Government of India
Ministry of Commerce & Industry
Department of Commerce

India's Trade With South Asia In 2016-17

An Analysis

DEPARTMENT OF COMMERCE
FT-SOUTH ASIA DIVISION
SEPTEMBER 2017

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India's Trade with South Asia

- As per World Bank data, South Asia showed a GDP growth rate of 7.4% in 2015, which is highest among different regions of the world. Though the GDP per capita in South Asia is among the lowest in the world, the growth in the GDP per capita has shown the highest increase in South Asia, as compared to the other regions of the world.
- In 2015, with total imports into South Asia from rest of the world of USD 510 billion, exports to rest of the world of USD 329 billion, and total trade with rest of the world of USD 839 billion, South Asia accounted for 3.05% of world imports, 1.99% of world exports and 2.5% of world trade.
- India is the most dominant country, contributing 77% of the total imports into South Asia and 80% of the total exports from South Asia.
- The top sources of imports into South Asia are China, United Arab Emirates, Saudi Arabia and United States of America. The major export destinations are United States of America, United Arab Emirates, United Kingdom and Germany.
- India is the biggest trading partner for Nepal, Bhutan and Sri Lanka.
- As per 2016-17 data, Bangladesh is the largest trading partner in South Asia, followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives. The level of Indian exports also follows the same order. 83% of the total exports in South Asia were made to Bangladesh, Nepal and Sri Lanka, with Bangladesh alone accounting for 35%. The total contribution of Afghanistan, Bhutan and Maldives to exports has remained around 4% to 6%.
- India enjoys a substantial trade surplus with all the countries in South Asia.
- Bangladesh and Sri Lanka are the major countries of import, followed by Pakistan/Nepal.
- India's export basket to South Asia is quite diverse. The maximum share in exports is of engineering products, which contribute around 33% of total exports to South Asia. The other major categories of export are textile and textile products, which contribute 20% of the total exports to South Asia and are almost entirely raw material for further manufacturing, mineral products (14% of exports) which are largely petroleum products and chemicals and allied products - mainly pharmaceutical products (11% of exports).
- Agricultural products account for the major share of imports from South Asia, contributing 31.8% of the total imports, out of which the largest share is of vegetable products. The other major sectors of import are textiles and textile products (21% of imports), minerals (16% of imports) and and engineering products (13% of imports).

Bilateral Trade with Afghanistan

- India serves a destination for 67.3% of Afghanistan's exports, and a source of 14.3% of its imports.
- The bilateral trade between India and Afghanistan declined from USD 834.50 million in 2015-16 to USD 800.58 million in 2016-17. Exports declined marginally to USD 507.68 million from USD 526.60 million while imports also decreased from USD 307.90 million to USD 292.90 million.
- Textiles contributed 54% of Indian exports to Afghanistan. The other prominent products of export were Chemicals and allied products, essentially pharmaceuticals (16% of exports), Tobacco/foodstuffs/ beverages etc (10% of exports) & engineering products (7% of exports).

- 97.7% of imports from Afghanistan in 2016-17 were agricultural. Fresh fruits and spices were the primary products of import.
- 77% of exports to Afghanistan were made through the sea route and about 23% through air, since exports over land through Pakistan are not permitted. 64% of imports from Afghanistan were, however, through Attari-Wagah border while 33.4% of the imports came through air route.

Bilateral Trade with Bangladesh

- The total bilateral trade increased by 9.9% to USD 7.4 billion in 2016-17. Exports increased by 11.5% to USD 6.73 billion while the imports decreased marginally to USD 703 million.
- Textiles contributed 31.3% of Indian exports to Bangladesh in 2016-17. The other prominent products of export were engineering products (around 25% of exports), Chemical products (9% of exports) and vegetable products such as fresh vegetables (8% of exports). These top product categories accounted for 73% of total exports to Bangladesh. Textiles and textile products formed the largest component of imports from Bangladesh, and contributed to 60% of total imports. Within textiles, jute products were the biggest import item.
- 46.5% of India's exports to Bangladesh were routed by land through trucks and only 0.5% through railways, in 2016-17; balance exports took sea or air routes. 76.2 % of imports used the land route while 2.6% were routed by rail; 20.5% imports availed the sea route.
- ICP Petropole is the largest gateway to Bangladesh contributing 35% of total exports and 58% of imports.

Bilateral Trade with Bhutan

- India's served as destination for 90.7% of Bhutan's total exports and a source of 82% of Bhutan's total imports in the calendar year 2016. India is, naturally, the most important country for Bhutan's trade.
- In terms of India-Bhutan Agreement on Trade, Commerce and Transit, there is free trade between the two countries and no Basic Customs Duty is levied on import of any product from Bhutan or export to Bhutan.
- The total trade between India and Bhutan increased by 7.8% to USD 808.72 million in 2016-17. Exports also increased to USD 509.30 million in 2016-17 from USD 468.95 million in 2015-16. Imports increased by 6.45% to USD 299.42 million.
- The engineering sector contributed 56% of India's exports to Bhutan in 2016-17. The other prominent products of export were mineral products, essentially petroleum products (26% of exports), and prepared foodstuffs, mainly dairy products (4% of exports). Electricity is the largest import from Bhutan, accounting for 56% of the total imports in 2016-17. The other major imports were base metals and metal products – mainly iron and steel products (28% of imports).
- 97% of India's exports to Bhutan and 99.9% of imports from Bhutan, in 2016-17, were made through land route i.e. through the Land Customs Stations on the India-Bhutan border. 78% of exports and 93.4% of imports were routed through Jaigon LCS.

Bilateral Trade with Maldives

- India's served as destination for 3.4% of Maldives's total exports and a source of 12.7% of Maldives's total imports in the calendar year 2016.
- The total trade between India and Maldives was valued at USD 208.10 million during 2016-17, an increase of 13.5%. The exports increased by 11.11% to USD 199 billion in 2016-17 while imports more than doubled to USD 9.17 million, from USD 4.29 million in the previous year.

- Engineering sector contributed around 27% of India's exports to Maldives in 2016-17, mainly machinery (14% of exports) and base metals and products such as iron and steel (9% of exports). Vegetable products (mainly non-basmati rice and fresh vegetables) contributed 15% of Indian exports to Maldives. Imports from Maldives are miniscule. The major products of import in 2016-17 were engineering products - ships/boats, iron and steel products and products of other metals such as copper, aluminium etc., and petroleum products.

Bilateral Trade with Nepal

- India's served as destination for 54.4% of Nepal's total exports and a source of 73.1% of Nepal's total imports in the calendar year 2016. Nepal ranks 2nd among South Asian countries in terms of India's exports and total trade.
- The total trade between India and Nepal increased by 32.9% to USD 5.8 billion during 2016-17. The exports increased by 37.4% to USD 5.4 billion in 2016-17 from USD 3.93 billion in the previous year, across most products. The imports decreased by 5.4% to USD 445.38 million.
- Engineering sector contributed around 36% of Inda's exports to Nepal in 2016-17 while mineral products (mainly petroleum products) contributed 23% of exports. The other prominent exports were vegetable products such as non-basmati rice. Prepared foodstuffs and beverages formed the largest component of imports from Nepal, contributing to 28% of imports. The other prominent imports were of vegetable products, base metals and textiles.
- 97.3% of India's exports to Nepal and 99.8% of imports from Nepal, in 2016-17, were carried out through the land route.
- Raxaul, Nautanwa, Jogbani, Nepalgunj and Panitanki are the top 5 ports (Land Customs Stations) for both exports and imports. They accounted for 91.42 % of exports to Nepal and 97.11% of imports from Nepal, in 2016-17. Raxaul in Bihar is the largest gateway to Nepal contributing 45% of total exports and 44% of imports.

Bilateral Trade with Pakistan

- India's served as destination for 2.5% of Pakistan's total exports and a source of 3.9% of Pakistan's imports in the calendar year 2016. Pakistan is ranked 4th among South Asian countries on the basis of India's bilateral trade in 2016-17.
- Overall, the total trade has declined from USD 2.6 billion in 2012-13 to USD 2.3 billion in the 2016-17. In 2016-17, the total trade registered a decline of 12.4%. The exports decreased by 15.6% to USD 1.83 billion in 2016-17. The imports increased marginally from USD 441 million in the previous year to USD 456 million in 2016-17.
- Textiles contributed 34% of Indian exports to Pakistan. The other prominent products of export were chemical products such as organic chemicals, bulk drugs and dyes. Mineral products formed the largest component of imports from Pakistan, and contributed to 46% of total imports. Within mineral products, cement was the biggest import item. The other prominent imports were of vegetable products - mainly fresh fruits.
- Overall, the land route (Attari as well as railways) accounted for 17.3% of India's exports to Pakistan in 2016-17. 9.15% of the exports were through air route and the rest were by sea route. Pakistan allows import of only 137 items through Attari-Wagah land route. On the other hand, the land route (Attari as well as railways) accounted for 53.4% of India's imports from Pakistan in 2016-17. 3.8% of the exports were through air route and the balance by sea route.

Bilateral Trade with Sri Lanka

- India's served as destination for 6.4% of Sri Lanka's total exports and a source of 25.2% of Sri Lanka's imports in the calendar year 2016. Sri Lanka ranked 3rd among South Asian countries on the basis of bilateral trade and exports in 2016-17.
- The trade between India and Sri Lanka was valued at USD 4.5 billion during 2016-17 as compared to USD 6.05 billion during 2015-16, registering a sharp decline of 25.25%. The exports decreased by 26.14 % to USD 3.9 billion in 2016-17 from USD 5.31 billion in the previous year. The export value in 2016-17 is the lowest in last 5 years. The decline is entirely contributed by reduction in export of aircraft by USD 1.22 billion. The imports decreased by 19% to USD 602.21 million from USD 742.79 million in 2015-16.
- Exports to Sri lanka are quite diversified. Engineering sector contributed around 30% of India's exports to Sri Lanka in 2016-17 while mineral products (mainly petroleum products) contributed 18% of the exports. The other prominent products of export were textiles, such as cotton/manmade yarn/fabrics/madeups. Vegetable products formed the largest component of imports from Sri Lanka, and contributed to 24% of total imports. The other prominent imports were engineering products and textile products - mainly textile yarn, fabric, readymade garments.
- Sea ports at Nhava Sheva, Sikka, Chennai, Tuticorin and Mumbai are the top 5 ports which accounted for 51.67 % of exports to Sri Lanka in 2016-17. Nhava Sheva (Mumbai) contributed 21.95% of total exports to Sri Lanka. The top 5 ports from where imports took place from Sri Lanka in 2016-17 are Chennai, Nhava Sheva, Cochin, Brandix SEZ and Tuticorin and account for 70.75 % of the total imports.

1

TRADE WITH SOUTH ASIA

Introduction

South Asia comprising of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka is one of the most dynamic regions in the world. As per World Bank data, South Asia showed a GDP growth rate of 7.4% in 2015, which is highest among different regions of the world.

Being one of the most populous regions with a population of 1.74 billion, even with highest GDP growth rate, the GDP per capita in South Asia is among the lowest in the world, more than only the region comprising of Central African countries. However, in consonance with the growth in the GDP, the growth in the GDP per capita has also shown the highest increase in South Asia, as compared to the other regions of the world, emphasising its importance in the world economy.

With a huge population providing a vast market and human resources for carrying out economic activities, South Asia is poised to become an economically vital and vibrant region of the world.

Trade in South Asia

In 2015, with total imports into South Asia from rest of the world of USD 510 billion, exports to rest of the world of USD 329 billion, and total trade with rest of the world of USD 839 billion, South Asia accounted for 3.05% of world imports, 1.99% of world exports and 2.5% of world trade[1].

Within South Asia, India is the most dominant country. Out of total imports of USD 510 billion, imports into India (from outside the region) were USD 391 billion, thereby accounting for 77% of the total imports into South Asia. Similarly, with total exports of USD 264 billion (to outside the region), India contributed 80% of the total exports of USD 329 billion from South Asia[2].

The top sources of imports into South Asia are China, United Arab Emirates, Saudi Arabia and United States of America. The major export destinations are United States of America, United Arab Emirates, United Kingdom and Germany.

The majority of trade in South Asia is with countries outside the region. The quantum of trade among the constituents of South Asia is estimated at only around 5% for the last few years[3]. Considering the large human resource and high rate of economic growth in South Asian countries, the proportion of intra-South Asia trade is also expected to increase.

In addition to being the highest contributor to the exports and imports to/from South Asia, India is also the largest economy in the region, having the highest population and the highest GDP growth rate. With other high growth economies such as Bangladesh and Sri Lanka in South Asia, the region is economically important from India's trade perspective.

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[1] ITC World Map

[2] ITC World Map

[3] Intra BBIN Trade: Challenges and Opportunities: ORF issue brief March 2016, Issue number 135; *and* Export-Import Bank Of India Working Paper On Potential For Enhancing Intra-SAARC Trade: A Brief Analysis, June 2014

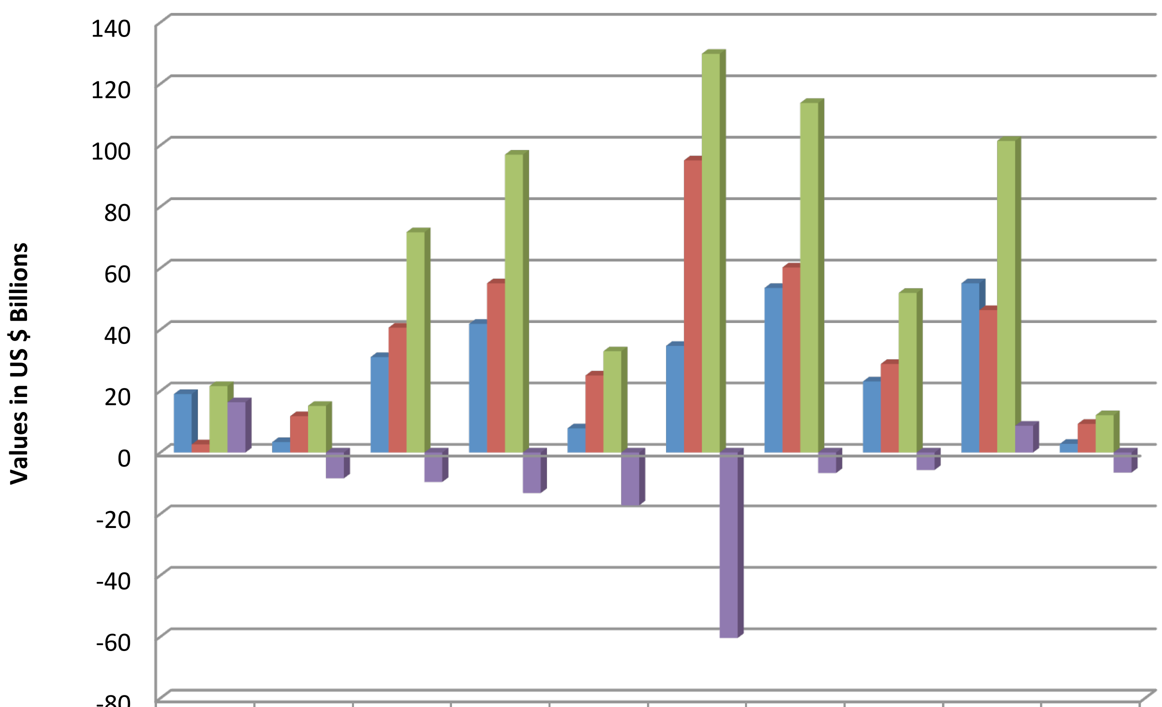
India's Trading Relationship With The World

Region-wise Analysis

In 2016-17, total exports by India were USD 276.3 billion, total imports were USD 384.3 billion, and total trade was USD 660.6 billion. The region-wise details of the exports, imports and total trade of India is depicted in Figure 1.1.

FIGURE 1.1

REGION-WISE TRADE DATA
2016-17



	South Asia	East Asia (Oceania)	ASEAN	West Asia-GCC	Other West Asia	NE Asia	Europe	Africa	America	CIS & Baltics
Exports	19.00	3.38	31.06	41.89	7.88	34.70	53.56	23.13	55.07	2.79
Imports	2.63	11.80	40.64	55.08	25.07	95.08	60.24	28.83	46.37	9.33
Total trade	21.64	15.18	71.70	96.96	32.95	129.78	113.80	51.95	101.44	12.13
Trade Balance	16.37	-8.42	-9.58	-13.19	-17.19	-60.38	-6.68	-5.70	8.70	-6.54

Source: DGCI&S Database

The following salient features of India's trade can be identified from Figure 1.1:

- The quantum of total trade with South Asia was USD 21.6 billion as against USD 129.8 billion with North East Asia, USD 71.7 billion with ASEAN, USD 97 billion with West Asia–Gulf Cooperation Council and USD 33 billion with other West Asian Countries in the neighbourhood. The level of trade with South Asia is on the lower side compared with the other regions.
- The trade surplus of India with South Asia at USD 16.37 billion is highest among all the regions of the world.

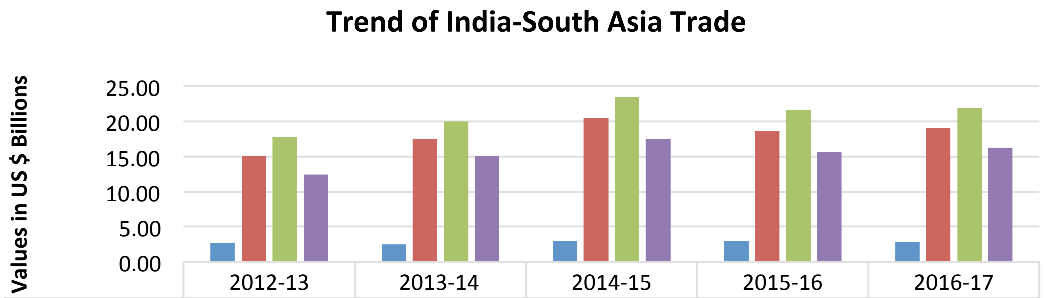
- South Asia and America are the two regions with which India has a trade surplus. However, while India's trade surplus with America is only 16% of India's exports to the region, India's trade surplus with South Asia, is an extraordinary 87% of exports to the region.
- This not only signifies the current dominant status of India in South Asia, it also indicates that there is a considerable potential for enhancing intra-regional trade. The World Bank estimates that if barriers to trading with neighbours were removed, intra-regional trade in South Asia could increase from the current US$ 28 billion to US$ 100 billion[4]. Emphasis is, therefore, being placed on the removal of impediments to such trade for realisation of the potential.

India's Trading Relationship Within South Asia

Trend of India - South Asia Trade

India-South Asia trade in the last 5 years is summarised in Figure 1.2 and Table 1.1

FIGURE 1.2



	2012-13	2013-14	2014-15	2015-16	2016-17
Imports	2.68	2.47	2.93	2.98	2.81
Exports	15.11	17.50	20.48	18.62	19.10
Total Trade	17.79	19.97	23.41	21.60	21.91
Trade balance	12.43	15.03	17.55	15.64	16.29

Source: DGCI&S Database

TABLE 1.1
Growth in India-South Asia Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Imports	-8%	19%	2%	-6%
Exports	16%	17%	-9%	3%
Total Trade	12%	17%	-8%	1%
Trade Balance	21%	17%	-11%	4%

Source: DGCI&S Database

[4] http://www.worldbank.org/en/programs/south-asia-regional-integration#3

Trend of trade over last 5 years

- The imports into India from South Asia have not shown any substantial increase, except in 2014-15 when imports increased by around 19%.
- On the other hand, the exports to South Asia have shown a consistent increase, except in 2015-16 where there was a decline in the quantum of exports by 9%, probably due to global factors.
- Consequently, the bilateral trade jumped by 12% in 2013-14 and 17% in 2014-15, but declined by 8% in 2015-16.
- India has consistently maintained a substantial trade surplus with South Asia over the period.

Trend of trade in 2016-17

- The total trade between India and South Asia has increased slightly from USD 21.60 billion in 2015-16 to USD 21.91 billion in 2016-17.
- Imports declined marginally to USD 2.81 billion in 2016-17 from USD 2.98 billion in 2015-16.
- Exports increased from USD 18.62 billion in 2015-16 to USD 19.1 billion in 2016-17.
- The favourable trade balance increased from USD 15.64 billion in 2015-16 to USD 16.29 billion in 2016-17.

Direction of India's Trade with South Asia

As already mentioned, India is the largest economy in South Asia and it is also growing at the highest rate among all the countries within South Asia. India is the biggest trading partner for Nepal, Bhutan and Sri Lanka.

The composition of India's trade, exports and imports for South Asia for 2016-17 are shown in Table 1.2 and highlighted in Figure 1.3.

