

# TRADE BALANCE OF INDIA WITH THE NEIGHBOURING COUNTRIES OF SOUTH ASIA: A COMPARATIVE STUDY

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## ABSTRACT

*This paper examines India's trade relations with neighbouring South Asian countries. The study reveals that Bangladesh, Sri Lanka, and Nepal are India's major trading partners within the SAARC region. India maintains a trade surplus with most countries in the region, with the highest surplus observed in trade with Bangladesh. Bangladesh, Nepal, and Sri Lanka are key destinations for Indian goods and services. However, trade with Pakistan has remained volatile due to geopolitical tensions. The study identifies major constraints to regional trade, including administrative barriers, non-tariff restrictions, poor transport connectivity, high transaction costs, and trust deficits among countries. Political instability and bilateral conflicts further limit intra-regional trade. Despite these challenges, trade plays a crucial role in economic development by generating income, reducing poverty, and enhancing public revenue. The paper concludes that strengthening regional cooperation, reducing trade barriers, and improving infrastructure are essential for enhancing trade integration in South Asia.*

**Keywords:** Trade balance, Export, Import, South Asia, SAARC, Economic development.

## INTRODUCTION

Trade is the base for development of any economy. When a country opens up to business, capital and labour are directed to sectors where these can be used more efficiently. Trade is an important part of the global economy and has many benefits, including specialization, access to goods, and economic growth. It supports the economic growth of many countries. Marketing allows customers to buy a variety of products at low prices. Trade helps countries specialise in production of goods and services by importing inputs for production. Countries also can stop production of those commodities not producing effectively. The World Trade Organization is the supreme authority for controlling global

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trade. It is a forum where governments negotiate trade agreements and resolve trade disputes. It has a vital role in international trade. Trade balance shows the relation between export and import. When imports exceed exports, it is called a trade deficit. When exports exceed imports, it is called a trade surplus. The balance is the investor's available capital, regardless of the open position.

The South Asian Association for Regional Cooperation was formed on December 8, 1985 for increasing cooperation between countries of south Asia. It is a regional intergovernmental organization. It was founded in Dhaka. Its objective is to strengthen cooperation among member countries, accelerate economic growth, and improve the quality of life of the people. Currently, it has eight member states.

They are Pakistan, Nepal, Sri Lanka, Afghanistan, Bangladesh, Maldives, Bhutan, and India. It connects South Asian countries with Southeast Asia. Economy and geographical area of the member countries are not uniform in the region. India is the largest country in economy and geography. Bangladesh is the second largest economy in the region. Nepal and Bhutan are the landlocked countries. Sri Lanka and Maldives are island countries.

## **OBJECTIVE**

The main objective of this paper is to study the trade balance of India with the neighbouring South Asian countries (Bhutan, Bangladesh, Nepal, Afghanistan, Pakistan, Sri Lanka, and Maldives).

## **METHODS AND MATERIALS**

This study is descriptive in design and has utilised quantitative and qualitative approaches. Secondary data for the study has been collected from the World Integrated Trade Solution (WITS), [tradingeconomics.com](http://tradingeconomics.com), and research papers. Trade Complementarity Index and Logistics Performance Index were also used in the study. To reveal trade relations of India with the south Asian countries in general and challenges in particular, descriptive analysis, and content text analysis have been performed.

## **RESULTS AND DISCUSSION**

South Asia consists of the Indo-Gangetic Plain as core. India constitutes nearly 80% of the South Asian economy. It is the 3rd largest economy by purchasing power adjusted exchange rates. Agriculture is the pillar of countries of the region. It contributes more in employment and national income of the countries. Rice and wheat are the staple foods for the people of the region. Agreement on South Asian Free Trade Area (SAFTA) aims to increase trade between the SAARC member states. It was signed in 2004 and implemented in 2006. The agreement was decided at the 12th SAARC summit.

