



**MAPPING TRADE COMPLEMENTARITY
OF
INDIA, BANGLADESH, PAKISTAN AND SRI LANKA**

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Naina Adarsh

Date:



DECLARATION

This is to certify that the internship report on “MAPPING TRADE COMPLEMENTARITY OF INDIA, BANGLADESH, PAKISTAN AND SRI LANKA” submitted to University of Petroleum & Energy Studies, Dehradun by NAINA ADARSH, in partial fulfillment of the requirement for the award of degree of Masters of Business Administration (International Business), is a bonafied work carried out by her under my supervision and guidance. This work has not been submitted anywhere else for any other degree/diploma.

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CHAPTER 1 INTRODUCTION

In today's world, no nation is in economic isolation. The economy of a country, its industries, services sectors, income levels and employment and living standards are linked to the economies of its trading partners. The benefits of international trade in the back drop forms of domestic prices, the development of more effective methods and products and a wider range of consumer choices. In an open trading system, a country will import those goods that it produces a relatively higher cost. Since resources are channeled to uses of low productivity than the high productivity, the gains from trade are achieved allow higher levels of consumption and investment.

Over the past 20 years, world trade has grown twice as fast as real GDP deeper economic integration and raise living standards. The role of trade in economic development is considerable and the two are intertwined. Trade can stimulate growth if exports tend to grow faster than imports, or be a drag on growth if imports tend to rise faster than exports. The spectacular growth of cross-border investment and international trade over the last two decades is combined with the explosive growth of global communications and technology.

The volume of international trade has also grown considerably to collectors in recent years, which is obvious for the well-being of nations through open trading systems. However, it is generally accepted that gains to a nation of free international trade can more than compensate for the losses suffered by the individual national companies and workers. While free trade is often strong advocates, many countries believe that trade expansion is best accomplished through the creation of Regional Economic Association.

The South Asian Association for Regional Cooperation (SAARC) comprises the seven countries of South Asia namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. SAARC is a manifestation of the determination of the people of South Asia to work together to find solutions to their common problems in a spirit of friendship, trust and understanding and create an order based on mutual respect, equity and shared benefits.

The main objective of the Association is the acceleration of economic and social development process in the Member States, through collective action in agreed areas of cooperation.

The economies of South Asia differ considerably in size. There are also large variations in per capita income between countries.



1.1 STATEMENT OF PROBLEM

The international economic environment and the global political balance underwent revolutionary changes since the beginning of 1980. The introduction of this development has led to a continuing erosion of the multilateral framework of the trading system: the increasing internationalization of the production, application of various unfair trade policies protecting and comparative disparity on the distribution of benefits from the existing trading system. In addition, the formation of regional groupings of organizations has become a trend in the world economies since the post-World War II, not only to strengthen progressive economic integration to overcome barriers to global trade policies, but also exploit the potential complementarities for a better allocation of resources for mutual comparative advantage.

The trend of excessive regionalization of global markets vis-à-vis the formation of various regional blocks have created a common threat to the prospects for a multilateral trading system and the open door to bilateralism, despite the efforts of WTO to evolve a multilateral trading system of freely under the framework of the new round of trade negotiations.

Since the late 1950s, over forty of economic cooperation and association agreements have been formed among developing countries ". Their experience has shown that most of them disintegrate prematurely in an atmosphere of hostility and recrimination or otherwise have become inactive and continue to exist but only on paper. It is possible to evaluate the success of the regional economic cooperation among developing countries than in more to say long term, after the development of a productive sector capable of responding to increasing regional demand inter . In addition, REA (Regional Economic Association) is needed between the developing countries to increase the group's bargaining power in its economic and sometimes political external relations.

SAARC was founded by the declaration of Dhaka in 1985 as a regional grouping of seven South Asian developing countries viz., Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. After successful establishment of SAARC as an association for political affairs, literally all the seven countries agreed to form a regional bloc for economic

activities. This dream came to realize in the end when ACPAS was founded on 11 th of April. 1993.

The main objective of this study is to analyze the trade complementarity of India with Pakistan, Bangladesh and Sri Lanka. This study considers a change in trade during 2005 to 2014.



1.2 IMPORTANCE OF THE STUDY

Trade is important because they form the basic component of the process of growth and employment generation in the country. Therefore, it becomes a matter of the utmost importance to study the different options for improving trade relations with various countries and especially developing countries.

1.3 PURPOSE OF THE STUDY

- Analyze the trade complementarity of India, Pakistan, Bangladesh and Sri Lanka.
- To make recommendations to improve and consolidate trade of India with the above countries.



