

## Prospect of Economic Cooperation in South Asia

B.P. SHRESTHA\*

### ECONOMIC OVERVIEW OF THE REGION

The factor endowment of the South Asian region is relatively poor. The total land of the region accounts for only 3.3 percent of the total land area of the world. The land under forest is less than 2 percent of the world total. The mineral wealth is also limited--less than 1 percent of world resources in crude petroleum, natural gas, copper, zinc, iron, lead, and manganese or production. The known recoverable coal deposits account for only 2.5 percent of the world total.<sup>1</sup> Even these limited resources are not evenly distributed, although nature has never intended to do so across the man-made boundaries. Most of the natural resources are concentrated in India--over 90 percent of coal, crude petroleum, almost 100 percent production of iron, uranium, bauxite, copper and lead ores. The asymmetric distribution is so conspicuous that India alone accounts for 73 percent of the land area, 77 percent of population and 77 percent of gross domestic product of the region (Table 1).

The quality of life in the region is poor (Table 2). There is high incidence of poverty, illiteracy and disease. The level of education is poor. Life expectancy at birth is low. Infant mortality and child death rates are high. The per capita daily calorie supply is less than the requirement. Mass underemployment is high or widespread in rural areas. Income distribution is highly skewed--20 percent of the households at the bottom sharing only 5 to 7 percent of the total household income as against 20 percent at the top enjoying 43 to 59 percent.

The situation is aggravated by the mounting pressure of population on limited resources of the region, especially on land. The region has to support one-fifth of the world population on only 3.3 percent of world land area. Per capita agricultural land ranged from only 0.13 hectare (Bangladesh 1977) to 0.34 hectare (Pakistan 1977).<sup>2</sup> Permanent pasture is less than 1 percent and forest and wood land, less than 2 percent of world totals.<sup>3</sup> The per capita GNP is not only low, but its growth is also very slow in most of the countries of the region, partly due to slow growth in total GNP and partly due to fast growth in population (Table 3). The average annual growth rate of population in the region during 1973-1984 far exceeded the world average, 1.7 percent -- 2.9 percent in Pakistan, 2.6 percent in Nepal, 2.5 percent in Bangladesh, 2.3 percent in India, 1.8 percent in Sri Lanka and 1.9 percent in Bhutan (Table 1). The total population of the region is estimated to grow from .973 million in mid-1984 to more than

\*Dr. Shrestha, a distinguished economist and diplomat, has also served as Vice-Chairman of the National Planning Commission, His Majesty's Government of Nepal. This paper was presented in the seminar "SAARC: Retrospect and Prospect" organized by CNAS in October, 1987.

1320 million in 2000 A.D. - an addition of more than 347 million in 16 years or more than 21 million a year on an average. The population explosion on such a massive scale has far reaching economic and strategic implications in the region.

The countries of the region suffer in varying degrees from instability in export earnings from primary products and secular deterioration in terms of trade. Despite efforts to expand exports and cut down imports, large trade and current account deficits persist. In 1984, the deficit on current account of four countries (Bangladesh, India, Nepal and Pakistan) exceeded US \$ 4 billion. The external public debt as percentage of GNP in 1984 was high in Bangladesh (40.0 percent), Sri Lanka (41.2 percent) and Pakistan (29.1 percent) and moderate in India (12.2 percent) and Nepal (17.0 percent) and debt servicing burden as percentage of total exports of goods and services was 14.2 in Bangladesh, 10.1 in India, 26.7 in Pakistan, 11.2 in Sri Lanka and 3.4 in Nepal (Table 4).

#### GEO-POLITICAL OVERVIEW OF THE REGION

It took eight years for the ASEAN (Association of South East Asian Nations) to hold its first Summit. It was against the back-drop of the wider conflict in Indo-China, the ASEAN members came much closer and became more cohesive. While economic cooperation has been a major concern and pre-occupation, it is the strategic factors that have remained the most significant binding force of the ASEAN. In South Asia, there is no parallel situation of such common threat. The strategic perceptions and perspectives of individual countries are, therefore, at great variance. This explains precisely why SAARC is devoid of any strategic orientation, although security and strategic considerations are uppermost in the minds of the South Asian leaders. This is clear from what they said and discussed at the summit meetings held in Dhaka and Bangalore in December 1985 and November 1986, respectively.

