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Regional Integration and Trade of India and Bangladesh with ASEAN Countries: An Empirical Investigation

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Abstract : *Globalization, relaxation of trade barriers with free movement of goods and services is considered to accelerate world trade and speed up the growth process. It is also expected to improve efficiency of resource use, reduce inequality, unemployment, imbibe competition and thereby optimise human welfare. However, several countries despite adopting globalisation are lagging behind for the lack of competitiveness and inefficient management of activities, technological backwardness and paucity of capital. Thus an attempt is made towards building sub-regional cooperation in Asia for having competitive strength at regional level. India's Look East Policy and engagement with its eastern neighbours including Bangladesh and ASEAN is an effort to form regional trade bloc to foster development. This paper offers an interactive analysis of progress of trade of India and Bangladesh with ASEAN and shows how both the countries could integrate with these nations and utilise the opportunities created since 2001. Dendrograms reveal that India and Bangladesh have close ties in economic and social fields among Asian countries after 1991. With much effort towards integration with ASEAN after 2000, India's export and import have increased significantly, but the trade gap has been widened. In case of Bangladesh, export to ASEAN has remained at a very low level, though one-fifth of its import still comes from these countries. Thus trade gap of Bangladesh with ASEAN is widening at a faster pace than that of India. However, Bangladesh has been able to reduce the gap with India in overall export and import per capita. But, there is ample scope for both these nations to expand trade through enhanced exports of goods demanded by these countries.*

Keywords: *Globalization, Look East Policy, Economic Cooperation, Trade, India and Bangladesh, ASEAN.*

JEL No.: *F21, F43, H77, O57, O40, C82, R1, R11*

Introduction

Integration of the economies are achieved through the relaxation of tariffs and duties in various countries, removing barriers to exports and imports and allowing free movement of goods and services including human resources. It is supposed to promote world trade and accelerate movement of goods and services. In the process, it thus speeds up the growth process across the countries.

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Interdependence and free trade are considered to have no other alternative that leads to specialisation in production activities, accelerate trade and mutually benefit the participating countries to attain faster economic growth. During past two decades several countries adopted globalisation along with liberalisation and privatisation policies and allowed inflow of foreign capital with private companies playing important roles in various social and economic activities especially in industrial development. The two big nations of Asia, India and China, could manage high growth rates along with some other emerging Asian tigers like Indonesia, Malaysia, South Korea and Singapore and even a small economy like Taiwan.

However, despite adopting globalisation policies several countries achieved slow rate of growth. The qualities of jobs generated are inferior in nature. Inequality has not been declined significantly. Instead of noticeable progress of domestic industrial sector, many foreign multinational companies are found to expand their businesses in the relatively backward nations due to their relative technological advantage and larger access to capital. Technological transfer through foreign direct investment has not been satisfactory and several newly opened up countries, particularly of Asia and Africa fall behind the stiff international competition. Some developed countries even give the excuse of environmental damage or health concern for not using proper technique in the production, to create obstacles to import of goods mostly supplied by developing countries and protect their own producers' interest. Therefore, amidst globalisation also discrimination is made by some advanced countries to take relative advantage and protect the interests of own companies in various ways.

In the ambit of globalisation thus there is an attempt towards building sub-regional cooperation and integration in Asia for having competitive strength at regional level for the promotion of trade within the region which is mutually beneficial. It is expected to expand trade faster and thereby accelerate the growth process in the partner countries. India and Bangladesh have also given special thrust, vide Look East Policy, and also engaged with their eastern neighbours including ASEAN[1] nations and other south-east Asian countries in the formation of regional trade bloc to foster development. The move on the part of India has a special purpose to enhance trade through land routes of different border areas of East and North-East India with its neighbouring countries and remove geographical isolation of this part of the country. Despite having historically social and economic relations with these countries and being part of erstwhile India during British Rule, international trade of India and Bangladesh has been mostly happening with Western part of the globe due to colonial legacy and technological need. However, India's comparative advantage

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[1]The Association of Southeast Asian Nations (ASEAN) is an organization initially formed on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand, which promotes economic, political educational etc. cooperation and facilitates amongst its members and other Asian countries. It was later expanded taking other Southeast Asian Countries.

is with the eastern neighbours including some ASEAN countries in the production of several commodities and a common trade regime may be able to give her economic boosting.

India though started negotiations with ASEAN countries towards the end of previous century to revive her old ties, it became a full-fledged dialogue member of ASEAN in 2002, and there is an apparent doubt about the success of trade promotion. Bangladesh also has a special status in this trade bloc, though majority of external trade of Bangladesh still happen with the West despite several multilateral trade agreements and relaxations in tariff and development of communications.

This paper tries to provide an interactive analysis of progress of trade of India and Bangladesh with ASEAN and shows how both the countries could integrate with these nations and utilise the scope and opportunities that have been created since 2001.

