

## **INDIA'S TRADE AND INVESTMENT RELATIONSHIP IN SAARC COUNTRIES: RECENT TRENDS**

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### **ABSTRACT**

The analysis of trade among the countries is an interesting phenomenon in International Trade, even analyzing the trend is some more interesting. The study is made an analysis of trade and investment between India and SAARC. The study is attempted to analyze the growth and structure of India's bilateral export and import trade relations with SAARC countries. For the analysis purpose, out of eight countries in the SAARC group the study has selected three countries namely Bangladesh, Nepal, and Sri Lanka because these three countries were found to be trading with India comparatively on a higher trade volume and value. The analysis was made by taking India's exports to and imports from these three countries. The study culled out the issue that in recent time India's trade with selected SAARC countries witness a general increase in the overall trade. The study proved that in recent time the general trend is that India do more exports and imports with Bangladesh followed by Nepal and Sri Lanka comes the third in terms of value. However, Bangladesh should be cautious about to strive to boost private investment by reforming business regulations and addressing financial sector weakness. During last 17 years the largest economy of SAARC i.e. India has been getting highest amount of FDI inflows followed by Pakistan, Bangladesh and Sri Lanka. But SAARC countries performing very poor compare to ASEAN countries. Consequently, the study shows the contribution of India's trade and investment in SAARC countries which has been made the fastest-growing of the region in the World.

**Keywords:** Bilateral Trade, Economic Growth, SAARC, FDI Inflows.

### **I. INTRODUCTION**

The South Asian Association for Regional Cooperation (SAARC) is an intergovernmental organization which promotes development of economic and regional integration. SAARC is a manifestation which helps to South Asian people to find solutions for common problems in a spirit of friendship and understanding. First of all, the idea of SAARC has risen from the idea of

European Union, ASEAN and other such geo-political groups which have risen up political and economic powerhouses in their respective geographical areas. The SAARC was established in Dhaka during the first SAARC summit held on December 7-8, 1985. Birendra Bir Bikram Shah Dev who was the king of Nepal, stated at the First Inaugural Session of the SAARC Summit in 1985, "Regional cooperation can strengthen the building of a lasting edifice of peaceful co-existence through initiatives and interactions in the fields like the cultural, scientific, technological and economic spheres." The SAARC was launched the South Asian Free Trade Area in 2006, creating free trade area for 1.6 billion people. India adopted the National Self Reliance Policy (NSR) after gaining independence from the British Rule. Initially, SAARC was formed by seven-member nations of South Asia namely: Bangladesh, Bhutan, Pakistan, Nepal, Maldives, India and Sri Lanka, and these countries continued to be members till date. Afghanistan became eighth member of SAARC in 2005. SAARC maintains permanent diplomatic relations with the United Nations as an observer, and United States and South Korea are also act as observers.

The prime objectives of the SAARC include promotes the welfare of the people of South Asia, accelerating the Economic growth, social progress, providing dignified livelihood to all individuals and building trust and appreciation for other country's problem. It would promote trade between the member countries, solve disputes between member countries, and by grouping together, member countries can deal with international issues better. Most importantly a number of regional centres were established i.e SAARC Development Fund (SDF), SAARC Disaster Management Centre (SDMC), SAARC Information Centre (SIC), SAARC Human Resources Development Centre (SHRDC), and SAARC Cultural Centre (SCC) etc. under the umbrella of SAARC. The SAARC nations are cooperation in the area of agriculture, rural, biotechnology, culture, energy, environment, economy and trade, finance, funding mechanism, human resource development, poverty alleviation, people to people contact, security aspects, social development, science and technology, communications, and tourism. The prime minister of India Narendra Modi described SAARC during the visit of the Prime Minister of Nepal to India, it is a "vital instrument to add to the strength of each member nation and advance collective action for shared prosperity in the region". This shows the importance of SAARC nations in the world. Even though the SAARC had been made all the above achievements, it has few limitations like significant amount of world's poor populations, political rivalry between the member states, poor infrastructure and lack of connectivity.