President Zia-ul-Haq of Pakistan observed that "it would be beneficial for us all to make a collective pledge, renouncing the threat of use of force, against one another."<sup>4</sup> His Majesty King Jigme Singye Wangchuck of Bhutan made it clear that "In the geo-political realities of our region, it would be unrealistic to ignore the primacy of the political factor, as, in the final analysis, it would be political environment of the region, which will determine the shape and scope of regional cooperation in South Asia. The main obstacle is not only to overcome the psychological and emotional barriers of the past, but the fears, anxieties, and apprehensions of the present."<sup>5</sup> President Jayewardene of Sri Lanka said clearly that "There can be no successful regional cooperation without mutual confidence, without mutual trust. All our countries need stability to develop and safeguard the freedom they have."<sup>6</sup> His Majesty King Birendra Bir Bikram Shah Dev of Nepal, while expressing "the common concern to preserve the independence and security of each country in the region", observed that "The world and above all, our region urgently needs a new wisdom capable of striking a balance between the claims of security and those of basic needs."<sup>7</sup> Unfortunately some countries of the region spend on defence more than twice the amount they spend on education, health, housing, amenities, social security, and welfare together.<sup>8</sup>

It is not necessary to quote again the statements made by the leaders of the region at the second SAARC Summit meeting in Bangalore to highlight their geo-political contents and concerns as Prime Minister Rajiv Gandhi himself, as Chairman of the second SAARC Summit meeting, summarised the same at his concluding statement in the following words:

"The important statements made by each one of you yesterday, and the discussions that followed at Nandi Hills, showed that even as the mechanisms of regional cooperation are meshing into gear, matters of grave national importance have impinged upon and permeated our deliberations--space, stability, and security, confidence-building and the nuclear threat, non-violence and co-existence, the unmitigated evil of terrorism. The lesson to be drawn is that the patient building of regional cooperation in identified areas of cooperation must take place in an atmosphere of good neighbourliness and responsible international behaviour."<sup>9</sup>

As strategic considerations are more compelling and overriding, it will be naive to think that the regional cooperation even in economic and technical fields will not be overshadowed and dictated by such considerations. The South Asian power asymmetry is such that all the geographically separated smaller countries cannot match the Indian capabilities. This is the hard reality of the region. The geo-political situation of the region can change only with the changes in India's policy and perspectives towards her neighbours and vice versa. As President Jayewardene said, "Firstly we must trust each other. India, the largest in every way, larger than all the rest of us combined, can by deeds and words, create the confidence among us so necessary to make a beginning."<sup>10</sup> In an exclusive interview with the Bangladesh Observer in Islamabad on December 1, 1985, President Zia expressed similar feeling. "He said the fear that India being the largest country in the SAARC would dominate the forum may act a deterrent...India must play a positive role to allay the fears of the small neighbours and instill trust and confidence in them."

The differences dividing the countries of the region are so deep that identity of views and convergence of interests can be found initially only on marginal and peripheral areas without affecting the sensitivities of the partners. South Asian regional cooperation may, therefore, remain in the initial stages more symbolic than substantive in its contents. Given the present political relations and economic interactions between and among the countries of the region, bilateralism, both in political and economic spheres, will remain a more dominant and more decisive factor. Prime Minister Rajiv Gandhi rightly observed, "The model we have evolved is a model which is in accord with our realities, our compulsions and our genius. We have not sought to melt our bilateral relationships into a common regional identity, but rather to fit South Asian cooperation into our respective foreign policies as an additional dimension."<sup>11</sup> It is however, hard to believe when Prime Minister Gandhi added that "we have evolved modalities which do not allow bilateral stresses and strains to impinge on regional cooperation."<sup>12</sup>

## REVIEW OF THE PRESENT ACTIVITIES OF SAARC

As SAARC is not even two years old, it may be premature to pass any judgement on this performance at this stage. However, long before SAARC proliferates its activities out of proportion and that too without any order of priority and perspective, it is not inappropriate to examine the nature and contents of its activities. Initially the so-called Integrated Programme of Action comprised nine areas of cooperation, namely, (i) Agriculture, (ii) Health and Population, (iii) Meteorology, (iv) Postal Services, (v) Rural Development, (vi) Science and Technology, (vii) Sports, Art and Culture, (viii) Telecommunication, and (ix) Transport. The Dhaka Summit added two new areas--Women in Development and Prevention of Drug Trafficking and Drug Abuse. The Bangalore Summit identified five "new ideas." The third session of the SAARC Council of Ministers held in New Delhi (June 18-19, 1987) approved the five new ideas endorsed by the Head of State or Government at the Bangalore Summit. They are (i) SAARC Audio Visual Exchange, (ii) Organised Tourism among SAARC member countries (including facilities for limited convertibility of national currencies), (iii) SAARC Documentation Centre, (iv) SAARC Chairs, Fellowship and Scholarship, and (v) SAARC Youth Volunteer Programme. While the dates of implementation of the schemes mentioned in (iii) and (v) are not yet fixed, the scheme in (ii) will be implemented from July 1988, that in (vi), from academic year of 1988 and that in (i), from the date of opening of the Third Summit in Kathmandu on November 2-4, 1987.

