



AN EMPIRICAL ANALYSIS ON TRADE PERFORMANCE OF INDIA AND PAKISTAN

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ABSTRACT

India is well known for Infrastructure, modest non-agricultural action opportunities, eminent disbursal and poorly-targeted subsidies, deficient India has positive tactful relations with most nations; it is the mankind's agreement most populous region, the humankind's most-populous ism and one of the fastest maturation pupil economies. Bharat, has to endure and system relation with India to foreclose coming disruptions in dealing and thusly increase the benefits of this arch proclamation. Bharat's diverse economy encompasses tralatitious settlement cultivation, bodoni business, handicrafts, a statewide limit of modern industries, and a pack of services. Slightly little than half of the acquisition perforate is in husbandry, but, services are the prima maker of system growth, statement for nearly two-thirds of Bharat's producthumongous enlightened English-

Speaking aggregation to transform a major exporter of message study services, acting outsourcing services, and software workers. India's efficient ontogenesis began swiftness in 2011 because of a respond in assets, caused by gymnasium power rates, ascension inflation, and

Investor pessimism about the regime's loyalty to boost scheme reforms and near the planetary status.

Keywords:(Infrastructure Analysis, Trade Performance, Economics, Business)

1. INTRODUCTION

India is developing into an open-market economy, yet traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, began in the early 1990s and served to accelerate the country's growth, which averaged under 7% per year from 1997 to 2011. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the work force is in agriculture, but, services are the major source of economic growth, accounting for nearly two-thirds of India's output with less than one-third of its labor force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. India's economic growth began slowing in 2011 because of a decline in investment, caused by high interest rates, rising inflation, and investor pessimism about the government's

commitment to further economic reforms and about the global situation. In late 2012, the Indian Government announced additional reforms and deficit reduction measures, including allowing higher levels of foreign participation in direct investment in the economy. The outlook for India's long-term growth is moderately positive due to a young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. However, India has many challenges that it has yet to fully address, including poverty, corruption, violence and discrimination against women and girls, an inefficient power generation and distribution system, ineffective enforcement of intellectual property rights, decades-long civil litigation dockets, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, high spending and poorly-targeted subsidies, inadequate availability of quality basic and higher education, and accommodating rural-to-urban migration.

India has formal diplomatic relations with most nations; it is the world's second most populous country, the world's most-populous democracy and one of the fastest growing major economies. With the world's eighth largest military expenditure, third largest armed force, tenth largest economy by nominal rates and third largest economy in terms of purchasing power parity, India is a regional power, a nascent global power and a potential superpower. India's has a growing international influence and a prominent voice in global affairs.

India is a newly industrialized country, has a history of collaboration with several countries, is a component of the BRICS & a major part of developing world. India was one of the founding members of several international organizations, most

notably the United Nations, the Asian Development Bank, G20 industrial nations and the founder of the Non-aligned movement. India has also played an important and influential role in other international organisations like East Asia Summit, World Trade Organisation, International Monetary Fund (IMF), G8+5 and IBSA Dialogue Forum. Regionally, India is a part of SAARC and BIMSTEC. India has taken part in several UN peacekeeping missions and in 2007, it was the second-largest troop contributor to the United Nations. India is currently seeking a permanent seat in the UN Security Council, along with the G4 nations.

India is among the fastest growing economies of the world & has registered 9.4% growth in GDP in the year 2006-07 (Source: Press Information Bureau, Government of India). It is the world's fourth largest economy in terms of purchasing power parity (Source: World Bank, Yr. 2006). India is the 7th largest country by geographical area and second most populous country of the World (Source: UN Database, Yr. 2007 est.). India's foreign exchange reserves have risen from US\$ 5.8 Billion in March 1991 to US\$ 208 Billion in June, 2007 (Source: Reserve Bank of India). India's GDP (Official Exchange Rate) is US\$ 805 billion while its GDP per capita (purchasing power parity) is US\$ 3800. (Source World Fact book, Yr 2006 est.) During the last 10 years, India's total trade has risen by more than 4 times from US\$ 72.60 Billion in 1996-97 to US\$ 316.90 Billion in 2006-07. A major shift in India's export destinations has been observed during the last 10 years. Top 5 export destinations of India in Yr. 1996-97 were USA, UK, Japan, Germany and Hong Kong with 43% share. In the Yr. 2006-07, top 5 destinations are USA, UAE, China, Singapore and UK with a share of 40.17%. India's exports registered significant growth



in case of UAE & China at 39.84% & 22.7% respectively (Yr. 2006-07 over yr. 2005-06).