TABLE 1.2

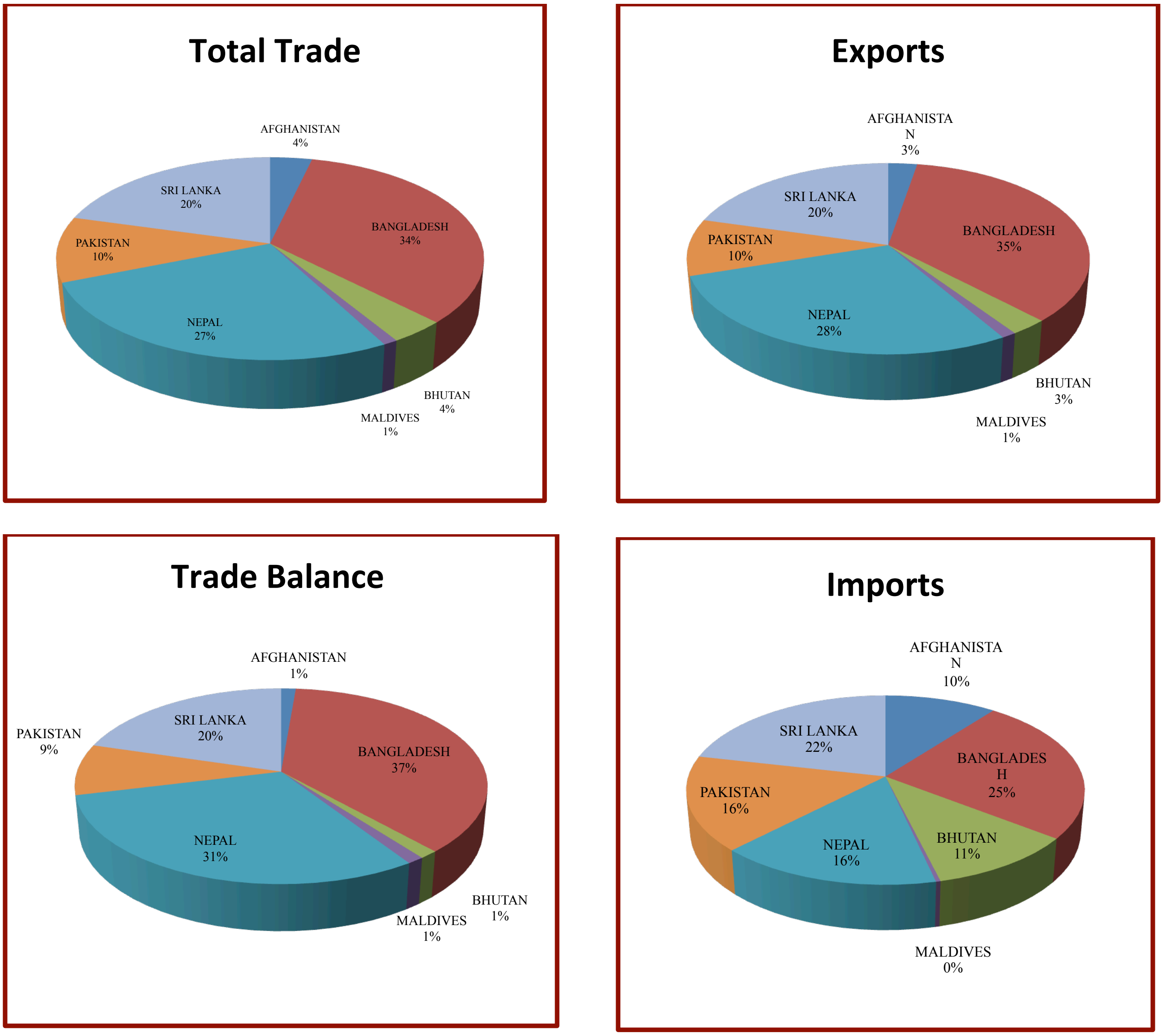
India's Trade with South Asian Countries in 2016-17

Values in USD Million

Country	Exports	Imports	Total Trade	Trade Balance	Trade Balance as % of Exports
AFGHANISTAN	507.68	292.90	800.58	214.78	42.31%
BANGLADESH	6728.29	703.77	7432.06	6024.52	89.54%
BHUTAN	509.30	299.42	808.72	209.88	41.21%
MALDIVES	198.93	9.17	208.10	189.76	95.39%
NEPAL	5399.98	445.38	5845.36	4954.60	91.75%
PAKISTAN	1831.85	456.33	2288.18	1375.52	75.09%
SRI LANKA	3921.85	602.21	4524.06	3319.64	84.64%

Source: DGCI&S Database

FIGURE 1.3



Source for all data: DGCI&S Database

Based on trade data for 2016-17, the main characteristics of India's trade with countries in South Asia are summarised below:

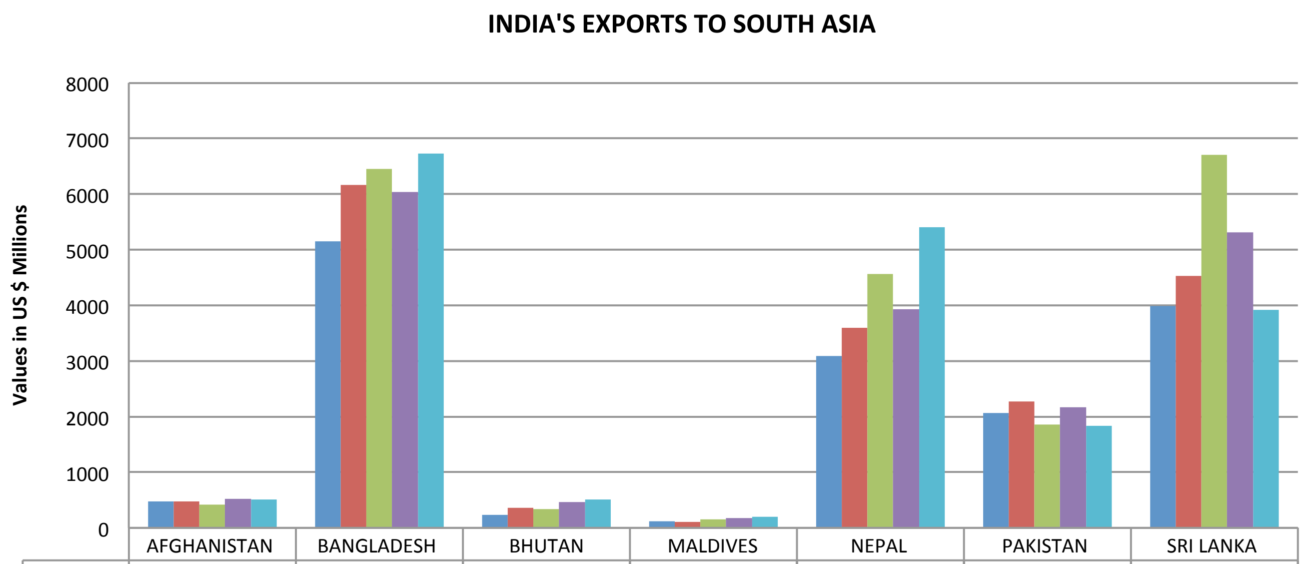
- Bangladesh is the largest trading partner in South Asia, followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives.
- The highest quantum of exports within South Asia are also to Bangladesh followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives.
- 83% of the total exports in South Asia were made to Bangladesh, Nepal and Sri Lanka.
- Bangladesh alone accounted for more than 35% of the exports with Nepal contributing 28%, Sri Lanka around 20%, Pakistan around 10%; the exports to Afghanistan, Bhutan and Maldives cumulatively accounted for only 7% of the exports to South Asia.
- The maximum imports are from Bangladesh followed by Sri Lanka, Pakistan, Nepal, Bhutan, Afghanistan and Maldives.
- India enjoys a substantial trade surplus with all the countries in South Asia.

- In line with the trend of exports and imports, the top three countries in terms of trade surplus are Bangladesh, Nepal and Sri Lanka.The trade surplus as a proportion of exports is least for Bhutan and Afgahnistan, indicating a more balanced trade with them, compared to the other countries in South Asia.
- The trade surplus as a proportion of exports is highest for Maldives followed by Nepal and Sri Lanka, showing India’s dominance in bilateral trade with them.

Exports

The trend in growth of exports across different countries in the region, for last five years, is depicted in Figure 1.4 and Tables 1.3, 1.4 and 1.5.

FIGURE 1.4



	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
2012-13	472.63	5144.99	233.22	122.36	3088.84	2064.89	3983.87
2013-14	474.34	6166.97	355.60	106.07	3592.30	2274.30	4534.35
2014-15	422.56	6451.48	333.94	152.38	4558.77	1857.29	6703.72
2015-16	526.60	6034.95	468.95	179.04	3930.09	2171.16	5309.53
2016-17	507.68	6728.29	509.30	198.93	5399.98	1831.85	3921.85

Source: DGCI&S Database

TABLE 1.3

INDIA'S EXPORT GROWTH 2012-13 TO 2016-17

Growth Rate in Percentage

REGION	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
Growth 2012-13 to 2016-17	7.42	30.77	118.38	62.58	74.82	-11.29	-1.56

Source: DGCI&S Database

TABLE 1.4

INDIA'S EXPORTS TO SOUTH ASIA

Value in USD million

	2012-13		2013-14		2014-15		2015-16		2016-17	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
AFGHANISTAN	472.63	3.13%	474.34	2.71%	422.56	2.06%	526.60	2.83%	507.68	2.66%
BANGLADESH	5144.99	34.05%	6166.97	35.23%	6451.48	31.50%	6034.95	32.41%	6728.29	35.23%
BHUTAN	233.22	1.54%	355.60	2.03%	333.94	1.63%	468.95	2.52%	509.30	2.67%
MALDIVES	122.36	0.81%	106.07	0.61%	152.38	0.74%	179.04	0.96%	198.93	1.04%
NEPAL	3088.84	20.44%	3592.30	20.52%	4558.77	22.26%	3930.09	21.11%	5399.98	28.28%
PAKISTAN	2064.89	13.66%	2274.30	12.99%	1857.29	9.07%	2171.16	11.66%	1831.85	9.59%
SRI LANKA	3983.87	26.36%	4534.35	25.90%	6703.72	32.73%	5309.53	28.51%	3921.85	20.54%
TOTAL (SOUTH ASIA)	15110.80		17503.93		20480.14		18620.32		19097.88	

Source: DGCI&S Database

TABLE 1.5

Growth of India's Exports to South Asia (in %)							
	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
2013-14	0.36	19.86	52.47	-13.31	16.30	10.14	13.82
2014-15	-10.92	4.61	-6.09	43.66	26.90	-18.34	47.84
2015-16	24.62	-6.46	40.43	17.50	-13.79	16.90	-20.80
2016-17	-3.59	11.49	8.60	11.11	37.40	-15.63	-26.14

Source: DGCI&S Database

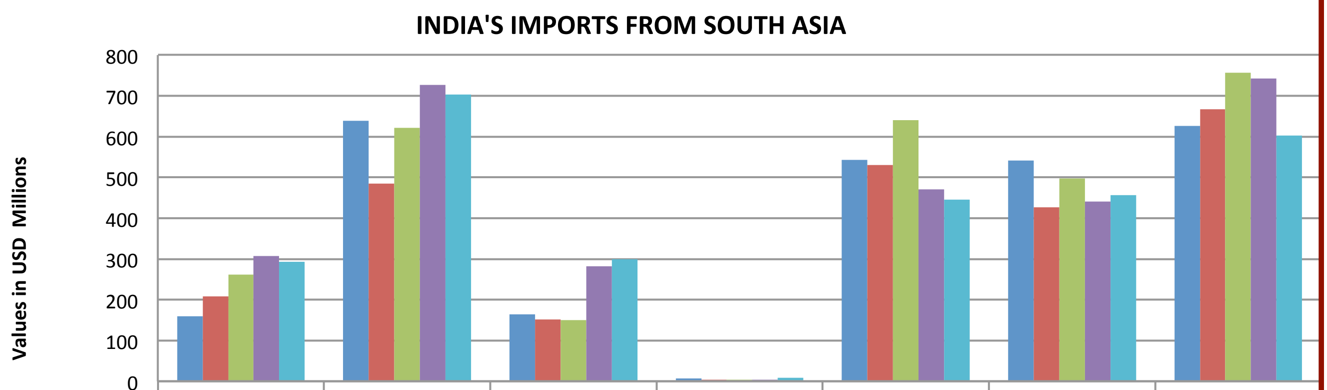
The following trend in Indian exports to South Asia in the last five years can be observed:

- Bangladesh has consistently remained the top destination for Indian exports, except 2014-15, when maximum exports were to Sri Lanka.
- The contribution of Indian exports to Bangladesh as a proportion of total exports to South Asia has remained around one-third, from a low of 31% in 2014-15 to a high of 35% in 2016-17.
- The proportion of exports to Nepal has been around 20%, with a high proportion of 28% in 2016-17.
- Sri Lanka's contribution has fluctuated significantly from 20% to 32%, with the lowest contribution of 20.5% in 2016-17.
- The proportion of exports to Pakistan were the highest in 2012-13 and 2013-14 (around 13%), after the opening up of Attari-Wagah Integrated Check Post (ICP) by Land Ports Authority of India (LPAI) in April 2012. There was a quantum jump in exports from USD 1.54 billion in 2011-12 to USD 2.06 billion in 2012-13 and USD 2.27 billion in 2013-14. The contribution of Pakistan to exports, however, declined to 9% in 2016-17.
- The total contribution of Afghanistan, Bhutan and Maldives has remained around 4% to 6%.

Imports

The trend in growth of imports across different countries in the region, for last five years, is depicted in Figure 1.5 and Tables 1.6, 1.7 and 1.8.

FIGURE 1.5



	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
2012-13	159.55	639.33	164.00	6.29	543.10	541.87	625.81
2013-14	208.77	484.34	152.17	3.97	529.93	426.88	666.93
2014-15	261.91	621.37	149.87	4.32	639.91	497.31	756.17
2015-16	307.90	727.15	281.27	4.29	470.59	441.03	742.79
2016-17	292.90	703.77	299.42	9.17	445.38	456.33	602.21

Source: DGCI&S Database

TABLE 1.6

INDIA'S IMPORT GROWTH 2012-13 TO 2016-17

Growth (%)

REGION	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
Growth 2012-13 to 2016-17	83.58	10.08	82.57	45.79	-17.99	-15.79	-3.77

Source: DGCI&S Database

TABLE 1.7
INDIA'S IMPORTS FROM SOUTH ASIA

Values in USD Million

	2012-13		2013-14		2014-15		2015-16		2016-17	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
AFGHANISTAN	159.55	5.95%	208.77	8.44%	261.91	8.94%	307.90	10.35%	292.90	10.43%
BANGLADESH	639.33	23.86%	484.34	19.59%	621.37	21.20%	727.15	24.44%	703.77	25.05%
BHUTAN	164.00	6.12%	152.17	6.15%	149.87	5.11%	281.27	9.45%	299.42	10.66%
MALDIVES	6.29	0.23%	3.97	0.16%	4.32	0.15%	4.29	0.14%	9.17	0.33%
NEPAL	543.10	20.27%	529.93	21.43%	639.91	21.83%	470.59	15.82%	445.38	15.85%
PAKISTAN	541.87	20.22%	426.88	17.26%	497.31	16.97%	441.03	14.82%	456.33	16.24%
SRI LANKA	625.81	23.35%	666.93	26.97%	756.17	25.80%	742.79	24.97%	602.21	21.44%
TOTAL (SOUTH ASIA)	2679.95		2472.99		2930.86		2975.02		2809.18	

Source: DGCI&S Database

TABLE 1.8
Growth in India's Imports from South Asia

Growth Rate (In %)

	AFGHANISTAN	BANGLADESH	BHUTAN	MALDIVES	NEPAL	PAKISTAN	SRI LANKA
2013-14	30.85	-24.24	-07.21	-36.88	-02.42	-21.22	06.57
2014-15	25.45	28.29	-01.15	08.82	20.75	16.50	13.38
2015-16	17.56	17.02	87.68	-0.69	-26.46	-11.32	-01.77
2016-17	-04.87	-03.22	06.45	113.75	-05.36	03.47	-18.93

Source: DGCI&S Database

The main characteristics of India's imports from countries in South Asia, are:

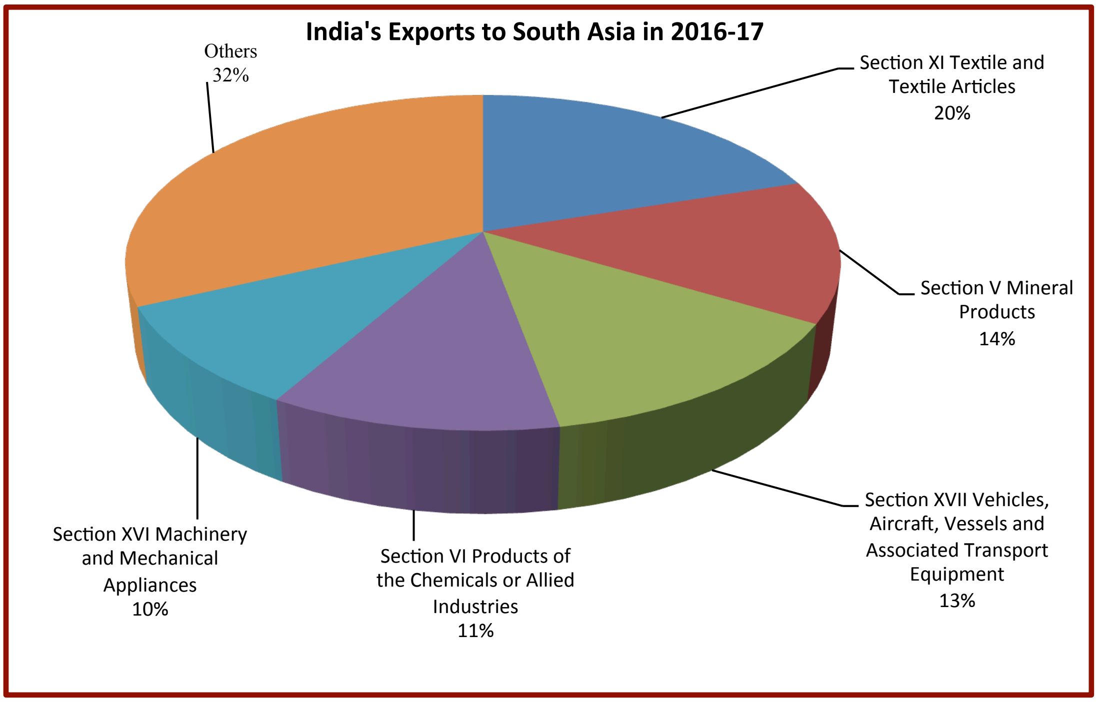
- Bangladesh and Sri Lanka are the major sources of import, followed by Pakistan/Nepal.
- The share of Bangladesh in imports from South Asia has ranged from a low of 19.6% in 2013-14 to a high of 25% in 2016-17.
- Sri Lanka's share in imports from South Asia hovers around 25% with a high of 26.9% in 2013-14 and a low of 21.4% in 2016-17.
- Nepal has accounted for around 20% of the imports with its share declining to around 15% during the last two years.
- The share of Pakistan has fluctuated from 14.8% to 20.2% over the years, with the highest share being 20.2% in 2012-13, when Integrated Check Post Attari was opened. At that time, there was a quantum jump in imports from USD 362 million in 2011-12 to USD 543 million in 2012-13.
- Afghanistan, Bhutan and Maldives account for the remaining 12% to 20% of the imports. The share of imports from these three countries has increased from 12.3% in 2012-13 to 21.4% in 2016-17. Imports from Afghanistan and Bhutan have almost doubled in the period.
- The imports from Maldives continue to be miniscule, being less than 1%.

Products of Export and Import

Exports

The product-wise composition of India's exports to South Asia in 2016-17 (for major sectors) is highlighted in Figure 1.6, with details in Table 1.9.

FIGURE 1.6



Source: DGCI&S Database

The main characteristics of the India's product basket of exports to South Asia are given below:

- India's export basket to South Asia is quite diverse.
- The maximum share in exports is of engineering products, which contribute around 33% of total exports to South Asia – mainly transportation products – vehicles, aircraft etc. (13% of exports), machinery (10% of exports) and base metals (9.5% of exports). The majority of base metals are iron and steel, with some articles of iron and steel and aluminium.
- This is followed by textiles and textile articles, which contribute 20% of the total exports to South Asia. An analysis of the textile export items reveals that these are almost entirely raw material for further manufacturing, in the form of cotton, cotton/synthetic yarn and fibre, madeups etc., for the textile sector of South Asian countries which benefit from zero duty exports to the developed world.
- The other major categories of export are mineral products (14% of exports) which are largely petroleum products and chemicals and allied products - mainly pharmaceutical products (11% of exports).
- The agricultural products such as vegetable products, animal products, animal and vegetable fats and prepared foodstuffs together account for 13% of the total exports and form part of "Others" shown in Figure 1.9, with major products being cereals, edible vegetables, coffee/tea, animal feed, sugar and fruits and nuts.

TABLE 1.9

Principal Commodities of India's Exports to South Asia (Sector-wise)

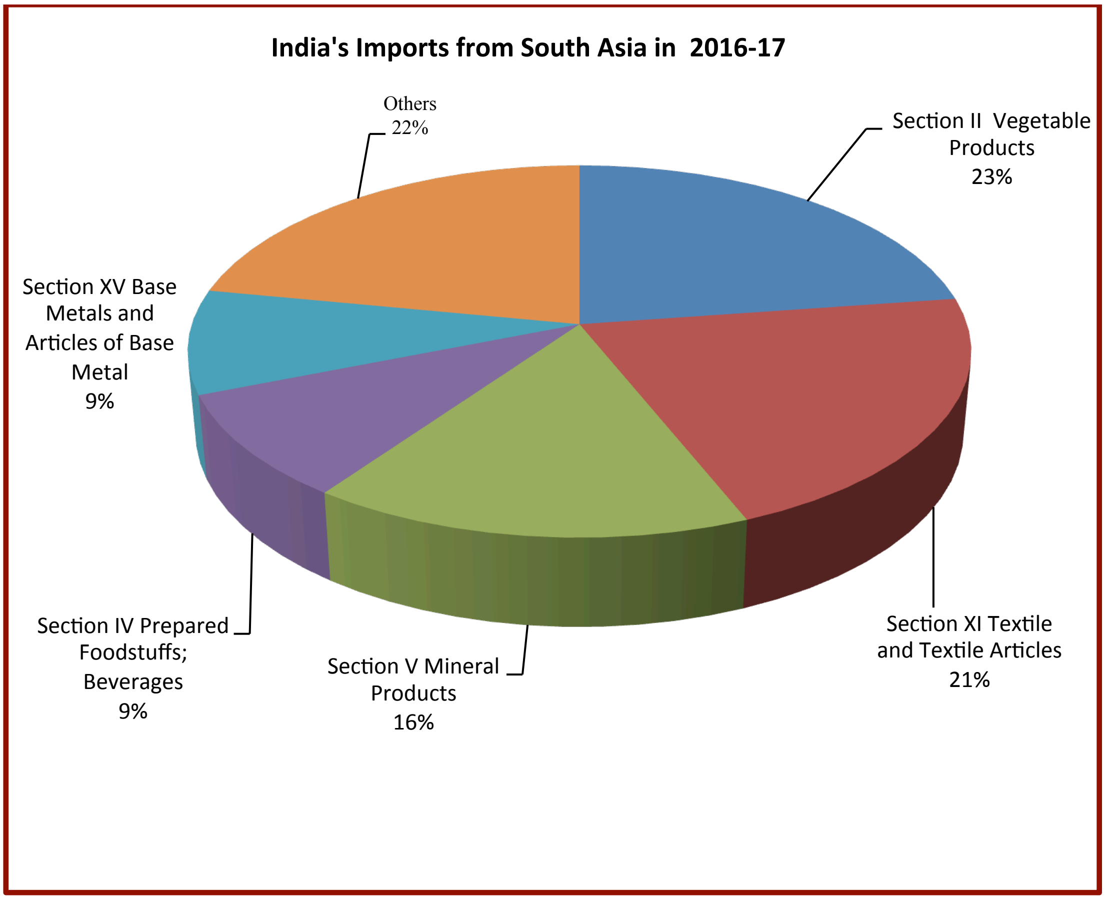
SECTION	DESCRIPTION	2015-2016	2016-2017	%Growth
Section XI	Textile and Textile Articles	4110.99	3796.63	-7.65
Section V	Mineral Products	2300.24	2624.92	14.12
Section XVII	Vehicles, Aircraft, Vessels and Associated Transport Equipment	3445.64	2579.52	-25.14
Section VI	Products of the Chemicals or Allied Industries	1737.3	2111.7	21.55
Section XVI	Machinery and Mechanical Appliances; Electrical Equipment; Parts thereof	1497.77	1866.05	24.59
Section XV	Base Metals and Articles of Base Metal	1355.29	1805.84	33.24
Section II	Vegetable Products	1704.51	1574.26	-7.64
Section VII	Plastics and Articles thereof; Rubber and Articles Thereof	757.4	855.34	12.93
Section IV	Prepared Foodstuffs; Beverages, Spirits and Vinegar; Tobacco and Manufactured Tabacco substitutes	717.19	782.39	9.09
Section X	Pulp of wood or of other Fibrous Cellulosic Material; Recovered (Waste and Scrap) Paper or Paperboard; Paper and Paperboard and articles thereof	236.02	271.99	15.24
Section XIII	Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Materials; Ceramic Products; Glass and Glassware	157.22	178.86	13.76
Section I	Live Animals; Animal Products	145.11	169.51	16.81
Section XVIII	Optical, Photographic, Cinematographic, measuring, precision, medical Instruments, clocks, ,musical instruments	106.55	133.79	25.57
Section XX	Miscellaneous Manufactured Articles	107.71	117.02	8.64
Section XII	Footwear, Headgear, Umbrellas, Walking-sticks, seat-sticks, whips, artificial Flowers; Articles of Human Hair	33.98	65.06	91.47
Section XIV	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	84.52	51.43	-39.15
Section III	Animal or Vegetable Fats and Oils and their cleavage Products; Prepared Edible fats; animal or Vegetable waxes	22.98	40.77	77.42
Section IX	Wood and Articles of Wood;	19.94	26.57	33.25
Section VIII	Raw Hides and Skins, Leather, Furskins and Articles thereof; travel goods, Handbags and similar Containers;	20.81	25.28	21.48
Section XXI	Works of art, Collectors' Pieces and Antiques	9.1	13	42.86
Section XX	MISCELLANEOUS GOODS.	48.66	6.6	-86.44
Section XIX	Arms and Ammunition; Parts and Accessories thereof	0.08	0.09	12.50
	Total of India's Exports to South Asia	18,620.28	19,097.89	2.56

Source: DGCI&S Database

Imports

The product-wise composition of India's imports from South Asia in 2016-17 (for major sectors) is highlighted in Figure 1.7, with details in Table 1.10.