The Council also decided to establish South Asian Food Security Reserve and requested the member countries to complete necessary formalities with a view to signing the Agreement in this regard at the Third Summit in Kathmandu. The Council also accepted the recommendations contained in the report of the second meeting of SAARC Group of Experts on Terrorism and called upon the member states to take early measures to implement these recommendations, particularly by enacting/amending national legislations relating to extradition and decided to convene a Group of Legal Experts of SAARC member states to prepare a draft regional convention on terrorism for consideration of the Standing Committee at its ninth session.

In a year between Dhaka and Bangalore Summits, several proposals were made for the establishment of regional institutions. The Bangalore Summit directed the Council of Ministers to undertake a detailed review of the proposals for the establishment of regional institutions. At present there are as many as 13 proposals for the establishment of regional institutions.<sup>13</sup> Two proposals for the SAARC Meteorological Research Centre in India and the SAARC Agricultural Information Centre in Bangladesh have already been approved by the Council of Ministers. Regarding other proposals, the third session of the Council (June 18-19, 1987, New Delhi), while endorsing the common criteria and procedure relating to the administrative structure and financing of regional institutions, "recognised that the process of institution-building was, by its very nature, slow and required a thorough examination of all the implications if the institutions to be established were going to be viable and beneficial to all

the member countries."<sup>14</sup> The Council further stressed that "economy and optimum efficiency" should be the twin criteria guiding the establishment of such institutions. The Standing Committee in its eighth session (June 16-17, 1987, New Delhi) decided to consider in detail the proposals for regional institutions at its ninth session for making appropriate recommendations to the Council of Ministers.

As approved by the Council of Ministers, capital expenditures of regional institutions will normally be borne by the host country and operating costs will be shared among the member countries in the following manner. The host country will bear a minimum cost of 40 percent and the remaining 60 percent will be shared by all seven member states on the basis of the same formula as agreed upon for financing the institutional costs of SAARC Secretariat. Thus, 21 percent of the balance 60 percent (i.e. 12.6 percent) will be shared equally and the remaining 79 percent of the balance 60 percent (i.e. 47.4 percent) would be borne by the member states as assessed share in the proportion agreed to for the financing of the SAARC Secretariat. The total costs to be borne by the host and non-host countries would be as shown in Table 5.

In the Bangalore Declaration, the Heads of State or Government "noted with satisfaction" the considerable progress achieved in the implementation of the Integrated Programme of Action (IPA). They also expressed their "firm commitment to consolidate and streamline further the implementation of the IPA." At the same time, they agreed "that a progressive movement towards more concrete and action-oriented projects and programmes was essential to ensure more tangible benefits from SAARC to the peoples of the region."<sup>15</sup> More recently, the Council of Ministers in its third session held in New Delhi on June 18-19, 1987 also voiced the same. While expressing "its satisfaction at the tangible progress made in the implementation of the Integrated Programme of Action", the Council also emphasized "that SAARC should concentrate on concrete and action-oriented projects and programmes which could bring direct benefits to the people and that greater discretion should be exercised in the selection of activities in different sectors."<sup>16</sup> Implicit in these observations and assessment is the fact that the present activities of SAARC are not as yet as concrete and action-oriented as they should be to bring direct benefits to the peoples of the region. It is, therefore, appropriate that streamline of the current activities and consolidation of the early gains should go hand in hand with identification of more concrete and more meaningful areas of cooperation with a vision and long-term perspective for tangible results and visible impact on the life of the peoples in the region. The problems of absolute poverty, hunger and malnutrition are still very real for the large segment of the population in the region. While poverty rules, peace cannot prevail.

President Jayewardene is right in his remark that "regional cooperation to-day is confined to areas where there has been no conflict between national and regional interests." He suggested to "expand and enlarge our activities" and "enter important areas as trade and commerce."<sup>17</sup> President Ershad explained that "conventional wisdom and theory would propound that a regional arrangement to be more effective and fruitful

should gradually expand to cover some core areas of economic activity." Though he did not specify the core areas, he believed that "Development of common natural resources, Himalayan resources and resources of the sea could also be areas of mutually beneficial cooperation."<sup>18</sup> "From the side of Nepal with the high Himalayas as one of our assets and a vast reservoir of yet untapped water resource that can give to the millions of our people a means to fulfil their basic needs" His Majesty King Birendra Bir Bikram Shah Dev drew "the attention to the fact that there exists this priceless resource waiting to be harnessed for the benefit of our people."<sup>19</sup> His Majesty King Birendra further observed that "The way the governments of India, Bangladesh and Nepal decided to sit and talk about the sharing and the multiple use of the water resources of the region for the benefit of all shows that a trend towards cooperation can be set in motion."<sup>20</sup> His Majesty King Jigme Singye Wangchuck suggested that "we should devote less time to workshops and seminars and concentrate more on concrete regional projects." His Majesty further added that "In selecting our area of cooperation, we must give priority to the economic as field as it is an area of vital concern to our peoples. We should particularly concentrate on the promotion of trade and joint economic ventures within our region."<sup>21</sup> President Gayoom also felt that "we have to push forward vigorously to formulate strategies and programmes that will make regional cooperation an effective vehicle for shared progress and prosperity."<sup>22</sup> Prime Minister Rajiv Gandhi also felt the same way when he suggested that "the momentum of our work can be accelerated only by the impetus of fresh thinking. Consolidation is important, but not enough. There must also be expansion and growth."<sup>23</sup> He hoped that we would be able before the Third Summit in Kathmandu "to find developments on the ground which take us beyond meetings and seminars."<sup>24</sup>

