



A STUDY OF INDIAN FOREIGN TRADE WITH NEIGHBOURING COUNTRIES

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Abstract: In mainland India, number of states having international border is eighteen and this is numerically more than states without such boundaries. Most states have one international border, three & four states are contiguous with two & three foreign countries respectively. Borders of northern half of India are mainly land based while in southern part it is mostly marine. Foreign trade of India is taking place from both border and borderless states since time immemorial. There can be some differentiation on the basis of trade volume, nature of partner countries, transport infrastructure, etc for redirecting exports and imports as well as Covid-19 had also some discernible impact on border trade like its global affect being perceived on international arena. From these perspectives, this paper makes a descriptive and exploratory attempt to study foreign trade pattern of India with particular emphasis on international trading partners of neighbouring countries.

Keywords: International trade, Indian Borders, Covid-19

JEL: E60, F10, I10, R10, R40, R50

INTRODUCTION

Foreign trade of India (IND) with its neighbouring countries of Afghanistan (AFG), Bangladesh (BLD), Bhutan (BHT), China (CHN), Myanmar (MYN), Nepal (NPL), Pakistan (PKS) and Srilanka (SLK) draws its uniqueness from participating countries of being populous, deploy more labours in production process and transact in labour-intensive products (*Islam et al, 2019*). Alongwith

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trade competitiveness, trade environment are very important for such trade of IND and this greatly depends upon overall relationship with neighbouring countries across borders. IND - PKS conflict is well known since independence and assistance of IND in BLD liberation war, 1971 can provide some ground for less frequent border disputes in eastern side of India. Similarly, SLK, BHT, NPL & MYN are rarely heard of such news closing borders & trade and making flag meeting & border patrolling. Basically, northern & western borders and trade there get well obstructed by factors other than purely trade considerations, which in turn affect in diminishing possibility of foreign trade with Central Asia and other parts of the globe in chain (*Bano et al, 2014*). IND - PKS conflicts arise as a result of both sided problem, get influenced by military outlook in PKS whereas in NPL side, internal economic and political instability alongwith various embargoes lead to hindrances in trade sustenance and along the MYN border of North East IND, lack of transport infrastructure and separation among local, national & worldly trade motives and identity searching in confined spaces & outlooks, cannot provide a big fillip required towards increasing foreign trade of IND further with neighbouring countries (*Sharma, 2011; Gul et al, 2011*). Indian foreign trade with neighbouring countries also had prevalence of higher tariff structure in the past and placing prospective tradable items in negative list. Although IND & BLD having advantage of natural resources in production of small-scale manufacturing & agrarian supplies and trading consistently in readymade garments, sea food, raw cotton, cereals, products and machinery of iron & steel, their bilateral trade are not expanding despite its considerable rise with outside world partners and this indicates presence of certain physical & non-physical barriers which leave many potential products untraded and excluded from sensitive list (*Yadav et al, 2016*). South Asian Association of Regional Cooperation took remedial measures to remove all types of trade barriers through signing South Asian Preferential Trade Agreement & forming South Asian Free Trade Area and various other regional platforms like BBIN (BLD, BHT, IND, NPL) & BCIM (BLD, CHN, IND, MYN). According to *Karim et al (2018)*, BCIM has tremendous opportunities for expanding concerned foreign trade to touch the continents of Europe & Africa but also needs to overcome attached geopolitical complexities for its success as strained relations between Bangladesh & Myanmar over Rohingya refugee crisis has further fuelled already existing hurdles.

TRADE NATURE WITH NEIGHBOURING BORDER COUNTRIES

Mostly circulated traded items in this part of the World are food, beverages, consumption goods, capital goods and transport equipment, its parts & accessories. Both nationally produced commodities and third country products form part of frequently traded exports & imports. These items cross international borders through both formal and informal channels of trade, in fact informal trade volume is colossal. As IND & neighbouring countries are part of same land and in distant past, there had been no geographical boundary demarcation, informal trade among people and spaces prevailed long before initiation of formal trade. This informal network sustained by necessity, is well developed, exists as extralegal institutions and accepted as prevailing trade channel, trust, security & every piece of information remain attached to community ties, more so in presence of limited reach of formal trade network & financial institutions making it further difficult for a new beginner to approach formal trade channel (*Pohit et al, 2002*). From IND side, locally produced goods are informally exported while neighbouring countries send third countries commodities to evade high tariffs and domestic taxes, even instances are not rare for businessmen to start venture in Nepal & Bhutan for availing attached incentives and then, send finished products back to India informally (*Choden, 2004*). In view of *Singla (2016)*, compared to ASEAN, intra-regional trade in SAARC is lower due to existing tariff barriers, non-tariff barriers, requirement of more documents, absence of automated trading systems, much longer time taken for customs clearance and other political factors like India Pakistan territorial dispute for which there is no informal conflict management norm developed as its operation among Indonesia, Malaysia, Philippines, Singapore & Thailand in ASEAN brought success not only in conflict management but also in prevention of an armed inter-state conflict since 1967. Size of informal economy in Srilanka is one third of its formal economy, in Myanmar it is one half whereas in Nepal, it almost achieves equality and in Bhutan, this is found to be double relatively. Taken together in South Asia, trade volume in formal channel is having the potentiality to increase by another fifty to hundred pct in official record without doing anything if WTO and SAFTA agreements are implemented in true spirit to bring colossal volume of extralegal trade into cover of formal trade channel (*Indian Council for Research on International Economic Relations, New Delhi.; Taneja, 1999*).