Review of Literature

A number of studies have addressed the issues related to globalisation and its impact. Studies by Kulkarni (2005), Tsai (2006), Dreher (2006), World Bank and IMF (2007), Amavilah (2009), Karadagli (2012) have shown positive influence of globalisation on employment and income growth of the countries who open up their economies through removal of quotas, reduction of tariff and allow inflow of foreign capital. The process has been expected to improve efficiency of resource use, reduce poverty, inequality, unemployment, gender bias and generate competition. Therefore, it helps in improving human welfare. Antweiler et al (2001), Cole (2004), Kafela (2011) further reveal that under the current global scenario, free trade not only increases efficiency but also helps in reducing pollution emission due to greater competitive pressure and with increasing access to greener production technologies and knowledge as well as international capital transactions. Mitra and Samaddar (2017) opined that the infrastructure development under this initiative would generate employment and opportunities to accelerate border trade in North-East India. However, non-reconciliation of issues involving identities and citizenships is considered as major impediments of such development in the region. Singh and Singh (2014) however warned about the threat of rising malignancy and drug addiction in Manipur along with trade opportunity of Look East Policy. Cherni (2001), Heintz (2006) show that several countries despite adopting globalisation are found to lag behind in terms of growth, reduction in poverty and unemployment due to lack of competitiveness and inefficiency in the management of production activities, technological backwardness and paucity of capital. The doubts have been raised about the role of globalisation in addressing employment challenge and ensuring quality of work life, poverty reduction as well as gender equity on looking at the persistent unjust disparities between the developed and developing world.

Despite several limitations pointed out in various studies and warning on unrestricted opening of countries to outside world without considering competing capacity of domestic sectors, bringing in foreign capital without paying attention to its socio-economic, demographic and environmental consequences; a large number of countries are found to follow globalisation policies (Beams, 2000; Effland et al, 2006; Heintz, 2006; Tang, 2008; Versi, 2004; Eweje, 2005). By virtue of famous trade theories it is presumed that one cannot progress beyond a certain limit with its own effort due to lack of knowledge, access to technology and thus overall efficiency in many respects.

Therefore, the literature review reveals contradictory outcomes of globalisation in economic growth, employment, reduction of poverty and inequality through expansion of trade and management of resources. India and Bangladesh also adopted the strategy of globalisation and along with that formed separate sub-regional blocks with south and south-east Asia in order to accelerate the growth process. It is thus pertinent to analyse pattern of integration of both these nations with ASEAN and examine the growth of trade in connection with development.

Methodology

In order to examine the position and closeness of India and Bangladesh among the Asian countries in terms of social, economic and political globalisation, the KOF index of globalisation[2] across countries of Asia have been collected (Dreher, 2006; Dreher et al, 2008, 2017). The information on export and import of India and Bangladesh with ASEAN has been collected from the International Trade Centre database available at http://www.intracen.org/itc/market-info-tools/statistics-import-country-product/. Using these data we derive the (hierarchical cluster) dendrogram of overall globalisation, economic globalisation, social globalisation and political globalisation of the major Asian countries for the pre and post globalisation periods i.e., before and after 1991. It provides the clustering of countries in terms of homogeneity of globalisation move. A comparison of clustering of these two periods would provide the prospect of India and Bangladesh in their move of increasing ties with the eastern and south-east Asian neighbours. Thereafter the growth of trade (export, import and trade balance) of these two nations with ASEAN countries are estimated by using regression of the type $LnY_t = \alpha + \beta.t + U_t$, where Y_t represents export/import/trade deficit and ß is the annual exponential growth rate of Y_t. Also, the comparative trends of variables are shown through diagrams. The rate of growth of export and import of India and Bangladesh with ASEAN are compared along with globalisation index to check how far India and Bangladesh have been able to succeed in this move to carry forward globalisation and integration with ASEAN countries and to promote trade for

[2]KOF Globalisation Index: "The KOF Globalisation Index measures the economic, social and political dimensions of globalisation." https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html.

achieving rapid economic growth. Further, after checking stationarity by Augmented Dickey-Fuller test of export, import of India, Bangladesh and ASEAN and share of India, Bangladesh export to overall import of ASEAN and vice versa, we checked long run relationship through cointegrating equations between exports of India/B'desh to ASEAN as percentage of its total import with overall ASEAN import. Also similar equation is estimated between import of India/B'desh from ASEAN as a percentage of total ASEAN export and overall ASEAN export.

