of SAFTA and SAPTA by 2005 so as to double the existing $6 billion intra-SAARC trade. Amit and Muralidhar\textsuperscript{8} described the breakthrough on SAPTA as a historic for the region as a whole, would boost developments and economic cooperation in the region. Economic fears and political hostility have constrained the growth of trade among the SAARC countries\textsuperscript{9} Manmohan\textsuperscript{10} called for provision of reciprocal


\textsuperscript{5} Bipul Chatterjee and Joseph George, free Trade Agreements and India, \textit{Yojana}, February, 2012.


\textsuperscript{7} CII Agonda paper, January, 2002.


\textsuperscript{9} Editorial, Another attempt at SAFTA, \textit{The Hindu}, January 8, 2004.

\textsuperscript{10} Manmohan Reconnect the subcontinent, \textit{The Hindu}, November 13, 2005.
transit facilities to connect all the SAARC nations as well as third
countries in the Gulf, Central Asia and South East Asia.

Hassan Mobeen Alam \(^{11}\) made an attempt to study Tar
conventional barriers on widening of trade horizons in Intra-SAARC
trade relations. Ritesh Kumar \(^{12}\) dealt with the political hostility
between the major partners India and Pak that have kept intra-regional
trade and investment flows low among SAARC countries. Rawat\(^{13}\) stated that direct exports from India to Pakistan will cut down
the cost and will benefit consumers in Pakistan. Rajiv Gandhi \(^{14}\)
dismissed as unfolded the apprehensions that would dominate SAARC
as the largest country.

Rajiv Gandhi\(^{15}\) called for playing a decisive role for creating an
atmosphere conducive to the amicable settlement of differences among
the countries of the region and also called for an integrated action by
the SAARC to combat terrorism. The volume of intra-regional trade\(^{16}\)
still accounts for less than the double digit value while European
union achieved it within two years. Menon\(^{17}\) highlighted the steps
taken in 5th Summit to launch joint ventures (JVs) in cottage
industries and handicrafts to promote collective self reliance in the
region. Nisha Taneja, Saon Ray and Devjit Roy\(^{18}\) dealt in their study
with the concept of Revealed Comparative Advantage (RCAs) for

\(^{11}\) Hassan Mobeen Alam, Trade Barriers and Facilitations among SAARC Economics, 


\(^{13}\) Rawat, D.S., India welcomes Pakistan move to shift to negative list regions, *Business Line*,
March 1, 2012.


\(^{15}\) Rajiv Gandhi, SAARC nations must not be sanctuaries for terrorists, *The Hindu*, November
17, 1986.

\(^{16}\) SAARC Chiefs face tough tasks, *The Times of India*, November 21, 1990.


\(^{18}\) Nisha Taneja, Saon Ray and Devjit Roy, Working Paper on Enhancing Intra-SAARC Trade
brought out by Indian Council for Research on International Economic Relations
(ICRIFIER), April, 2011.
products on India’s sensitive list with the corresponding RCAs of the SAARC countries.

Sharma\textsuperscript{19} explained the deliberations at the second summit ranging from trade issues to terrorism in the context of bilateral relations among the SAARC countries. Menon\textsuperscript{20} highlighted the steps to launch JVs in cottage in small industries in the region.

Desh\textsuperscript{21} concluded that in the last one and half decades, intra-regional trade within the SAARC group languished at less than 5 per cent. Kabeer\textsuperscript{22} attempted to make a formal analysis of trade issues with the use of gravity model. Al-Atrash and youself\textsuperscript{23} assessed the economic interest of SAARC countries from the perspective of regional trade. Dutta\textsuperscript{24} gave an extensive overview of SAARC as well as regional benefits of trade. Khan\textsuperscript{25} dealt with multilateral as well as regional benefit of trade in the world. Anderson\textsuperscript{26} analyzed SAARC trade with gravity model analysis and concluded that SAARC countries were yet to achieve trade-creating benefits.

Anam and Ranhman\textsuperscript{27} concluded that SAARC contributed to creating a conducive environment for trade and investment.

