

Export Of Travel Services From India And Neighbouring Countries: Analysis of Trend And International Competitiveness

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Abstract: The paper analyzes the trend of travel services exports from India and neighboring countries from 2005 to 2024, with a focus on revealed comparative advantages using the Balassa RCA Index computed for travel services for India and 16 neighbouring countries of East Asia, South Asia and ASEAN countries. Utilizing secondary data from the World Trade Organization, the study employs graphical analysis to illustrate the performance and trends in exports, and identifying an overall upward trend despite a covid-19 pandemic-induced downturn in 2020. Important factors driving growth include improved infrastructure, government policies, digital technology adoption, and increased regional travel. For Countries like Bhutan, China, Indonesia , Malaysia , Nepal, Maldives , Mauritius, Sri Lanka, Thailand, Viet Nam and Thailand comparative advantage is high ($RCA > 1$) in travel services, while India faces disadvantages, indicating a need for policy reforms. Challenges to be addressed include inadequate infrastructure, complex visa regulations, and economic disparities. This paper suggests remedies such as digital visa systems, infrastructure investments, and initiatives to improve competitiveness and streamline processes, emphasizing that travel services are essential for economic growth and for attracting foreign exchange.

Keywords: Export ,Travel ,Services, Trend , Competitiveness

Introduction:

The export of travel services is essential to economic progress as it generates significant foreign exchange earnings and contributes over 10% to global GDP in 2024. It leads to the creation of approximately 357 million jobs worldwide, with a substantial portion held by women and youth. Moreover, tourism promotes infrastructure improvements and sustainable practices improving local businesses and cultural preservation. Travel services exports, especially tourism, are essential for the economic growth of India, China, South Asia, and ASEAN, contributing substantially to GDP, job creation, and foreign exchange earnings. They enhance infrastructure development, support local industries, and enhance regional connectivity, fostering economic and diplomatic relations. Tourism generates substantial foreign exchange, accounting for 31% of services exports in the Asia-Pacific as of 2019. The sector also creates job opportunities across various industries, drives improvements in transportation and communication, and enhances regional integration. Additionally, it promotes cultural exchange and soft power, diversifying the export basket and solidifying economic stability, particularly for countries like Thailand, Cambodia, and the Maldives. Its resilience and potential for growth underscore the importance of initiatives that promote eco-tourism and cultural exchanges. Revealed Comparative Advantage (RCA) is essential for identifying competitive strengths in travel services across India, China, South Asia, and ASEAN, fostering foreign exchange earnings and mitigating trade deficits. RCA helps policymakers target specialized travel markets and enhance regional integration by identifying which countries have a competitive edge ($RCA > 1$) in tourism. Key aspects include finding competitive strengths, encouraging strategic exports, addressing trade deficits, boosting regional integration, and developing targeted policies. Ultimately, RCA serves as a vital instrument for maximizing the travel services sector's potential and enhancing export performance in these countries. It is pertinent in this context to consider the following objectives:

Objectives of the paper:

- 1.To analyse the trend of export of travel services from India and neighbouring countries during 2005 to 2024.
- 2.To portray a picture of revealed comparative advantage in travel services for India and few neighbouring East Asian, South Asian and ASEAN countries using the computation of Balassa RCA (Revealed Comparative Advantage) Index for the period 2005 to 2024.

Datasource And Methodology:

This paper uses secondary data from World Trade Organisation for commercial services export(Millions of US \$) extensively. Using data for 2005 to 2024 graphical analysis and pictorial presentations have been made using bar charts to portray the performance of travel service export from India compared with 16 neighbouring East Asian (China),South Asian (Afganistan ,Bhutan, Bangladesh ,SriLanka, Pakistan, Nepal, Maldives) and ASEAN (Malaysia, Indonesia, Singapore, Myanmar, Philippines, Thailand, Vietnam) countries and Island Mauritius and also in order to determine the trend of export of travel services from these countries during this period. The RCA analysis has been done for export of travel services for 2005 to 2024 for the above mentioned countries in order to determine the advantage of a country in that travel service export .The Balassa Revealed Comparative Advantage Index has been calculated for all countries in this set. The Balassa Revealed Comparative Advantage (RCA) index is an index for measuring a country's export specialization in a specific service by comparing its share of that service's world exports to its share of total world trade. A value >1 indicates a revealed comparative advantage, while a value<1 indicates a disadvantage.

