

A Study of India's Foreign Trade with SAARC Nations

Dr. Yogesh A. Patil

Assit. Prof. & Research Guide

Department of Economics

R. B. Attal College, Georai, Dist. Beed

Abstract:

SAARC stands for South Asian Association for Regional Cooperation and is an intergovernmental organization for the development of economic and regional integration. The organization has the support of different countries known as member-states. Cooperation in SAARC is based on respect for the five principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of the Member States and mutual benefit. Regional cooperation is seen as a complement to the bilateral and multilateral relations of SAARC Member States. SAARC Summits are held annually and the country hosting the Summit holds the Chair of the Association. Decisions are made on an unanimity basis while bilateral and contentious issues are excluded from the deliberations of SAARC. In addition to the eight Member States, nine Observer States join SAARC Summits: China, the US, Myanmar, Iran, Japan, South Korea, Australia, Mauritius and the European Union.

Keyword= SAARC, growth, foreign trade, balance of payment, import, export

Introduction:

The South Asian Association for Regional Cooperation (SAARC) is a regional intergovernmental organization. It was founded in 1985 to foster economic and social development in South Asia. The SAARC organization have eight member states—Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Its permanent Secretariat is located in Kathmandu, Nepal.

The objectives of the Association as outlined in the SAARC Charter are: to promote the welfare of the peoples of South Asia and to improve their quality of life. Also, SAARC work to accelerate economic growth, social progress and cultural development in the region of its member nations. So, it's provided all individuals the opportunity to live in dignity and to realize their full potentials. SAARC try to promote and strengthen collective self-reliance among the countries of South Asia; to contribute to mutual trust, understanding and appreciation of one another's problems. SAARC main work to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; to strengthen cooperation with other developing countries. It also tries to maintain strengthen cooperation among themselves in international forums on matters of common interests; and to cooperate with international and regional organizations with similar aims and purposes.

India and SAARC:

India's trade relations with SAARC countries have seen growing but remain below its potential. This trade was characterized by a favorable balance of trade for India with most

SAARC nations. This favorable trade of India is a surplus with Bangladesh, Nepal, and Sri Lanka. Trade liberalization through SAPTA and SAFTA aimed to boost intra-regional trade, but the overall share of SAARC trade in India's global trade has fluctuated, with a greater focus on trade with its neighbors since the SAFTA agreement.

India generally maintains a trade surplus with SAARC countries, meaning its exports to the region exceed its imports from it. India's major trade partner within SAARC organization are Bangladesh, Nepal, and Sri Lanka are consistently India's most significant trading partners within the SAARC bloc, though the rankings have shifted over time. The SAARC Free Trade Area (SAFTA) was established to foster regional trade, and studies. That steps indicate SAARC try to increased focus on regional trade following its implementation, with India's export and import growth rates with SAARC nations becoming more significant. But Geopolitical issues, particularly the ongoing tensions between India and Pakistan and the unstable situation in Afghanistan, have significantly disrupted SAARC's activities and regional cooperation, leading to the suspension of summits and hindering progress on trade initiatives. Also, SAARC focusing on trade liberalization within the regional area but Despite efforts at trade liberalization, the potential for deeper economic ties and increased intra-regional trade within SAARC remains largely untapped.

In the following table we given the detail data of India's foreign trade with SAARC nations from 2010 to 2020. It also explains the trade pattern between its member nation and India's trade.

Tabel no. 1

Indias total foreign trade with SAARC and its share with member country

(Million US \$)

Year	Indias total trade with SAARC	Afghanistan	Bangladesh	Maldives	Nepal	Bhutan	Shri Lanka	Pakistan
2010-11	13,829.96	4.11	26.67	0.95	19.38	2.73	28.98	17.15
2011-12	15,821.21	4.06	27.65	0.90	20.67	2.73	31.70	12.25
2012-13	17,790.65	3.55	33.51	0.72	20.41	2.23	25.91	14.65
2013-14	19,976.82	3.41	33.29	0.55	20.63	2.53	26.03	13.52
2014-15	23,410.87	2.92	30.21	0.66	22.20	2.06	27.59	10.05
2015-16	21,569.19	3.86	31.34	0.85	20.27	3.47	28.06	12.11
2016-17	22,035.54	3.62	34.13	0.93	26.76	3.70	20.49	10.32
2017-18	26,303.56	4.34	35.35	0.84	26.80	3.41	19.95	9.17
2018-19	29,711.84	3.87	34.51	0.81	27.84	3.46	20.86	8.62
2019-20	25,776.96	5.92	36.72	0.90	30.53	4.43	18.25	3.22

