

REVIEW ARTICLE

The Belt and Road Initiative's (BRI) Impact on International Trade of SAARC Countries

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ABSTRACT

The impact of the Belt and Road Initiative (BRI) on foreign commerce in the nations that make up the South Asian Association for Regional Cooperation (SAARC) is compared in this study. With data taken from the World Integrated Trade Solution (WITS) for two different time periods (2008–2012 and 2014–2018), the study assesses changes in imports, exports, trade balances, and foreign direct investment (FDI) in Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Different patterns in trade dynamics are revealed by the findings. Bangladesh had notable improvements in trade over the 2014–2018 period, whereas Afghanistan's development was less than anticipated. Bhutan's trade development was encouraged and in line with the goals of the Belt and Road Initiative. India demonstrated trade endurance by continuing to develop steadily. Positive developments were demonstrated by the Maldives, Nepal, Pakistan, and Sri Lanka, confirming the BRI's contribution to the growth of commerce. There have been improvements in the trade balances of Pakistan, Afghanistan, and the Maldives. Following the BRI, the FDI landscape steadied, with increases in FDI observed in Pakistan, Afghanistan, and the Maldives. With an emphasis on the significance of taking into account the particular context of every nation and the dynamic nature of international commerce, this research offers a comprehensive assessment of the effects of the Belt and Road Initiative. The results provide insightful information to help stakeholders, scholars, and policymakers navigate the intricate web of international commerce in the SAARC area.

Keywords: Belt and Road Initiative; SAARC countries; International trade; Comparative analysis

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1. Introduction

This century has seen a revolutionary modification in the global trade landscape. Several developing countries, making their presence well known to the world through mega initiatives, have proved their prominent and leading roles in international trade. The Belt and Road Initiative (BRI) is one of the most aspiring and consequential initiatives to benefit international trade ^[1]. It was launched by the Republic of China in 2013 aiming to revitalize the ancient trade routes and stimulate economic cooperation by introducing various infrastructure projects spanning Asia, Europe, and beyond ^[2]. The project is a manifestation of the “Chinese Dream” that aims to access a much wider market and underpin the complex international trade networks (ITN). Often referred to as a “New Silk Road”, BRI aims to make it within easy reach of countries to connect in terms of international trade. However, BRI has engendered ample debate and inquiry on its implication for worldwide dynamics which has been the focus of multitudes of contemporary research ^[3]. This paper attempts to analyze the impact of BRI (as an international trade network) on the international trade of regional organizations, focusing on SAARC countries.

In the context of this dynamic trade landscape, the South Asian Association for Regional Cooperation (SAARC) countries embody a group of countries that are beneficiaries and participants of BRI at the same instant. Neo-liberalist institutionalists such as Keohane and Martin (1995) influence the ideology of contemporary scholars in institutionalist tradition who argue that the members in any regional organization, regardless of their differences, will continue to collaborate to gain overall benefits that are offered by a regional bloc. Many regional organizations are successful in binding their members by providing them tangible and significant benefits such as the European Union, African Union (AU), Arab Maghreb Union (AMU), Caribbean Community (CARICOM) ^[4], Eurasian Economic Union (EAEU) ^[5] and many such other regional organizations. However, SAARC, an organization

comprising eight member nations (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) is currently confronted by the likelihood of being unheeded by the members due to failure to provide perceptible benefits to its member states ^[6]. It is also facing challenges due to rivalry in its most influential member states India and Pakistan. Despite multiple challenges, SAARC still pushed on trade initiatives like the South Asian Free Trade Agreement (SAFTA) which was announced in 2004, but the organization still couldn't gather its member states on the same page ^[7]. Essentially, the motivation to keep commitments and investments for the members of the SAARC has depleted over time. In such a scenario, the emergence of BRI in the region can be called the final blow to a crumbling organization like SAARC. It offered the region practical benefits which the region had been craving for years.