#### **a) Objectives of the Study**

The study is to be focused to tackle out the role of India's trade and investment in SAARC countries. The study is to be analyzed how India performs in trade at the global level, how is the

growth and structure of India's bilateral export and import trade relations with SAARC countries and also analyzed the role of Investment Flows in SAARC Region.

### **b) Methodology**

The study is based on secondary data published by various agencies such as Reserve Bank of India, Government of India and many international organizations and are put in websites. The study culled out the data from published sources like Hand Book of Statistics on Indian Economy published by RBI, RBI Bulletins, Economic surveys of Government of India, Ministry of Commerce and Industry Government of India, Directorate General of Commercial Intelligence and Statistics Ministry of External Affairs, Government of India, World Economic Outlook, International Financial Statistics, IMF and Asian Development Outlook ADB, World Development Reports and relevant websites for the present study. The study has analyzed the performance of India's trade in the global level during the period 2000-01 to 2016-17. The study has been chosen the year 2000-2001 for the establishment of the linkage with pre-2000. The latest year data to be considered the year 2016-17, the same is taken as the terminal year for the study.

### **Tools of Analysis**

The study has been applied the Compound Growth Rate (CGR) which leads to compare the India's total Export to and Imports from World during the period of 2000-2001 to 2016-2017. Compound Growth Rate was computed by using the following formula;

$$\text{C.G.R.} = (\text{anti-log}^*-1) \times 100$$

The trend growth rate has been computed for over a period of time (2001-02 to 2015-16) on the data for all the years. The present study has fitted a straight-line trend for the data by using Least Square Method. The functional form is  $y=a+bx$ .

### **c) Limitations of the study**

The study is completely based on secondary data is the main limitation of the study. For the analysis purpose, the study has been selected only three-member countries of SAARC namely Bangladesh, Nepal and Sri Lanka. The study has chosen these three countries because of their significant performance in higher trade volume and value with India.

### **d) Review of Literature**

**Ali and Talukder (2009)**, the study has analysed the implications of a regional preferential trade among seven SAARC countries. The study examined the prospects and challenges of trade

liberalization and regional integration in South Asia. In the first part, the study overviewed SAARC economies in terms of population density, GDP, Exports and so on. SAARC countries are not open enough in international trade, rather, they are very much inward oriented. The reason is major economies such as India, Pakistan and Bangladesh are not outward-oriented. Therefore, they have insignificant contribution to the amount of region's trade. In this context, the study analysed the potential of regional economic integration in South Asia under a political economy perspective. **Kumar (2009)**, the study strongly argued in support of regional economic integration in South Asia. The study also seeks to explain the challenges and opportunities of SAARC nations which have been tried to push the region towards higher growth trajectory. **Sawhney and Kumar (2008)** evaluated the political-economic and strategic benefits of deeper integration in South Asia from the Indian perspective. The study has also made argument on recent global developments and how these developments are supportive stance for SAARC to be created a new window of opportunity. Moreover, the study discussed the reasons for India to rejuvenate integration efforts and revive regional cooperation in South Asia. **Shaheen (2013)** has mainly analysed the role of SAARC and also attempted, why SAARC has been unable to develop at par with other developed organisations like European Union (EU). The author, in his study, assessed the origin, evolution and achievements of SAARC. At the end, the study has put forwarded the suggestions to make integration in South Asia more fastly to improve the conditions of poor people in this region. **Abdin (2015) analysed** the trend of FDI into the SAARC countries and tried to put effort to tackle out the challenges to increase intra SAARC FDI. For that, his study was collected secondary data available in different international databases and publications. He opined that establishment of a common institution is required to promote FDI into SAARC countries which could be looked after the intra SAARC investment matters. He also explained about the development of road, sea and air connectivity for the free movement of people and goods among the SAARC countries.

