

# India's Bilateral Trade with Neighboring Countries since Economic Reforms (with special reference to Bhutan, Nepal, Bangladesh & Myanmar)

**Mahak Goreja**

Research Scholar,  
School of Economics, DAVV, Indore

**Kanhaiya Ahuja**

Professor,  
School of Economic, DAVV, Indore

## ABSTRACT

*Increasing bilateral trade has been the strongest pillar for restoration of harmony between India's & neighbouring countries (which includes China, Sri-Lanka, Pakistan, Bhutan, Bangladesh, Nepal, Afghanistan & Myanmar). This has not only overtaken the pace of political confidence-building but also has a substantial impact on their mutual perceptions. Their border trade has especially brought about a noticeable transformation in their remote and problematic border regions. This has contributed to overall tranquillity and peace in the area and has as well facilitated progress in their border negotiations.*

*It has been observed that India holds friendly political relationship with its neighboring countries except for Pakistan since many decades. Further, Indian as well as the government of neighboring countries has also been providing full assistance and cooperation to each other. The research is focusing on the bilateral trade between India and Bhutan, India and Nepal, India and Bangladesh and India and Myanmar. The study focuses on analyzing bilateral trade and its trends with respect to these countries during post liberalization (1991–2016). The paper aims to study the various shifts in the trade since economic reform of 1990.*

**Keywords:** *Bilateral trade, GDP growth rate, trade trends and shift, regression.*

## INTRODUCTION

India is one of the most densely populated and largest democracies with geographical area of 3,287,590 sq km has a total land boundary of 14,103 km shared by Bangladesh (4,053kms), Bhutan (605kms), Myanmar (1,463kms), China (3,380kms), Nepal (1,690kms) and Pakistan (2,912kms). Along with this, it is one of the fastest growing economies of the world. India is world's largest and oldest civilization which has given it a remarkable heritage. India is a regional power due to both its geographical design and natural resources. As an advantage India has abundant man power as well as natural power including solar & water and mineral resources. India is versatile in terms of specialization in the different sectors of the economy. Even though India is industrialized country, India has been the founder member of several international organization including World Trade Organization (WTO), United Nations (UN), League of Nations, Asian Development Bank (ADB), G-20, International Monetary Fund (IMF) and even World Bank. It also has permanent membership

with UN Security Council and is a part of regional trade bloc like South Asian Association of Regional Cooperation (SAARC) & Bay of Bengal Initiative for Multi-Sectoral Technical & Economic Cooperation (BIMSTEC), Currency Union with Bhutan & Nepal, economic Integration under multilateral Free trade agreements like ASEAN FTA.

As far as neighboring countries are concerned, India has always induced affable political and social terms with neighboring countries. India being a natural super power amongst its neighboring countries has been continuously assisting and aiding neighboring countries with financial support. India has also perceived an inclusive development strategy to induce growth and development in neighboring countries.

**INDO-BHUTAN RELATIONSHIP:** Bhutan is a landlocked country located between the Tibetan autonomous regions of China in North & India in South. It is a low-income country and least developed country. Bhutan's economy is mostly based on agriculture and forestry.

India is the major trading partner and Diplomatic political partner of Bhutan which were established in 1968. The bilateral relationship between the Himalayan kingdom of Bhutan and the Republic of India has been traditionally close. Apart from being the major trading partner, India is also main development partner of Bhutan. The initiation of Indo-Bhutan friendship as it stands today is credited to the efforts of Indian Prime Minister Pandit Jawaharlal Nehru and his Majesty Jigme Dorji Wangchuk, the 3<sup>rd</sup> king of Bhutan. Bhutan exports about 90% to India, which is the country's source for 70% imports. India exports several commodities from Bhutan such as petroleum products, mineral products, base metals & articles, machinery, automobile & spares, vegetables, nuts, spices, processed food & animal products, chemicals, wood and plastic & rubber. India also imports many commodities like electricity, base metal & articles, minerals, vegetable fat & oil, alcoholic beverage, chemicals, cement, timber & wood products, cardamom, fruit products, potatoes, orange & apples, raw silk and plastic & rubber products. Bhutan also exports hydro-electric power to leading trade partner (from Tala, Chukha & Kurichhu hydro-electric projects).

Bhutan seeks investments from India in different sectors such as infrastructure, power, education, healthcare, IT and financial services to further enhance economic ties between two countries. Some Indian companies invested in Bhutan are Tata power; Punjab National Bank; General Insurance Corporation etc.