Sources: Export Import Data Bank, Department of Commerce, Ministry of Commerce

<https://tradedat.commerce.gov.in/eidb/default.asp>

In the above table we see that India have very large trade with SAARC organization. In this table we analysis India's trade with SAARC from 2010 to 2020. We see that Bangladesh is the largest trade partner of India among the member country of SAARC organization.

Bangladesh consistently holds the highest share in India's trade with SAARC countries. Its share increased from 26.67% (2010-11) to 36.72% (2019-20). This reflects growing bilateral ties, especially in textiles, garments, agricultural products, and energy cooperation. Also, Nepal is India's a Close and Rising Partner in the south Asia region. Nepal's share shows a steady upward trend from 19.38% (2010-11) to 30.53% (2019-20). The reasons behind increasing trade with Nepal are its geographical proximity, open-border trade, and India's role in supplying petroleum, electricity, and manufactured goods.

In the past some time Sri Lanka who is Once a Major Partner of India, now showing Declining share of trade with India. Sri Lanka's share was 28.98% in 2010-11, but it gradually reduced to 18.25% in 2019-20. The fall is due to diversification of Sri Lanka's trade with other countries (China, ASEAN, etc.) and certain non-tariff barriers.

India's trade with Pakistan affected by geopolitical and terrorism issue. So, its showing continuously decreasing share of trade. In 2010-11, Pakistan accounted for 17.15%, but by 2019-20 it dropped drastically to just 3%. The reason are Political tensions, limited trade agreements, and suspension of bilateral trade after 2019 Pulwama attack contributed to this sharp decline.

Afghanistan shows Small but Significant Growth in trade with India. Afghanistan's share rose from 4.11% (2010-11) to 5.92% (2019-20). Trade mainly includes medicines, food grains, construction materials from India, and dry fruits from Afghanistan. Then Maldives and Bhutan that both nations have Consistently Small Shares with India. Maldives remains below 1% throughout the decade, given its small market size and also Bhutan shows a slight rise from 2.73% to 4.43% by 2019-20, mainly due to hydropower and electricity trade with India.

In short on the basis of above information which is mention in the table we can say that India's trade with SAARC increased from \$13.8 billion in 2010-11 to nearly \$29.7 billion in 2018-19, before slightly falling in 2019-20. Bangladesh and Nepal together account for nearly 65–70% of India's total trade with SAARC by 2019-20. Political issues have reduced trade with Pakistan, while economic partnerships strengthened with Bangladesh and Nepal. Smaller SAARC economies like Afghanistan, Maldives, and Bhutan contribute less in percentage terms but are strategically important for India.

Conclusion:

India's relationship with the South Asian Association for Regional Cooperation (SAARC) is a complex mix of opportunities and challenges. where the organization serves as a platform for regional cooperation and a conduit for India's regional leadership, but is hampered by political obstacles and limited economic integration. While India is a founding member and plays a significant role, the effectiveness of SAARC is often undermined by political tensions and a lack of progress on key initiatives. To advance, SAARC must overcome internal hurdles, foster better cooperation, and focus on areas like connectivity, culture, commerce, and capability enhancement, with India potentially demonstrating leadership and a path to regional peace and prosperity. As a founding member, India has a pivotal role in shaping SAARC's agenda and objectives, aiming to promote regional cooperation, economic integration, and cultural exchange. India benefits from SAARC by fostering economic cooperation with its neighbors and leveraging

the organization's geo-strategic importance to counter external influences and advance its own economic interests.

References:

1. www.saarc-sec.org
2. www.mfasi.org
3. www.britannica.com
4. www.wikipedia.org
5. www.globaledge.msu.edu
6. Export Import Data Bank, Department of Commerce, Ministry of Commerce
7. <https://tradestat.commerce.gov.in/eidb/default.asp>