Trade performance between India and BIMSTEC countries pre- and post-formation of bloc

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Abstract: The main aim of this paper is to analyse the trade performance of BIMSTEC nations during the pre- and post-era with the help of various trade indices. BIMSTEC was established in 1997 for taking care of economic interests, and emerged from India's look east policy and Thailand's look west policy. India had better export-import complementarity with Thailand and judicious with other BIMSTEC countries. After the formation of BIMSTEC, trade prospects have been open for other economies such as Sri Lanka, Nepal and Myanmar also. India's export diversification to other BIMSTEC nations has been increased during the period of 1998 to 2015, i.e., after the formation of bloc. In case of imports moderate rate of diversification has been noticed during the period of 1998 to 2015. There is a scope of trade with BIMSTEC member nations. Results stated that the economic situation of BIMSTEC countries has been very promising. This may be beneficial for the South-East Asian region for establishment their trade relations with rest of the world.

Keywords: BIMSTEC and India; trade; imports; exports; trade indices.

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1 Introduction

BIMSTEC contains one fifth of the world's population, including diverse cultures and economies. The inter-regional grouping BIMSTEC aimed to serve as a bridge between the five SAARC countries and two ASEAN countries. The main objective of the formation of BIMSTEC is the attaining of economic and social affluence, enrichment of mutual economic, social, cultural and political benefits. The formation of BIMSTEC can be attributed to two things. One is the failure of SAARC to form a vibrant regional forum for trade and economic cooperation. Secondly, the ongoing process of liberalisation in South Asian economies is desperate to discover new markets in the ASEAN region as a substitute of SAARC, whose scope is limited due to non-economic factors that are unlikely to change in the near future. There is another factor, which may be cited for the formation of this bloc is the Thailand's desire to establish strong foothold on the Indian subcontinent because of increasing competition it has been facing in the ASEAN markets. Though BIMSTEC came into existence very recently, its formation can be traced back till the mid-1960s, when both India and Sri Lanka were invited to join ASEAN, which was rejected by both countries. In 1981, Sri Lanka made an unsuccessful attempt to join ASEAN, and India and Pakistan obtained dialogue partner status in 1993. The approach of South Asian countries to establish link and enhance economic cooperation shows their intension to strengthen economic relations with the ASEAN countries (Kelegama, 2001). BIMSTEC may be used as conduit for South Asian countries to establish and develop a good relationship with ASEAN countries (Bhattacharya, 2007). This paper analyses the trade performance of BIMSTEC nations before and after the formation of the trading bloc using various trade indices such as trade diversification, trade complementarity, trade similarity and trade openness. Time series data have been used since 1980 to 2015. The study period has been divided into two decades, from 1980 to 1997, i.e., before the formation and from 1998 to 2015, i.e., the period after formation of the bloc.

2 Overview of BIMSTEC countries

The main aim of BIMSTEC is to fully exploit the obtainable potential of member nations for promoting economic integration in the areas of trade, commerce, information technology, human capital, agriculture and infrastructure. BIMSTEC provides a prospect to properly utilise complementarities in the overall development of South and South-East Asian countries. The similarities among the member states extend to a common historical past, their developing status and cultural bonds. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) comprising Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand, bringing together 1.5 billion people, 21% of the world population, and a combined GDP of over US$ 2.5 trillion.

All BIMSTEC member nations had common history, culture and commercial ties with each other over centuries. The BIMSTEC nations contain both developing nations and least developing countries (LDCs). Therefore, they are characterised by higher tariff barriers on their imports, viz-a-viz their developed counterparts. It was anticipated that while on one hand the special treatment would permit the nations to increase improved access in each other's market the 'enabling clause' provision would give them the requisite safeguard to protect the responsive domestic sectors on the other. Furthermore, apart from the tariff barriers, it was predicted that the trade facilitation procedures would considerably lower the level of transaction costs, which presently put a downward pressure on the intra-regional trade dimensions (https://www.iasgs.com/2017/02/india-and-bimstec/).