**INDO-BANGLADESH RELATIONSHIP:** Bangladesh and India are South Asian neighbors. Relations have been cordial, though here and there are outskirts debates. The memorable land limit assertion was marked on 6 June 2015 which opened another time in the relations and further ceased all aggravations in ties. They are normal individuals from SAARC, BIMSTEC, IORA and the Commonwealth. The two nations share numerous social ties. Specifically, Bangladesh and the East Indian states of West Bengal and Tripura are Bengali-speaking. Bangladesh has a high commission in New Delhi with departments in Mumbai and Kolkata. India has a high commission in Dhaka with an office in Chittagong.

If we look at the prevailing trade relations with Bangladesh, it imports cotton, yarn, fabrics, raw materials, and food grains from India, while exports include goods such as raw jute, fish and fertiliser, apparels, leather products, cement, plastic and melamine articles, prepared foodstuffs and

beverages. As, Bangladesh is the major exporter of Ready Made Garments, Bangladesh is the major importer of cotton from India. Looking at trade trend between the two nations, India's import from Bangladesh dropped from 6% in 1973 to 2% in 2011 but India's export to Bangladesh has increased from 12% in 1973 to 14% in 2011(FICCI) which shows a great potential trade between the two. India being the second and Bangladesh being the eighth world's most populated countries, with a common goal of eradicating poverty and improving standard of living of their population are largest middle class market for each other.

Bangladesh is an important trading partner for India. Trade deficit with India is highlighted by Bangladesh as a major contention issue. Trade deficit for Bangladesh is more than \$4 billion. From long time, Bangladesh has been urging India to reduce this gap by lifting the tariff barriers as they were a major impediment to the growth of Bangladesh's exports to India. Responding to Bangladesh's concern, in November 2011, India granted duty free access to all products, except 10 tobacco and liquor items from Bangladesh which amounts 30% of Bangladesh export. As much as 98 per cent of Bangladesh products now enjoy zero duty benefits in the Indian market.

**CROSS BORDER TRADE:** On the three sides of the country (Bangladesh), Indian states serves as an amazing local market for the Bangladeshi Products. To boost the trade both the countries have taken considerable steps to increase cross border trade including 'border haats'. Kamalasagar in Tripura adjoining Brahmanbaria in Bangladesh is one of epic example of border haat which is epic example of cross border trade between the two. The vendors from the surrounding areas within the radius of 5 km sell their produce once a week. This 'haat' has been facilitating the neighboring local farmers and producers to trade with almost no interruption and barriers leading to strong economic and social ties between the countries. It is important for both the nation from the economic development point of view that both the countries should strengthened the tie ups between them to facilitate each other's development.

**INDO-MYANMAR RELATION:** Other than Cultural, Historical & Religious connections, Myanmar shares a huge borderline as well as maritime borderline with India. Hence, their strategic positions in each others' economy are very important. For further strengthening this relationship, both the economies have indulged themselves in various initiatives to empower each other's position in their economy. India-Myanmar-Thailand Highway (under construction) with a length of 1,360 km connecting from Moreh in Manipur India (West End) to Mae Sot in Tak Province, Thailand (East End) is proposed to extend further to Cambodia, Laos and Vietnam. This Project is aimed at increasing the land connectivity of India to ASEAN countries further to contribute to their bilateral trade as Myanmar is the only ASEAN country connected to India. Myanmar is India's gateway to Southeast Asia and could be the required impetus to realize India's Look East Policy.

Bilateral trade has grown from \$12.4 million in 1980-81 to \$2.18 billion in 2013-14. Agricultural items like beans and pulses and forest based products make up nearly 90 percent of India's imports from Myanmar. Myanmar is also the beneficiary of a duty-free tariff preference scheme for least developed countries (LDCs). Both countries also signed a border trade agreement in 1994 and have two trade points along their 1,643 km border. India has also promoted some trade events such as the India Product Show 2012, which represented 19 Indian companies, and the NEFIT car rally from Guwahati to Yangon and back, which had 60 participants and was also part of the trade promotion.

India is the fourth largest trade partner of Myanmar and also. Indian exports to Myanmar mainly includes animal fodder, pharmaceutical products, cotton, iron and steel, nuclear reactors and mechanical appliances, and electrical machineries while Imports from Myanmar includes edible vegetables and roots n tubers, wood and its articles. and also has got huge Indian community residing in Myanmar.

**INDO-NEPAL RELATIONSHIP:** As close neighbors, India and Nepal share a unique relationship of friendship and cooperation characterized by open borders and deep-rooted people-to-people contacts of kinship and culture. There has been a long tradition of free movement of people across the borders. It shares a border of over 1850 kms in the east, south and west with five Indian States – Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand – and in the north with the Tibet Autonomous Region of the People's Republic of China. The India-Nepal Treaty of Peace and Friendship of 1950 forms the bedrock of the special relations that exist between India and Nepal. Nevertheless, in spite of several venture to diversify foreign trade and make it less dependent on India, India remains the main trading partner of Nepal.