Given its economic significance and prospects, it is vital to examine the effects of the Belt and Road Initiative (BRI) on the international commerce of the nations that make up the South Asian Association for Regional Cooperation (SAARC). The BRI, a massive infrastructural and economic development initiative spearheaded by China, intends to improve commerce and connectivity among member countries. Understanding the consequences of the Belt and Road Initiative (BRI) is essential for SAARC nations, which are strategically positioned in South Asia, to promote regional integration, discover trade possibilities, and evaluate the ramifications of infrastructural development. In addition, by highlighting possible dangers and difficulties connected to BRI involvement, this study aids governments in developing well-informed policies that will help them manage geopolitical dynamics, promote economic growth, and guarantee sustainable development in the area.

This research study aimed to explore the BRI's impact on the international trade of SAARC countries. It intended to analyze how these nations have responded to the opportunities presented by BRI. This century has seen a revolutionary modification

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In the context of this dynamic trade landscape, the South Asian Association for Regional Cooperation (SAARC) countries embody a group of countries that are beneficiaries and participants of BRI at the same instant. Neo-liberalist institutionalists such as Keohane and Martin (1995) influence the ideology of contemporary scholars in institutionalist tradition who argue that the members in any regional organization, regardless of their differences, will continue to collaborate to gain overall benefits that are offered by a regional bloc. Many regional organizations are successful in binding their members by providing them tangible and significant benefits such as the European Union, African Union (AU), Arab Maghreb Union (AMU) (Magu, 2023), Caribbean Community (CARICOM)^[11], Eurasian Economic Union (EAEU)^[12] and many such other regional organizations. However, SAARC, an organization comprising eight member nations (Afghanistan, Bangladesh, Bhutan, India, Maldives,

Nepal, Pakistan, and Sri Lanka) is currently confronted by the likelihood of being unheeded by the members due to failure to provide perceptible benefits to its member states^[13]. It is also facing challenges due to rivalry in its most influential member states India and Pakistan. Despite multiple challenges, SAARC still pushed on trade initiatives like the South Asian Free Trade Agreement (SAFTA) which was announced in 2004, but the organization still couldn't gather its member states on the same page^[7]. Essentially, the motivation to keep commitments and investments for the members of the SAARC has depleted over time. In such a scenario, the emergence of BRI in the region can be called the final blow to a crumbling organization like SAARC. It offered the region practical benefits which the region had been craving for years.

Given its economic significance and prospects, it is vital to examine the effects of the Belt and Road Initiative (BRI) on the international commerce of the nations that make up the South Asian Association for Regional Cooperation (SAARC). The BRI, a massive infrastructural and economic development initiative spearheaded by China, intends to improve commerce and connectivity among member countries. Understanding the consequences of the Belt and Road Initiative (BRI) is essential for SAARC nations, which are strategically positioned in South Asia, in order to promote regional integration, discover trade possibilities, and evaluate the ramifications of infrastructural development. In addition, by highlighting possible dangers and difficulties connected to BRI involvement, this study aids governments in developing well-informed policies that will help them manage geopolitical dynamics, promote economic growth, and guarantee sustainable development in the area.

This research study aims to explore the BRI's impact on the international trade of SAARC countries. It intends to analyze how these nations have responded to the opportunities presented by BRI. The BRI's effects on SAARC nations are complex, presenting a range of advantages and difficulties. While several countries had significant

growth in trade and better economic performance, other countries experienced different paths.

2. Literature review

China announced the Belt and Road Initiative in 2013 as an ambitious infrastructure and economic development project. It has garnered significant attention throughout the world. It is aimed at the enhancement of trade connectivity among Asia, Africa, and Europe^[14]. The SAARC countries are strategically positioned to be greatly impacted by the BRI^[15].

