WORKING PAPER NO. 47

INFORMAL TRADE IN THE SAARC REGION

NISHA TANEJA

MARCH, 1999

INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS
Core-6A, 4th Floor, India Habitat Centre, Lodi Road, New Dlehi-110 003

FOREWORD

Issues relating to South Asian economic cooperation and South Asian economic integration receives high priority in ICRIER's research agenda. In assessing the potential for economic integration, formal and informal trade flows need to be taken into account. The core question in this study "Informal Trade in the SAARC Region" has been to evaluate the extent to which SAFTA can lead to a shift in trade flows from illegal to legal channels. The study begins with an empirical documentation of the magnitude and composition of trade flows in the South Asian region. Factors obstructing official flows have been analysed in order to see how SAFTA can help in bringing a shift from illegal to legal channels.

An analysis of the nature of trade flows reveals that a significant proportion of India's exports to South Asia takes place through the illegal/informal route because of tariff and non-tariff barriers. With SAFTA, such goods would automatically shift to the formal channel and consequently India's official exports to South Asia will increase. However, since India's unofficial imports from South Asia consist largely of third country goods, they will not be affected by the removal of trade barriers in the region. Such changes are likely to alter the trade balances on both official and unofficial accounts.

The analysis also shows that SAFTA would be ineffective in bringing about a change in trade flows in situations where other factors, notably high transport costs and domestic policy distortions, influence the flow of illegal trade. Under such conditions, a different set of policy initiatives would have to be taken to enhance flows through official channels. The study was funded by the International Development Center of Japan, Tokyo, and was completed in March 1999.

I hope that this paper contributes to an understanding of the large potential for economic cooperation that remains untapped in the South Asian region.

Isher Judge Ahluwalia
Director & Chief Executive
ICRIER

INFORMAL TRADE IN THE SAARC REGION[1]

This paper explores issues relating to informal trade[2] in the SAARC region. It spells out the reasons underpinning illegal trade in the South Asian region. Further it focuses on the estimated size and composition of informal trade in the region and highlights its relationship to formal trade. The study examines the modalities under which such trade prospers. It analyses the impact of tariff and non-tariff barriers on informal trade and also considers the implications of transportation costs and other costs that influence informal trade. The possible impact of domestic policy distortions on illegal trade have also been looked into. The study probes into the extent to which Regional Co-operation in South Asia will influence the shift of illegal trade flows to legal channels.

I INTRODUCTION

In recent years the global trading environment has seen two distinct changes. **First,** most countries particularly the emerging markets have adopted unilateral trade policy reforms, which have been accompanied by steps towards deregulation of the domestic markets. This process is now being perceived as irreversible. The greater and increasing participation of these markets in the Uruguay Round and now at the WTO indicates the commitment to free trade under a multilateral framework. **Second**, the new trading environment has witnessed a growth of regional trading agreements. The recent revival and increasing popularity of regionalism is different from the regional integration initiated in the sixties and seventies. New- Regionalism is qualitatively different from the earlier cycles of regional integration in that they go beyond conventional trading arrangements and encompass, in addition, trade in services, movements of labour and capital, the harmonisation of regulatory regimes, and the co-ordination of domestic policies that influence international competitiveness. In this context they can be characterised as experiments in 'deep integration'[3].

South Asian countries have also experienced changes in line with the global trading environment. At the beginning of the 1990s, the South Asian countries adopted unilateral trade policy reforms, aimed at integrating themselves with the world economy. Thus countries that are

[1] I am grateful to Isher J. Ahluwalia and Pronab Sen for useful comments.
[2] The terms 'informal', 'illegal' and 'unofficial' have been used synonymously.
[3] Drabek and Laird (1998)

highly integrated into the world economy tend to exhibit a higher trade to GDP ratios. In 1985, this ratio was 15.4% for South Asia but during the early 1990s it increased to a higher level averaging 21.5%. Within South Asia India has the lowest degree of openness and Sri Lanka has the highest trade to GDP ratio. Thus while India had an openness ratio of 21% in 1996, Sri Lanka had a ratio of 67%. South Asia's effort towards global integration has been only moderate since it continues to be the least integrated in the world.

The South Asian countries have also seen the emergence of regional cooperation. The South Asian countries of Bhutan, Bangladesh, India, Maldives, Sri Lanka, Pakistan, Nepal formed the South Asian Association for Regional Co-operation (SAARC) more than a decade ago in 1985. While in the initial years regional co-operation did not cover core issues related to trade and investment, a major initiative promoting greater regional economic co-operation was undertaken in 1991, when it was decided to establish a SAARC Preferential Trading Arrangement. Since then two rounds of South Asian Preferential Trading Arrangements (SAPTA) have been concluded and negotiations for the third round are currently in progress. The member countries have envisaged the formation of a South Asian Free Trading Arrangement (SAFTA) by 2001, enabling the dismantling of all barriers to intra regional trade, but looking at the actual progress on the ground it is reasonable to surmise that this may take considerably longer. In fact the Group of Eminent Persons (GEP) set up by the Heads of State has taken the view that SAFTA may be feasible only by 2010.

The question is has there been any significant increase in intraregional trade with the developments so far? While trade has certainly accelerated in the region since 1985, the volume remains abysmally low. While on the positive side movement from SAPTA I to SAPTA II meant an increase in the number of commodities and addressed to an extent the issue of non-tariff measures, SAPTA has its failings. Firstly, SAARC has adopted a commodity-by-commodity approach to regional trade liberalisation. So far under the two rounds of SAPTA the South Asian countries have offered tariff concessions on only 2097 commodities. This list has to be extended to a total of 35000 commodities. Moreover the tariff concessions offered were much lower in the second round than in the first. Thus while in the first round tariff concessions ranged between 10 and 100%, in the second round they were between 10 and 50% only. Perhaps the biggest shortcoming of this approach is that it has not ensured adequate trade coverage. Thus in the case of India, while the number of commodities was increased from 106 to 904, the share of India's imports for commodities under concessions to its total imports from SAARC countries increased only marginally from 11.2% to 11.3%. Such low coverage of trade under concession raises strong doubts about the progress in trade liberalisation in the SAARC region.[4]

Yet another stumbling block in the progress of SAARC is the political tension between India and Pakistan. Pakistan has yet to accord India a MFN status. This goes against the spirit of preferential trading and the attainment of free trade. In fact the non-performance of SAARC has led to rumblings amongst the smaller SAARC members like Bangladesh, Sri Lanka and the Maldives that the political standoff between India and Pakistan was a dead weight on the grouping. In order to enhance the pace of progress in economic co-operation, some countries have proceeded to sign bilateral trading arrangements. In fact India has gone ahead with lowering tariffs on a bilateral basis with other SAARC members. Bhutan and Nepal already have zero tariff barriers with India. While India and Sri Lanka have recently concluded the India-Sri Lanka free trade accord talks with Bangladesh are also underway. With these developments it is not unlikely that Maldives will seek a similar pact.