EMPIRICAL FINDINGS

Empirical part is based upon mainly export and import data of IND with the WLD and the Neighbouring Border Nations (NBN) comprising, AFG, BLD, BHT, CHN, MYN, NPL, PKS and SLK, available in UNCOMTRADE from 1995 to 2020. Other parts are from various Government of India and Reserve Bank of India publications, given in reference.

Table 1

COUNTRY	LBS	WLDS	NBNTS
AFG	0.71	0.14	0.96
BHT	3.86	0.11	0.76
BLD	27.36	1.16	8.04
CHN	23.29	10.84	75.01
MYN	10.97	0.20	1.42
NPL	11.71	0.93	6.42
PKS	22.11	0.35	2.41
SLK	0.00067	0.72	4.99

Source: www.mha.gov.in & Wikipedia

IND shares about fifteen thousand kilometers international land borders with eight foreign countries of AFG, BLD, BHT, CHN, MYN, NPL, PKS & SLK. Above seventy percent (pct) borders are surrounded by only three of them – BLD, CHN & PKS (*Table I*).

In mainland India, eighteen states (Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tamilnadu, Tripura, Uttar Pradesh, Utrrakhand & West Bengal) are along the border lines and twelve states (Andhra Pradesh, Chhattisgrah, Delhi, Goa, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha & Telangana) are without any international borders. Among the border near states, Mizoram, Assam & Uttarakhand are contiguous with two foreign countries and J&K, WB, Sikkim & Arunachal Pradesh having international borders of three foreign countries while the majority - remaining eleven states share single international border. Areawise, these international borderclose and borderless states occupy nearly same space, around forty seven pct of Indian land. They share proportionately

almost same surface road lines as in 2017, this is in the ratio of fifty one to forty nine. In respect of railways presence, this is found to be higher for former category of states as according to available statistics of 2015-16, about fifty seven pct rail network runs along the border near states and the rest forty three pct presently roll over in other states. Their passenger & freight haulage statistics show that originating passenger numbers & passenger kilometers are in the ratio of around sixty to forty between border and borderless states while this is somewhat opposite in terms of originating tonnage, terminating tonnage & net tonnage kilometer. Similar pattern can be observed for air transportation as among six airports of Chennai, Delhi, Hyderabad, Mumbai, Kolkata and Bengaluru, air passengers are about twenty pct for Chennai & Kolkata airports together while their share in cargo are around twelve pct. Regarding port traffic of Kolkata, Paradip, Visakhapatnam, Kamarajar (Ennore), Chennai, Chidambaranar, Cochin, New Mangalore, Mormugao, Mumbai, JNPT & Deendayal, as per available statistics from April to December, 2019, Kolkata & Chennai ports are found to carry approximately sixteen pct freights. Statewise export for the years 2008–10 shows that around forty pct traffics are exported from six Border States of Gujarat, Tamil Nadu, Uttar Pradesh, West Bengal, Rajasthan & Punjab and further estimation projects probable share of upto forty seven pct for all eighteen Border States. According to Customs Zones data of Foreign Trade of India during 2018-2019, out of total thirty such outlets, about forty eight pct of Indian foreign trade are handled by eleven custom zones of border contiguous states whereas the rests are from nineteen custom zones of borderless states.

IND's trade with WLD constitutes of primarily Capital goods (except transport equipment), parts & accessories (CGETEPA), Consumption goods (CG), Industrial supplies (IS) and processed Industrial supplies (ISPRC). Separation into export and import category shows that CG & Food & beverages (FAB) are important export items for India and importwise, Capital goods (except transport equipment) (CGETE) and Capital goods (except transport equipment), parts & accessories (CGETEPA).