\textsuperscript{19} Sharma, L.K. India asks SAARC to be productive, \textit{The Times of India}, November 15, 1986.
\textsuperscript{20} Menon, K.T.R., SAARC to expand economic ties, \textit{The Times of India}, November 24, 1990.
\textsuperscript{21} Desh de Mel, South Asia-Towards a viable FTA, published in SAWTEE (\textit{South Asia Watch on Trade, Economics and Environment}, No. 5, 2007.
\textsuperscript{22} Kabeer Mohammed, \textit{Trade in South Asian Region} (SAARC), Dauphine University, Paris, France.
\textsuperscript{26} Anderson, J.E., A theoretical foundation for the gravity equation \textit{American Economic Review}, Vol. 69, 1979.
cooperation in the region. Balassa\textsuperscript{28} attempted to make a formal analysis of issues relating to comparative advantage in trade among SAARC countries. Boldiwn \& Krugman\textsuperscript{29} concluded in their study that South Asia could become the world’s economic hub and even a model of regional integration. Bayomi \& Eichengreen\textsuperscript{30} studied about the possibility of trade creation and trade diversion. Bhagawat\textsuperscript{31}, dealt in his study with various issues relating to regionalism and multilateralism. Khan\textsuperscript{32}, proved into the regions for smaller magnitude of intra-SAARC trade. Bhuiyan\textsuperscript{33} concluded that the collective weight of the South Asian economies would enhance their bargaining power, making for better terms of in trade. Wrong\textsuperscript{34} opined that SAARC regional integration in a way, is compatible with multilateral liberalization. Chandra\textsuperscript{35} concluded that there would be significant benefits to consumers if an FTA is successfully implemented.

ISID\textsuperscript{36} study reveals that over the years, the share of exports and imports to GDP has increased, particularly from 200-01 to 2009-10. Jayanth\textsuperscript{37} stated that it not just energy dependence, which is a strategic problem for India, instead the rapid expansion of non-oil imports suggests an economy that is becoming less externally

\textsuperscript{28} Balassa, B., Trade liberalization and revealed comparative advantage, \textit{The Manchester School of Economic and Social Studies}, Vol. 33, 1965.
\textsuperscript{34} Wrong, J., ASEAN’s experience in regional economic cooperation, \textit{Asian Development Review}, 3(1), 1985.
\textsuperscript{35} Chandra, R., Trade in Services and South Asia: An aggressive Agenda ed. Centre for Trade and Development, New Delhi, 2005.
\textsuperscript{36} SID (Institute for studies in Industrial Development), Report the Structural Changes in India’s foreign Trade, 2012.
\textsuperscript{37} Jayanth Ghosh, India’s External Sector, \textit{Business Line}, October 1, 2012.
competitive despite two decades of liberalized reforms. In the past decade, India’s trade policy has seen a marked shift towards regionalism with the signing of many regional trade agreements and as of May 2011, 13 RTAs were in force. Baldwin stated that the basic premise of RTAs is to liberalize trade among the members by granting tariff concessions for, or elimination of selected products. Melo and Panagariya dealt with the divided opinions whether RTAs are ‘building blocks’ and ‘stumbling blocks’. Meade, Lipsey and Summers showed instances of trade creating RTAs whereas Bhagawati and Panagariya provided examples of trade diverting RTAs.

Seshadri stated that a striking development in the recent history of the world trading system has been the unprecedented surge in RTAs. According to Krugman the proliferation of RTAs in recent years was due to the slow progress GATT/WTO as witnessed by the long-drawn out rounds as well as the bitterness in negotiating issues, Baldwin refuted this argument as stated that it was the regionalism in the EC as the USA that encouraged other countries to

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38 Sejut, Jha, Utility of RTAs: Experience from India’s Regionalisms, Asia Pacific Research and Training Network on Trade, Working Paper Series, No. 99, April 2011.
45 Seshadri, V.S., “Evolution in India’s regional trading arrangements”, Journal of World Trade, Vol. 43, No. 5, 2009
follow the suit. Viner\textsuperscript{48} introduced the concepts of trade creation and trade diversion due to formation of a regional argument. Pomfret\textsuperscript{49} did not satisfy with the empirical evidence that RTAs had any net welfare effect. The World Trade Report\textsuperscript{50} stated that the evidence drawn from econometric analysis produced different results for different RTAs on welfare effect and a general conclusion could therefore not be drawn. Soloaga and Winters,\textsuperscript{51} Martinez-Zarzoso,\textsuperscript{52} Feenstra\textsuperscript{53}, Bergstrand\textsuperscript{54}, analyzed the effects of RTAs using gravity models to predict trade flows based as the economic sizes (GDP) of the two countries and the distance between them.