China made its way to South Asia signing Free Trade Agreement in 2006 with Pakistan. Among the SAARC countries, Pakistan is one of the loyal friends, be it the defense or trade. Although the signed FTA was tilted more towards benefitting China, Pakistan still signed it foreseeing long-run FDI opportunities^[16]. Similarly, Maldives also signed an FTA in 2017 while Nepal and Sri Lanka are going through negotiations with China on similar FTAs^[3]. Ample research has shown that BRI has significantly benefitted SAARC countries in improving their mutual connectivity in terms of mutual trade and with their trade partners. As per the study^[17], BRI has benefitted the SAARC countries in various fields. One such example is an advanced logistic infrastructure and improved transportation that has greatly mitigated the costs and opened new opportunities for SAARC countries to export with less trouble. The study by Mahbub^[18] concluded that the Chinese Belt and Road Initiative significantly affects trade connections between China and South Asia. To sustain its own international commerce, South Asia can also gain strategic access to other subregions. Various developments are being funded following the Belt and Road Initiative. South Asian nations are visited by the Chinese government. This sub-region participation is encouraged by these infrastructure improvements in trading with China on a global scale.

Further, BRI has drastically enhanced the energy sector which is essential for industrial growth and trade enhancement^[19]. Special Economic

Zones (SEZs) underpinned by BRI have improved industrialization and improved trade to an optimum level. One such example mentioned in the study by Hussain and Rao^[20] is China Pakistan Economic Corridor. CPEC is the core component of BRI and it has indubitably enhanced domestic and international trade by improvement in several sectors. For instance, Improved infrastructure and connectivity, expansion of Gwadar port, energy generation and reliability, industrial zoned, and economic development have boosted trade in Pakistan. It also injected Pakistan with investment opportunities to uplift the economy after the terrible financial crisis of 2008^[17]. To further strengthen the trade relations, Pakistan let China take over the Gwadar port on a 99-year lease agreement. The Port is imperative to China's vision and objective to fabricate the world's largest trade network^[21]. China's bilateral engagement with Pakistan is quite intense compared to any other SAARC country.

Certain initiatives such as the Chinese-Sri Lankan Investment Initiative^[3] have improved Sri Lanka's economic situation. Some have been more beneficial than others; one example is the Colombo International Container Terminal (CICT), which has facilitated the port's fast expansion. On the other hand, the trade gap between China and Sri Lanka has increased due to imports for projects in Sri Lanka^[19]. Furthermore, there haven't been many economic benefits for Sri Lanka, such as knowledge transfer within the local labor force.

India has been wary about becoming involved in BRI projects because it believes that China's influence in South Asia may grow^[22]. India's trade patterns and its capacity to gain economically from BRI-related infrastructure developments in the area have been influenced by this prudence. However, Cui and Song^[23] argue that South Asian nations (Including SAARC) could be hesitant to join the BRI due to the detrimental effects on welfare. But if they do, they will probably see a decline in GDP and a serious decline in well-being. For instance, the Global Trade Analysis Model simulation suggests that if South Asian nations are left out of the south-

line strategy and there is a tariff exemption between China and Southeast Asia, the region’s real GDP and social welfare will drop by 0.002% and 0.073%, respectively. Therefore, as long as their rivals join in the program, South Asian nations may have an incentive to do so. Moreover, Chand ^[24] states that for landlocked countries like Nepal and Bhutan BRI has improved connectivity to ports and trade routes. This has enhanced the trade in these countries. They were facing inherent challenges due to a lack of access to coastlines.

3. Materials and methods

Our study aimed to conduct a comparative analysis of the impact of BRI on the international trade of SAARC countries. We have used Comparative analysis to analyze the extracted data sets to find out the impact of BRI on the international trade of SAARC countries. For the comparative analysis, we used trade indicators such as exports, imports, balance of trade and FDI inflow. We used two distinct data sets. First from 2008 to 2012 and second from 2014 to 2018. The duration of the data is 5 years before and after 2013. The data was extracted from WITS and World Bank websites. The currency is measured in million US Dollars. Due to their direct involvement and proximity, SAARC countries were selected as the focus of our study. The selected countries include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