There are many challenges before the association. Trade between the member countries within the trade bloc is less than the trade with the non-member countries. Political situations in Bangladesh and Afghanistan, the geopolitical conflict between India and Pakistan are the challenges before the trade bloc. Let's discuss the trade summary for South Asian countries in the global market in 2022.

**Table 1: Trade Summary for South Asia 2022****Table 1 (a): Overall Exports and Imports**

Exports		Imports	
Exports (in US\$ mill.)	498,504	Imports (in US\$ mill.)	837,568
No. Of products	4,464	No. Of products	4,512
No. Of partners	226	No. Of partners	229

Source: <https://wits.worldbank.org/CountrySnapshot/en/SAS>

**Table1 (b): South Asia's top 5 Export and Import partners**

Market	Partner share (%)	Trade (\$ mill.)	Exporter	Partner share	Trade (\$ mill.)
United States	18.06	90,041	China	14.84	124,314
United Arab Emirates	6.67	33,234	United Arab Emirates	7.54	63,174
Netherlands	4.16	20,755	United States	6.65	55,693
China	3.59	17,889	Saudi Arabia	6.16	51,608
Bangladesh	2.99	14,906	Russian Federation	4.97	41,607

Source: <https://wits.worldbank.org/CountrySnapshot/en/SAS>. Note: Figure of export is in million USD, and product share in percentage.

**Table 1 (c): South Asia's Exports and Imports of Product Groups**

Product Categories	Exports		Imports		Weighted Average (%)
	Product share (%)	Export (\$ mill.)	Product share (%)	Export (\$ mill.)	
Consumer goods	49.84	248,439	15.17	127,089	18.13
Intermediate goods	28.87	143,903	30.05	251,667	15.32
Capital goods	14.44	71,998	18.14	151,923	7.23
Raw materials	6.33	31,572	35.35	296,118	6.83

Source: <https://wits.worldbank.org/CountrySnapshot/en/SAS>, Note: Figure of export is in million USD, and product share in percentage.

## TRADE STATUS BETWEEN INDIA AND PAKISTAN

Trade between India and Pakistan has been restricted since 2019 due to the Jammu and Kashmir Reorganization Act and consequent to Pak-Sponsored the Pulwama terror attack. In response, India imposed 200% customs duty on Pakistani imports and Pakistan suspended trade with India. Major items exported by India to Pakistan include raw sugar, pesticides, and nitrogen heterocyclic compounds. Major items imported by India from Pakistan include

copper, edible fruits and nuts, and organic chemicals. Some of the factors that make doing business with Pakistan risky include the small size of the Pakistani market, visa restrictions, and conflict. Trade between India and Pakistan can help eliminate poverty, hunger, and inequality. It can also generate more public revenue for both countries. Exports believe that in order to improve trade, India and Pakistan need to create peace.

**Table 2: Export and Import of Commodities and Services between India and Pakistan**

India's Exports to Pakistan				India's Import from Pakistan			
Year	Value	Year	Value	Year	Value	Year	Value
2012	1.63	2018	2.35	2012	0.500	2018	0.547
2013	2.18	2019	1.19	2013	0.379	2019	0.067
2014	2.17	2020	0.28	2014	0.530	2020	0.002
2015	1.96	2021	0.50	2015	0.458	2021	0.002
2016	1.59	2022	0.63	2016	0.461	2022	0.020
2017	1.79	2023	0.52	2017	0.469	2023	0.007

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 2 discusses the export and import of commodities and services between India and Pakistan. It is found that the export value of goods and services was not stable between India and Pakistan. The value of goods and services India exported to Pakistan was 1.63 billion USD in 2012, and 2.35 billion USD in 2018. It was 0.28 billion USD in 2020 and finally 0.52 billion USD in 2023. The import value of goods and services from Pakistan was 0.5 billion USD in 2012 and 0.547 billion USD in 2018. It was 0.002 billion USD in 2020 and finally 0.007 billion USD in 2023. The major commodities India exported to Pakistan were Organic chemicals (US\$ 140.47M), Pharmaceutical products (US\$ 105.23M), Sugar and sugar confectionery (US\$ 66.73M) in 2023. The major commodities India imported from Pakistan were Miscellaneous edible preparations (US\$ 454.77K) and cement, salt, lime, plaster, stone, and sulphur (US\$ 99.44K) in 2023. Therefore, export value was higher than import value, so India held trade surplus with Pakistan between 2012-2023.

