

Growth and Pattern of India's Trade with SAARC Nations

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Abstract

India is known as the world's largest democracy and strategic partner in the world. In the modern era of economic development, the country's integration into the global economy. An economic and geopolitical alliance of eight South Asian countries—India, Bangladesh, Sri Lanka, Nepal, Bhutan, Pakistan, Maldives, and Afghanistan—is known as the South Asian Association for Regional Cooperation (SAARC). The causal relationship between India's exports and the per capita income of respective countries (Bangladesh, Sri Lanka, and Nepal) is significant and positioned during the study period of 2010-11 to 2022-23 in comparison to other countries. This paper analyses the recent trends and variabilities of India's trade relationship with South Asian countries and draws remarkable conclusions.

Keynotes: Integration, SAARC, Export, Geopolitical, Causal.

JEL Classification Numbers: F15, F02, F3, M20, J6,

Introduction:

South Asian Association for Regional Co-operation (SAARC) was established on the 8th of December, 1985 comprising eight countries of the Indian Ocean namely, Afghanistan, Bangladesh, Sri Lanka, India, Nepal, Bhutan, Pakistan, Maldives, and after a groundwork of about four and a half years with a basic aim for acceleration the process of Socio-economic development of its member countries through the joint action in the area of co-operation. The member countries of SAARC are of various sizes both geographically and demographically having different resource endowments. The Hindukush Mountains encircle the SAARC region, which is located south of the Himalayas. These constituent nations are among the less developed nations in the world. As of 2021, the SAARC nations make up only 3% of

the world's total land area and approximately 21% of its people.

Objectives of the study:

1. To examine India's trade patterns and oscillations with SAARC nations.
2. To draw the outcome and conclusion.

Sources of Data and Techniques

The secondary data used in this study was gathered from a variety of reliable sources, including the Ministry of Commerce's official website, the Government of India, other government officials, books, and journals. India's trading ties with SAARC nations are the main focus of this study.

Study Constraints

The analysis is predicated on a study of India's trading patterns with SAARC nations. For the latest trend analysis, the

analysis spans twelve years, from 2010–11 to 2022–23.

Organization of SAARC

SAARC was established to solve the common problems of South Asia on the basis of trust, equity, friendship, and transparency. SAARC was proposed in 1980 for regional cooperation among all the South Asia countries and in August 1983.

The purpose of SAARC's official founding was to promote regional cooperation in the fields of agriculture, health, telecommunications, rural development, population activities, and meteorology. SAARC was finally established on December 7 and 8, 1985, when these countries' heads of state met for the first time. In practice, it meets normally in a year. The establishment of the SAARC was motivated by the desire to enhance the standard of living and foster social advancement, economic expansion, and cultural advancement while reinforcing collaboration and reciprocal support for the comprehensive development of South Asian nations.

A SYNOPSIS OF THE SAARC ECONOMY

With a population of about 1.94 billion, South Asia is among the world's most densely populated areas. SAARC ranks among the world's greatest economic blocs when taking into account the market size in terms of population. This accounts for the economy's tiny size in relation to the global economy. South Asia is considered an insignificant region of total global trade because of less contribution.

ECONOMIC OVERVIEW OF SAARC MEMBER NATIONS:

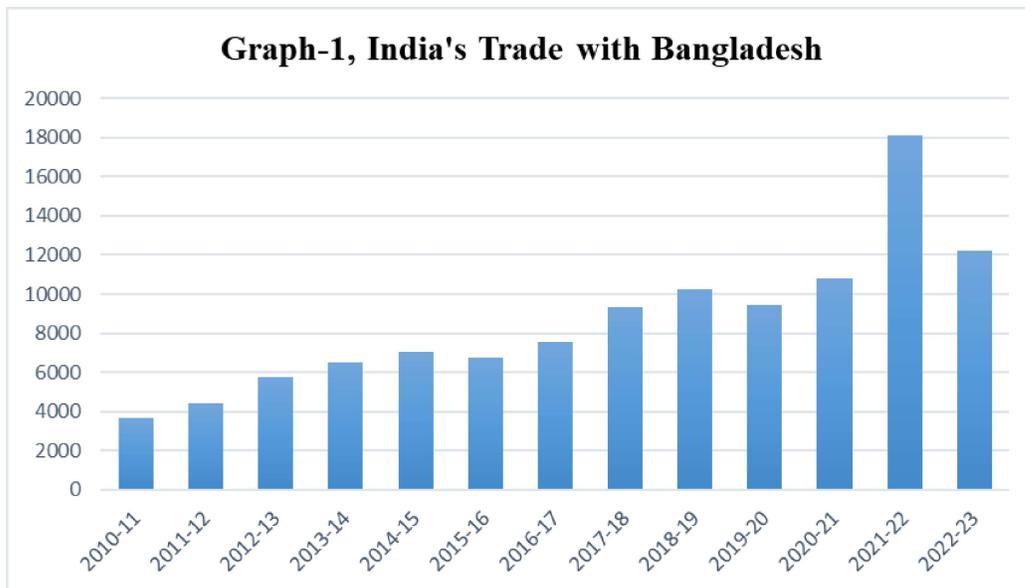
1. Trade ties between Bangladesh and India

Long-lasting economic cooperation and bilateral development exist between Bangladesh and India. Mutual trust and cooperation have been the cornerstones of the relationship between the two nations. Trade, loan agreements, soft transit services, and cooperative energy and connection projects are all part of our diverse economic relationships. The area of cooperation is based on civilization, cultural, social, and economic. We can see from table 1:

Table-1: Export and Import trends of India and Bangladesh
(US Dollars Million)

| Year | Export | Import | Total Trade |
|---------|---------|--------|-------------|
| 2010-11 | 3237.9 | 445.9 | 3683.8 |
| 2011-12 | 3836.7 | 582.7 | 4419.4 |
| 2012-13 | 5142.9 | 637.4 | 5780.3 |
| 2013-14 | 6066.1 | 456.7 | 6522.8 |
| 2014-15 | 6449.9 | 621.4 | 7071.3 |
| 2015-16 | 6034.9 | 727.1 | 6762 |
| 2016-17 | 6820.1 | 701.7 | 7521.8 |
| 2017-18 | 8614.3 | 685.6 | 9299.9 |
| 2018-19 | 9210.1 | 1044.8 | 10254.9 |
| 2019-20 | 8200.7 | 1264.7 | 9465.4 |
| 2020-21 | 9691.6 | 1091.7 | 10783.3 |
| 2021-22 | 16156.4 | 1977.9 | 18134.3 |
| 2022-23 | 12215.8 | 2021.4 | 14237.2 |

Source: Government of India, Ministry of Commerce.



India's business with Bangladesh has grown significantly from US\$ 3683.8 million in 20210-11 to US\$ 6762 million in 2015-16, US\$ 18134.3 million in 2021-22, and a fall of US\$ 14237.2, as shown in Table 1 and Diagram 1. In terms of exports and Imports from India to Bangladesh, showed an upward trend during the analysis period. India's trade with Bangladesh has expanded significantly, with imports rising and exports falling between 2022 and 2023.

2. India's Trade with Nepal

With a per capita income of about \$1,808 in 2021, Nepal is among the poorest nations in the world. Nepal's economy is centered on agriculture, and the amount of rain that falls there each year has a significant impact on the country's economic progress. Nepal actively participated in the functioning of SAARC.