Trade with NBN takes place mainly in CGETE and Parts & accessories of capital goods (except transport equipment) (PACGETE). PACGETE is found to be the only important import item and exportwise, primary Industrial supplies (ISPRI) and Transport equipment, parts & accessories (TEPA).

From above discussion, IND' trade pattern with WLD is emerging to be different to that with NBN, particularly its import distribution. Total trade for major items of NBN participants are more divergent than its separate export & import classification. This shows FAB are the main trade items for AFG, MYN, BLD, PKS, NPL & SLK alongwith ISPRI for BLD & PKS and TEPA for NPL & SLK. This last item is the only important commodity for foreign trade with BHT. Countrywise there are variations as mentioned in *Table II*:

Table 2

<i>Country</i>	<i>Trade Items</i>	<i>Export Items</i>	<i>Import Items</i>
AFG	Semi-durable consumption goods, Food & beverages (incl., Primary and mainly for household consumption)	Non-durable consumption goods	Food & beverages (incl., Primary and mainly for household consumption), Primary industrial supplies
BHT	Capital goods (except transport equipment), Parts & accessories of capital goods (except transport equipment); Transport equipment, parts & accessories		Transport equipment, parts & accessories
BLD	Primary industrial supplies	Consumption goods, Semi-durable consumption goods, Food & beverages, Industrial supplies, Processed industrial supplies	Food & beverages, Primary industrial supplies
CHN	Primary industrial supplies	Parts & accessories of capital goods (except Transport equipment)	Capital goods (except transport equipment); Parts & accessories of capital goods (except transport equipment)
MYN	Capital goods (except transport equipment), parts & accessories; Non-durable consumption goods, Processed Food & beverages and mainly for household consumption	Food & beverages (incl., Primary food & beverages And mainly for household consumption)	Food & beverages (incl., Primary food & beverages and mainly for household consumption), Processed Food & beverages and mainly for household consumption
NPL	Transport equipment, parts & accessories	Consumption goods, Semi-durable consumption goods, Food & beverages, Primary food & beverages and mainly for household consumption, Processed food & beverages and mainly for household consumption	Food & beverages; Transport equipment, parts & accessories

Country	Trade Items	Export Items	Import Items
PKS	Primary food & beverages, Primary industrial supplies	Food & beverages (incl., Primary food & beverages and mainly for household consumption, Primary industrial supplies	Food & beverages (incl., Primary food & beverages and mainly for household consumption, Primary industrial supplies
SLK	Transport equipment, parts & accessories	Food & beverages (incl., Primary food & beverages and mainly for household consumption), Transport equipment, parts & accessories	Food & beverages, Transport equipment, parts & accessories

Source: comtrade

Over the years, IND's overall trade composition with WLD are not found to show any alteration but its foreign exchange altered with NBN as CGETE, CGETEPA & PACGETE became more important alongwith lower share for FAB, both FABPRI & FABPRIHC and FABPRCHC.

AFG

IND's trade with AFG increased in FAB, FABPRC, IS & processed Industrial supplies (ISPRC) and decreased in non-durable Consumption goods (CGND) & TEPA. This can be observed in increased export share of FAB, FABPRC, both higher export & import share of IS and ISPRC. While import of CGND and TEPA slowed down.

BLD

IND's trade with BLD became favourable for CGSD, GN & ISPRI and in odds for FAB, FABPRC & mainly for FABPRCHC. This is possible due to compatible increase in export share of ISPRI and import share of CGSD alongwith simultaneous large fall in both export & import share of FABPRC.

BHT

Over the years, IND's trade with BHT grew relatively in CGETEPA whereas those of FAB, FABPRC, processed mainly for FABPRCHC and IS receded. This resulted from alteration of export composition mainly as its import bundles not reflecting any major changes.

CHN

For IND's trade with CHN, its export composition registers major changes only in reducing shares of some items, however its import share results are