### TRADE STATUS BETWEEN INDIA AND NEPAL

Trade and cooperation between the two countries facilitates the movement of goods in India. The Nepal-India Transit Agreement (1992), revised every seven years, facilitated the Kolkata/Haldia and Visakhapatnam ports to Nepal and provided separate routes across the border to India and Nepal through the Kolkata and Visakhapatnam ports. Nepal's exports have increased over the years. The main products include petroleum products, transport and electronic products, electrical products, mechanical products, food grains, soyabean oil, pharmaceuticals, communication products, ready-made garments, fertilizers, coal, etc. India's main exports to Nepal are refined petroleum products (US\$ 2.22 billion), petrol

(US\$ 503 million) and rice (US\$ 320 million). Over the last five years, India's exports to Nepal have increased by 7.85% annually, from US\$ 5.93 billion in 2017 to US\$ 8.66 billion in 2022.

**Table 3: Export and Import of Commodities and Services between India and Nepal**

India's Exports to Nepal				India's Import from Nepal			
Year	Value	Year	Value	Year	Value	Year	Value
2012	2.59	2018	7.30	2012	0.307	2018	0.397
2013	3.18	2019	7.11	2013	0.377	2019	0.649
2014	4.19	2020	5.85	2014	0.561	2020	0.630
2015	3.20	2021	9.19	2015	0.490	2021	1.320
2016	4.53	2022	8.53	2016	0.385	2022	0.894
2017	5.52	2023	7.25	2017	0.414	2023	0.811

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 3 discusses the export and import of commodities and services between India and Nepal. It is found that the goods and services India exported to Nepal were 2.59 billion USD in 2012 and 7.30 billion USD in 2018. It was 5.85 billion USD in 2020 and finally 7.25 billion USD in 2023. Goods and services India imported from Nepal were 0.307 billion USD in 2012 and 0.397 billion USD in 2018. It was 0.630 billion USD in 2020 and finally 0.811 billion USD in 2023. The major commodities India exported to Nepal were Iron and steel (US\$ 851.67 mill.), Boilers, nuclear reactors, and machinery (US\$ 379.16 mill.), Cereals (US\$ 361.29 mill.), and Vehicles (US\$ 336.08 mill.). The major commodities India imported from Nepal were Iron and steel (US\$ 103.41 mill.), Spices, mate, tea and coffee (US\$ 103.36 mill.), and Cleavage products, oils, vegetable fats, and animal (US\$ 83.21 mill.) in 2023. Therefore, export value was higher than import value, so India held a trade surplus with Nepal between 2012-2023.

### TRADE STATUS BETWEEN INDIA AND BHUTAN

India and Bhutan have good economic relations; India is Bhutan's largest trading partner and main trading partner. The India-Bhutan Trade, Commerce and Industry Agreement 2016 aims to promote free trade between the two countries. About 94% of Bhutan's trade is conducted by land, and the Jaigaon-Phuentsholing Customs Area accounts for about 70% of Bhutan's trade. India and Bhutan share political and social ties. India is Bhutan's main source of investment, accounting for more than 50% of Bhutan's total foreign direct investment. India and Bhutan cooperate in hydropower, transportation, communication, infrastructure, health, education, culture, media, agriculture and other sectors. Now India is not only the leader in Bhutan's growth but also Bhutan's major trading partner. Free trade and commerce has existed between India and Bhutan since 1949 when the Government of India signed an agreement with the Government of Bhutan.