Economic co-operation in South Asia has also been inhibited to some extent by the fear among the smaller countries in the region that as the largest country in the region, India is likely to receive a disproportionately high share of any gain accruing from such co-operation[5]. Though evidence based on theoretical studies points to the contrary - Srinivasan and Canonero (1995) estimated that the gains from regional co-operation in South Asia would flow proportionately more to the smaller countries than to the larger ones - the fear persists.

The focus of the present study is the flourishing illegal trade in the region. It is widely believed that trade in the region could increase substantially if such trade could be brought within the ambit of official trade. However this will largely depend on the nature of illegal trade, which is discussed later in this paper. While legally conducted trade is synonymous with international trade, the illegal or unofficial trade is popularly known as smuggling. Illegal trade is often observed between such border-states where the frontiers are large (long), the means of enforcement lax, and the rewards from illegal trade high relative to those from legal channels.

[4] Mehta and Bhattacharya (1997)
[5] Naseem (1996)

Normally foreign trade occurs and prospers between countries depending upon the demand, supply and price factors of the traded goods/commodities. Whenever normal official trade gets obstructed on economic or non-economic considerations, especially between neighbouring countries with long borders, unofficial trade becomes the significant and occasionally even the dominant form of the exchange of goods between such countries.

Unofficial trade or smuggling constitutes an illegal activity undertaken clandestinely to import /export dutiable goods without paying customs duties or adopting illegal means to have such duties reduced. Such trade takes place through both authorized and unauthorized channels. In the case of the former, illegal trade flows take place through under/over invoicing, misclassification of exports/imports, under/over weighment or underpayment/ nonpayment of customs duties via mis-declaration of goods.

In the case of the latter, goods and items are clandestinely transported over unchecked points across terrestrial borders where the inadequate or lax administrative machinery is unable to check such trade. This phenomenon is widely observed between India and the other countries in the SAARC region.

The core issue here is whether moving towards a Free Trade Area would bring about a significant shift in trade flows from illegal to legal channels. This in turn would depend on the factors underlying such trade. In the South Asian context several economic and non-economic factors play an important role in determining whether illegal trade would shift to formal channels or co-exist with legal trade.

Firstly, it has to be kept in mind that the economies of South Asia are in many ways quite different from other developing economies that have formed in the past or are presently contemplating preferential trading blocs. Unlike most of them, prior to the 1947 partition of the sub-continent, Bangladesh, Pakistan and India were in fact a single country politically, economically and monetarily. This historical fact continues to be relevant since a large part of the illegal trade flourishes because of the traditional, historical, economic and ethnic links.

The most popular argument used to explain the occurrence of illegal trade is the presence of trade distortions across countries. Thus import restrictions, tariff barriers and differences in exchange rate regimes could lead to informal trade. SAFTA would suggest a removal in tariffs and to the extent that high tariffs encourage the use of illegal channels a shift from illegal to legal trade can reasonably be expected to occur.

Similarly, the South Asian Countries impose non-tariff barriers-particularly in the form of quantitative restrictions, which obstruct the flow of trade through legal channels. Again, SAFTA would mean abandoning such barriers and a consequent shift of such trade to legal channels is likely to take place.

While Free Trade Agreements seek to enhance trade flows within a region, they require rules of origin to ensure that goods from third countries passing through another member country of the FTA before arriving at the final market for consumption, meet minimum processing requirements to benefit from duty free entry. Commodities that fall beyond the rules of origin will continue to be smuggled. Such rules of origin can be complex and sometimes provide the excuse to block trade, operating in effect as a non-tariff barrier[6].

One factor responsible for the preference for unofficial channels could be the lower transactions costs associated with this route. Thus as long as transactions costs are high, exporters will prefer to use unofficial channels. Transaction costs are those costs (non-price factors) that do not enter directly the physical process of production of a good[7]. Problems with transportation as caused by infrastructural bottlenecks are one such cost. A distinctive feature of the South Asian countries is the inadequate transit and transport systems. This often results in high transport costs in the region and creates a strong incentive for trade to take place through informal channels. It can be seen that transport costs both direct and indirect are not quite related to the trade and industrial policy environments of the region and informal trade of this nature may remain even if liberalisation policies of the countries continue.

It is also possible that trade through illegal channels takes place because of domestic policy distortions. Such distortions are evident in different fiscal regimes in the South Asian countries. In order to meet domestic policy objectives governments have different tax regimes and also employ subsidies and administered price mechanisms. The Government also plays an active role in the distribution of some commodities. These factors cause prices to differ across borders, and make illegal trade profitable. The important point about domestic policy distortions is that they are not addressed either by SAFTA or by the WTO.

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[6] Krueger (1993)
[7] Exim Bank (1999)

II TRADE FLOWS

We need to examine how large the official trade flows are and how they are related to unofficial trade flows. Various studies have estimated the size of unofficial trade that India has with its neighboring countries in the South Asian region. Since India is the only country which shares its border with almost all the South Asian countries and at the same time no country shares its border with countries other than India within South Asia the central actor in unrecorded Trans-border trade has been India. It has to be kept in mind that unofficial trade estimates for different SAARC countries have been made at different points of time. In order to understand the nature of informal trade and its relationship to formal trade we have used figures of formal trade corresponding to the years for which estimates of illegal trade are available.

Bangladesh unofficial trade estimates are available for the year 1992-93[8]. Estimates of illegal trade were made using the 'Delphi' technique, which is essentially used for gathering and processing the opinions of informed individuals. The iterations are repeated till broadly converging responses are received. For the field survey 18 important smuggling centers were selected. Relative shares of different smuggling centers were assessed in order to estimate the total volume at the district level. State level volumes were then estimated by aggregating district level volumes.

Bangladesh is sandwiched between West Bengal and the North Eastern states of India. The North Eastern states in India are relatively underdeveloped compared to the other states in India. Goods have to be transported around Bangladesh to reach the North Eastern states. Thus it becomes cost effective for the North Eastern states to trade informally with Bangladesh. However the magnitude of illegal trade between the North Eastern states and Bangladesh is much less than that takes place between the districts of West Bengal and Bangladesh. Thus of the total informal trade that takes place only 3% and 1% is accounted for by Assam and Tripura in the North Eastern region. The rest 96% is accounted for by West Bengal.