$$X_{ij} / X_{it}$$

Where, $RCA_{ij} = \frac{X_{ij} / X_{it}}{X_{wj} / X_{wt}}$, where X_{ij} is country i's export of service j,

$$X_{wj} / X_{wt}$$

X_{it} is country i's total service exports, X_{wj} is world exports of service j, and X_{wt} is total world service exports. Interpretation: If it is found that $RCA > 1$, the country has a revealed comparative advantage in that service sector (e.g., transport, travel services). Using MS EXCEL software extensively empirical analysis of data and pictorial presentations have been made in this paper.

Discussion, Analysis and Results:

Analyzing travel service exports from India, China, South Asia, and ASEAN is essential for economic planning as these regions are significant tourism engines. Key reasons for this analysis include the contribution of travel services to foreign exchange and GDP, enabling strategic policy formulation for economic integration, the promotion of intra-regional tourism, supporting post-pandemic recovery, the identification of competitive advantages in sectors like wellness tourism in India, and allowing for market diversification to improve economic stability. The graphs below demonstrate the trend of export of travel services from India and 16 neighbouring countries for period 2005-2024.

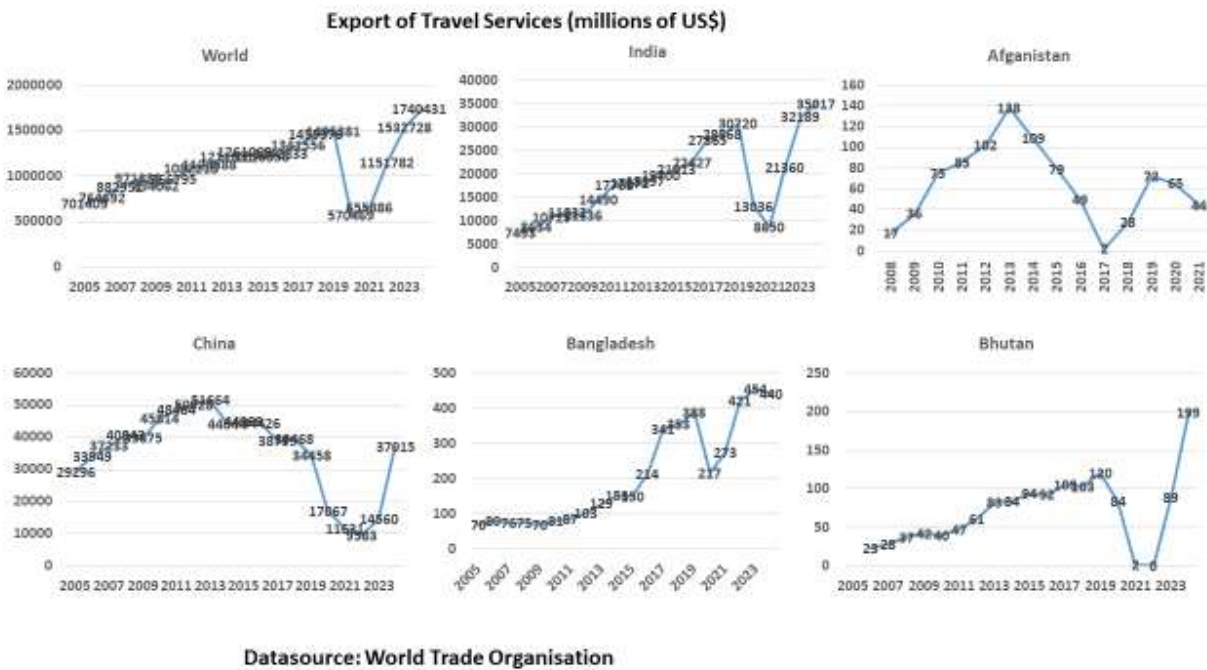


Fig 1a. Trend of growth of export of travel services from India and Neighbouring countries(2005 to 2024)

