

A Comparative Analysis on India's Relation to the SAARC with Reference to Foreign Trade

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ABSTRACT

Economic reforms in early 90s gained an interactions and benefits of opening trade were realized by the pioneer of East Asian Nations, especially the ASEAN nations. South Asian nations also attempted to go with the flow through South Asian Association Regional Cooperation (SAARC). There is total eight nations. Working together to accelerate development is one of the goals of SAARC nations. SAARC also aim for strengthening cooperation with other developing nations and also to cooperate with international and regional organizations with same kind of goals and purposes. Out of the total eight nations, India is playing a significant role in promotion of trade and economic cooperation with SAARC nations. The main aim of this study is to examine the foreign trade of India with the SAARC nations followed by recent Trends of export-Import under the BJP led NDA government during 2014-2024 (current decade) with SAARC nations. India's export import trend with SAARC countries shows increasing pattern with holding a noteworthy trade surplus with the most members nations such as Bangladesh, Nepal, Sri-Lanka and Pakistan. The study is tried to elaborate how An Export and Import of India have been increasing and changing over a period of time. Indian economy is also considered as a stable and dynamic within the SAARC region with estimated growth rate approximately of 7 percent.

Keywords: SAARC, Indian Economy, Foreign Trade, ASEAN, Infrastructure Development.

Introduction

Economic reforms in early 90s gained an interactions and benefits of opening trade were realized by the pioneer of East Asian Nations, especially the ASEAN nations. South Asian nations also attempted to go with the flow through South Asian Association Regional Cooperation (SAARC) with the aim of strengthening cooperation with other developing nations and also to cooperate with international and regional organizations with same kind of goals and purposes. India is playing a significant role in promotion of trade and economic cooperation with SAARC nations. In an economic development, foreign trade plays an important role and it has assumed massive diversified in modern days due to growth of specialization and territorial division of labour. Export plays a dynamic role in converting domestic resources into more productive. Through this, India have been exporting a large number of product and raw material to other nations for the purpose of earning economic wealth.

Established in 1985, SAARC comprises eight member countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. India, being the largest economy in the region, plays a pivotal role in SAARC's economic landscape. Despite geographical proximity and shared cultural

ties, intra-SAARC trade remains modest, accounting for just over 1% of the region's GDP. In contrast, intra-regional trade in ASEAN stands at about 10% of its GDP.

India's trade with SAARC nations has seen a gradual increase, though the overall volume remains limited compared to its global trade. According to data from the Department of Commerce, Government of India, India's exports to SAARC countries have shown an upward trend over the years. For instance, exports to Bangladesh and Nepal have been particularly robust, driven by demand for Indian goods and India's role in supplying essential commodities.

However, trade with Pakistan has been inconsistent, influenced by political tensions. Periods of diplomatic strain have led to fluctuations in trade volumes, with notable declines during times of heightened conflict.

Review of Literature

Neupane, D., McLachlan, C. S., Sharma, R., Gyawali, B., Khanal, V., Mishra, S. R. & Kallestrup, P. (2014).¹ Our analysis emphasizes how common hypertension is in the SAARC area. In rural and urban settings, the prevalence of hypertension and prehypertension varied. Hypertension was present in between 13% and 48% of people. A significant burden of underlying hypertension is anticipated to have an impact on health systems as total life expectancy rises, given the weaker socioeconomic conditions of the SAARC area.

Hanif, N., & Arshed, N. (2016).² The government can improve outcomes by investing heavily in education by providing better study conditions, teachers, encouraging parents to educate their children, and making it feasible and affordable for public, and fair admission processes. Education has a positive effect on economic development. Proxy for Education can be used to investigate results that demonstrate that increasing primary enrolment alone will only have a negative economic impact, while increasing secondary and tertiary enrolment has a positive impact by enabling people to participate in economic growth by obtaining employment in productive industries.

Imam, T., McInnes, A., Colombage, S., & Grose, R. (2022)³ This article discusses the advantages and disadvantages of FinTech advances in the SAARC and ASEAN areas, highlighting the potential for expansion in the ASEAN region while highlighting the more difficult possibility for expansion in the SAARC region. Neobanks, InsurTech, and crowdfunding services all have strong growth potential, and neobanks, LendTech, and insurance companies with a health care focus also have promise.

