

NAME: Mohammad Turaab Suhail

NAME OF SUPERVISOR: Prof. Mohammed Kamalun Nabi

NAME OF DEPARTMENT: Commerce & Business Studies

Title of the Ph.D. Thesis: India's Trade Relations with SAARC Countries: An Empirical Study

FINDINGS

India's trade patterns with SAARC countries reflect both its geographical advantage and its dominant economic position in South Asia. As the largest economy in the region, India acts as a hub of regional trade, supplying a wide range of manufactured goods, agricultural products to its neighbors while also importing select commodities to meet domestic demand. The directions of trade clearly show that India's exports to SAARC countries are significantly higher than its imports, highlighting India's role as a net exporter and a stabilizing trade partner in the region. India has maintained a positive trade balance with all SAARC partners. India's have strong trade relations (High surplus) with Bangladesh, Nepal and Sri Lanka. India's have moderate trade relation (smaller surplus) with Afghanistan and Bhutan. India's have low trade relations (minimal surplus) with Pakistan and Maldives. India consistently runs a trade surplus with all SAARC countries based on 2005 – 2021 data. India does not have trade deficit with any SAARC country. In all bilateral trade relationships within the region, India consistently maintains either a balanced trade or a surplus. This indicates that India is a net exporter in its trade relations with SAARC members, reflecting the country's stronger production capacity, diversified export base, and competitive advantage in key commodities. The absence of a trade deficit also underscores India's dominant economic position in the South Asian region, enabling it to act as a primary supplier of goods to its neighbors.

India's share in Afghanistan's total exports to both SAARC nations and the world fluctuated over the years, starting at 24.4% in 2008 and 2009, declining to 18.8% in 2010 and 16.8% in 2011. However, India's share witnessed significant growth thereafter, reaching 28% in 2015, 33.1% in 2016, and 38.6% in 2017.

Initial, India's import intensity is modest with Afghanistan and Bangladesh; however, from 2009 to 2021, it became highly intensive for Afghanistan, and from 2009 to 2015, it became highly significant for Bangladesh.

Among the top fifteen products having highest comparative advantage, India has the highest mean of RCA in product '4011(cotton yarn) with a 5.959 value of mean RCA, followed by product codes '6304(precious stones) and '7113 (articles of jewellery) with values of 5.474 and 5.455, respectively. India has a relative export advantage in cotton yarn, wheat, articles of jewellery, telephone sets & Ferro- alloys.

Afghanistan has the highest mean RCA in product codes '8411 (Ferro-alloys) & '3204 (Meat of Bobine animals, frozen), with a 0.968 mean RCA value, followed by product code '3204, which has mean RCA value of 0.781. Afghanistan has relative export advantage in these products.

Bangladesh has comparative advantage only in 2 products i.e. '8411(ferro-alloys) & '3204(meat of bovine animals, frozen) in the year 2013 only. Therefore, Bangladesh has very less trade competitiveness in other than these products. Bangladesh has comparative advantage in 46 products in the year 2005 2021. Bangladesh has relative export advantage in these products. Bangladesh has comparative disadvantage in products whose codes are '8708, '8517, '7325 therefore these products are not good avenues for Bangladesh to promote trade with India. Maldives has comparative advantage in the products having code as '2710

(Petroleum oils and oils obtained from bituminous minerals), '2942(Articles of iron or steel),'3920(Separate chemically defined organic compounds), '5208 (Plates, sheets, film, foil and strip of non-cellular plastics), '8414 (woven fabric of cotton), '7326(Air or vacuum pumps) in the year 2005 – 2021 out of 50 products. Maldives has relative export advantage in these products.

The models for predicted values indicate that India's export and import value will continue to increase from 2022 to 2037 with Afghanistan. However, the models also have wide range of uncertainty as shown by the LCL and UCL values. For example, in 2030, the predicted value for exports is 545.64 million US dollars, but the LCL is 326.82 million US dollars, and the UCL is 764.46 million US dollars. This means that there is a 95% chance that the true value will be between 326.82 and 764.46 million US dollars. The predicted value for import is 194.8 million US dollars, but the LCL is 86.06 million US dollars, and the UCL is 303.55 million US dollars. This means that there is a 95% chance that the true value will be between 86.06 and 303.55 million US dollars.

Gravity model reveals that both India's GDP and the GDP of SAARC countries have a strong and positive influence on bilateral trade flows. The p-value of India's GDP (0.000) is highly significant at the 1% level, indicating that economic growth in India substantially drives trade expansion with SAARC members. Specifically, a 1% increase in India's GDP is associated with a 0.9423% increase in total trade with SAARC. Similarly, the GDP of SAARC partner countries also exert a statistically significant and positive effect on bilateral trade, with a 1% rise in their GDP leading to a 0.284% increase in India's trade with the region. This confirms that the economic size of both India and its trading partners strongly drives trade patterns (Objectives 1, 4, 6) and supports trade-promoting policy measures (Objective 7). As a result, the second null hypothesis (H02) is rejected. Second the distance variable produces a result that is both statistically significant and theoretically counterintuitive. The p-value (0.000) confirms significance at the 1% level, yet the coefficient is positive rather than negative. According to the conventional gravity model, greater geographical distance is expected to increase transaction costs and hinder trade flows. However, the findings of this study reveal the opposite: distance exerts a positive and significant effect on India's total trade with SAARC countries. Consequently, the third null hypothesis (H03) is accepted. This outcome may reflect South Asia's unique geopolitical and economic context, where India's central position, transit routes for landlocked countries, and improvements in logistics and connectivity override the traditional costs of distance, thereby facilitating trade (Objectives 1,2, 4,6). Third, the role of common borders is confirmed as a significant determinant of trade. The variable is statistically significant at the 1% level (p-value 0.000), leading to the rejection of the fourth null hypothesis (H04). The findings suggest that the existence of a common border substantially enhances trade between India and its SAARC partners. This underscores the importance of geographical proximity, land connectivity, and lower transportation barriers in strengthening regional trade flows (Objectives 1,2, 4, 6). Fourth, trade is negatively and insignificantly affected by the colonial relationship variable. This implies that the historical colonial connections between India and SAARC members are no longer a significant factor in the formation of contemporary trade patterns. Consequently, political-economic alignments and current economic complementarities are the primary factors driving contemporary trade relations, rather than historical colonial legacies. Finally, the analysis shows that the South Asia Free Trade Agreement (SAFTA) has not had a statistically significant effect on India's total trade with SAARC countries. Although the agreement was intended to enhance intra-regional trade (Objective 1, 2, 6), its impact appears to be limited. A probable explanation is that while SAFTA has contributed to some trade facilitation, various non-tariff barriers, sensitive lists, and structural inefficiencies within SAARC economies have prevented the agreement from realizing its full potential. As a result, the first null hypothesis (H01), which states that "there is no trade effect for India due to the signing of SAFTA", is accepted. These findings important insight for policy recommendation to strengthen the effectiveness of regional trade agreement.