The integration of BIMSTEC is one of the most important regional integration processes implemented among developing countries. It consists of a heterogeneous group of countries with wide socio-economic development. The description provided in Table 1 gives some statistics on GDP growth rates, per capita incomes and demography for the BIMSTEC countries for the periods of 1997 and 2015. Assessment of Table 1 clearly indicates that the in 2015, the growth rate has been in double digits for all the countries along with a two- to three-fold increase in per capita incomes. However, among BIMSTEC countries, India is the biggest nation in terms of land area, and Bhutan is the smallest. India also ranks 1st in population among the BIMSTEC countries, with Bhutan having the lowest population in a region. As shown in the table, these countries have a fairly young population with Thailand having only 10% of its population above the age of 65 years. Almost all the member nations of BIMSTEC have been performing fairly well to make their population literate. The literacy rate in countries like Thailand, Myanmar, Sri Lanka and Bhutan were more than 90%s.

Macroeconomic parameters are statistics that point in the direction of importance of the economy for the state of depending on a particular vicinity of the economy (industry, labour market, trade, etc.). Macro economics engrosses looking at a country's economy as a whole. The economic indicators of BIMSTEC economies revealed the rapid transformation of their economies from agriculture to services. Some structural variations among the economies have been appearing in the region. The strength of service sector is more visible from the contribution to employment. In recent years, with the exception of Nepal, a heavy dependence on service was visible in the region. The share of service sector has declined in the favour of industrial sector in Thailand as compared with other member nations of BIMSTEC (Saxena and Bhadauriya, 2012).

Table 1 Demographic and macroeconomic indicators of BIMSTEC economies

Parameter/country	*Year*	*India*	*Bangladesh*	*Bhutan*	*Myanmar*	*Nepal*	*Sri Lanka*	*Thailand*
Land area (000 sq km)	2015	2,973,190	130,170	38,117	653,080	143,350	62,710	510,890
Population (thousand)	1997	202,853.85	123,574.11	520.92	45,895.99	22,395.25	18,323	60,544.94
	2015	257,563.82	160,995.64	774.83	53,897.15	28,513.70	20,966	67,959.36
% share of population above 65 years to total pop	2015	6	5	5	5	6	9	10
% share of population above 15–65 years	2015	66	66	68	67	62	66	72
GCI index ranking	2015	55	107	105	131	100	68	32
Life expectancy (years)	2015	61	63	58	61	60	70	70
Adult literacy (15–24 years)	2015	89.66	83.20	92.04	96.33	89.95	98.77	98.64
Compound growth rate of GDP in current prices (in %)	1997	4.0	4.5	5.4	5.7	5.0	6.4	–2.8
	2015	7.6	6.6	3.3	7.0	3.4	4.8	2.8
Per capita in current prices (in US $)	1997	47,477.48	325.4765	418,933.7	9,332.566	5,097.386	15,457.5	145,444.1
	2015	138,103.7	1,770.005	1,856,518	59,441.95	18,202.31	58,258.3	370,693.7
HDI rank	2015	130	142	132	148	145	73	93
HDI values	2015	0.609	0.507	0.605	0.536	0.548	0.757	0.726
GDP (US $ billions)	2015	2,090.71	205.71	2.21	66.98	21.35	82.09	395.28
Gini index	2015	33.9	32.1	38.1	N/A	32.8	36.4	39.4
Per capita GDP (US $)	1997	434.73	402.89	667.84	155.89	244.087	882.95	2,475.10
	2015	1,688.38	1,265.71	2,836.80	1,268.68	751.12	3,767.58	5,426.30

Source: World development Report (2015), International Monetary Fund, World Economic Outlook (2014), http://www.UNESCO.org and http://www.UNDP.org.

Entrepreneurship in East Asia is heterogeneous across countries and often within them, and can be best understood by considering the rich national context of history, culture, religion, language, politics and economics. The study conducted by Dana contains review of Asian culture and enterprise. The entire study throws light on various nations which includes Cambodia, China, India, Indonesia, Japan, (South) Korea, Laos, Malaysia, Myanmar, Nepal, The Philippines, Singapore, Taiwan, Thailand and Vietnam. Majority of the nations mentioned in the study are also the member of BIMSTEC (Dana, 2014).

India is a part of BIMSTEC situated in southern Asia, the Indian subcontinent has over 7,000 km. of coastline along the Arabian Sea and the Bay of Bengal. The Republic of India shares land boundaries with Bangladesh (formerly Pakistan East), Bhutan, Myanmar (formerly Burma), China (PRC), Nepal, and Pakistan. India's population, officially approaching 1 billion, is multicultural. Ethnic groups include Indo-Nordics, Dravidians, and Mongoloids. Among India's socio-religious groups are the Baghdadi Jews, Bene Israels, Christians, Cochini Jews, Hindus, Jains, Moslems, Parsis, and Sikhs (Dana, 2000).