Agricultural goods are exported to India, whereas most of Nepal's basic consumer goods and industrial machinery and equipment are imported from India. There is a huge unrecorded trade, which is carried on between the two countries, Apart from the legal trade between the two countries Nepal's trade with other countries other than India includes the movement of goods to and from foreign countries through Indian enclave.

Consequently, the smooth movement of goods over India depends on the warm relations between the two countries. India agreed to provide transit facilities to Nepal. Nepal's main imports from India are petroleum products (28.6%), motor vehicles and spare parts (7.8%), M. S. billet (7%), medicines (3.7%), other machinery and spares (3.4%), coldrolled sheet in coil (3.1%), electrical equipment (2.7%), hotrolled sheet in coil (2%), M. S. wires, rods, coils and bars (1.9%), cement (1.5%), agriculture equipment and parts (1.2%), chemical fertilizer (1.1%), chemicals (1.1%) and thread (1%).

Major imports from India: Nepal's export basket to India mainly comprises jute goods (9.2%), zinc sheet (8.9%), textiles (8.6%), threads (7.7%), polyester yarn (6%), juice (5.4%), catechue (4.4%), Cardamom (4.4%), wire (3.7%), tooth paste (2.2%) and M. S. Pipe (2.1%).

**RESEARCH OBJECTIVE:** The objective of the paper to empirically analyze the shifts in the trade since the economic liberalization of Indian economy between the four neighboring countries which are potentially very strong neighboring partners and also study consecutively the impacts of policy amendments and new agreements on the bilateral trade flows. This is a two country model conducted on the four economies individually. It is assumed that there exist a perfect competition between the two economies which are fully liberalized. Further this is also assumed that all economies are rational and tries to maximize its export earnings.

#### **LITERATURE REVIEW:**

Sukumar N. and Basudeb B. (1991)<sup>1</sup>, have done empirical work entitled "*Export and Economic Growth in India: Empirical Evidence*", revealed that India's export growth leads to the growth of

national income. The investigation envisaged that demand of imports by the developing economies is extremely sensitive to relative price and income growth. **Dr. Priyanka Sahni(2014)<sup>ii</sup>**, has envisaged that exporting capacity of an economy directly effects its economic growth. Hence exports are key factor of growth process. Hike in the in international goods pricing, low inflation rate, stable REER, speedy export proceeds collection along with government reforms has majorly contributed to the growth rate. **ARVIND PANAGARIYA (2004)<sup>iii</sup>**, has revealed that India's economic growth has not been as impressive as other South Asian neighbors which grew at incredible rate of 10 %. But the economic reform of 1991 has considerably contributed to its growth. Demolishing import license on intermediary inputs and capital goods along with lowering of tariff, removal of exchange controls and devaluation of Indian currency are those milestones which became a launching pad for India's growth.

**Hooi Hooi Lean and Russell Smyth (2014)<sup>iv</sup>**, has studied and concluded with a positive effect of electricity export of Bhutan to India in the economic development of Bhutan as well as India. As according to the results obtained in the long run a 1% increase in electricity consumption generates 0.03%–0.05% increase in output while 1% increase in total trade results in 0.5% increase in output. Simultaneously 1% increment in the openness of trade adds 1% increase in output of Bhutan. Hence, Indo-Bhutan trade creates an energy dependent economic growth to both the countries. **Rajesh Kharat (2010)<sup>v</sup>**, stated that by the commencement of Indo-Bhutan Treaty of 1949, which was later revised in February 2007, created a very strong economic and cultural Links between the two countries. Major focus was upon the Exporting of Hydroelectricity and Development Assistance leading to bilateral strategic benefits to both. As Bhutan provides natural barrier in the Himalayas and access to all natural and hydrological resources to India. After the flow of foreign investment and free trade the market was fully available to both the countries. It provided political & stable support to Bhutan leading to peace and order in its border states. India provided open access to road of free trade as a strong supporter and sympathizer at international forums. Commencement of CHUKHA HYDRO PROJECT is the sign of Indo- Bhutan Friendship and relationship. Further **Kuei-hsiang Hsu (2001)<sup>vi</sup>** study traces about Bhutan dependency on India for International trade and financial aids and assistance from India. India has always been providing financial and technical support to this tiny state in various affairs including establishment of Hydro power generation, Highways, manufacturing units etc. Bhutan has also been supportive to India's stand at most of the international forums. **Harjeet Singh (2016)<sup>vii</sup>** has examined the trade pattern between India and Bhutan where their bilateral trade contributes about 0.2 per cent of India's global trade and 76.7 per cent of Bhutan's global trade during 2012. On the contrary during current years India faced balance of trade deficit with Bhutan due to high imports of Hydro electricity. While during the past few years this trend has been changing from negative to positive (surplus) trade balance. It is pretty much clear that Bhutan's Electricity exporting capability is much lower than the demand for it from India. Hence it is a matter of concern for both the nations to develop more opportunities for each other for their mutual strategic gains.