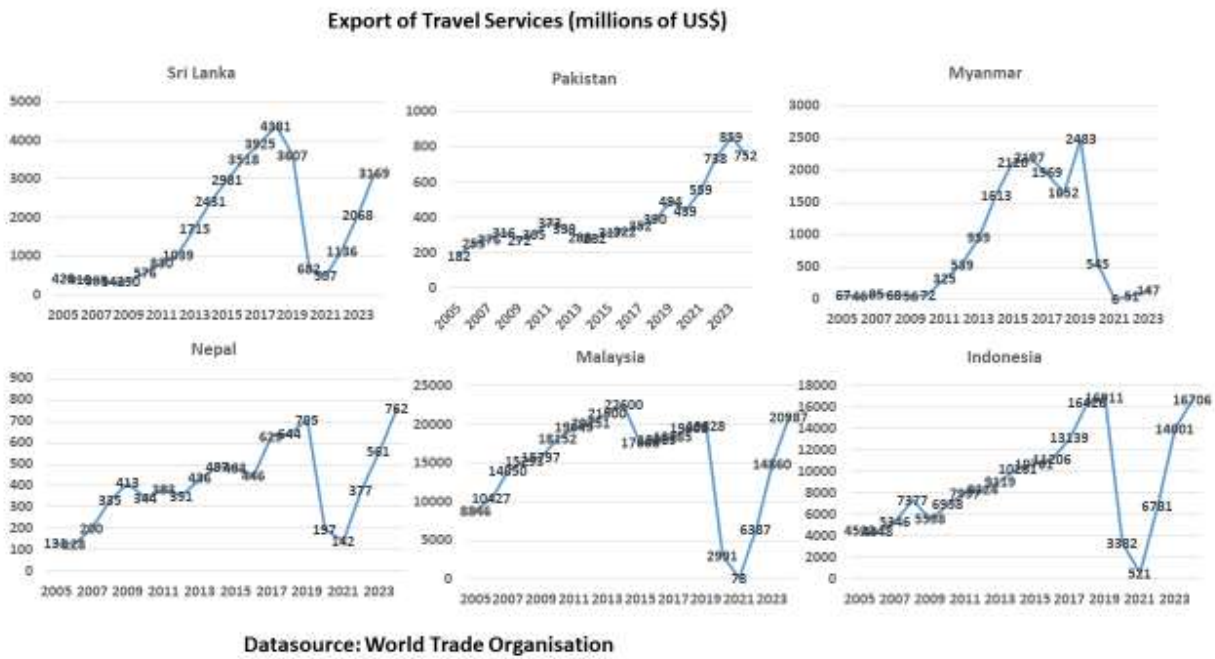


Fig 1b. Trend of growth of export of travel services from India and Neighbouring countries(2005 to 2024)