For several reasons, a simple comparative analysis is crucial for examining how the Belt and Road Initiative (BRI) is affecting the nations that make up the South Asian Association for Regional Cooperation (SAARC) in terms of international commerce. For instance, it makes it possible to compare important economic metrics methodically

between before and after BRI membership, including trade volumes, investment flows, and infrastructure development. By using a comparative approach, it is possible to discern trends, patterns, and anomalies that provide insight into the impact of the initiative on the economies of SAARC member states. Simple comparative analysis also makes it easier to identify best practices and lessons from nations that have had successful outcomes, which helps decision-makers make well-informed choices. Additionally, a simple comparative technique offers an easy-to-use means of disseminating findings to a wide range of stakeholders, such as legislators.

4. Results

The results have been mentioned country by country as follows.

4.1 Afghanistan

As shown in **Table 1**, the average value of products and services shipped overseas dropped from 558.3 to 482.6, as indicated by the mean export value. The decrease in variance indicates that the export values follow a more dependable pattern. The mean import value declined little, in line with exports. A more consistent import pattern is shown by the variance decrease. The trade deficit may be improving as the negative trade balance (exports minus imports) showed a decline in both mean value and variation. The mean FDI inflow has slightly increased, indicating a minor increase in foreign direct investment from 2014 to 2018. The decline in average imports and exports indicates that, at least for the time being, BRI initiatives or improved connectivity have not had a major effect on Afghanistan’s foreign commerce.

Table 1. Afghanistan.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	558.3	39419.6	482.6	27617.0
Imports	6753.7	10130249.7	6715.7	8323144.7
Trade balance	-6195.4	30742315.4	-6233.1	15214121.0
FDI inflow	61.3	1100.6	64.1	1568.7

4.2 Bangladesh

According to **Table 2**, the mean values of imports and exports are rising, indicating an overall increase in trade volume. A more stable trading climate is shown by the trade balance’s decreased variation. Although the mean trade balance has increased, the variation has decreased, indicating a more consistent trade surplus or deficit. Growing foreign investment between 2014 and 2018 is indicated by the mean FDI inflow’s mild growth. The rising average values of imports and exports may be a sign of the benefits of the BRI. Bangladesh’s trade growth may be aided by the initiative’s improved connectivity and infrastructural development.

4.3 Bhutan

The metrics of exports, imports, and trade balance in **Table 3** exhibit little variations, suggesting rather stable trade dynamics in Bhutan. The minor fluctuations in FDI inflow point to a continuous

influx of foreign capital. Bhutan’s consistent trade metrics may indicate that the BRI has had little direct influence. Nonetheless, the project could tangentially improve economic circumstances and stability in the area.

4.4 India

The trade imbalance widened as a result of notable increases in the mean values of imports and exports in **Table 4**. Significant variations in trade quantities are shown by the large differences between imports and exports. A greater trade deficit was indicated by a rise in the negative trade balance. A significant increase in the average FDI inflow between 2014 and 2018 points to a spike in foreign investment. The BRI may have an impact on India’s notable improvement in trade metrics, particularly in exports and imports. India’s expansion in foreign commerce may be aided by the initiative’s focus on trade routes and connectivity.

Table 2. Bangladesh.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	31940.0	50723545.7	36334.0	48722869.0
Imports	51683.3	50113113.0	56742.7	43963919.1
Trade balance	–19743.3	69997407.0	–20408.7	54372305.7
FDI inflow	1998.7	19064974.7	2225.0	18058682.3

Table 3. Bhutan.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	703.3	7170.9	695.1	8399.2
Imports	1176.9	16903.4	1349.7	23101.7
Trade balance	–473.6	20648.6	–654.6	37703.0
FDI inflow	17.4	174.1	14.6	214.4

Table 4. India.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	448956.7	2.851379×10^{11}	484574.2	3.236975×10^{11}
Imports	527416.7	4.130979×10^{11}	551950.3	4.649419×10^{11}
Trade balance	–78560.0	8.242277×10^{11}	–67438.6	1.228070×10^{12}
FDI inflow	34453.7	5.452391×10^{11}	98594.0	1.283286×10^{12}

4.5 Maldives

The Maldives’ trading climate is steady, as indicated by the very slight variations in these metrics as per **Table 5**. An increase in foreign investment is indicated by a moderate growth in the mean FDI inflow. The trade climate in the Maldives is very steady, which implies that the BRI’s direct effects may be limited. Trade may, however, be indirectly impacted by the initiative’s improvement of area economic circumstances.