Observation and Analysis

Proximity of India and Bangladesh with ASEAN Countries

Historically, India and as a part of erstwhile pre-Independent India, Bangladesh had cultural and trade relations with eastern countries including Indonesia, Cambodia, Myanmar, Thailand and Malaysia. In respect of overall globalization, since 1991, there was also an East Asian connection of India before 1991 except with Singapore, Malaysia. Despite having some common boundary, connection with Myanmar and Bangladesh was thin. On the other hand, Bangladesh had stronger ties with Nepal and Myanmar than with India. After 1991, clustering of India moved little away from Indonesia, The Philippines and it came closer towards some smaller economies like Vietnam, Cambodia, Nepal, and Bangladesh. Also, India maintained closeness with Iran and Syria for economic exchange. Despite prolonged political tensions, in terms of overall globalisation, India and Pakistan have been in the same cluster throughout the period. However, India could not come much closer (as expected) with major ASEAN nations like Indonesia, Philippines, South Korea, Thailand, Malaysia and Singapore in terms of growth of economic and social exchange and progress despite its much hyped Look or Act East Policy. Thus, India and Bangladesh have very little common clustering with ASEAN countries in terms of overall globalisation.

Fig-1A: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Overall Globalisation during 1970 to 1991

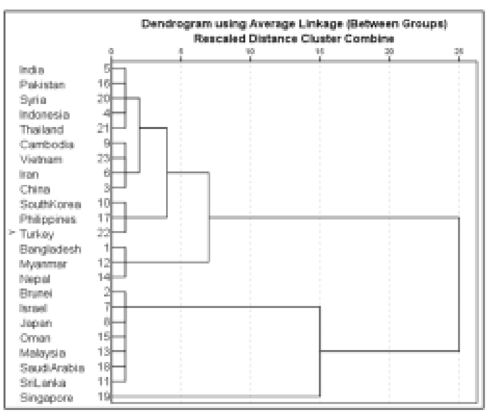
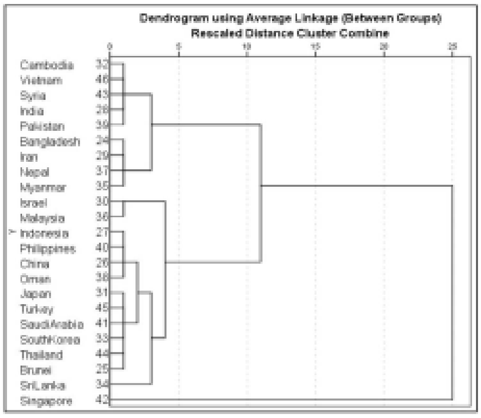


Fig-1B: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Overall Globalisation during 1992 to 2014



In terms of economic integration also, India and Bangladesh remained in the same cluster with Myanmar, Vietnam, Thailand and that was not with the fast growing Asian tigers before 1991 (Fig. 2A) and since 1992 India, Bangladesh, Nepal and Pakistan came closer in terms of economic globalization index (Fig. 2B). It is due to economic compulsion despite having political differences in India, Pakistan and Nepal. Closeness with Vietnam, Thailand and Myanmar of both the countries has been reduced while that with other ASEAN countries has improved a little in terms of economic globalization.

Fig-2A: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Economic Globalisation during 1970 to 1991

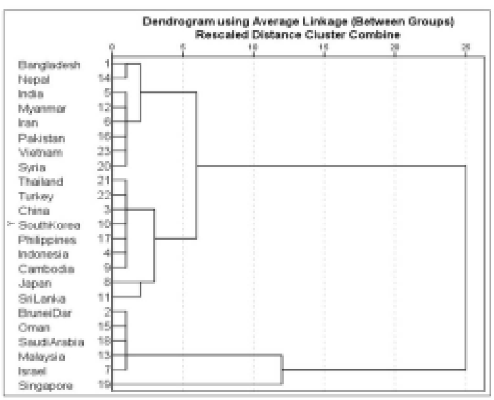
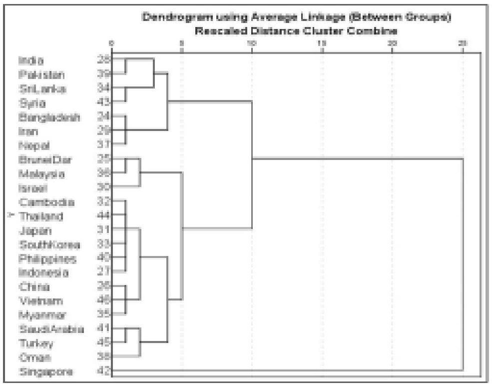


Fig-2B: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Economic Globalisation since 1992 to 2014



In respect of social globalization, there was very close East Asian proximity of both India and Bangladesh before 1991 with Indonesia, Vietnam, Cambodia, Myanmar and a moderate relationship with the Philippines, South Korea and Thailand (Fig. 3A). After 1991, social proximity of India and Bangladesh with Philippines, South Korea, Malaysia and Thailand is maintained with less intensity (Fig. 3B). Despite having historically close social interaction with the ASEAN members, namely Indonesia, Cambodia, Vietnam and Myanmar; after the initiative of Look East Policy, India failed to establish such strong social interaction with other ASEAN nations like Singapore, Malaysia, Lao PDR, and Brunei. Now there are virtually two broad blocs - one with relatively advanced and the other is of less developed nations having similar socio-cultural habitats and traditional bonding. Overall social proximity of India and Bangladesh is relatively stronger with a number of ASEAN countries than their economic proximity.