CHAPTER 2 - REVIEW OF LITERATURE

2.1 REGIONAL INTEGRATION

Regional versus global integration takes because of the ease in the promotion of cooperation was on a smaller scale as well as accomplish the realization of the benefits of the enlarged market size. One of the most widespread and most characteristic features of the post-World War 11 era was the emergence and growing importance of regional economic groups in different parts of the world. Those widely combines the elements of research and export-oriented within the import substitution policies at regional level to boost internal trade and outside the area. Promote industrialization more efficiently. Increase efficiency and improve the allocation of scarce resources due to the elimination of trade barriers. Accelerate the process of global economic progress through collective self-reliance was regional basis.

The term "regional economic cooperation" means clustering, collaboration of a group of nations Including regional economic issues is to exploit the benefits beyond what would be possible, under normal economic relations without cooperation. Regional economic cooperation can be in different forms. In a very simple form, the extent of cooperation between nations may be limited to individual or selected economic issues such as the mutual trade agreements and preferential tariff under a broad form, it can cover a wide range economic issues like tariffs, technology, investment, joint ventures, tax and monetary policies.

2.2 STAGES (FORMS) OF REGIONAL ECONOMIC CO-OPERATION:

REC (Regional Economic Co-operation) is an evolutionary process, consists of several stages of harmonization of the economic policies of the participating countries, each stage reflects the extent or degree of co-operation between the member countries for the common benefit of the group as a whole. The stages are as follows:

Co-ordination of trade policies:

The basic principle is to avoid discrimination in trade among the member countries. This usually reveals the form of a limited co-operation in terms of preferential tariff arrangements for selected commodities between the member countries.

Free Trade Area:

Havana Charter defines Free Trade Agreement, as "A Free Trade Area shall be understood to mean a group of two or more Customs territories in which the duties and other restrictive regions of commerce are eliminated on substantially all the trade between the consistent territories in products originating in such territories

Accordingly the main features of FTA can be listed as follows:

- All Tariff and Non-tariff restrictions on commodity trade between Participating countries are eliminated.
- There is no common external tariff, i.e., each country retains its own Tariff against Non-member.

Customs Union:

The main features of Customs Union are "Blocks of countries with free internal trade and with a common tariff for the outside world" should be understood to mean. Besides the suppression of discrimination in the field of commodity movements within the union, the creation of a common tariff wall against non-members.

Common Market:

A common market provides full scope for the operation of competitive market forces. Intra-regional trade within the common market would depend solely on comparative advantage

in terms of cost of production based on specially natural resources endowments. The mechanism of a common market eliminates all restrictions on factor movements apart from removal of all barriers in trade in goods and services among the member nations.

Regional Economic Union:

In an Economic Union, there will be great degree of harmonization of economic policies in all areas viz., agriculture, industry, transport, trade, and commerce, fiscal and monetary areas. It is a minor stage of transition before a common market becomes a fully economically integrated community.

Regional Economic Integration:

Regional Economic Integration represents the most advanced and perhaps the ultimate stage of economic Co-operation. At this stage, a regional authority is established which decides on all regional policy issues and also implements them. The member nations are represented in the regional authority and as such they became a party to the decisions on the regional authority. The decisions of the regional authority are binding on all the member nations and this abridges to some extent the sovereign authority of the national governments of the participating nations. The success or failure of Regional Economic Co-operation depends essentially on the collective action of the member countries in terms co-ordination and harmonization of economic policies. Some countries may have to sacrifice their national sovereignty to some extent for the success of Regional Economic Co-operation.

2.3 RATIONALE FOR REGIONAL ECONOMIC CO-OPERATION:

Regional economic cooperation among developing countries is generally regarded as an essential contribution to their economic development. The justification for regional economic cooperation is based on a number of factors, including some that cannot be regarded as economic.

- Regional economic cooperation allows participating countries to overcome the small size of their domestic markets, which is particularly important for small economies that are facing the problem of reaching the "threshold" levels in many economic and technological assets. Regional cooperation helps member countries to achieve greater economies of scale in production and achieve specialization.
- Regional economic cooperation allows participating countries to make greater use of underutilized economic potential in terms of human, natural and technological resources. This contributes to the industrial diversification and reducing economic dependence.
- Regional economic cooperation allows participating countries to exploit the potential complementarities and also to establish strategic alliances between companies to improve their competitiveness in global markets.
- Regional economic cooperation facilitates the levels of cooperation between service companies, academic and research institutions, technical experts and professionals and ordinary people has increased. Thus, regional economic cooperation could form the basis for wider cooperation in many other fields such as the arts, culture, sports, education and other related fields, all grouped together would improve the quality of Life in the participating countries.