Zaheer (2013)⁴ In his work, Zaheer aims to find out the data set covers 21 years of time series data on trade variables for the four SAARC nations—Pakistan, India, Bangladesh, and Sri Lanka—from 1985 to 2006. The data presents strong evidence of the advantages of expanding intraregional trade, including the transfer of appropriate production technology, comparative advantage, complementarities, wider markets, and greater exploitation of production capacity. Furthermore, in regard to other nations and economic blocs, such an arrangement is anticipated to strengthen member nations' economic relations and provide them more negotiating leverage.

Ciddikie and Khan (2014)⁵ believed that the South Asian Free Trade Agreement (SAFTA) was an agreement signed during the 12th SAARC summit in Islamabad on January 6, 2004, and that it included India, Pakistan, Bangladesh, Bhutan, Sri Lanka, Afghanistan, Nepal, and the Maldives. It founded a free trade zone with 1.8 billion population. The SAARC's development as a regional trade grouping and economic union started with SAFTA.

Objectives

- To Examine India's foreign trade with the SAARC nations (Sri-Lanka, Bangladesh, Nepal, Pakistan, Bhutan, Maldives, Afghanistan).

¹Neupane, D., McLachlan, C. S., Sharma, R., Gyawali, B., Khanal, V., Mishra, S. R., & Kallestrup, P. (2014). Prevalence of hypertension in member countries of South Asian Association for Regional Cooperation (SAARC): systematic review and meta-analysis. *Medicine*, 93(13).

²Hanif, N., & Arshed, N. (2016). Relationship between school education and economic growth: SAARC countries. *International Journal of Economics and Financial Issues*, 6(1), 294-300.

³Imam, T., McInnes, A., Colombage, S., & Grose, R. (2022). Opportunities and Barriers for FinTech in SAARC and ASEAN Countries. *Journal of Risk and Financial Management*, 15(2), 77.

⁴ Rummana Zaheer "The Economic Performance of SAARC Member Countries" *Research on Humanities and Social Sciences* ISSN 2222-1719 (Paper) ISSN 2222-2863 (Online) Vol.3, No.5, 2013.

⁵ Md. Daoud Ciddikie and Prof. (Dr) M Altaf Khan "India's Trade Relationship with SAFTA Countries: A Review", *Journal of Indian research* (ISSN: 2320-7000) vol.2, no.1, January-March, 2014 pp-46-58

- To Examine a trend in total volume of India's Export over a period of time. i.e. 2014-15 to 2024-25).

Research Methodology

In view of the specific objectives, methodology followed in carrying out the present study involved secondary data. The sources of Secondary data include the various working papers, articles related to the theme, national or international referred journals, official websites of Ministry of Commerce & Trade, Government of India. Various reports published by International Monetary Fund (IMF), World Health Organization (WHO), Indian Institute of Corporate Affairs (IICA) and so on. For analysis of the data, R Program, Statistical Packages for Social Science (SPSS) and Microsoft Excel has been used. While analysing the data Bar diagram and line diagram has been used.