## **II. GROWTH OF INDIA'S TRADE WITH WORLD**

Foreign trade has taken important place because it requires basically for mutual satisfaction of wants and utilities of resources. It leads to division of labour and specialization at the global level and mainly it can be helped to people to improve their standard of living by having a choice of new and better varieties of goods and services. As could be seen the relevant data are furnished in the Table-1, the total export of India has grown from US\$ 44.56 million in 2000-01 to US\$ 276.28 million in 2016-17. In other words, there was six fold increases in the volume of exports during the period of 17 years. The rate of growth is more pronounced after 2005-06 period compared to previous period. During the same period, the imports grow at a higher rate than exports.

As could be seen from the table, the imports were up from US\$ 50.54 million to US\$ 384.32 million showing more than seven-fold rise during the 17-year period. The study identified one distinguish feature that the India's overall trade during the period was negative and balance of trade was rising over the period. During the period from 2000-01, the negative trade was fluctuating but during the last four years period the trade deficit was substantially decreased. Because India's external sector witnessed significant improvement during 2013-14.

**Table 1: Performance of India's Exports and Imports (2000-01 to 2016-17)**

<b>Year</b>	<b>India's Total Export (US\$ Billion)</b>	<b>India's Total Import (US\$ Billion)</b>	<b>Balance of Trade</b>
2000-01	44.56	50.54	-5.98
2001-02	43.83	51.41	-7.58
2002-03	52.72	61.41	-8.69
2003-04	63.84	78.15	-14.31
2004-05	83.54	111.52	-27.98
2005-06	103.09	149.17	-46.08
2006-07	126.41	185.74	-59.33
2007-08	163.13	251.65	-88.52
2008-09	185.3	303.7	-118.4
2009-10	178.75	288.37	-109.62
2010-11	249.82	369.77	-119.95
2011-12	305.96	489.32	-183.36
2012-13	300.4	490.74	-190.34
2013-14	314.41	450.2	-135.79
2014-15	310.34	448.03	-137.69
2015-16	262.29	381.01	-118.72
2016-17	276.28	384.32	-108.04

**Source:** Ministry of Commerce and Industry, Government of India.

During this period, trade deficit was contracted significantly due to pick-up in exports and moderation in imports as compared to that in the preceding year. As a result of some pick-up in growth of trade partner economies and depreciation of the rupee helped to India to grow its export in 2013-14. India's imports also moderated in 2013 due to the largely driven by fall in gold imports and lower non-oil non-gold imports. This could be reflected slowdown in domestic economic activities and tends to decline in international prices of some commodities (e.g. metal).

This phenomenon led to a narrowing of India's trade deficit in 2013-14 (RBI Bulletin Aug.11, 2014).

India's exports fell to \$262.29 billion in 2015-16 while imports contracted to \$381.01 billion. During this period, India's trade deficit recorded low \$-118.72 billion as compared to 2010-11 to 2014-15. A sharp decline in the gold imports helped to narrow India's trade deficit to be recorded low.

**Table 1.A: Growth Rate of India's total exports to and imports from World 2000-01 to 2016-17**

<b>Variable</b>	<b>Type of Growth Rate</b>	<b>Value of Growth Rate (%)</b>
Exports	CGR	14.57
Imports	CGR	16.38