2.4 PROFILE OF COUNTRIES

This section takes a brief look at the profiles of the South Asian countries in terms of Population, Forms of Government, Merchandise Trade, and other basic characteristic features

2.4.1. INDIA

India is an ancient civilization whose roots date back over 5000 years during which a composite culture emerged making it a land of unity in diversity. Today India is the seventh largest and second most populous country in the world. It gained independence from British 15 August 1947. India became a Republic January 26, 1950 when its constitution, which provides for a parliamentary system of government, entered into force.

The President of India is the head of state, but the real executive power vests in the Council of Ministers headed by the Prime Minister, who assists and advises the President. Parliament consists of two chambers, known as the Council of States (Rajya Sabha) and the House of the People (Lok Sabha). The Council of Ministers is responsible to the People's Chamber.

There are eighteen languages recognized by the Indian Constitution which Hindi, spoken by about 30% of the population, is the official language. Almost all the major religions of the world is represented in India. India ranks among the top ten industrialized countries of the world and has a middle class richer. In terms of purchasing power parity, India's economy is the seventh largest in the world. "The main exports include textiles, tea, seafood, jute and jute products, gems and chemicals jewelry, engineering goods, computer software. Exports have diversified in recent years with the highest growth in technology and products and services based on knowledge. Imports consist mainly of fertilizers, fuel and petroleum products, newsprint, drugs and pharmaceuticals, and organic and inorganic chemicals. The agricultural sector continues to be an important sector of the economy because it contributes to 17% of GDP, provides employment 53% of the active population and

accounts for 10% share of the total value of exports. The exports and total imports from India in 2014 is US \$ 318,173,821 million and US \$ 462,921,191 respectively

2.4.2 BANGLADESH

Bangladesh emerged as an independent country on December 16 1971. Its official name is the "People's Republic of Bangladesh" then. Dhaka is the capital of the Republic and Bengali is state of the language. The Independence Day and National Bangladesh is March 26.

The country's population is 160 million. About 80 percent of the population lives in rural areas. Sixty percent of the population depends on agriculture for their livelihood.

The four major religions in the country are Islam, Hinduism, Buddhism and Christianity. Muslims make up about 88% of the population and about 10% Hindus. The Constitution guarantees religious and cultural freedom for all citizens of Bangladesh.

Bangladesh is a unitary republic, independent and sovereign with three basic bodies: the executive, legislative and judicial. The President is the head of state and is elected by the members of Parliament. The President shall act in accordance with the opinion of the Prime Minister, who is the executive chief.

Bangladesh is a predominantly agrarian economy. The country also has a considerable number of large industries, small and medium enterprises in both the public and private sectors based on domestic and imported raw materials. Among them are jute, cotton, textiles, fertilizer, engineering, shipbuilding, steel, oil refining, paper, newsprint, sugar, chemicals, cement and leather.

Exports and total imports from Bangladesh in 2014 is US \$ 30,999,233 thousand, thousand US \$ 33,337,324, respectively.

2.4.3 PAKISTAN

The Islamic Republic of Pakistan appeared on the world map 14 August 1947 under the leadership of Muhammad Ali Jinnah, Quaid-e-Azam (Great Leader), who is revered as the father of the nation. Pakistan is divided into four provinces: Sindh Balochistan, Punjab and North West Frontier Province. Islamabad is the capital of the country.

Pakistan's area is 796,095 sq. Km. And population (2002) is 145,960,000. The national language is Urdu as the official language is English. The dominant religion is Islam of Pakistan with 95% of the Muslim population. Other major religions are Hinduism and Christianity, small religious groups Sikhs, Parsis and Budhist also exist.

Pakistan has a federal structure. Parliament consists of the lower house (National Assembly) and the upper house (Senate). The administration consists of the President, Prime Minister and the National Security Council.

The main imports include machinery, electrical equipment, petroleum products, and transportation equipment, metals and metal products, fertilizers and food products. The main exports are cotton textiles, cotton yarn and thread, clothing, raw cotton, rice, carpets, leather, sports goods, handicrafts, fish and fruit.

2.4.4 SRI LANKA

Lanka means "resplendent" (from the "alankara" Pali). Stone Age instruments found on the date of return of the island at least ten thousand years, while evidence is available that plant domestication may have occurred around 1500 BC Given the central location of Sri Lanka on trade routes of the ancient world and attraction and its "products", pearls, wood, gems and ivory and spices later, the island had become an East-West trading center long before the Christian time. The direct influence of the European maritime powers was estimated from the 16th century with the arrival of the Portuguese, Dutch and later the British. Sri Lanka gained independence from British 4 February 1948.