All these statements by the South Asian leaders reflect in various ways the priority and perspective of regional cooperation in future. What is required is therefore a new regional orientation and new order of priorities with series of steps for structural change and increased practical cooperation and a vision of the future without which no great mission has ever been accomplished.

If the current speed of proliferation is not restrained and the more prudent discretion is not exercised in selection of activities in identified areas, it is very likely that SAARC may become more a forum for discussion without action than a framework for regional cooperation with concrete action. In the initial stage, while one should not minimise the need and importance of exchange of ideas and information, a rough and tedious classification of activities undertaken in ten agreed areas under IPA in November 1986 indicates that out of the total 73 activities listed in "Progress of Work As of November 1986", as many as 30 activities are in the category of expert meeting, seminar, symposium, workshop, conference and congress, accounting for 41 percent of the total activities (Table 6). Though there is hardly any significant change in the quality and contents of the activities undertaken since November 1986 and those to be undertaken during 1987/88, the total number of such activities, however, increased by more than 100 percent from 73 up to November 1986 to 167 since November 1986. The number of expert meeting, seminar,

symposium, workshop, conference and congress swelled to 71--almost the total number of activities undertaken up to November 1986, accounting for 42 percent of the total activities. The proliferation of activities is spectacular in the areas of sports, art and culture, women in development and agriculture. In agriculture, the number increased largely due to expert meeting for multilocation trials of various crops (Table 7).

There is already the problem of "poor response and participation in many of the activities organised by the member states under the consolidated calendar of activities. This problem had consistently figured in discussions at the past several sessions of the Standing Committee."<sup>25</sup> With a view to streamlining and improving the implementation of the consolidated calendar of activities, the Programme Committee made several recommendations. The Committee felt "that the prospects for implementation of programmes and projects included in the calendar could be considerably enhanced if they are (a) time-bound and action-oriented; (b) are selected after thorough preparation, bearing in mind complementarities, funding and availability of infrastructure; (c) conceived and implemented on the basis of optimal benefits to all member states."<sup>26</sup> Apart from the continuing problem of poor response and participation in SAARC activities by the member states, there is already the problem of coordination and integration of the various activities under the so-called IPA. The Programme Committee already "realised that as SAARC activities expanded and it was found that in view of the limitation of resources, it might not be possible to cope with all of them, it might become necessary to establish intersectoral priority."<sup>27</sup>

The basic question is, therefore, one of the choices between "concentration" on limited number of coherent and consistent "core areas" with concrete and action-oriented programme as the South Asian leaders visualised and envisaged and "proliferation" in numerous peripheral areas through bureaucratic process by thinning out the scarce resources without much prospect of any tangible and meaningful benefits to the peoples of the region. More urgent question is whether, in future too, regional cooperation within the framework of SAARC should be continued in bureaucratic manner with multiplication of similar disjointed and non-integrated activities without any clear vision and perspective, no matter how useful are such activities in their own ways.

#### ECONOMIC PERSPECTIVE OF REGIONAL COOPERATION IN SOUTH ASIA

The regional economic perspective for South Asia should be visualised in such a way as to achieve the SAARC objectives as enshrined in its Charter by maximising the advantages and minimizing the disadvantages of each member country of the region. The institution of regional cooperation does not make sense to its members if it does not seek to minimise the disadvantages of each of them going alone and maximise the advantages of working together. Stated simply, this is what regional cooperation is all about.

The regional economic perspective should be considered not on a piecemeal basis as at present with collection, compilation and implementation of mutually isolated, uncoordinated and non-integrated pieces of short-

term programmes, no matter how useful each one of them may be in its own way. On the contrary, it should be considered on the basis of a clear vision of the long-term economic growth strategy of the region as a whole with a set of mutually coherent, consistent and reinforcing programme of action. Regional cooperation, if visualised on such long-term growth strategy, can also be linked and integrated with national development plans of individual member states to reinforce individual efforts with regional efforts. In order to accelerate such economic growth process within the framework of regional cooperation by minimizing the disadvantages of each member going alone and maximizing the advantages of all of them working together, the following three sets of policy measures and/or programmes are suggested:

- (i) Growing interdependence and complementarities through expansion of intra-regional trade with growth;
- (ii) Harmonizing certain policies within and outside the region; and
- (iii) Harnessing of vast potential resources of the region.