**Note:** CGR – Compound Growth Rate

### **III. AN OVERVIEW OF SAARC ECONOMIES**

The total population of eight SAARC countries is over 1.6 billion and forty percent of this population is living below poverty line. The illiteracy rate is about or even more than 50 percent (Giri et.al 2015). As the ASEAN countries gains welfare from open trade, the South Asian countries also tried to catch up its moment under the banner of SAARC. The robust growth of India has been made the fastest-growing region in the World. Dr. Annette Dixon (World Bank South Asia Vice President) said "South Asia has been resilient to global turbulence due to its limited exposure to slowdowns in other major economies coupled with the tailwinds of favorable oil prices, capital flows, and remittances. However, fiscal and financial vulnerabilities remain and countries should strive to address them through generating revenue and creating more fiscal space". If we talk about the SAARC economy, it is the 3rd largest in the world in the terms of GDP (PPP) after the United States and China and 8th largest in terms of nominal GDP (Giri et.al 2015). As per the World Bank data base, the south Asian region (as defined by SAARC) is one of the region which constitutes 23.7 per cent of the World's population and contributed 3.8 per cent of the World's GDP (current US\$). Considering the market-size in terms of merchandise trade (% of GDP) accounted for 56.6 per cent of World's merchandise trade (% of GDP). In terms of country size, geography, economic and social development, languages and cultures, the South Asian region is diverse in nature. Out of eight countries which have been come under SAARC, three countries *viz.*, Afghanistan, Nepal, and Bhutan are landlocked and mountainous; where Sri Lanka is an island and Maldives is a low-lying island in the central Indian Ocean.

The region was slowest growing region during 1960s and 1970s, but it was translated itself as one of the fastest growing regions in the World since 1980s. The average GDP growth of South Asia in 1961 was 4.4 percent, but the growth of South Asia had been sustained at an average of 6.3 percent in 1990 followed by higher average growth rate of 6.9 percent during 2010-2016.

The Gross capital formation (% GDP) was 27 percent in 1990, it had been substantially increased at an average of 34.3 percent during 2007-2016.

As regards fiscal position, at present all countries of the South Asian region have fiscal deficit except Afghanistan and Nepal. “Fiscal policy has a wide range of impacts for development. The fiscal deficit affects macroeconomic stability, capital expenditures are needed for growth, and taxes and social spending matter for equity,” said World Bank South Asia Chief Economist Martin Rama. “With the currently low oil prices, this is also an opportune time for South Asian policy makers to introduce or expand explicit carbon taxes. This would improve environmental and fiscal sustainability at the same time.” Because of halving of global oil prices since 2014, Indian economic activity has been boosted; it has been made further improvement in current account and fiscal positions and engendered a sharp decline in inflation.

**Table 2: Macro-Economic Indicators of SAARC Economies: 2016**

Item	AFG	BD	BT	IND	MALD	NEP	PAK	SRL
GDP Growth Rate (% per year)	2	7.1	6.4	7.1	3.4	0.8	4.7	4.4
Growth rate of per capita GDP (%- per year)	0	5.7	5.9	5.8	1.1	-0.6	2.7	3.2
Inflation (% per year)	4.5	5.9	3.3	4.7	0.5	9.9	2.9	4
Fiscal balance of central government (% of GDP)	1.6	-3.1	-3	-3.5	-7.4	1.4	-4.6	-5.6
merchandise export (% per year)	3	8.9	-15	1.1	-14.8	-28.8	-8.8	0.1
merchandise Import (% per year)	1.5	5.5	2.4	-5.8	6.5	-7.1	-2.3	-0.6
Current account balance (% of GDP)	4.4	1.7	-29.4	-1	-17.7	6.2	-1.2	-2.1
Debt service ratio (% of exports of goods and services)	...	2	14.5	7.8	2.7	8.8	21.5	...

**Note:** AFG: Afghanistan, BD: Bangladesh, BT- Bhutan, IND- India, MALD: Maldives, NEP: Nepal, PAK: Pakistan, SRL: Sri Lanka

**Source:** World Economic Outlook, International Financial Statistics, IMF and Asian Development Outlook, ADB.

Current Account Deficit (CAD) as a ratio to GDP is highest in Bhutan (29.4), reflecting hydropower investment. These deficits were financed by robust aid inflows, and the overall balance of payments remained generally positive, allowing further accumulation of international reserves.

#### **IV. INDIA'S TRADE WITH SAARC COUNTRIES**

The role of India's trade has taken important place in SAARC countries. It is to be contributed funding and diplomatic manpower, gives political relevance and will power to SAARC. As a result, the co-operation and collaboration with other regions can be successful when India does play a pivotal role. India has a significant relation with SAARC countries by having dominant position in terms geographical size, population, economic, scientific, technological and military developments. Keeping these aspects, the study seeks to analyse the growth and structure of India's bilateral export and import trade relations with SAARC countries.