The country is a multi-ethnic nation. The Sinhalese of Indo-Aryan origin, comprise 74% percent of the population, the Sri Lankan Tamils of Dravidian origin who migrated to the island of 12.6%. Indian Tamils descendants of migrant workers from South India recruited in the last century by the British 5.5%. The Moors, descendants of Arab traders who arrived on the island around the 12th century 7.1%. And others (which include Bourgeois, descendants of Dutch and Portuguese) of 0.8%.

Sinhala and Tamil are the official languages while English is the national language. 58

Four major religions are freely practiced in Sri Lanka. Buddhists account for 69.3 percent of the population, Hindus 15.5% Christians 7.6% and 7.5% Muslim.

At the time of independence to say 1948, Sri Lanka has adopted a Westminster parliamentary system of government with a House of Representatives, a Senate and a cabinet headed by a prime minister. The British monarch was chosen as head of the Constitutional State, and was represented on the island by a governor general.

In 1972, a Republican Constitution was adopted with only one legislature (the State National Assembly) and a constitutional president and formally cut ties with the British Crown. Following the amendment of the Constitution in 1978, an executive presidential system of government prevails.

The President is elected directly by the people for a term of six years. The supreme legislative body is a unicameral parliament composed of 225 members elected by proportional representation system. A multi-party system prevails and many smaller parties allied to the government or the opposition group. The leader of the majority party in parliament is elected Prime Minister.

Ninety percent of the economy of the country to independence depended on the export of three cultures of tea plantations, rubber and coconut. Since the late 1970s, the economy was gradually liberalized. 59 Industrial policy has shifted from import substitution to export-oriented production. Colombo is the largest center for selling tea auction in the world since the London auctions have stopped working in June 1998. Other exports include

textiles and clothing, coconut products, spices, cocoa , coffee, essential oils, gemstones, fishery products, rubber, machinery, Ware feet and leather products and oil derivatives.

The main imports include rice, wheat and sugar, fertilizers, crude oil and investment products, such as raw materials, building materials, transport equipment and machinery.



2.5 INDIA'S TRADE

2.5.1 INDIA'S TRADE WITH BANGLADESH

The Bilateral Trade Agreement between India and Bangladesh has been renewed from time to time for expansion of trade and commerce. With Bangladesh relations have improved significantly over the past few years. The dialogue has yielded benefits for both countries in favor of trade & commerce, connectively, easier transit, development, enhancement of mutual security cooperation against insurgency and terrorism. There is enhanced mutual trust and confidence that is oxygenating relationship between India and Bangladesh.

Both sides are working on several projects to improve trade infrastructure and connectivity. Some of the agreements are MoU n Conservation of Sunderbans, MoU on Renewable Energy Cooperation etc.

Value in US \$ Thousand

Years	Exports to Bangladesh	Imports from Bangladesh	Trade Balance
2005	1,719,789	103,698	1,616,091
2006	1,667,809	223,813	1,443,996
2007	2,063,793	233,311	1,830,482
2008	3,243,376	329,782	2,913,594
2009	2,177,375	234,422	1,942,953
2010	3,016,575	357,896	2,658,679
2011	3,405,516	579,125	2,826,391
2012	4,936,672	567,307	4,369,365
2013	5,993,950	530,751	5,463,199
2014	6,322,369	540,872	5,781,497

Source: ITC (trademap.org)

2.5.2 INDIA'S TRADE WITH PAKISTAN

India and Pakistan have no formal trade agreement. India granted the MFN status to Pakistan way back in 1995-96 but Pakistan is yet to reciprocate. Although recently, a decision was taken in this regard in the Cabinet meeting of Pakistan which was communicated through the Press Release of Pakistan Government on 2nd November 2011, stating that “the Pakistan Cabinet gave Ministry of Commerce the mandate to take the process of normalization of trade forward, which would culminate in the observance of MFN. It is lamenting that the statement was later denied.