FIGURE 1.7



Source: DGCI&S Database

The main characteristics of the India's imports from South Asia are as follows:

- Agricultural products account for the major share of imports from South Asia, contributing 31.8% of the total imports, out of which the largest share is of vegetable products.
- Among vegetable products the major commodities of import are edible fruits and nuts, coffee, tea and spices. Import of prepared foodstuffs mainly consists of beverages and spirits.
- The other major sectors of import are textiles and textile products (21% of imports), minerals (16% of imports) and engineering products (13% of imports) – mainly base metals. Base metals import mainly consists of iron and steel and lead articles.
- Unlike textile exports, the textile imports are diverse comprising of both raw material as well as finished products.
- Among products classified as "Others" in Figure 1.10, accounting for 22% of total imports, the major sectors are plastics and rubber products, chemical products, vehicles and wood pulp/paper.

TABLE 1.10

Principal Commodities of India's Imports from South Asia (Sector-wise)

SECTION	DESCRIPTION	2015-2016	2016-2017	%Growth
Section II	Vegetable Products	774.52	638.27	-17.59
Section XI	Textile and Textile Articles	641.2	595.23	-7.17
Section V	Mineral Products	469.79	447.25	-4.80
Section IV	Prepared Foodstuffs; Beverages, Spirits and Vinegar; Tobacco and Manufactured Tabacco substitutes	223.62	257.05	14.95
Section XV	Base Metals and Articles of Base Metal	213.68	254.24	18.98
Section VII	Plastics and Articles thereof; Rubber and Articles Thereof	127.5	116.67	-8.49
Section VI	Products of the Chemicals or Allied Industries	118.17	113.37	-4.06
Section XVII	Vehicles, Aircraft, Vessels and Associated Transport Equipment	45.32	77.17	70.28
Section X	Pulp of wood or of other Fibrous Cellulosic Material; Recovered (Waste and Scrap) Paper or Paperboard; Paper and Paperboard and articles thereof	54.78	61.74	12.71
Section XVI	Machinery and Mechanical Appliances; Electrical Equipment; Parts thereof;	54.88	43.72	-20.34
Section VIII	Raw Hides and Skins, Leather, Furskins and Articles thereof; travel goods, Handbags and similar Containers;	36	42.09	16.92
Section XII	Footwear, Headgear, Umbrellas, Walking-sticks, seat-sticks, whips,, artificial Flowers; Articles of Human Hair	34.7	37.31	7.52
Section XIII	Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Materials; Ceramic Products; Glass, Glassware	34.71	36.41	4.90
Section XX	Miscellaneous Manufactured Articles	25.49	23.78	-6.71
Section III	Animal or Vegetable Fats and Oils and their cleavage Products; Prepared Edible fats; animal or Vegetable waxes	5.23	16.41	213.77
Section I	Live Animals; Animal Products	24.72	14.36	-41.91
Section XVIII	Optical, Photographic, Cinematographic, measuring, precision, medical Instruments, clocks, musical instruments	22.17	12.56	-43.35
Section XX	MISCELLANEOUS GOODS.	54.18	7.64	-85.90
Section IX	Wood and Articles of Wood	11.28	7.28	-35.46
Section XIV	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	2.78	6.07	118.35
Section XXI	Works of art, Collectors' Pieces and Antiques	0.13	0.42	223.08
Section XIX	Arms and Ammunition; Parts and Accessories thereof			
	Total of India's Imports from South Asia	2,975.01	2,809.18	-5.57

Source: DGCI&S Database

2 BILATERAL TRADE WITH AFGHANISTAN

Mutual Importance

India's importance to Afghanistan as a trading partner:

- India's served as destination for 67.3% of Afghanistan's total exports and a source of 14.3% of Afghanistan's total imports in the calendar year 2016[5]. Hence, India is the most important country for Afghanistan's exports.

Afghanistan's importance to India as a trading partner:

- Afghanistan ranked 78th among India's trading partners and 5th among South Asian countries based on total trade in 2016-17.
- Afghanistan ranked 65th and served as destination for 0.18% of India's total exports in 2016-17.
- Afghanistan ranked 79th in terms of imports and a source of 0.08% of India's total imports in 2016-17.

Trade Architecture

India and Afghanistan signed a Preferential Trade Agreement in 2003, under which preferential tariffs are provided on a number of lines. India has provided preferential access on margin of preference basis, to the extent of either 50% or 100% on 38 products, which are mainly agricultural in nature, while Afghanistan has provided 100% margin of preference on 8 products.

Afghanistan became the eighth member of SAARC as an LDC member in 2007. Afghanistan was formally inducted into the SAFTA Tariff Liberalization Programme (TLP) and the provisions of TLP made applicable to Afghanistan with effect from 7th August, 2011. India has provided duty free access under SAFTA to all products from LDC members (except 25 lines pertaining to alcohol and tobacco) and, accordingly, such duty free access is available to all such products from Afghanistan.

Institutional Mechanisms

Under the India-Afghanistan PTA, a Joint Commission Meeting (JCM) at the level of Commerce and Industry Ministers is prescribed; however, no bilateral meeting has ever taken place.

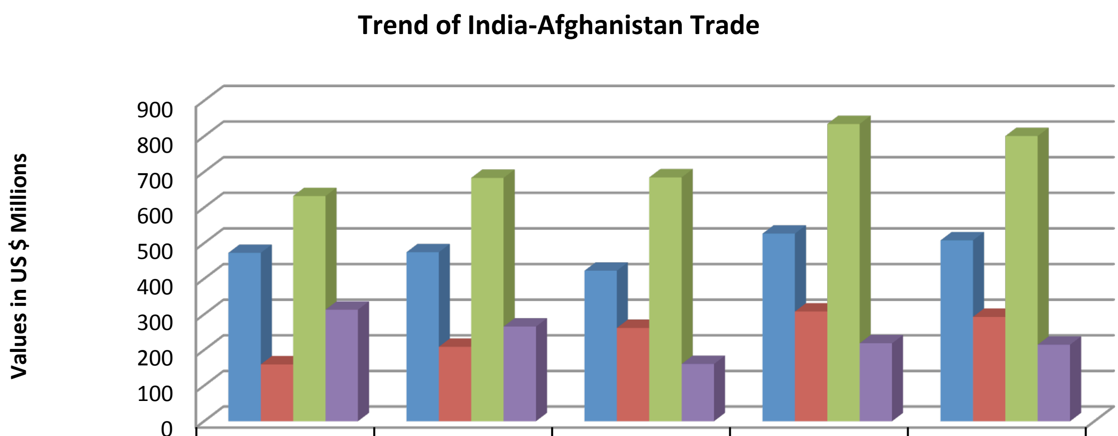
The Strategic Partnership Agreement between Afghanistan & India was signed in October 2011. Under this Agreement, a Joint Working Group (JWG) on Trade, Commerce and Investment is functioning between the Ministries of Commerce and Industries of the two countries, at the level of Commerce Secretary, to discuss the issues related to trade and economic co-operation between the two countries. The second meeting of the JWG was held on 29th -30th March 2017 in New Delhi.

[5] ITC Trade Map

Trade Analysis

India-Afghanistan trade data in the last five years is summarised in Figure 2.1 and Table 2.1

FIGURE 2.1



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	472.63	474.34	422.56	526.60	507.68
Imports	159.55	208.77	261.91	307.90	292.90
Total Trade	632.18	683.11	684.47	834.50	800.58
Trade Balance	313.08	265.57	160.65	218.70	214.78

Source: DGCI&S Database

TABLE 2.1
Growth in India-Afghanistan Bilateral Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Exports	00.36	-10.92	24.62	-03.59
Imports	30.85	25.45	17.56	-04.87
Total Trade	08.06	00.20	21.92	-04.06
Trade Balance	-15.18	-39.51	36.13	-01.79

Source: DGCI&S Database

Trend of trade over last 5 years

- The exports from India to Afghanistan have not shown any substantial increase, except in 2015-16, when exports increased by around 24%.
- On the other hand, the imports from Afghanistan have shown a consistent increase, except in 2016-17, where there is a marginal decrease in the quantum of imports by 4.87%. The decrease in 2016-17 is on account of reduction of imports of fresh vegetables.
- Consequently, the bilateral trade jumped by 22% in 2015-16 due to increase in imports as well as exports, but declined by 4.06% in 2016-17.
- India has consistently maintained a trade surplus with Afghanistan over the period.

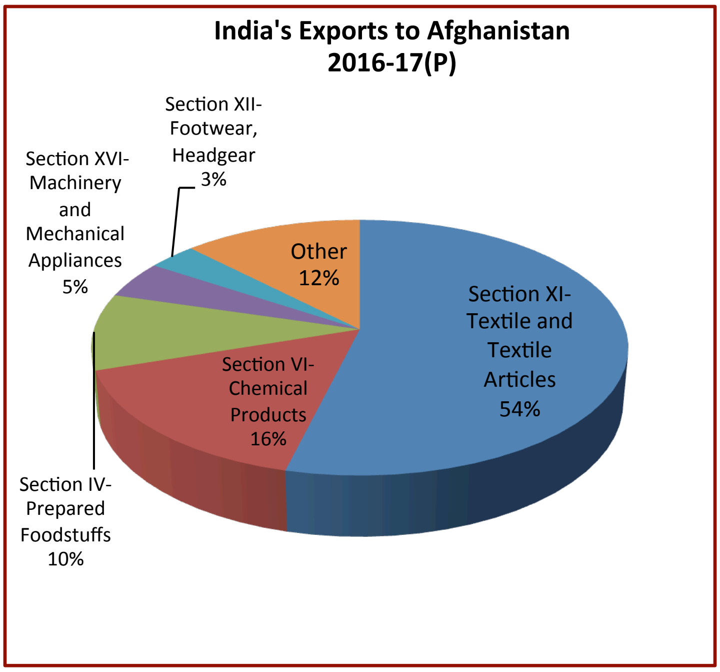
Trend of trade in 2016-17

- The total trade between India and Afghanistan declined from USD 834.50 million in 2015-16 to USD 800.58 million in 2016-17.
- Exports declined marginally to USD 507.68 million in 2016-17 from USD 526.60 million in 2015-16. The reduction in exports is mainly on account of decrease in exports of manmade yarn, fabrics and products of iron and steel.
- In the same period, imports also decreased from USD 307.90 million to USD 292.90 million, which was mainly on account of reduction in imports of pulses and processed fruits and juices.
- On account of the higher quantum of decrease in exports vis-à-vis the decrease in imports, the favourable trade balance declined from USD 218.70 million in 2015-16 to USD 214.78 million in 2016-17.

Product-wise Analysis

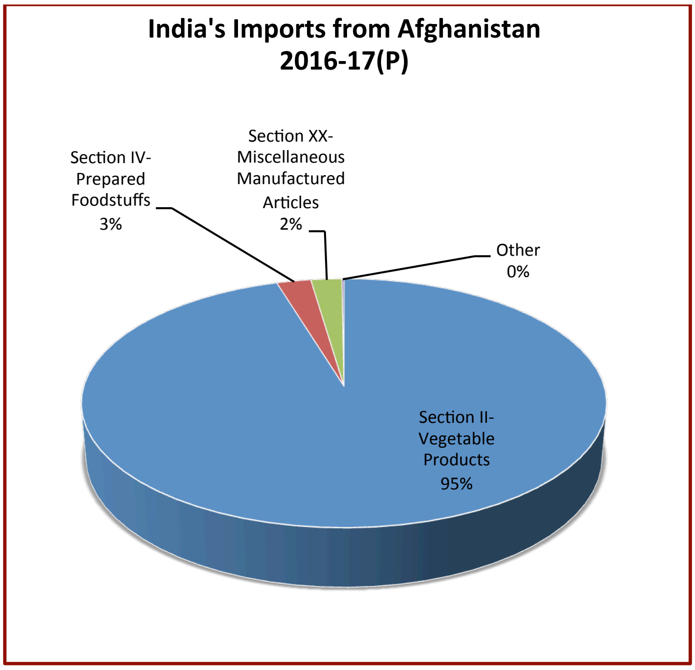
- The major products of exports and imports to/from Afghanistan in 2016-17 are depicted in Figures 2.2 and 2.3 below, with details in Tables 2.2 to 2.5.

FIGURE 2.2



Source: DGCI&S Database

FIGURE 2.3



Source: DGCI&S Database

Exports

- With exports of products valued at USD 268.6 million in 2016-17, textiles contributed 54% of Indian exports to Afghanistan.
- The other prominent products of export were Chemicals and allied products, essentially pharmaceuticals (USD 79.91 million; 16% of exports), Tobacco/foodstuffs/beverages etc (USD 48.21 million; 10% of exports) and engineering products (USD 35.3 million; 7% of exports).
- These top product categories accounted for 87% of total exports to Afghanistan.

TABLE 2.2

Principal Commodities of Export from India to Afghanistan (Top 10) (Values in US $ Million)				
S.No.	Commodity	2015-16	2016-17 (P)	%Growth
1.	RMG Manmade Fibres	118.59	121.81	2.71
2.	Manmade Yarn,Fabrics,Madeups	112.82	82.27	-27.08
3.	Drug Formulations, Biologicals	46.59	64.88	39.24
4.	Tobacco Manufactured	37.61	37.95	0.88
5.	RMG Of Other Textile Material	25.53	32.54	27.47
6.	RMG Cotton Including Accessories	15.35	21.91	42.71
7.	Footwear Of Rubber/Canvas Etc.	3.46	14.37	315.35
8.	Project Goods		11.38	
9.	Aluminium, Products Of Aluminium	8.87	9.44	6.48
10.	Industrial Machinery For Dairy Etc	4.17	8.35	100.55
	Total of Top 10 Exports	372.99	404.89	8.55
	Total Exports to Afghanistan	526.59	507.40	-3.64
	% Share – Top 10 of Total Exports	70.83	79.80	

Source: DGCI&S Database

TABLE 2.3

Principal Categories of Export from India to Afghanistan (Top 50) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17 (P)	% Growth
1	Section XI- Textile and Textile Articles	284.31	268.6	-5.53
2	Section VI- Products of the Chemicals or Allied Industries	51.02	79.91	56.62
3	Section IV- Prepared Foodstuffs; Beverages, Tobacco etc	58.05	48.21	-16.95
4	Section XVI-Machinery and Mechanical Appliances	20.07	23.45	16.84
5	Section XII- Footwear, Headgear, Umbrellas etc.	4.24	16.75	295.05
6	Section XXI- Works of art, Collectors' Pieces and Antiques	0	11.38	
7	Section V- Mineral Products	8.87	9.44	6.43
8	Section I- Live Animals; Animal Products	10.23	9.15	-10.56
9	Section IX- Wood and Articles of Wood	7.6	6.11	-19.61
10	Section XVIII- Optical, Photographic Instruments; etc	6.72	5.97	-11.16
11	Section XVII-Vehicles, Aircraft, Vessels,Transport Equipment	4.9	4.14	-15.51
12	Section II-Vegetable Products	2.76	3.94	42.75
13	Section XX-Miscellaneous Manufactured Articles	4.08	3.78	-7.35
14	Section X-Pulp of wood; Paper and Paperboard etc	7.05	2.62	-62.84
15	Section VII-Plastics, Rubber and Articles Thereof	2.32	2.51	8.19
16	Section XV-Base Metals and Articles of Base Metal	25.08	1.73	-93.10
17	Section XIII-Articles of Stone, Plaster, Cement, Asbestos	0.23	0.91	295.65
	Total of Top 50 Exports	497.53	498.6	0.22
	Total Exports to Afghanistan	526.59	507.4	-3.64
	% Share - Top 50 Exports of Total Exports	94.48	98.27	

Source: DGCI&S Database

Imports

- 97.7% of imports from Afghanistan in 2016-17 were agricultural.
- Fresh fruits (USD 160.32 million) and spices (USD 106.11 million) were the primary products of import.

TABLE 2.4

Principal Commodities of Import from Afghanistan (Top 10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
1	Fresh Fruits	163.91	160.32	-2.19
2	Spices	92.83	106.11	14.31
3	Pulses	17.46	12.29	-29.61
4	Processed Fruits And Juices	10.66	7.02	-34.16
5	Ayush And Herbal Products	0.1	0.32	210.44
6	Wollen Yarn,Fabrics,Madeups Etc	0.16	0.2	28.5
7	Granite, Natural Stone And Product	0.06	0.07	27.77
8	Wool, Raw	0.2	0.05	-73.18
9	Fresh Vegetables	16.51	0.03	-99.81
10	Railway Transport Equipment, Parts		0.03	
	Total of Top 10 Imports	301.89	286.44	-5.12
	Total Imports from Afghanistan	307.9	292.9	-4.87
	% Share – Top 10 of Total Imports	98.05	97.79	

Source: DGCI&S Database

TABLE 2.5

Principal Categories of Import from Afghanistan (Top 20):

(Values in US $ Million)

S.No.	Section	2015-16	2016-17 (P)	% Growth
1	Section II-Vegetable Products	290.81	279.07	-4.04
2	Section IV-Prepared Foodstuffs; Beverages, Spirits and Vinegar; Tobacco and Manufactured Tabacco substitutes	10.66	7.02	-34.15
3	Section XX-Miscellaneous Manufactured Articles	5.87	6.37	8.52
4	Section XI-Textile and Textile Articles	0.36	0.25	-30.56
5	Section XIV-Pearls, Precious Or Semi-Precious Stones, Metals	0.06	0.07	16.67
6	Section XIV-Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals, Imitation Jewellery; Coin	0.02	0.03	50.00
7	Section XVII-Vehicles, Aircraft, Vessels and Associated Transport Equipment	0	0.03	
8	Section V-Mineral Products	0.01	0.02	100.00
9	Section VII-Plastics and Articles thereof; Rubber and Articles Thereof	0	0.01	
10	Section XIII-Articles of Stone, Plaster, Cement, Asbestos Glass and Glassware	0	0.01	
	Total of Top 20 Imports	307.79	292.88	-4.84
	Total Imports From Afghanistan	307.90	292.90	-4.87
	% Share – Top 20 Imports of Total Imports	99.96	99.99	

Source: DGCI&S Database

Port-wise Analysis

- In absence of land route for exports to Afghanistan, 77.4% of India's exports to Afghanistan in 2016-17 were routed through sea, with balance 22.6% by air.
- Delhi(ICD), NhavaSheva, Delhi Airport, Kandla SEZ and Mundra are the top 5 ports which accounted for 84.27% of exports to Afghanistan in 2016-17. Their export data is summarised in Table 2.6.

TABLE 2.6

India's Exports to Afghanistan (Top 5 ports)			
			VALUE (USD million)
S.No.	Port Description	2016-17	% share
1	DELHI (ICD)	149.81	29.51%
2	NHAVA SHEVA SEA	138.32	27.25%
3	DELHI AIR	100.21	19.74%
4	SEZ Kandla	24.41	4.81%
5	MUNDRA	15.04	2.96%
	Exports of top 5 Ports to Afghanistan	427.79	84.27%
	Total Exports to Afghanistan	507.68	

Source: DGCI&S Database

- In 2016-17, imports from Afghanistan primarily came through the land route, via Pakistan; 64.3% of imports entered India through ICP Attari. 33.4% of the imports came through air route while a small fraction i.e. 3.3% of imports came through sea.
- The top 5 ports from where imports took place from Afghanistan in 2016-17 are Attari Road, Delhi airport, Nhava Sheva, Chennai airport and Chennai seaport. These ports account for 99.9% of the total imports from Afghanistan, as per details in Table 2.7.

TABLE 2.7

India's Imports From Afghanistan (Top 5 ports)			
			VALUE (USD Million)
S.No.	Port Description	2016-17	% share
1	ATTARI ROAD, AMRITSAR	188.20	64.26%
2	DELHI AIR	94.73	32.34%
3	NHAVA SHEVA SEA	9.29	3.17%
4	CHENNAI AIR	0.26	0.09%
5	CHENNAI SEA	0.19	0.07%
	Top 5 Ports Imports from Afghanistan	292.67	99.93%
	Total Imports from Afganistan	292.90	

Source: DGCI&S Database

Border Trade Infrastructure

Apart from Sri Lanka and Maldives, which are island nations, Afghanistan is the only country in South Asia with which India does not share any border, except a small inaccessible area. This is one of the important reasons for low level of bilateral trade with Afghanistan, in addition to the factors such as supply side constraints for Afghanistan's exports.

For Afghan exports to India, the land route involves transit of trucks through Pakistan. Under the Afghanistan-Pakistan Transit and Trade Agreement (APTTA), Afghan trucks are allowed to reach upto Wagah on India-Pakistan Border for carrying exports to India but on the return journey, these trucks are not permitted to carry Indian goods. This has severely limited the potential of Indian exports to Afghanistan through land route. Even this facility of transit allowed for Afghanistan's exports to India is intermittently disrupted by Pakistan on various pretexts, and is currently inoperational.

In order to overcome this impediment, India has signed a trilateral transit and transport agreement with Afghanistan and Iran, otherwise known as Chabahar Agreement in May 2016. The agreement aims at creating a reliable transport corridor for transport and transit of goods through Chabahar port. This would be beneficial for Indian exports to Afghanistan, through Iran.

Recently, India and Afghanistan have established an air-freight corridor, which will provide an alternate air route for bilateral trade, especially for perishable items.

3 BILATERAL TRADE WITH BANGLADESH

Mutual Importance

India's importance to Bangladesh as a trading partner:

- India's served as destination for 1.8% of Bangladesh's total exports and a source of 14% of Bangladesh's imports in the calendar year 2016[6].

Bangladesh's importance to India as a trading partner:

- Bangladesh ranked 26th among India's trading partners and at the top among South Asian countries on the basis of bilateral trade in 2016-17.
- Bangladesh ranked 8th and served as destination for 2.47% of India's total exports in 2016-17. It is the top country for India's exports in South Asia.
- Bangladesh ranked 55th in terms of imports and a source of 0.18% of India's total imports in 2016-17.

