

Trends of India's Trade in Textile and Clothing with SAARC Countries- 1974 to 2011

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Abstract: The objective of this paper is study the trend of India's Trade in Textile and Clothing with SAARC Countries from 1974 to 2011. Regional Trade Agreements have become increasingly prevalent since the early 1990s. India's relations with SAARC countries are entrenched deeply. In addition to an overlapped cultural and religious heritage, the SAARC countries share a common vision on many regional and international affairs. Textile and clothing sector plays a major role in SAARC region for promoting regional trade; it is a major source of foreign exchange and largest industrial sector of SAARC region and contributes towards employment of skilled and unskilled labor in the region. The contribution of textile and clothing towards the GDP and international trade of SAARC countries is very high, and therefore, any problem in the textile and clothing sectors has macroeconomic national implications. In our study we found that the growth of India's exports of textile and clothing items started improving after the establishment of SAARC in 1985, experienced high growth since 2002 after the implementation of SAPTA as well as many bilateral agreements between India and other SAARC nations. This increase, however, was not uniform for all the nations and the exports to Maldives and up to some extent Bhutan had lower growth compared to other nations. On the other hand, exports of textile and clothing to Sri Lanka, Bangladesh and Pakistan experienced high growth.

Key Words – SAARC, SAPTA, SAFTA, RTA,

1. Introduction

Inspiration of the regional trade association stemmed from the developments after the end of World War II when the global leaders sought for mutual economic integration to strengthen the international trade and mutual political ties. As the world economies began progressing on the path of recovery, opportunities for international trade were explored and economic as well as political ties were forged. In order to compete with the general supremacy of the United States of America, Japan and others first world countries, western European countries of France, Netherlands, Austria, Belgium, Ireland, Luxembourg, Monaco tried to establish closer political as well as the economic ties with each other to combine their individual economies into a one big economic unit (Ciniand and Borragán, 2016).

SAARC is the least integrated region of the world, intra-regional trade in SAARC is just 3% of its total



international trade as compared to intra-regional trade in ASEAN region which is 29% of its total international trade (Wilson and Otski, 2007). The share of SAARC in the total Asian trade is also only 4.7 percent in export and 7.5 percent in imports. It has been reported that nearly three-fourths of intra-regional trade potential in SAARC region remains unutilized because of inter alia, tariff and non-tariff barriers, poor transport infrastructure and connectivity, lack of trade facilitation, poor banking links and so on (Jilanee, 2011). South Asia has shown slow progress towards regional cooperation, and continues to be one of the least integrated regions in the world. For long, the region has been mired in mutual mistrust and conflict (Chandra and Kumar, 2008).

Trade in textiles and clothing plays a pivotal role in the SAARC regional trade and is a major source of providing foreign exchange and promoting the growth of industrial sector in the SAARC member nations and enhancing the employment opportunities in the region. The textile and clothing sector is one of the central manufacturing and export industries among the South Asian countries. The textile and clothing sector features among the top revenue generating sector in the South Asian countries and represents a large proportion of the overall output of the member countries. Since the reduction in the amount of function quota restrictions to the trade, the volume of trade in textiles has improved immensely and is expected to expand further (Tewari, 2008).

For example, South Asia's share in global trade in textile and clothing rose from 1.5% in 2002 to 4.4 % in 2007 and the regions share in global exports of textile and clothing increased from 2.2% in 2002 to 7.7% in 2007 according to UNCTAD and common wealth secretariat. The contribution of textile and clothing towards the GDP and international trade of SAARC countries is very high, and therefore, any problem in the textile and clothing sectors has macroeconomic national implications. India, Sri Lanka, Pakistan, Bangladesh and Nepal are main traders of textile and clothing in the SAARC region and are also competing with each other in the global market. Many studies show that intra regional trade of textile and clothing in SAARC region is low as compared to its potential. All the major SAARC countries are competing with each other in the exports of ready-made garments in the markets of the developed countries (Hassan, 2000). South Asian countries perform their trade mainly with non-Asian countries particularly with European Union and United States (Ali and Talukder, 2009).