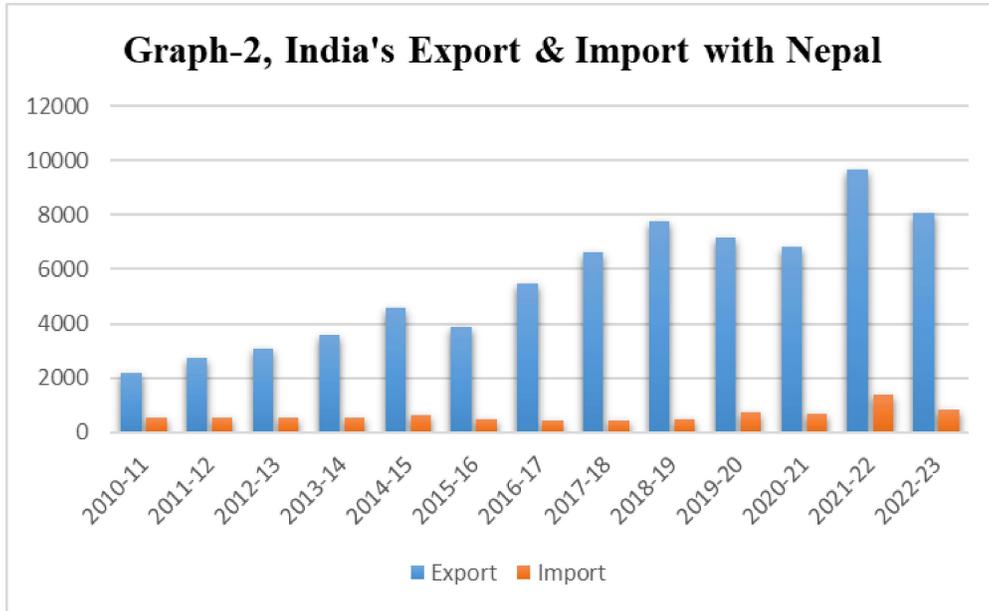
India and Nepal's bilateral trade increased from US\$ 2679.8 million in 2010–11 to US\$ 11016.7 million in 2021–22.

Table 2 Export and Import trends of India and Nepal (US Dollars Million)

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 2166.4 | 513.4 | 2679.8 |
| 2011-12 | 2739.9 | 550.8 | 3290.7 |
| 2012-13 | 3088.7 | 543.7 | 3632.4 |
| 2013-14 | 3581.1 | 528.9 | 4110 |
| 2014-15 | 4573.9 | 639.9 | 5213.8 |
| 2015-16 | 3902.7 | 470.6 | 4373.3 |
| 2016-17 | 5453.6 | 445.1 | 5898.7 |
| 2017-18 | 6613.0 | 438.4 | 7051.4 |
| 2018-19 | 7766.2 | 508.1 | 8274.3 |
| 2019-20 | 7160.3 | 711.6 | 7871.9 |
| 2020-21 | 6838.5 | 673.2 | 7511.7 |
| 2021-22 | 9645.7 | 1371.0 | 11016.7 |
| 2022-23 | 8079.5 | 841.5 | 8921 |

Source: Government of India, Ministry of Commerce.

In terms of exports to Nepal, it stood from US\$ 2166.4 million in 2010-11 to US\$ 9645.7 million in 2020-21, and imports from Nepal showed US\$ 513.4 million in 2010-11 and US\$ 1371 million in 2021-22 respectively. Both exports and imports show a decreasing trend in 2022-23.



3. India’s Trade with Sri Lanka

With significant growth throughout the years, India and Sri Lanka have emerged as the world's greatest trading partners. Pure petroleum, semi-finished iron, and light rubberized knitted fabric are shipped from India to Sri Lanka, whereas Sri Lanka imports special-purpose ships, animal feed, and pepper. Manufacturing, real estate, retail petroleum, tourist and hotel industries, banking, and financial services are the primary industries in which India invests in Sri Lanka. 142 million US dollars were invested by India. India has been the main source market for visitors traveling to Sri Lanka, in addition to increase in trade and investment. India is becoming less competitive as a result of China's exports to Sri Lanka.

Table 3 makes clear that, in 2010–11, India's exports to Sri Lanka were US\$ 3503.4 million, while its imports from Sri Lanka came to US\$ 4003.5 million during the same period and an increase in exports to US\$ 5310.7 million in 2015-16, US\$ 5802.2 million and imports US\$ 742.8