Fig-3A: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Social Globalisation during 1970 to 1991

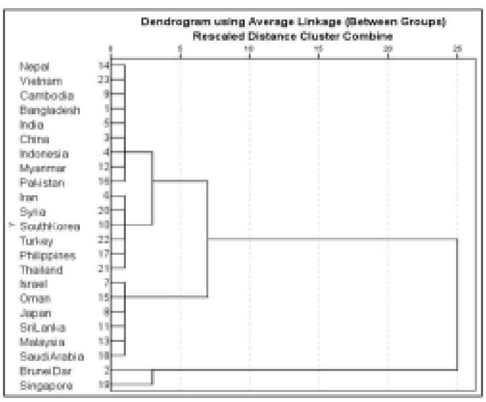
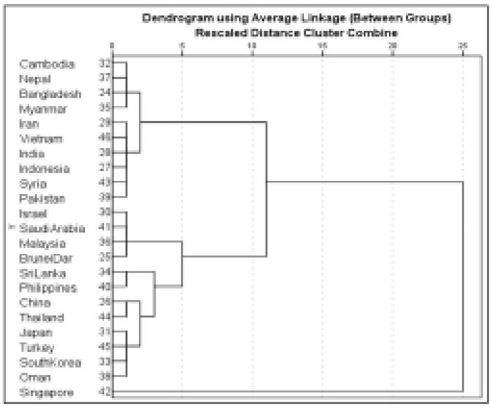


Fig-3B: Clustering of Asian Countries through Dendrogram using Average Linkage (Between Groups) of Social Globalisation during 1992 to 2014



Politically both India and Bangladesh were outside their geographical neighbours before 1991. India had homogeneity in political openness with Japan and Turkey, whereas Bangladesh had the similar relationship with Singapore, Malaysia, South Korea, China, Philippines and Thailand (Fig. 4A). After 1991 however India and Bangladesh are found more or less in the same cluster with five major ASEAN member nations and they remain outside the cluster of other five ASEAN countries in terms of political openness (Fig. 4B).

From the dendrograms it is clear that despite changing dimension of sub-regional cooperation through several dialogues and moves for having regional trade bloc, free trade zone, to promote social interaction, India and Bangladesh have not yet been successful to build desired closeness with ASEAN nations.

Fig-4A: Clustering of Asian Countries through Dendogram using Average Linkage (Between Groups) of Political Globalisation during 1970 to 1991

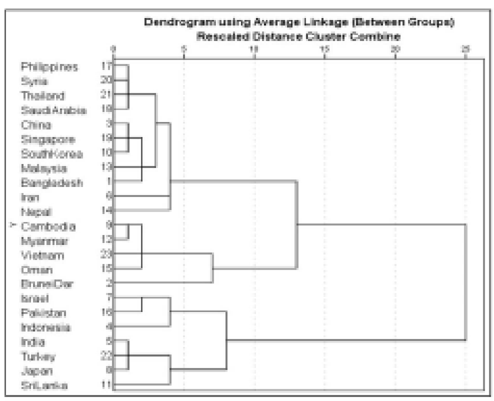
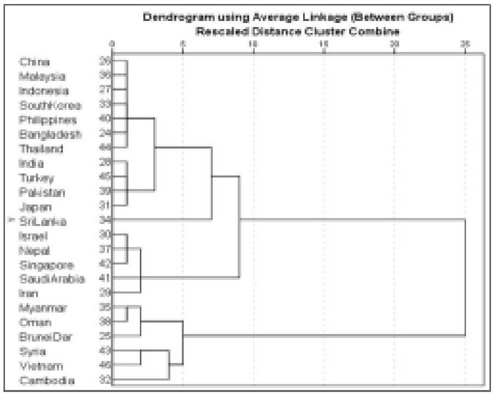


Fig-4B: Clustering of Asian Countries through Dendogram using Average Linkage (Between Groups) of Political Globalisation during 1992 to 2014



Promotion of Trade of India and Bangladesh: A Comparative Picture

Comparative trend of export, import and trade balance of India and Bangladesh with ASEAN countries is shown in figures 5A and 5B. All the variables are found to grow since 2001 except decelerations in India's export and import after 2013. Bangladesh's export to ASEAN is very small as compared to its import.

Regression of export, import and trade deficit reveals that both export to and import from ASEAN of India and Bangladesh have increased significantly since 2001. Export and import of India with ASEAN have increased exponentially at 15.2 and 16.3 percent per annum; which are comparatively higher than that of Bangladesh with figures 12.9 and 15.1 percent respectively. Trade deficit of India with ASEAN however increased at annual exponential rate of 22.0 percent, which is relatively less (15.3 percent) in case of Bangladesh. It may be noted that exports to ASEAN of both the countries have increased at lower rates than that of imports (Box 1).