Trade Architecture

India and Bangladesh have a bilateral trade agreement, which was last renewed with effect from 1st April 2015 for a period of five years, with automatic renewal clause. The agreement does not prescribe any preferential tariffs for the imports of products into the other country, and is only a facilitative mechanism for enhancement of bilateral trade. However, the bilateral trade between India and Bangladesh is governed under various regional trading agreements. India and Bangladesh are members of South Asia Free Trade Area (SAFTA) Agreement, Asia Pacific Trade Agreement (APTA) and SAARC Preferential Trading Arrangement (SAPTA). Under these Agreements, preferential access is provided to the products of the member countries. In addition, India has provided preferential access for specified goods when imported from countries under agreement of Global System of Trade Preferences (GSTP) and duty free/preferential access is provided to around 98.2% of India's tariff lines under Duty Free Tariff Preference Scheme (DFTP) for Least Developed Countries. Further, India has provided zero duty access to LDC members of SAFTA for all tariff lines, except for 25 lines related to liquor and tobacco. Bangladesh being a LDC enjoys preferential access to Indian market under these trading arrangements.

Institutional Mechanisms

The bilateral Trade Agreement between India and Bangladesh prescribes annual consultation to review the working of the Agreement. A Joint Working Group (JWG) for trade, at the level of Joint Secretary, exists between India and Bangladesh for discussion on trade related issues. The 11th meeting of the JWG was held in Dhaka in September 2017. In addition, meetings are also held at the level of Commerce Secretary. The last Commerce Secretary level talks were held in November 2016 at New Delhi.

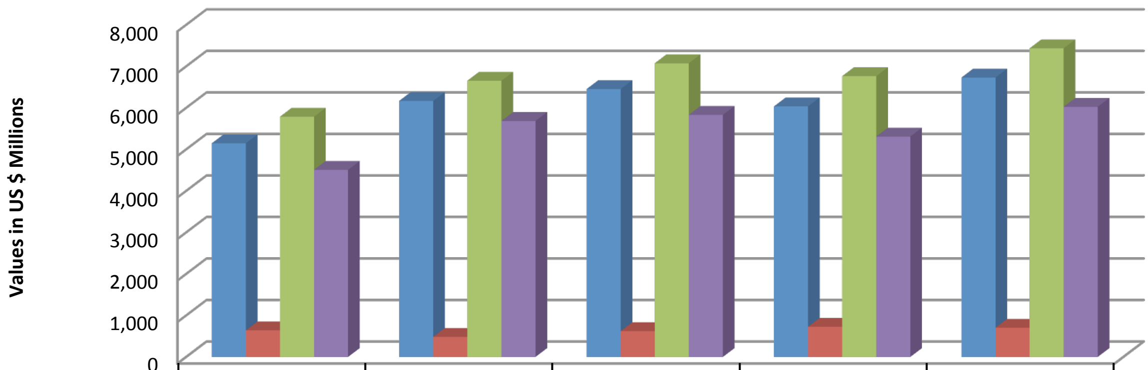
[6] ITC Trade Map

Trade Analysis

India-Bangladesh trade data for the last five years i.e. 2012-13 to 2016-17 is summarised in Figure 3.1 and Table 3.1.

FIGURE 3.1

Trend of India-Bangladesh Trade



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	5,144.99	6,166.97	6,451.48	6,034.95	6728.29
Imports	639.33	484.34	621.37	727.15	703.77
Total Trade	5,784.32	6,651.31	7,072.85	6,762.10	7,432.06
Trade Balance	4,505.66	5,682.63	5,830.11	5,307.80	6,024.52

Source: DGCI&S Database

TABLE 3.1
Growth in India-Bangladesh Bilateral Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Exports	19.86	4.61	-6.46	11.49
Imports	-24.24	28.29	17.02	-3.22
Total Trade	14.99	6.34	-4.39	9.91
Trade Balance	26.12	2.60	-8.96	13.50

Source: DGCI&S Database

Trend of Trade over last 5 years

- Overall, the exports to Bangladesh increased by 30.8% from 2012-13 to 2016-17, while imports increased by 10% in the same period.
- Exports to Bangladesh have generally shown an increasing trend, except in 2015-16, when the exports decreased by 6.4%.
- Imports from Bangladesh declined substantially in 2013-14. Thereafter, the imports jumped in 2014-15 (by 28%) and 2015-16 (by 17%) before marginally declining by 3.2% in 2016-17.
- In line with the trend of increase in exports, the total trade between the two countries has also shown an increasing trend, except in 2015-16 when it decreased by 4.4%.

- India has consistently maintained a substantial trade surplus in its bilateral trade with Bangladesh. The proportion of trade surplus vis-à-vis the total exports has remained around 90% in the last five years.

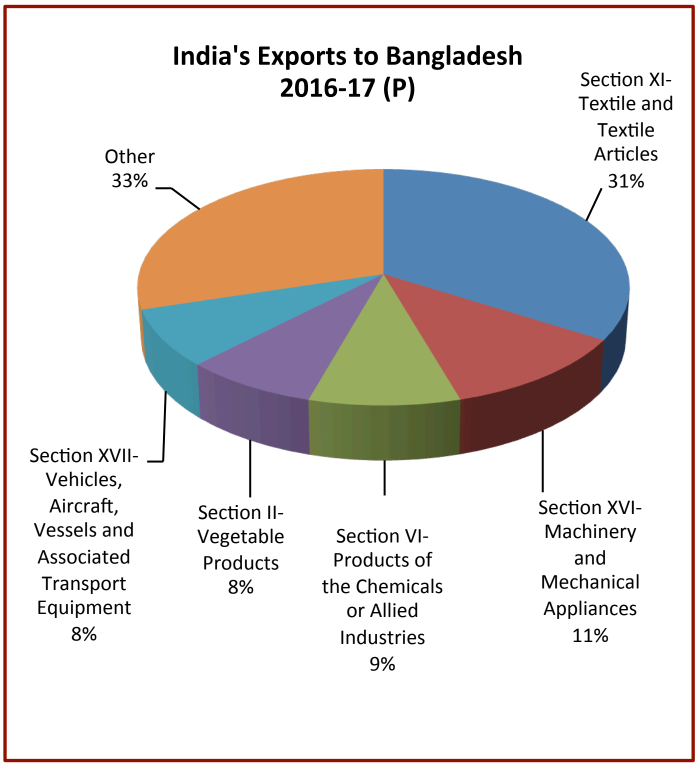
Trend of Trade in 2016-17

- The total trade between India and Bangladesh was valued at USD 7.4 billion during 2016-17 as compared to USD 6.7 billion during 2015-16, registering an increase of 9.91%.
- The exports increased by 11.5% to USD 6.73 billion in 2016-17 from USD 6.03 billion in the previous year. The increase in exports is mainly contributed by increase in exports of chemical products, base metals and plastic products.
- The imports decreased marginally to USD 703 million from USD 727 million in the previous year. The decline is mainly on account of reduction in imports of fresh vegetables, chemical products and animal fats.
- On account of the healthy increase in the exports combined with decrease in imports, the trade surplus increased from USD 5.3 billion in 2015-16 to USD 6.02 billion in 2016-17.

Product-wise Analysis

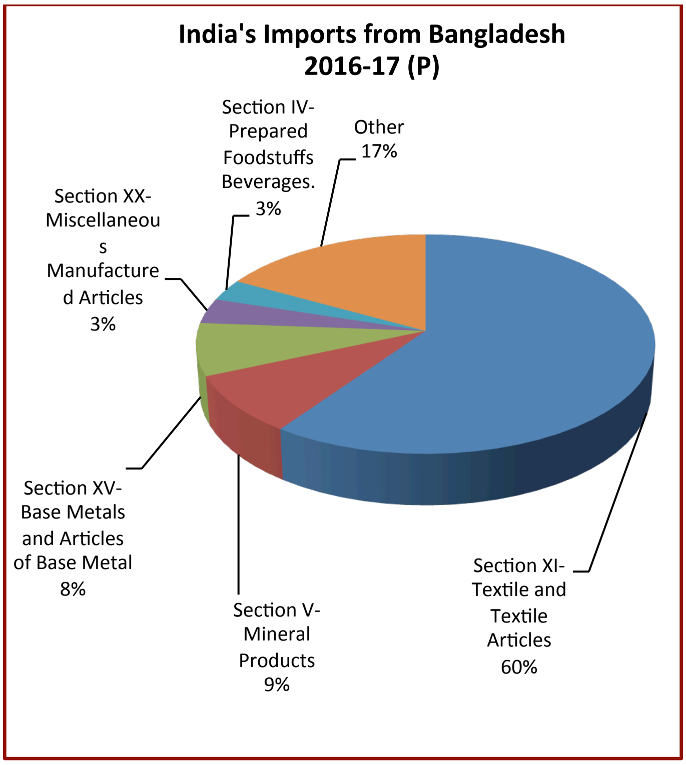
- The major products of exports and imports to/from Bangladesh in 2016-17 are depicted in Figures 3.2 and 3.3 below, with details in Tables 3.2 to 3.5.

FIGURE 3.2



Source: DGCI&S Database

FIGURE 3.3



Source: DGCI&S Database

Exports

- With exports of products valued at USD 2.1 billion in 2016-17, textiles contributed 31.3% of Indian exports to Bangladesh.
- The other prominent products of export were engineering products (around 25% of exports) – mainly machinery (USD 711.97 million; 11% of exports), motor vehicles/cars and two/three wheelers (USD 488.45 million; 8% of exports) and base metals (USD 471.7 million; 7% of exports), Chemical products (USD 552.78 million; 9% of exports) and vegetable products such as fresh vegetables (USD 489.76 million; 8% of exports).
- These top product categories accounted for 73% of total exports to Bangladesh.

Imports

- Textiles and textile products formed the largest component of imports from Bangladesh, and contributed to 60% of total imports. Within textiles, jute products were the biggest import item valued at USD 224.63 million in 2016-17, followed by Readymade Garments of cotton at USD 112.19 million.
- The other prominent imports were of engineering products – mainly base metals (lead products) (USD 52.85 million; 8% of imports), and mineral products, mainly petroleum products, (USD 59.56 million; 9% of imports).

TABLE 3.2

Principal Commodities of Export from India to Bangladesh (Top 10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
1.	Cotton Raw Including Waste	680.81	659.12	-3.19
2.	Cotton Yarn	571.72	594.3	3.95
3.	Cotton Fabrics, Madeups Etc.	401.51	385.61	-3.96
4.	Iron And Steel	223.86	373.08	66.66
5.	Industrial Machinery For Dairy Etc	299.12	330.94	10.64
6.	Manmade Yarn,Fabrics,Madeups	294.8	320.28	8.64
7.	Motor Vehicle/Cars	194.82	250.43	28.54
8.	Auto Components/Parts	146.43	195.02	33.18
9.	Two And Three Wheelers	128.31	187.22	45.91
10.	Fresh Vegetables	154.92	155.32	0.25
	Total of Top 10 Export commodities	3,096.30	3,451.32	11.47
	Total Exports to Bangladesh	6,034.95	6,695.31	10.94
	% Share – Top 10 of Total Exports	51.3%	51.5%	

Source: DGCI&S Database

TABLE 3.3

Principal Categories of Export from India to Bangladesh (Top 50 commodities)

(Values in US $ Million)

S.No.	Section	2015-16	2016-17 (P)	% Growth
1	Section XI-Textile and Textile Articles	2070.45	2098.54	1.36
2.	Section XVI-Machinery and Mechanical Appliances	655.86	711.97	8.56
3.	Section VI-Products of the Chemicals or Allied Industries	467.19	552.78	18.32
4.	Section II-Vegetable Products	476.1	489.76	2.87
5.	Section XVII-Vehicles, Aircraft, Vessels, Transport Equipment	366.46	488.45	33.29
6.	Section XV-Base Metals and Articles of Base Metal	320.3	471.74	47.28
7.	Section XX-Miscellaneous Manufactured Articles	426.68	428.75	0.49
8.	Section VII-Plastics and Articles thereof; Rubber/Articles	264.95	377.52	42.49
9.	Section V-Mineral Products	241.61	352.83	46.03
10.	Section XIV-Pearls, Precious/Semi-Precious Stones,Metals	32.05	67.72	111.29
11.	Section IV-Prepared Foodstuffs; Beverages, Spiritts, Tobacco etc	55.75	61.82	10.89
12.	Section X-Pulp of wood; Paper and Paperboard etc	32.2	41.85	29.97
13.	Section III-Animal or Vegetable Fats and Oils, etc	33.4	37.34	11.80
	Total of Top 50 Exports	5443	6181.07	13.56
	Total Exports to Bangladesh	6034.95	6695.31	10.94
	% Share - top 50 Exports of Total Exports	90.19	92.32	

Source: DGCI&S Database

TABLE 3.4

Principal Commodities of Import from Bangladesh (Top10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17(P)	% Growth
1.	RMG Cotton Including Accessories	100.04	112.19	12.15
2.	Jute, Raw	55.68	104.96	88.49
3.	Jute Yarn	77.54	74.95	-3.33
4.	Petroleum Products	10.22	45.1	341.11
5.	Other Jute Manufactures	62.38	44.72	-28.3
6.	Lead And Products Made Of Lead	16.07	31.02	93.01
7.	RMG Manmade Fibres	26.83	20.57	-23.31
8.	Cotton Fabrics, Madeups Etc.	18.32	19.31	5.41
9.	Ship, Boat And Floating Structure	16.51	18.56	12.43
10	Miscellaneous Processed Items	15.95	16.63	4.29
	Total of Top 10 imports	399.54	488.01	22.14
	Total Imports from Bangladesh	727.14	700.68	-3.64
	% Share - top10 imports of Total Imports	54.95	69.65	

Source: DGCI&S Database

TABLE 3.5

Principal Categories of Import from Bangladesh (Top 40) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17(P)	% Growth
1.	Section XI-Textile and Textile Articles	393.19	408.34	3.85
2.	Section V-Mineral Products	27.28	59.56	118.33
3.	Section XV-Base Metals and Articles of Base Metal	32.34	52.85	63.42
4.	Section XX-Miscellaneous Manufactured Articles	32.11	25.32	-21.15
5.	Section IV-Prepared Foodstuffs; Beverages, Spirits, Tobacco	22.09	21.68	-1.86
6.	Section II-Vegetable Products	42.99	20.45	-52.43
7.	Section XVII-Vehicles, Aircraft, Vessels,Transport Equipment	16.51	18.56	12.42
8.	Section VI-Products of the Chemicals or Allied Industries	23.46	15.91	-32.18
9.	Section VIII-Raw Hides and Skins, Leather, Furskins etc	14.53	11.91	-18.03
10.	Section XII-Footwear, Headgear, Umbrellas, Flowers; Articles of Human Hair	10.16	11.21	10.33
11.	Section XVI-Machinery and Mechanical Appliances	9.36	11.21	19.76
12.	Section III- Animal or Vegetable Fats and Oils and their cleavage Products; etc	21.44	9.52	-55.60
13.	Section VII-Plastics; Rubber and Articles Thereof	13.77	7.69	-44.15
14.	Section XIV-Pearls, Precious/Semi-Precious Stones, Metals	13.98	5.07	-63.73
15.	Section IX-Wood and Articles of Wood; Wood Charcoal; etc	5.42	4.32	-20.30
	Total of Top 40 Import Commodities	678.63	683.6	0.73
	Total Imports From Bangladesh	727.14	700.68	-3.64
	% Share: Top 40 Imports of Total Imports	93.33	97.56	

Source: DGCI&S Database

Port-wise Analysis

- 46.5% of India's exports to Bangladesh were routed by land through trucks and only 0.5% through railways, in 2016-17. Balance 53% exports took place through sea or air routes.
- ICP Petrapole, Nhava Sheva, Mundra and Ghojadanga are the top 4 ports which accounted for 58.15 % of exports to Bangladesh in 2016-17. ICP Petropole is the largest gateway to Bangladesh contributing 35% of total exports in the year. The port-wise export data is summarised in Table 3.6.

TABLE 3.6

India's Exports to Bangladesh (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	PETRAPOLE LAND	2,356.63	35.03%
2	NHAVA SHEVA SEA	834.07	12.40%
3	MUNDRA	441.44	6.56%
4	GHOJADANGA	280.64	4.17%
5	OTHER PORTS	251.45	3.74%
	Exports of top 5 Ports to Bangladesh	3912.78	58.15%
	Total Exports to Bangladesh	6,728.29	

Source: DGCI&S Database

- A substantial majority of imports from Bangladesh enter India by trucks through the Land Customs Stations on India-Bangladesh border. 76.2 % of imports came through this route in 2016-17, while 2.6% were routed by rail. Imports by air were only around 0.75% of imports, while the remaining 20.5% imports were received through sea route.
- The top 5 ports from where imports took place from Bangladesh in 2016-17 are Petrapole (land), Tuticorin, Ghojadanga (land), Mohedipur (land) and Nhava Sheva. These ports account for 75.18 % of the total imports from Bangladesh, as per details in Table 3.7. ICP Petrapole itself accounts for 58% of Bangladesh's exports to India.

TABLE 3.7

India's Imports From Bangladesh (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	PETRAPOLE LAND	407.22	57.86%
2	TUTICORIN SEA	37.89	5.38%
3	GHAJADANGA LAND	28.86	4.10%
4	KOTWALIGATE (MOHEDIPUR) LAND	28.72	4.08%
5	NHAVA SHEVA SEA	26.42	3.75%
	Top 5 Ports Imports from Bangladesh	529.12	75.18%
	Total Imports from Bangladesh	703.77	

Source: DGCI&S Database

Border Trade Infrastructure

The bilateral trade between India and Bangladesh is mainly carried out through land route via Land Customs Stations. There are 56 Land Customs Stations across the border between India and Bangladesh. The Land Customs Stations at Petrapole (West Bengal) and Agartala (Tripura) have been developed as Integrated Check Posts. These Integrated Check Posts (ICPs) house all regulatory agencies like Immigration, Customs, border security, etc together with support facilities like parking, warehousing, banking, hotels etc. in a single complex equipped with all modern facilities. In addition to the above two ICPs, Land Ports Authority of India (LPAI) proposes to develop ICPs at seven other locations across India-Bangladesh border at Hili, Changrabandha, Mahadi Pur, Fulbari and Ghojadanga in West Bengal, Sutarkandi in Assam and Kower Puchchia in Mizoram. The development of ICPs will provide further boost to the bilateral trade.

Among the LCSs and ICPs, Petrapole accounts for around 58% of total imports and around 35% of total exports to Bangladesh. Several steps are being taken to remove the infrastructural and other deficiencies being identified at Petrapole. Recently, the Petrapole ICP has been made operational 24x7, which is expected to boost Indian exports to Bangladesh further. Deficiencies on land border trade infrastructure are being identified and efforts are being made to remove them, in consultation with relevant organisations, by FT-South Asia Division.

Bangladesh has imposed port restrictions on the import of products through Land Customs Stations with India. Such port restrictions have restricted the full utilisation of the LCSs, particularly the ICP at Agartala. Bangladesh has been requested to review the application of port restrictions on its imports from India.

Steps are also being taken to utilise the inland waterways in Bangladesh for bilateral trade.

India and Bangladesh have also established Border Haats along the border. The Border Haats have been set up to promote well-being of the people dwelling in remote areas by establishing traditional system of marketing the local produce through local markets. Currently, four Border Haats are operational, at Srinagar and Kamalasagar in Tripura and at Kalaichar and Balat in Meghalaya. Two Border Haats in Tripura at Palbasti and Kamlapur and four in Meghalaya at Bholaganj, Nalikata, Shibbari and Ryngku have been agreed to be set up in-principle by the two countries. Joint Inspection for the sites of the proposed Border Haats in Tripura has been completed, while the inspection for Meghalaya is pending. Both countries executed the revised MoU and the Mode of Operation on Border Haats in April 2017.

Mutual Importance

India's importance to Bhutan as a trading partner:

- India's served as destination for 90.7% of Bhutan's total exports and a source of 82% of Bhutan's total imports in the calendar year 2016[7]. India is, naturally, the most important country for Bhutan's trade.

Bhutan's importance to India as a trading partner:

- Bhutan ranked 73rd among India's trading partners and 6th among South Asian countries based on total trade in 2016-17.
- Bhutan ranked 64th and served as destination for 0.18% of India's total exports in 2016-17.
- Bhutan ranked 78th in terms of imports and a source of 0.08% of India's total imports in 2016-17.

Trade Architecture

India and Bhutan had a bilateral Agreement on Trade, Commerce and Transit which was last renewed on 29th July 2006 for a period of ten years and was valid till 28th July 2016. Since the new Agreement was still being finalised, the validity of the existing Agreement was extended for a period of one year or till the date of coming into force of the new Agreement, whichever is earlier. The new Agreement was subsequently signed on 12th November 2016 and has come into force with effect from 29th July 2017. The bilateral trade and transit arrangement for Bhutan's trade with third countries is also covered by this Agreement.

In terms of India-Bhutan Agreement on Trade, Commerce and Transit, there is free trade between the two countries and no Basic Customs Duty is levied on import of any product from Bhutan or export to Bhutan. Accordingly, the entire imports from Bhutan are duty free. Further, the trade is carried out in Indian Rupees and Bhutanese currency (Ngultrums).

The bilateral trade between India and Bhutan is also covered under different regional trading agreements. India and Bhutan are members of South Asia Free Trade Area (SAFTA) Agreement and SAARC Preferential Trading Arrangement (SAPTA). Under these Agreements, preferential access is provided to the products of the member country. India has provided duty free access to all products from LDCs of SAFTA (except 25 lines pertaining to alcohol and tobacco) and accordingly such duty free access is also available to all the products from Bhutan.

Institutional Mechanisms

The Agreement on Trade, Commerce and Transit between India and Bhutan prescribes immediate consultations to overcome the difficulties arising in the implementation of the Agreement. The trade and transit related issues between India and Bhutan are discussed in the bilateral meeting on trade and transit at the level of Commerce Secretary. The last meeting was held in January 2017 at New Delhi.

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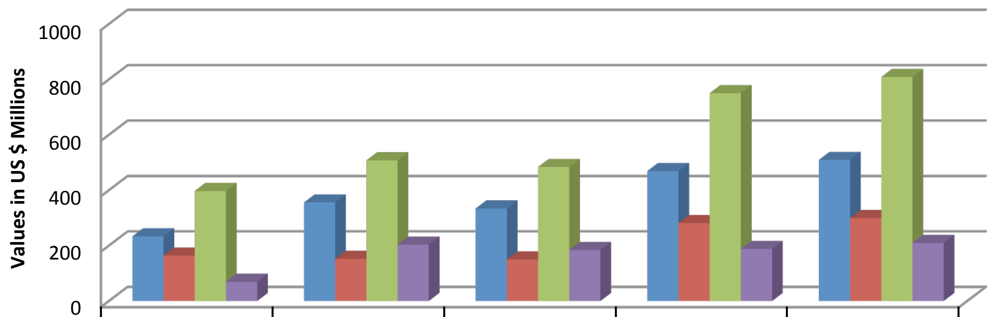
[7] ITC Trade Map

Trade Analysis

India-Bhutan trade data for the last five years is summarised in Figure 4.1 and Table 4.1.