India's trade with CIS Region has risen by 19.41% in the year 2006-07 over the previous year with total trade worth US\$ 5 Billion. Major trading partner of India in the CIS region is Russia with 61.2% share in exports & 59.8% share in India's total imports from the region. Ukraine with a share of 25.8% in India's total trade with CIS region is the second most important trading partner. India's major export commodities to the CIS region are Pharmaceuticals, Coffee/Tea/Spices, Readymade Garments, Iron & Steel & Machinery whereas major import commodities from the CIS region are Iron/Steel/Nickel, Fertilizers, Mineral Fuel, Cereals & Rubber.

Pakistan is a second populous nation (after Indonesia) and being the singular nuclear power state in the Muslim world, enabled the country to play a important role in the international community. With semi-agriculture and industrialized economy, its foreign policy interacts with foreign nations and to determine its standard of interactions for its organizations, corporations and individual citizens. Its clear geostrategic intentions were explained by Jinnah who described the principles. Since then, Pakistan have tried maintaining balance relations with the foreign nations as part of its determined policy. A non-signatory party of the Treaty on the Nuclear Non-Proliferation, Pakistan is a good and influential member of the IAEA. In recent event, Pakistan has successfully blocked international initiatives to limit fissile material, as justifying that "treaty would target Pakistan specifically."

Pakistan and India are the two most populous and largest economies in the South Asian region. Being the dominant constituents of SAARC, both have a great

potential for intra-regional trade. Presently, trade between Pakistan and India is taking place through three channels. The formal trade, through official means is marginal; illegal trade takes place through smuggling via porous Indo-Pak land borders and through Afghanistan; trade also takes place through third countries. These include mainly Dubai and Singapore, which are free ports and accommodate legal agents of traders from both India and Pakistan.

2. TRADE PERFORMANCE OF PAKISTAN

Pakistan is a rapidly developing country and is one of the Next Eleven, the eleven countries that, along with the BRICs, have a high potential to become the world's largest economies in the 21st century. However, after decades of social instability, as of 2013, serious deficiencies in micromanagement and unbalanced macroeconomics in basic services such as train transportation and electrical energy generation had developed. The economy is semi-industrialized, with centers of growth along the Indus River. The diversified economies of Karachi and Punjab's urban centers coexist with less developed areas in other parts of the country. Pakistan's estimated nominal GDP as of 2011 is US\$202 billion. The GDP by PPP is US\$ 838,164 million. The estimated nominal per capita GDP is US\$1,197, GDP (PPP) per capita is US\$4,602 (international dollars), and debt-to-GDP ratio is 55.5%. According to the World Bank, Pakistan has important strategic endowments and development potential. The increasing proportion of Pakistan's youth provides the country with a potential demographic dividend and a challenge to provide adequate services and employment.



Pakistan's exports increased more than 100% from \$7.5 billion in 1999 to stand at \$18 billion in the financial year 2007-2008. Pakistan exports rice, kinnows, mangoes, furniture, cotton fiber, cement, tiles, marble, textiles, clothing, leather goods, sports goods (renowned for footballs/soccer balls), Cutlery, surgical instruments, electrical appliances, software, carpets, rugs, ice cream, livestock meat, chicken, powdered milk, wheat, seafood (especially shrimp/prawns), vegetables, processed food items, Pakistani-assembled Suzukis (to Afghanistan and other countries), defense equipment (submarines, tanks, radars), salt, onyx, engineering goods, and many other items. Pakistan produces and exports cements to Asia and the Middle East. In August 2007, Pakistan started exporting cement to India to fill in the shortage there caused by the building boom. Russia is a growing market for Pakistani exporters. In 2009/2010 the export target of Pakistan was US \$20 billion. As of April 2011, Pakistans exports stand at US \$25 billion. The annual growth rate of Pakistan exports increased 44.16 percent during 2010-11, but it was drastically reduced-15.0 percent in the following next year.

Pakistan is the twenty-sixth richest country and number 57 importer. In 2013, Pakistan bought US\$43.8 billion worth of imported products. That total is up by 38.6% since 2009. Pakistan's imports are highly concentrated in few countries. Over 40 percent of them continue to originate from just seven countries namely, the USA, Japan, Kuwait, Saudi Arabia, Germany, UK and Malaysia. Saudi Arabia is emerging as major supplier to Pakistan followed by the USA and Japan. The shares of USA and Japan, with some fluctuations, exhibited a declining trend because of the shift in the import of machinery/capital goods and raw materials to other sources. On the other hand, the share

of Pakistan's imports from Saudi Arabia has been rising due to higher imports of POL products. Malaysia share has shown rising, as well as, falling trends over the years mainly on account of fluctuations in palm oil prices. The Pakistan imports annual growth rate is more fluctuating in nature throughout the analysed period. The exports have increased just two and half folded between 2001-02 to 2013-14, whereas, the imports have been jumped more than four and half times between these periods.