Fig. 5A: Growth of Export, Import and Trade Balance of India with ASEAN since 2001 (Mn USD)

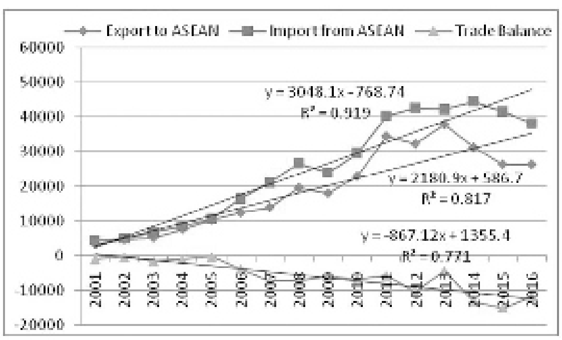
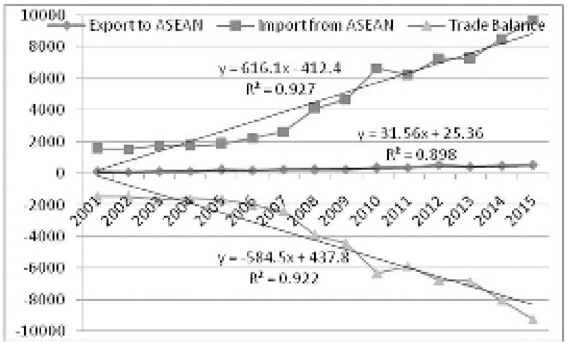


Fig 5B: Growth of Export, Import and Trade Balance of Bangladesh with ASEAN since 2001 (Mn USD)



Semi-log regression equations of exports, imports and trade deficit of India and Bangladesh with ASEAN against time (t) since 2001 are given in Box 1.

Box - 1

LnIndian Export = 8.333 + 0.152t, R^2 = .855, AdjR^2 = .845, F = 82.88*** ... (1)
(51.68) (9.10)

LnIndian Import = 8.488 + 0.163t, R^2 = .888, AdjR^2 = .880, F = 111.42*** ... (2)
(56.73) (10.56)

LnIndian Deficit = 6.332 + 0.220t, R^2 = .693, AdjR^2 = .671, F = 31.60*** ... (3)
(16.77) (5.62)

LnB.desh Export = 4.437 + 0.129t, R^2 = .893, AdjR^2 = .885, F = 108.53*** ... (4)
(39.36) (10.42)

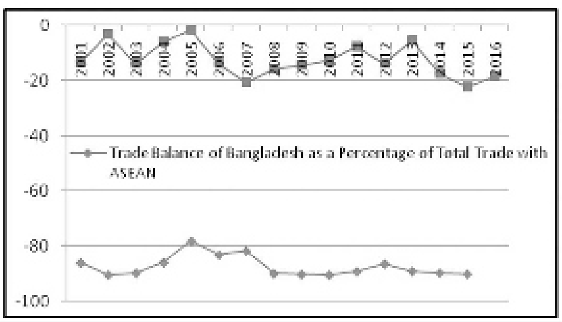
LnB.desh Import = 6.998 + 0.151t, R^2 = .952, AdjR^2 = .948, F = 255.28*** ... (5)
(81.56) (15.98)

LnB.desh Deficit = 6.914 + 0.153t, R^2 = .943, AdjR^2 = .938, F = 213.95*** ... (6)
(72.92) (14.63)

Note: Figures in the parentheses represent t-values of the corresponding coefficients.

The indication of higher growth of trade deficit of India despite higher faster growth of trade and lower difference in annual exponential growth of export and import (-1.1 per cent) (the difference in the coefficients of t in equations 1 and 2) as compared to Bangladesh (-2.2 per cent) (the difference in the coefficients of t in equations 4 and 5) is due to larger volume trade of India with ASEAN nations and comparatively less proportion of export of Bangladesh towards ASEAN countries. Again, if we look at the trade deficit as a percentage of total trade with ASEAN, the figure 87.40 on an average during 2001 to 2015 in case of Bangladesh and it is 12.55 on an average in case of India (Fig. 6).

Fig. 6: Comparative Picture of Trade Balance as a Percentage of Total Trade of India and Bangladesh with ASEAN



In terms of population and GDP there is huge difference between India and Bangladesh. In order to eliminate the effect of population size, per capita export and import from ASEAN are also computed. It is observed that India's per capita export to ASEAN has been significantly higher than that of Bangladesh. The case of per capita import from ASEAN has however been opposite (Fig.7). Both India's overall per capita export and import have been higher than that of Bangladesh (Fig. 8). But, it may be noted that in recent years the figures (per capita export and import) of Bangladesh are converging to India's figures of overall per capita export and import (to the world), which is revealed by Fig. 9. On the other hand, Fig 10 reveals that the gap between per capita export of India and Bangladesh to ASEAN has been positive and increasing and that of per capita import from ASEAN has been increasing in a negative direction. This is the reason for widening trade gap per capita between India and Bangladesh over time.