FIGURE 4.1

Trend of India-Bhutan Trade



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	233.22	355.60	333.94	468.95	509.30
Imports	164.00	152.17	149.87	281.27	299.42
Total Trade	397.22	507.77	483.81	750.22	808.72
Trade Balance	69.22	203.43	184.07	187.68	209.88

Source: DGCI&S Database

TABLE 4.1
Growth in India-Bhutan Bilateral Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Exports	52.47	-6.09	40.43	8.60
Imports	-7.21	-1.51	87.68	6.45
Total Trade	27.83	-4.72	55.07	7.80
Trade Balance	193.89	-9.52	1.96	11.83

Source: DGCI&S Database

Trend of Trade over the last 5 years

- The exports from India to Bhutan have more than doubled since 2012-13, increasing consistently except in 2014-15 when the exports had declined by 6.09%.
- The quantum of imports from Bhutan was stagnant during the initial three years. The imports then showed a jump to USD 281.27 million in 2015-16 from USD 149.87 million in 2014-15, registering an increase of 88%. This was actually on account of import of electrical energy from Bhutan, which was captured in the database, 2015-16 onwards.
- The total trade between India and Bhutan has also shown increase over the period, except in 2014-15, when was decrease in the quantum of exports as well as imports. The total trade showed a large increase in 2015-16, on account of the inclusion of electricity import.
- India has consistently maintained a trade surplus with Bhutan over the period. However, the surplus, as a proportion of exports, is not that high relative to other South Asian countries.

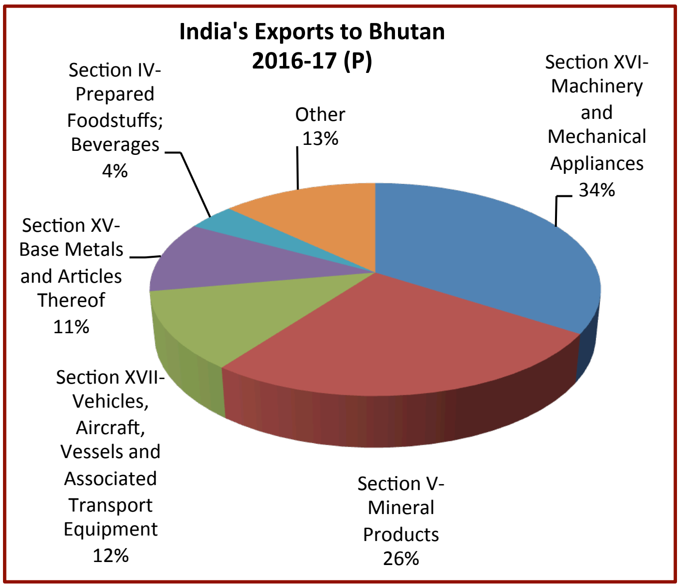
Trend of Trade in 2016-17

- The total trade between India and Bhutan increased by 7.8% to USD 808.72 million in 2016-17 as compared to USD 750.22 million in 2015-16.
- Exports also increased to USD 509.30 million in 2016-17 from USD 468.95 million in 2015-16. The increase in exports was mainly on account of increased exports of machine tools, machinery, hand tools and dairy products.
- Imports increased by 6.45% from USD 281.27 million to USD 299.42 million in the previous year, mainly on account of increase in import of electricity and iron and steel products.
- On account of the higher quantum of increase in exports vis-à-vis the imports, the favourable trade balance increased from USD 187.68 million in 2015-16 to USD 209.88 million in 2016-17.

Product-wise Analysis

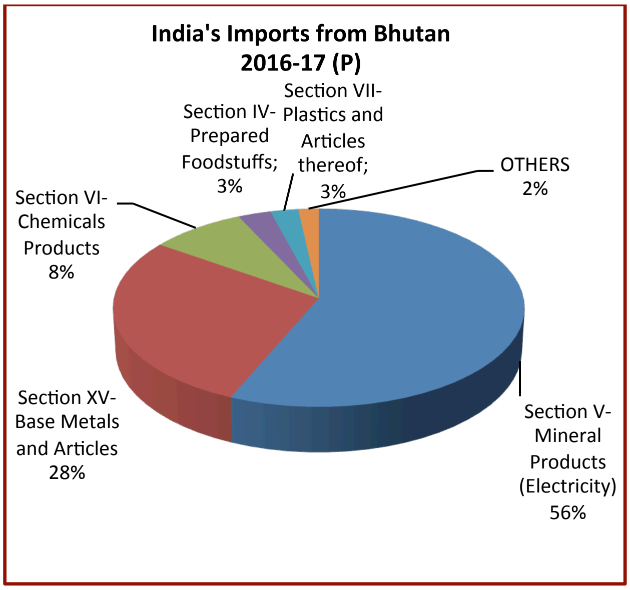
- The major products of exports and imports to/from Bhutan in 2016-17 are depicted in Figures 4.2 and 4.3 below, with details in Tables 4.2 to 4.5.

FIGURE 4.2



Source: DGCI&S Database

FIGURE 4.3



Source: DGCI&S Database

Exports

- Overall, the engineering sector contributed 56% of India's exports to Bhutan in 2016-17 - machinery (USD 163.8 million; 34% of exports), motor vehicles/ cars etc (USD 57.25 million; 12% of exports) and products of base metal such as iron and steel products (USD 51.77 million; 11% of exports).
- The other prominent products of export were mineral products, essentially petroleum products (USD 125.5 million; 26% of exports), and prepared foodstuffs, mainly dairy products (USD 19.23 million; 4%).
- The top 5 product categories in Table 4.3 accounted for 86% of total exports to Bhutan.

TABLE 4.2

Principal Commodities of Export from India to Bhutan (Top 10) (Values in US $ Million)				
S.No.	Commodity	2015-16	2016-17(P)	%Growth
1	PETROLEUM PRODUCTS	94.89	98.22	3.51
2	MACHINE TOOLS	30.95	70.49	127.77
3	MOTOR VEHICLE/CARS	48.79	53.32	9.28
4	ELECTRIC MACHINERY AND EQUIPMENT	10.21	33.84	231.39
5	PRODUCTS OF IRON AND STEEL	25.29	24.09	-4.72
6	HAND TOOLS, CUTTING TOOL OF METALS	0.27	19.69	7,217.58
7	OTHER CONSTRUCTION MACHINERY	10.33	17.35	67.99
8	DAIRY PRODUCTS	5.58	16.41	194.17
9	COAL,COKE AND BRIQUETTE ETC	14.61	13.95	-4.48
10	INDUSTRIAL MACHINERY FOR DAIRY ETC	13.32	9.59	-28.01
	Total of Top 10 Exports	254.24	356.95	40.40
	Total Exports to Bhutan	468.95	489.38	4.36
	% share – Top 10 of Total Exports			

Source: DGCI&S Database

TABLE 4.3

Principal Categories of Export from India to Bhutan(Top 50 commodities) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17(P)	% Growth
1	Section XVI- Machinery and Mechanical Appliances	103.96	163.79	57.55
2	Section V- Mineral Products	129.93	125.54	-3.38
3	Section XVII- Vehicles, Aircraft, Vessels, Transport Equipment	53.58	57.25	6.85
4	Section XV- Base Metals and Articles of Base Metal	45.32	51.77	14.23
5	Section IV- Prepared Foodstuffs; Beverages, Spirits, Tobacco etc	25.7	19.23	-25.18
6	Section I- Live Animals; Animal Products	6.81	17.82	161.67
7	Section XX- Miscellaneous Manufactured Articles	52.73	17.46	-66.89
8	Section II- Vegetable Products	8.42	7.91	-6.06
9	Section VI- Products of the Chemicals or Allied Industries	7.72	5.96	-22.80
10	Section VII- Plastics; Rubber and Articles Thereof	4.6	5.84	26.96
11	Section XIII- Articles of Stone, Plaster, Cement, Asbestos, Mica Ceramic Products; Glass and Glassware	4.68	2.78	-40.60
12	Section X- Pulp of wood; Paper or Paperboard;	3.65	2.62	-28.22
13	Section IX- Wood and Articles of Wood;	1.92	1.33	-30.73
14	Section XVIII-Optical, Photographic, Cinematographic, measuring, surgical Instruments; etc	0.94	0.81	-13.83
	Total of Top 50 Exports	449.96	480.11	6.70
	Total Exports to Bhutan	468.95	489.38	4.36
	% Share – Top 50 of Total Exports	95.95	98.11	

Source: DGCI&S Database

Imports

- Electricity is the largest import from Bhutan, accounting for 56% of the total imports from Bhutan in 2016-17 from three hydropower projects.
- The other major imports were base metals and metal products – mainly iron and steel products (USD 84.7 million; 28% of imports), chemical products – mainly inorganic chemicals (USD 24.6 million; 8% of imports), prepared foodstuffs, which included alcoholic beverages and processed fruit juices (USD 8.5 million; 3% of imports) and plastic products (USD 7.2 million; 2% of imports).
- The "others" mainly comprised of wood products, precious and semi-precious stones together accounting for USD 5.23 million, i.e. 2% of imports.

TABLE 4.4

Principal Commodities of Import from Bhutan (Top10)				
				(Values in US $ Million)
	Commodity	2015-16	2016-17(P)	% Growth
1	OTHER COMMODITIES (ELECTRICITY)	153.62	168.55	9.72
2	IRON AND STEEL	77.5	84.7	9.3
3	INORGANIC CHEMICALS	24.53	22.16	-9.65
4	PLASTIC SHEET, FILM ETC	6.62	6.22	-5.96
5	ALCOHOLIC BEVERAGES	5.86	4.43	-24.47
6	PROCESSED FRUITS AND JUICES	1.27	2.65	109.8
7	COPPER AND PRODUCTS MADE OF COPPER	2.83	2.36	-16.82
8	MISCELLANEOUS PROCESSED ITEMS	1.4	2.03	44.56
9	PLYWOOD AND ALLIED PRODUCTS	2.8	1.74	-37.78
10	GRANITE, NATURAL STONE AND PRODUCT	1.48	1.59	7.76
	Total of top 10 imports	277.91	296.43	6.66
	Total Imports from Bhutan	281.27	299.42	6.45
	% share- Top 10 of total imports	98.8%	99%	

Source: DGCI&S Database

TABLE 4.5

Principal Categories of Import from Bhutan (Top 20 commodities)				
				(Values in US $ Million)
	Section	2015-16	2016-17(P)	% Growth
1	Section V-Mineral Products (Electricity)	153.62	168.55	9.72
2	Section XV-Base Metals and Articles	77.5	84.71	9.30
3	Section VI- Chemicals Products	27.85	24.61	-11.63
4	Section IV-Prepared Foodstuffs;	8.53	8.5	-0.35
5	Section VII-Plastics and Articles thereof;	6.98	7.2	3.15
6	Section IX-Wood and Articles of Wood; etc	3.72	2.34	-37.10
7	Section XIV-Pearls, Precious/Semi-Precious Stones/metals	1.48	1.59	7.43
8	Section V-Mineral Products	0.86	0.7	-18.60
9	Section II-Vegetable Products	0.37	0.59	59.46
10	Section XVIII-Optical, surgical Instruments	0	0.01	
	Total of Top 20 Imports	280.91	298.8	6.37
	Total Imports From Bhutan	281.27	299.42	6.45
	% share- Top 20 of total imports	99.9%	99.8%	

Source: DGCI&S Database

Port-wise Analysis

- 97% of India's exports to Bhutan in 2016-17 were made through land route i.e. through the Land Customs Stations on the India-Bhutan border.
- Jaigaon, Hatisar, Chamurchi, Kolkata air and Delhi Air are the top 5 ports which accounted for 99% of exports to Bhutan in 2016-17. Their export data is summarised in Table 4.6. Jaigon itself accounted for 78% of India's exports to Bhutan in the year.

TABLE 4.6

India's Exports to Bhutan (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	JAIGAON	397.57	78.06%
2	HATISAR	85.43	16.77%
3	CHAMURCHI	9.26	1.82%
4	KOLKATA AIR	6.79	1.33%
5	DELHI AIR	5.15	1.01%
	Exports of top 5 Ports to Bhutan	504.21	99.00%
	Total Exports to Bhutan	509.30	

Source: DGCI&S Database

- The commodity imports from Bhutan (i.e. excluding import of electricity) in 2016-17 amounted to USD 131.11 million. 99.99% of such imports are routed through the land custom stations on the border, with only a tiny fraction through the air route.
- The top 5 ports from where imports took place from Bhutan in 2016-17 are Jaigaon, Hatisar, Chamurchi, Kolkata Air and SEZ Noida. These ports account for almost 100% of commodity imports and 43.79% of the total imports from Bhutan, as per details in Table 4.7. The import of electricity does not require any port.
- Jaigon, thus, is the most important trade route for the bilateral trade with Bhutan.

TABLE 4.7

India's Imports From Bhutan (Top 5 ports)			
		VALUE (USD million)	
S No.	Port Description	2016-17	% share
1	JAIGAON	122.45	93.40%
2	HATISAR	4.70	3.58%
3	CHAMURCHI	3.93	3.00%
4	KOLKATA AIR	0.01	0.01%
5	SEZ Noida	0.01	0.01%
	Top 5 Ports Imports from Bhutan	131.10	100.00%
	Total Commodity Imports from Bhutan	131.11	

Source: DGCI&S Database

Border Trade Infrastructure

The bilateral trade between India and Bhutan is mainly carried out through land route via Land Customs Stations, utlising the free trade provisions. There are 10 Land Customs Stations across the border between India and Bhutan, out of which two have been added in January 2017, after persistent follow up by the FT-South Asia division with CBEC. An ICP is also being planned by LPAI at a green-field site near Jaigaon-Pheuntsholing border point.

Within SAARC Framework, the Bangladesh, Bhutan, India, Nepal (BBIN) sub-regional initiative is envisioned to improve economic cooperation and connectivity among the four South Asian countries. This initiative is expected to help the landlocked developing countries of this region to integrate more effectively with the global economy. The first achievement of the BBIN initiative has been the Motor Vehicles Agreement (MVA), signed on 15 June 2015 in Thimphu, Bhutan. The MVA looks at easing passenger, personal and cargo movement among the BBIN countries. The BBIN MVA allows the BBIN countries to move forward with implementation of land transport facilitation arrangements among them, enabling the exchange of traffic rights and ease in cross-border movement of goods, vehicles and people, helping to expand people-to-people contact, trade and economic exchanges. The BBIN MVA would make cross border trade and transport in and through the North-eastern region of India to and from Bangladesh, Bhutan and Nepal. The Agreement has been ratified by all countries except Bhutan. However, recently Bhutan has informed that it would not be able to join the MVA immediately and the other countries may go ahead. Bhutan may join the BBIN MVA later on after receipt of requisite internal approvals.

5 BILATERAL TRADE WITH MALDIVES

Mutual Importance

India's importance to Maldives as a trading partner:

- India's served as destination for 3.4% of Maldives's total exports and a source of 12.7% of Maldives's total imports in the calendar year 2016[8].

Maldives's importance to India as a trading partner:

- Maldives ranked 117th among India's trading partners and last among South Asian countries on the basis of bilateral trade in 2016-17.
- Maldives ranked 95th and served as destination for 0.07% of India's total exports in 2016-17. It ranked last among South Asian countries in terms of India's exports.
- Maldives ranked 152nd in terms of imports and a source of only 0.002% of India's total imports in 2016-17.

Trade Architecture

Bilateral trade between India and Maldives is governed by the India-Maldives Trade Agreement. The agreement does not prescribe any preferential tariffs for the imports of products into the other country, and is only a facilitative mechanism for enhancement of bilateral trade. Under the Agreement, India also provides essential commodities to Maldives upon a request being made in this regard.

However, the bilateral trade between India and Maldives is governed under various regional trading agreements. India and Maldives are members of South Asia Free Trade Area (SAFTA) Agreement and SAARC Preferential Trading Arrangement (SAPTA). Under these Agreements, preferential access is provided to the products of the member countries. India has provided zero duty access to LDC members of SAFTA for all tariff lines, except for 25 lines related to liquor and tobacco. Maldives enjoys preferential access to Indian market under these trading arrangements as an LDC. Maldives graduated from the LDC category in Jan 2011 but it continues to enjoy the LDC benefits under SAFTA till date.

Institutional Mechanisms

The Trade Agreement between India and Maldives prescribes consultations for facilitating the implementation of the Agreement. For consultations on trade related issues, a Joint Working Group at the level of Joint Secretary was constituted in 2008, but no meeting has been held.

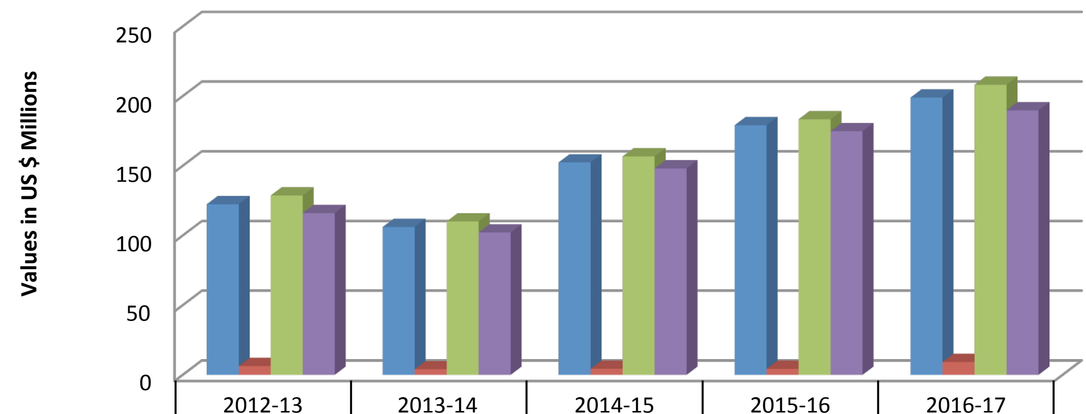
[8] ITC Trade Map

Trade Analysis

India-Maldives trade data for the last five years i.e. 2012-13 to 2016-17 is summarised in Figure 5.1 and Table 5.1.

Figure 5.1

Trend of India-Maldives Bilateral Trade



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	122.36	106.07	152.38	179.04	198.93
Imports	6.29	3.97	4.32	4.29	9.17
Total Trade	128.65	110.04	156.70	183.33	208.10
Trade Balance	116.07	102.10	148.06	174.75	189.76

Source: DGCI&S Database

TABLE 5.1

Growth in India-Maldives Trade

(In percentage)

	2013-14	2014-15	2015-16	2016-17
Exports	-13.31	43.66	17.50	11.11
Imports	-36.88	8.82	-0.69	113.75
Total Trade	-14.47	42.40	16.99	13.51
Trade Balance	-12.04	45.01	18.03	8.59

Source: DGCI&S Database

Trend of Trade over last 5 years

- Overall, the exports to Maldives increased from USD 122.4 million in 2012-13 to 199 million in 2016-17 i.e. by 62.5%.
- Exports to Maldives decreased in 2013-14 but have shown consistent increase thereafter.
- However, the Indian exports to Maldives is lowest among exports to the South Asian countries.
- Imports from Maldives have been miniscule and have stagnated at less than USD 10 million.
- In line with the trend of change in exports, the total bilateral trade has also shown an increasing trend 2014-15 onwards.
- India has maintained a substantial trade surplus in its bilateral trade with Maldives. In view of the miniscule imports, the trade surplus is in excess of 95% of India's exports.

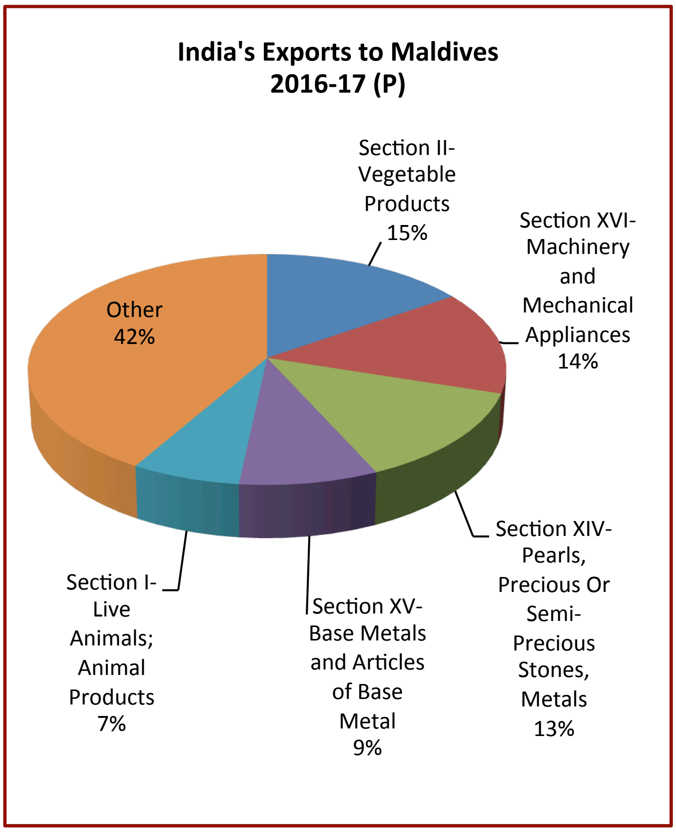
Trend of Trade in 2016-17

- The total trade between India and Maldives was valued at USD 208.10 million during 2016-17 as compared to USD 183 million during 2015-16, an increase of 13.5%.
- The exports increased by 11.11% to USD 199 billion in 2016-17 from USD 179 million in the previous year.
- The imports more than doubled to USD 9.17 million, from USD 4.29 million in the previous year. The increase is mainly on account of increased imports of ships/boats and petroleum products.
- On account of the healthy increase in the exports vis-a-vis imports, the trade surplus increased from USD 174.75 million in 2015-16 to USD 189.8 million in 2016-17.

Product-wise Analysis

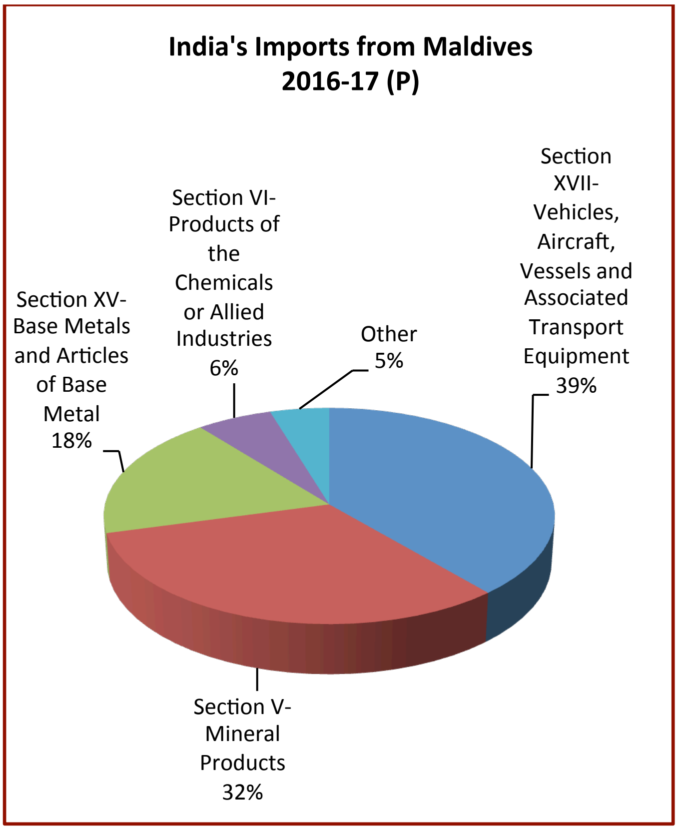
- The major products of exports and imports to/from Maldives in 2016-17 are depicted in Figures 5.2 and 5.3 below, with details in Tables 5.2 to 5.5.