(i) Growing interdependence and Complimentarities through Expansion of Intra-regional Trade with Growth

Trade links among the developing countries are, in general, very weak. Several factors seem to have contributed to this weakness. One is the colonial or historical linkage, which perpetuated trade with the former metropolitan countries. There was no adequate institutional framework for trade among the developing countries. Financial facilities and payment arrangements to support such trade are still in the early stages of development. Another limitation has been the high tariff and non-tariff barriers affecting imports to these countries. This may be seen from the high share of import duties in central government revenue in most countries of the Asian region.

At present intra-regional trade in South Asia is not only limited but even declining. The intra-regional trade of five countries (Bangladesh, India, Nepal, Pakistan and Sri Lanka) which accounted for 5.43 percent of total exports and 6.24 percent of total imports in 1972, declined to 4.39 percent and 3.13 percent in 1978, respectively. It further declined to 3.17 percent and 2.81 percent in 1984, respectively (Table 8). Only Nepal's exports and imports exceeded 50 percent or remained close to 50 percent of her total exports and imports. But for Nepal intra-regional trade means almost entirely the bilateral trade with India. No country of the region depends so heavily on one trade partner of the region as Nepal does.

A close look at the direction of trade flows of South Asia reveals a heavy concentration of exports to the developed countries of North America and Western Europe and the developed countries of Asia and the Pacific. While exports from the region to the developing countries of Africa are at present very limited, the same to developing countries of Asia and the Pacific have actually declined



in many cases in recent years. There has been, however, a remarkable increase in exports to oil-rich West Asian Countries (Table 9). Like exports, imports into South Asia flow largely from the developed countries of North America and Western Europe as well as from the developed countries of Asia and the Pacific countries, accounting for 40 to 50 percent (Table 10). It is very clear that both imports and exports of South Asia are heavily oriented to countries outside the region and the tendency to move away from the region is indeed growing in the past few years.

The composition of both exports and imports of South Asia again shows a remarkable similarities with heavy dependence on a few primary products for exports and the bulk of imports consisting of manufactured goods. More than one-third of exports of Bangladesh and Pakistan, over 40 percent of exports of India and Nepal, 60 percent of Sri Lanka and almost 100 percent of Maldives exports comprised food items, agricultural raw materials and ores and metals in 1983. Some of the important primary products of the region such as tea, jute and rubber are subject to wide fluctuation in price and revenue, causing instability in the economy of the region.

Over the past two decades or so, most of the countries of the region have considerably diversified their exports by increasing the proportion of manufactured goods in their total exports. However, such diversification is some what elusive in the sense that bulk of the exported manufactured goods consist of textile yarn and clothing, which are again subject to fierce competition from some newly industrializing countries of South East Asia and also subject to restrictive and protectionist measures under Multifibre Arrangement. Machinery, equipment and chemical products account for a significant part of manufactured exports only from India (Table 11).

While the bulk of imports into the region consist of manufactured goods of which machinery and equipment account for a substantial part, fuel-bill went up drastically since 1970, affecting the overall import value. Another notable change is the significant fall in the import of food in most countries in the recent years (Table 11).

This broad analysis reveals as much striking similarities in composition of both imports and exports of most of the countries of South Asia as it conceals differences and dissimilarities, indicating the scope for expansion of intra-regional trade for mutual benefits. The very fact that the present intra-regional trade is extremely limited and that there is great differences in the levels of industrial and technological development among the countries of the region indicate the great scope for expansion of intra-regional trade in South Asia.

It is often felt that the slow-down in economic growth of developed countries after long recession combined with rising protectionism under various pretexts should prompt the developing coun-

tries to expand trade among themselves. It is also argued that the trade in a wide range of manufactured goods can be expanded among the developing countries due to similarity in their demand pattern as the larger volume of trade take place among the developed countries themselves for the same reason. In a regional context, trade among the neighbouring countries can substantially reduce transport costs as well as costs of production due to economies of scale. Besides, capital goods exported from developing countries to other developing countries may be more appropriate to their factor endowment than those exported from the developed countries.

(a) Intra-regional Trade Expansion through Preferential Trading Arrangement

In our part of the world, the performance of two main regional trade expansion efforts under preferential trading arrangements, namely, the ASEAN Preferential Trading Arrangement (PTA) and Bangkok Agreement, is often cited as encouraging and instructive example. It is reported that between 1977 and 1982 the intra-ASEAN trade grew much faster than the ASEAN global trade (3.2 fold vis-a-vis two-fold). As a result, intra-ASEAN trade as proportion of ASEAN global trade went up from 16 percent in 1977 to 24 percent in 1982 (Table 12).