Fig. 7: Comparative Trend of Export and Import of India and Bangladesh to ASEAN per Capita from 2001 to 2015 (USD)

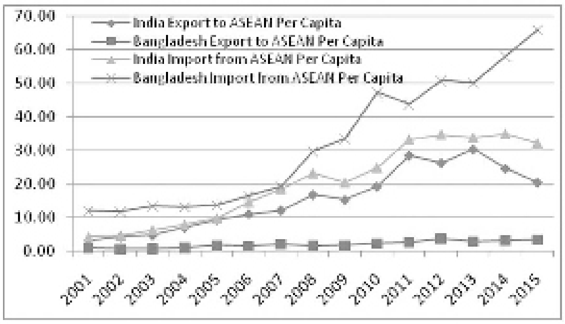


Fig. 8: Comparative Trend of Export and Import of India and Bangladesh to the World per capita Export from 2001 to 2015 (USD)

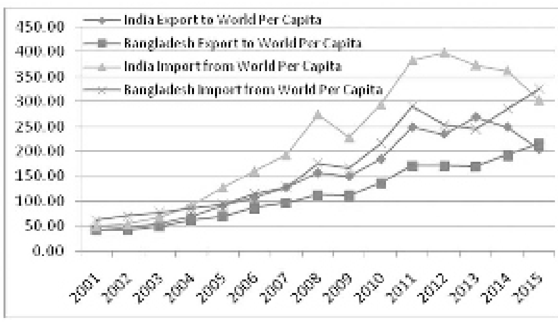


Fig. 9: Trend of Gap between India and Bangladesh in Overall Export and Import per Capita with the World from 2001 to 2015 (USD)

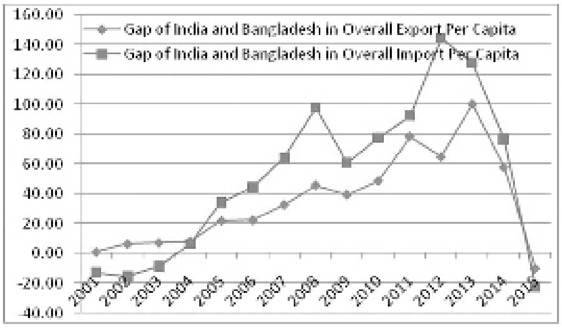
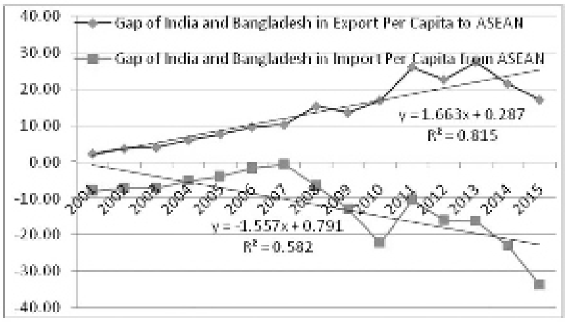


Fig. 10: Trend of Gap between India and Bangladesh in Overall Export and Import per Capita with ASEAN from 2001 to 2015 (USD)



Further, a comparison of Fig.7 and Fig. 8 indicates that the percentage of overall export of Bangladesh conducted with ASEAN is much lower than that of India (also revealed in Fig 11). Overall average 1.73 percent of Bangladesh's export happened with ASEAN during 2001 to 2016 and the figure was about 10 per cent in case of India. Not only that, the gap is increasing over the years (Fig. 12). Import of Bangladesh ASEAN countries as percentage of its overall import from all the countries has been much higher than that of India, which is revealed in Fig 13. Average percentage of overall import of Bangladesh occurred with ASEAN during 2001 to 2016 was 18 per cent, while that of India was 9.04 percent. Despite high fluctuations, the negative gap is also increasing over the years (Fig. 14).

Fig. 11: Export of India and Bangladesh to ASEAN a percentage of their Total Export to World

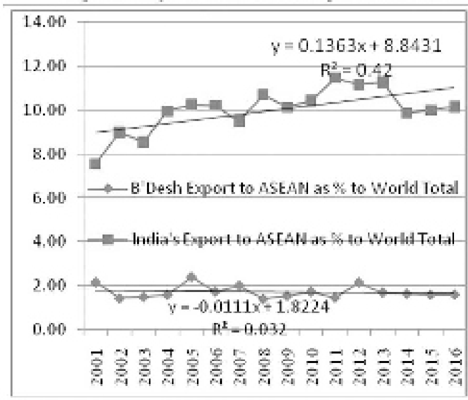


Fig. 12: Difference between India & B'Desh in Percentage of Total Export to ASEAN