TABLE: 1
ANNUAL GROWTH RATE OF
PAKISTAN IMPORTS AND EXPORTS:
1999-00 To 2012-13 Million
US \$

Years	Exports	Annual growth rate	Imports	Annual growth rate
2001-2002	9,135	--	10,340	--
2002-2003	11,160	22.16	12,220	18.18
2003-2004	12,313	10.33	15,592	27.59
2004-2005	14,397	16.92	20,598	32.10
2005-2006	16,451	14.26	28,581	38.75
2006-2007	16,976	3.19	30,540	6.85
2007-2008	19,052	12.22	39,966	30.86
2008-2009	17,688	-7.15	34,822	-12.87
2009-2010	19,290	9.05	34,710	-0.32
2010-2011	27,810	44.16	40,414	16.43
2011-2012	23,624	-15.0	44,912	11.12
2012-2013	24,460	4.23	44,950	0.08
2013-2014	25,110	2.65	45,073	0.27

Source: Federal Bureau of Statistics



Figure 1: International Trade of Pakistan: 2001-02 to 2013-14

3. TRADE PERFORMANCE OF INDIA

The global slowdown had its impact on the economy of most of the countries, including India. As a result, the trade deficit abruptly increased from 356448 crores in 2007-08 to 533681 crores in 2008-09, an increase by almost 50 %. However, during 2009-10, export recorded marginal positive growth at 0.57 % and import recorded marginal negative growth at 0.78 %, which was for the first time over the decade. As a result, the trade deficit stood at Rs. 518202 crores with a negative growth of 2.9 % in 2009-10. However, these are global slowdown effect, as after 2009-10, when the economy started picking up, both export as well as import recorded substantial growth of 34.5 % and 23.5 % respectively, resulting in Rs. 546503 crores trade deficit with 5.46 % positive growth in 2010-11. The trade deficit further worsen in 2011-12 with absolute value at Rs. 879504 crores and with 60.9 % annual growth over 2010-11. During 2011-12, the exports value was Rs. 1465959 crores against the import value of Rs. 2345463 crores, with annual increases of 28.9 % and 39.3 % respectively for export and import. After the global slowdown, the imports as well as exports grew in the similar way with imports value increased from Rs. 1363736 crores in 2009-10 to Rs. 2345463 crores in 2011-12 with an increase of 72 %, whereas during this period, the exports grew at the

rate of about 73 % from Rs. 845534 crores in 2009-10 to Rs. 1465959 crores in 2011-12. But the trade deficit grew more in 2011-12 with 61 % although from 2009-10 to 2011-12, the trade deficit growth was about 70 %.

TABLE : 2

ANNUAL GROWTH RATE OF INDIA'S EXPORTS AND IMPORTS:2001- 02 TO 2013-14

(Million US \$)

Years	Exports	Annual growth rate	Imports	Annual growth rate
2001-2002	43826.7	--	51413.3	--
2002-2003	52719.4	20.29	61412.1	19.44
2003-2004	63842.6	21.09	78149.1	27.25
2004-2005	83535.9	30.84	111517.4	42.69
2005-2006	103090.5	23.40	149165.7	33.75
2006-2007	126414.1	22.62	185735.2	24.51
2007-2008	162904.2	28.86	251439.2	35.37
2008-2009	185295.0	13.74	303696.3	20.78
2009-2010	178751.4	-3.53	288372.9	-5.04
2010-2011	251136.2	40.49	369769.1	28.22
2011-2012	305963.9	21.83	489319.5	32.33
2012-2013	300400.7	-1.81	490736.7	0.28
2013-2014	312620.7	4.06	450082.2	-8.28

Source: Directorate General of Commercial Intelligence and Statistics.

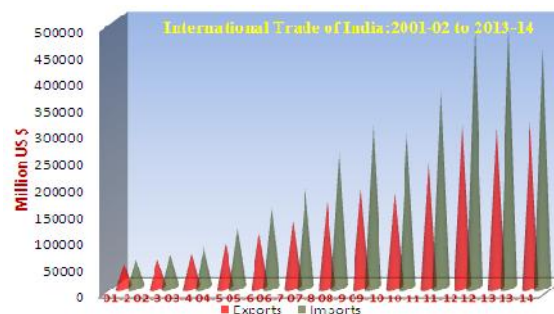


Figure 2: International Trade of India: 2001-02 to 2013-14

4. EXPORTS OF SELECTIVE COMMODITIES FROM INDIA TO PAKISTAN

As Pakistan plans to expand trade ties with India, agriculture exports from India to that country have more than doubled in the past year, on higher demand for commodities such as pulses and vegetables. Export of agriculture products from India has been a major concern for the farm lobby in Pakistan, which fears abolishing trade barriers with India would hurt domestic farmers. According to Agricultural and Processed Food Products Export Development Authority data, India's agriculture export to Pakistan stood at \$146 million between April and October 2013, nearly 97 per cent higher than the export in the same period last year. In terms of quantity too, exports increased threefold or nearly 198 per cent.