In addition, comparison of SAARC with others regional blocs could be check out through disappointing low growth rate of intraregional trade from 2.7 per cent in 1990 to 5 per cent in 2016 compare to performance shown by other regional groups especially with Association of South East Asian Nations (ASEAN) which increased from 2.8 per cent in 1950 to 32 per cent in 2014. According to international trade statistics, total exports in clothing and textile products of SAARC countries are increasing steadily over the last few years, particularly after 2004 when textile exports quota were discontinued. Textile and clothing industry forms a major part of manufacturing sector of India, Pakistan, Sri Lanka, Bangladesh and Nepal, and contributed enormously to the country's economic development. For example, in 2007, India exported 45.8% of their total trade of textile and clothing to the SAARC region, followed by Bangladesh (23.32%), Sri Lanka (7%) and Pakistan (23.47%). On the



imports side, in 2007 all these four countries, India, Pakistan, Bangladesh and Sri Lanka, imported 4.5%, 17.3%, 29.7% and 28.9% of their total global imports in textile and clothing, respectively. It shows that the textile and clothing sector plays an important role in GDP growth and international trade of SAARC member countries, but intraregional trade in textile and clothing amongst SAARC member countries is low as compared with their potential as mentioned above.

2. Data and Methods

The data on the exports and imports are collected from the United Nation Commodity Trade (UNCOMTRADE) data source. For this purpose, we have extracted the UNCOMTRADE data by using the World Integrated Trade Solution (WITS) software of World Bank. WITS were developed by the World Bank in close collaboration with the United Nation Conference on Trade and Development (UNCTAD). UNCOMTRADE provides data in different classifications such as STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC) REV.1 (which provides the data from 1962); SITC REV.2 (which provides the data from 1976); SITC REV.3 (which provides the data from 1986); HARMONIZED SYSTEM (HS) 1988/1992 VERSION (which provides the data from 1988), HARMONIZED SYSTEM (HS) 1996 VERSION (which provides the data from 1996); HARMONIZED SYSTEM (HS) 2002 VERSION (which provides the data from 2002) and HARMONIZED SYSTEM (HS) 2007 VERSION (which provides the data from 2007). For the present study we have used the STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC) REV.1 data in our study, because it provides us data from 1962 to 2012. Above that in order to analyze the data we have used moving average method and (three years).

3. Trends of India's Trade in Textile and Clothing

The present section examines the trends of India's exports and imports of textile and clothing based on SITC data (Standard International Trade Classification) to SAARC countries since 1974.

3.1 Trends of India's Export of Textile and Clothing

Table.1. India's exports of textile fibers not manufactured to SAARC member countries (Three year average): 1974-75 to 2010-11

(Value in \$ million)

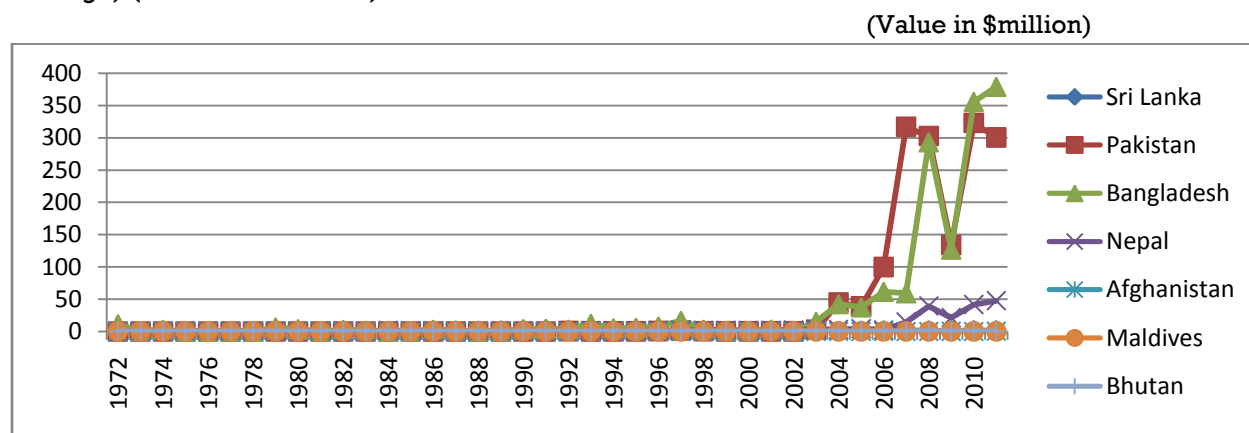
Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0	4.15	2.31	3.58	0.95	0.92	0.68	0,29
Pakistan	0	0	0	0.002	0.23	0.1	61.15	252.25
Bangladesh	1.05	3.5	1.31	2.88	6.43	2.18	47.19	287.29
Nepal	0.07	0.38	1.31	0.33	0.71	1.71	3.23	36.81
Afghanistan	0.007	0	0	0.008	0.0009	0.006	0.0008	0.22