Empirical Analysis

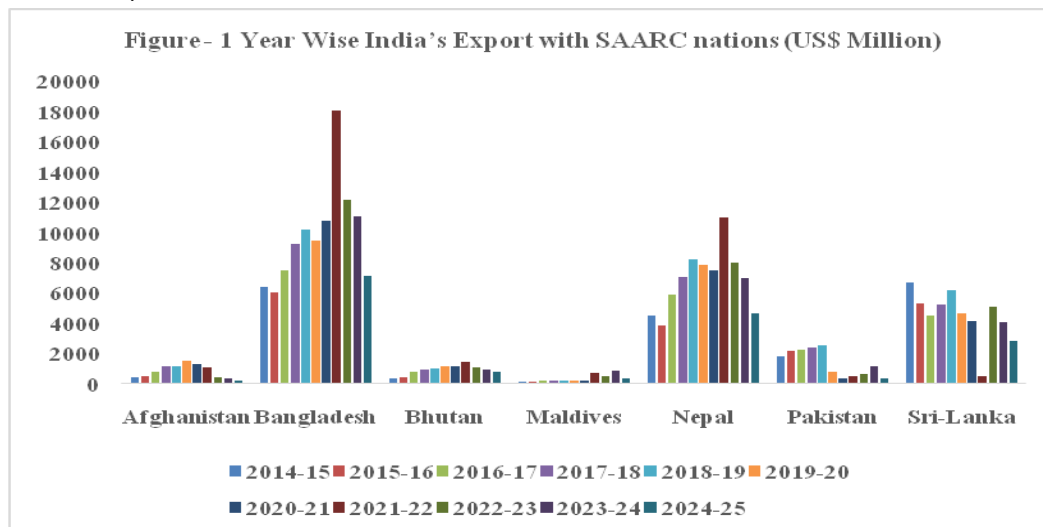
According to Ministry of Commerce and Trade, Government of India, India's export with the SAARC nations have increases consistently and it shows upward trends over a period of time. During the year 2014-15 to 2024-25, trading with SAARC nations were seen a gradual increase with the overall volume remains limited in compare to global trade. It little decreases in the years of 2022-23, 2023-24 and 2024-25. Below tables and graphs shows the detail analysis of trading with the SAARC nations over a period of time. i.e. 2014-15 to 2024-25.

Table 1: Year Wise India's Export with SAARC nations (US\$ Million)

Name of Country	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Afghanistan	422.56	526.6	799.24	1143.53	1150.89	1527.42	1335.27	1065.4	437.05	355.45	217.6
Bangladesh	6451.47	6034.94	7521.82	9300.17	10255.12	9465.6	10783.37	18134.36	12203.96	11065.87	7160.16
Bhutan	333.94	468.95	817.1	924.11	1028.29	1144.33	1134.02	1430.84	1070.37	963.73	789.44
Maldives	152.38	179.07	206.97	222.68	243.43	232.57	220.36	739.33	476.75	891.89	376.14
Nepal	4558.77	3902.7	5898.72	7051.34	8274.34	7871.95	7511.62	11016.79	8015.99	7040.98	4651.25
Pakistan	1857.18	2171.17	2276.37	2412.87	2561.5	830.6	329.26	516.38	627.1	1188.85	361.35
Sri-Lanka	6703.72	5310.75	4515.36	5249.09	6198.88	4704.61	4141.25	516.38	5111.59	4116.9	2845.75

Source: Ministry of Commerce and Industry, Government of India, New Delhi, India

During the year 2014-15 to 2024-25, trading with SAARC nations were seen a gradual increase with the overall volume remains limited in compare to global trade. There are decrease in the years of 2022-23, 2023-24 and 2024-25. The table and graphs show the detail analysis of trading with the SAARC nations over a period of time. i.e. 2014-15 to 2024-25.



Source: Prepared by an authors

Export with Bangladesh, Nepal, Sri-Lanka was highly successful.

Export with Afghanistan, Bhutan, Maldives, was not much successful.