[8] Chaudhary (1995)

Table A.1
India's Official Trade with South Asia
($ million)

	Exports (X)	Imports (M)	Trade Balance (X-M)	Total Trade (X+M)
Bangladesh[1]	349.1	7.8	341.2	356.9
Sri Lanka[2]	174.5	11.5	163.0	186.0
Pakistan[3]	157.2	36.1	121.1	193.3
Nepal[4]	47.7	14.9	32.8	62.6
Bhutan[5]	7.0	3.0	4.0	10.0
Mynamar[6]	24.0	120.0	-96.0	144.0

Sources: Chaudhary (1995) for Bangladesh; Sarvananthan (1994) for Sri Lanka; Commodity Trade Statistics for Pakistan, Nepal, Bhutan and Mynamar

Notes : X denotes exports while M denotes imports
[1](1992-93) [2](1991) [3](1994) [4] (1990) [5](1994) [6](1994)

India's Un-Official Trade with South Asia
($ million)

	Exports (X)	Imports (M)	Trade Balance (X-M)	Total Trade (X+M)
Bangladesh[1]	299.0	14.0	285.0	313.0
Sri Lanka[2]	142.8	121.0	21.8	263.7
Pakistan[3]	n.a.	n.a.	Positive	2000
Nepal[4]	n.a.	n.a.	Negative	626
Bhutan[5]	31.3	1.2	30.1	32.6
Mynamar[6]	25.7	47.8	-22.1	73.5

Sources: Chaudhary (1995) for Bangladesh; Sarvananthan (1994) for Sri Lanka; Economist (1996) for Pakistan; Muni (1992) for Nepal
Rao et. al. (1997) for Bhutan and Mynamar

Notes : X denotes exports while M denotes imports
[1](1992-93) [2](1991) [3](1996) [4] (1989) [5](1993-94)

The level of total unofficial trade[9] comprising of both exports and imports was $313 million, of which the bulk was exports of $299 million. In the corresponding year official trade was $ 357 million where, exports were $349 million constituting bulk of total official trade. (See Table A.1). Two features emerge; first, the magnitude of formal and informal trade is roughly the same. Second both on the official and unofficial account India has a trade surplus with Bangladesh again, of the same magnitude.

The pattern of India's official and unofficial trade with **Sri Lanka** follow a different pattern. Unofficial trade estimates between India and Sri Lanka are available for the year 1991. We first begin with the method of estimation. Unofficial trade is carried out both by air and sea. Of the total contraband trade, 65% is carried out by air and the rest is carried out by sea. While there is hardly any passenger traffic by ship between India and Sri Lanka, a number of regular boats ply between India and Sri Lanka purely for contraband purposes. For instance gold and silver are smuggled in large quantities by sea from Sri Lanka to India because the smuggling of these high value goods is less risky by sea. In addition bulky items like electronic goods are also smuggled by sea in greater quantities. Estimates have been made on the basis of a survey where the traffic by air and by sea is taken into account, the proportion of traffic involved in contraband trade, and the amount of goods carried by such persons[10].

On this basis total contraband trade has been estimated to be $264 million, where unofficial exports were $143 million and unofficial imports were $121 million, amounting to roughly the same magnitude. India's official trade with Sri Lanka in 1991 was $ 186 million. The magnitude of exports was $174.5 million and that of imports were insignificant. (See Table A.1). India's official trade with Sri Lanka is similar to that with Bangladesh on one count viz. India has had a trade surplus with Sri Lanka. However unofficial trade account with Sri Lanka is more or less balanced.

A crucial factor that has contributed to an acceleration in the contraband trade between the two countries is the ethnic unrest in Sri Lanka .The successive riots in 1977, 1981 and 1983 had immensely contributed to the growth in unofficial trade. A large number of traders and industrialists fled to India and established businesses there. While a vast number of them returned after 1983, the persisting uncertainty and insecurity has revived and re-established the historical commercial ties between the two countries (both legal and illegal). Most of the passengers

[9] Other estimates of illegal trade between India and Bangladesh by Bakht (1995) and Rahman and Razaqque (1998) are roughly 125% of the legal commodity trade.
[10] Sarvananthan (1994)

travelling between India and Sri Lanka by air are of Sri Lankan origin. Thus mostly Sri Lankans carries out the contraband trade.

India's unofficial trade with Sri Lanka has certain features. Firstly the contraband trade between India and Sri Lanka is a two-way operation. That is goods are smuggled from India to Sri Lanka and vice-versa. The value of such trade in both directions seems to be only marginally different (unlike the official trade gap, which is enormous). In fact India's unofficial imports are almost 10 times greater than the official imports. In contrast, the contraband trade between Sri Lanka and almost all other countries are one way operations where goods are smuggled from abroad to Sri Lanka and not vice-versa. Secondly the total two-way contraband trade between India and Sri Lanka is more than the official trade between them. Thirdly, the two-way contraband trade between India and Sri Lanka is the largest contraband trade between Sri Lanka and any single country.

Estimates of informal trade between India and **Nepal** have been placed at 8 to 10 times that of formal trade. While there are no formal estimates, it is believed in some quarters that during a number of years between 1978 and 1989: value of goods smuggled between India and Nepal may be 8 to 10 times that of officially recorded bilateral trade. (See Table A.1). While separate estimates on informal exports and imports are not available it is believed that informal trade is largely in one direction, namely from Nepal to India. In other words India has a trade deficit with Nepal on the unofficial trade account. This growth has been facilitated by the complete freedom of currency movement between the two countries. In a study on Indo-Nepal border trade[11] a survey was conducted in 10 representative villages/towns of the two sides of the border. In a sample of 1000 border inhabitants it was found that 32% of the respondents traded through non-authorized customs points. The survey also revealed that the Indian border inhabitants go more for unauthorised trade (75%) than their Nepalese counterparts (64 %). An interesting finding of the survey was that almost all the respondents were in favour of making border trade duty free. However a large proportion (77%) of them indicated that there should be a ceiling of upto Rs 5000 worth of goods that they could carry. Clearly a ceiling was in the interest of the traders so that a difference in border prices could be maintained. Lack of a ceiling would have a tendency to equalize the price structure of goods, which could result in lower profit rates.

Official trade of Nepal with India was of the order of $62.6 million in 1990. India exported $ 47.7 million worth of goods and imported

[11] Jha (1995)

goods worth $14.9 million only. Thus while India has a trade surplus with Nepal on the official account it has a deficit on the unofficial account.

Information on Indo-**Pakistan** unofficial trade is quite scanty. Islamabad estimates that Indian goods worth $1 billion are smuggled annually across the Indo-Pak border. Legal trade through third countries, mainly Dubai is placed at another 1 billion[12]. (See Table A.1). In particular machineries used in the production of textiles and those used in tanneries are exported to Pakistan indirectly through Dubai, CIS countries and Afghanistan[13]. Although the operation is circuitous it is cheaper than imports from Europe USA and Japan. As mentioned earlier, strained political relations and the fact that Pakistan has not accorded India a MFN status are largely responsible for these trends. At present Pakistan allows India to import only 596 products.

Estimates for unofficial trade with **Bhutan** are available for 1993-94[14]. Unofficial trade was of the order of $33 million, almost all of which was exports to Bhutan. (See Table A.1). Official trade in that year was only a third of unofficial trade. It can be seen that while India had a trade surplus with Bhutan on the official account it had a trade surplus of a much larger magnitude on the unofficial trade account.