##### **Growth of India's Trade with SAARC countries**

India has played a dominant role in South Asian region in terms of Population size, Economic, Scientific, military and technological developments. In the era of post liberalization period India has been made simplification in procedures, removal of quantitative restrictions and reduction in the tariff rates. Thereafter, India has been taken various steps to promote exports through multilateral and bilateral initiatives in the identification of thrust areas and region. In this context, the study tried to be attempted the contribution of India in SAARC which promotes development of economic and regional integration. For the analysis purpose, out of eight countries in the SAARC group the study has been selected three countries namely Bangladesh, Nepal, and Sri Lanka because these three countries were found to be trading with India comparatively on a higher trade volume and value.

##### **a) India's Trade with Bangladesh**

The Bangladesh remains a poor and inefficiently-governed nation even though sustained domestic and international efforts to improve economic and demographic prospects. If we observe the relationship between India and Bangladesh, there are some fundamental issues such as informal trade, the sharing of water from 54 common rivers, land and maritime boundary demarcations and interference in internal affairs that have adversely affected their relationship. Nevertheless, they have been labeled as 'Soft state'.



**Figure 1: Trend line of India's Export to Bangladesh and Import from Bangladesh**

**Source:** Directorate General of Commercial Intelligence and Statistics

**Note:** 1) Data for 2015-16 are provisional.

2) Fitted a Linear trend by using the Least square method.

The Figure-1 shows India's trade with Bangladesh, from the data showing figure it can be clearly understood that the overall export from India to Bangladesh has increased over time. The import of India from Bangladesh has also increased over time, but compare to the India's export to Bangladesh the import is very less. However, the fluctuations of trend are found on a year to year basis. The growth in Bangladesh is stable and projected to rise due to increased government expenditure and investment. However, the country should be cautious about to strive to boost private investment by reforming business regulations and addressing financial sector weakness.