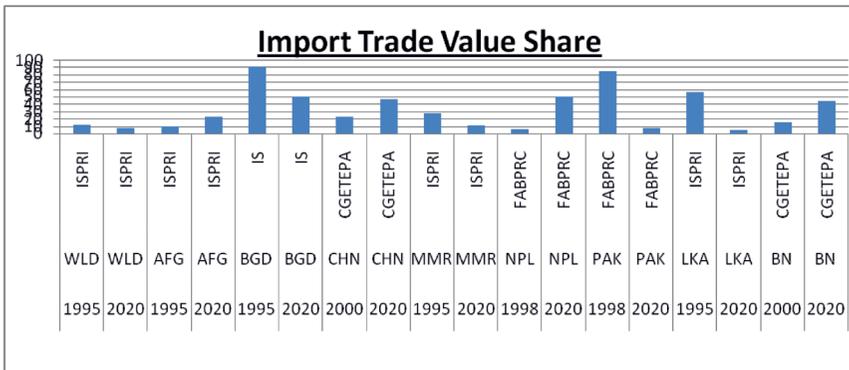
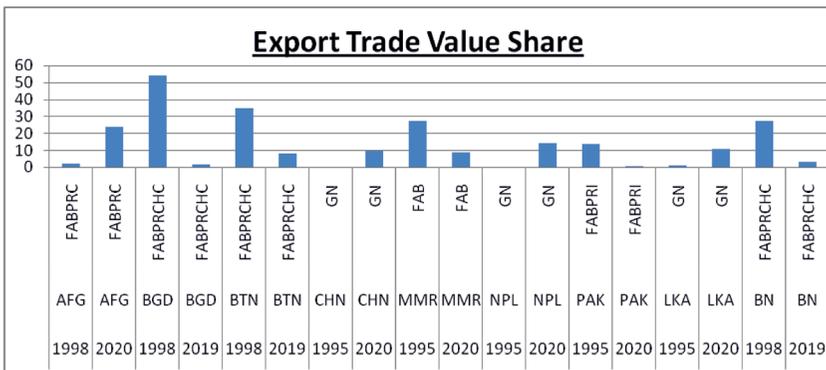
mixed in nature. Overall trade flourished basically in CGETEPA, PACGETE while those in FABPRCHC, IS, both ISPRI & ISPRC shrunk. Its reflection can be found separately through rise in import share of CGETEPA alongwith simultaneous fall in both export & import share of FABPRCHC, IS, ISPRI and ISPRC.

MYN

Overall export growth of FAB came down relatively but FABPRCHC grew faster. Other important items which export share became improved are CG, CGETE, FABPRCHC and from import respect which share fell substantially are ISPRI. Accordingly, IND's trade with MYN improved in CGETE, CGETEPA, CG, CGND, FABPRC, FABPRCHC, ISPRC, TEPA and deteriorated comparatively in FAB, FABPRI, FABPRIHC & ISPRI.

NPL

IND's trade with NPL increased in CGETE, CGETEPA, FABPRC, GN, TEPA and decreased in CG.



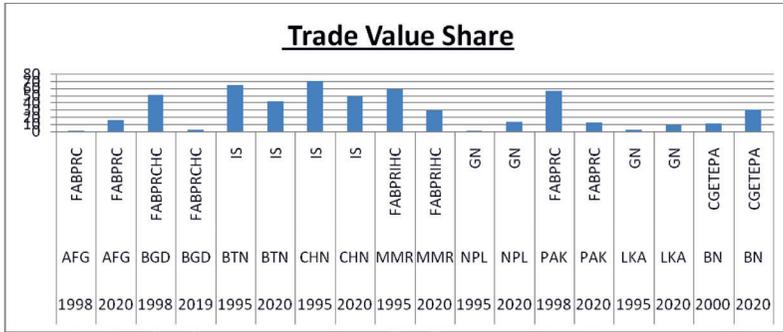


Figure 1

Source: comtrade, fab – Food and beverages, fabprc - processed Food and beverages, fabprchc – processed Food and beverages, mainly for household consumption, fabprI – primary Food and beverages, gn – goods, is - Industrial supplies, CGETEPA - Capital goods (except transport equipment), parts & accessories, Afghanistan (AFG), Bangladesh (BLD), Bhutan (BHT), China (CHN), Myanmar (MYN), Nepal (NPL), Pakistan (PKS) and Srilanka (SLK)

This can be observed in increased export share of CGETE and import share of FABPRC while both export & import share of CG dropped simultaneously.

PKS

Trade with PKS became favourable for ISPRC and unfavourable for FAB, FABPRI, FABPRIHC, FABPRC, FABPRCHC & ISPRI. This is possible due to soothing fall in both export & import share of FAB, FABPRI, FABPRIHC and FABPRC alongwith sole reduction in import share of ISPRI as well as ISPRC. Import share of FAB fell by greater margin than rise in its export share.

SLK

IND’s trade with SLK exhibit relative acceleration in GN, FABPRC & CGETE and deceleration in ISPRI & TEPA. Its compatibility can be noted in flourishing both export & import shares of CGETE and FABPRC, greater increase in export share of GN than its fall in import share as well as simultaneous fall in export & import shares of TEPA & ISPRI respectively. Figure I later shows such growth pattern for NBN countries separately.