Even though Mynamar is not a member of SAARC, because of its long land border with India and the extent of the trade flow it has been covered in this paper. Maldives on the other hand has not been covered even though it is a SAARC member because the size of the trade flow is very limited. India's unofficial trade with Mynamar in 1993-94 was $74 million while official trade was almost double of unofficial trade. India had a trade deficit with Mynamar on both official and unofficial account though in the case of the latter it is of a smaller magnitude.

What appears from the above analysis is that on the official trade account India has a trade surplus with all the South Asian countries (except Mynamar). On the unofficial trade account it has a surplus with Bangladesh, Pakistan and Bhutan; a deficit with Nepal and Mynamar and an almost balanced trade with Sri Lanka.

III COMPOSITION OF TRADE FLOWS[15]

[12] Economist (1996)
[13] Survey (1999)
[14] Rao et. al. (1997)
[15] See Table 1 and Table 2 in Appendix.

Essentially one needs to examine how different official trade flows are from unofficial flows. Information gathered from field visits along the Indo-**Bangladesh** border areas revealed that among major commodity groups, food and live animals as a group account for a lion's share of nearly three-fifths of the total *illegal exports* from Indian borders to Bangladesh. Commodities making up non-food consumer items account for the next largest share of smuggled out volume. Basic manufactures account for about a quarter of the goods *exported unofficially*. As compared to this the share of basic manufactures as a group which includes textiles rubber and paper manufactures, non-metal mineral and metal manufactures etc., is the highest among all commodity groups officially exported from India to Bangladesh. Food and live animals on the other hand accounted for only 7% of the official exports. It is evident that the legal and illegal exports are dominated by different sets of commodity groups. While unofficial exports are largely made of essential commodities (food) and commodities of mass consumption like kerosene, medicines etc., the official exports are dominated by industrial manufactures among which textiles are major consumer items. Thus the nature of unofficial and official exports is entirely different from each other and perhaps non-competitive.

How different are *illegal imports* from *legal imports*? Among smuggled-in goods only three major items of mass consumption namely synthetic fabrics, spices and Hilsa fish are brought in from Bangladesh apart from electronic goods like calculators, rechargeable emergency lights as well as some VCRs and VCPs. It is noteworthy that as much as 44.3% of incoming items represent exchange payments towards costs of illegally exported goods. These items are mainly in the form of gold, silver, Bangladeshi taka and Indian rupee. Discussions with some exchange brokers revealed that roughly about a quarter of exchange payments are in the form of Bangladeshi taka and nearly two-thirds in the form of gold biscuits. Once again the composition of illegal imports differs from that of legal imports from Bangladesh. India's official imports from Bangladesh comprise largely of crude raw materials for industrial use especially raw jute and other bast fibers, principally to fulfill the needs of the Calcutta jute industry. Of basic manufactures, paper and paperboard manufactures appear to be an important item. Import of food items, in particular spices seem to have become an important item in the last few years. The nature of official and unofficial imports varies significantly and bears no relationship to each other.

What are the features that emerge from the above analysis? Cattle are the single largest item that is being exported illegally from India. However, the reasons for illegal export are both economic and non-economic. Slaughtering of cattle has been banned in India [16] and live cattle are essentially exported illegally for slaughter[17]. The economic reason for cattle trade is that transportation of cattle through legal channels is not very cost effective given the high costs of transportation in the region. Most of the essential commodities edible and non-edible are siphoned off from the public distribution system. The third category of items comprises of undifferentiated consumer goods. It is important to note that the consumer goods are unbranded products where some degree of scale economies have been reached. Scale economies for the industrial sector are higher for India than for Bangladesh.[18] The survey showed that in all the commodities being traded informally there was a border price differential ranging from 32% to 187%[19]. The price differentials were highest for salt 187% followed by fertilizer 180% and cattle 104% and bicycles 88%[20].

The picture on the import front is quite different. While a large part of official imports are accounted for by raw materials and primary products namely jute, paper and spices unofficial imports are largely of electronic items. Clearly these are goods where import duties have been high in India and the unofficial channel is used to evade tariffs. However an interesting feature is that these goods are not manufactured in Bangladesh but are of third country origin. Through the early 1990s the unweighted tariff average for manufactures was 56% for India and 85% for Bangladesh. With higher tariffs in Bangladesh than in India it is obviously not profitable for traders to import goods illegally. However, the survey reveals that a significant quantum of smuggled in goods enter India via the Indo-Nepal border in Darjeeling district of West Bengal. A part of the unofficial imports originating from Bangladesh reportedly follow this route to enter India via Nepal. This makes it difficult to identify the country of origin of goods coming in through the Indo-Nepal border points- specially electronic consumer durables and synthetic fabrics.

India's *official exports* to **Sri Lanka** comprise of a wide range of goods; bulk of which are manufactured, semi-manufactured and intermediate goods. India's *unofficial exports* to Sri Lanka consist of sarees, sarongs and stainless steel. India's *official imports* from Sri Lanka consist overwhelmingly of primary products and raw materials. *Unofficial imports* from Sri Lanka consist of two types of goods (i) traditional and (ii) non-traditional goods. While unofficial trade has been a historical phenomenon, the trade has undergone some changes. Prior to 1977

[16] The 'Hindu' religion does not allow slaughtering of the 'holy' cow.
[17] Recently the Government has removed the ban on cow slaughter in the state of West Bengal.
[18] Eusufzai (1998)
[19] The border price differential for one item namely baby food was 17% only.
[20] Chaudhary (1995)

traditional goods like spices, coconut products and gold were smuggled from Sri Lanka to India. Due to liberalisation of the Sri Lankan economy in 1977 many goods were imported from third countries into Sri Lanka and then smuggled into India where import duties on such items were as high as 300%. These non-traditional goods (mainly consumer durables) provided great stimulus to contraband trade between the two countries.

India's *informal exports* to **Nepal** comprise of live cattle, rice and medicines. while *officially*, India exports manufactured goods, transport equipment and machinery. India's *unofficial imports* from Nepal comprise mostly of consumer goods, raw material and intermediate goods almost all of which is of third country origin. On the other hand official *imports* are of manufactured goods and food items.

India's *official exports* to Pakistan consist largely of food items vegetable products and mineral products while *unofficial exports* comprise of alchoholic beverages, chemical products, steel utensils and machinery (though technically legal) through third countries. *Informal imports* from Pakistan consist of food items, synthetic fibers and some chemical products. *Official imports* comprise of processed food stuffs and vegetable products. Thus a large part of trade, both exports and imports takes place in food items, through both official and unofficial channels. But the important point is that trade is carried out in different commodities within the same classified category.

Unofficial exports to **Bhutan** comprised of a wide range of goods the major ones being yarn, rice, sugar and aluminum goods while *official exports* consisted of products including spirit and beverages, residual chemical products etc. *Official imports* from Bhutan consisted mainly of wood products and inorganic chemicals while *unofficial imports* from Bhutan were almost negligible.