FIGURE 5.2



Source: DGCI&S Database

FIGURE 5.3



Source: DGCI&S Database

Exports

- Engineering sector contributed around 27% of India's exports to Maldives in 2016-17 - mainly machinery (USD 26.67 million; 14% of exports) and base metals and products such as iron and steel (USD 15.67 million; 9% of exports).
- With exports of products valued at USD 28.21 million in 2016-17, vegetable products (mainly non-basmati rice and fresh vegetables) contributed 15% of Indian exports to Maldives. These products are covered under the essential products being provided to Maldives under the India- Maldives Trade agreement.
- The other prominent products of export were precious and semi-precious stones (USD 24.3 million; 13% of exports) and animal products (USD 12.32 million; 7% of exports).
- The products in "others" category mainly comprise of chemical products, mineral products, plastics and articles, wood pulp and miscellaneous manufactured articles together accounting for USD 76.3 million; 42% of exports)
- The top 5 product categories in Table 5.3 accounted for 58% of total exports to Maldives in the year.

Imports

- There were miniscule imports from Maldives in 2016-17. The major products of import were engineering products - ships/boats, iron and steel products and products of other metals such as copper, aluminium etc., and petroleum products.

TABLE 5.2

Principal Commodities of Export from India to Maldives (Top 10)

(Values in US$ Million)

S.No.	Commodity	2015-16	2016-17 (P)	%Growth
1.	GRANITE, NATURAL STONE AND PRODUCT	21.2	24.3	14.6
2.	IRON AND STEEL	8.69	10.78	23.95
3.	RICE(OTHER THAN BASMATI)	11.06	10.34	-6.57
4.	DRUG FORMULATIONS, BIOLOGICALS	10.05	10.13	0.77
5.	FRESH VEGETABLES	13.1	9.22	-29.66
6.	CEMENT, CLINKER AND ASBESTOS CEMENT	7.86	8.75	11.26
7.	POULTRY PRODUCTS	8.1	7.13	-11.94
8.	FRESH FRUITS	6.72	6.13	-8.69
9.	MOLDED AND EXTRUDED GOODS	4.73	5.83	23.35
10.	MARINE PRODUCTS	7.4	5.8	-21.64
	Total of Top 10 Exports	98.92	98.39	-0.53
	Total Exports to Maldives	179.03	198.36	10.8
	% Share – Top 10 Exports of Total Exports	55.25	49.60	

Source: DGCI&S Database

TABLE 5.3

S.No.	Section	2015-16	2016-17 (P)	% Growth
Principal Categories of Export from India to Maldives(Top 50) (Values in US $ Million)				
1	Section II-Vegetable Products	33.56	28.21	-15.94
2	Section XVI-Machinery and Mechanical Appliances	15.89	26.67	67.84
3	Section XIV-Pearls, Precious Or Semi-Precious Stones, Metals	21.2	24.3	14.62
4	Section XV-Base Metals and Articles of Base Metal	14.33	15.67	9.35
5	Section I-Live Animals; Animal Products	12.62	12.32	-2.38
6	Section VI-Products of the Chemicals or Allied Industries	11.23	12.02	7.03
7	Section V-Mineral Products	9.24	9.97	7.90
8	Section VII-Plastics and Articles thereof; Rubber and Articles Thereof	5.37	8.08	50.47
9	Section IX-Wood and Articles of Wood; Wood Charcoal; etc.	6.16	6.89	11.85
10	Section XX-Miscellaneous Manufactured Articles	6.13	6.37	3.92
11	Section X-Pulp of wood, Paper or Paperboard; etc	5.24	5.97	13.93
12	Section III-Animal or Vegetable Fats and Oils etc.	7.4	5.8	-21.62
13	Section XVII-Vehicles, Aircraft, Vessels, Associated Transport Equipment	3.26	5.26	61.35
14	Section XVIII-Optical, Photographic, medical Instruments/apparatus etc	3.2	5.2	62.50
15	Section IV-Prepared Foodstuffs; Beverages, Spirits; Tobacco etc	5.08	5.18	1.97
16	Section XI-Textile and Textile Articles	4.31	4.7	9.05
17	Section XIII-Articles of Stone, Plaster, Cement, Asbestos, Glass etc.	0.57	0.86	50.88
	Total of Top 50 Exports	164.79	183.47	11.34
	Total Exports to Maldives	179.03	198.36	10.80
	% Share – Top 50 Exports of Total Exports	92.05	92.49	

Source: DGCI&S Database

TABLE 5.4

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
Principal Commodities of Import from Maldives to India (Top 10) (Values in US $ Million)				
1	SHIP, BOAT AND FLOATING STRUCTURE		3.54	
2	PETROLEUM PRODUCTS	0.01	2.54	20,742.62
3	IRON AND STEEL	1.56	1.65	5.59
4	COPPER AND PRODUCT MADE OF COPPER	0.47	0.55	17.36
5	ALUMINIUM, PRODUCTS OF ALUMINIUM	0.7	0.39	-43.77
6	OTHER COMMODITIES	0.02	0.19	1,029.09
7	IC ENGINES AND PARTS	0.01	0.05	479.78
8	PAPER, PAPER BOARD AND PRODUCT	0.03	0.04	65.06
9	OTHER CONSTRUCTION MACHINERY		0.04	
10	COMPUTER HARDWARE, PERIPHERALS		0.04	
	Total of Top 10 Imports	2.79	9.05	223.71
	Total Imports From Maldives	4.29	9.17	113.9
	% Share top10 Import by Total Import	65.03	98.69	

Source: DGCI&S Database

TABLE 5.5

Principal Categories of Import from Maldives (Top 20) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17 (P)	%Growth
1	Section XVII-Vehicles, Aircraft, Vessels, Transport Equipment	0	3.54	
2	Section V-Mineral Products	0.71	2.93	312.68
3	Section XV-Base Metals and Articles of Base Metal	2.71	1.69	-37.64
4	Section VI-Products of the Chemicals or Allied Industries	0.47	0.55	17.02
5	Section XX-Miscellaneous Manufactured Articles	0.02	0.19	850.00
6	Section XVI-Machinery and Mechanical Appliances	0.04	0.16	300.00
7	Section VII-Plastics; Rubber and Articles Thereof	0.05	0.04	-20.00
8	Section X-Pulp of wood, Paper or Paperboard; etc	0.05	0.04	-20.00
	Total of Top 20 Imports	4.05	9.14	125.68
	Total Imports From Maldives	4.29	9.17	113.75
	% Share - Top20 Imports of Total Imports	94.41	99.67	

Source: DGCI&S Database

Port-wise Analysis

- Tuticorin, Nhava Sheva, Chennai, ICD Bangaluru and Krishnapatnam are the top 5 ports which accounted for 69.88 % of exports to Maldives in 2016-17. Tuticorin itself contributed 43.75% of total exports in the year. The port-wise export data is summarised in Table 5.6.

TABLE 5.6

India's Exports to Maldives (Top 5 ports) VALUE (USD million)			
S.No.	Port Description	2016-17	% share
1	TUTICORIN SEA	87.03	43.75%
2	NHAVA SHEVA SEA	20.07	10.09%
3	CHENNAI SEA	11.40	5.73%
4	ICD BANGALORE	10.87	5.47%
5	KRISHNAPATNAM	9.63	4.84%
	Exports of top 5 Ports to Maldives	139.01	69.88%
	Total Exports to Maldives	198.93	

Source: DGCI&S Database

- The top 5 ports from where imports took place from Maldives in 2016-17 are Mumbai sea, Tuticorin, New Mangalore, Nhava Sheva and Mumbai air. These ports account for 98.49% of the total imports from Maldives, as per details in Table 5.7.

TABLE 5.7

India's Imports From Maldives (Top 5 ports) VALUE (USD million)			
S.No.	Port Description	2016-17	% share
1	MUMBAI SEA	3.57	38.90%
2	TUTICORIN SEA	2.59	28.20%
3	NEWMANGALORE SEA	2.51	27.39%
4	NHAVA SHEVA SEA	0.25	2.71%
5	MUMBAI AIR	0.12	1.29%
	Top 5 Ports Imports from Maldives	9.04	98.49%
	Total Imports from Maldives	9.17	

Source: DGCI&S Database

6 BILATERAL TRADE WITH NEPAL

Mutual Importance

India's importance to Nepal as a trading partner:

- India's served as destination for 54.4% of Nepal's total exports and a source of 73.1% of Nepal's total imports in the calendar year 2016[9]. Hence, India is the most important country for Nepal's trade.

Nepal's importance to India as a trading partner:

- Nepal ranked 33rd among India's trading partners and 2nd among South Asian countries on the basis of bilateral trade in 2016-17.
- Nepal ranked 11th and served as destination for 1.98% of India's total exports in 2016-17. It ranked 2nd among South Asian countries in terms of India's exports.
- Nepal ranked 73rd in terms of imports and a source of 0.12% of India's total imports in 2016-17.

Trade Architecture

Bilateral trade between India and Nepal is governed by the India-Nepal Treaty of Trade, which was last renewed on 27th October 2016 for a further period of seven years. Under the Treaty, India has provided duty free access to almost all the products imported from Nepal, except few products relating to tobacco, perfumes and cosmetics and alcohol. However, India has applied tariff rate quotas on the import of four products- Vegetable fats, Acrylic yarn, Copper products and Zinc Oxide from Nepal.

The bilateral trade between India and Nepal is also covered under different regional trading agreements. India and Nepal are members of South Asia Free Trade Area (SAFTA) Agreement and SAARC Preferential Trading Arrangement (SAPTA). Under these Agreements, preferential access is provided to the products of the member country. India has provided duty free access to all products from LDCs of SAFTA (except 25 lines pertaining to alcohol and tobacco) and accordingly such duty free access is also available to all the products from Nepal.

Since Nepal is a land-locked country, India has provided transit rights for Nepal's bilateral trade with third countries, under the India-Nepal Treaty of Transit. The Treaty was last renewed in 2013 for a period of seven years. Under the Treaty, India has provided sea access to Nepal through the ports at Kolkata/Haldia and Vishakhapatnam. The access through Vishakhapatnam was provided in 2016.

India and Nepal have also signed a Railway Services Agreement to facilitate the movement of goods through rail.

Institutional Mechanisms

The Treaty of Trade and the Treaty of Transit between India and Nepal prescribe consultations for the implementation of the agreements. As a bilateral mechanism to review the issues relating to bilateral trade, transit and unauthorized trade related issues, an Inter-Governmental Committee

[9] ITC Trade Map

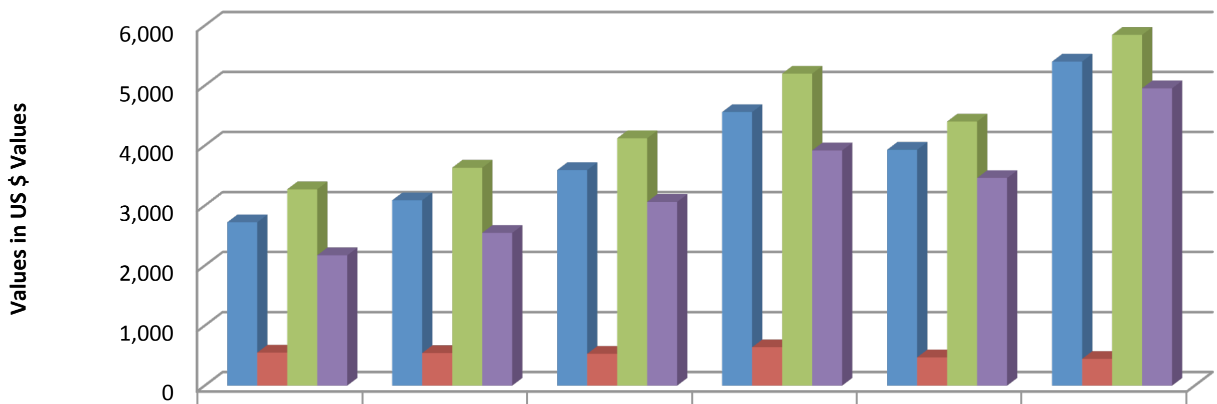
(IGC) exists at the level of Commerce Secretaries of the two countries. Apart from IGC, an Inter-Governmental Sub-Committee (IGSC) also exists at the level of Joint Secretary. The last meeting of the IGC was held in June, 2016 at New Delhi.

Trade Analysis

India-Nepal trade data for the last five years i.e. 2012-13 to 2016-17 is summarised in Figure 6.1 and Table 6.1.

FIGURE 6.1

Trend of India-Nepal Trade



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	2,721.57	3,088.84	3,592.30	4,558.77	3,930.09	5,399.98
Imports	549.89	543.10	529.93	639.91	470.59	445.38
Total Trade	3,271.46	3,631.94	4,122.23	5,198.68	4,400.68	5,845.36
Trade Balance	2,171.68	2,545.74	3,062.37	3,918.86	3,459.50	4,954.60

Source: DGCI&S Database

TABLE 6.1
Growth in India-Nepal Bilateral Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Exports	16.30	26.90	-13.79	37.40
Imports	-2.42	20.75	-26.46	-5.36
Total Trade	13.50	26.11	-15.35	32.83
Trade Balance	20.29	27.97	-11.72	43.22

Source: DGCI&S Database

Trend of Trade over last 5 years

- Overall, the exports to Nepal doubled from 2011-12 to 2016-17, while imports decreased by 19% in the same period.
- Exports to Nepal have generally shown an increasing trend, except in 2015-16, when the exports declined by 13.8%. The major commodity which showed decline in exports was petroleum products.
- Imports from Nepal were stagnant in the first three years, but increased by 20.75% in 2014-15 to reach its highest level of USD 639.91 million. However, the imports declined

substantially by 26.5% in 2015-16 and another 5.4% in 2016-17. The decline in 2015-16 was on account of decrease in import of a large number of products.

- In line with the trend of increase in exports, the total bilateral trade has also shown an increasing trend, except in 2015-16 when it decreased by 15.35%. The value of trade jumped by 32.8% in 2016-17.
- India has consistently maintained a substantial trade surplus in its bilateral trade with Nepal. The trade surplus as a proportion of exports hovered between 80% and 90% in the last five years.

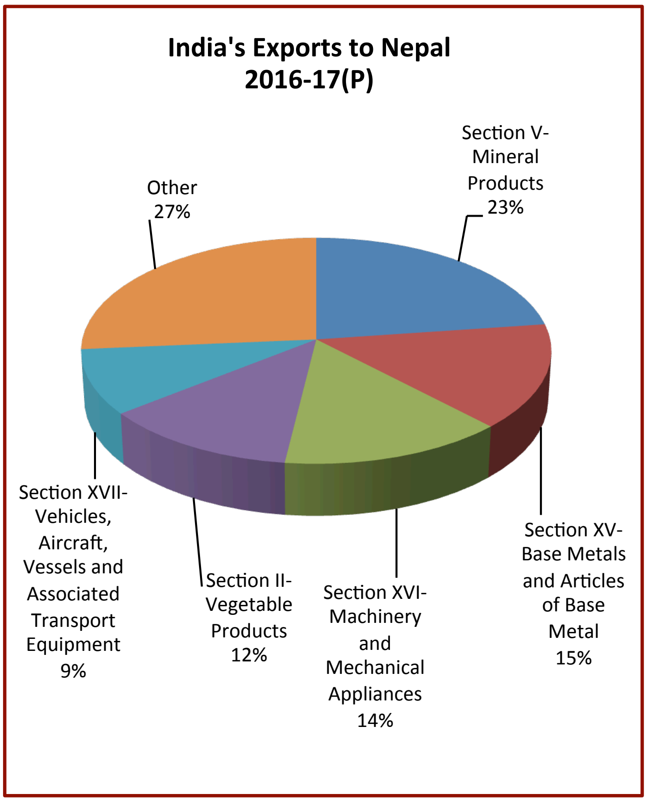
Trend of Trade in 2016-17

- The total trade between India and Nepal was valued at USD 5.8 billion during 2016-17 as compared to USD 4.4 billion during 2015-16, registering an increase of 32.9% due to higher exports from India.
- The exports increased by 37.4% to USD 5.4 billion in 2016-17 from USD 3.93 billion in the previous year. There was an increase in quantum of exports of almost all the top products of export.
- The imports decreased by 5.4% to USD 445.38 million, from USD 470.6 million in the previous year. The decline is mainly on account of reduction in imports of spices, moulded products, manmade yarn and fabrics.
- On account of the healthy increase in the exports combined with decrease in imports, the trade surplus increased from USD 3.46 billion in 2015-16 to USD 4.95 billion in 2016-17.

Product-wise Analysis

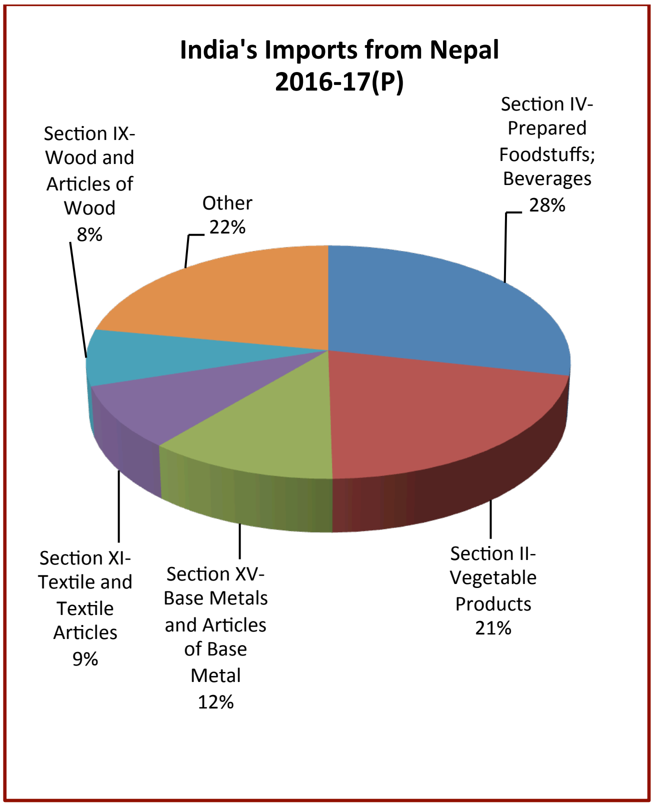
- The major products of exports and imports to/from Nepal in 2016-17 are depicted in Figures 6.2 and 6.3 below, with details in Tables 6.2 to 6.5.

FIGURE 6.2



Source: DGCI&S Database

FIGURE 6.3



Source: DGCI&S Database

Exports

- Engineering sector contributed around 36% of Inda's exports to Nepal in 2016-17, mainly base metals and products such as iron and steel products (USD 746.35 million; 15% of exports), machinery (USD 699.83 million; 14% of exports) and motor vehicles/cars and two/three wheelers (USD 462.59 million; 9% of exports).
- With exports of products valued at USD 1.13 billion in 2016-17, mineral products (mainly petroleum products) contributed 23% of Indian exports to Nepal.
- The other prominent products of export were vegetable products, such as non-basmati rice (USD 614.15 million; 12% of exports).
- The "others" category mainly comprise of plastics and articles, chemical products, miscellaneous manufactured products, foodstuffs and beverages, wood pulp and textiles together accounting for USD 1.3 billion; 27% of exports)
- The top 5 product categories in Table 6.3 accounted for 68% of total exports to Nepal in the year.

Imports

- Prepared foodstuffs and beverages formed the largest component of imports from Nepal, and contributed to 28% of total imports. The products imported under this category were miscellaneous processed items amounting to USD 108.3 million.
- The other prominent imports were of vegetable products - mainly spices, (USD 88.49 million; 21% of imports), base metals - mainly iron and steel (USD 47.62 million; 12% of imports), textile products - mainly manmade yarn and fabrics (USD 36.97 million; 9% of imports) and wood products (USD 32.61 million; 8% of imports).

TABLE 6.2

Principal Commodities of Export from India to Nepal (Top 10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17 (P)	%Growth
1	PETROLEUM PRODUCTS	652.21	932.77	43.02
2	IRON AND STEEL	472.44	625.95	32.49
3	MOTOR VEHICLE/CARS	143.23	278.98	94.78
4	INDUSTRIAL MACHINERY FOR DAIRY ETC	143.12	223.57	56.21
5	RICE(OTHER THAN BASMATI)	193.52	207.44	7.19
6	OTHER CONSTRUCTION MACHINERY	71.29	190.15	166.71
7	AUTO COMPONENTS/PARTS	120.77	183.61	52.03
8	TWO AND THREE WHEELERS	111.16	179.46	61.45
9	DRUG FORMULATIONS, BIOLOGICALS	137.49	160.54	16.77
10	PAPER, PAPER BOARD AND PRODUCT	82.44	114.33	38.68
	Total of Top 10 exports	2,127.67	3,096.80	45.55
	Total Exports to Nepal	3,930.08	5,361.19	36.41
	% Share - Top 10 of Total Exports	54.14	57.76	

Source: DGCI&S Database

TABLE 6.3

S.No.	Section	2015-16	2016-17 (P)	% Growth
	Principal Categories of Export from India to Nepal (Top 50) (Values in US $ Million)			
1	Section V-Mineral Products	808.81	1132.27	39.99
2	Section XV-Base Metals and Articles of Base Metal	559.95	746.35	33.29
3	Section XVI-Machinery and Mechanical Appliances	428.06	699.83	63.49
4	Section II-Vegetable Products	507.82	614.15	20.94
5	Section XVII-Vehicles, Aircraft, Vessels etc	264	462.59	75.22
6	Section VII-Plastics, Rubber and Articles Thereof	221.41	310.49	40.23
7	Section VI-Products of the Chemicals or Allied Industries	243.31	301.49	23.91
8	Section XX-Miscellaneous Manufactured Articles	219.57	273.07	24.37
9	Section IV-Prepared Foodstuffs; Beverages, Spirits, Tobacco	114.57	145.23	26.76
10	Section X-Pulp of wood, Paper or Paperboard	82.44	114.33	38.68
11	Section XI-Textile and Textile Articles	71.52	74.54	4.22
12	Section XIII-Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Materials; Glass and Glassware	57.74	73.85	27.90
13	Section IX-Wood and Articles of Wood	19.78	16.25	-17.85
	Total of Top 50 Exports	3,598.98	4,964.44	37.94
	Total Export to Nepals	3,930.08	5,361.19	36.41
	% Share - Top 50 of Total Exports	91.58	92.60	

Source: DGCI&S Database

TABLE 6.4

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
	Principal Commodities of Import from Nepal to India (Top 10) (Values in US $ Million)			
1	MISCELLANOUS PROCESSED ITEMS	83.93	108.3	29.05
2	SPICES	55.83	46.54	-16.65
3	IRON AND STEEL	33.51	36.15	7.88
4	MOLDED AND EXTRUDED GOODS	36.8	32.61	-11.37
5	MANMADE YARN,FABRICS,MADEUPS	37.92	26.61	-29.82
6	FOOTWEAR OF LEATHER	22.72	23.38	2.91
7	TEA	18.89	20.8	10.1
8	PAINT, VARNISH AND ALLIED PRODUCT	15.17	18.43	21.53
9	OIL MEALS	8.19	12.81	56.34
10	PRODUCTS OF IRON AND STEEL	16.45	11.47	-30.23
	Total of Top 10 Imports	329.41	337.1	2.33
	Total Imports from Nepal	470.58	442.09	-6.05
	% Share - Top 10 of Total Imports	70.00	76.25	

Source: DGCI&S Database

TABLE 6.5

Principal Categories of Import from Nepal (Top 20) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17 (P)	%Growth
1	Section IV-Prepared Foodstuffs; Beverages, Spirits, Tobacco and Manufactured Tobacco substitutes	91.05	118.24	29.86
2	Section II-Vegetable Products	92.92	88.49	-4.77
3	Section XV-Base Metals and Articles of Base Metal	49.96	47.62	-4.68
4	Section XI-Textile and Textile Articles	71.9	36.97	-48.58
5	Section IX-Wood and Articles of Wood etc.	36.8	32.61	-11.39
6	Section VI-Products of the Chemicals or Allied Industries	26.57	27.74	4.40
7	Section XX-Miscellaneous Manufactured Articles	31.27	26.48	-15.32
8	Section XII-Footwear, Headgear, Umbrellas, etc.	22.72	23.38	2.90
9	Section VII-Plastics; Rubber and Articles Thereof	9.38	8.33	-11.19
10	Section X-Pulp of wood, Paper or Paperboard;	3.01	5.71	89.70
	Total of Top 20 Imports	435.58	415.57	-4.59
	Total Imports From Nepal	470.58	442.09	-6.05
	% Share - Top 20 of Total Imports	92.56	94.00	

Source: DGCI&S Database

Port-wise Analysis

- 97.3% of India's exports to Nepal and 99.8% of imports from Nepal, in 2016-17, were carried out through the land route.
- Raxaul, Nautanwa, Jogbani, Nepalgunj and Panitanki are the top 5 ports (Land Customs Stations) which accounted for 91.42 % of exports to Nepal in 2016-17. Raxaul in Bihar is the largest gateway to Nepal contributing 45% of total exports in the year. The port-wise export data is summarised in Table 6.6.