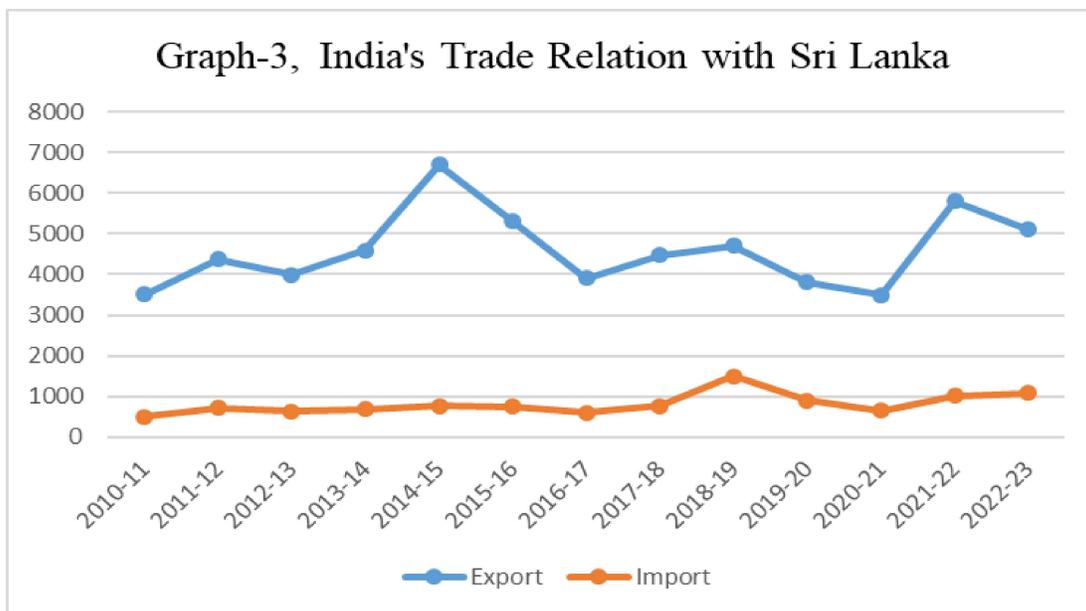
million in 2015-16, US\$ 1010.0 million in 2021-22.

Table 3 Export and Import trends of India and Sri Lanka (US Dollars Million)

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 3503.4 | 500.1 | 4003.5 |
| 2011-12 | 4371.9 | 716.9 | 5088.8 |
| 2012-13 | 3986.0 | 625.7 | 4611.7 |
| 2013-14 | 4584.2 | 682.6 | 5266.8 |
| 2014-15 | 6703.7 | 756.2 | 7459.9 |
| 2015-16 | 5310.7 | 742.8 | 6053.5 |
| 2016-17 | 3913.2 | 602.2 | 4515.4 |
| 2017-18 | 4476.5 | 772.6 | 5249.1 |
| 2018-19 | 4710.2 | 1488.4 | 6198.6 |
| 2019-20 | 3800.9 | 903.7 | 4704.6 |
| 2020-21 | 3498.2 | 642.9 | 4141.1 |
| 2021-22 | 5802.2 | 1010.0 | 6812.2 |
| 2022-23 | 5112.0 | 1078.1 | 6190.1 |

Source: Government of India, Ministry of Commerce.

After overall analysis, we can say that the trade relationship with Sri Lanka is not sound.



4. India's Trade with Bhutan

India's top exports to Bhutan are diesel, petrol, rice, wood charcoal, cellphones, dumpers, ferrous products, electrical generators and motors, soya bean oil, coke, semi-coke, and passenger cars, etc. In contrast, India imports 2443 crore worth of power from Bhutan in 2021, along with ferrosilicon, dolomite, semi-finished iron or non-alloy steel products, cement, and other items.

The bilateral trade between India and Bhutan in 2010–11 was valued at US\$ 377.2 million, according to Table 4. It has increased to US\$ 750.3 million in 2015-16 and to US\$ 1615.6 million in 2022-23. The amount of exports has exhibited a slow increase and imports have shown a mixed trend.

Table 4 Export and Import trends of India and Bhutan (US Dollars Million)

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 175.9 | 201.3 | 377.2 |
| 2011-12 | 230.5 | 203.4 | 433.9 |
| 2012-13 | 232.9 | 164.0 | 396.9 |
| 2013-14 | 301.3 | 150.8 | 452.1 |
| 2014-15 | 333.9 | 149.9 | 483.8 |
| 2015-16 | 469.0 | 281.3 | 750.3 |
| 2016-17 | 509.3 | 307.8 | 817.1 |
| 2017-18 | 546.1 | 378.0 | 924.1 |
| 2018-19 | 657.3 | 371.0 | 1028.3 |
| 2019-20 | 738.6 | 405.7 | 1144.3 |
| 2020-21 | 701.0 | 433.0 | 1134 |
| 2021-22 | 885.8 | 545.0 | 1430.8 |
| 2022-23 | 1080.0 | 535.6 | 1615.6 |

Source: Government of India, Ministry of Commerce.