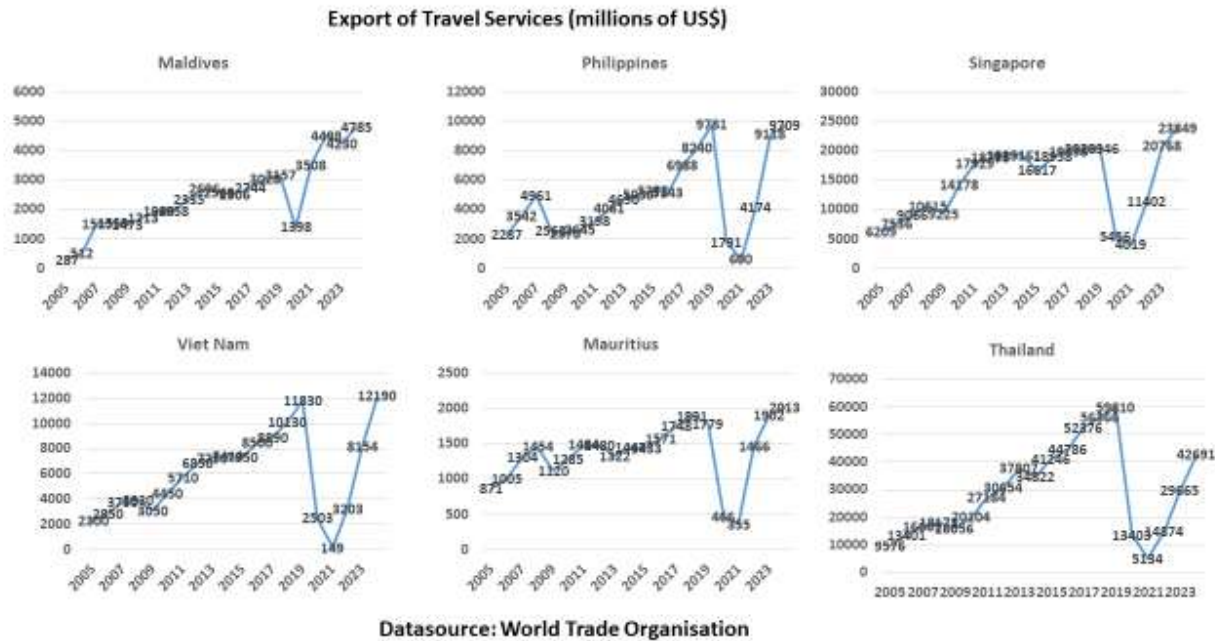


Fig 1c. Trend of growth of export of travel services from India and Neighbouring countries(2005 to 2024)

An upward rising trend for export of travel services can be observed in all these countries in the set for 2005 to 2024. In covid-19 pandemic year 2020 we observe a downfall but the trend soon recovered thereafter. The upward rising trend of travel service exports across Asia, notably in India and Southeast Asia, from 2005 to 2024, is influenced by improved infrastructure, government tourism policies, adoption of digital technology, and affordability. Important factors include substantial investments in connectivity through airports and budget airlines, liberalized visa regimes, aggressive tourism marketing, and digital platforms which facilitates seamless travel. Economic development among the middle class has led to increased intra-regional travel, while medical and wellness tourism is growing in countries like India and Thailand. In India, service exports have reached US\$ 341.06 billion in 2023-24. Specific regional drivers include sustainable tourism in Southeast Asia, cultural and religious tourism in South Asia, and notable recovery post-pandemic

due to constrained demand. The export of travel services in ASEAN countries is estimated to increase significantly from 2005 to 2024, driven by infrastructure upgrades, digital adoption, and a focus on experiential tourism. Important factors may include improvement in connectivity through enhanced airline routes, expanded tourism offerings which create comprehensive travel experiences, a shift towards online travel agents and digital payments, and a resilient post-pandemic recovery with a 8.0% growth in services exports in 2023. Increased intra-regional travel demand and ongoing policy liberalization further support this trend, marking a shift towards a service-oriented economy.

RCA Analysis in Travel Services:

A service sector which is having RCA greater than 1 ($RCA > 1$) indicates a strong comparative advantage, which means that a country exports that service at a higher proportion than the world average. $RCA > 1$ is very essential. If a service sector has an $RCA < 1$, it would signify a comparative disadvantage, which indicates that policy interventions, such as structural reforms, are essential in order to improve efficiency and competitiveness. This index is important for development objectives in the ways discussed below:

1. Identification of Export Competitiveness and Potential Targeted Growth- The RCA helps the governments to identify the service sectors which are internationally competitive. Through identification of these potential sectors, policymakers can reallocate resources to reinforce them, aiding in the diversification of the export basket of the country. For developing countries, an RCA index reveals areas which are having high export potential, which would allow targeted trade policies, for example negotiating better market access in the trade agreements.

2. Acceleration of Economic Development and GDP Service-Led Growth- In developing countries, service sector growth is often a major driver of GDP and economic growth. Sectors demonstrating high RCA attract higher Foreign Direct Investment inflows, which would in turn lead to modernization, skill upgrading, and development of infrastructure .