**Table 4: Export and Import of Commodities and Services between India and Bhutan**

India's Exports to Bhutan				India's Import from Bhutan			
Year	Value	Year	Value	Year	Value	Year	Value
2012	0.171	2018	0.653	2012	0.169	2018	0.253
2013	0.162	2019	0.694	2013	0.137	2019	0.249
2014	0.200	2020	0.623	2014	0.144	2020	0.184
2015	0.375	2021	0.868	2015	0.195	2021	0.344
2016	0.374	2022	1.020	2016	0.127	2022	0.343
2017	0.402	2023	0.980	2017	0.207	2023	0.421

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 4 discusses the export and import of commodities and services between India and Bhutan. It is found that the goods and services India exported to Bhutan were 0.171 billion USD in 2012 and 0.653 billion USD in 2018. It was 0.623 billion USD in 2020 and 0.980 billion USD in 2023. The goods and services India imported from Bhutan were 0.169 billion USD in 2012 and 0.253 billion USD in 2018. It was 0.184 billion USD in 2020 and 0.421 billion USD in 2023. The key goods India exported to Bhutan are distillation products, oils and mineral fuels (US\$ 226.29 mill.), Electrical and electronic equipment (US\$ 82.88M), Iron and steel (US\$ 80.38 mill.), and Plastics (US\$ 72.14 mill.) in 2023. The key goods India imported from Bhutan are Iron and steel (US\$ 195.82 mill.) and Cement, salt, lime, plaster, sulphur, earth, and stone (US\$ 86.19 mill.) in 2023. Therefore, export value was higher than import value, so India held a trade surplus with Bhutan between 2012-2023.

### TRADE STATUS BETWEEN INDIA AND BANGLADESH

Bangladesh is India's largest trading partner in Southeast Asia, and India is Bangladesh's second largest trading partner in Asia. The Asia-Pacific Trade Agreement (APTA), also known as the Bangkok Agreement, covers Bangladesh, India, Laos, China, Mongolia, South Korea, and Sri Lanka. The main objective of APTA is to promote the growth of members' businesses. Bangladesh's trade deficit with India was US\$ 9.2 billion in FY2024, compared to US\$ 10.1 billion in FY2023, and the deficit was US\$ 9.2 billion in the fourth quarter of FY2024, compared to US\$ 2.3 billion in the same period last year. The trade relationship between India and Bangladesh is currently a matter of particular concern for both countries for several reasons. India and Bangladesh are trading partners because of their geographical proximity and ethnic ties.

Bilateral trade between India and Bangladesh is growing faster than the total trade in goods between India and the rest of the world. In recent years, Bangladesh's imports and exports to neighbouring India have continued to increase. Despite the impact of COVID-19 and the Russia-Ukraine war on international supplies, trade between the two countries is growing rapidly. India's main exports to Bangladesh are refined petroleum (US\$ 1.37 billion), unsold cotton (US\$ 1.37 billion) and raw cotton (US\$ 942 million). India is the second largest exporter to Bangladesh. India imports many products from Bangladesh including leather

goods, pharmaceuticals, fruits, vegetables and food, handicrafts, plant textile fibres, footwear, tights, animals, vegetable oils and fats, explosives, fish, crustaceans, molluscs, aquatic invertebrates, etc.

**Table 5: Export and Import of Commodities and Services between India and Bangladesh**

India's Exports to Bangladesh				India's Import from Bangladesh			
Year	Value	Year	Value	Year	Value	Year	Value
2012	4.94	2018	8.74	2012	0.567	2018	0.894
2013	5.99	2019	8.24	2013	0.531	2019	1.210
2014	6.26	2020	7.91	2014	0.517	2020	1.020
2015	5.52	2021	14.1	2015	0.640	2021	1.760
2016	5.67	2022	13.8	2016	0.677	2022	2.000
2017	7.21	2023	11.3	2017	0.592	2023	1.890