India's *unofficial exports* to **Mynamar** consists of medicines and diamonds while *official* exports to Mynamar consists largely of iron and steel rods/bars and semi finished iron and steel. *Unofficial imports* are composed of liquor and precious stones other than diamonds while *official imports* consist of pulses and wood products.

It can be concluded from the above analysis that the commodity baskets being traded officially and unofficially are different. Also important is the fact that while a large part of informal imports into India comprise of third country goods, informal exports

to the South Asian countries consist of essential goods (both food and non-food) and mass scale (undifferentiated) consumer items.

IV ILLEGAL TRADE AND SAFTA

We now go on to the specifics of informal trade. By its very definition it implies bypassing the official channel and in that sense entrepreneurs/traders have to work out the modalities of carrying out such trade.

(a) Modalities of Illegal Trade

Two aspects need to be considered when delineating the modalities of illegal trade - one relating to the physical transfer of goods through illegal channels and the other relating to the financing of illegal trade.

Physical Transfer of Goods

We have mentioned earlier that illegal trade takes place through both authorised and unauthorised channels. The modalities of both types of trade are different and therefore need to be elucidated. Relatively large traders who are also engaged in formal trade carry out illegal trade through authorised channels. They are educated and are familiar with policies regarding trade in the region. Information on illegal trade concerning commodities and modalities is closely interlinked with that of formal trade. In particular a large part of trade takes place through violation of the rules of origin treaty and the transit treaty. Such information is available to large traders engaged in formal trade. Thus by being engaged in formal trade the information costs on trading informally are substantially reduced. In fact in some cases large business houses and multinational corporations operating in India are understood to realize illegal trade through authorised channels[21].

On the other hand relatively smaller traders are engaged solely in illegal trade through unauthorised channels. There are several participating agents involved who operate in a hierarchical constellation. These parties operate in market structures where information of the market is a decisive element. Thus the costs of entry into illegal trading activity are essentially defined in terms of information costs. These costs manifest themselves in the length of the chain. Thus for a new entrant, the number of participants will be more, the margins at every stage (links in the chain) adding up to total costs of trading. Over time costs decline by eliminating the number of

[21] A survey was conducted in Delhi, which covered customs officials , chambers of commerce, and traders. Henceforth the information from the survey will be referred to as Survey (1999)

links in the chain. In some cases it is also known that export-import consultants possessing knowledge of both formal and informal trade become important conduits of information to participants in informal trade[22]. The existence of such agencies cannot be questioned since they are registered as consultants to official traders.

The main operators of the illegal trade network finance and operate from a distance. These dealers act as main suppliers by procuring goods from big cities. These dealers further act through a network of small agents, head loaders (porters), bicycle /motor cycle riding couriers, etc., on the border. The field operators generally operate in liaison with the anti-smuggling enforcement agencies. Goods are generally transported to border villages in trucks and to the zero line using cycle-rickshaw vans, bullock carts tongas etc. Transshipment across the border is done by head-load carriers/porters. As the border approaches closer, more and more people are involved in transporting goods across the border. In fact in some border districts e.g. in Petrapole and Bongaon (West Bengal) nearly four fifths of the local population reportedly depend on smuggling.

The Border Security Force (BSF) is the principal force for manning the border to curb illegal trade. The BSF faces several handicaps: inadequate force, porous and zigzag nature of the border, improperly demarcated borders makes enforcement a difficult task. The situation gets compounded because of the involvement of economically and socially weaker sections of the population. This scenario points to the futility of anti-smuggling measures on both sides of the border.

Smuggling becomes easy with a large number of 'haats' (village bazaars held on specific days) functioning regularly within a few kilometers of the border[23].

Financing Illegal Trade

What makes the illegal market prosper is the large amount of blackmoney that is easily accessible to traders. Thus money can be transferred to any country of the world through the illegal money market. The existence of a massive black economy consisting of both domestic and foreign currency makes such trade possible. Illegal trade is financed either by high value precious metals like gold and silver or by liquid money through a network of unauthorised moneylenders. In the former case gold is smuggled physically and then converted into the desired currency. However gold smuggling is risky and a preferred mode is through the illegal money

[22] Survey (1999)
[23] this is so particularly in the border areas of Bangladesh and Nepal

market. The uniqueness of this system is that there is no physical transfer of currency. This mechanism referred to as the 'hawala' in India, the 'hundi' in Bangladesh and the 'chit' fund in Sri Lanka operates on the same principles.

Thus an Indian exporter, who exports goods to Sri Lanka, gets his payment through the 'hawala'. The dealer in Sri Lanka sends an 'I owe you' to the dealer in India, and the requisite equivalent amount (in accordance with the black market exchange rate) is expended to the exporter. The 'I owe you' is analogous to cash cheque under the modern banking system. There is a huge network of moneylenders in these countries who function as an unofficial capital market. The extent of black money in the economy gives an indication about the ease with which illegal trade can be financed. Black money in India is income, which evades tax, and income, which escapes inclusion in national income estimates[24]. Using the currency demand equation Acharya (1985) and Bhattacharyya and Ghose (1998) have estimated the extent of black money in India. While Acharya estimated black income to be 38% of GNP in 1980-81, Bhattacharyya and Ghose have estimated that the black money as a proportion of GNP has been in the range of 34% to 38% during 1990 and 1992. The important point here is that there is a very elastic supply of funds for illegal trading activity.

(b) Tariffs

High tariffs within the SAARC region encourage illegal trade across borders. High tariff rates create a strong incentive to avoid the legal channel in order to evade tariffs. It can be seen that tariffs on both primary and manufactured goods are high for India, Bangladesh and Pakistan.

Table A.2

'Trade Policy Indicators; early (1990s)

[24] Acharya (1985)

	Tariff-Unweighted average (%)	
	Primary	Manufactures
South Asia		
India	45	56
Pakistan	54	64
Bangladesh	73	85
Sri Lanka	27	26
Nepal	9	19

Source: World Bank (1997)

The illegal channel is particularly attractive for exports of mass consumer goods that are being exported illegally from India to the other South Asian countries. Such products are not being produced by very large firms. Tariffs form a significant proportion of final prices for such firms and evading them makes illegal trade profitable. It needs to be mentioned that a movement from SAPTA to SAFTA would mean gradually moving to zero tariffs and informal trade occurring due to high tariffs will automatically shift to legal channels. We have already mentioned that progress under SAPTA has been very slow. In the last few years India has signed free trade agreements with Nepal, Bhutan and Sri Lanka in order to move on a faster track to achieve free trade. With these developments a large part of informal trade is likely to shift to legal channels. Tariff reduction would particularly be effective for informal exports from India to the other South Asian countries and not so much for informal imports into India since they consist largely of third country goods.