Maldives	0	0	0.0008	0.0001	0.0054	0.02	0.07	0.06
Bhutan	0	0	0	0	0	0	0.0002	0.01

Source- UNCOMTRADE (2012)

Figure.1. India's exports of textile fibers not manufactured to SAARC member countries (Three year average):(1974-75 to 2010-11)



Source= UNCOMTRADE (2012)

Table 1 and Figure 1 provide the information on India's exports of textile fibers not manufactured to SAARC member countries from 1974 to 2011. The trend shows that India had limited trade to most of the SAARC countries till 2003, even though the exports to Bangladesh and Pakistan were significant before 2003, there were large fluctuations in value of their exports. However, the exports of textile fibers not manufactured had shown a steady increase since 2003 in some of the countries. The increase in export is the largest for Bangladesh and Pakistan, where the value of exports which was \$2.18 million and \$0.1 million for both the countries in 1999-2001 and increased to over \$287.29 million and \$252.25 million in 2009-11, respectively. Nepal was importing less than \$4 million in 2004-06 which went over to \$36.81 million in 2009-11. Nonetheless, the exports in this category in Sri Lanka, Bhutan, Maldives and Afghanistan have not shown much improvement.

Table.2. India's exports of textile yarn, fabrics, made up article to SAARC member countries (Three year average): 1974-75 to 2010-11
(Value in \$ million)

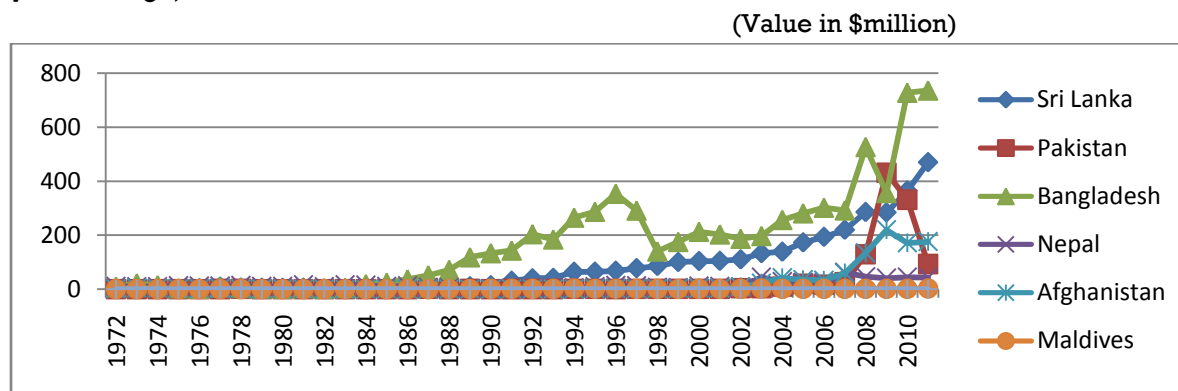
Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	1.58	5.33	9.55	18.93	65.98	103.31	168.56	372.83
Pakistan	0	0.04	0.004	0.29	0.77	1.09	15.38	284.84
Bangladesh	6.87	3.11	26.41	131.47	301.58	196.73	279.54	605.95



Nepal	11.48	12.31	12.34	1.88	9.22	9.29	25.26	42.77
Afghanistan	2.76	0.63	0.095	0.31	1.38	3.48	36.61	189.01
Maldives	0.12	0.1	0.22	1.25	2.38	1.24	1.54	1.95
Bhutan	0	0	0	0.008	0.004	0.029	0.24	0.31

Source- UNCOMTRADE (2012)

Figure.2.India's exports of textile yarn, fabrics, made up article to SAARC member countries (Three year average): 1974-75 to 2010-11



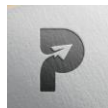
Source= UNCOMTRADE (2012)

In comparison to textile fibers (not manufactured), the exports in textile yarn, fabrics and made up article growing for Bangladesh and Sri Lanka in 1980s, the increase in India's exports in this category picked up for all countries after 2002 (Table 2 and Figure 2). Nonetheless, there are few common features in export trend of the two categories. First, the maximum increase in exports has been found for Bangladesh, and exports to Pakistan have improved considerably since 2003. Second, barring Maldives and Bhutan, there is a sharp increase in Indian exports to all SAARC countries since 2003. The value of exports to Bangladesh has increased from \$26.41 million in 1984-86 to \$605.95 million in 2009-11. India's exports to Sri Lanka, which were about \$18.93 million in 1989-91, touched \$372.83 million mark in 2009-11, and exports to Afghanistan crossed \$189 million in the same year. The exports of textile yarn, fabrics and made up article to Pakistan also increased in the initial phase of high growth and reached \$430 million in 2009, however declined to about \$284.84 million in 2009-2011.