**Sikdar et. al (2006)<sup>viii</sup>** in their study based on H-O model of comparative advantage influenced by factor endowment said that exports and imports of goods at times acts as a alternate to factor movement and free trade tends to equalize relative and absolute gains from trade. Further they

described that India and Bangladesh due to its location propinquity, cultural similarity and common heritage and language becomes natural market for each other. And hence since after the liberalization of Bangladesh economy during 1980's India gained comparative advantage in the trade with Bangladesh. As Bangladesh had a freer trade policy than India, India could win better market access to Bangladesh's market than Bangladesh as India's trade policy had relatively higher tariff and NTB. **Dutta P. (2010)<sup>ix</sup>** observed that the trade relationship has had a detrimental effect on bilateral relationship. The geographical proximity of India to Bangladesh has made it one of its biggest trading partners. Bangladesh's bilateral trade deficit with India has been increasing rapidly on average at about 9.5% annually.

**According CUTTS REPORT(2014)<sup>x</sup>**, it was found that both India and Bangladesh maintain significantly better trade standards, procedures and systems with partner countries outside the South Asian region than within. By reducing barriers such as poor trade infrastructure and services through progressive reforms, both countries together stand to save a minimum of about 24.36 percent of their current aggregate bilateral trade costs.

**Shrestha G.R. (2003)<sup>xi</sup>** observed that Nepal's exports to India saw a consistent decline since 1990's while India's exports to Nepal were consistently maintained till 1995 while both exports and imports between India and Nepal increased rapidly after 1996-97 after the Indo-Nepal Trade Treaty on 1996. **Shahnawaz, Alam (2015)<sup>xii</sup>** has observed that Indo-Nepal relationship is demonstrated by open borders. Hence, trade terms between the two nations are because of socio-cultural and historic ethnicity between the two. India has been consistently extending support to Nepal through trade relaxations and financial assistance. Unrestricted imports from Nepal provides it a privilege to access Indian market. While duty free imports of Nepal via India from rest of the world causes losses to potential Indian exporters. **Kavitha K K, (2016)<sup>xiii</sup>**, highlighted that Indo- Nepal trade relations is strategic and unique for both the countries. Security concerns (to both) and Nepal trade dependency (due to land locked geographical positioning) necessitates to walk hand in hand. After the economic reform of 1991, On the visit of Former Nepalese PM G.P. Koirala, India and Nepal entered into a special trade and transit treaty which enable both the countries with supplementary economical benefits. **Chaulagai Mahesh K. (2013)<sup>xiv</sup>**, in his study has concluded that Nepal is not able to reap benefits even though India has been growing substantially as compared to Nepal. This phenomena exists because of the “Black Hole Effect” of India on Nepal's Economy. Nepalese people are dependent on the purchases from the bordering Indian markets. Also, Nepalese industries also rely on India's import. Hence, this tyranny of geography favors only to India's economy and creates unidirectional flow of trade between the two economies. **Taneja N. et al. (2011)<sup>xv</sup>**, has identified that Tariff concessions between India and Nepal trade has been the major factor motivating the trade. In 2002 treaty India levied tariff rate quota which enabled Nepal to utilize the quota and attain gains. Nepal and India can promote its trade in electricity by negotiating over pricing concerns. This can be a win-win situation for both the economies.

**Dr. Marie Lall (2008)<sup>xvi</sup>**, has discussed about the strategic importance of Myanmar in terms of geopolitical border areas. India has always been concerned about trade and non-trade ties with Myanmar with the view that India has always been in threat to be surrounded by China and Chinese allies. She has further highlighted that India's trade with Myanmar just not facilitates the three sister

states bordering Myanmar but also important for the growth and development of both the countries. **Mihir Bhonsale (2015)<sup>xvii</sup>**, has highlighted in his article that bilateral trade between India and Myanmar can be fostered through border trade and maritime trade. The bilateral trade between the two received impetuses since 2008 due to economic reforms of Myanmar. And further the trade grew at a faster rate. **C. Lalremruata (2015)<sup>xviii</sup>**, has highlighted the challenges at Zokhawthar, Mizoram cross border check post such as banking facility, internet access and courier services etc. which has been a factor hindering the border trade with Myanmar. Dr. Ram Upendra Das (2016)<sup>xix</sup> has highlighted the issues pertaining to border trade regime including abandoning of barter trade, currency issue with reference to Asian Clearing Mechanism (ACM) and letter of credit issuing problems are major factors deteriorating bilateral border trade.