(c) Non-Tariff Barriers

The abysmally low performance of intra-SAARC trade is not due to higher tariffs alone, but due to the presence of non-tariff barriers, (NTBs) mostly in the form of quantitative restrictions. Such barriers give rise to illegal trade in the region. In the early 1990s India and Bangladesh had the highest non-tariff barrier coverage ratio for both primary and manufactured goods. In fact India had an NTB coverage ratio of 72% on primary goods and a ratio of 59% in manufactures. Bangladesh had an NTB coverage ratio of 55% and 47% for primary and manufactures respectively. Moving towards SAFTA would mean a removal of non-tariff barriers and to the extent that trade in the region is obstructed by NTBs, a shift to legal channels is likely to occur.

Table A.3

'Trade Policy Indicators; early (1990s)

	Non-tariff measures-coverage (%)	
	Primary	Manufactures
South Asia		
India	72	59
Pakistan	7	17
Bangladesh	55	47
Sri Lanka	3	4
Nepal	1	1

Source: World Bank (1997)

We have seen earlier that India has a large amount of official export to Bangladesh. On scrutinizing Bangladesh's list of banned and restricted items[25] under the Import Policy Order (IPO) 1995-97 it was found that items like sugar, salt, cement, petroleum products, baby food, fertilizers and antibiotics were covered. These are products that are exported illegally to Bangladesh in significant quantities.

In India, NTBs are mostly in the form of Quantitative Restrictions (QRs). On 1 August 1998, India unilaterally removed QRs on imports from SAARC countries, viz. Bangladesh, Bhutan, Nepal, and Maldives, Sri Lanka or Pakistan subject to the condition that they comply with the rules of origin principles as stated in the SAARC agreement. This unilateral move by India, is not, reciprocated by other SAARC members in general and Pakistan in particular.

It has been estimated[26] that Sri Lanka would be the largest beneficiary of India's unilateral removal of quantitative restrictions on 2000 items because in value terms its NTB (QRs)-coverage ratio is 24.08, followed by Nepal with a coverage ratio of 10.5 per cent. Pakistan and Bhutan will benefit equally with QR-coverage ratios of these two countries being around 2%. The removal of quantitative restrictions is particularly significant for Illegal trade between India and Sri Lanka. India has been importing a large volume of agricultural commodities particularly spices from Sri Lanka. With the removal of quantitative restrictions on imports of commodities illegal trade is likely to shift to legal channels. However unless

[25] Mukherjee (1998)
[26] Bhattacharya(1999)

the other SAARC countries reduce their non-tariff barriers simultaneously, official trade expansion will continue to be slow in the region.

(d) Rules of Origin

While Free Trade Arrangements require abandoning both tariff and non-tariff barriers, they also require rules ***of origin*** to ensure that goods from third countries do not enter the low tariff country legally to be smuggled illegally into the high barrier country. While all the SAARC countries have reduced their tariff levels in the early 1990s the speed at which such reduction has taken place differs amongst countries. The unweighted tariff average for manufactures was highest for Bangladesh at 85% followed by Pakistan 64%. Tariffs on manufactures were the lowest for Sri Lanka -26% and Nepal 19%. Clearly there is an incentive for Nepal and Sri Lanka to import manufactured goods at lower tariffs from third countries and export them to India through illegal channels. It has to be kept in mind that such trade is illegal only if the commodities do not meet the rules of origin principles. Thus, products eligible for preferential concessions have to be certified by a certificate of origin which is to be issued by an authority designated by the Government of the exporting member state and notified to the other states in accordance with certification procedures. However the importing member state can refute the certificate and the settlement could be very time consuming, thereby affecting trade adversely.

SAPTA defines the rules of origin criteria of eligibility of products under preferential trading. Under the agreement the value of raw materials originating within the territory of the contracting states must be at least 50% of the f.o.b. value of the product. However, such requirements can rarely be met by both Nepal and Sri Lanka from where illegal trade in goods from third countries takes place.

The problem of illegal trade from third countries is closely linked to the issue of leakages in transit. Nepal is a land locked country and India provides transit facilities to Nepalese imports. Importers in Nepal misuse this transit facility. Goods imported from third country can reach Nepal only if India gives transit facilities. Such consignments reach India as air cargo in Calcutta[27] and are then loaded onto trucks to be transported to Nepal. However at this point the consignments are deflected into the Indian market and the trucks either don't reach their destination viz. Nepal or are replaced with commodities that are required by the Nepalese economy[28]. In the latter case consignments reach Nepal through the legal or authorised channels but are mis-declared at the customs check points.

[27] Survey (1999)
[28] Items like rice and medicines are smuggled illegally from India into Nepal.

Costs for illegal traders are higher since they pay hefty bribes to the border and check-post authorities. It is for this reason that large traders and sometimes big business houses engage in this kind of trading activity.

We have mentioned earlier that India does not have a trade surplus on the unofficial account with Nepal and Sri Lanka. Both countries are involved in exports of third country goods to India through illegal channels, which contributes to a more balanced trade on India's unofficial trade account with the South Asian countries. Thus if the rules of origin requirements are relaxed such trade will automatically shift to legal channels.

The progress under bilateral treaties that India has had with the other South Asian countries is one indication of what can be expected under SAFTA. Under the bilateral trade treaties that India has had with Nepal, since 1951, India has provided on a non-reciprocal basis duty free access to Nepalese products provided the stipulation on raw material content was met. The minimum raw material content required has been lowered successively from 90% to 50% in the 1991 treaty. In a significant move, it was completely waived in the 1996 Indo-Nepal treaty. Similarly under the bilateral treaty recently signed between India and Sri Lanka, the domestic value addition ratio was fixed at 35 %, which is lower than what is stipulated under SAPTA. It can be reasonably expected that India's unofficial imports of third country goods will shift to the legal channel.

(e) Transport Costs

The inadequate transport and transit systems that have been in existence in between India and her neighbouring countries have led to high transportation costs in the region. One major hurdle in road transport between India and Bhutan is the temporary blockages due to landslides. In the case of trade between India and Nepal the terrain in Nepal makes building and maintaining roads not only difficult but expensive as well. Even with respect to transit modalities several bottlenecks have been identified: port congestion, excessive documentation, delays[29], slow movement of goods, non availability of equipment and railway wagons, transshipment and other indirect costs[30]. For example, the ratio of insurance and freight paid on total exports of goods and services is 11% for Nepal as against the corresponding ratio of 6% for all developing

[29] Trucks have to wait for 8-10 days before documents are endorsed and checked at the customs before crossing the border. The concerned transit authorities at Petrpole-Bongaon transit point are closed three days in a week resulting in no trade on these three days.

[30] Corruption is rampant at all check points in border areas. Hefty bribes have to be paid in order to tranship trucks across the border.

countries.[31] A large part of trade therefore takes place informally. Thus traders use the informal channel in order to save on transportation costs. Particularly in the case of perishable commodities it is more cost effective to trade informally. For small traders transportation costs form a significant proportion of the total cost and unauthorised channels are used in order to minimize transportation costs.