Value in US \$ Thousand

Year	Exports to Pakistan	Imports from Pakistan	Trade Balance
2005	593,062	165,945	427,117
2006	1,235,039	286,472	948,567
2007	1,584,291	286,690	1,297,601
2008	1,772,775	372,014	1,400,761
2009	1,455,772	272,120	1,183,652
2010	2,235,788	320,726	1,915,062
2011	1,678,131	352,111	1,326,020
2012	1,633,348	500,328	1,133,020
2013	2,176,412	379,160	1,797,252
2014	2,190,042	530,261	1,659,781

Source: ITC (trademap.org)

2.5.3 INDIA'S TRADE WITH SRI LANKA

Sri Lanka has traditionally been an important export market for India. India Sri Lanka Free Trade Agreement (ISFTA) was signed on 28th December, 1998. This agreement is in operation since 1st March, 2000. Under this agreement, both nations agreed to phase out trade tariffs from each other within a fixed time frame except for those items in the Negative List of each other.

Value in US \$ Thousand

Years	Exports to Sri Lanka	Imports from Sri Lanka	Trade Balance
2005	1,939,282	568,495	1,370,787
2006	2,105,026	505,177	1,599,849
2007	2,594,192	441,365	2,152,827
2008	2,838,024	548,622	2,289,402
2009	1,724,637	328,803	1,395,834
2010	3,305,123	518,122	2,787,001
2011	4,452,043	717,983	3,734,060
2012	3,813,120	665,452	3,147,668
2013	4,753,967	515,295	4,238,672
2014	6,423,495	592,612	5,830,883

Source: ITC (trademap.org)

CHAPTER 3 - METHODOLOGY

3.1 SOURCES OF DATA

For purpose of the study, secondary data was used. To examine the trade related statistics, data from Direction of Trade Statistic, IMF, World bank, ADB, RBI, plan documents of Government of India, Study reports of various universities, Directorate of Industries etc., was used.

To trace the bilateral trade complementarity we have taken two years 2005 and 2014.

3.12 SCHEME OF STUDY

The first chapter contains the Introduction, Objectives of the study and significance of study. In chapter II Review of literature is outlined. In chapter III Methodology of the study has been discussed. Chapter IV contains analysis of Trade Complementarity.



CHAPTER 4 - TRADE ANALYSIS

4.1 TRADE COMPLEMENTARITY

The success of regional integration schemes depends largely on the extent of trade complementarity in a regional trading bloc. For example, regional trading arrangements are likely to succeed in strengthening intra-regional trade if the trade structures of member countries exhibit strong complementarities. This section explores the extent of trade complementarity of India with Bangladesh, Pakistan and Sri Lanka in terms of trade complementarity index, which measures the compatibility of imports of country i with exports of country j , as defined below.

$$C_{ij} = 1 - \left(\sum |m_{hi} - x_{hj}| \right) \div 2$$

Where

C_{ij} = Trade Complementarity index for trade between countries i and j .

m_{hi} = Share of good h in total imports of country i .

X_{hj} = Share of good h in total exports of country j .

The trade complementarity index is zero when no good exported by one country is imported by the other, and equals one when the shares of one country's imports correspond exactly to those of the other's exports.

4.2 TRADE COMPLEMENTARITY INDICES: BANGLADESH

Commodities taken for Bangladesh – India Complementarity

- Dairy products, eggs, honey, edible animal product
- Products of animal origin
- Live trees, plants, bulbs, roots, cut flowers etc
- Edible vegetables and certain roots and tubers
- Edible fruit, nuts, peel of citrus fruit, melons
- Coffee, tea, mate and spices
- Cereals
- Milling products, malt, starches, inulin, wheat gluten
- Oil seed, oleic fruits, grain, seed, fruit, etc.
- Lac, gums, resins, vegetable saps and extracts
- Vegetable plaiting materials, vegetable products
- Animal, vegetable fats and oils, cleavage products, etc.
- Meat, fish and seafood food preparations
- Sugars and sugar confectionery
- Cocoa and cocoa preparations
- Cereal, flour, starch, milk preparations and products
- Vegetable, fruit, nut, etc food preparations
- Miscellaneous edible preparations
- Beverages, spirits and vinegar
- Residues, wastes of food industry, animal fodder
- Tobacco and manufactured tobacco substitutes

Commodities taken for Bangladesh – Pakistan complementarity:

- Cotton yarn (not sewing thread) 85% or more cotton, not retail
- Cotton, not carded or combed
- Woven cotton fabrics, 85% or more cotton, weight over 200 g/m²
- Woven cotton fabrics, 85% or more cotton, weight less than 200 g/m²
- Woven fab of syn stapl fib (< 85% of such fiber), mixed with cotton (wt
- Cotton sewing thread
- Cotton yarn (not sewing thread) less than 85% cotton, not retail
- Yarn of synth staple fibre, not put for retail sale
- Cotton, carded or combed
- Woven fab of cotton, less than 85%, mxd with man made fibre, weight >200
- Polymers of vinyl chloride/other halogenated olefins, in primary forms
- Plastic packing goods or closures stoppers, lids, caps, closures, plas
- Motorcycles, side-cars
- Synthetic staple fibres, carded, combed
- Dried vegetables, shelled
- Woven fabrics of cotton, nes
- Leather of bovine/equine animal, other than leather of hd 4108/4109
- Seeds of anise, badian, fennel, coriander, cumin, etc.
- Air, vacuum pumps; hoods incorp a fan
- Weaving machines (loom)
- Rice

Commodities taken for Bangladesh – Sri Lanka complementarity:

- Clothing accessories
- Enzymes; prepared enzymes,
- Woven cotton fabrics, 85% or more cotton, weight over 200 g/m²
- Insecticides, fungicides, herbicides packaged for retail sale
- Coral and similar materials, e.g. shells
- Natural rubber, balata, gutta-percha etc
- Coconut (copra), palm kernel/babassu oil & their fractions
- Woven cotton fabrics, 85% or more cotton, weight less than 200 g/m²
- Trailers & semi-trailers; other vehicles not mechanically propelled
- Copra
- Finishing agents, dye carriers or fixing for text., paper, leather ind
- Rubber thread, cord, strip, etc
- Cotton yarn (not sewing thread) 85% or more cotton, not retail
- Retreaded/used tire; solid tire, interchangeable tire treads & flaps
- Sewing thread of man-made filaments
- Label, badge & sim art of tex
- Paper or paperboard labels of all kinds
- Medicament mixtures (not 3002, 3005, 3006) not in dosage
- Synthetic film yarn, not put up
- Synthetic organic coloring matter & preparations
- Prefabricated buildings

Due to non-availability of data of Bangladesh's imports for the year 2012, 2013 and 2014, indices have been calculated only till 2011.

Trade Complementarity Index

	INDIA	PAKISTAN	SRI LANKA
2005	0.926	0.627	0.598
2011	0.955	0.794	0.679

Source: UNCOMTRADE Database

4.3 TRADE COMPLEMENTARITY INDICES: INDIA

Commodities used for India-Bangladesh Complementarity:

- Vegetable textile fibres nes, paper yarn, woven fabric
- Articles of apparel, accessories, not knit or crochet
- Edible fruit, nuts, peel of citrus fruit, melons
- Other made textile articles, sets, worn clothing etc
- Articles of apparel, accessories, knit or crochet
- Salt, sulphur, earth, stone, plaster, lime and cement
- Fish, crustaceans, molluscs, aquatic invertebrates
- Lead and articles thereof
- Raw hides and skins (other than furskins) and leather
- Iron and steel
- Cotton
- Copper and articles thereof
- Plastics and articles thereof
- Wadding, felt, nonwovens, yarns, twine, cordage, etc
- Beverages, spirits and vinegar
- Knitted or crocheted fabric
- Footwear, gaiters and the like, parts thereof
- Rubber and articles thereof
- Sugars and sugar confectionery
- Inorganic chemicals, precious metal compound, isotopes

Commodities used for India-Pakistan complementarity:

- Mineral fuels, oils, distillation products, etc
- Edible fruit, nuts, peel of citrus fruit, melons
- Salt, sulphur, earth, stone, plaster, lime and cement
- Cotton
- Raw hides and skins (other than furskins) and leather
- Oil seed, oleagic fruits, grain, seed, fruit, etc,
- Glass and glassware
- Plastics and articles thereof
- Inorganic chemicals, precious metal compound, isotopes
- Wool, animal hair, horsehair yarn and fabric thereof
- Organic chemicals
- Ores, slag and ash
- Optical, photo, technical, medical, etc apparatus
- Other made textile articles, sets, worn clothing etc
- Edible vegetables and certain roots and tubers
- Rubber and articles thereof
- Beverages, spirits and vinegar
- Articles of apparel, accessories, not knit or crochet
- Aluminium and articles thereof
- Copper and articles thereof

Commodities used for India – Sri Lanka complementarity:

- Refined copper and copper alloys, unwrought
- Animal or veg fats, oils&fract, hydrogenated
- Aluminum wire
- Cloves
- Copper strandd wire,cables,plaitd bands, not elect insulatd
- Derricks; cranes; straddle carriers,&works trucks fitted with a crane
- Antibiotics
- Insulated wire/cable
- Unwrought alumimum
- Ferrous waste and scrap; remelting scrap ingots or iron or steel
- Pepper, peppers and capsicum
- Fibreboard of wood or other ligneous materials
- Waste and scrap of paper or paperboard
- Workd monumental/building stone&art;mosaic cube,granules
- Article of plastic.
- Margarine
- Other furniture and parts thereof
- Lead oxides; red lead and orange lead
- Electric filament or discharge lamps
- New pneumatic tires, of rubber

Due to non-availability of data of Bangladesh's export for the year 2014, indices with Bangladesh have been calculated only till 2013.