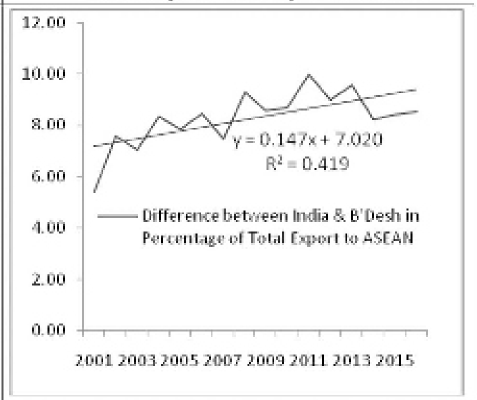


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Fig. 13: Import of India and Bangladesh from ASEAN as a percentage of their Total Import from World

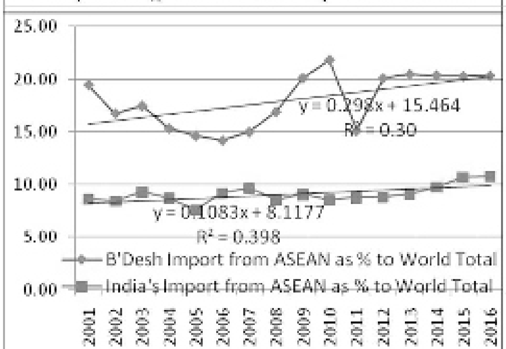
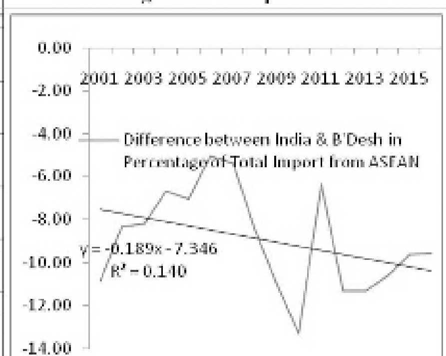


Fig. 14: Difference between India & B'Desh in Percentage of Total Import from ASEAN



Like India, Bangladesh has also put the similar effort for the promotion of trade with these countries and to take regional advantage, despite being member of several regional trade blocs of South-East and East Asian nations. Also, there are joint efforts of India and Bangladesh with other East Asian countries to build connectivity and enhance trade in favour of each. If we look at the composition of export and import of India and Bangladesh, it is observed that gems, jewellery & precious metals, mineral fuel including oil, vehicles, machinery including computers, pharmaceuticals, organic chemicals, clothing, electrical machinery/ equipments, knit & clothing accessories and iron & steel constitute over 60 per cent of India's export. Vehicles, engineering and electrical machinery, pharmaceuticals are exported to ASEAN as there are demands for these items. On the other hand, major items of export of Bangladesh includes garments, sea food, jute & jute goods, leather etc which are mostly exported to western European and north American countries (over 70 per cent) and not in ASEAN. More than half of India's export is confined to Asian countries including ASEAN, Saudi Arab, China, Hong Kong.

Mineral fuel and gems & precious metals, fertilizer, optical and medical apparatus, as well as technological items are some major imports of India that comes from West Asia (Arabian countries), Europe and USA. Other major imports of India like electrical and electronic items, machinery including computer, plastic goods, organic chemicals, animals, vegetable oil, fat, iron & steel, are mostly imported from China and various ASEAN countries. A number of ASEAN countries have advantage in the production of such items like electronics, cars, vegetable oil which are demanded in India. Mineral oil, gems and precious metal and electronics constitute about half of India's import. Bangladesh import primarily machinery & equipments, chemicals, iron & steel, textiles, food stuffs, petroleum products and cement; and majority from China, India and various ASEAN countries.

Top five imported items of ASEAN include (i) electronic machinery & equipments, (ii) sound recorder, reproducers, television and accessory parts; (iii) nuclear reactors, boilers & mechanical appliances and apparatus; (iv) mineral oil, fuel and their products, wax; (v) iron & steel (ASEAN chart book 2016). These items are mostly not produced and exported by Bangladesh. Since the items of demand in ASEAN countries are mostly not produced in Bangladesh there is little scope of export to those countries. India also has comparatively limited scope to export in these nations though it imports a number of items from ASEAN. Thus India's export has not been increasing at the desired rate with these countries despite increasing connectivity, trade network and several agreements.