How much of this intra-regional trade expansion is due to preferential trading arrangement (PTA) and how much due to normal result of economic growth process is difficult to ascertain. For several reasons, "It is widely believed that tariff cuts under PTA have so far had a marginal impact on intra-ASEAN trade."<sup>28</sup> It is estimated that the trade actually conducted under PTA accounted for only 0.15 percent of total intra-ASEAN trade.<sup>29</sup> The intra-ASEAN trade, like intra-South Asian Trade, is dominated by one country, namely, Singapore. Singapore accounts for about 40 percent of total intra-ASEAN trade flows. Major shares of intra-ASEAN trade of individual member countries are with Singapore (Table 11).

Besides, PTA is linked with other important regional cooperation efforts such as ASEAN Industrial Joint Ventures. The products of such joint industrial ventures are provided with access to regional markets on preferential tariff concessions under PTA. One of the subjects discussed for further trade liberalization among the ASEAN countries at the recently held 19th ASEAN economic Ministers meeting (July 9-11, 1987) was the further tariff cuts for products from ASEAN industrial joint ventures involving businessmen from two or more countries in the region. "Such products are now given 75 percent margin of preference in ASEAN countries participating in the joint ventures but non-participating ASEAN countries are not obliged to accord this preference."<sup>30</sup>

Like intra-ASEAN trade under PTA, trade between and among the Bangkok Agreement Countries (Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea and Sri Lanka), though increased from 1.6 percent to 2.4 percent from the three years' periods of 1977-1979 to 1980-1982, is also dominated by two relatively ad-

vanced countries, namely, India and the Republic of Korea. During 1980-1982 period, South Korea accounted for almost two-thirds of the total intra-group exports, most of which went to India. The combined exports of India and South Korea accounted for more than 90 percent of total intra-group trade (Table 13). The imports within the Bangkok Agreement countries accounted for 6 to 9 percent of their total imports in 1981, 1982 and 1983.<sup>31</sup>

The experiences so far of both ASEAN and Bangkok Agreement countries, thus, indicate the limitations of preferential trading arrangements as an effective means of intra-regional trade expansion. In the case of ASEAN, the modest results are attributed first to product-by-product approach followed in the earlier years resulting in time-consuming protracted tariff-negotiations even for items which were either not traded at all in the region or traded only to a limited extent. Secondly, even when the product-by-product approach was replaced by an across-the-board approach, its effectiveness is considered to be diluted by the long list of excluded items considered sensitive. Thirdly, the tariff preferences are said to be concentrated in a few product categories in which ASEAN countries are not very competitive. And finally, the tariff-cuts are not considered to be probably deep enough to induce significant intra-regional trade.

In the case of Bangkok Agreement countries, the number of products enjoying preferences is limited, effective levels of preferences are considered low and the products under preferences are also subject to non-tariff barriers. Besides, Bangkok Agreement countries do not have other forms of trade cooperation as ASEAN countries have. In both the cases, one or two countries dominate the intra-regional or intra-group trade. During the second round of negotiations (started in 1985) the Bangkok Agreement countries, therefore, emphasized such important aspects as more equitable trade and reduction in imbalances, expansion of trade not only through exchange of tariff concessions but also through other forms of trade cooperation.

It is not, therefore, unlikely that the reasons, which limited the effectiveness of preferential trading arrangement in our part of the world under PTA and Bangkok Agreement, will not limit intra-regional trade expansion with similar preferential trading arrangement in South Asia. Given the asymmetric situation in South Asia, it is very unlikely that the intra-regional trade expansion through preferential trading arrangement will result in equitable distribution of benefits, reduction in imbalances or further promotion of growth in member countries. If intra-regional trade expansion through preferential trade liberalization, which could be the only possible form in South Asia from among several other well-known forms (e.g. free trade area, customs union, common market, economic union etc.) should have, besides usual or normal features, some specific or special provisions. One such provision should be such that the expansion of intra-regional trade should aim at more or less a balanced trade of a member country with another member country within a certain specified period of time or that trade imbalances of a member country with another member country should not exceed a certain

specified proportion of total annual trade between the two. Secondly, intra-regional trade expansion through preferences should ensure that a member country should be accorded, when in need, the facility from another member country with which it has trade imbalance, in the form of a stand-by credit equivalent to a certain specified proportion of annual trade imbalance on concessional terms. And finally, for a certain period of time, special provision should be made for the least developed among the member countries in terms of access of their products to the markets of other member countries on a non-reciprocal basis.

(b) Intra-regional Trade Expansion Through Country Specialization, Complementation and Joint Ventures

Trade is often linked with growth. As such, the developing countries make earnest efforts for expansion of their economies through trade expansion. But trade is only one of the many determinants of growth. A simple statistical association between export growth and GNP growth is not sufficient to establish a definite causal relationship. Where exports account for only a small proportion of GDP, the export sector can contribute but little to growth. Likewise, where domestic market is small, growth through import substitution is limited.