Trade Complementarity Indices

	BANGLADESH	PAKISTAN	SRI LANKA
2005	0.256	0.506	0.616
2013	0.346	-	-
2014	-	0.493	0.866

Source: UNCOMTRADE Database

4.4 TRADE COMPLEMENTARITY INDICES: PAKISTAN

Commodities used for Pakistan-Bangladesh complementarity:

- Vegetable textile fibres nes, paper yarn, woven fabric
- Tobacco and manufactured tobacco substitutes
- Ships, boats and other floating structures
- Coffee, tea, mate and spices
- Cotton
- Articles of apparel, accessories, knit or crochet
- Miscellaneous manufactured articles
- Paper and paperboard, articles of pulp, paper and board
- Inorganic chemicals, precious metal compound, isotopes
- Articles of apparel, accessories, not knit or crochet
- Other made textile articles, sets, worn clothing etc
- Edible vegetables and certain roots and tubers
- Plastics and articles thereof
- Special woven or tufted fabric, lace, tapestry etc
- Rubber and articles thereof
- Vegetable plaiting materials, vegetable products nes
- Sugars and sugar confectionery
- Footwear, gaiters and the like, parts thereof
- Machinery, nuclear reactors, boilers, etc
- Raw hides and skins (other than furskins) and leather
- Organic chemicals

Commodities used for Pakistan-India complementarity:

- Cotton
- Edible vegetables and certain roots and tubers
- Organic chemicals

- Residues, wastes of food industry, animal fodder
- Plastics and articles thereof
- Tanning, dyeing extracts, tannins, derivs,pigments etc
- Oil seed, oleagic fruits, grain, seed, fruit, etc,
- Miscellaneous chemical products
- Ships, boats and other floating structures
- Machinery, nuclear reactors, boilers, etc
- Coffee, tea, mate and spices
- Manmade staple fibres
- Pharmaceutical products
- Rubber and articles thereof
- Mineral fuels, oils, distillation products, etc
- Manmade filaments
- Iron and steel
- Pearls, precious stones, metals, coins, etc
- Dairy products, eggs, honey, edible animal product
- Electrical, electronic equipment
- Essential oils, perfumes, cosmetics, toileteries

Commodities used for Pakistan-SriLanka complementarity:

- Vegetable plaiting materials, vegetable products nes
- Edible fruit, nuts, peel of citrus fruit, melons
- Wood and articles of wood, wood charcoal
- Rubber and articles thereof
- Oil seed, oleagic fruits, grain, seed, fruit, etc, nes
- Vehicles other than railway, tramway
- Coffee, tea, mate and spices
- Edible vegetables and certain roots and tubers

- Vegetable textile fibres nes, paper yarn, woven fabric
- Paper and paperboard, articles of pulp, paper and board
- Articles of apparel, accessories, not knit or crochet
- Aluminium and articles thereof
- Pulp of wood, fibrous cellulosic material, waste etc
- Manmade staple fibres
- Electrical, electronic equipment
- Plastics and articles thereof
- Animal,vegetable fats and oils, cleavage products, etc
- Arms and ammunition, parts and accessories thereof
- Miscellaneous manufactured articles
- Miscellaneous chemical products
- Manmade filaments

Due to non-availability of data of Bangladesh's export for the year 2014, indices with Bangladesh have been calculated only till 2013.

	BANGLADESH	INDIA	SRI LANKA
2005	0.257	0.517	0.536
2013	0.140	-	-
2014	-	0.492	0.465

Source: UNCOMTRADE Database

4.5 TRADE COMPLEMENTARITY INDICES: SRI LANKA

Commodities used for Sri Lanka – Bangladesh complementarity:

- Pharmaceutical products
- Edible vegetables and certain roots and tubers
- Electrical, electronic equipment
- Vegetable textile fibres nes, paper yarn, woven fabric
- Plastics and articles thereof
- Articles of apparel, accessories, not knit or crochet
- Articles of apparel, accessories, knit or crochet
- Paper and paperboard, articles of pulp, paper and board
- Inorganic chemicals, precious metal compound, isotopes
- Fish, crustaceans, molluscs, aquatic invertebrates nes
- Miscellaneous edible preparations
- Cotton
- Vehicles other than railway, tramway
- Iron and steel
- Knitted or crocheted fabric
- Products of animal origin, nes
- Special woven or tufted fabric, lace, tapestry etc
- Manmade staple fibres
- Manmade filaments
- Raw hides and skins (other than furskins) and leather
- Footwear, gaiters and the like, parts thereof