TABLE 6.6

India's Exports to Nepal (Top 5 ports)			
			VALUE (USD million)
S.No.	Port Description	2016-17	% share
1	RAXAUL LAND	2,430.03	45.00%
2	NAUTANWA (SONAULI)	1,476.10	27.34%
3	JOGBANI	624.51	11.57%
4	NEPALGANJ	254.33	4.71%
5	PANITANKI	151.72	2.81%
	Exports of Top 5 Ports to Nepal	4,936.69	91.42%
	Total Exports to Nepal	5,399.98	

Source: DGCI&S Database

- The top 5 ports from where imports took place from Nepal in 2016-17 are Raxaul, Jogbani, Panitanki, Nautanwa and Nepalgunj. It can be observed that the top 5 ports for exports and imports are same, and account for 97.11 % of the total imports from Nepal, as per details in Table 6.7. Raxaul accounts for 44% of Nepal's exports to India.

TABLE 6.7

India's Imports From Nepal (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	RAXAUL LAND	196.02	44.01%
2	JOGBANI	142.06	31.90%
3	PANITANKI	43.07	9.67%
4	NAUTANWA (SONAULI)	31.98	7.18%
5	NEPALGANJ	19.38	4.35%
	Top 5 Ports Imports from Nepal	432.52	97.11%
	Total Imports from Nepal	445.38	

Source: DGCI&S Database

Border Trade Infrastructure

The bilateral trade between India and Nepal is mainly carried out through land route via Land Customs Stations. There are 27 Land Customs Stations across the border between India and Nepal. The Land Customs Stations at Raxaul (Bihar) and Jogbani (Bihar) have been developed as Integrated Check Posts. The ICP at Jogbani has been operationalized only for cargo, at this moment. In addition to the above two ICPs, LPAI proposes to develop ICPs at five other locations across India-Nepal border at Nautanwa (Sunauli), Rupaidiah (Nepalgunj) and Gauripantha in Uttar Pradesh, Panitanki in West Bengal and Bhitamore in Bihar. The development of ICPs will provide further boost to the bilateral trade.Deficiencies on land border trade infrastructure are being identified and efforts are being made to remove them, in consultation with relevant organisations by FT-South Asia Division.

In addition, issues which are adversely affecting the imports of Nepal into India are being examined on priority to allay the fears of increasing trade balance in favour of India, which is pointed out by Nepal repeatedly. In this regard, based on request of Nepal, a fresh Notification was issued in March 2017, allowing the import of livestock products through three additional Land Customs Stations across India-Nepal border.

Mutual Importance

India's importance to Pakistan as a trading partner:

- India's served as destination for 2.5% of Pakistan's total exports and a source of 3.9% of Pakistan's imports in the calendar year 2016[10].

Pakistan's importance to India as a trading partner:

- Pakistan ranked 48th among India's trading partners in 2016-17.
- Pakistan ranked 4th among South Asian countries on the basis of bilateral trade in 2016-17, even though its GDP is higher than that of Nepal, Bangladesh and Sri Lanka.
- Pakistan ranked 37th and served as destination for 0.66% of India's exports in 2016-17.
- Pakistan ranked 72nd in terms of imports and a source of 0.12% of India's total imports in 2016-17.

Trade Architecture

India's trade with Pakistan has been disrupted since 1947, with periods of semi-normalcy. Between 1947 and 1965, trade was governed by general trade agreements with illustrative schedules of commodities to be traded. Between 1965 and 1975, there was no trade between the two countries. In accordance with the 1972 Simla Agreement, a Protocol on Resumption of Trade was signed in November that year. This Protocol was followed by a Trade Agreement which was signed between the two countries in January 1975. The trade took place between the Governments or between Government controlled organisations, in terms of the Trade Agreement. The Agreement expired in January 1978 and was not renewed[11]. Significantly, the Protocol on Resumption on Trade as well as the Trade Agreement provided that trade would be on MFN basis as provided for in GATT. In 1982, Pakistan allowed its private corporations to trade with India[12].

After coming into force of the WTO, India provided MFN status to WTO members, including Pakistan in 1996. However, Pakistan is yet to transition fully to MFN status for India. Since 1982, Pakistan has been announcing a list of items which can be traded by the private sector. This positive list has been gradually enlarged over the years. In March 2012, a transition was made from Positive List to Negative List, whereby a list of 1870 products allowed to be traded under Positive List was replaced by a Negative List of 1209 products, which were not allowed to be traded with India. In addition to maintaining the Negative List, Pakistan also maintains a list of 137 products which are only allowed to be imported from India through Attari-Wagah land border.

Bilateral trade with Pakistan is executed through preferential and non-preferential routes. Since there is no bilateral trade agreement with Pakistan, the bilateral trade under non-preferential route takes place at MFN rates. The preferential trade with Pakistan is executed through SAPTA and SAPTA. Under these Agreements, preferential access is provided to the products of the

[10] ITC Trade Map

[11] Indo-Pakistan Trade Cooperation and SAARC, Ranjit Singh Ghuman and Davinder Kumar Madaan, Peace and Democracy in South Asia, Volume 2, Numbers 1 & 2, 2006

[12] Status Paper on India-Pakistan Economic Relations, FICCI, February 2012

member countries. Under SAFTA, for non LDC members, India has prescribed maximum duty of 5% on all the products, except a list of 214 products where the duty prescribed in 8% and a list of 614 products on which no tariff preferences have been given. Pakistan, being a non LDC, is eligible for the preferential access provided to non LDCs by India under SAFTA.

Institutional Mechanisms

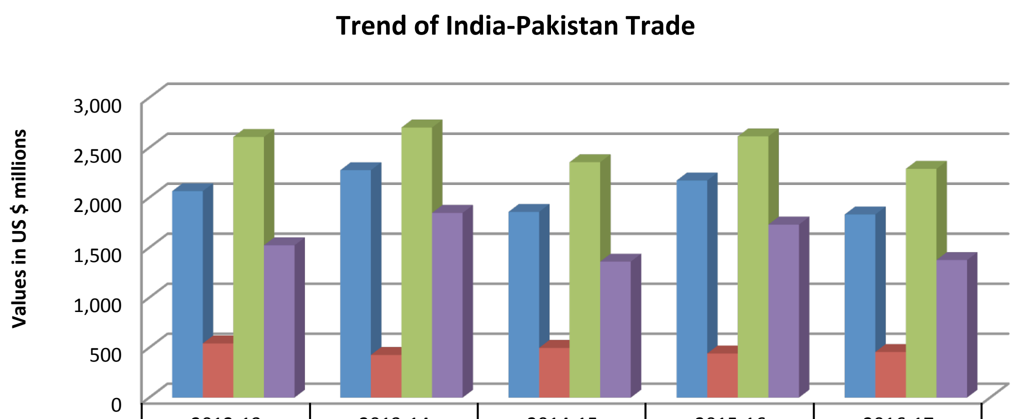
In absence of a trade agreement, there is no specific institutional mechanism for bilateral discussion on trade related issues.

The Composite Dialogue between India and Pakistan started in 1998 which continued through four rounds of talks by Commerce Secretaries of both countries on "Commercial & Economic Cooperation" during the period 2004-2007. After a gap, bilateral trade dialogue was re-initiated with the 5th round of India-Pakistan Commerce Secretary level talks on Commercial and Economic Co-operation in April 2011. This was followed by 6th and 7th rounds of talks held in November 2011 at Delhi and September, 2012 at Islamabad. No specific trade-related bilateral meeting has been held since then. However, the Commerce Ministers of India and Pakistan met in January 2014 on the sidelines of the 5th SAARC Business Leaders Conclave held at New Delhi where it was emphasised that the two countries could implement the September 2012 roadmap worked out between the Commerce Secretaries of both countries.

Trade Analysis

India-Pakistan bilateral trade data for 2012-13 to 2016-17 is summarised in Figure 7.1 & Table 7.1.

FIGURE 7.1



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	2,064.89	2,274.30	1,857.29	2,171.16	1,831.85
Imports	541.87	426.88	497.31	441.03	456.33
Total Trade	2,606.76	2,701.18	2,354.60	2,612.19	2,288.18
Trade Balance	1,523.02	1,847.42	1,359.98	1,730.13	1,375.52

Source: DGCI&S Database

TABLE 7.1
Growth in India-Pakistan Bilateral Trade

Growth (in percentage)				
	2013-14	2014-15	2015-16	2016-17
Exports	10.14	-18.34	16.90	-15.63
Imports	-21.22	16.50	-11.32	3.47
Total Trade	3.62	-12.83	10.94	-12.40
Trade Balance	21.30	-26.38	27.22	-20.50

Source: DGCI&S Database

Trend of Trade over last 5 years

- Overall, the exports to Pakistan decreased by 11.3 % from 2012-13 to 2016-17, while imports decreased by 15.8% in the same period.
- Exports to Pakistan have shown a fluctuating trend with increase in 2013-14 and 2015-16 and decrease in 2014-15 and 2016-17.
- Imports from Pakistan declined substantially in 2013-14. Thereafter, the imports jumped in 2014-15 (by 16.5%), before declining again in 2015-16 (by 11.3%). The imports have shown marginal increase of 3.5% in 2016-17.
- Overall, the total trade has declined from USD 2.6 billion to USD 2.3 billion in the five years. In line with the fluctuations in exports and imports, the total trade between the two countries has also fluctuated with highest value of trade in 2013-14 (USD 2.7 billion) and the minimum value in 2016-17 (USD 2.3 billion).
- With Pakistan, India has consistently enjoyed a favourable balance of trade. This is despite the fact that Pakistan maintains a negative list of 1209 products which cannot be imported from India and also restricts the imports through the crucial land border trading post at ICP Attari-Wagah to 137 items. However the trade balance has reduced from USD 1.5 billion in 2012-13 to USD 1.37 billion in 2016-17, after reaching a peak of USD 1.84 billion in 2013-14

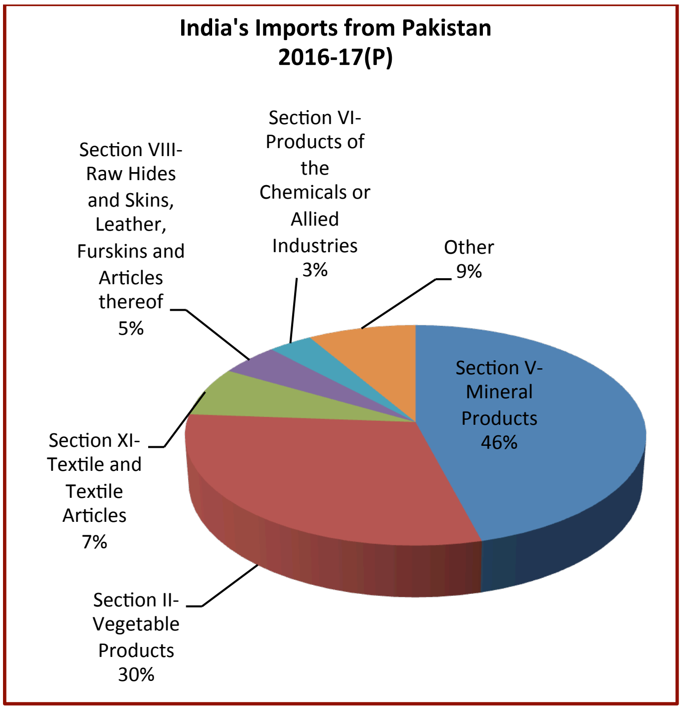
Trend of Trade in 2016-17

- The total trade between India and Pakistan was valued at USD 2.3 billion during 2016-17 as compared to USD 2.6 billion during 2015-16, registering a decline of 12.4%.
- The exports decreased by 15.6% to USD 1.83 billion in 2016-17, from USD 2.1 billion in the previous year. The decline in exports is mostly accounted by huge decrease in export of raw cotton to USD 258 million from USD 647 million in 2015-16.
- The imports increased marginally from USD 441 million in the previous year to USD 456 million. The increase is mainly on account of increase in imports of fresh fruits and cement.
- On account of the large decrease in the exports combined with small increase in imports, the trade surplus decreased from USD 1.7 billion in 2015-16 to USD 1.3 billion in 2016-17.

Product-wise Analysis

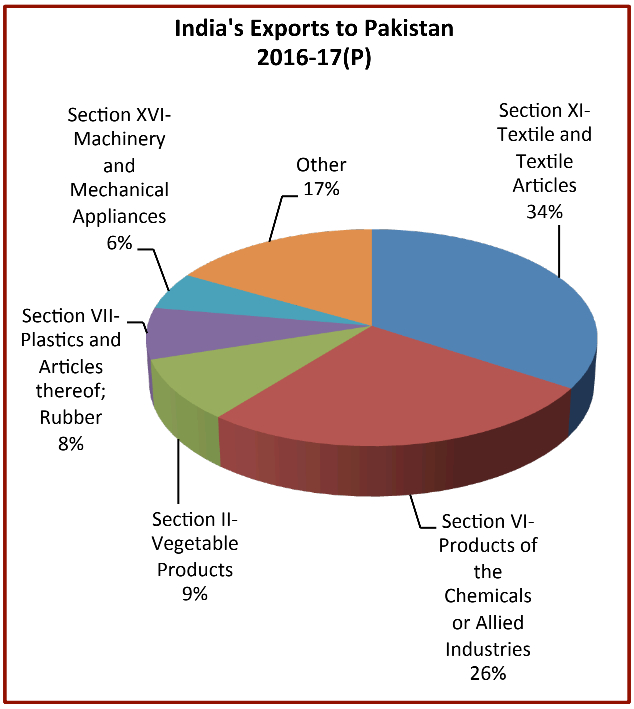
- The major products of exports and imports to/from Pakistan in 2016-17 are depicted in Figures 7.2 and 7.3 below, with details in Tables 7.2 to 7.5.

FIGURE 7.2



Source: DGCI&S Database

FIGURE 7.3



Source: DGCI&S Database

Exports

- With exports of products valued at USD 611 million in 2016-17, textiles contributed 34% of Indian exports to Pakistan.
- The other prominent products of export were chemical products such as organic chemicals, bulk drugs and dyes (USD 472.6 million; 26% of exports), vegetable products such as fresh vegetables (USD 165.66 million; 9% of exports), plastic products (USD 136.67 million; 8% of exports) and engineering products (USD 146 million; 8% of exports) - mainly machinery (USD 99.3 million; 5.4% of exports).
- The top 5 product categories in Table 7.3 accounted for 82% of total exports to Pakistan.

Imports

- Mineral products formed the largest component of imports from Pakistan, and contributed to 46% of total imports. Within mineral products, cement was the biggest import item valued at USD 84.42 million in 2016-17, followed by petroleum products at USD 78.56 million, bulk minerals at USD 21.51 million and processed minerals at USD 17.95 million.
- The other prominent imports were of vegetable products - mainly fresh fruits (USD 133.5 million; 30% of imports), textile articles - mainly raw cotton and cotton fabrics (USD 31.63 million; 7% of imports), raw hides (USD 20.53 million; 5% of imports) and chemical products - mainly inorganic chemicals (USD 15.42 million; 3% of imports).

TABLE 7.2

Principal Commodities of Export from India to Pakistan (Top 10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
1	COTTON RAW INCLUDING WASTE	647.35	258.44	-60.08
2	COTTON YARN	131.71	214.94	63.19
3	ORGANIC CHEMICALS	85.55	179.73	110.07
4	PLASTIC RAW MATERIALS	112.08	118.77	5.98
5	MANMADE YARN,FABRICS,MADEUPS	165.98	95.58	-42.42
6	DYES	72.6	75.73	4.31
7	BULK DRUGS, DRUG INTERMEDIATES	65.81	71.33	8.38
8	INDUSTRIAL MACHINERY FOR DAIRY ETC	41.08	58.65	42.78
9	FRESH VEGETABLES	38.79	55.11	42.06
10	RESIDUAL CHEMICAL AND ALLIED PRODUCT	40.75	53.43	31.12
	Total of Top 10 Export commodities	1,401.71	1,181.71	-15.7
	Total Exports to Pakistan	2,171.15	1,831.86	-15.63
	% Share - Top 10 of Total Exports	64.56	64.51	

Source: DGCI&S Database

TABLE 7.3

Principal Categories of Export from India to Pakistan(Top 50)

(Values in US $ Million)

S.No.	Section	2015-16	2016-17(P)	%Growth
1	Section XI-Textile and Textile Articles	985.07	611.06	-37.97
2	Section VI-Products of the Chemicals or Allied Industries	325.28	472.6	45.29
3	Section II-Vegetable Products	256.56	165.66	-35.43
4	Section VII-Plastics and Articles thereof; Rubber and Articles	124.78	136.67	9.53
5	Section XVI-Machinery and Mechanical Appliances	100.34	99.3	-1.04
6	Section XX-Miscellaneous Manufactured Articles	71.66	89.85	25.38
7	Section IV-Prepared Foodstuffs; Beverages, Spirits; Tobacco	87.32	85.84	-1.69
8	Section XV-Base Metals and Articles of Base Metal	36.01	43.6	21.08
9	Section IX-Wood and Articles of Wood; Wood Charcoal; etc	48.01	32.21	-32.91
10	Section I-Live Animals; Animal Products	23.54	18.93	-19.58
11	Section V-Mineral Products	17.37	16.27	-6.33
12	Section XIV-Pearls, Precious Or Semi-Precious Stones, Metals	8.42	4.77	-43.35
13	Section X-Pulp of wood; Paper or Paperboard; etc	4.87	3.35	-31.21
14	Section XVIII-Optical, Photographic, medical Instruments	3.34	3.17	-5.09
	Total of Top 50 Exports	2092.57	1783.28	-14.78
	Total Exports to Pakistan	2171.15	1831.86	-15.63
	% Share – Top 50 Exports of Total Exports	96.38	97.35	

Source: DGCI&S Database

TABLE 7.4

Principal Commodities of Import from Pakistan to India (Top10) (Values in US $ Million)				
S.No.	Commodity	2015-16	2016-17	%Growth
1	FRESH FRUITS	89.26	126.63	41.87
2	CEMENT, CLINKER AND ASBESTOS CEMENT	49.69	84.42	69.91
3	PETROLEUM PRODUCTS	116.39	78.56	-32.51
4	BULK MINERALS AND ORES	17.24	21.51	24.78
5	FINISHED LEATHER	12.92	20.53	58.91
6	PROCESSED MINERALS	20.44	17.95	-12.18
7	INORGANIC CHEMICALS	13.94	15.42	10.55
8	COTTON RAW INCLUDING WASTE	21.59	12.41	-42.54
9	COTTON FABRICS, MADEUPS ETC.	18.84	11.8	-37.35
10	GLASS AND GLASSWARE	5.97	7.76	29.88
	Total of Top 10 Imports	366.28	396.99	8.38
	Total Imports From Pakistan	497.31	441.02	-11.32
	% Share – Top 10 imports of Total Imports	79.73	86.39	

Source: DGCI&S Database

TABLE 7.5

Principal Categories of Import from Pakistan to India (Top 20) (Values in US $ Million)				
S.No.	Section	2015-16	2016-17 (P)	%Growth
1	Section V-Mineral Products	203.76	202.44	-0.65
2	Section II-Vegetable Products	94.35	133.5	41.49
3	Section XI-Textile and Textile Articles	49.15	31.63	-35.65
4	Section VIII-Raw Hides and Skins, Leather, Furskins, Articles thereof	12.92	20.53	58.90
5	Section VI-Products of the Chemicals or Allied Industries	13.94	15.42	10.62
6	Section XX-Miscellaneous Manufactured Articles	7.65	9.89	29.28
7	Section XVIII-Optical, Photographic, Cinematographic, measuring, medical or surgical Instruments etc	4.24	8.89	109.67
8	Section XIII-Articles of Stone, Plaster, Cement, Asbestos, Glass	5.97	7.76	29.98
9	Section IV-Prepared Foodstuffs; Beverages, Spirits; Tobacco etc	4.67	5.24	12.21
10	Section VII-Plastics; Rubber and Articles Thereof	3.15	3.79	20.32
11	Section III-Animal or Vegetable Fats and Oils etc	0.52	2.07	298.08
	Total of Top 20 Imports	400.32	441.16	10.20
	Total Imports From Pakistan	441.02	455.59	3.30
	% Share – Top 20 Imports of Total Imports	90.77	96.83	

Source: DGCI&S Database

Port-wise Analysis

- Overall, the land route (Attari as well as railways) accounted for 17.3% of India's exports to Pakistan in 2016-17. 9.15% of the exports were through air route and the rest were by sea route.
- Nhava Sheva, Mundra, Attari Road, Amritsar rail and Sikka are the top 5 ports which accounted for 63.76 % of exports to Pakistan in 2016-17. Nhava Sheva sea route contributed 29% of total exports in the year.
- Attari Road (ICP Attari) does not account for the highest quantum of exports from India to Pakistan on account of the restrictions applied by Pakistan; it allows import of only 137 items through Attari-Wagah land route
- The export data of top 5 ports is summarised in Table 7.6.