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 5 discusses the export and import of commodities and services between India and Bangladesh. It is found that the goods and services India exported to Bangladesh were 4.94 billion USD in 2012 and 8.74 billion USD in 2018. It was 7.91 billion USD in 2020 and 11.3 billion USD in 2023. The goods and services India imported from Bangladesh were 0.567 billion USD in 2012 and 0.894 billion USD in 2018. It was 1.020 billion USD in 2020 and 1.89 billion USD in 2023. The key goods India exported to Bangladesh are mineral fuels, oils, distillation products (US\$ 2.19 bill.), Cotton (US\$ 2.18 bill.), Residues and wastes of food industry and animal fodder (US\$ 733.42 mill.), and Vehicles other than railway and tramway (US\$ 593.97 mill.) in 2023. The key goods India imported from Bangladesh are Articles of apparel, not knit or crocheted (US\$ 425.38 mill.), Vegetable textile (US\$ 218.30 mill.), and Aircraft and spacecraft (US\$ 171.81 mill.) in 2023. Therefore, export value was higher than import value, so India held a trade surplus with Bangladesh between 2012-2023.

### TRADE STATUS BETWEEN INDIA AND MALDIVES

India and the Maldives have strong economic relations, with India set to be the Maldives' largest trading partner by 2023. India has participated in bilateral programs to develop infrastructure in the Maldives, including the Tiramale Bridge project. India and the Maldives have announced plans to cooperate to expand tuna fishing and processing. India and the Maldives are maritime neighbours. India and the Maldives have long-standing ethnic, linguistic, cultural, religious and economic ties. The relations between the two countries are close, cordial and multifaceted. After the Maldives gained independence in 1965, India was one of the first countries to recognize and establish diplomatic relations with the Maldives. The main exports from India to the Maldives are refined petroleum (US\$ 57.6 million), granite (US\$ 35.1 million) and pig iron bars (US\$ 32.7 million). Over the last five years, India's exports to the Maldives have increased by 15.8% annually, from US\$ 280 million in 2017 to US\$ 584 million in 2022.

**Table 6: Export and Import of Commodities and Services between India and Maldives**

India's Exports to Maldives				India's Imports from Maldives			
Year	Value	Year	Value	Year	Value	Year	Value
2012	0.12	2018	0.22	2012	0.007	2018	0.021
2013	0.13	2019	0.23	2013	0.004	2019	0.005
2014	0.14	2020	0.19	2014	0.004	2020	0.017
2015	0.16	2021	0.59	2015	0.005	2021	0.050
2016	0.18	2022	0.50	2016	0.006	2022	0.534
2017	0.21	2023	0.58	2017	0.007	2023	0.072

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 6 describes the export and import of commodities and services between India and Maldives. It is found that the goods and services India exported to Maldives were 0.12 billion USD in 2012 and 0.22 billion USD in 2018. It was 0.19 billion USD in 2020 and 0.58 billion USD in 2023. The goods and services India imported from Maldives were 0.007 billion USD in 2012 and 0.021 billion USD in 2018. It was 0.017 billion USD in 2020 and 0.534 billion USD in 2022. The key goods India exported to Maldives are mineral fuels, oils, distillation products (US\$ 149.44 mill.), Machinery, nuclear reactors, boilers (US\$ 52.94M), and Pharmaceutical products (US\$ 30.28 mill.) in 2023. The key goods India imported from Maldives are Aircraft and spacecraft (US\$ 57.77 mill.), Iron and steel (US\$ 7.34 mill.), and Copper (US\$ 4.84 mill.) in 2023. Therefore, export value was higher than import value, so India held a trade surplus with Maldives between 2012-2023.

### **TRADE STATUS BETWEEN INDIA AND SRI LANKA**

India and Sri Lanka have strong economic and trade relations. Both nations signed a Free Trade Agreement to boost trade. There is a development partnership between the two countries covering areas such as infrastructure, transport, education and industrial development. Connectivity plans include the resumption of air services between Chennai and Jaffna and the launch of ferry services between Nagapattinam and Kankesanthurai. Indian investments in Sri Lanka include energy, hotels, real estate, manufacturing, telecommunications, banking and financial services. India is a major source of tourists to Sri Lanka, with an estimated 300,000 visitors in 2023. The two countries have deep ethnic and cultural ties, and India has provided financial support for the restoration of Buddhist temples and other cultural projects. India and Sri Lanka are both Commonwealth members. The two countries are also close economically. India is the island's largest trading partner, and an agreement to create a proto-single market is in advanced discussions. In the past decade, China has overtaken Japan and the World Bank as Sri Lanka's largest creditor. The main sectors of the national economy are tourism, tea exports, garments, textiles, rice production and other agricultural products.

