

ABSTRACT

After the Second World War there was an increase in multilateralism but during the 1990's the concept of RTAs increased. Article XXIV of GATT actually allows to form RTAs. Such RTAs are increasingly the norm in globalizing economy and pose a possible challenge to the WTO's objective of global free trade since technically regional trading arrangements are violative of multilateralism. They range from preferential trading arrangement to economic union.

With the formation of NAFTA in the year 1994 and EU in the year 1993, the rest of the world realized the importance of promoting regionalism. In the year 1994 itself, the SAARC countries made SAPTA. No positive result was achieved. So in 2004 again, the SAARC countries joined hands and made SAFTA.

Individual countries don't have much bargaining power in global platform as the share of world trade of each individual country is very low. But, when these countries come together and form a regional trade bloc and act as a unit then they have a stronger voice due to the increase in share of world trade. South Asia is the least integrated region of the world in terms of goods, capital and ideas. The basic objective of SAARC is to promote intra-regional trade among the member countries and thereby economic cooperation and development. What changes have taken place in merchandise trade, commodity composition, terms of trade and instability of Indo-SAARC trade after globalization are studied here. To analyse the above mentioned terms some econometric methods like OLS and Regression Analysis are followed. A Package like SPSS is specially applied to explain the instability in Indo-SAARC trade. Being based on the analysis, some concrete suggestions are placed for future development. In this study only secondary data are used. These data are available in raw form; and these data are processed through different statistical methods.

In merchandise trade Indo-SAARC trade is discussed in different angles during pre-globalization period and post-globalization period. The study period is 1986-2018. Data for the period 1986-1996 are collected physically from DGCIS, Kolkata and from 1996-1997 onwards data are collected from the website of Ministry of Commerce and Industry, Government of India, whose source of export-import data is also DGCIS.

In commodity composition India's exports to SAARC countries namely Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka are taken into account. Maldives and Afghanistan are excluded as India's export to Maldives was insignificant and Afghanistan became member of SAARC in 2007. The study period had been divided into two periods: 1996-97 to 2005-06 and 2006-07 to 2015-16 i.e. 10 years before SAFTA and 10 years after SAFTA. What changes have taken place in post-SAFTA period are discussed here.

For terms of trade Laspeyres' price index is used to calculate EUVI and IUVI. We have selected 2011-12 as the base year. Values of exports of base year have been arranged from largest to smallest. More or less top 30 commodities of 8 digit HS Code for the

base year, the values of which covered more than 50% of total exports, have been selected. Export Data of Quantity and Value are collected from Ministry of Commerce, Government of India. Dividing Value of export of each year by its quantity, we get unit price of export. By multiplying current unit price with base year quantity, we get current value of base year quantity. Base value of base year quantity will be the value of exports of base year 2011-12. Dividing current value of base year quantity by base value of base year quantity, we get Export Unit Value Index (EUVI).

Similarly, to calculate the import unit value index (IUVI) similar steps have been followed. India's commodity terms of trade is then calculated by the ratio of EUVI to IUVI multiplied by 100.

India's terms of trade with Bangladesh, Pakistan and Sri Lanka was mixed in pre-SAFTA period while with Bhutan it was favourable and with Nepal it was unfavorable. India's terms of trade with Bhutan, Pakistan and Sri Lanka was favourable in post-SAFTA period while with Bangladesh and Nepal it was unfavorable.

The researcher has calculated the growth rate and volatility of important commodities India exports to Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka. For analytical purposes these products have been classified into a four- fold typology: HG/HV, HG/LV, LG/HV and LG/LV.

Key Words: Pre-SAFTA, Post-SAFTA, Commodity Composition, EUVI, IUVI, Terms of Trade, Volatility.