The attitude that there can be no commercial cooperation with India unless the Kashmir question resolved has been softened (2002) with Pak’s decision to join SAFTA.\textsuperscript{55} Direct trade between India and Pakistan constitutes less than one per cent of their respective global trades.\textsuperscript{56}

M.M. Ramhaman\textsuperscript{57} in his study observed that Bangladesh was exporting extremely less to India all the time than what it ought to

\begin{itemize}
\item Making an India-Pak deal, Times of India, January 8, 2002.
\item India welcomes Pakistan’s move to negative list regime, BL, March, 1, 2012.
\end{itemize}
export. Benajir 58 called for alternatives instead of creating environment for mutual rivalries and suspicions between India and Pakistan. India welcomed the decision taken by Pakistan to accord MFN status to India.59

Rasheeda60 stated that Pakistan’s business community thinks it will be unlocking a chapter of prosperity by strengthening trade and business ties with India. At present Pakistan’s positive list allows imports of only about 1950 items from India but the latest move to shift to negative list regime allows imports of only about 1950 items from India but the latest move enables India to export around 6800 items to Pakistan. Shaik and Saleem61 analyzed the relative impact of SAFTA over the global and economic welfares.

Madan62 mentioned the trade between India and Bangladesh was limited to government level. Hassan63 dealt with in the aspects of border trade between Bangladesh and neighboring Indian states and also mentioned that with to 15 Kms of the both countries, border trade was allowed for certain commodities. Eusufzar64 explained about the productivity differences and comparative advantages that best explain trade patterns between India and Bangladesh.

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58 Rajiv Agenda for South Asia, New dawn in Indo-Pak ties, The Hindu, December 30, 1988
59 India, Pak to hold talks for trade in petroleum products, Business Line, November 16, 2011.
60 India welcomes Pakistan move to shift to negative list regime, Business Line, March 1, 2012.
Rahman 65 and Dasgupta 66 compared nominal rates of protection for India and Bangladesh. They established that Bangladesh had initiated the program of tariff liberalization earlier than India in the mid 80s. Rahman 67 concluded that trade indices imply that bilateral trade between India and Bangladesh was not as high as it should be. Venkatsubbaiah 68 felt that it was important to remember that bilateral relationship within appropriate regional and multilateral cooperation framework.

Arjun Sen Gupta 69 concludes that alleviating widespread poverty, sustaining employment generation, improving infrastructure, and sustaining rapid and inclusive economic growth remain the common and pressing challenges in all the countries of the SAARC region.

Rajiv Kumr 70 concluded that it is imperative and an opportune time for India to take a lead in building an environment of trust among SAARC members, which would encourage greater commitment to regional integration by all. (4).

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69See the report of the National Commission for Enterprises in the Unorganized Sector (2007), also known as the Arjun Sengupta Commission Report.
70SAARC: Changing realities, opportunities and challenges in Rajiv Kumar DIE Research Project “Anchor Countries as Drivers of Regional Economic Integration – Consequences for Regional and Global Governance, and for Developing Countries”
Gyana Raja\textsuperscript{71} made an attempt has been made in this study to analyze the trade structure and trade trends between the two countries in the following sections.

Research and studies\textsuperscript{72} reveal that both the countries have comparative cost advantages in trading amongst themselves for several reasons.

Gurudas\textsuperscript{73} noted that the economic cooperation between Nepal and India accelerated by the movement of people for economic pursuits, social and marriage relations.

Nepal Rastra\textsuperscript{74} stated that steady move towards economic liberalization undertaken by the both countries brought fundamental changes in the pattern and direction of economic exchanges between them.

Bahadur and Lama\textsuperscript{75} applauded that the signing of Treaty of Peace and Friendship, and Treaty of Trade and Commerce between Nepal and an independent India in July 1950 can be seen as the landmark towards the external trade of Nepal.

Ramakant\textsuperscript{76} concluded that trade Transit Treaties, held between Nepal and India, can be seen as the outcomes of progress and understanding towards improving trade relationship between the two

\textsuperscript{71} Gyau Raja Shrestha Neapl-India Bilateral Trade Relations Problems and Prospects Research and Information System for the Non-aligned and other developing countries, June 2003.


