

Global Economic Slowdown and Its Impact on India's Trade With Saarc Countries

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ABSTRACT

Among the SAARC nations India is the fastest developing country in terms of GDP. According to the World Bank estimates, the Indian economy is projected to grow at an average growth rate of 7.4% and 7.6% in 2016 and 2017, respectively. India occupies 70% of the SAARC region, each geographically and economically. As the biggest and the most industrialized buying and selling accomplice amongst the SAARC countries, India enjoys extra responsibilities in making regional economic cooperation a reality in South Asia. An attempt has been made to measure the impact of Global Slowdown by making a comparison of India's Export and imports with SAARC countries during pre and post Global Slowdown using paired 't' The result revealed that the India's Export has increased consistently before Global Slowdown, with low fluctuations after Global Slowdown. India Import has increased consistently during pre -Global Slowdown and low volatility after Global slowdown. The result also suggests that the growth rate of import was more than the growth rate of export. The result of paired sample "t" test suggests that there was a positive effect of Global slowdown on India's Export and Import. With strong Macroeconomic fundamentals of Indian Economy it will be able to absorb shocks, the export and import keep bubble and finally burst. So an export policy measure is need of the hour to improve our exports.

Key word: SAARC, Exports, Imports

1. INTRODUCTION

Among the SAARC nations India is the fastest developing country in terms of GDP. According to the World Bank estimates, the Indian economy is projected to grow at an average growth rate of 7.4% and 7.6% in 2016 and 2017, respectively. India occupies 70% of the SAARC region, each geographically and economically. As the biggest and the most industrialized buying and selling accomplice amongst the SAARC countries, India enjoys extra responsibilities in making regional economic cooperation a reality in South Asia.

GDP EARNINGS

The per capita income (PCI) in India was last recorded at \$1861.50 in 2016. The GDP per capita in India is equivalent to 15% of the world average GDP in India averaged \$671.68 from 1960 until 2016, reaching an all-time high of \$1861.50 in 2016 and a record low of \$304.20 in 1960.

EXPORT AND IMPORT

The share of India's export to the SAARC countries has enhanced from 5.57% in 2013-14 to 6.42% in 2016-17(April-August) and the share of India's import from the SAARC countries increased from 0.55% in 2013-14 to 0.73% in 2016-17 (April-August). The main products of trade between these countries include agri goods, electronics, textiles, dairy products and metals. According to the Indian Ministry of Commerce & Industry, the total export of India to Afghanistan in 2016-17(April to August) accounted for \$208.95 million and import from Afghanistan were estimated to be around \$73.01 million. The total export to Bangladesh during this period were \$2,294.32 million and import stood for \$308.74million. With Bhutan, the total export were \$216.7 million and import were \$62.18 million. India's total export with Maldives included \$72.85 million and import were around \$4.7 million. India's export to Nepal were around \$1,983.70 million and import stood at around \$ 173.25 million. Export to Pakistan were \$633.34 million and import from it stood at \$187.56 million. Indian export to Sri Lanka showed a positive growth to reach \$1,536.13million and goods worth \$234.39 million were imported from the island nation.

INTRA- SAARC TRADE

India has consistently strengthened trade relations with its SAARC partners. Recently, an important step was initiated in promoting electricity trade between India and Nepal following the secretary level meeting in Kathmandu. India agreed to provide surplus electricity to Nepal, which is highly energy deficient. The new Agreement on Trade and transit between India and Bhutan has come into effect from July 29, 2017. The agreement provides for a free trade between the two economies. The agreement also provides for duty free transit of Bhutanese merchandise for trade with third countries. Trade between India and Pakistan has surprisingly being strong throughout the current year despite accelerating rate of diplomatic tension between the two countries. A State Bank of Pakistan (SBP) report has revealed that Pakistan grew its export to India during the first eight months of 2016-17 while curtailing import by 23%. Import from India in 2015-16 were worth over four times the export from Pakistan. The total trade between Maldives and India stood at \$68,520.94 million in the year 2011-12 which increased in the year 2015-16 by \$119,845.21million. Indian trade relations with Afghanistan have also improved. India is Sri Lanka's largest trading partner globally, while Sri Lanka is second largest trading partner among the SAARC countries.