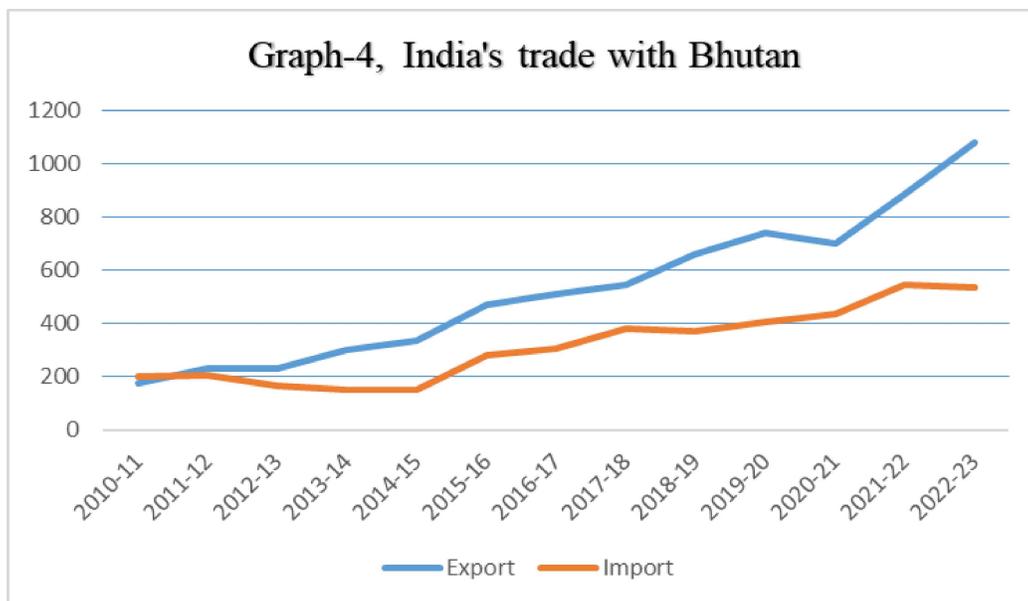


Table 5 Export and Import trends of India and Maldives (US \$ Million)

5. India’s Trade with the Maldives

The relationship with the Maldives is cordial and multi-dimensional. To strengthen the relationship between both countries, Indian Prime Minister Shri Narendra Modi and President Solih discussed the current situation after the pandemic and India’s development assistance to the Maldives in July 2021. India is the largest tourist arrival in Maldives with around 14.7% (1, 32,151) share of the market till 20 July 2022.

India-Maldives bilateral trade has grown from a small beginning to US\$ 973.3 million in 2021–2022, with US\$ 670.4 million in exports from India and US\$ 68.9 million in imports from the Maldives. Although there were fluctuations in both exports and imports during the study period and India benefited from a positive trade balance, it was discovered that in 2022–2023 imports grew by more than seven times while exports decreased.

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 100.0 | 31.9 | 131.9 |
| 2011-12 | 124.7 | 19.2 | 143.9 |
| 2012-13 | 122.4 | 6.3 | 128.7 |
| 2013-14 | 108.0 | 4.0 | 112 |
| 2014-15 | 152.4 | 4.3 | 156.7 |
| 2015-16 | 179.1 | 4.3 | 183.4 |
| 2016-17 | 197.8 | 9.2 | 207 |
| 2017-18 | 217.0 | 5.7 | 222.7 |
| 2018-19 | 223.0 | 20.4 | 243.4 |
| 2019-20 | 226.6 | 6.0 | 232.6 |
| 2020-21 | 195.9 | 24.5 | 220.4 |
| 2021-22 | 670.4 | 68.9 | 739.3 |
| 2022-23 | 476.7 | 496.6 | 973.3 |