Export with Pakistan was almost on lower, due to Political tensions

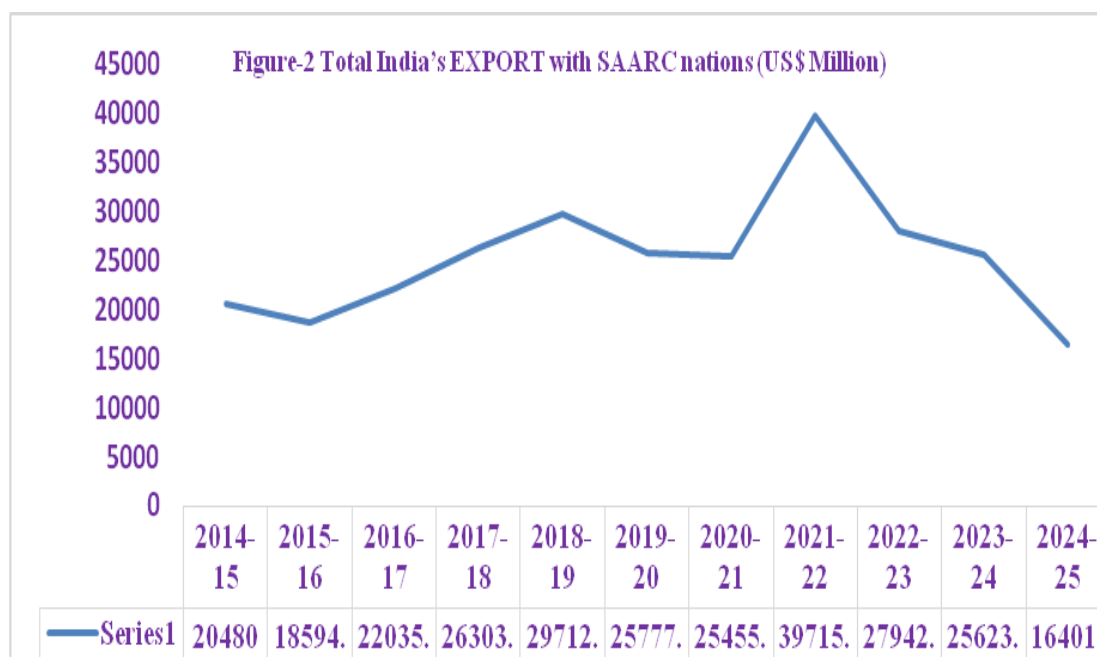
India's Total Exports with the SAARC Nations.

Table 2: Total India's trade with SAARC nations (US\$ Million)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total	20480.02	18594.18	22035.58	26303.78	29712.44	25777.09	25455.14	39715.28	27942.81	25623.66	16401.3

Source: Ministry of Commerce and Industry, Government of India, New Delhi, India

During the year 2014-15 to 2024-25, trading with SAARC nations were seen a gradual increase (till 2018-19) with the overall volume remains limited in compare to global trade. It is found that there is continues increase from 2016-17 to 2022-23 after that decreases in the trend of export. There is decrease in the year of 2023-24, 2024-25. The table and graphs show the detail analysis of trading (Export) with the SAARC nations over a period of time. i.e. 2014-15 to 2024-25.