3 Trade performance of BIMSTEC countries before and after the formation of the bloc

The growth dynamism of a country or a region can be judged from the size of its international trade, owing to its contribution to industrialisation and foreign exchange earnings. It is widely accepted that open economies grow faster compared to closed ones. The globalisation movement, which accelerated especially in the 1980s, enforced this situation to come into view more clearly. During most of the 20th century, import substitution strategies played a dominant role in most developing countries for development strategies. But, while developing countries in Latin America, following import substitution strategies achieved lower growth rates, East Asian countries that enacted export promotion policies, experienced a higher economic performance. This possibly explains the growing interest of many researchers to investigate the relationship between trade liberalisation and economic performance since the late 1970s.

Table 2 illustrates the total exports of BIMSTEC to rest of the world in millions of US$ from 1980 to 2015. Before the formation of BIMSTEC from 1980 to 1997, the average of Bangladesh's exports was US$ 1.835 million, while after the formation of bloc, the average of the country's exports increased to US$ 15.451 million. The creation of BIMSTEC has had a positive impact on all member nations. The average of Bhutan's exports was US$ 55 million and it increased by US$ 399 million after the formation of bloc (from 1998 to 2015). India is the biggest states among the all member nations of BIMSTEC. But the average of exports after the formation of bloc noticed huge increment in Indian exports. From 1980 to 1997, the average of India's export was US$ 16.943 million, increasing to US$ 147.414 million in 1998 to 2015. The average of Myanmar exports also increased after the formation of bloc. From 1980 to 1997, average of exports was US$ 462 million; while from 1998 to 2015, the average of exports from Myanmar was US$ 5.441 million. A huge increment was noticed in Myanmar exports after the

formation of the bloc. The average exports of Nepal also increased after becoming part of BIMSTEC, as average exports increased to US$ 953 million (1998 to 2015) from US$ 225 million (1980 to 1997). The average exports of Sri Lanka increased to US$ 7.206 million (1998 to 2015) from US$ 2.087 million (1980 to 1997), while the average of Thailand exports increased to US$ 758.792 million (1998 to 2015), from US$ 24.093 million (1980 to 1997). Thailand's exports also saw huge increment after the formation of bloc. All BIMSTEC member nations showed drastic increments in the average of exports after the formation of bloc.

Table 3 represents the total imports of BIMSTEC nations to rest of the world in US$ million from 1980 to 2015. Before the formation of BIMSTEC from 1980 to 1997 the average of Bangladesh's imports was US$ 4.119 million. Imports of Bangladesh were much higher than its exports. And after the formation of bloc the average of Bangladesh imports increase. From 1998 to 2015 the average of exports was US$ 13.323 million. The average of Bhutan's imports was US$ 120 million and it increased by US$ 594 million after the formation of bloc (from 1998 to 2015). India is the biggest states among the all member nations of BIMSTEC. But the average of imports after the formation of bloc noticed huge increment in Indian imports also. From 1980 to 1997 the average of India's imports was US$ 28.766 million and it increased to US$ 293.177 million. The average of Myanmar imports increased after the formation of bloc. From 1980 to 1997, the average of imports was US$ 1.010 million. From 1998 to 2015 the average of exports from Myanmar was US$ 9.043 million. There are huge increment were noticed in Myanmar imports after the formation of bloc. The average imports of Nepal also increased after becoming the part of BIMSTEC. The average of imports increased to US$ 4.132 million (1998 to 2015) from US$ 906 million (1980 to 1997). The average imports of Sri Lanka increased to US$ 13.749 million from US$ 3.421 million. The average of Thailand also increased after formation, as imports increased to US$ 166.115 million (1998 to 2015) from US$ 34.192 million (1980 to 1997); again, huge increment was noticed in Thai imports after the formation of bloc. Almost all member nations of BIMSTEC show drastic increments in average of imports to exports after the formation of bloc. The reason behind the higher rate of imports was that all members of BIMSTEC are developing nations and if they domestically produce the products there may be a comparative disadvantage in the production of the commodities.

Table 4 shows an analysis of the trade balance of BIMSTEC economies from 1980 to 2015. If we compared the two decades, i.e., before and after formation the BIMSTEC, almost all BIMSTEC countries suffer from negative trade balance throughout the study period, as shown in Table 4. Only two nations, Myanmar and Thailand, show a favourable trade balance after the formation of BIMSTEC from the period 1997 to 2015.