Table.3. India's exports of clothing to SAARC member countries (Three year average): 1974-75 to 2010-11

(Value in \$ million)

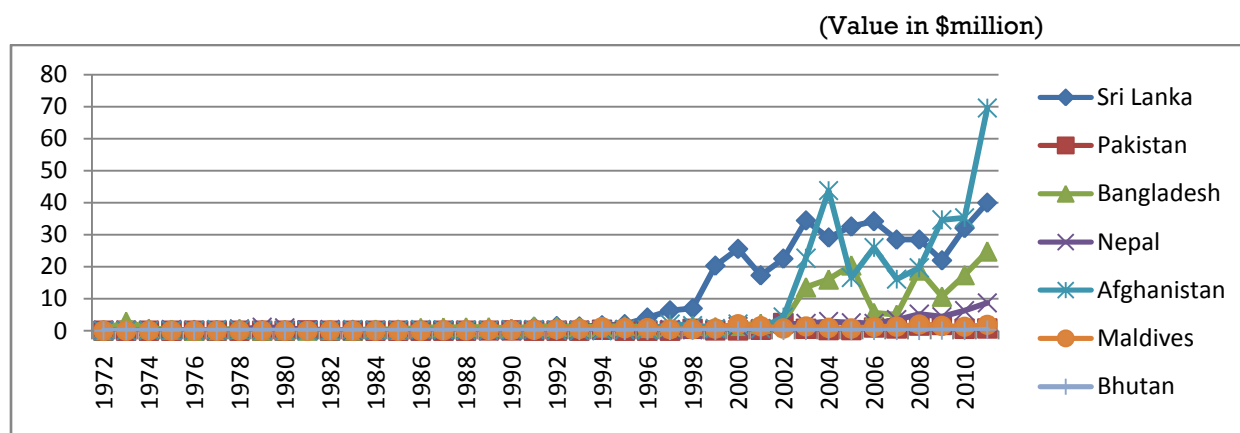
Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0.08	0.13	0.185	0.60	2.59	21.05	31.95	31.35



Pakistan	0	0.07	0.01	0.04	0.11	0.15	0.47	1.04
Bangladesh	0.41	0.17	0.59	1.11	1.21	1.69	14.02	17.63
Nepal	0.19	0.77	0.079	0.088	0.29	0.71	2.56	6.44
Afghanistan	0.12	0.04	0.27	0.3	0.26	1.17	28.76	46.49
Maldives	0.0003	0.02	0.01	0.25	0.94	1.41	0.97	1.56
Bhutan	0	0	0	0	0.003	0.003	0.001	0.14

Source- UNCOMTRADE (2012)

Figure.3. India's exports of clothing to SAARC member countries (Three year average): 1974-75 to 2010-11



Source= UNCOMTRADE (2012)

Table 3 and Figure 3 indicate that compared to the previous categories of textile and clothing, owing to India's increased exports of clothing to Sri Lanka since 1995, the overall exports of clothing to SAARC countries started growing in second half of 1990s. The exports to Sri Lanka remained below \$1 million till 1989-91, and picked up thereafter. In 1994-96, India's exports to Sri Lanka tripled from less than \$1 million to \$2.59 million, and then onwards maintaining high growth rate with some fluctuations crossed \$31.35 million in 2009-11. Other wave of increase in exports of clothing to SAARC countries started in 2002, when the exports to Bangladesh and Afghanistan have experienced high growth. Despite the fluctuations in exports to Sri Lanka, Bangladesh and Afghanistan, the overall increase for these countries seems to be permanent as there is no indication of their returning to previous level. The exports to Nepal have also showed some signs of increase since 2007 which increased to \$6.44 million in 2009-11 after staying at around \$0.003 million since 1999-2001.