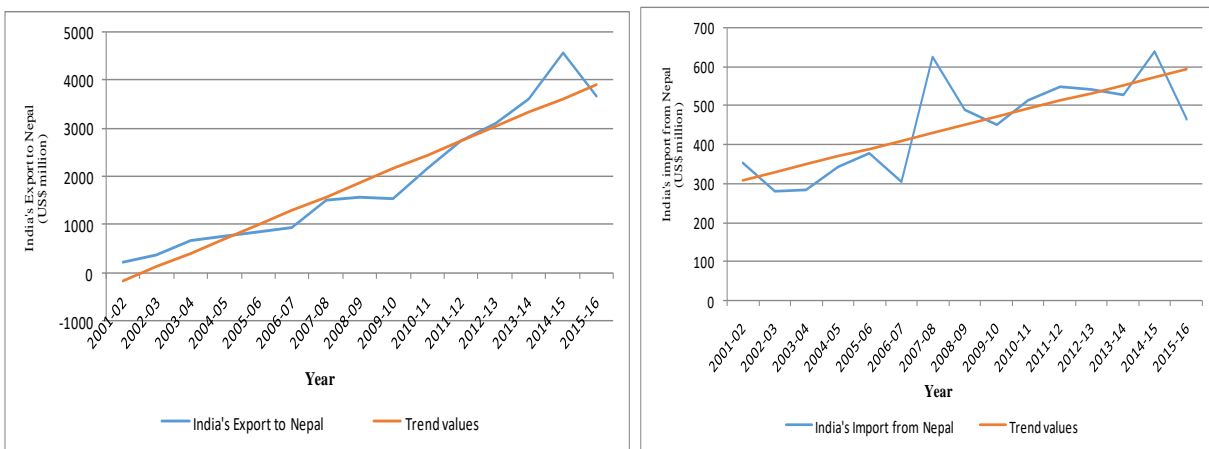
### b) India's Trade with Nepal

India and Nepal's trade, economic relations have been found since the olden ages. India's trade and economic relations with Nepal is the product of the age old cultural geographical and economic ties that have been persisting between the two countries since the dawn of civilization in the Indian sub-continent (Maheswararao, 2015). The first Indo-Nepal treaty on trade and commerce was signed by these two countries in 1951. The Indo-Nepal trade treaty which took place in 1996 between two countries was a breakthrough in Indo-Nepal bilateral trade. In this agreement the Nepali authorities announced the tariff free offer on all products which were imported from Nepal by India under the provision of Indo-Nepal trade agreement. One more important agreement was the Treaty of Trade and the Agreement of Cooperation which was signed between the two countries on 27<sup>th</sup> October, 2009 at Kathmandu, Nepal. The aim of this treaty was improving the bilateral trade between the two countries by increasing the mutually

agreed points of trade. India was signed for Double Taxation Avoidance Agreement (DTAA) with Nepal on 27<sup>th</sup> November 2011 to help exporters and investors of both the countries to improve their mutual business engagements. However, the treaties were signed between the two countries gave provisions for conducting mutual trade in rupees, dismantling basic custom duties as well as quantitative restrictions.

The Figure-2 shows line of best fit of India’s trade with Nepal which is providing a visual demonstration of the relationship between them. As could be seen from the figure, the line of best fit is explained the potential relationship between the dependent variable (Time) and Independent variables (Export and Import). India’s export increased over a period of time except 2009-10 and 2015-16. In 2015 the Nepal was experienced the earthquake, this was the major shock with cross-border trade disruptions. This was reduced economic activity and it might be caused for decrease the trade in 2015-16.

**Figure 2: Trend line of India's Export to Nepal and Import from Nepal**



**Source:** Directorate General of Commercial Intelligence and Statistics

- Note:** 1) Data for 2015-16 are provisional.  
 2) Fitted a Linear trend by using the Least square method.

**c) India’s Trade with Sri Lanka**

Sri Lanka was move away from socialism and began economic liberalization in 1997. The relationship of India and Sri Lanka is more than 2,500 years old. Trade and investment have grown in both countries and having cooperation between them in the fields of development, education, culture and defense. The Real GDP of Sri Lanka was 4.8 per cent during the period of 2015, because of strong growth in services (particularly in tourism) and positive contributions from construction and manufacturing.

**Figure 3: Trend line of India's Export to Sri Lanka and Import from Sri Lanka**



**Source:** Directorate General of Commercial Intelligence and Statistics

**Note:** 1) Data for 2015-16 are provisional.

2) Fitted a Linear trend by using the Least square method.

India is a largest trade partner of Sri Lanka. Sri Lanka is one of the largest India’s trade partner in SAARC and it has long been a priority destination for direct investment from India. As the data shown in Figure-3, Exports from India to Sri Lanka was increased over a period of time. Trade grew rapidly between the two countries after the entry into force of the India-Sri Lanka Free Trade Agreement in March 2000. The important thing is that during the year 2009-10 there is a marked fall in the India’s exports to Sri Lanka this may be due to the civil war in Sri Lanka during the time period.

### V. INVESTMENT FLOWS IN SAARC REGION

The SAARC was established in 1985 with the goal to increase trade and investments, bring peace and prosperity in the region. In this context, investment flows have taken prominent place in SAARC region. Foreign Direct Investment(FDI) in the economic development is very crucial as it creates new job opportunities, provides skilled technical and managerial labor and transfers the technology (Pradhan, 2009). It is recognized to contribute to benefits of economic and social development. It required much for the developing countries to intensify the interaction among states, regions and firms. FDI encourages to inflow of new technology, expands financial resources, generates employment and contribution to export growth.