**Table 7: Export and Import of Commodities and Services between India and Sri Lanka**

India's Exports to Sri Lanka				India's Import from Sri Lanka			
Year	Value	Year	Value	Year	Value	Year	Value
2012	3.81	2018	4.67	2012	0.665	2018	1.320
2013	4.75	2019	4.23	2013	0.515	2019	0.994
2014	6.43	2020	3.22	2014	0.592	2020	0.686
2015	5.50	2021	4.80	2015	0.849	2021	0.980
2016	4.12	2022	6.33	2016	0.632	2022	1.040
2017	4.41	2023	3.58	2017	0.664	2023	0.893

Source: <https://tradingeconomics.com/> Note: value in billion USD.

Table 7 depicts the export and import of commodities and services between India and Sri Lanka. It is found that the goods and services India exported to Sri Lanka were valued at 3.81 billion USD in 2012 and 4.67 billion USD in 2018. The respective figure was 3.22 billion USD in 2020 and 3.58 billion USD in 2023. The goods and services India imported from Sri Lanka were valued at 0.665 billion USD in 2012 and 1.320 billion USD in 2018. It was 0.686 billion USD in 2020 and 0.893 billion USD in 2023. The key goods India exported to Sri Lanka are Ships, boats, and other floating structures (US\$ 382.29 mill.), mineral fuels, oils, distillation products (US\$ 362.33 mill.), sugar and sugar confectionery (US\$ 322.28 mill.), and pharmaceutical products (US\$ 264.10 mill.) in 2023. The key goods India imported from Sri Lanka are coffee, tea, mate and spices (US\$ 122.49 mill.), Residues and animal fodder and wastes of food industry (US\$ 109.15 mill.), Edible fruits, nuts, peel of citrus fruit, melons (US\$ 75.61 mill.), and electrical and electronic equipment (US\$ 40.14 mill.). Therefore, export value was higher than import value, so India held a trade surplus with Sri Lanka between 2012-2023.

#### **TRADE STATUS BETWEEN INDIA AND AFGHANISTAN**

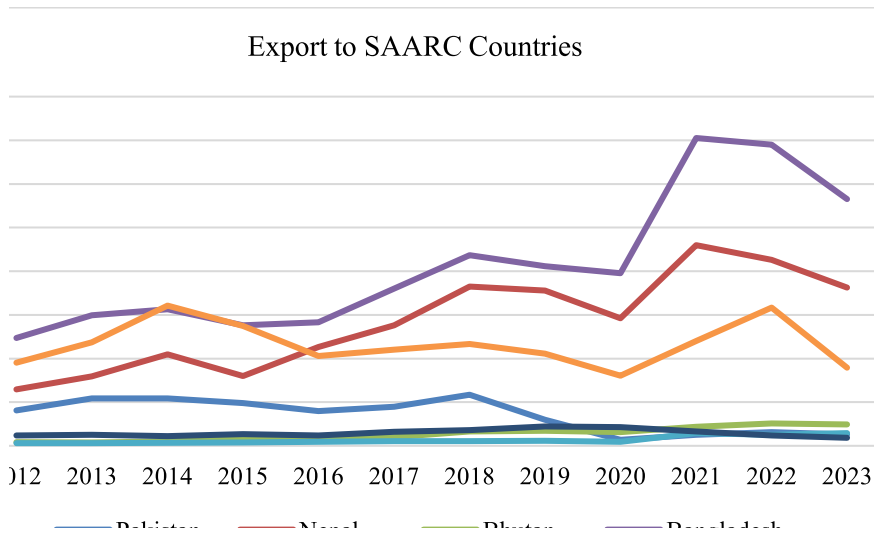
India and Afghanistan have a long-term relationship. India is a larger trade partner of Afghanistan. Both countries implemented various projects for expanding trade between themselves. Some of them are India-Afghanistan air cargo corridor, India-Afghanistan trade fair, Zaranj-Delaram Highway, Salma Dam project etc. Sugar, medicines, and vaccines are India's major exports to Afghanistan. Dry fruits, pulses, saffron, carpets, and antiques are the basic goods Afghanistan exports to India. The India-Afghanistan Preferential Trade Agreement is the basis for expanding trade between the countries. The Government of India has implemented projects for resource development, agriculture, education, health, transport, power, and water facilities across the country.