Table 5 examines India's trade complementarity with BIMSTEC as a supplier (exporter) and BIMSTEC as a market (importer) for India, and vice versa, for the periods before and after the formation of the BIMSTEC region. The table reveals that India had good export-import complementarity with Thailand and moderate trade with other BIMSTEC countries. It was noticed that after the formation that India had good complementarity with Bangladesh, Myanmar, Nepal, Sri Lanka and Thailand. Generally products are offered at concessions by India to member nations.

Table 2 Total exports of BIMSTEC countries (in US$ millions) during 1980–2015

Year	*Bangladesh*	*Bhutan*	*India*	*Myanmar*	*Nepal*	*Sri Lanka*	*Thailand*
1980	759	17	8,586	472	80	1,067	6,505
1981	791	20	8,295	462	140	1,094	7,031
1982	769	17	9,358	391	88	1,030	6,945
1983	724	16	9,148	378	94	1,066	6,368
1984	931	18	9,916	301	128	1,451	7,413
1985	999	22	9,140	303	160	1,293	7,121
1986	880	34	9,399	288	142	1,215	8,872
1987	1,067	55	11,298	219	151	1,368	11,654
1988	1,291	75	13,325	147	190	1,479	15,953
1989	1,305	70	15,846	215	158	1,545	20,078
1990	1,671	70	17,969	325	204	1,912	23,068
1991	1,689	63	17,727	419	257	1,987	28,428
1992	2,098	66	19,628	531	368.7	2,455	32,472
1993	2,545	65	21,572	586	384	2,859	36,969
1994	2,934	66	25,022	798	362	3,208	45,261
1995	3,501	103	30,630	860	345	3,798	56,439
1996	4,249	100	33,105	754	385	4,095	55,721
1997	4,832	118	35,008	874	406	4,639	57,374
1998	5,121	108	33,437	1,077	474	4,809	54,456
1999	5,497	116	35,667	1,136	602	4,594	58,440
2000	6,389	103	42,379	1,646	804	5,430	69,057
2001	6,080	106	43,361	2,381	737	4,816	64,968
2002	6,149	112.7	49,250	3,046	568	4,699	68,108
2003	6,990	132.88	58,963	2,483	662	5,125	80,324
2004	8,305	183	76,649	2,380	772	5,757	96,248
2005	9,297	258.2	99,616	3,813	863	6,347	110,936
2006	11,802	414.33	121,808	4,589	838	6,886	129,722
2007	12,453	674.52	150,159	6,338	868	7,740	153,867
2008	15,370	521.42	194,828	6,937	939	8,452	177,778
2009	15,083	495.85	164,909	6,662	823	7,345	152,422
2010	19,194	641.31	226,350	8,661	856	8,602	193,306
2011	24,439	674.64	302,905	9,238	919	10,236	222,576
2012	25,113	610	294,158	8,900	911	9,380	229,519
2013	32,743.09	669.132	464,188	9,069	2,174	15,079	284,383
2014	33,085	659	486,967	13,294	2,363	16,735	280,109
2015	35,006	704	427,998	14,146	2,399	16,902	272,779
			Average				
1980–1997	1,835	55	16,943	462	225	2,087	24,093
1998–2015	15,451	399	147,414	5,441	953	7,206	134,132
1980–2015	8,643.10	227.19	78,341.11	2,880.73	578.59	4,495.83	75,875.92

Source: UNCOMTRADE

Table 3 Total imports of BIMSTEC nations (in US$ millions)