\textsuperscript{74} Nepal Rastra Bank (2002), WTO and Nepal NRB, Research Department, International Finance Division, Kathmandu.


countries. On the other hand, it can also be seen as the reform initiatives of the both countries as per demand of the socio-economic and geo-political framework.

Panchamukhi 77 considered Indo-Sri Lanka economic cooperation as the most popular bilateral free trade agreement was a result of the renewed political confidence between the two countries as well as the labored progress made through the South Asian regional initiatives.

Weerakoon & Thennakoon 78 concluded that the unilateral liberalization efforts helped to improve the bilateral trade between the two countries and India was keen to further its trade relations due to its broader industrial base and ability to meet Sri Lanka’s import needs.

Chaudhury79 stated that an efficient, friendly, and corruption-free customs can help boost trade and investment.

AITD 80 analyzed that India and Bangladesh are still characterized by a low level of economic integration, despite the fact that their economies are complementary to a large extent and stand to benefit substantially from economic integration.

Paranjpe81, concluded that the performance of South Asia is poor in terms of intra-regional trade and countries within the SAARC

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did not have significant trade with one another in spite of their geographical proximity and income levels.

Sikdar\textsuperscript{82} was categorical in saying that India and Bangladesh can mutually reinforce one another’s economic strengths by synergizing their complementarities in the areas of industry, services, trade, and technology provided these economies put in place adequate infrastructure facilities.

Siriwardana\textsuperscript{83} state that the aim of cooperation among South Asian countries in general and between India and Bangladesh in particular should be to use the available resources optimally to provide maximum welfare in the whole region.

Taneja\textsuperscript{84} lamented that despite India’s unilateral concessions to Bangladesh and the existence of a large land border between two countries, India’s trade with Bangladesh is not growing at a considerable rate. Bilateral trade is highly tilted toward India\textsuperscript{\textperiodcentered}.

The literature\textsuperscript{85} offers substantial evidence linking improvements in infrastructure directly to improvements in export performance of a country or a region and the quality of transport infrastructure improves international market access of a region.

India concluded that in Pakistan\textsuperscript{86}, as in most of the other SAARC nations, the export sector is far less diversified than that of

\textsuperscript{82} Sikdar, C. 2006. Prospects of Bilateral Trade between India and Bangladesh. \textit{Foreign Trade Review}. Vol. X LI. (1): 27-45


India. Hence the threat of a more competitive partner (namely India) eroding competitiveness in their core export segments is a significant concern. Pandian\(^{87}\) analysed the nature and effectiveness of the bilateral trading arrangements that were borne out of SAARC’s limitations in achieving its objectives. Jacob Viner\(^{88}\) argued that free trade areas formed from competitive economies would result in efficiency gains from intra-industry trade considerably higher than any to be found from inter-industry trade. But south Asia’s economies are very similar and thus competitive in nature, they have never experienced free trade as their trade regimes are highly regulated by the state. Raman\(^{89}\) dealt in his study how SAARC states of Bangladesh, India, Sri Lanka joined with Myanmar and Thailand to launch BIMSTEC. Davinder Kumar\(^{90}\) opined the SAFTA agreement effective from January 1, 2006 would further boost trade between the two countries. Nilanjan Banik\(^{91}\) highlighted the low level of intra-South Asian trade has got to do with lack of trade facilitation measures and non-availability of physical infrastructure, hampering connectivity among trading partners, policy makers. Ritesh Kumar Singh\(^{92}\) fixed the ‘political hostility’ between two major countries of SAARC which has kept intra-regional trade and investment flows among SAARC countries. Rasheeda Bhagat\(^{93}\) opined that 25 years of SAARC could not produce the desired results till India and Pakistan put right their differences.

\(^{87}\) Pandian, S. G., Moving South Asia’s economies beyond the Indo-Pakistan paradigm in the SAARC, *Contemporary South Asia* (2002), II (3).
\(^{91}\) Nilanjan Banik, SAARC trade is caught in a rut, *Business Line*, November 11, 2011.
\(^{93}\) Rasheeda Bhagat, Indo-Pak Trade can touch $50 billion, *Business Line, March 6, 2012.*


**Conclusion**

It is clear that a lot of literature has been available in the form of various works on matters relating to India’s relations with SAARC countries. The present work takes clues from the earlier works and also the day to day happenings in the area of Indo-SAARC trade and makes an attempt to project the impending problems with some pertinent solutions.

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