### **Data & Methodology**

The Line Charts of the time series data reveals that there has been an exponential growth of exports and imports between the set of two countries with some shift/shifts over the period of time. Conducting a regression analysis upon the given data sets reveals that the value of  $R^2$  and adjusted  $R^2$  are high featuring a good fit of the model. Further ANOVA statistics also came out suggesting the appropriateness of the model considered. Linear Regression Equations used for the analysis:-

$$Y_t = \theta + \beta_1 T + \beta_2 D + U_t$$

$Y_t$  India's Exports/Imports to/from neighboring country which is a dependent variable.  $T$  is Time (1991 to 2016) and  $D$  is dummy which has been used to show shift in the time series. These two are the independent variable. The coefficient of time explains the marginal change every year. The dummy in the regression model has been used to assess the shift in the trend.

### **Results & Discussions:**

#### **India-Bangladesh Trade:**

##### **Regression Estimates for India's trade with Bangladesh**

<i>S. No.</i>	<i>Countries</i>	<i>Particular</i>	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>R Square</i>
1	India's exports to Bangladesh	Intercept	<b>-254517</b>	361368	-0.7043	<b>0.48831</b>	<b>0.85886</b>
		Time	<b>144062</b>	34687.8	4.1531	<b>0.00038</b>	
		Dummy (2008)	<b>1553936</b>	546846	2.84163	<b>0.00924</b>	
2	India's Imports from Bangladesh	Intercept	<b>-111564</b>	47377.4	-2.3548	0.02744	<b>0.81629</b>
		Time	<b>22112.1</b>	5209.32	4.24473	0.00031	
		Dummy (2005)	<b>74463.1</b>	78372	0.95012	0.35193	

The regression analysis for the trend and shift of India's export to Bangladesh and India's imports from Bangladesh indicates that over the study period exports and imports from Bangladesh have been declining on an average and hence the intercept for both the regressions is negative While the coefficient of time is positive and statistically significant in both the regressions During the shift year there has been a increment of USD 1,299,418.4193 Thousand of exports from India to Bangladesh. The increment in the average exports during the shift period might be a consequence of the India-Bangladesh trade agreement 2006. Whose Articles III, V and XII proposed to meet the problems of asymmetries in the bilateral trade between the two countries where the two economies agreed on diversifying the trade by facilitating the trade of specific products through promotional policy tools.<sup>xx</sup> This Bilateral Agreement was signed on March 2006, and it came into force on 1 April, 2006 for next three years. The overall imports are increasing after the shift period but during the shift year there has been a decrement of USD 37,099.905 Thousand of average imports from India to Bangladesh. Although the Bilateral trade flows between India and Bangladesh demonstrated significant fluctuations. But India's imports from Bangladesh accelerated till 2005. And After that it decelerated at a rapid rate until 2009. Trade was strongly affected in the wake of Global economic meltdown and financial crisis of 2008. Further it recovered considerable after 2010.<sup>xxi</sup>

**India-Bhutan Trade:**

**Regression Estimates for India's trade with Bhutan**

S. No.	Countries	particular	Coefficients	Standard Error	t Stat	P-value	R Square
1	India's exports to Bhutan	Intercept	<b>-40754.1</b>	24434.22	-1.66791	0.108893	<b>0.78824</b>
		Time	<b>7987.321</b>	2235.191	3.573441	0.001611	
		Dummy (2009)	<b>82163.43</b>	36321.85	2.262094	0.033449	
2	India's Imports from Bhutan	Intercept	<b>-7542.46</b>	13996.15	-0.5389	0.595138	<b>0.84328</b>
		Time	<b>3808.537</b>	1595.01	2.387783	0.025553	
		Dummy(2004)	<b>80175.32</b>	23925.14	3.351091	0.002767	

The analysis for the trend and shift of India's export to Bhutan shows that during the shift year there has been an increment of average exports from India to Bhutan. This upward trend could be presumed as during the visit to India of His Majesty Jigme Khesar Namgyel Wangchuck the “Indo-Bhutan Friendship Treaty-1949” was revised on 8th February 2007 in New Delhi which came into existence on 2nd March 2007 with the exchange of Instrument of Ratification in Thimpu. Under the Article III & IV of the new treaty, both the governments promised to assist and facilitate each other in the area of trade and commerce. Further in article IV,GOI agreed upon free exports of the warlike materials and stores required to strengthen the Bhutan's defense regiments for the welfare of Bhutan with the commitment from Government of Bhutan to not to export of such outside Bhutan.<sup>xxii</sup> Such pro trade policy resulted in the strong and increasing trade ties between the countries. After the shift period there has been an increment of average imports from India to Bhutan. This outburst increase in the imports from Bhutan is the consequence of the imports of Hydro power received from the surplus output of the largest project Tala Hydroelectric Project (THEP) which completed in the year