NBN

IND’s export with NBN presently is about fifteen pct of its foreign exchange with WLD and countrywise, this counts below one pct for AFG, BHT, MYN,

NPL & PKS, although in recent years, IND's export share with NPL is found to exceed that. For BLD & SLK, this ranges between one to two pct and China hovers around five pct at recent times. Among NBN countries, IND's export mainly goes to CHN in the range of twenty to fifty pct, BLD in the range of twenty to thirty pct and SLK in the range of ten to twenty pct while NPL & PKS share below ten pct each and export shares of AFG, BTN & MYN are only about two pct at best.

BHT is the only country for which IND's export basket does not depict any exceptional growth for concerned items separately than its overall pattern. Overall IND's export with NBN depicts relatively faster growth in IS.

IND's import with NBN presently is above fifteen pct of its foreign exchange with WLD and countrywise, this comes mainly from CHN as all other participants score below one pct. Among NBN countries, seventy to ninety five pct IND's import mainly comes from CHN and all other seven countries shares add to the maximum of five to ten pct.

BHT import basket, similar to its export one does not depict any exceptional growth for concerned items separately than its overall pattern. In CHN, the major supplier for IND in NBN circle, mentionable import share rises are present in CGETE, CGETEP, CG, its all constituents CGD, CGND & CGSD, GN, IS, ISPRC, PACGETE, TEPA. Import shares of primary Industrial supplies also show improvement from BLD, MYN, SLK, AFG and only for AFG, these are found in recent time periods.

Taken export & import together, IND's total trade activities with NBN presently is about fifteen pct of its all foreign exchange with WLD and countrywise, this stands around ten pct for CHN, for BLD fluctuating around one pct while all others shares are below one pct. Among NBN countries, fifty to eighty pct trade activities of IND take place with CHN, those of BLD, SLK & NPL are in the range of five to twenty pct whereas shares of remaining MYN, PKS, AFG & BTN are meager, five pct at best.

IND's overall trade composition with BHT, similar to its separate export and import classifications, does not make any exceptional growth for concerned items separately than its overall pattern. Itemwise trade share of BHT in that of NBN also do not record any noticeable deviation from total growth rate pattern. In CHN & SLK, CGSD trade with IND did proceed at relatively greater volume. SLK alongwith MYN & NPL register this also in

CGND trade. At other end, IS & ISPRI related foreign trade of IND with NBN developed faster in CHN & BLD and that of TEPA in BLD, NPL & SLK. Overall, GN is found to grow at a faster rate in CHN, NPL & SLK, although for NPL it started recently.

C-19 affect

Performance evaluation shows that IND's trade with the WLD, its aggregate exports & imports came down and that with NBN is also similar except its export shrinkages were partial, affecting mainly CGETE. Separate countrywise trade activities, export & import performances in NBN collection, estimates complete disruption of IND's foreign trade with PKS, SLK & MYN while such devastations are found in only import from BHT and overall, in trade relation with CHN & its imports. Partial impact of C-19 on foreign trade of IND with NBN can be noted for NPL, BLD, BHT & AFG. Although AFG & BHT shares are at very lower end but these remained the least affected in that order. IND's trade & export suffered in CGETE and CGETEPa while import disruptions were also present in IS & ISPRC, in addition.

CONCLUSION

Among eight countries, India's land borders are mainly with Bangladesh, China, Pakistan, Nepal & Myanmar but in respect of its foreign trade with these nations, China turns out to be the major partner in World & Neighbouring Nations trade share, other countries are Bangladesh, Nepal & Srilanka. Among Neighbouring Nations, India's export & trade relations are mainly with China, Bangladesh & Srilanka alongwith emergence of Nepal as important trader in recent years while its import sources are predominantly from China. Food & beverages and Consumption goods are mostly traded items in foreign trade with neighbouring countries while capital goods related trades exist mainly with Bhutan & China and Transport equipment, parts & accessories related transactions are found in Srilanka, Nepal & Bhutan. Border contiguous states of India and other states occupy almost similar share of spaces, surfaced roads & trade participation in the ratio of about forty eight to fifty two, however railways connectivities are greater in the former states although overall transport infrastructure is inadequate. Like complete disruption in India's foreign trade with the World during Covid-19, those with Myanmar, Pakistan & Srilanka

were adversely affected while partial impact was observed for other countries of Neighbouring Nations and Neighbouring Nations all together.

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