The global economy since 2002, India's export witnessed a phenomenal threefold increase during the period 2002-03 to 2007-08. But this powerful dynamo for employment generation is now threatened by rapid contraction in global demand and weakening labour markets. It is a major challenge for India to implement healthy competitive strategies which not only mitigate the adverse impact of the global slowdown on its export basket but also build the resilience of the economy towards such future shocks. However, for designing such strategies there is a need to assess the extent to which the global slowdown may impact on total merchandise export. According to the report by United Nation Conference on Trade and Development, the result exhibits that India's export to the world are highly responsive to income changes. One per cent decline in GDP growth of the world export will lead to a 1.88 per cent decline in Indian export growth. Hence an earnest attempt has been made to examine the India's trade with SAARC countries during pre and post Global Financial turmoil. The

present study is based on secondary data. The statistical tool used in this study is Paired t-test study is between 2001 and 2016.

OBJECTIVES OF THE STUDY

- To analyze India's Exports and Imports with SAARC countries pre Global Slowdown.
- To investigate India's Exports and Imports with SAARC countries post Global Slowdown.

2. HYPOTHESIS

Ho1: There is significant difference of global slowdown on India's Exports with SAARC countries.

Ho2: There is significant difference of global slowdown on India's Imports with SAARC countries.

DATA SOURCE AND METHODOLOGY

The source of secondary data used in this study has been collected from International Trade Centre. The methodology adopted in this study is trend analysis and descriptive statistics. In this research paper paired 't' test has been applied to find the impact of Global Slowdown on Exports and Imports of India with SAARC countries. The period of the study is between 2001 to 2016.

TREND ANALYSIS OF INDIA'S EXPORT TO SAARC COUNTRIES

The table 1.1 and figure below depicts the India's Export with SAARC countries, during pre-Global Slowdown has increased consistently. From US \$ 2092.22(value in million) in 2001, export rose to US \$10130.44(value in million) in 2008. Average export in 2001 to 2008 are US \$ 5321.70 (value in million).The export increased consistently during this period.

INDIA'S EXPORT TO SAARC DURING PRE&POST GLOBAL SLOWDOWN (\$ IN MILLION)

YEAR	PRE GSD	YEAR	POST GSD
2001	2092.22	2009	7373.57
2002	2415.18	2010	11114.20
2003	3875.1	2011	12937.54
2004	4579.67	2012	13738.38
2005	5399.78	2013	16899.97
2006	6232.73	2014	19836.42
2007	7848.40	2015	17257.46
2008	10130.44	2016	16933.21

Source: International trade centre

TABLE NO 1

INDIA’S EXPORT TO SAARC - PRE&POST GSD

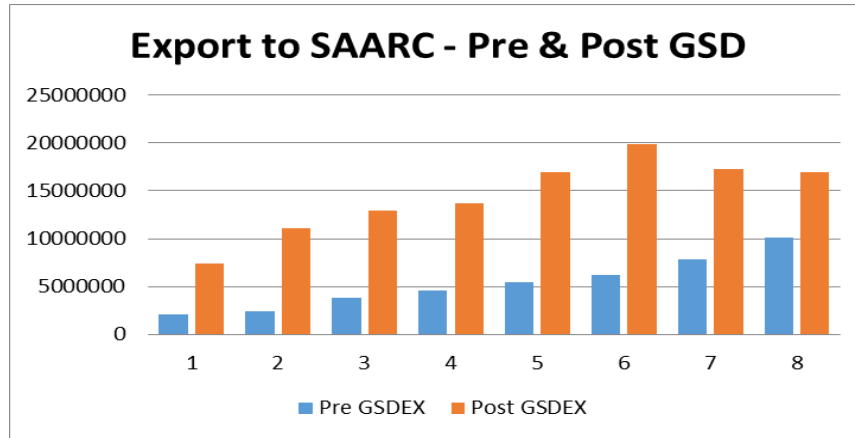


FIG NO 1

From the above table 1.1 and figure 1.1 exhibits India’s Export with SAARC countries after Global Slowdown has increased considerably but with low volatility. From US \$7373.57 (value in million) in 2009, export rose to US \$ 16933.21 (value in million) in 2016. Average export in 2009 to 2016 is US \$ 14411.34(value in million). India’s Export is able to with stand the shock of Global Slowdown up to 2014 thereafter export starts deceleration. An attempt has been made to measure the impact of Global Slowdown by making a comparison of India’s Export with SAARC countries during pre and post Global Slowdown using paired‘t’ test with the SPSS package, result is depicted below

		PAIRED SAMPLES TEST OF INDIA’S EXPORT TO SAARC				T	DF	SIG. (2-TAILED)	
	MEAN	STD. DEVIATION	STD. ERROR MEAN	95% CONFIDENCE INTERVAL OF THE DIFFERENCE					
				LOWER	UPPER				
Pair 1	PREGSDEX – Post GSDEX	-9189642.00000	2566273.22831	907314.60106	-11335100.10948	-7044183.89052	-10.128	7	.000

TABLE NO 2

The p - value is less than 0.05 and hence the null hypothesis is rejected. There is no significant effect of Global Slowdown on Export, indicates that the export during post Global Slowdown has been significantly higher as compared with pre Global Slowdown. The macroeconomic indicators are fundamentally strong. Hence Global Slow Down on Export is insignificant.