The jump in exports can be attributed to a stellar rise in vegetable exports (520 per cent in dollar and 477 per cent in value terms), and considerable rise in export of pulses (56 per cent in dollar terms and 156 per cent in quantity) and dairy products (170 per cent in value and 147 per cent in quantity terms). This apart, this year, India also exported onions worth \$17 million (73,140 million tonnes) till October last year, against \$8.90 million (38,823 million tonnes) for the whole of 2012-13. While India granted most favoured nation status to Pakistan in 1996, it recently indicated further opening up of its market on a reciprocal basis. Recently, the two countries also agreed to establish reciprocal non-discriminatory market access (NDMA) by February-end. At present, Pakistan maintains a negative list of nearly 1,209 items, which will be abolished under the NDMA. Despite efforts to boost trade relations, border skirmishes have often played a spoilsport. For example, recently, Pakistan-occupied Kashmir

authorities suspended both trade and travel on the Srinagar-Muzaffarabad route after the arrest of a Pakistani driver on the Indian side. In 2012-13, India's total trade with Pakistan stood at nearly \$2,606 million — a growth of nearly 34 per cent over the previous year. Of this, the share of India's export to Pakistan was \$2,064 million, while import was \$541 million. India imports fruits, onions and shrimps, among other things, from Pakistan.

TABLE : 3

EXPORTS OF SELECTIVE COMMODITIES FROM INDIA TO PAKISTAN: 2001- 02 TO 2013-14

(million US \$)

Years	Oil Meals	Annual Growth rate	Iron Ore	Annual Growth rate
2001-2002	4.4	--	4.7	--
2002-2003	7.4	68.18	16.3	246.80
2003-2004	26.2	254.05	8.4	-48.46
2004-2005	42.9	63.74	22.4	166.66
2005-2006	53.6	24.94	19.9	-11.16
2006-2007	66.3	23.69	26.0	30.65
2007-2008	93.7	41.32	14.4	-44.61
2008-2009	97.1	3.62	36.0	150.00
2009-2010	87.6	-9.78	0.0	--
2010-2011	51.2	-41.66	0.0	--
2011-2012	199.2	289.06	2.5	--
2012-2013	292.8	46.98	0.0	--
2013-2014	315.1	7.95	0.0	--

Source : RBI Bulletin.

5. INDIA'S EXPORTS SHARE TO PAKISTAN

The impediments to Pakistan-India trade have been the focus of intense attention

for a long time. Although a number of experts and institutions like the World Bank have supported the liberalization of trade between the two countries, fears and apprehensions as well as the adversarial bilateral relationship between the countries have not allowed them to move forward in this particular domain. As is the case in most parts of the world, trade and politics intermingle on the Subcontinent. In the last year, however, trade ties have been improving significantly. Why there is a thaw in bilateral trade relations now and not before may be a valid question playing on the minds of people following the trajectory of trade relations between the two countries.

TABLE: 4

INDIA'S EXPORTS SHARE TO PAKISTAN

Years	India's Total Exports	Exports to Pakistan	Percentage Share
2001-2002	44560.5	350	0.78
2002-2003	52719.2	435	0.82
2003-2004	63454.1	512	0.80
2004-2005	83535.9	978	1.17
2005-2006	102725.1	689	0.67
2006-2007	126331.1	1349	1.06
2007-2008	163132.1	1944	1.19
2008-2009	185295.0	1400	0.75
2009-2010	178751.4	1000	0.55
2010-2011	251136.2	1400	0.55
2011-2012	305963.9	1200	0.39
2012-2013	300400.7	1325	0.44
2013-2014	312620.7	1125	0.35

Source: Federal Bureau of Statistics

CONCLUSION

In February 29, 2012, Pakistan granted India Most Favored Nation (MFN) status, paving the way for a normal, World Trade Organization (WTO)-consistent trade relationship between the two largest economies of South Asia. (India granted MFN to Pakistan in 1996.) It would be a mistake, however, to take for granted sustained trade growth following this announcement. Pakistan-India relations are complex and many factors can intervene to disrupt the smooth flow of trade and other economic transactions. This paper argues that Pakistan, but also India, has to take a strategic, regional approach in managing its trade and economic relationship with India to prevent future disruptions in trade and thus maximize the benefits of this important announcement.

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