Table 1a.RCA Calculated for travel services:

YEAR	Afghanistan	Bangladesh	Bhutan	China	India	Nepal	Indonesia	Malaysia	Maldives	Mauritius
2005	NA	0.365	NA	1.414458	0.544039	1.819841	1.346624	1.695912	3.408428	2.044303
2006	NA	0.337944	2.132866	1.414287	0.486188	1.978311	1.552753	1.936535	3.632308	2.353742
2007	NA	0.300893	2.176605	1.116785	0.502922	2.377804	1.77889	1.959219	3.895695	2.402514
2008	0.055685	0.282295	3.003771	1.039697	0.463603	2.807716	2.051947	2.061539	3.952712	2.379464
2009	0.087244	0.29144	3.193742	1.121116	0.485276	2.77412	1.77772	2.25371	3.859871	2.028684
2010	0.14525	0.266146	2.424596	1.048909	0.504763	2.396316	1.730318	2.131342	3.856337	1.964849
2011	0.134964	0.250287	2.39833	0.987762	0.524078	2.017429	1.531519	2.069891	3.785656	1.884317
2012	0.228923	0.308963	2.550379	1.011484	0.50256	1.851089	1.463292	2.02796	3.667764	1.784236
2013	0.661603	0.338813	2.749272	1.006269	0.495852	1.807112	1.636461	2.051457	3.641487	1.938018
2014	0.352338	0.386842	2.830054	0.836912	0.521262	1.836335	1.855221	2.231359	3.735288	2.10695
2015	0.416762	0.367584	3.115337	0.849401	0.554563	1.872579	2.04842	2.083694	3.643045	2.181937
2016	0.454549	0.435986	2.613655	0.872427	0.569033	1.7132	2.024423	2.083311	3.554747	2.299415
2017	0.026353	0.620431	2.71518	0.709079	0.613086	1.881732	2.203995	2.054627	3.793209	2.397151
2018	0.189563	0.499193	2.392472	0.615258	0.587829	1.83811	2.264971	2.053018	3.932796	1.996041
2019	0.603791	0.516015	3.037034	0.517087	0.606363	1.978559	2.312358	2.043846	3.95588	1.930427
2020	1.001506	0.648283	5.809545	0.564541	0.592176	2.245469	2.165319	1.246265	8.460149	1.935203
2021	0.600504	0.535729	1.072112	0.285793	0.347978	1.861629	0.37238	0.035553	9.173096	1.522399

2022	NA	0.47365	NA	0.14445 1	0.44057 3	4.60700 3	1.890386	1.27629 9	6.11127 8	2.490286
2023	NA	0.524351	3.69966 4	0.19929 4	0.49644 2	3.78577 1	2.187025	1.81281 1	4.94148 9	2.419954
2024	NA	0.438441	3.89800 2	0.41931 6	0.47098 8	2.52367 5	2.169531	1.98122 3	4.80035 5	1.649357

Datasource:World Trade Organisation

Table1 b. RCA Calculated for travel services:

year	Myanmar	Pakistan	Philippines	Singapore	Sri Lanka	Thailand	Viet Nam
2005	0.973882	0.337692	0.999871	0.514632	1.063239	1.823237	2.046038
2006	0.615673	0.448588	1.246871	0.504976	0.995553	2.136917	2.193711
2007	1.09774	0.510602	1.485238	0.499962	0.886765	2.254963	2.362977
2008	0.858362	0.519803	0.812844	0.494272	0.714787	2.294181	2.339205
2009	0.71648	0.434661	0.678186	0.460296	0.752705	2.161212	2.16945
2010	0.867674	0.422608	0.604495	0.575118	0.95324	2.394391	2.457149
2011	1.824946	0.440464	0.69199	0.615179	1.106558	2.690107	2.716435
2012	1.847781	0.428961	0.806339	0.590226	1.1168	2.691738	2.921169
2013	1.434732	0.348836	0.806029	0.54389	1.475988	2.784803	2.745188
2014	2.170927	0.329001	0.817971	0.517404	1.807335	2.797268	2.813809
2015	2.360427	0.376624	0.745887	0.446594	1.924395	2.936766	2.721462
2016	2.433078	0.357374	0.674652	0.506773	2.025605	2.885485	2.817679
2017	2.18524	0.32371	0.830502	0.471417	2.111751	3.066514	2.851732
2018	1.571006	0.349235	0.902679	0.401274	2.20849	3.071555	2.914462
2019	1.624787	0.448434	1.002298	0.382365	2.045502	3.1292	3.035267
2020	1.22541	0.914636	0.518063	0.231129	2.084859	4.013894	3.766352
2021	0.027015	0.978378	0.172571	0.136361	1.991876	1.975121	0.411007
2022	0.141729	0.736809	0.646569	0.213966	2.376012	2.453644	1.527991
2023	0.425772	0.710861	0.980801	0.301539	1.986257	2.747959	2.228916
2024	NA	0.537276	0.940848	0.303784	2.320784	3.011812	2.596941