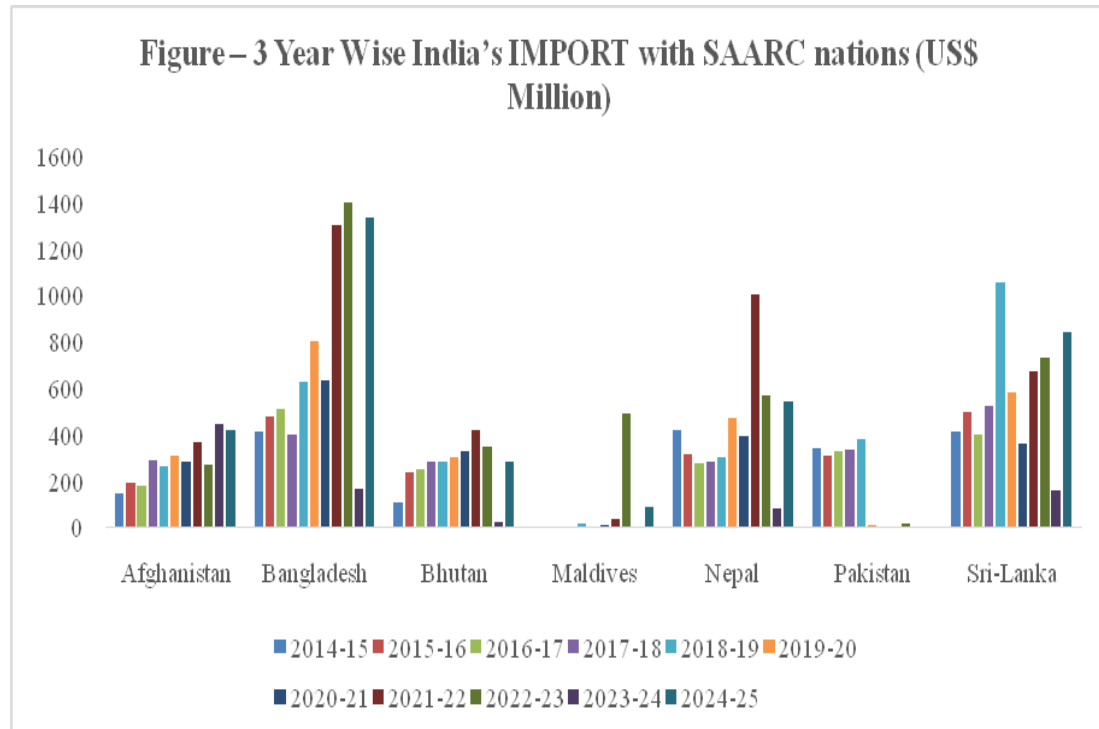


Source: Prepared by an authors

Table 3: Year Wise India's Import with SAARC nations (US\$ Million)

Name of Country	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Afghanistan	144.57	191.8	181.88	287.39	268.34	311.83	281.74	366.91	269.71	446.17	422.62
Bangladesh	412.2	473.56	509.69	397.4	629.65	802.65	629.81	1297.96	1399.1	165.22	1335.08
Bhutan	107.69	238.6	248.77	282.44	284.64	299.75	326.31	414.78	353.02	26.4	287.12
Maldives	2.66	2.32	5.54	3.83	18.1	3.86	8.9	31.88	489.15	1.66	93.45
Nepal	418.45	315.86	277.68	279.83	301.42	473.82	390.12	1002.1	572.33	86.71	544.18
Pakistan	340.25	305.46	332.46	333.04	380.99	13.24	1.76	1.92	19.34	0.03	0.16
Sri-Lanka	410.22	494.16	401.62	522.95	1055.79	579.48	362.05	668.99	733.03	164.81	839.59

Source: Ministry of Commerce and Industry, Government of India, New Delhi, India



Source: Prepared by an authors

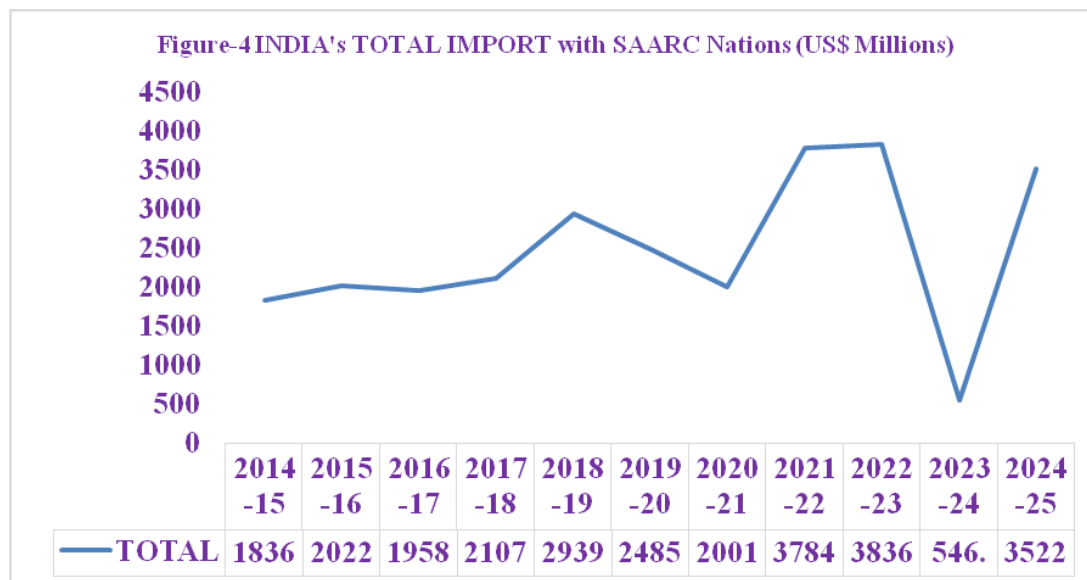
- Import with Afghanistan & Bangladesh was constantly increased, followed by Bhutan.
- Import with Nepal and Sri-Lanka also increases gradually.
- Import with Pakistan was drastically reduced i.e. almost ZERO due to Political tensions after 2019.
- Similar situation with Maldives as well.
- Import was quite low in the year 2023-24 with all SAARC nations.

India's Total Imports with the SAARC Nations.