Year	*Bangladesh*	*Bhutan*	*India*	*Myanmar*	*Nepal*	*Sri Lanka*	*Thailand*
1980	2,834.015	60	16,927.95	869.735	415.65	2,196.558	9,995.87
1981	2,898.256	75	17,397.43	962.989	456.3162	2,053.694	10,749.64
1982	2,660.815	100.6	17,517.74	1,029.276	491.4819	2,184.898	9,223.3
1983	2,335.796	106.9	17,572.63	811.105	556.2441	2,132.843	11,077.51
1984	2,818.019	119.8	17,857.8	641.444	502.4305	2,082.235	11,145.24
1985	2,764.377	108.5	18,984.13	594.637	559.743	2,295.597	10,205.73
1986	2,803.724	129.1	19,631.83	677.741	550.164	2,263.968	10,266.33
1987	2,939.818	144.4	22,290.08	499.524	643.607	2,399.241	14,425.36
1988	3,347.527	134	25,412.6	404.651	815.685	2,564.665	21,424.84
1989	4,026.493	163.5	28,127.95	348.577	715.841	2,620.963	27,254.6
1990	3,959.811	122.9	29,526.65	596.601	833.937	2,964.712	35,870.49
1991	3,769.729	111.3	27,031.88	355.879	940.82	3,570.514	42,261.25
1992	4,142.566	110.4	29,665.6	678.621	977.065	3,839.635	46,628.7
1993	4,589.424	161.91	30,604.96	1,391.055	1,110.393	4,402.136	53,163.4
1994	5,375.55	130.42	37,872.37	1,595.657	1,455.544	5,345.62	63,599.9
1995	7,588.6	124.5	48,225.1	2,000.056	1,624.107	5,981.73	82,246.7
1996	7,450.64	122.3	54,960	2,171.021	1,737.496	6,099.3	83,481.7
1997	7,834.42	143.0198	58,172.8	2,549.953	1,916.416	6,580.88	72,438.8
1998	7,952.81	159.618	59,367.9	2,815.997	1,435.268	6,675.04	48,513.2
1999	8,932.24	180.4179	62,827.5	2,447.826	1,706.62	6,779.14	56,344.6
2000	9,673.13	212.7355	73,075.2	2,460.563	1,790.056	8,105	71,653.4
2001	9,654.92	210.7567	71,311.2	2,777.943	1,700.452	7,126.39	69,149.2
2002	9,185.86	242.5016	75,741.5	2,307.521	1,662.171	7,079.34	73,728.6
2003	11,203.46	293.4323	92,959.1	2,307.826	1,932.119	7,683.84	85,077.5
2004	13,088.53	338.8759	131,179.9	2,433.102	2,293.008	9,107.69	107,270.6
2005	14,708.26	542.587	181,978.5	2,239.282	2,711.191	10,065.57	132,738.8
2006	16,783.88	540.623	225,268.1	2,876.697	2,933.861	11,621.22	146,846.7
2007	19,553.96	583.749	279,416.3	3,660.034	3,655.159	12,768.55	162,628
2008	25,170.34	764.551	380,088.5	4,464.257	4,371.086	15,692.02	203,746.3
2009	23,072.74	682.1674	328,257.5	4,201.196	5,107.63	11,708.4	154,694.8
2010	29,470.77	935.243	439,059	4,997.055	5,887.405	15,218.56	206,962.4
2011	37,878.14	1,304.565	553,062	9,009.676	6,447.269	22,253.82	254,263.7
2012	37,748.97	1,209.321	579,405.9	7,003.365	6,847.391	21,728.61	272,874.7
2013	42,473.72	757.709	559,767.4	8,382.786	7,480.118	21,508.03	274,268.8
2014	47,289.67	793.26	578,924.40	8,753.643	7,963.93	25,821.96	312,579.6
2015	50,863.95	937.29	605,497.59	89,643.85	8,448.05	27,433.70	356,732.9
			Average				
1980–1997	4,119	120	28,766	1,010	906	3,421	34,192
1998–2015	23,039	594	293,177	9,043	4,132	13,799	166,115
1980–2015	13,323	351	157,398	4,918	2,475	8,470	98,371

Source: Estimated from UNCOMTRADE database

Table 4 Trade balance of individual BIMSTEC countries with rest of the world (in US$)