Likewise, SAARC countries have been immensely benefitted from their liberalization trade and investment policies. The investment has been made by MNC’s in the region helped them to expand their exports at the global level. The main objective of the foreign investors in the region

is to tap the abundant amount of natural resources and skilled laborer at low wages. Therefore, the value of both trade and investment has been increased in the region during the last few years.

**Table 3: FDI inflows into the SAARC countries (US\$ million)**

Country/ Year	200 1	200 2	200 3	200 4	200 5	200 6	200 7	200 8	200 9	201 0	201 1	201 2	201 3	201 4	201 5	201 6	2017 *
Afghanistan	1	50	58	187	271	238	189	46	198	54	58	27	47	37	163	100	54
Bangladesh	354	335	350	460	845	792	666	1086	700	913	1136	1293	1599	1551	2235	2333	2152
Bhutan	-	2	3	9	6	72	40	10	26	76	29	20	36	17	7	-12	10
India	5478	5630	4321	5778	7622	20328	25350	47102	35634	27417	36190	24196	28199	34582	44064	44486	39916
Maldives	20	25	32	53	73	95	132	181	158	216	424	228	361	333	308	448	517
Nepal	21	-6	2	0	2	-7	6	1	39	87	95	92	71	30	52	106	198
Pakistan	383	823	534	1118	2201	4273	5590	5438	2338	2022	1162	859	1333	1867	1289	2006	2806
Sri Lanka	82	192	199	223	272	480	603	752	404	478	956	941	933	894	680	898	1375

**Source:** UNCTAD Stat Database(<http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740>). Compiled by the Author.

**Note:** \* data is obtained by World Investment Report 2018.

Table-3 reveals that amount of FDI inflows into SAARC countries. During last 17 years the largest economy of SAARC i.e India has been getting highest amount of FDI inflows followed by Pakistan, Bangladesh and Sri Lanka. The landlocked countries such as Nepal and Bhutan performance are poor in this regard.

**Table 4: Ranking of the SAARC countries in FDI attraction (US\$ million)**

Country	Total FDI inflow	Each country share	FDI Ranking
	(2001-2017)		
Afghanistan	1778	0.35%	6 <sup>th</sup>
Bangladesh	18800	3.70%	3 <sup>rd</sup>
Bhutan	351	0.07%	8 <sup>th</sup>
India	436293	85.88%	1 <sup>st</sup>
Maldives	3604	0.71%	5 <sup>th</sup>
Nepal	789	0.16%	7 <sup>th</sup>
Pakistan	36042	7.09%	2 <sup>nd</sup>
Sri Lanka	10362	2.04%	4 <sup>th</sup>
<b>Grand Total</b>	<b>508019</b>	<b>100%</b>	

**Source:** Compiled by the author based on UNCTAD Stat Database.

If we observe overall amount of FDI inflows into the SAARC countries India contributed 86% of total FDI inflows into the SAARC countries, followed by Pakistan (7%), and Bangladesh contributed 4% of total FDI inflows into the SAARC countries. Bangladesh is a big potential market for U.S. exports, with a flourishing garment market providing steady export-led economic growth. FDI inflows into the Bhutan least performance (8<sup>th</sup> rank) in SAARC countries. Hence, Bhutan is recently working out to come up with a revised foreign direct investment policy and it is keen to seeks Indian investment in four to five sectors including tourism, construction, power industry. In the same way, Indian investors can look at tourism, hotels, ports, airports and fisheries in Maldives which is a large exporter of Fish to European and Asian Countries.