Table 1: Test of Trend Stationarity and Growth of Export and Import of ASEAN, India and Bangladesh (by ADF Test)

	Schward Info. Criterion					
	Level Form			First Difference		
Country-wise Variable	*Coeff.*	τ	*Comment*	*Coeff.*	τ	*Comment*
ASEAN overall Export	-0.123	-1.458	Non-stat	-1.061	-3.651**	Stationary
ASEAN overall Import	-0.125	-1.361	Non-stat	-1.077	-3.72**	Stationary
ASEAN Import from India	-0.128	-1.279	Non-stat	-1.038	-3.582**	Stationary
ASEAN Import from B'Desh	-0.035	-0.276	Non-stat	-3.716	-3.752**	Stationary
ASEAN Export to India	-.0744	-1.117	Non-stat	-0.758	-2.60****	Stationary
ASEAN Export to B'Desh	.0188	.2725	Non-stat	-1.329	-4.716***	Stationary
India's overall Export	-0.099	-1.184	Non-stat	-0.971	-3.336**	Stationary
India's Exp to ASEAN as Percentage of its Import	-0.206	-1.718	Non-stat	-1.411	-5.427***	Stationary
India's overall Import	-0.117	-1.350	Non-stat	-0.846	-2.86*	Stationary
BDesh's overall Export	.0505	1.105	Non-stat	-1.195	-4.433***	Stationary
BDesh's Exp to ASEAN as Percentage of its Import	-0.061	-2.168	Non-stat	-1.421	-6.96***	Stationary
BDesh's overall Import	0.054	0.740	Non-stat	-2.028	-4.753***	Stationary
Critical Value at	1% = -3.959, 5% = -3.081, 10% = -2.68			1% = -4.004, 5% = -3.0989, 10% = -2.69		

Note: *, **, and *** indicate that the coefficient is significant at 10%, 5% and 1% level of significance respectively. **** indicates that the coefficient is significant only at 13 per cent level.

Table 1 reveals time series nature of the trade related variables of both the countries and all the variables are found to be integrated one by augmented Dickey Fuller test and it is expected to have long run relationship between any two variables. Here, the unstandardized linear equations between India's and Bangladesh's export to ASEAN as a percentage of its total import on ASEAN overall import and India's and Bangladesh's import from ASEAN as a percentage of its total export on ASEAN overall export are presented below.

India Export to ASEAN as a % of Total ASEAN Import	$= 5.195^{**} + 1.86E^{-05***}$ ASEAN Import, $R^2 = .87$ (3.124) (9.982) ... ... (7)
B'Desh Export to ASEAN as a % of Total ASEAN Import	$= 4.384^{***} - 1.05E^{-06**}$ ASEAN Import, $\overline{R^2} = .32$ (9.344) (-2.78) ... ... (8)
India Import from ASEAN as a % of Total ASEAN Export	$= 1.238 - 2.66E^{-05***}$ ASEAN Export, $\overline{R^2} = .94$ (.705) (14.39) ... ... (9)
B'Desh Import from ASEAN as a % of Total ASEAN Export	$= 1.495^{***} + 3.86E^{-06***}$ ASEAN Export, $\overline{R^2} = .44$ (1.454) (3.568) ... ... (10)

Note: *** and ** indicates the coefficient is significant at 1 and 5 per cent level of significant.

The results of regressions reveal that despite some improvements in the export of Bangladesh to ASEAN, percentage of total import of ASEAN shared by its export has declined significantly over time. But that trend is significantly positive in case of India. On the other hand, Bangladesh's import as a percentage of ASEAN's overall export has increased with ASEAN overall export, which is also true for India. But if there is an increase in ASEAN export it is imported by Bangladesh in more proportion than that of India and that is the reason for more widening trade gap over time.

Concluding Remarks

This paper examined the extent to which India and Bangladesh came closer to various ASEAN countries in terms of socio-economic-political globalization. Also, growth of trade since 2001 for both the countries with ASEAN has been analysed. Since the adoption of Look East Policy and integration with ASEAN that got momentum after 2001, trade performance is studied up to 2016. Paucity of data of ASEAN trade with India and Bangladesh before 2001 constrained us to limit the period from 2001 to 2016.

Analysis through dendrogram reveals that India and Bangladesh have close ties in the field of economic and social globalisation among Asian countries after 1991. Though there has been much effort towards the integration with ASEAN after 2000 and formation of regional trade bloc with the eastern nations, India has not been able to make significant progress in export in comparison to import with these countries. Both export and import have significantly increased, but the trade gap has over time widened. Export of Bangladesh to ASEAN has remained at a low level over a long period of time. However, one-fifth of its import still comes from these countries and increasing over time. Thus its trade gap with ASEAN is widening at a faster pace than that of India. However, Bangladesh has been able to reduce the gap with India in overall export and import per capita.

Bangladesh thus needs to increase its export to ASEAN and reduce the adverse trade gap through production of export items needed by these countries at competitive rate and penetrate ASEAN market. There is ample scope for both the countries to expand their trade especially through enhanced exports of goods demanded by these countries and only then the Look East policy would be successful. Also there is a lot of scope for tourism and cultural exchange in India for the people ASEAN, which has not yet been fully utilised.

Still now major export and import of ASEAN takes place with China, Japan and USA. If India and Bangladesh has to penetrate their markets, both of them have to find out their suitability in areas and items on the basis of competitive advantage. Some of the export items of ASEAN are even same as that of Bangladesh like textiles, leather items etc.

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