Source: Ministry of Commerce, Govt. of India

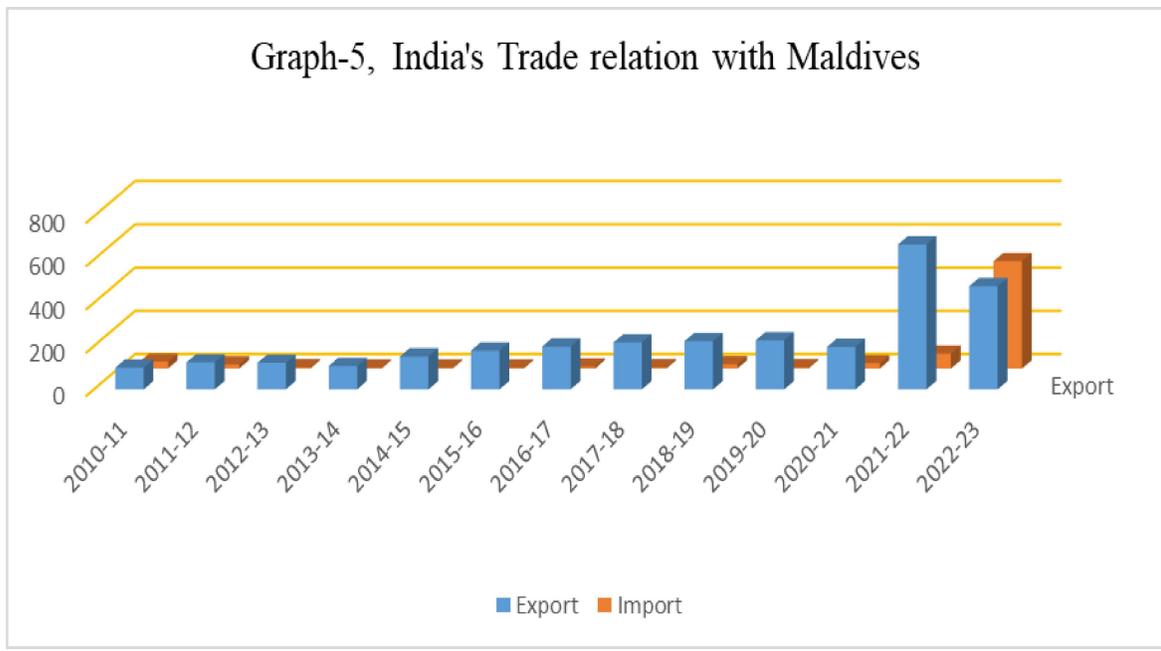


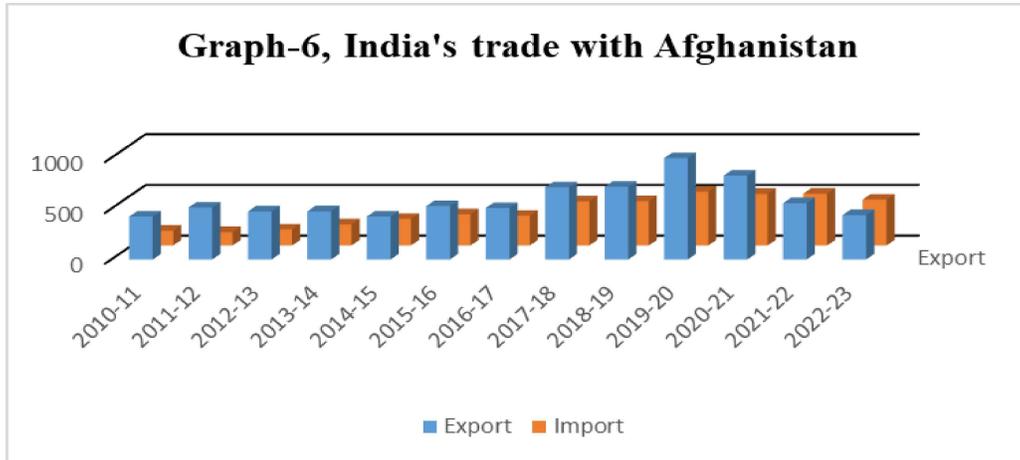
Table 6 Export and Import trends of India and Afghanistan (US Dollars Million)

6. Trade between India and Afghanistan
 India's top exports to Afghanistan include packaged medications, non-knit women's outfits (5.77%), synthetic filament yarn (5.28%), and raw sugar (24.3%). Tropical fruits (29%), grapes (18.2%), insect resins (17.1%), and other nuts (11.9%) are importable goods from Afghanistan to India.