Commodities used for Sri Lanka-India complementarity:

- Mineral fuels, oils, distillation products, etc
- Vehicles other than railway, tramway
- Salt, sulphur, earth, stone, plaster, lime and cement
- Cereals
- Cotton
- Iron and steel
- Pharmaceutical products
- Electrical, electronic equipment
- Machinery, nuclear reactors, boilers, etc
- Knitted or crocheted fabric
- Paper and paperboard, articles of pulp, paper and board
- Plastics and articles thereof
- Sugars and sugar confectionery
- Coffee, tea, mate and spices
- Edible vegetables and certain roots and tubers
- Articles of apparel, accessories, not knit or crochet
- Manmade staple fibres
- Residues, wastes of food industry, animal fodder
- Inorganic chemicals, precious metal compound, isotopes
- Articles of iron or steel
- Rubber and articles thereof

Commodities used for Sri Lanka-Pakistan complementarity:

- Cotton
- Salt, sulphur, earth, stone, plaster, lime and cement
- Cereals
- Pharmaceutical products
- Articles of iron or steel
- Edible vegetables and certain roots and tubers
- Other made textile articles, sets, worn clothing etc
- Knitted or crocheted fabric
- Beverages, spirits and vinegar
- Manmade staple fibres
- Plastics and articles thereof
- Articles of apparel, accessories, knit or crochet
- Fish, crustaceans, molluscs, aquatic invertebrates
- Raw hides and skins (other than furskins) and leather
- Articles of apparel, accessories, not knit or crochet
- Coffee, tea, mate and spices
- Vehicles other than railway, tramway
- Edible fruit, nuts, peel of citrus fruit, melons
- Milling products, malt, starches, inulin, wheat gluten
- Miscellaneous edible preparations
- Printed books, newspapers, pictures etc

Due to non-availability of data of Bangladesh's export for the year 2014, indices with Bangladesh have been calculated only till 2013.

	BANGLADESH	INDIA	PAKISTAN
2005	0.164	0.764	0.490
2013	0.288	-	-
2014	-	0.779	0.588

Source: UNCOMTRADE Database

CHAPTER 5 - CONCLUSION AND RECOMMENDATIONS

The study reveals that there is significant level of trade complementarity between the four countries: Bangladesh, India, Pakistan and Sri Lanka. Full exploitation of the possibilities of some trade sectors can improve intra-regional trade prospects.

Although various economic and political factors contributed to a low level of intra-regional trade in those countries in South Asia but the potential for greater economic cooperation still exists. Economic ties can be strengthened through measures to broaden the composition of intra-regional trade with a major focus on intra-industry trade, the realization of vertical specialization, promotion of monetary cooperation, encouraging joint industrial initiatives.

There is a need for further liberalization of trade and strategic to help boost intra-regional trade. The region should move towards the sector approach as the basis for trade liberalization.

Note, however, that efforts to promote intra-regional economic cooperation are likely to go futile if there is no political harmony and convergence of economic perceptions between countries, which are essential prerequisites for an alliance economic and commercial. Indo-Pak relations improvement is critical for this region. Not only for India and Pakistan, there are problems with India and Bangladesh to resolve. There emerges a need for an ideological bond that unites the countries of the region.

Furthermore, given the size of the Indian economy and its geographical positioning, the success of business initiatives in this area is heavily dependent on India. Countries should take advantage of their proximity to increase their flow of trade and investment. The complementarities of the different aspects need to be explored so that the entire region is progressing and benefits. India being the largest economy among the four countries will have a highly regarded crucial role in determining the effectiveness of intra-regional trade; therefore, it will have to play a proactive role in leading the establishment of the future agenda or roadmap you for the trade complementarities.

If countries realize the advantage of intra-regional trade and do not turn their faces away from the other, they will not only buy a large number of high-cost products at a rate of their neighbors, but also face the lower taxation in their trading operations. This will undoubtedly reduce their production costs at home and imported goods. In this case, countries will also experience economies of scale in production.

It is therefore concluded and recommended that the necessary institutional mechanisms can be put in place to support efforts to expand trade and the establishment of greater trade complementarity.

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