A sample study of 41 developing countries indicated a positive relationship between the rate of change in the proportion of exports to GNP and the rate of change in percapita GNP. What is, however, to be noted is the fact that such relationship is found stronger only among the countries with relatively high per capita incomes and in fact, practically no such relationship among the countries with the 1972 per capita income level of below \$ 300.<sup>32</sup> This means that a country has to attain a certain minimum threshold income before export and economic growth become linked.

Likewise, while import constraints can severely limit the growth due to bottlenecks of capital goods, intermediate goods, raw materials and even consumer goods supply, there is no clear evidence of close association between the rate of growth of the proportion of imports in GDP and the rate of growth in GDP. There are countries with a high growth of imports-proportion in GDP and low growth rate of GDP (Bangladesh and Nepal, for example). There are countries with a low growth of imports-proportion in GDP and high growth rate of GDP (Thailand and the Philippines). There are again countries with close association between the two (Republic of Korea). It needs, therefore, a more thorough study not only of the changing proportion of imports, but also of changing composition of imports. It is very likely that the changing composition of imports may have closer association with the changing rate of GDP growth.

It, therefore, appears that trade expansion in a regional cooperation framework would be linked with structural change in the economies of the regional partners. In the first place, the relatively less developed partners should have the opportunity to expand

their economies and create more marketable surplus and sizable export sector, which, together, will produce multiplier effect on further growth of their economies. Such growth process will also bring about change in volume and composition of imports, more capital goods, intermediate goods and even more raw materials from within the relatively more developed partners of the region. Such growth induced trade expansion within the region can alone ensure equitable distribution of benefits among the regional partners at different stages of development.

Secondly, collective self-reliance does not mean self-sufficiency of each participating country in a regional cooperation framework. Collective self-reliance on a regional basis needs growing regional interdependence and restructuring of regional growth pattern to promote complementarities. The countries of South Asian region are at present more competitive than complementary. The objective of self-sufficiency seems to have guided the development priorities in the region over the years. Though all the seven countries of the region are low income countries, some are least developed and others are relatively at higher levels of development. Among all, India has achieved more sophistication in technology and production structure in general. As a biggest country with correspondingly large domestic market and large resource base, India depends least on both exports and imports, accounting for only 6.8 percent and 10.2 percent of GDP in 1981, respectively (Table 14). If only the relatively more developed countries are prepared to change their industrial structure with growing emphasis on more sophisticated products and phasing out of the production of simple consumer goods, opportunities can be created for other less developed countries to produce such simple industrial goods for import substitution as well as for export promotion in the region. Such restructuring will not reduce but expand total regional trade as the two sets of countries will exchange among themselves more capital goods and consumer goods.

This does not, however, look like a feasible proposition. First, all countries of the region have mixed economies with preponderance of the free enterprises regulated more by the market mechanisms than by the government planning and control. Secondly, in a wide range of products including consumer goods, by virtue of factor endowment, long experience and large domestic markets, relatively more developed countries enjoy comparative costs advantages. Thirdly, the domestic markets of these countries are yet far from being saturated with consumer goods and these markets will grow with increase in their per capita incomes. In view of the growing protectionism and restrictive trade practices and challenges from other newly industrialised countries, it is very likely that the more developed and larger countries will try to stimulate their economies more on domestic demand than on exports. The higher the stage of development and more sophisticated the industrial products, the greater is the chance of facing numerous restraints and protectionist measures in world markets. Finally, the least developed countries finance a substantial part of their capital goods imports from external resources which are usually tied. This limits their capacity to import capital goods from within the region.

Trade between relatively developed countries and relatively less developed countries may take the colonial pattern of the former specialising in manufacturing and the latter, supplying raw materials and primary products. While such pattern of trade relationship may also be described as complementary, such colonial type of complementarity is neither acceptable, nor compatible with the national aspirations of the independent nations. In the case of South Asia, the asymmetric position of India in many respects, including resource-concentration, makes even such trading pattern less applicable. India is in an enviable position with comparative advantage in many ways, including supply of raw materials and primary products.

While accelerated economic growth and competitive capabilities through better management of their economies can alone ensure better future prospects for the relatively less developed countries of the region, there is, however, scope for linking trade with growth and creating regional complementarities and interdependence as well within the framework of SAARC to benefit all member countries of the region.

One such option is country-specialization. A country, however poorly endowed, may have comparative advantage in certain lines of production, provided adequate market access is assured. Within the SAARC framework, if such lines of production in agricultural and industrial fields could be identified on the basis of comparative advantage of each member country, even the least developed country could, then, specialise in agreed and assigned lines of production for supply in the regional markets. How the access to the regional markets as a whole for such product or products is to be assured is a matter of details to be agreed upon by the member states. This will help the relatively less-developed countries to speed up their growth and industrial process, the relatively developed countries to reap the benefits from comparative costs advantage of other partners and the region, to strengthen mutual cooperation through interdependence and complementarities.