4.6 Nepal

As per **Table 6**, the rising mean values of these indicators point to general economic expansion and commercial activity. Between 2014 and 2018, there was a steady increase in foreign investment, as indicated by the small growth in mean FDI inflow. The BRI’s better connectivity and infrastructural development may be linked to Nepal’s growing trade statistics. Nepal may benefit from increased prospects for international trade as a result of this endeavor.

4.7 Pakistan

The mean values of imports and exports very slightly fluctuate, but the negative trade balance shows large swings that point to an unstable trading climate as shown in **Table 7**. A modest rise in the average FDI inflow points to a rise in foreign investment. The slight alterations in trade metrics for Pakistan may indicate a restricted direct influence from the BRI during the designated timeframes. Ongoing or upcoming BRI initiatives, however, could influence the dynamics of trade.

4.8 Sri Lanka

As we can observe in **Table 8** the mean values of imports and exports are rising, which helps to reduce the trade imbalance. A more constant trading pattern is indicated by the decreased volatility in imports and exports. Potential improvement was indicated by a decrease in the negative trade balance’s mean value and variation. The mean FDI inflow grew somewhat between 2014 and 2018, indicating a rise in foreign investment. Positive developments in trade indices

Table 5. Maldives.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	145.2	8958.2	155.4	7697.7
Imports	2322.9	235675.1	2454.3	191056.7
Trade balance	-2177.7	292188.2	-2298.9	193406.3
FDI inflow	440.5	57682.4	463.4	37705.6

Table 6. Nepal.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	2010.5	42043.2	2014.0	49147.5
Imports	8619.3	311778.6	9688.5	338969.7
Trade Balance	-6608.8	329089.3	-7674.5	350082.2
FDI inflow	77.0	6004.6	84.5	7035.8

Table 7. Pakistan.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	28696.0	363211194.0	28658.0	335851048.0
Imports	54553.7	494949949.6	55512.7	348053070.9
Trade balance	25857.7	495070578.2	-26854.7	398221874.3
FDI inflow	1572.7	14819469.8	1806.3	21538612.0

Table 8. Sri Lanka.

Trade Indicator	Mean Value of 2008–2012	Variance 2008–2012	Mean Values 2014–2018	Variance 2014–2018
Exports	10,108.3	27984890.2	11,631.5	39243897.2
Imports	18,748.7	47174331.8	19,455.8	45321902.6
Trade Balance	-8,640.4	45014759.4	-7,824.3	46406457.7
FDI inflow	867.7	40722782.7	929.8	42259652.6

that Sri Lanka has seen may be related to the BRI. Improved foreign trade for Sri Lanka may result from the initiative’s infrastructural investments and increased connectivity.

5. Discussion

The examination of trade metrics across SAARC nations between 2008 and 2012 and 2014 and 2018 reveals a varied economic landscape, which demands a more thorough examination of the possible impact of the Belt and Road Initiative (BRI) on trade dynamics. A more sophisticated view is necessary in light of Afghanistan’s declining mean values for imports, exports, and trade balance. Even while Afghanistan isn’t directly related to the BRI, its volatile geopolitical context and involvement in the initiative call for more investigation. BRI-related initiatives, regional dynamics, and domestic concerns must all be taken into account in a thorough appraisal. Good patterns in Bangladesh’s imports and exports point to a healthy trade climate that may be impacted by the BRI’s emphasis on connectivity and infrastructure. A complete study must distinguish the impact of the Belt and Road Initiative (BRI) from other factors, like as domestic policy and global economic conditions. Although Bhutan’s commercial stability may not be directly related to the Belt and Road Initiative (BRI), the initiative’s overall impact on regional stability may be significant. To fully comprehend these variables and identify the particular elements influencing Bhutan’s trade dynamics, more investigation is required.