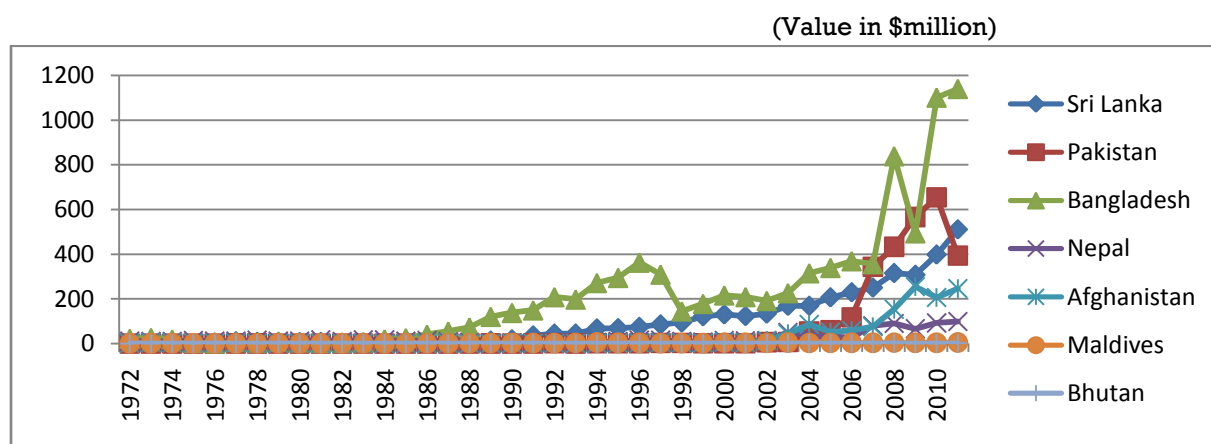


Table.4. India's exports of textile and clothing to SAARC member countries (Three year average): 1974-75 to 2010-11 (Value in \$ million)

Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	1.66	5.77	9.85	21.76	69.58	124.63	201.28	405.48
Pakistan	0	0.11	0.02	0.34	1.11	1.34	77	538.13
Bangladesh	8.34	6.79	28.32	135.46	309.21	200.6	340.75	910.86
Nepal	11.75	13.46	13.73	2.3	10.24	11.73	31.05	86.02
Afghanistan	2.89	0.67	0.37	0.63	1.65	4.65	63.37	235.72
Maldives	1.12	0.12	0.24	1.51	3.32	2.68	2.58	3.58
Bhutan	0	0	0	0.008	0.008	0.03	0.25	0.46

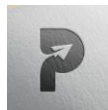
Source- UNCOMTRADE (2012)

Figure.4. India's exports of textile and clothing to SAARC Member countries (Three year average): 1974-75 to 2010-11 (Value in \$million)



Source= UNCOMTRADE (2012)

Overall, India's exports of textile and clothing to SAARC countries started improving only in mid 1980s, when exports to Bangladesh and Sri Lanka showed an upward trend (Table 4 and figure 4). The increase was especially high for Bangladesh, where India's exports went up from about \$28.32 million in 1984-86 to \$309.21million in 1994-96. The second large improvement in export performance of India to SAARC countries is observed in 2003, when along with, Bangladesh and Sri Lanka, the exports to other three countries, Pakistan, Afghanistan and Nepal also started to rise. However, Maldives and Bhutan did not show any significant change as far as the Indian exports to these countries was concerned, which might be due to the small size of these economies. The exports to Pakistan has risen



considerably after 2003 and surpassed Sri Lanka by 2007. Though the exports to Pakistan have grown since 2003, the considerable decline of exports in 2011 indicates that the growth might not be stable. One of the reasons might be uneasy political relation with Pakistan. The exports to Bangladesh also had ups and downs with an increasing trend. In comparison, the growth of exports to Sri Lanka is smooth and has proved stable over the years. Overall, there is a huge increase in India's exports of textile and clothing to SAARC countries, and trend indicates towards further improvement in the future.

3.2 Trends of India's Imports in Textile and Clothing

Table.5. India's imports of textile fibers not manufactured from SAARC member countries (Three year average): 1974-75 to 2010-11).

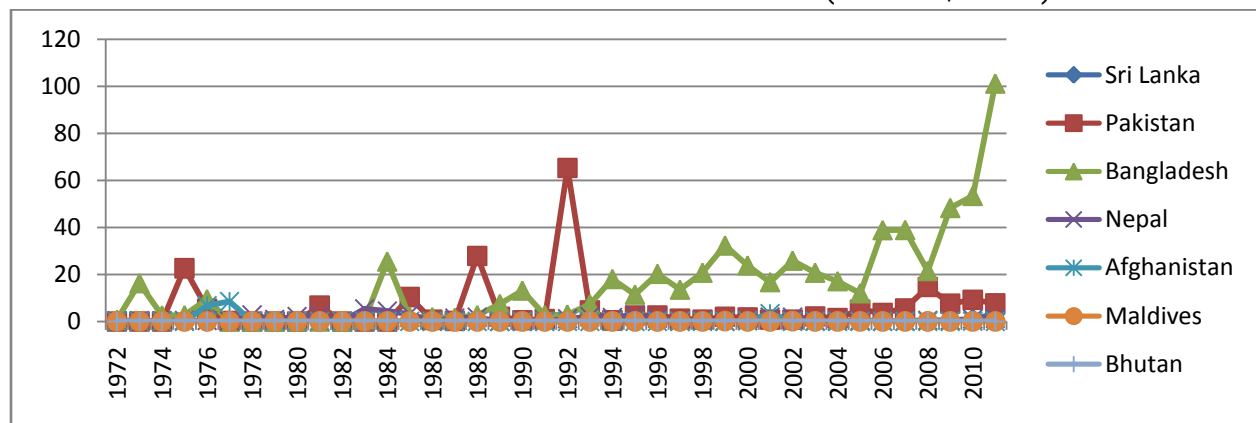
(Value in \$ million)

Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0	0.022	0.004	0	0.04	0.12	0.33	1.47
Pakistan	9.35	2.23	3.69	1.2	1.87	1.51	3.39	8.21
Bangladesh	4.95	0.06	9.78	7.8	16.61	24.32	22.68	67.63
Nepal	0.37	1.88	2.57	0.03	1.97	0.87	0.29	0.97
Afghanistan	2.22	0.001	0	0	0.02	1.21	0.01	0.03
Maldives	0	0	0	0	0	0.02	0	0
Bhutan	0	0	0	0	0	0	0.0002	0

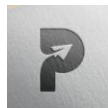
Source- UNCOMTRADE (2012)

Figure.5. India's imports of textile fibers not manufactured from SAARC member countries (Three year average): 1974-75 to 2010-11

(Value in \$million)



Source= UNCOMTRADE (2012)



A similar picture emerges while looking at the India's imports from other SAARC countries. The trend in India's imports of textile fibers (not manufactured) shows fluctuations similar to the India's exports of same item (Table 5 and figure 5). Despite more fluctuations, there was continuous increase in the imports of textile fibers (not manufactured) from Bangladesh and Pakistan. A steady increase in imports of the same items for Bangladesh started in early 1990s, where the value of India's imports of textile fibers (not manufactured) from Bangladesh increased from \$7.8 million in 1989-91 to \$67.63 million in 2009-11. India's imports of textile fibers (not manufactured) from Pakistan also shows some improvement since 2008. Imports from other SAARC countries did not show any sign of improvement in textile fibers (not manufactured). Furthermore, India's imports from Bangladesh, which are increasing since 1993, are comparatively much less than India's exports of the same item to Bangladesh. In 2009-11, the India's exports of textile fibers (not manufactured) to Bangladesh were about \$287.29 million, whereas Indian imports were about \$67.63 million in the same year.

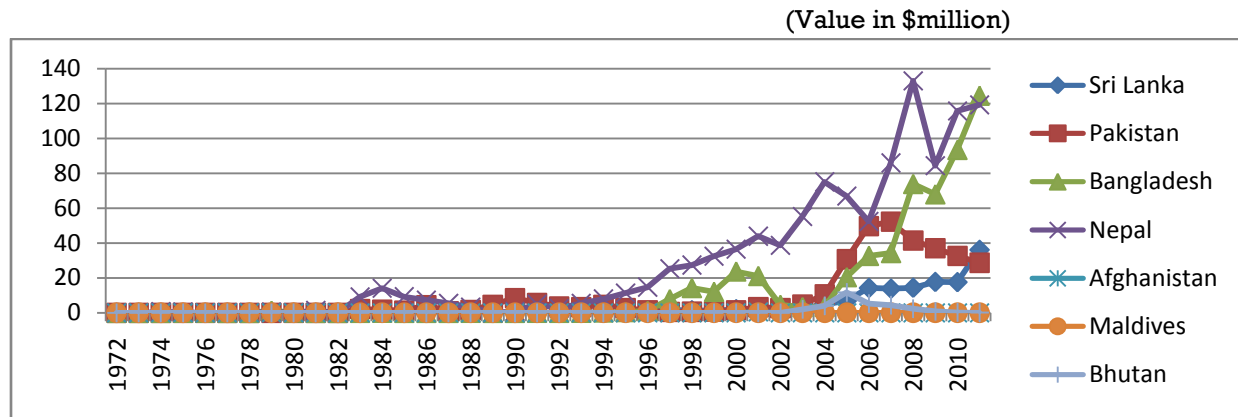
Table.6. India's imports of textile yarn, fabrics, made up article from SAARC member countries (Three year average): 1974-75 to 2010-11
(Value in \$ million)

Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0	0.0003	0.05	0.008	0.51	1.69	8.66	23.82
Pakistan	0.0002	0	2.51	6.2	2.88	1.85	30.29	32.81
Bangladesh	0.056	0.47	0.02	0.01	0.59	18.96	18.86	95.25
Nepal	0.34	0.69	10.23	1.9	11.36	37.63	64.8	106.44
Afghanistan	0	0	0	0	0	0.18	0.02	0.03
Maldives	0	0	0	0	0	0.001	0	0.01
Bhutan	0	0	0	0	0	0	6.97	0.41

Source- UNCOMTRADE (2012)



Figure.6. India's imports of textile yarn, fabrics, made up article from SAARC member countries (Three year average): 1974-75 to 2010-11



Source= UNCOMTRADE (2012)

India's imports of textile yarn, fabrics and made up article from SAARC member countries started growing in 1980s, picked up in mid 1990s and experienced high growth after 2003 (Table 6 and figure 6). The growth in 1980s mainly came from increase in imports from Nepal and Pakistan. India's imports from Nepal rose significantly from \$11.36 million in 1994-96 to \$106.44 million in 2009-11. While India's imports from Bangladesh picked up in 1996, with a short declined between 2002 and 2004 reached \$95.25 million in 2009-11. Imports from Pakistan, despite an early start, remained low for long time and started increasing only after 2003. The imports from Sri Lanka also showed a positive trend since 2003. Nonetheless, the total value of India's imports of Textile yarn, fabrics and made up article remained much lower compared to India's exports of the same item (see, figure 6 and figure 6).

Table 7 India's imports of clothing from SAARC member countries (Three year average): 1974-75 to 2010-11

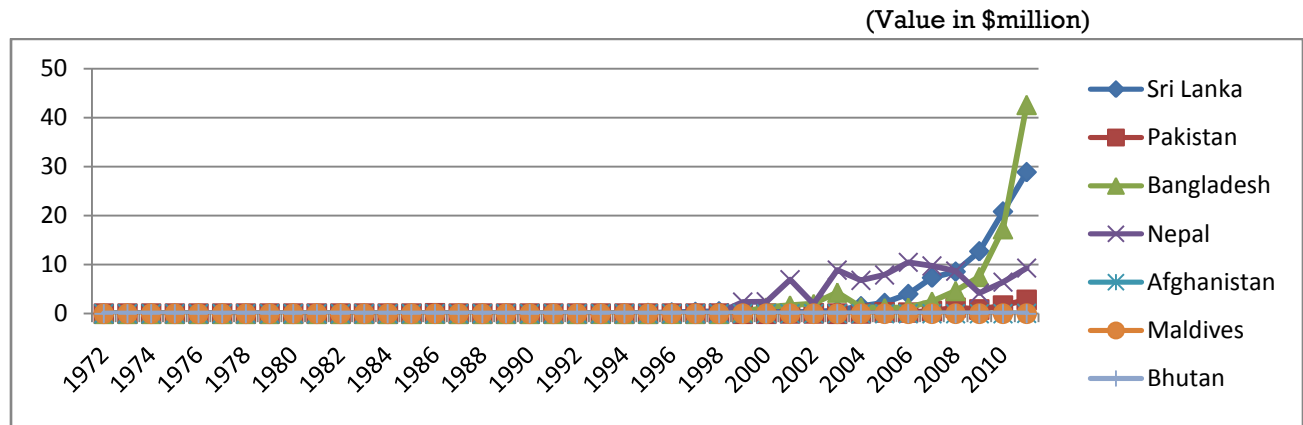
(Value in \$ million)

Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0	0	0	0.001	0.14	0.41	2.58	20.79
Pakistan	0	0	0.02	0	0.01	0.02	0.18	1.76
Bangladesh	0	0	0	0	0	1.11	1.25	22.45
Nepal	0.002	0.001	0.0005	0	0.0001	3.99	8.39	6.65
Afghanistan	0	0.001	0	0	0	0	0.007	0.02
Maldives	0	0	0	0	0	0.02	0	0.009
Bhutan	0	0	0	0	0	0	0	0

Source- UNCOMTRADE (2012)



Figure.7. India's imports of clothing from SAARC member countries (Three year average): 1974-75 to 2010-11



Source= UNCOMTRADE

India's imports of clothing from SAARC member countries continued with trend, and started growing only in late 1990s (Table 7 and Figure 7). Imports of clothing from Nepal and Bangladesh started growing in 1998, but crossed \$3million mark in 1999- 2001. Despite the early start of growth of India's imports from Nepal, imports varying between \$5 million and \$10 million since 2003. On the other hand, imports from Bangladesh increased from \$1.11 million in 1999-2001 to \$22.45 million in 2009-11. There was a surge in India's imports from Sri Lanka that started rising since 2004, and the import from Sri Lanka, which were just \$2.58 million in 2004-06, crossed \$20.79 million in 2009 -11. Imports from Pakistan did show much change since 2007, though it remained very low. India's imports of clothing from other SAARC nations remained negligible.