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 422.41 | 146.3 | 568.71 |
| 2011-12 | 510.90 | 132.50 | 643.4 |
| 2012-13 | 472.63 | 159.55 | 632.18 |
| 2013-14 | 474.34 | 208.77 | 683.11 |
| 2014-15 | 422.56 | 261.91 | 684.47 |
| 2015-16 | 526.60 | 307.90 | 834.5 |
| 2016-17 | 506.34 | 292.90 | 799.24 |
| 2017-18 | 709.75 | 433.78 | 1143.53 |
| 2018-19 | 715.44 | 435.44 | 1150.88 |
| 2019-20 | 997.58 | 529.84 | 1527.42 |
| 2020-21 | 825.78 | 509.49 | 1335.27 |
| 2021-22 | 554.47 | 510.93 | 1065.4 |
| 2022-23 | 437.1 | 452.8 | 887.9 |

Table 6 shows that in 2010–11, India and Afghanistan's bilateral commerce was valued at US\$ 568.71 million, It has increased to US\$ 834.5 million in the year 2015-16 and to US\$ 1065.4 million in the year 2021-22. The amount of exports has exhibited mixed and fluctuating trends. The amount of both exports and imports has shown a decreasing trend during 2022-23.

Source: Government of India, Ministry of Commerce.



7. India's Trade with Pakistan

Due to some misunderstanding with Pakistan, the trade relationship is not in good shape, despite vaccines, blood,

toxins, and cultures, raw sugar, and nitrogen heterocyclic compounds are the exported items, and India's imports from Pakistan are tropical fruits, perfume plants, and scrap aluminum.



Table 7 Export and Import Trends of India and Pakistan (US Dollars Million)

| Year | Export | Import | Total Trade |
|---------|--------|--------|-------------|
| 2010-11 | 2031.3 | 332.3 | 2363.6 |
| 2011-12 | 1554.2 | 400.2 | 1954.4 |
| 2012-13 | 2064.5 | 541.0 | 2605.5 |
| 2013-14 | 2284.7 | 430.8 | 2715.5 |
| 2014-15 | 1857.2 | 497.7 | 2354.9 |
| 2015-16 | 2171.2 | 441.0 | 2612.2 |
| 2016-17 | 1821.9 | 454.5 | 2276.4 |
| 2017-18 | 1924.3 | 488.6 | 2412.9 |

| | | | |
|---------|--------|-------|--------|
| 2018-19 | 2066.6 | 494.9 | 2561.5 |
| 2019-20 | 816.6 | 14.0 | 830.6 |
| 2020-21 | 326.9 | 2.4 | 329.3 |
| 2021-22 | 513.8 | 2.5 | 516.3 |
| 2022-23 | 627.1 | 20.1 | 647.2 |

Source: Government of India, Ministry of Commerce.

India and Pakistan's bilateral trade was valued at US\$ 2363.6 million, slightly increasing to US\$ 2612.2 million in 2015-16, and then declined by US\$ 516.3 million in 2021-22. In 2010-11, India