TREND ANALYSIS OF INDIA'S IMPORT FROM SAARC COUNTRIES

The table 1.2 and figure below shows below the India's Import with SAARC countries pre Global Slowdown has increased considerably. From US \$ 589.27 (value in million) in 2001, export rose to US \$ 2180.01 (value in million) in 2008. Average export in 2001 to 2008 are US \$ 1176.62 (value in million).

INDIA'S IMPORT TO SAARC DURING PRE&POST GLOBAL SLOW DOWN (\$ IN MILLION)

YEAR	PRE GSD	YEAR	POST GSD
2001	589.27	2009	1515.49
2002	491.2	2010	2063.70
2003	634.33	2011	2501.19
2004	926.09	2012	2297.01
2005	1379.66	2013	2156.25
2006	1499.05	2014	2592.42
2007	1712.90	2015	2952.40
2008	2180.01	2016	2571.64

Source: International Trade Centre

TABLE NO 3

From the above table 5.14 and figure 5.8 the India's Import with SAARC countries after Global Slowdown has increased considerably with low fluctuations. From US \$ 1515.49 (value in million) in 2009, export rose to US \$ 2571.64 (value in million) in 2016. Average import in 2009 to 2016 is US \$ 2331.26 (value in million).The import has low volatility during 2015 -16.

INDIA'S IMPORT TO SAARC - PRE&POST GSD

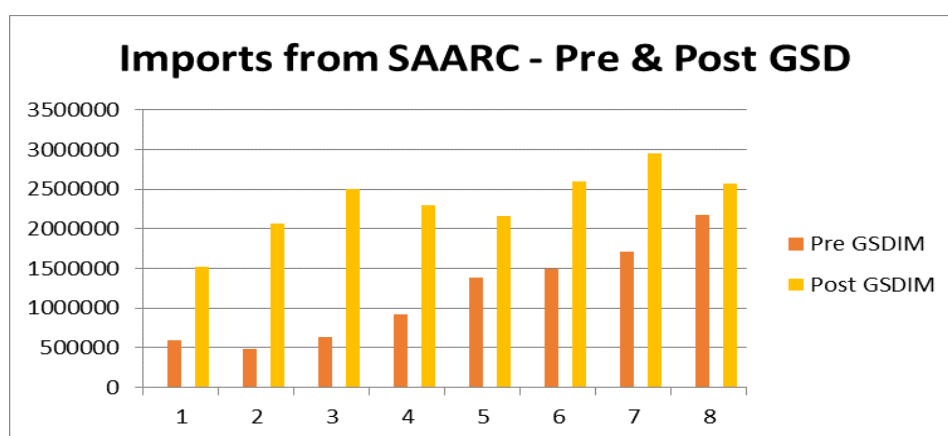


FIG NO 2

		PAIRED SAMPLES TEST OF INDIA'S IMPORT TO SAARC					T	DF	SIG. (2- TAILED)
		MEAN	STD. DEVIATION	STD. ERROR MEAN	95% CONFIDENCE INTERVAL OF THE DIFFERENCE				
					LOWER	UPPER			
Pair 1	Pregsdim - Postgsdim	-1154644.25	465460.45	164565.12	-1543778.92	-765509.57	-7.016	7	.000

TABLE NO 4

An attempt has been made to measure the impact of India's Import with SAARC countries during pre & post Global Slowdown using paired 't' test the result shown as above. The p - value is less than 0.05 and hence the null hypothesis is rejected. There is no significant effect of Global Slowdown on Import indicates that the import after Global Slowdown has been significantly higher than the before Global Slowdown with low fluctuation. Hence Global Slowdown on import is insignificant. This study investigates the effect of Global slowdown on Export and Import for India using time series data from 2001 to 2016. Further, the study also analyzed the trends and patterns of India's Export and Import with SAARC Countries. The result revealed that the India's Export has increased consistently before Global Slowdown, with low fluctuations after Global Slowdown. India Import has increased consistently during pre -Global Slowdown and low volatility after Global slowdown. The result also suggests that the growth rate of import was more than the growth rate of export. The result of paired sample "t" test suggests that there was a positive effect of Global slowdown on India's Export and Import. With strong Macroeconomic fundamentals of Indian Economy it will able to absorb shocks, the export and import keep bubble and finally burst. So an export policy measure is need of the hour to improve our exports.

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