2004.<sup>xxiii</sup> Before the exports of hydro power by Bhutan, It always had negative trade balance with India. In 2006, a comprehensive agreement in the hydropower sector was signed between the two countries. Further, an additional protocol was signed in March 2009. The Hydro power increasing consumption rates in India and the growing market for power exports has facilitated Bhutan to have a Hydro Power Export-Led growth.<sup>xxiv</sup>

### India-Myanmar Trade:

Statistics indicates increase in the exports after the shift period. This upswing trend in the in India's exports resulted out of the two steps taken viz. Bilateral Investment Promotion Agreement (BIPA) and Double Taxation Avoidance Agreement (DTAA) which were signed in 2008. Further, in 2009, India and Myanmar signed India-ASEAN trade in goods agreements.<sup>xxv</sup>

#### Regression Estimates for India's trade with Myanmar

S. No.	Countries	Particular	Coefficients	Standard Error	t Stat	P-value	R Square
1	India's exports to Myanmar	Intercept	-141579	82172.31	-1.72295	0.098319	<b>0.738540409</b>
		Time	22352.48	7887.725	2.833831	0.009408	
		Dummy(2008)	240196.2	124348.5	1.931637	0.065817	
2	India's Imports from Myanmar	Intercept	-62422.3	72603.32	-0.85977	0.398788	<b>0.903661</b>
		Time	36806.63	7983.002	4.610626	0.000123	
		Dummy(2005)	364521.5	120100.9	3.035127	0.005884	

As demonstrated by statistics India's import from Myanmar has considerable increased after the shift period. In context of policy formulation, one more agreement was set in 2004 between Joint Task Force between Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and Confederation of India Industry which has given uplift to India's imports from Myanmar. Further Joint Trade Committee meeting facilitated the trade through a MoU between United Bank of India and 3 National Bank of Myanmar.<sup>xxvi</sup> Myanmar's actual exports to India have surpassed its potential export to India. The exports of leguminous dries pulses and wood are the key commodities which are traded between the countries.<sup>xxvii</sup>

### India-Nepal Trade:

Statistics indicates that every year the exports and import have increased throughout the time series while during the shift period there has been increase in the exports substantially. During the shift year there has been an increment of USD 270865.7 Thousand of average exports from India to Nepal. Ample of reasons have come out to support the growth of this bilateral trade. Nepal's imports from India have undergone structural change. The imports includes vehicle and spare parts, medicines and medical equipments along with machinery and spare parts. Import of electric goods, telecommunication equipments, petroleum products, pharmaceuticals, textiles including raw silk and threads, transport equipments, aircrafts were also added to the list. On 16<sup>th</sup> August 2004, on request of Nepal, India established Customs Cell at Haldia. Further, Under the India-Nepal Treaty of

Transit 15 transit routes between Kolkata & Indo-Nepal Border were facilitated. The Rail Agreement between the two nations was also signed to carry bulk cargo by train between Kolkatta to Birgunj. Agreement for Cooperation between India and Nepal to Control Unauthorized Trade was also renewed in March 2007.<sup>xxviii</sup>

### Regression Estimates for India's trade with Nepal

S. No.	Countries	Particular	Coefficients	Standard Error	t Stat	P-value	R Square
1	India's exports to Nepal	Intercept	-633251	282415.9	-2.24226	0.034881	<b>0.831389</b>
		Time	110209.8	28433.27	3.876084	0.000765	
		Dummy(2007)	904116.7	438330.3	2.062638	0.050616	
2	India's Imports from Nepal	Intercept	19027.02	33730.95	0.564082	0.578158	<b>0.823456</b>
		Time	13041.39	3961.499	3.292035	0.003191	
		Dummy(2001)	152814.9	61070.88	2.502254	0.019895	

*The regression analysis for the trend and shift of India's imports from Nepal that on an average, the imports have been good.* After the shift year there has been an increment of USD 171841.92 Thousand of average imports. Imports from Nepal are because of Indo-Nepal Treaty on Trade & Transit, 1996 which was again amended in 2001. During 1996-2002 India's imports from Nepal existed as an advantage of zero custom duty and absence of rule of origin which fostered Chinese re-exports via Nepal which hindered the Indian Industries. Then in the new amendment accompanied the norms associated to certificate of origin and value addition.<sup>xxix</sup> The data also shows a fall in the imports from Nepal in 2002. After this period, imports again gained momentum after 2003. According to **Posh Raj Pandey**, executive chairman of South Asia Watch on Trade, Economics and Environment, the imports from Nepal surged due to depreciation of Nepali Rupee against USD. Further Trade Expert Bijendra Man Shakya, mentioned that reasons for the increasing trade between India and Nepal has been preferential treatment by India to Nepal.<sup>xxx</sup> Another important cause of increasing imports from Nepal is attributed to the removal of Quantitative restriction, 2 year before the schedule in 1998.