Year	*Bangladesh*	*Bhutan*	*India*	*Myanmar*	*Nepal*	*Sri Lanka*	*Thailand*
1980	–1,840.45	–33.45	–6,278.86	119.94	–261.93	–975.08	–2,708.18
1981	–1,908.45	–47.84	–7,122.9	89.28	–228.46	–760.51	–2,924.47
1982	–1,694.43	–51.52	–5,428.22	–17.66	–307.65	–800.52	–1,603.82
1983	–1,440.27	–56.37	–4,912.96	111.61	–370.83	–756.57	–3,918.98
1984	–1,893.8	–54.46	–5,820.95	62.36	–289.25	–399.44	–2,984.77
1985	–1,543.57	–62.22	–6,788.44	20.45	–293.43	–510.05	–2,121.44
1986	–1,666.18	–61.89	–6,022.14	–16.85	–318.12	–641.78	–302.49
1987	–1,647.99	–31.57	–5,377.4	–50.36	–419.84	–665.08	–1,273.1
1988	–1,750.44	–52.50	–5,868.2	–79.04	–486.12	–786	–4,332.5
1989	–2,345.49	–20.48	–4,677.9	19.39	–422.26	–642.99	–5,692.1
1990	–1,946.76	–11.59	–5,610.5	54.91	–468	–772.85	–9,976.9
1991	–1,723.07	–19.89	–2,721	–226.69	–480	–1,067.44	–9,140.5
1992	–1,633.7	–58.78	–3,951.1	–119.75	–407.3	–989.51	–8,213.6
1993	–1,716.22	–24.71	–1,216.8	–227.93	–506	–1,132.48	–9,107.2
1994	–1,941.73	–25.29	–1,820.9	–87.32	–793	–1,568	–9,198.1
1995	–3,193	–8.99	–4,076.9	–483.38	–988	–1,387.42	–14,347
1996	–2,783	–27.41	–4,837.1	–611.75	–1,013	–1,320.94	–16,611
1997	–2,431	–19.38	–6,423.8	–1,171.02	–1,287	–1,199.91	–5,508.9
1998	–2,374	–25.71	–9,542.9	–1,600.58	–772	–1,124.13	11,506.5
1999	–2,834	–66.12	–11,312.5	–1,175.53	–820	–1,276.22	8,123.1
2000	–2,494	–72.2	–9,143.6	–750.72	–769	–851.07	7,039.1
2001	–2,938	–85	–7,031	–491.25	–736	–1,157	3,006
2002	–2,443	–83.84	–7,267	690.88	–851	–1,405.74	3,463
2003	–3,444	–116.10	–13,594.8	388.67	–1,092	–1,546.79	4,499.3
2004	–3,731	–228	–23,126.8	181.55	–1,165.77	–2,215.98	1,838.4
2005	–4,592	–128.09	–43,254	1,868.32	–1,420.02	–2,486.88	–7,241.16
2006	–4,231.76	–5.29	–56,602.3	2,000.91	–1,653.95	–3,372.67	948.54
2007	–6,142.8	148.62	–79,211.3	3,006.08	–2,253.13	–3,560.41	1,3901.76
2008	–8,490.4	–21.86	–126,203	2,625.96	–2,651.28	–5,500.7	–1,447.09
2009	–6,750.18	–33.56	–92,293.5	2,313.92	–3,561.82	–2,704.2	18,713.74
2010	–8,626.8	–212.49	–123,881	3,901.42	–4,277.66	–4,909.4	10,384.59
2011	–11,774.7	–368.79	–161,557	219.07	–4,854.88	–10,033	–6,210.88
2012	–9,046.03	–456.18	–192,866	–324.49	–5,154.64	–9,810	–20,009.4
2013	–7,971.59	–365.54	–150,549	–809.7	–5,692.16	–7,794.6	–21,901.9
2014	–11,862.4	–518.014	–140,216	–5,195.4	–6,672.18	–8,119.2	–224.87
2015	–7,081.7	–554.222	–124,829	–6,399.04	–5,850.56	–8,429.6	11,720.99
			Average				
1980–1997	–1,949.98	–37.13	–4,942	–145.21	–518.9	–909.81	–6,109.17
1998–2015	–5,934.91	–177.36	–76,249	25.00	–2,791.56	–4,238.76	2,117.21
1980–2015	–3,942.44	–107.24	–40,595.5	–60.10	–1,655.23	–2,574.28	–1,995.98

Source: UNCTAD (author calculation)

Table 5 Trade complementarity index between India and BIMSTEC countries before and after formation (in percentage)

Countries	*India exporting and other BIMSTEC countries importing (1980–1997)*	*India importing and other BIMSTEC countries exporting (1998–2015)*
Bangladesh	0.131	0.276
Bhutan	0.131	0.193
Myanmar	0.148	0.248
Nepal	0.101	0.311
Sri Lanka	0.219	0.293
Thailand	0.571	0.638

Source: Estimated from UNCOMTRADE database

Table 6 shows the similarity index between India and other BIMSTEC economies before and after the formation of BIMSTEC as regional trading bloc. The index of similarity signals whether the structure of exports or imports by product of a given country or group of countries differs from that of its counterpart country or group of countries. If we compare both decades, India and Thailand have good scope of trade and both the countries gained from increased trading activity; however, after the formation of BIMSTEC, trade opportunities also opened for other economies such as Sri Lanka, Nepal and Myanmar. All member nations gained from mutual trading after the formation of the bloc.