(f) Domestic Policies

Even if countries in South Asia abandon both tariff and non-tariff barriers unless domestic policies are synchronised, illegal trade will continue to take place. Thus tax structures amongst the SAARC countries differ to quite an extent. For instance indirect taxes are much lower in Nepal. A number of industrialists have survived on the business of opening up new industries which are made more attractive by the fiscal policies of Nepal and the high demand of these items across the border viz., India[32]. These entrepreneurs[33] tend to wind up their operations as soon as the lure brought about by the fiscal measures and market demand dwindles. The consequent trading that takes place with India becomes possible and profitable due to the liberalised provisions of the Indo-Nepal trade treaty. Indian investments in Nepal in products like stainless steel, synthetic fiber etc. have been carried out in this manner.

Yet another distortionary policy prevalent in India is the reservation of 800 items for the small-scale sector. Thus large firms that are already in existence producing these commodities cannot expand or create new capacities beyond the levels that were established at the time of policy implementation. Such large Indian firms have resorted to creating capacities in Nepal and Sri Lanka. Data on 61 Indian joint ventures in Nepal revealed that 27% were producing items reserved for the small-scale sector in India[34]. Since most of the reserved products can be imported freely into India, the firms in Nepal and Sri Lanka can export the same products back to India. This points to the inextricable linkage between domestic policies, investment patterns and illegal trade.

A similar example of distortionary pricing is the public distribution system where prices are administered. A large number of agricultural products and essential commodities are sold under a dual pricing policy in India. Thus these items can be sold through the open market and through

[31] UNCTAD (1995)
[32] Lama (1999)
[33] Such entrepreneurs are a particular business class and are called ‘pariah entrepreneurs’ who do not have a sound background of industrial operations.
[34] Taneja (1997)

the public distribution system (PDS). The Government obtains supplies for the public distribution system, which are then sold at administered prices much lower than the free market prices. The PDS outlets in the states neighbouring Nepal and Bangladesh in India get their supplies from the PDS in excess of their local needs. A unique system of licensing for purchase of foodgrain, fuel, kerosene, cement, rice and sugar helps to maintain stocks close to border points. They are misused because most of the goods carried in bulk quantities are accompanied by licenses or storage permits issued by a cross-section of district officials. This enables traders to bring in commodities disproportionate to the legitimate needs of the local population[35]. These commodities are then exported illegally to Bangladesh and Nepal. Some of these commodities are also exported illegally to Nepal. The authority for such policies rests with individual countries and clearly lies outside the domain of SAFTA.

V CONCLUSION

The core issue in this paper has been to evaluate the extent to which SAFTA can bring about a shift from illegal to legal channel. The issue is important since it could augment trade flows within the South Asian countries. An attempt has been made to understand the magnitude and composition of trade flows in the South Asian region. Factors obstructing official flows have been analysed in order to see how SAFTA can help in bringing a shift from illegal to legal channels.

Given its geographical location and the size of its market, the bulk of illegal trade takes place between India and other SAARC countries. An analysis of trade flows in the region reveals that India has a trade surplus with all the South Asian countries (except Mynamar) on the official trade account. However on the unofficial trade account India has a trade surplus only with Bangladesh, Pakistan and Bhutan. What can be concluded is that India has a relatively more balanced trade with its South Asian partners on the unofficial account than it does on the official account. To what extent SAFTA would bring about a change in these trade balances will depend on the extent to which illegal trade flows take place due to tariff and non-tariff barriers.

An analysis of the nature of trade flows reveals that a significant proportion of India's informal exports to South Asia takes place because of tariff and non-tariff barriers. With SAFTA such goods would automatically shift to the formal channel and consequently India's official exports to

[35] Chaudhary (1995)

South Asia will increase. However, since India's unofficial imports from South Asia consist largely of third country goods they will not be affected by removal of trade barriers in the region envisaged by SAFTA. Thus illegal imports into India may not shift to legal channels. The net result of SAFTA can be expected to worsen the existing trade imbalance that India has with the South Asian countries on the official account. However a more balanced trade can be expected on the unofficial account.

Such a situation where India's trade surplus with the South Asian countries increases, may be a cause for concern amongst member countries. Thus steps would need to be taken to reduce the trade imbalance. One way to do so would be to relax the rules of origin so that trade that takes place through flouting of such rules shifts to official channels. While a customs union would be a preferred arrangement to take care of illegal trade of this kind, till such time as a common tariff wall is established, certain steps could be taken. This could be achieved by narrowing down the list of items that would have to meet the rules of origin to those where (i) external tariffs are high and (ii) where quantitative restrictions need to be continued. All other commodities should be eligible for preferential trading without having to meet the rules of origin. The Indo-Nepal trade treaties have been providing for softer rules of origin since 1991 and this has led to an improvement in their trade balance with India.

While SAFTA could be effective in bringing about a shift from illegal to legal channels when official trade flows are arrested by tariff barriers, there are other factors notably high transport costs and domestic policy distortions where SAFTA would be ineffective in bringing about a shift from illegal to legal channels and other measures would have to be taken to enhance flows through official channels.

The inadequate transport and transit systems that have been in existence between India and her neighbouring countries have been a major constraint in enhancing trade through legal channels. Unless infrastructure development is undertaken on an urgent basis unofficial trade will continue to be more attractive.

Also important, the domestic policies of countries in the region will need to be harmonized for a shift from illegal trade to legal channels to occur. Significant volumes of illegal trade are occurring because of distortions in domestic policies. The absence of synchronised fiscal policies and the presence of domestic subsidies may continue to make illegal trade remunerative. Countries in the region will have to make a concerted effort towards synchronising both trade and domestic policies in order to convert illegal trade flows to legal flows.

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VIII Appendix

India's Unofficial Trade with South Asia

TABLE 1a

Unofficial Exports to Bangladesh

	Major Commodities	Volume ($mn)	Per cent
I.	Food & Live Animals	175.5	58.7
	(a) Live animals	80.0	26.7
	(b) Sugar	60.2	20.1
II.	Textiles Manufactures	45.4	15.2
	(a) Sarees	40.0	13.4
III.	Other Industrial Manufactures	28.3	9.4
	(a) Bicycles & its parts	17.8	6
	(b) Machinery & equipment	7.7	2.5
IV.	Industrial Raw Materals	3.2	1.1
	(a) Cement	2.4	0.8
	(b) Iron & Steel	0.6	0.2
V.	Other Consumer Goods	46.6	15.6
	(a) Miscellaneous goods (Cosmetics, plastics, razor blades,etc.)	38.7	12.9
	(b) Timber/Bamboo	3.4	1.1
	(c) Medicines	1.2	0.4
	(d) Kerosene	1.0	0.3
	(e) Diesel	0.8	0.3
	GRAND TOTAL	299.0	100

Notes : 1. Figures in paranthesis are percentages to respective group totals
Source: Chaudhary (1995)

