



Trade Diplomacy of India

Why in news?

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According to official estimates India's trade with its neighbours has surged in recent years.

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What is the status of India's trade with its neighbours?

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- From 2.86 per cent in 2013-14, India's combined trade with the seven SAARC nations and Myanmar moved up to 3.56 per cent of total trade.
- The share of the neighbourhood in total exports increased from 5.72 per cent in FY14 to 7.75 per cent in FY18, with Bangladesh and Nepal pulling up the averages.
- Bangladesh, Sri Lanka, Nepal put together contributed 13 per cent (\$2.2 billion) of India's total vehicle exports of \$17 billion in FY18.
- India-Maldives trade from \$110 million to \$222 million over the last four years.
- Despite problems of accessibility, India-Afghanistan trade increased by 67 per cent to \$1.14 billion. India-Bhutan trade was up 82 per cent to \$0.91 billion.

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What were the initiatives of India in boosting trade?

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- The government's outreach to its neighbours included initiatives such as Prime Ministerial visits, resolving long pending issues like Land Boundary Agreement with Bangladesh has helped to stabilise trade.
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- Opening land visa with Myanmar, implementing decade old connectivity proposals, addressing trade logistics issues and offering soft loans and aid at an unprecedented scale also helped India.
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- Though trade was not the only objective of this initiative, it gained prominence in recent years, despite stiff competition from China.
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What were the disturbances in trade?

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- In FY18 India-Sri Lanka trade witnessed volatility, India's vehicle exports to Sri Lanka and Nepal were down 17 per cent and 10 per cent respectively.
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- While Pakistan is an unwilling trade partner, maintaining bilateral trade at around \$2 billion for years.
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- Indo-Myanmar trade, which has also been stagnant at around \$2 billion for some time, was affected by India's restrictions on pulses imports last year.
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How neighbourhood trade strengthens India's diplomacy?

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- While the political relations between Nepal and India have been rocky, both nations worked at improving trade relations over the last four years.
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- India contributed generously to Nepal's post-earthquake reconstruction (\$750 million aid).
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- India also made progress in improving trade logistics, invested heavily in cross-country electricity infrastructure that helped mitigate the power

shortage in Nepal, lined up investments in oil pipeline, and rail connectivity.

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- India-Bangladesh relations are witnessing a steady improvement, with India stepping up its financial assistance programme from \$1 billion to nearly \$8 billion.

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- Project exports will boost bilateral trade in the years to come, helping India recover some of the lost ground from China.

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Source: Business Line

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