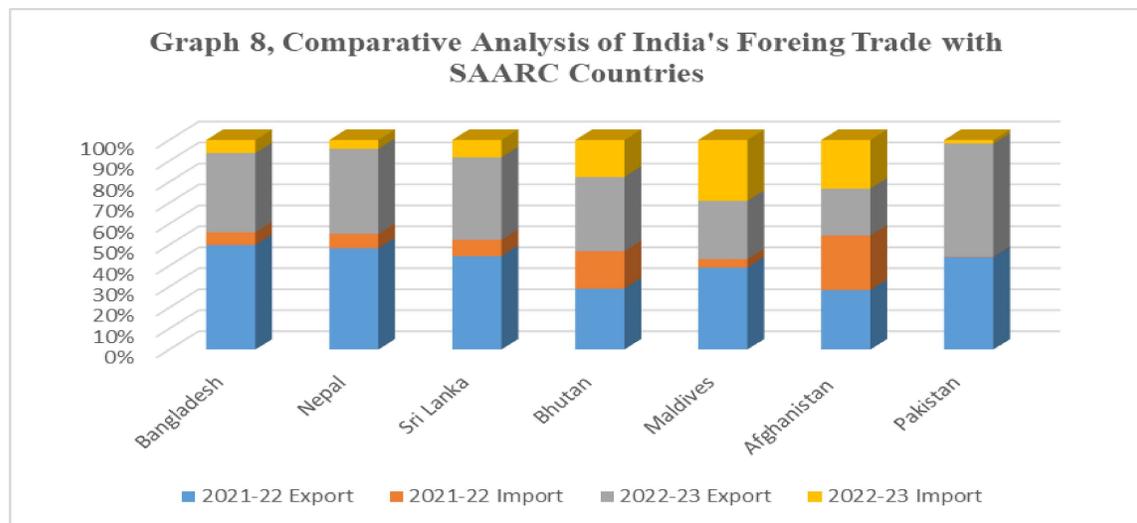
exported US\$ 2031.3 million to Pakistan, slightly improved US\$ 2171.2 million in 2015-16, and declined sharply to US\$ 513.8 million in 2021-22 but both improved during 2022-23. The same momentum was maintained in the case of

imports from Pakistan but during 2022-23 imports increased more than seven times. It happened because of several disputes between India and Pakistan. It can also be realized during several G20 meetings in India.

Table 8 compares India's Foreign Trade with SAARC Nations in 2021–2022 and 2022–2023. (Value in US \$ Million)

| 2021-22 | | | | 2022-23 | | | |
|-------------|------|---------|--------|-------------|------|---------|--------|
| Country | Rank | Export | Import | Country | Rank | Export | Import |
| Bangladesh | 1 | 16156.4 | 1977.9 | Bangladesh | 1 | 12215.8 | 2021.4 |
| Nepal | 2 | 9645.7 | 1371 | Nepal | 2 | 8079.5 | 2021.4 |
| Sri Lanka | 3 | 5802.2 | 1010 | Sri Lanka | 3 | 5112.0 | 841.5 |
| Bhutan | 4 | 885.8 | 545 | Bhutan | 4 | 1080.0 | 1078.1 |
| Maldives | 5 | 670.4 | 68.9 | Maldives | 6 | 476.7 | 535.6 |
| Afghanistan | 6 | 554.47 | 510.93 | Afghanistan | 7 | 437.1 | 496.6 |
| Pakistan | 7 | 513.8 | 2.5 | Pakistan | 5 | 627.1 | 452.8 |

Source: Integrated from the above tables



It is visible from Table 8 that Bangladesh, Nepal, and Sri Lanka occupied first, second, and third positions in both exports and imports in 2021-22. Pakistan is in the last because of several reasons which are a hurdle to developing trade relationships. However, there will be a little shift in

Nepal's and Sri Lanka's import and export rankings in 2022–2023 as well as a change in Pakistan's export ranking.

Conclusion

Although SAARC is a big regional organization with a lot of promise, the

countries' integration is not good enough. These nations failed to meet the goal established in the South Asian Free Trade Agreement and are unable to advance to a satisfactory level. It has been found that a large number of the region's nations trade with a large number of other nations worldwide, showing a reduced preference for one another.

Indian exports to SAARC nations in 2022–2023 are shown in Table 8 and Diagram 8. Although the aforementioned figure indicates that exports from India to these nations have drastically decreased when compared to 2021–2022, bilateral ties between India and the neighbouring SAARC countries are crucial for fostering intra-SAARC commerce. Normal trade is impacted by issues including transit facilities, illegal trade, and border trade. In order to enable the establishment of a free trade area inside the SAARC region, several challenges must be adequately addressed. India has leadership qualities to encourage and unite the member countries for multilateral trade with the region. To attract stable foreign direct investment flows, SAARC countries should work to design and formulate adequate policies.

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