Table 6 Trade similarity index between India and BIMSTEC countries before and after formation (in percentage)

Countries	*Indian exports and imports from other BIMSTEC countries*		*Indian imports and exports to other BIMSTEC countries*	
	1980–1997	*1998–2015*	*1980–1997*	*1998–2015*
Bangladesh	0.18	0.19	0.47	0.54
Bhutan	0.30	0.33	0.62	0.59
Myanmar	0.21	0.29	0.52	0.53
Nepal	0.49	0.45	0.49	0.68
Sri Lanka	0.25	0.35	0.54	0.69
Thailand	0.57	0.70	0.68	0.79

Source: Estimated from UNCOMTRADE database

Diversification in exports and in domestic production has been conducive to faster economic growth in developing countries. Increased diversification is also associated with lower output volatility and greater macroeconomic stability. There has been both a growth payoff and a stability payoff to diversification, underscoring the case for paying close attention to policies that facilitate diversification and structural transformation.

Table 7 presents the trade diversification index between India and other BIMSTEC member countries. The diversification of India's exports to other BIMSTEC countries has increased in almost all countries during the period of 1998 to 2015, after the formation of the bloc. In the case of imports, a moderate rate of diversification can be seen during the period of 1998 to 2015. The analysis represents that, India has a potential of trade with BIMSTEC member nations. Trade diversification is a measure of the dispersion of trade

value across an exporter's products. It is an indicator of the exporter's vulnerability to trade shocks. Measured over time, a fall in the index may be an indication of diversification in the exporter's trade profile. As shown in Table 7, India's trade diversification in the BIMSTEC region has a value near to zero for almost all member nations, and in this instance, countries with a completely diversified portfolio have an index close to zero.

Table 7 Diversification index between India and BIMSTEC countries before and after formation (in percentage)

Countries	*Indian exports and imports from BIMSTEC countries*		*Indian imports and exports of BIMSTEC countries*	
	1980–1997	*1998–2015*	*1980–1997*	*1998–2015*
Bangladesh	0.81	0.90	0.53	0.63
Bhutan	0.69	0.81	0.38	0.60
Myanmar	0.79	0.97	0.48	0.58
Nepal	0.51	0.74	0.51	0.54
Sri Lanka	0.76	0.89	0.46	0.57
Thailand	0.43	0.81	0.32	0.31

Source: Estimated from UNCOMTRADE database

Table 8 demonstrates the trade openness between India and BIMSTEC. The openness to trade indicator provides a normalised view of a country's total trade by summing the total value of exports and imports and dividing by GDP, which gives an illustration of the concave relationship between GDP per capita and trade openness. This table shed light on the significance of trade volumes in enhancing economic growth for BIMSTEC countries. Nepal, Bhutan and Bangladesh have more trade openness with India, as all three are neighbouring countries of India with a shared land border. On the basis of trade openness index, Thailand has the lowest trade openness with India due to its distance.

Table 8 Trade openness between India and BIMSTEC countries before and after formation (in percentage)

Countries	*Indian exports*		*Indian imports*		*1980–2015 (X + M)*
	1980–1997	*1998–2015*	*1980–1997*	*1998–2015*	
Bangladesh	35	39	11	12	97
Bhutan	26	49	8	19	102
Myanmar	26	27	9	19	81
Nepal	41	15	30	17	103
Sri Lanka	24	28	9	17	78
Thailand	9	9	9	18	45

Source: Estimated from UNCOMTRADE, UNCTAD database

Table 9 shows the percentage share of exports of BIMSTEC nations in total world exports and India's share in total BIMSTEC exports from 1997 to 2015. India's share in BIMSTEC exports was 35.84% in 1997 and increased to 63.64% in 2015. In 1997, the total share of BIMSTEC exports in the total world's exports was 0.67%; this figure increased to 3.01% in 2015. The reason behind lesser share of BIMSTEC exports in total

world's export is the due to structural constraints in the form of limited technology, operational and financial constraints.