### **CONCLUSION & POLICY IMPLICATION:**

The study have investigated the shifts in bilateral trade of India and its neighboring countries viz. Bangladesh, Bhutan, Myanmar and Nepal since the Economic Liberalization of Indian economy over the period of 26 years (1991 to 2016). India has bilateral and multilateral trade agreements with these economies. Hence, there is a huge potential of untapped trade which further needs to be explored. To facilitate this GOI has formulated much more inclusive policies to tap the potentiality in the trade.

The data from 1991 to 2016 analyzed that major shifts in the trade trends have occurred in the 2000s decade which were all backed by some policy amendments and policy formulation. It has been geo-strategically relationship of India along with its huge size which brings out a natural dependency of these neighboring economies.

The regression analysis estimates has shown significant potential for trade increment in the future. Border Effect is another factor which also maximizes the trade relation and market access with the neighboring countries. Hence, there is a further need of mutual cooperation of the bilateral nations to facilitate the export-led growth of India and its neighbors.

Further the authors recommended further studies with longer time series with diversified data on the basis of sectoral analysis which may give better results. As a prospect avenues of the study gravity model with some other variables can be considered. Nevertheless, this study proves out as very useful with some very important findings such as the majority of the shifts have taken place after the occurrence of Economic slowdown of 2008. And India's Regional trade has seen a better trend since the economic slowdown.<sup>xxxix</sup>

## References :

- [http://www.mfa.gov.bt/rbedelhi/?page\\_id=30](http://www.mfa.gov.bt/rbedelhi/?page_id=30) accessed on December 8, 2018
- ANI News Published on 7, July 2015 available at: <https://www.youtube.com/watch?v=pJ9QkOqpJDM> accessed on Nov, 15 2015
- Sukumar Nandi and Basudeb Biswas, "Export and Economic Growth in India: Empirical Evidence". Indian Economic Journal Vol. 38 1991.
- Sahni, Priyanka (2014), "Trends in India's Exports: A Comparative Study of Pre and Post Reform Period", Journal of Economics and Finance, Vol 3, No 2, pp 8-18. *Study of Post Reform Period of Indian... (PDF Download Available)*. Available from: <http://www.iosrjournals.org/iosr-jef/papers/vol3-issue2/Version-1/B03210818.pdf>[accessed May 11, 2017].
- Panagariya, Arvind, 2004b, "India's Trade Reform," India Policy Forum 1, 1-57
- Hooi Hooi Lean and Russell Smyth (2014), Electricity Consumption, Output, and Trade in Bhutan , W.P.No. 34, ADB South Asia Working Paper Series ADB South Asia Working Paper Series.
- Rajesh Kharat (2010) Bhutan's security scenario, Contemporary South Asia, 13:2, 171-185, DOI: 10.1080/0958493042000242954
- Kuei-hsiang Hsu, 'A preliminary study of the triangular relationship between Bhutan, China and India', National Chengchi University: Taiwan, undated, p. 9, available at <<http://www.mtac.gov.tw/mtacbooke/upload/09707/0201/e1.pdf>> accessed 17 June 2017.
- Singh Harjeet (2016) , "***Bilateral Trade between India and Bhutan Since 1985***" International Journal of Economics, Commerce and Research (IJECR) **2016**; 6 (4) : 13-22, accessed from <http://www.tjprc.org/publishpapers/2-41-1469013014> on July, 12 2017
- Sikdar, C. R. and Chakraborty, M. (2006), "Bilateral Trade between India and Bangladesh: A General Equilibrium Approach," Economic Systems Research, 18(3), 257-279.
- Accessed from <http://www.ipcs.org/special-report/india/india-bangladesh-relations-issues-problems-and-recent-developments-97.html> on 18 November 2017.
- CUTS International (2014). India-Bangladesh Trade Potentiality An Assessment of Trade Facilitation Issues. Jaipur: CUTS International, pp.10-13. Available at [http://www.cuts-citee.org/ibta-ii/pdf/india-bangladesh\\_trade\\_potentiality-an\\_assessment\\_of\\_trade\\_facilitation\\_issues.pdf](http://www.cuts-citee.org/ibta-ii/pdf/india-bangladesh_trade_potentiality-an_assessment_of_trade_facilitation_issues.pdf), accessed on 17 May 2017
- Shrestha, Gyanu Raja, Nepal-India Bilateral Trade Relations Problems and Prospects, Research and Information System for the Non-Aligned and Other Developing Countries (RIS), New Delhi, June 2003
- Alam, D. (2015). A Macro Analysis of India and Nepal Bilateral Trade: Retrospect and Prospects . *IOSR Journal of Economics and Finance (IOSR-JEF)* , Volume 6 (Issue 6), 1-10. Retrieved March 11, 2017.

