

# TRADE WITH SOUTH ASIAN NEIGHBOURS STAGNANT

This is despite India offering better terms than China

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Mumbai, 14 April

India's trade within South Asia, the region between Kabul and Chittagong broadly, is said to have been close to 19 per cent in 1948, finding a place in literature, such as Rabindranath Tagore's *Kabuliwala* who travels to Calcutta from Afghanistan to sell dry fruits. An Asian Development Bank study found that the share dropped to single-digit levels just 20 years later.

A *Business Standard* analysis of 2022-23 data shows India's post-pandemic trade with its South Asian neighbours has fallen to under 3 per cent: that is the lowest in some 10 years. The analysis considered data for Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka as per the standard government classification. Trade within the region was weak for years, made worse by the pandemic and the economic crisis in countries including Sri Lanka and Pakistan.

India's global trade has

increased 39 per cent since 2019, while South Asia is up 11 per cent, shows government trade data as of February 2023. The analysis considered similar periods for previous financial years as well. Exports to South Asia have grown 9 per cent compared to a 25 per cent rise in imports since 2018-19.

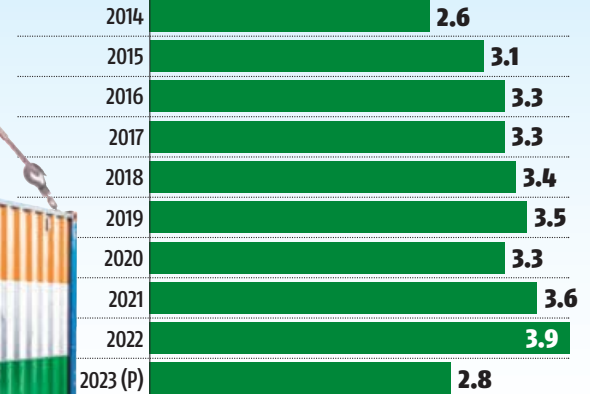
China had a larger role than India in trading with South Asian countries even before the pandemic, shows data from the World Bank. China exported goods worth \$40 billion to South Asia in 2019 compared to India's \$22.6 billion. China's overall trade with the seven South Asian countries is 65 per cent higher than India.

China's dominance comes despite the lower tariff barriers that India offers South Asian countries. The weighted average of tariffs for South Asian countries was under one per cent in the case of India, compared to around 3 per cent for China. China's tariffs are higher for South Asia than the world at large, while India charges significantly less for the region.



## 1: SOUTH ASIA'S TRADE SHARE AT A MULTI-YEAR LOW

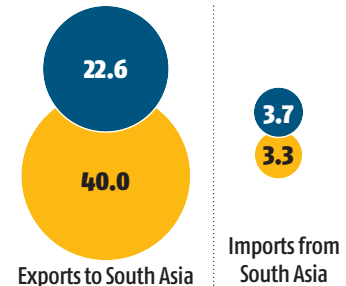
Data between April and February each year (in %)



Note: South Asia includes Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka; P: Projected  
Sources: Ministry of Commerce and Industry, *Business Standard* calculations

## 2: CHINA A BIGGER PLAYER EVEN BEFORE PANDEMIC

(in \$ billion)



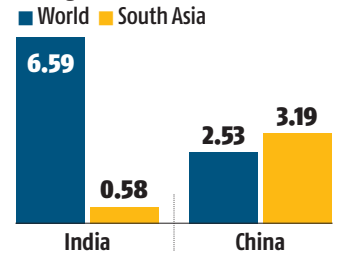
Note: Data for 2019. China's South Asia trade data is given after excluding India  
Source: World Bank World Integrated Trade Solution

Para-tariffs (border charges and fees), cumbersome rules, poor infrastructure, and logistics are hindering trade in South Asia, according to a study by the Brookings Institution think tank. India is working on improving logistics through plans for waterways all the way to Thailand.

Research has shown that South Asian trade could be nearly three times higher and benefit India. Better connectivity in the region can help the country's northeast states and improve its links with East Asia. And bring more *Kabuliwalas*.

## 3: LOWER TARIFFS FOR REGIONAL TRADE

Effectively applied weighted average tariff (in %)



Note: Data for 2019. Shows the average of tariffs weighted by their corresponding trade value. China's South Asia tariffs here include India  
Source: World Bank World Integrated Trade Solution