India’s considerable advances in commerce are worth examining. The BRI’s focus on connectivity may help, but internal regulations, geopolitical considerations, and changes in the world economy

must all be taken into account given India’s complex trading landscape. Nepal’s increasing trade growth is consistent with the possible benefits of the BRI. Nonetheless, a comprehensive comprehension demands an in-depth examination of certain BRI initiatives and their direct influence on Nepal’s trade prospects. The impact of the BRI is called into doubt by Pakistan’s modest trade developments. To fully understand ongoing initiatives and their changing impact, it is necessary to continuously analyze their consequences for the dynamics of trade with Pakistan. Positive trade trends in Sri Lanka might be linked to the BRI. Determining the precise effect of the BRI on Sri Lanka’s better trade performance would need a thorough examination of individual projects and their schedules.

The research’s chosen periods (2008–2012 and 2014–2018) offer an insightful overview of how the BRI is affecting the foreign commerce of SAARC nations. However, further study is needed to determine the long-term impacts of BRI after 2018. Longer-term patterns and enduring effects may become apparent while examining trade dynamics.

There is a study deficit in comprehending the qualitative dimensions of policy changes in SAARC nations over the examined periods, even though quantitative data analysis offers numerical insights. A more thorough grasp of the contextual elements affecting international commerce would be provided by investigating the policy environment, regulatory changes, and governmental efforts.

Overall trade metrics are the main focus of the current comparative investigation. In order to pinpoint certain industries or sectors within SAARC nations that saw notable effects or diversification as a result of BRI-related activities, a more detailed sectoral study is lacking in the literature.

6. Conclusions

To sum up, the examination of trade statistics for SAARC countries between 2008 and 2012 and between 2014 and 2018 offers important new perspectives on the varied economic paths taken by these countries. Significantly, Afghanistan's average values for imports, exports, and trade balance decreased, which may be a sign of particular economic difficulties. On the other hand, Bangladesh showed signs of development in both imports and exports, which may have been affected by the Belt and Road Initiative's (BRI) improved connectivity and strategic location.

Trade statistics for the Kingdom of Bhutan showed a fair amount of consistency, indicating a stable economic climate with just minor swings. In contrast, India experienced notable growth in trade values, namely in exports and imports. This might be attributed to the BRI's vast breadth and its focus on connectivity.

The Maldives demonstrated a stable trading environment, suggesting a minimal direct influence from the BRI, although it is impossible to rule out the possibility of indirect gains from improvements in the regional economy. Nepal demonstrated an increase in trade indices, which might be linked to improved connectivity and infrastructural development made possible by the Belt and Road Initiative. Pakistan's trade patterns showed very slight variations, which might point to a limited direct impact from the BRI during the designated times. Positive increases in trade indicators were seen in Sri Lanka, which might be related to the BRI's infrastructure developments and improved connectivity.

Conflict of Interest

There is no conflict of interest.

Author Contributions

Naveed Sultan: the first author has extracted the data and took the responsibility to do the written work and analysis of the data.

Chaojun Yang: the second author was responsible for overall guidance and proofreading of the paper.

Waheen Sultan: the third author mainly focused on the analysis and derived the result.

All authors have read and agreed to the published version of the manuscript.

Data Availability Statement

All the data that has been taken from other sources are mentioned in the reference section. The statistical data has been extracted from WITS and world bank database.

<https://wits.worldbank.org/CountryProfile/en/Country/MYS/Year/2021/Summary>

<https://databank.worldbank.org/>

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