**Table 5: Trade and Investment in SAARC Region (US\$ billion)**

Year	FDI Inflow	FDI Inflow (Percentage of Total World)	Trade (Export + Import)
2001	6.3	0.82	143.8
2002	7.1	1.18	157.8
2003	5.5	0.99	191.4
2004	7.8	1.12	248.4
2005	11.3	1.18	329.8
2006	26.3	1.86	400.4
2007	32.6	1.71	490.0
2008	54.6	3.64	651.0
2009	39.5	3.32	536.7
2010	31.3	2.26	719.2
2011	40.1	2.52	945.0
2012	27.7	1.74	962.9
2013	32.6	2.26	964.5
2014	39.3	2.97	980.5
2015	48.8	2.75	849.5
2016	50.4	2.88	822.5
2017	47.03	-	969.9

Source: Author's calculation based on UNCTAD data

Table-5 reveals both FDI and trade have increased tremendously during the 2001-2017 period in the South Asian region. The data reveals a constant growth in FDI as well as trade up to 2008 while a trend was fluctuating noticed after that. The data also reveals the amounts of the FDI inflows were very low as compare to the total trade value. However, the FDI inflows was only

\$6.3 billion in the year 2001, but it has increased to more than \$47 billion in 2017. The percentage of FDI inflow in total World also has increased from 0.82% to 2.88% during the period from 2001-2016. The study has noticed that the highest amount of foreign investment inflow in the region was in the year 2008. But after that a fluctuating trend was noted as we noticed earlier in this regard. The global economic meltdown was one of the main reason for this, and we couldn't say it was reflected only in the South Asian economy, it also reflected on other regions.

However, SAARC countries performing very poor compare to ASEAN countries. Singapore got FDI inflow about US\$634.7 billion (From 2001-2016). The Indonesia (US\$147.8), Malaysia (US\$112.7), Thailand (US\$110.9), Viet Nam (US\$100.7) is also doing comparatively well in FDI attraction than that of the SAARC countries. ASEAN region has become one of the most attractive region in the developing world and achieved significant growth rate by adopting their policy towards private enterprises and FDI. They have also adopted entrepreneur friendly policies which are helped private entrepreneurs to make investment heavily in the region. Because, high FDI inflows in the region contributed high level of investment and employment generation, raising productivity and skill development and sharply improved competitiveness (Bhatt 2008b). Consequently, ASEAN is an open economy region which is having low barriers for trade and foreign direct investment and also adopted an investment-led industrial policy which facilitated foreign investors to invest in the region in a big way.

## **VI. SUMMARY AND CONCLUSION**

SAARC is an organization which accelerate the process of economic and social development in member states. It helps to South Asia's people to find the solutions for common problems in a spirit of friendship. The study analyzed the growth and structure of India's bilateral export and import trade relations with SAARC countries. Since the post liberalization era, India has been taken various steps to promote exports through the multilateral and bilateral initiatives in the identification of thrust areas and region. The study culled out the issue that in recent time India's trade with selected SAARC countries witness a general increase in the overall trade. Nevertheless, there exist a difference in trade relation with India and individual SAARC member countries. The study proved that in recent time the general trend is that India do more exports and imports with Bangladesh followed by Nepal and Sri Lanka comes the third in terms of value. The data shows which is to be analyzed by using least square method trend line, the overall export to Bangladesh and import from it has increased over a period of time. However, Bangladesh should be cautious about to strive to boost private investment by reforming business regulations and addressing financial sector weakness. The Nepal experienced the earthquake in 2015, this was the major shock with cross-border trade disruptions. However, this was reduced

economic activity and caused for decrease the trade in 2015-16. The trade grew rapidly between India and Sri Lanka after the entry into force of the India-Sri Lanka Free Trade Agreement in March 2000.

Foreign Direct Investment (FDI) is required much for the developing countries to intensify the interaction among states, regions and firms. FDI encourages to inflow of new technology, expands financial resources, generates employment and contribution to export growth. The investment has been made by MNC's in the region helped them to expand their exports at the global level. During last 17 years the largest economy of SAARC i.e India has been getting highest amount of FDI inflows followed by Pakistan, Bangladesh and Sri Lanka. The study reveals that both FDI and trade have increased tremendously during the 2001-2017 period in the South Asian region. Even though, SAARC countries performing very poor compare to ASEAN countries. Consequently, the contribution of India's trade and investment in SAARC countries have been made the fastest-growing of the region in the World.

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