TABLE 1b

Unofficial Imports from Bangladesh

	Commodity	Volume ($mn)	Per cent
A.	Traded Items		
	1. Synthetic Fabrics	3.92	28.0
	2. Spices	0.97	6.9
	3. VCPs/VCRs	0.41	2.9
	4. Other Electronic Goods	1.32	9.5
	5. Ball bearings	0.15	1.1
	6. Metal Scrap	0.18	1.3
	7. Miscellaneous Goods (mainly Hilsa fish)	0.84	6.0
	Sub - Total	7.80	55.7
B.	Exchange (Payment) Items		0.0
	1. Gold	3.90	27.9
	2. Silver	0.33	2.4
	3. Bangladeshi Taka	1.78	12.7
	4. Indian rupee	0.18	1.3
	Sub -Total	6.19	44.3
	Grand Total	14.0	100.0

Source: Chaudhary (1995

TABLE - 1c

Unofficial exports to Bhutan (via Assam)

Item	Value (US$ Millions)	Share %
1 Food And Live Animals	14.29	45.6
2 Chemical And Chemical Prod	0.05	0.1
3 Manufactured Goods	0.76	2.4
4 Glass And Glass Prod	0.13	0.4
5 Non Ferrous Matels	2.78	8.9
6 Electronic Goods	1.18	3.8
7 Garments	2.6	8.3
8 Yarn	9.56	30.5
	31.35	100.0

Unofficial Imports from Bhutan (via Assam) through Gelephu+Samdrupjankar)

Item	Value (US$ Millions)	Share %
1 Beverages	1.05	85.68
2 Electronic Goods	0.06	5.24
3 Manufactured Goods	0.05	4.02
4 Food And Live Animals	0.03	2.23
5 Petroleum Products	0.03	2.83
	1.23	100.00

Source: Rao et.al. (1997)

TABLE 1d

Unofficial Exports from India to Myanmar (via Mizoram)

	Item	Value (US$ Millions)	Share %
1	Food And Live Animals	0.49	1.9
2	Garments	0.24	0.9
3	Manufactured Goods	2.38	9.3
4	Gems And Jewelry	9.04	35.2
5	Paint	3.89	15.2
6	Chemical And Chemical Prod	0.53	2.1
7	Medicines	9.11	35.5
		25.68	100

Unofficial Imports from Myanmar (via Mizoram)

	Item	Value (US$ Millions)	Share %
1	Food And Live Animals	4.74	10.0
2	Chemical And Chemical Prod	0.76	1.6
3	Garments	5.12	10.7
4	Beverages	25.00	52.5
5	Manufactured Goods	1.89	4.0
6	Electronic Goods	3.31	7.0
7	Gems And Jewelry	6.78	14.2
		47.60	100

Source: Rao et.al. (1997)

Composition of India's Official Trade with SAARC Countries

TABLE 2a

Nepal

COMMODITIES	Share of Imports %	Share of Exports %
0 Food And Live Animals	38.06	13.17
1 Beverages & Tobacco	N.A.	5.85
2 Crude Materials Inedible	14.48	1.75
3 Fuels, Lubricants Etc	N.A.	2.89
4 Animal Veg Oils, Fats -Wax	15.33	N.A.
5 Chemical Related Prod -Nes	1.54	23.78
6 Manufactured Goods	28.62	21.76
7 Machines Transport Equip	N.A.	29.38
8 Misc. Manufactured Articles	0.58	1.33
9 Goods Net Classed by Kind	1.30	N.A.

Note : Year 1990

Bangladesh

COMMODITIES	Share of Imports %	Share of Exports %
0 Food And Live Animals	6.10	7.40
1 Beverages & Tobacco	N.A.	0.86
2 Crude Materials Inedible	41.85	4.54
3 Fuels, Lubricants Etc	N.A.	3.85
4 Animal Veg Oils, Fats -Wax	N.A.	N.A.
5 Chemical Related Prod -Nes	40.05	6.30
6 Manufactured Goods	10.56	63.18
7 Machines Transport Equip	N.A.	12.46
8 Misc. Manufactured Articles	0.82	1.32
9 Goods Net Classed by Kind	N.A.	0.11

Note : Year 1993

Pakistan

COMMODITIES	**Share of Imports %**	**Share of Exports %**
0 Food And Live Animals	72.26	35.91
1 Beverages & Tobacco	N.A.	0.22
2 Crude Materials Inedible	8.69	20.99
3 Fuels, Lubricants Etc	N.A.	N.A.
4 Animal Veg Oils, Fats -Wax	N.A.	0.18
5 Chemical Related Prod -Nes	N.A.	17.47
6 Manufactured Goods	10.24	18.68
7 Machines Transport Equip	0.22	3.54
8 Misc. Manufactured Articles	N.A.	3.01
9 Goods Net Classed by Kind	N.A.	N.A.

Note : Year 1994
Source :- Commodity Trade Statistics

Table 2 b

Sri Lanka

COMMODITIES	**Share of Imports %**	**Share of Exports %**
0 Food And Live Animals	9.43	26.41
1 Beverages & Tobacco	N.A.	1.16
2 Crude Materials Inedible	67.43	1.72
3 Fuels, Lubricants Etc	N.A.	N.A.
4 Animal Veg Oils, Fats -Wax	0.93	N.A.
5 Chemical Related Prod -Nes	2.69	8.15
6 Manufactured Goods	8.15	35.83
7 Machines Transport Equip	7.67	24.41
8 Misc. Manufactured Articles	N.A.	2.22
9 Goods Net Classed by Kind	3.13	0.10

Note : Year 1991

Bhutan

COMMODITIES	Share of Imports %	Share of Exports %
0 Food And Live Animals	2.77	5.21
1 Beverages & Tobacco	N.A.	9.68
2 Crude Materials Inedible	23.33	6.11
3 Fuels, Lubricants Etc	0.83	2.17
4 Animal Veg Oils, Fats -Wax	N.A.	N.A.
5 Chemical Related Prod -Nes	42.59	0.97
6 Manufactured Goods	29.68	2.71
7 Machines Transport Equip	N.A.	1.73
8 Misc. Manufactured Articles	N.A.	N.A.
9 Goods Net Classed by Kind	0.81	71.44

Note : Year 1994

Mynamar

COMMODITIES	Share of Imports %	Share of Exports %
0 Food And Live Animals	56.36	8.86
1 Beverages & Tobacco	N.A.	N.A.
2 Crude Materials Inedible	42.97	N.A.
3 Fuels, Lubricants Etc	N.A.	N.A.
4 Animal Veg Oils, Fats -Wax	N.A.	N.A.
5 Chemical Related Prod -Nes	0.43	5.06
6 Manufactured Goods	0.14	79.04
7 Machines Transport Equip	N.A.	6.58
8 Misc. Manufactured Articles	0.10	0.46
9 Goods Net Classed by Kind	N.A.	N.A.

Note : Year 1994
Source :- Commodity Trade Statistics