TABLE 7.6

India's Exports to Pakistan (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	NHAVA SHEVA SEA	524.94	28.66%
2	MUNDRA	224.26	12.24%
3	ATTARIROAD,AMRITSAR	165.94	9.06%
4	AMRITSAR RLY.STN.	151.48	8.27%
5	SIKKA	101.40	5.54%
	Exports of Top 5 Ports to Pakistan	1,168.02	63.76%
	Total Exports to Pakistan	1,831.85	

Source: DGCI&S Database

- Overall, the land route (Attari as well as railways) accounted for 53.4% of India's imports from Pakistan in 2016-17. 3.8% of the exports were through air route and the balance were by sea route.
- The top 5 ports of imports from Pakistan in 2016-17 were Attari road, Tuticorin, Mundra, Nhava Sheva and New Mangalore. These ports accounted for 81.94 % of the total imports from Pakistan, as per details in Table 7.7. Attari Road (ICP Attari-Wagah) itself accounted for 51% of Pakistan's exports to India.

Table 7.7

India's Imports From Pakistan (Top 5 ports)			
		VALUE (USD million)	
S.No.	Port Description	2016-17	% share
1	ATTARI ROAD,AMRITSAR	233.24	51.11%
2	TUTICORIN SEA	70.89	15.53%
3	MUNDRA	26.68	5.85%
4	NHAVA SHEVA SEA	26.36	5.78%
5	NEW MANGALORE SEA	16.73	3.67%
	Top 5 Ports Imports from Pakistan	373.90	81.94%
	Total Imports from Pakistan	456.33	

Source: DGCI&S Database

Border Trade Infrastructure

The bilateral trade between India and Pakistan is mainly carried out through sea route. This is so on account of the restrictions placed by Pakistan on the import of products from India through Land border at ICP Attari-Wagah, which discourages the trade through land route. Even for the trade that takes place through land route at Attari, instances have been noticed, wherein the imports from India are discouraged by raising different kinds of non-tariff barriers.

The restrictions by Pakistan for trade through Attari-Wagah route applies only to land based border trade. The restrictions do not apply to trade through railways. Accordingly, trade through rail route can further boost Indian exports to Pakistan. To facilitate trade through rail route, various deficiencies on rail route through Attari-Wagah have been identified and efforts are being made by FT-South Asia Division to resolve them, in consultation with concerned organisations/agencies.

8 BILATERAL TRADE WITH SRI LANKA

Mutual Importance

India's importance to Sri Lanka as a trading partner:

- India's served as destination for 6.4% of Sri Lanka's total export and a source of 25.2% of Sri Lanka's imports in the calendar year 2016[13].

Sri Lanka's importance to India as a trading partner:

- Sri Lanka ranked 39th among India's trading partners and 3rd among South Asian countries on the basis of bilateral trade in 2016-17.
- Sri Lanka ranked 19th and served as destination for 1.42% of India's total exports in 2016-17. In exports, Sri Lanka ranked 3rd within South Asian countries, behind Bangladesh and Nepal.
- Sri Lanka ranked 60th in terms of imports and a source of 0.16% of India's total imports in 2016-17.

Trade Architecture

Bilateral trade between India and Sri Lanka is governed by the India-Sri Lanka Free Trade Agreement (ISLFTA) which came into force in March 2000. Under ISLFTA, both the countries have provided tariff concessions on import of majority of the products. India has provided duty-free access to almost all the lines, except a few lines (textiles related) on which 25% or 75% duty concessions are provided and on around 430 products on which no concessions are given. Tariff rate quotas have been prescribed by India on import of apparel, tea, pepper, desiccated coconut and vanaspati, bakery shortening and margarine from Sri Lanka. Under ISLFTA, Sri Lanka has provided duty-free access for almost all the products except a few lines on which some tariff is prescribed. In addition, Sri Lanka maintains a list of around 1220 products, on which no tariff concessions have been provided under ISLFTA.

The bilateral trade between India and Sri Lanka is also covered under different regional trading agreements. India and Sri Lanka are members of Asia Pacific Trade Agreement (APTA), South Asia Free Trade Area (SAFTA) Agreement and SAARC Preferential Trading Arrangement (SAPTA). Under these Agreements, preferential access is provided to the products of the member country. Under SAFTA, for non LDC members, India has prescribed maximum duty of 5% on all the products, except a list of 214 products where the duty prescribed in 8% and a list of 614 products on which no tariff preferences have been given. Sri Lanka, being a non LDC, enjoys the preferential access provided to non LDCs by India under SAFTA.

Institutional Mechanisms

Under the India-Sri Lanka Free Trade Agreement (ISLFTA), there is a provision for consultations by a Joint Committee at the level of Commerce and Industry Minister, however, no bilateral meeting under the Agreeement has taken place. The bilateral talks take place at the level of Commerce Secretary. The 4th Commerce Secretary level talks were held in December 2015 at New Delhi.

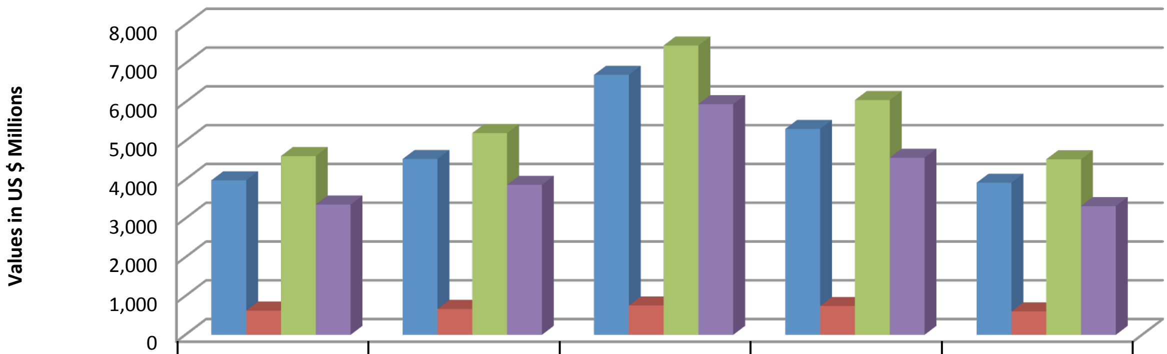
[13] ITC Trade Map

Trade Analysis

India-Sri Lanka trade data for the last five years i.e. 2012-13 to 2016-17 is summarised in Figure 8.1 and Table 8.1.

FIGURE 8.1

Trend of India-Sri Lanka Trade



	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	3983.87	4534.35	6703.72	5309.53	3921.85
Imports	625.81	666.93	756.17	742.79	602.21
Total Trade	4609.68	5201.28	7459.89	6052.32	4524.06
Trade Balance	3358.06	3867.42	5947.55	4566.74	3319.64

Source: DGCI&S Database

TABLE 8.1
Growth in India-Sri Lanka Bilateral Trade

	Growth Rate (in percentage)			
	2013-14	2014-15	2015-16	2016-17
Exports	13.82	47.84	-20.80	-26.14
Imports	6.57	13.38	-1.77	-18.93
Total Trade	12.83	43.42	-18.87	-25.25
Trade Balance	15.17	53.79	-23.22	-27.31

Source: DGCI&S Database

Trend of Trade over last 5 years

- The exports to Sri Lanka increased by 13.8% in 2013-14, and then rose dramatically by 47.8% in 2014-15. Since then they have declined – by 20.8% in 2015-16 and then further by 26.1% in 2016-17. The export value of USD 3.92 billion in 2016-17 is the lowest in last 5 years.
- However, an analysis of commodity-wise data for the 5 years shows that the increase/ decrease in total exports to Sri Lanka is accounted by huge variation in export of aircrafts, ships/boats and rice.
- The sudden jump in exports in 2014-15 was contributed by increase in export of aircraft by USD 1 billion (from USD 751 million to USD 1744 million), massive increase in export of ships/vessels by USD 543 million (USD 284 million to USD 827 million) and export of rice of USD 293 million (as against USD 4 million in the prevous year). Export of all the three commodities declined in 2015-16 by a total of USD 1.4 billion (aircraft by USD 437 million, ships/vessels by USD 656 million and rice by USD 220 million) leading to fall in

total exports of equivalent USD 1.4 billion. The further decline of total exports in 2016-17 is almost entirely explained by the massive decline in export of aircraft from USD 1.3 billion in 2015-16 to USD 77 million in 2016-17 i.e. by USD 1.22 billion; the other exports have largely remained stagnant.

- Imports from Sri Lanka also increased gradually from 2012-13 to 2014-15 before marginally declining by 1.8% in 2015-16 and further declining substantially by 18.9% in 2016-17.
- In line with the trend of increase and decrease in exports and imports, the total trade between the two countries has also shown an similar trend i.e increasing from 2012-13 to 2014-15 and then declining in 2015-16 and 2016-17.
- India has consistently maintained a high trade surplus in its bilateral trade with Sri Lanka. The trade surplus, as a proportion of exports, has been around 85% in the last five years, with a high of 88% in 2014-15.

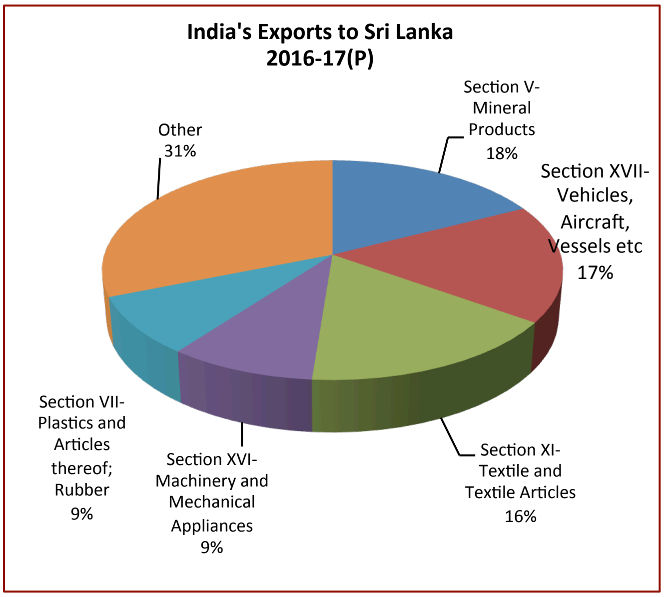
Trend of Trade in 2016-17

- The trade between India and Sri Lanka was valued at USD 4.5 billion during 2016-17 as compared to USD 6.05 billion during 2015-16, registering a sharp decline of 25.25%.
- The exports decreased by 26.14 % to USD 3.9 billion in 2016-17 from USD 5.31 billion in the previous year. As mentioned above, the decline is entirely contributed by reduction in export of aircraft by USD 1.22 billion.
- The imports decreased to USD 602.21 million from USD 742.79 million in the previous year. The decline is mainly on account of reduction in imports of spices, fresh fruits and textile products.
- On account of higher decrease in the exports vis-a-vis imports, the trade surplus decreased from USD 4.56 billion in 2015-16 to USD 3.32 billion in 2016-17.

Product-wise Analysis

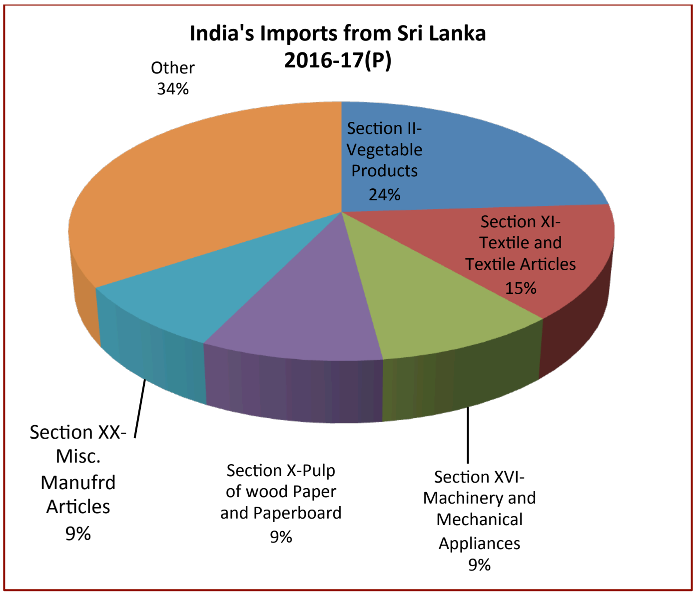
- The major products of exports and imports to/from Sri Lanka in 2016-17 are depicted in Figures 8.2 and 8.3 below, with details in Tables 8.2 to 8.5.

FIGURE 8.2



Source: DGCI&S Database

FIGURE 8.3



Source: DGCI&S Database

Exports

- Exports to Sri Lanka are quite diversified.
- Engineering sector contributed around 30% of India's exports to Sri Lanka in 2016-17 – mainly transportation articles such as cars, two/three wheelers and aircraft/ships (USD 630.82 million; 16% of exports), machinery such as industrial machinery (USD 328.07 million; 9% of exports) and base metals and products (mainly iron & steel) worth USD 203.46 million - 5% of exports.
- With exports of products valued at USD 634.2 million in 2016-17, mineral products (mainly petroleum products) contributed 18% of Indian exports to Sri Lanka.
- The other prominent products of export were textiles such as cotton/manmade yarn/fabrics/madeups (USD 594.74 million; 16% of exports), and plastic articles (USD 313.49 million; 9% of exports).
- Others products of export mainly comprise of chemical products (largely pharmaceuticals worth USD 196.75 million), vegetable products, , miscellaneous manufactured products, wood pulp and stones, cement (worth USD 160 million), etc.
- The top 5 product categories in Table 8.3 accounted for 64% of total exports to Sri Lanka.

Imports

- Vegetable products formed the largest component of imports from Sri Lanka, and contributed to 24% of total imports. The main products imported under this category were spices and fresh fruits amounting to USD 137.59 million.
- The other prominent imports were of engineering products (around 18% of imports) - mainly machinery (USD 54.06 million; 9% of imports) and ships/boats (USD 35.85 million; 6% of imports), textile products, mainly textile yarn, fabric, readymade garments (USD 82.85 million; 15% of imports), wood pulp including paper products (USD 53.83 million; 9% of imports) and miscellaneous manufactured products (USD 48.39 million; 9% of imports).

TABLE 8.2

Principal Commodities of Export from India to Sri Lanka (Top 10)

(Values in US $ Million)

S.No.	Commodity	2015-16	2016-17 (P)	% Growth
1	PETROLEUM PRODUCTS	569.19	458.10	-19.52
2	MOTOR VEHICLE/CARS	489.51	273.96	-44.03
3	COTTON FABRICS, MADEUPS ETC.	223.85	241.42	7.85
4	TWO AND THREE WHEELERS	221.22	226.23	2.26
5	DRUG FORMULATIONS, BIOLOGICALS	185.51	196.75	6.06
6	SHIP, BOAT AND FLOATING STRUCTURE	175.42	193.59	10.36
7	CEMENT, CLINKER AND ASBESTOS CEMENT	158.29	160.01	1.08
8	IRON AND STEEL	86.13	122.19	41.86
9	INDUSTRIAL MACHINERY FOR DAIRY ETC	120.1	119.6	-0.42
10	MANMADE YARN,FABRICS,MADEUPS	128.59	114.38	-11.04
	Total of Top 10 Exports	2,357.82	2,106.23	-10.67
	Total Exports to Sri Lanka	5,309.52	3,921.12	-26.15
	% Share- Top 10 Exports of Total Exports	44.41	53.72	

Source: DGCI&S Database

TABLE 8.3

S.No.	Section	2015-16	2016-17 (P)	% Growth
Principal Categories of Export from India to Sri Lanka (Top 50 commodities) (Values in US $ Million)				
1	Section V-Mineral Products	746.75	634.18	-15.07
2	Section XVII-Vehicles, Aircraft, Vessels and Associated Transport Equipment	2043.34	630.82	-69.13
3	Section XI-Textile and Textile Articles	564.27	594.74	5.40
4	Section XVI-Machinery and Mechanical Appliances	316.6	328.07	3.62
5	Section VII-Plastics/ Rubber and Articles Thereof	307.59	313.49	1.92
6	Section VI-Products of the Chemicals/Allied Industries	262.25	276.67	5.50
7	Section II-Vegetable Products	250.53	271.47	8.36
8	Section XV-Base Metals and Articles of Base Metal	134.74	203.46	51.00
9	Section XX-Miscellaneous Manufactured Articles	99.73	140.84	41.22
10	Section X-Pulp of wood, Paper or Paperboard; etc.	90.13	90.18	0.06
11	Section XIII-Articles of Stone, Plaster, Cement, Glass etc	41.56	50.82	22.28
12	Section IV-Prepared Foodstuffs; Beverages, Tobacco etc	90.54	33.92	-62.54
13	Section IX-Wood and Articles of Wood; etc	28.23	30.76	8.96
14	Section III-Animal or Vegetable Fats and Oils etc.	15.94	16.84	5.65
15	Section XVIII-Optical, Photographic, Cinematographic, surgical Instruments etc	12.51	13.35	6.71
	Total of Top 50 Exports	5004.71	3629.61	-27.48
	Total Exports to Sri Lanka	5309.52	3921.12	-26.15
	% Share - Top 50 of Total Exports	94.26	92.57	

Source: DGCI&S Database

TABLE 8.4

S.No.	Commodity	2015-16	2016-17	%Growth
Principal Commodities of Import from Sri Lanka (Top 10) (Values in US $ Million)				
1	SPICES	116.39	91.05	-21.77
2	PAPER, PAPER BOARD AND PRODUCT	48.99	53.83	9.89
3	OTHER TEXTILE YARN, FABRIC MADEUP ARTICLES	44.04	39.49	-10.33
4	FRESH FRUITS	80.64	36.28	-55.02
5	SHIP, BOAT AND FLOATING STRUCTURE	12.24	35.85	192.93
6	MISCELLANEOUS PROCESSED ITEMS	25.41	22.19	-12.67
7	COPPER AND PRODUCTS MADE OF COPPER	10.79	20.36	88.62
8	RMG COTTON INCLUDING ACCESSORIES	16.02	18.12	13.11
9	GRANITE, NATURAL STONE AND PRODUCT	15.85	17.7	11.64
10	PLYWOOD AND ALLIED PRODUCTS	20.09	17.53	-12.73
	Total of Top 10 Imports	390.46	352.4	203.67
	Total Imports From Sri Lanka	742.78	595.77	-19.79
	% Share – Top 10 of Total Imports	52.57	59.15	

Source: DGCI&S Database

TABLE 8.5

S.No.	Section	2015-16	2016-17 (P)	%Growth
	Principal Categories of Import from Sri Lanka (Top 40 commodities) (Values in US $ Million)			
1	Section II-Vegetable Products	214.6	137.59	-35.89
2	Section XI-Textile and Textile Articles	92.16	82.85	-10.10
3	Section XVI-Machinery and Mechanical Appliances	61.95	54.06	-12.74
4	Section X-Pulp of wood Paper or Paperboard; etc.	48.99	53.83	9.88
5	Section XX-Miscellaneous Manufactured Articles	98.09	48.39	-50.67
6	Section XVII-Vehicles, Aircraft, Vessels, Associated Transport Equipment	12.24	35.85	192.89
7	Section IX-Wood and Articles of Wood; etc	29.57	30.45	2.98
8	Section VII-Plastics; Rubber and Articles Thereof	23.79	27.67	16.31
9	Section IV-Prepared Foodstuffs; Beverages, Spirits; Tobacco etc	26.55	24.76	-6.74
10	Section VI-Products of the Chemicals or Allied Industries	14.11	23.46	66.27
11	Section XV-Base Metals and Articles of Base Metal	11.23	18.39	63.76
12	Section XIV-Pearls, Precious Or Semi-Precious Stones, Metals	15.85	17.7	11.67
13	Section V-Mineral Products	23.04	7.04	-69.44
14	Section XIV-Natural or Cultured Pearls, Precious Semi-Precious Stones/ Metals	2.42	5.5	127.27
15	Section XIII-Articles of Stone, Plaster, Cement, Asbestos Glass and Glassware	7.3	5.47	-25.07
	Total of Top 40 Imports	681.89	573.01	-15.97
	Total Imports From Sri Lanka	742.78	595.77	-19.79
	% Share – Top 40 of Total Imports	91.80	96.18	

Source: DGCI&S Database

Port-wise Analysis

- Sea ports at Nhava Sheva, Sikka, Chennai, Tuticorin and Mumbai are the top 5 ports which accounted for 51.67 % of exports to Sri Lanka in 2016-17. Nhava Sheva (Mumbai) contributed 21.95% of total exports in the year to Sri Lanka, which is the highest contribution from any port. The port-wise export data is summarised in Table 8.6.

TABLE 8.6

S.No.	Port Description	2016-17	% share
	India's Exports to Sri Lanka (Top 5 ports) VALUE (USD million)		
1	NHAVA SHEVA SEA	860.93	21.95%
2	SIKKA (Gujarat)	338.97	8.64%
3	CHENNAI SEA	332.38	8.48%
4	TUTICORIN SEA	258.66	6.60%
5	MUMBAI SEA	235.65	6.01%
	Exports of top 5 Ports to Sri Lanka	2,026.59	51.67%
	Total Exports to Sri Lanka	3,921.85	

Source: DGCI&S Database

- The top 5 ports from where imports took place from Sri Lanka in 2016-17 are Chennai, Nhava Sheva, Cochin, Brandix SEZ and Tuticorin. These ports account for 70.75 % of the total imports from Sri Lanka, as per details in Table 8.7.

TABLE 8.7

India's Imports From Sri Lanka (Top 5 ports)			
			VALUE (USD million)
S.No.	Port Description	2016-17	% share
1	CHENNAI SEA	146.24	24.28%
2	NHAVA SHEVA SEA	116.63	19.37%
3	COCHIN SEA	64.19	10.66%
4	BRANDIX INDIA APPAREL SEZ	53.67	8.91%
5	TUTICORIN SEA	45.30	7.52%
	Top 5 Ports Imports from Sri Lanka	426.04	70.75%
	Total Imports from Sri Lanka	602.21	

Source: DGCI&S Database

India-Sri Lanka Economic and Technology Cooperation Agreement

India and Sri Lanka FTA came into force in March 2000. Subsequently, the two countries decided to expand the scope of their economic engagement and completed negotiations for a Comprehensive Economic Partnership Agreement (CEPA) in 2008. The CEPA was aimed at building bilateral value chains and promoting services and investment on both sides. The agreement could not be made effective due to certain reservations on part of Sri Lanka, expressed after the negotiations were completed. During the Commerce Secretary level bilateral meeting, held on 21st December 2015 in New Delhi, Sri Lanka proposed broader economic engagement between the two countries through a proposed Economic and Technology Cooperation Agreement (ETCA) comprising of trade in goods, services, investments and economic and technology cooperation.

The negotiations for the ETCA commenced in August 2016 and are currently in progress with seven Working Groups negotiating different aspects of the agreement.