**Table 8: Export and Import of Commodities and Services between India and Afghanistan**

India's Exports to Afghanistan				India's Import from Afghanistan			
Year	Value	Year	Value	Year	Value	Year	Value
2012	0.476	2018	0.726	2012	0.079	2018	0.424
2013	0.514	2019	0.891	2013	0.213	2019	0.495
2014	0.443	2020	0.855	2014	0.244	2020	0.511
2015	0.534	2021	0.662	2015	0.318	2021	0.561
2016	0.473	2022	0.482	2016	0.282	2022	0.415
2017	0.638	2023	0.362	2017	0.413	2023	0.667

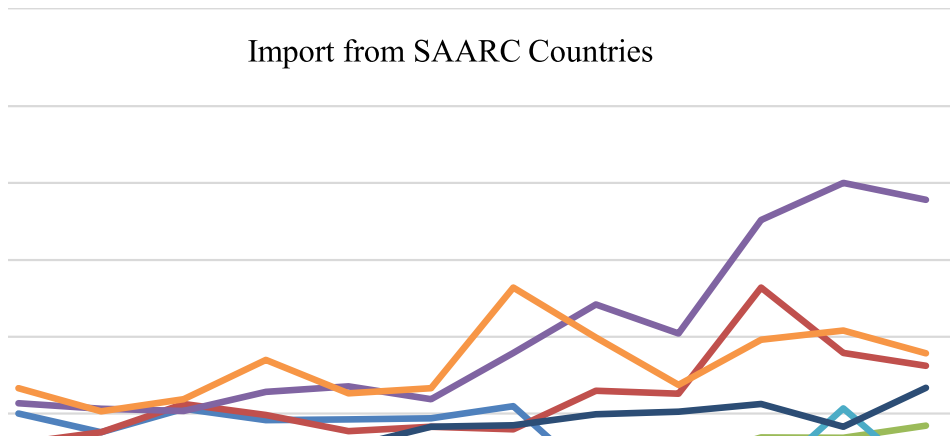
Source: <https://tradingeconomics.com/india/exports/afghanistan>, Note: value in billion USD.

Table 8 discusses the export and import of commodities and services between India and Afghanistan. It is found that the goods and services India exported to Afghanistan were 0.476 billion USD in 2012 and 0.726 billion USD in 2018. It was 0.855 billion USD in 2020 and 0.362 billion USD in 2023. The goods and services India imported from Afghanistan were 0.079 billion USD in 2012 and 0.424 billion USD in 2018. It was 0.511 billion USD in 2020 and 0.667 billion USD in 2023. The key goods India exported to Afghanistan are pharmaceutical products (US\$ 88.11 mill.), man-made staple fibres (US\$ 30.59 mill.), residues and animal fodder and wastes of food industry (US\$ 26.03 mill.), and oil seed, fruits, grain, seed, fruits (US\$ 16.09 mill.) in 2023. The key goods India imported from Afghanistan are edible fruits, nuts, peel of citrus fruit, melons (US\$ 367.45 mill.), Lac and gums and resins (US\$ 155.59M), Coffee, tea, mate and spices (US\$ 63.03 mill.), and edible vegetables and certain roots and tubers (US\$ 54.85 mill.). Therefore, export value was higher than import value, so India held a trade surplus with Afghanistan between 2012-2023.