Datasource:World Trade Organisation

The countries like Bhutan,China till 2013,Indonesia , Malaysia , Nepal,Maldives ,Mauritus, Sri Lanka,Thailand, Viet Nam enjoy a comparative advantage in exporting travel services, but Afghanistan , Bangladesh , India does not enjoy a comparative advantage in exporting travel services.India has been importing travel services from neighboring countries for example, Thailand, Malaysia, Vietnam, and Sri Lanka due to their advantages in tourism infrastructure, pricing, and access. Important factors driving this trend include operational efficiencies and well-developed logistics in Southeast Asia, cost-effectiveness of these destinations as compared to domestic options, and less complex visa policies which encourage travel. Indian travelers express a preference for shorter trips, focusing on value, as they look to spend less on accommodations. Countries like Maldives, Mauritius, Nepal, Bhutan, and Indonesia offer specialized tourism products catering to Indian travelers' interests. These trends reveal India's growing outbound travel demand and infrastructure gaps within the country.

Problems faced by travel services exports from these countries:

Travel service exports from India, South Asia, and ASEAN countries face substantial challenges including inadequacy in infrastructure, complex and stringent visa regulations, and heavy seasonal reliance. Important issues include limited regional integration, high transportation expenses, and susceptibility to external shocks such as Covid-19 pandemics. Safety concerns and geopolitical tensions have negatively affected tourism, particularly in ASEAN and China. Specific challenges include poor infrastructure which would limit tourist volumes, strict immigration laws obstructing travel, and safety incidents leading to reductions in number of tourists. Furthermore, economic disparities among ASEAN countries complicate economic growth, while policy constraints like high taxes and inadequate investment incentives impede competitiveness.

Remedies:

India and South Asian countries are improving travel and service exports through the implementation of digital visa systems, infrastructure development, and the National Trade Facilitation Action Plan (NTFAP). Important initiatives include the Export Promotion Mission (EPM) for MSMEs, regional integration through SAFTA, and the "Act East" policy. Enhanced logistics and digitalization, for example e-tourist visa facilities, which are being adopted to streamline processes. Post-COVID strategies concentrate on diversifying tourism markets and adopting sustainable practices. Additional measures include financial incentives, exploring local currency transactions, to address skill mismatches, and improving logistics efficiency to overcome structural barriers and improve competitiveness in the global market.

Conclusion:

Travel services exports are vital for the achievement of a Developed India (Viksit Bharat) by 2047, serving as an important source of foreign exchange, creation of jobs, and economic development. By improving infrastructure, supporting sustainable tourism, and through promotion of cultural heritage, the sector aims for a USD 3 trillion tourism economy with 100 million international tourists. Important impacts include substantial contributions to GDP, employment generation, infrastructure development, enhanced global branding through cultural promotion, and digital transformation to improve the experience of the traveler. Ultimately, these exports position tourism as a crucial economic engine for India's economic development. Travel services exports are vital for developing the nations like China, South Asia, and ASEAN, providing essential foreign exchange and facilitating infrastructural development. In 2023, ASEAN generated around US\$118 billion from tourism, substantially contributing to service exports, especially in South Asia, where tourism plays a pivotal role in reducing trade imbalances. Additionally, the sector also fosters high employment and supports small businesses, particularly in hospitality and transport sectors. Moreover, investments in tourism infrastructure are often linked to initiatives like China's Belt and Road Initiative. Moreover, the ASEAN-China Free Trade Area also promotes regional connectivity, encouraging contemporary digital practices. An increasing emphasis on eco-tourism and cultural heritage caters to sustainable travel needs, driving long-term economic growth and accelerating the transition from lower-income to developed status in the Asian market.

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