Table 9 Percentage share of exports of BIMSTEC nations in total world exports and India's share in total BIMSTEC exports from 1997 to 2015

Year	*BIMSTEC total exports (in US$ million)*	*India's total exports (in US$ million)*	*India's share of exports in BIMSTEC region*	*Total world exports (in US$ million)*	*BIMSTEC region's share of global exports (%)*
1997	3,479.375	9,709.371	35.84	518,040	0.67
1998	3,320.732	9,236.492	35.95	515,675	0.64
1999	3,691.998	10,045.1	36.75	534,740	0.69
2000	4,235.810	12,271.7	34.52	612,818	0.69
2001	4,387.849	11,891	36.90	591,914	0.74
2002	5,009.796	12,834.6	39.03	622,215	0.81
2003	5,936.066	15,160.8	39.15	727,197	0.82
2004	7,590.420	18,588.6	40.83	882,605	0.86
2005	10,035.264	22,621.3	44.36	996,056	1.01
2006	12,120.061	27,065.2	44.78	1,163,260	1.04
2007	14,589.805	32,094.8	45.46	1,327,590	1.10
2008	18,186.090	38,197.4	47.61	1,537,620	1.18
2009	17,676.504	35,332.4	50.03	1,196,750	1.48
2010	22,040.850	45,216.8	48.74	1,455,890	1.51
2011	30,148.325	56,599.3	53.27	1,738,000	1.73
2012	28,956.477	52,988.2	54.65	1,689,320	1.71
2013	33,661.139	57,600.6	58.44	1,614,760	2.08
2014	37,892.873	61,382.3	61.67	1,856,230	2.59
2015	41,432.672	63,782.5	63.64	1,985,320	3.01

Source: UNCTAD and World Trade Organization (WTO)

4 Policy suggestions

The rationale behind the formation of any regional grouping is the existence of strong complementarities on the basis of revealed comparative advantage theory, which are more viable in BIMSTEC region. This provides a strong base for economic cooperation in trade and other selected areas for mutual development.

- A major thrust of BIMSTEC is connecting South Asia with Southeast Asia via Myanmar. The participation of ASEAN countries in BIMSTEC connectivity projects would speed that process up while also promoting intra-ASEAN connectivity.
- The geographical composition of BIMSTEC has remained overwhelmingly South Asian. The presence of Malaysia would give more legitimacy to the idea of a community that covers the entire arch of the Bay of Bengal.

- The need to identify the areas of cooperation and competition in intra-state trade base on production complementarities and also the need to focus on rule simplification with an eye to trade liberalisation between member states.
- A serious effort to provide infrastructure support is essential, especially in terms of connectivity, cheaper transport systems especially maritime transport, simple banking systems and better border trade management.
- Direct involvement of stakeholders is of prime importance, and thus, business communities, technocrats, and representatives of the knowledge community must interact to identify new avenues of cooperation.
- A network of academic institutions, business forums and stakeholders associations must be constant contact with each other and provide inputs to the bureaucracy and policy making units within the government.
- The need for BIMSTEC to create its own identity bereft of its image as a restricted trade liberalisation arrangement or as an interface between SAARC and ASEAN; in order to do so, it must consider a minimal level of political engagement.

5 Conclusions

From the above analysis it can be stated that the economic situation of BIMSTEC countries is very promising. Multinational national corporations (MNCs) across the world may take added interest in respect of the South-East Asian region. For example, the share of agriculture sector in GDP for Myanmar is very high and share of industrial sector in GDP is high in case of Thailand. The MNCs across the world can initiate trade in agricultural goods with Myanmar and trade in industrial goods with Thailand. The rate of inflation is moderate in all BIMSTEC member countries, with the exception of Myanmar. Various favourable conditions, political stability and the conducive economic environment will be helpful in the expansion of trade and business within the BIMSTEC region. The GDP growth rate of India, Bangladesh, and Sri Lanka has shown steady growth. Moreover, the share of the service sector in GDP has also increased in case BIMSTEC nations. This indicates better opportunity for trade in services. As a matter of fact that BIMSTEC comprises 21% of the total world's population. The availability of a huge labour force is also an added advantage for the corporate Sector to expand business specially the manufacturing part in this region. Access to affordable labour can definitely reduce the cost of production, while at the same time, the increased business activity in the region helps to generate affordable employment opportunity. This will lead to rapid economic growth of the BIMSTEC nations. The overall economic environment in BIMSTEC nations will also be stable and more business opportunities will emerge. Thus there is possibility of this region of south and South East Asia to emerge as a strong business hub in near future.

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