Table.8. India's imports of textile and clothing from SAARC member countries (Three year average): 1974-75 to 2010-11

(Value in \$ million)

Name of the Country	1974 to 76	1979 to 81	1984 to 86	1989 to 91	1994 to 96	1999 to 2001	2004 to 06	2009 to 11
Sri Lanka	0	0.02	0.055	0.009	0.7	2.23	11.57	46.08
Pakistan	9.35	2.23	6.22	7.4	4.76	3.39	33.86	42.78
Bangladesh	5	0.52	9.81	7.81	17.2	44.39	42.79	185.33
Nepal	0.71	2.57	12.79	1.94	13.33	42.4	73.48	114.05
Afghanistan	2.22	0.002	0	0	0.023	1.4	0.05	0.09
Maldives	0	0	0	0	0	0.04	0	0.02
Bhutan	0	0	0	0	0	0	6.96	0.41

Source- UNCOMTRADE (2012)

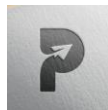
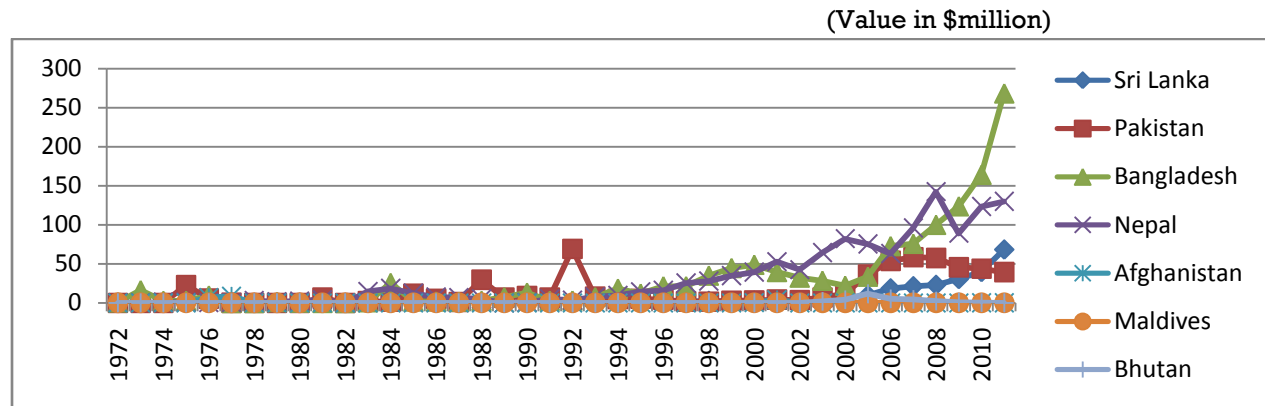


Figure.8. India's imports of textile and clothing from SAARC member countries (Three year average): 1974-75 to 2010-11



Source= UNCOMTRADE (2012)

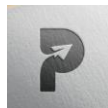
Table 8 and Figure 8 show that India's imports of textile and clothing from SAARC started growing from early 1990s. The growth, which started in 1993, saw the increase in imports just from Bangladesh and Nepal, and imports from Pakistan and Sri Lanka picked up in 2003 onwards. Among all SAARC countries, India's imports of textile and clothing from Bangladesh and Nepal experienced early growth and continued to perform better than other countries. In 2009-11, the total imports from Bangladesh and Nepal reached \$185.33 million and \$114.05 million, respectively, in comparison, the imports from Sri Lanka and Pakistan in same period were \$46.08 million and \$42.78 million, respectively.

Summing Up

The above analysis of India's exports and imports of different products of textile and clothing points out that the trade with SAARC countries is growing in the recent years. For most of the products of textile and clothing, the first phase of this growth started in mid 1980s or early 1990s, whereas the second wave of growth was felt after 2002. Nonetheless, the increase was not same for all SAARC countries. The major reason for increase in India's trade in the first phase of growth (i.e. in 1980s or early 1990s) was rise in India's trade with Sri Lanka, Bangladesh and Nepal. Indian trade with Pakistan and Afghanistan showed some signs of improvement only after 2002. Other two SAARC countries, Maldives and Bhutan, did not show any significant improvement in their trade with India.

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