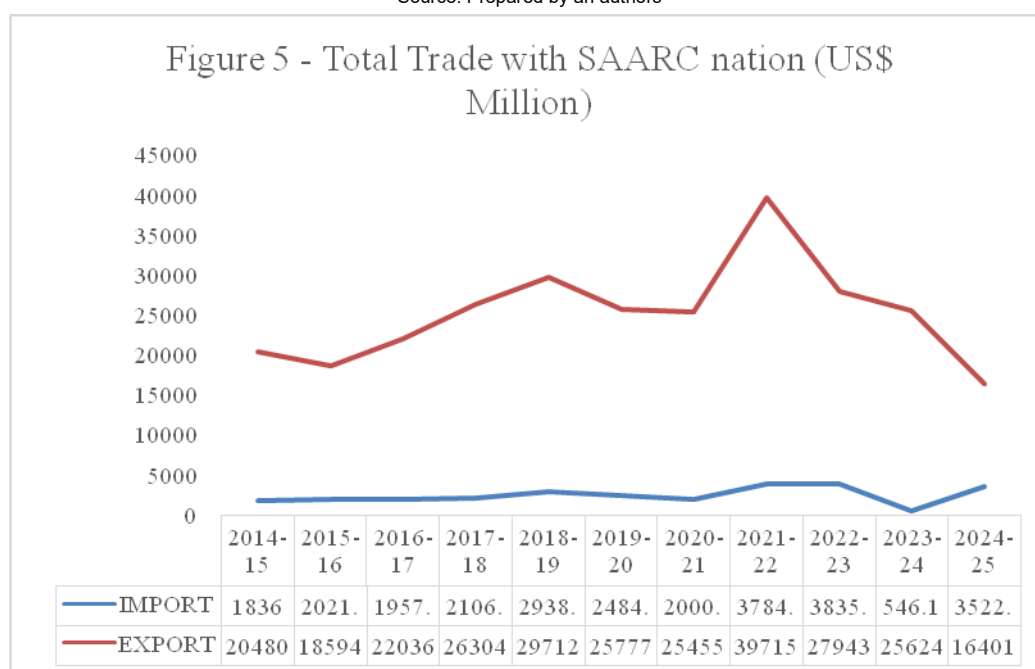
Table 4: Total India's trade with SAARC nations (US\$ Million)											
Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total	1836	2022	1958	2107	2939	2485	2001	3784	3836	546.2	3522

Source: Ministry of Commerce and Industry, Government of India, New Delhi, India

During the year 2014-15 to 2024-25, trading with SAARC nations were seen a gradual increase in Import (till 2018-19) with the overall volume remains limited in compare to global trade. It is found that there is continues increase from 2016-17 to 2022-23 after that decreases in the trend of Import In 2020-2021. There is increase in the year of 2021-22 and 2022-23. It is found that it decreases in the year of 2023-24 drastically. The table and graphs show the detail analysis of trading(import) with the SAARC nations over a period of time. i.e. 2014-15 to 2024-25.



Source: Prepared by an authors



Source: Prepared by an authors

Findings

- It has been observed that Country such as Bangladesh, Nepal and Sri-Lanka are highly involved in trade.
- It has also been observed that, India's trade with SAARC nation was highest in the year 2021-22, i.e. 39715.28 US\$ Million. While, in the year 2024-25, India's trade with SAARC nation was lowest ever in the decade with 16401.3 US\$ Million.

Conclusion

- There was a tremendous trade took place before the pandemic. Due to various factors such as market size, demand pattern and political relations trading with the country such as Afghanistan, Bhutan, Maldives, and Pakistan remain very limited. India's Export with the selected SAARC nations such as Bangladesh, Nepal and Sri Lanka have increased gradually that shows overall growth in trade, and with other nations it is not that much good. It is found that in recent years, India has increased import and export with Bangladesh Nepal and Sri Lanka in terms of Value. India's Export-Import with SAARC nations present a mix of challenges and opportunities.

During this decade the trade volumes are modest, and there is a significantly potential for growth through intensive efforts in trade facilitation, infrastructure development and political cooperation. India continuous its efforts to build peaceful cooperative ties with Pakistan to address the outstanding issues through peaceful bilateral dialogue.

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