**Figure 1: Export of Indian Goods and Services to SAARC Countries (\$Billion)**

**: Export of Indian Goods and Services to SAARC Countries (\$Billi**



**Figure 2: Import of Goods and Services from SAARC Countries (\$Billion)**

Figures 1 and 2 show that Bangladesh, Sri Lanka and Nepal are the largest trade partners of India among the SAARC countries. India has a trade surplus with all countries in the region. India has the highest trade surplus with Bangladesh. Bangladesh, Nepal and Sri Lanka are the popular destinations for Indian commodities and services. Administrative procedures, non-tariff barriers, transport connectivity, trade costs, and trust deficit are the major trade constraints between countries in South Asia. Transport connectivity is poor in these countries. It increases transport cost and time. Conflict and distrust between countries also hinder the trade prospects within the region. The World Bank has been working to increase trade between countries of South Asia. It provides technical support for expanding trade.

**Table 9: Trade Complementarity Index (TCI) of India with SAARC Countries**

Year	Afghanistan	Nepal	Bhutan	Bangladesh	Sri Lanka	Pakistan	Maldives
2019	52.68	63.34	53.61	56.58	64.91	58.56	51.73
2020	53.90	62.55	56.40	57.53	63.14	60.89	51.37
2021	56.93	66.76	58.36	57.91	63.29	64.13	51.13
2022	53.85	67.55	61.69	59.35	61.90	64.95	52.66

Source: Calculated by Author through WITS.

Table 9 presents the Trade Complementarity Index between India and South Asian countries. The trade complementarity index measures how closely a country's export profile matches its partner's import profile. The performance index can provide important information about regional economic conditions. It equals 100 when export and import shares are exactly equal. India has a high value of Trade Complementarity Index with Nepal and Pakistan.

**Table 10: Logistics Performance Index of the SAARC Countries**

Score	Afghanistan	Nepal	Bhutan	Bangladesh	Sri Lanka	Pakistan	Maldives	India
Mean 2012–18	2.04	2.45	2.25	2.60	2.65	2.64	2.63	3.22
2023	1.9	-	2.5	2.6	2.8	-	-	3.4

Source: <https://lpi.worldbank.org/report>

Table 10 discusses the Logistics Performance Index of SAARC countries. The Logistics Performance Index helps countries identify the challenges and opportunities these face in the logistics sector. It was developed by the World Bank Group. It measures the ease of building reliable devices. The value of this scale ranges from 1 to 5, with higher scores indicating better performance. India's Logistics Performance Index is higher than other South Asian countries, reflecting its better infrastructure.

## CONCLUSION

South Asia's economy remains the world's smallest, accounting for only 5% of the region's total economy. Nepal ranks second among South Asian countries in terms of exports and total trade with India. India trades with its South Asian partners (Pakistan, Bangladesh, Nepal, and Sri Lanka). India and Bangladesh are among its largest markets. India is Bangladesh's largest export market in Asia, and Bangladesh is India's largest trading partner in South Asia. Trade between Bangladesh and India is increasing due to increased exports. India is Nepal's largest trading partner. India and Nepal have always enjoyed special friendly relations and trade cooperation. This relationship is characterized by open and friendly borders and is based on the historical, cultural, linguistic and ethnic ties shared by the people of India and Nepal. India has close trade relations with Bhutan and is Bhutan's largest trading partner.

Trade between India and the Maldives has been growing steadily in recent years, with India became the Maldives' largest market by 2023. India has lifted a ban on tea shipments from Sri Lankan ports. Trade between India and Afghanistan has increased in recent years, with the two countries signing a major trade agreement in 2011. There is upkick in trade between India and Pakistan than mentioned above. India's trade relations with other South Asian countries are increasing day by day. India's main markets are Bangladesh, Nepal and Sri Lanka. India has a trade surplus with other countries of South Asia.

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