- Kavitha K K (2016, June 11). The Changing Paradigm of India- Nepal Relations: Problems and Prospects. Quest Journals: Journal of Research in Business and Management, Volume 4, Issue 5 (2016) pp: 10-15, ISSN(Online) : 2347-3002 Retrieved March 7, 2017, from [www.questjournals.org](http://www.questjournals.org)
- Chaulagai, M. K. (2013). Indo-Nepal Trade Relation: The Phenomenon of Black Hole Effect. *NRB Working Paper series*. Retrieved March 8, 2017, from [www.nrb.org.np](http://www.nrb.org.np).
- Taneja N., Chowdhury S. & Prakash S. (2011), India–Nepal Economic Cooperation Towards a New Paradigm, Indian Council of World Affairs (ICWA) SAGE Publications, India Quarterly 67(2), PP - 129–147 retrieved from <http://journals.sagepub.com/doi/pdf/10.1177/097492841006700203> on 15 february, 2016.
- Dr. Marie Lall (2008), India-Myanmar Relations – Geopolitics and Energy in Light of the New Balance of Power in Asia, Working Paper No. 29, Institute of South Asian Studies, National University of Singapore accessed from <http://www.burmalibrary.org/docs09/Geopolitics&Energy-Lall-red.pdf> on 14 May 2016.
- Mihir Bhonsale (2015), “Myanmar: Trade with India Rising; much more needs to be done”. ORF SOUTH ASIA WEEKLY Monitor, 2 February 2015. Available at <https://www.orfonline.org/research/myanmar-trade-with-india-rising-much-more-needs-to-be-done/> accessed on 14 May 2016
- C. Lalremruata (2015), India-Myanmar Relations: Looking from Mizoram Borde, Conference Report 28 -29 September 2015, India-Myanmar Relations Looking from the Border, Institute of Social Sciences, New Delhi pp - 22 - 23 , Available at [https://in.boell.org/sites/default/files/india-myanmar\\_relations\\_looking\\_from\\_the\\_border.pdf](https://in.boell.org/sites/default/files/india-myanmar_relations_looking_from_the_border.pdf) accessed on 14 May 2016.
- Dr.Ram Upendra Das (2016), “India-Myanmar Border Trade Policy and Implementation Measures”, Department of Commerce Ministry of Commerce and Industry Government of India, New Delhi, 12 May 2016. [https://commerce.gov.in/writereaddata/trade/India\\_Bangladesh\\_Trade\\_Agreement.pdf](https://commerce.gov.in/writereaddata/trade/India_Bangladesh_Trade_Agreement.pdf) accessed on Dec 2, 2018
- Basher,A. 2013. Indo-Bangla Trade: Composition, Trends and Way Forward. Commonwealth secretariat. April, 4-21.
- Accessed from <https://idsa.in/resources/documents/Ind-BhutanFriendshiptreaty.2007> on Nov, 12, 2018.
- Accessed from <https://www.nationsencyclopedia.com/Asia-and-Oceania/Bhutan-FOREIGN-TRADE.html> on Nov, 12, 2018.
- Accessed from [https://www.files.ethz.ch/isn/135490/IB\\_IndiaBhutanPowerCooperation.pdf](https://www.files.ethz.ch/isn/135490/IB_IndiaBhutanPowerCooperation.pdf) on Nov, 12, 2018.
- Accessed from <https://mea.gov.in/Portal/ForeignRelation/myanmar-july-2012.pdf> accessed on Nov, 12, 2018.
- Accessed from <https://mea.gov.in/Portal/ForeignRelation/myanmar-july-2012.pdf> accessed on Nov, 12, 2018.
- Accessed from [http://www.ide.go.jp/library/English/Publish/Download/Brc/pdf/13\\_03.pdf](http://www.ide.go.jp/library/English/Publish/Download/Brc/pdf/13_03.pdf) , page 47, accessed on Nov, 12, 2018
- Accessed from <https://in.nepalembassy.gov.np/trade-and-commerce/> accessed on Dec, 09, 2018.
- Accessed from <http://www.dcmsme.gov.in/emerge/nepal.htm> accessed on Dec 09, 2018.
- Accessed from <http://kathmandupost.ekantipur.com/news/2014-02-04/nepals-trade-dependency-on-india-swells-in-2000s.html> accessed on Dec, 09, 2018.