In addition to "country-specialization", one could suggest "Industrial Complementation" along the lines of ASEAN Industrial Complementation (AIC) initiated in 1981. Under this regional arrangement, individual member country may be allowed to produce certain mutually agreed industrial products. Such products enjoy mutually agreed tariff preferences in all other member countries for a certain period of time. If need be, the other countries may not expand the existing facilities or establish new facilities for production of such goods for a certain specified period of time.

Likewise, within the framework of regional cooperation with SAARC secretariat as a focal point, possibilities may be explored for setting up certain well identified viable industries in each member country with certain agreed proportion of equity participation by the public/private or both sectors of other member states. Such joint regional industrial ventures should enjoy trade and other preferences within the regional markets as in ASEAN.

All the above measures have the merit of linking trade expansion with industrial expansion. As stated earlier, the problem of least developed countries within the region is more of growth, creating marketable surplus on competitive basis than of trade on the basis of preferences. In order to create country-specialization, industrial complementation and regional joint industrial ventures, some institutional infrastructure has first to be created. One major component of such infrastructure should be regional financial institution to support new industries along the lines suggested above. The recently concluded meeting of the Council of Ministers in New Delhi (June 18-19, 1987) agreed to further consider the proposal made by Bangladesh for the establishment of multi-sectoral investment-institution in the region. Such institution, if properly structured, could play an important role in setting up industries in member countries for specialization and complementation as well as for joint regional ventures.

(ii) Harmonizing Certain Policies Within and Outside the Region

One of the major concerns of all countries of the region is more access to the markets of developed countries. But despite the fact that the region has more than one-fifth of the world population, its share in the world market is virtually insignificant. The total exports and imports of the region in 1982 accounted for only 0.8 percent and 1.5 percent of world's exports and imports, respectively.<sup>33</sup> Even India accounts for only 0.43 percent of the world exports in 1983.<sup>34</sup> Even the exports from smaller European countries such as Belgium-Luxembourg are six-times larger than those from India and twenty-times larger than those from Pakistan.<sup>35</sup> Secondly, despite the fact that the countries of the region have succeeded in varying degrees in diversifying their exports, the bulk of their exports still comprise primary commodities such as food items, agricultural raw materials and ores and metals. While the countries of the region have expanded their exports of manufactured goods, bulk of these manufactured goods comprises textile yarn and clothing which are subject to variety of restraints and protectionist measures. Instability in prices and earnings of primary products as well as secular deterioration in terms of trade of such products are another serious concern of all countries of the region.

On export front, therefore, harmonization of policies and coordinated efforts in areas such as Multifibre Arrangement, Integrated Programme for Commodities, Common Fund for Commodities, Generalised System of Preferences, Multilateral Trade Negotiations under GATT, STABEX etc. should be a matter of common interest to all. Likewise, the South Asian countries can work out a concerted position on the question of stalemated North-South dialogue. These are some of the areas in which improvement in regional bargaining position as envisaged in SAARC Charter could benefit all countries of the region in varying degrees.

Within South Asia, the type of regional cooperation that one can think of in the given geo-political context can never be far-

fledged in the sense of free trade, free movement of resources and integration of economic and social policies on a regional scale. SAARC is, therefore, guided by the principle that its work "shall be based on respect for the principle of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other states and mutual benefit."<sup>36</sup> In economic terms, this means that the inalienable right of each member country to manage its economic resources without inhibition and interference from outside should always be respected and the capability of each member to do so should not be undermined or impaired in any way from outside. No country can plan its economy and benefit its people from development without its capacity to plan and manage its own resources. And no country can do so without duly regulated and duly controlled flow of men and materials across the international borders within the region.

The mounting pressure on land and mass unemployment and under employment in the region always tend to push people across international borders in search for better opportunities. If unchecked, such process will not only damage the economy but even destabilise the smaller countries in the region when the process is politicised. The frustration due to wide gap between the population growth and economic growth without immediate prospect for any perceptible improvement in the quality of life of the masses has very serious political and security implications.<sup>37</sup> Likewise, the unregulated and unauthorised flow of materials across international borders benefits none but a few self-seeking-vested interest groups. But the damage it inflicts upon the affected countries of the region could be serious, serious-enough to throttle the entire growth process of smaller countries.

Any attempt made within the regional framework for coordination and harmonization of national policies of individual member countries towards unauthorised flow of men and materials across international boundaries will harm none but benefits all. Such harmonization should not be difficult, if some regional norms could be agreed upon to serve as a basis for the policy harmonization of each member country in this regard.

While effective control of unauthorised flow of man and materials across international boundaries will contribute to healthy economic growth in member countries, simplification and standardization of trade and transit related procedures and documentation will significantly contribute to trade facilitation in the region. "In most countries, the cost of such unnecessary trade-related procedure is conservatively estimated at 10 percent of the value of goods traded. The cost of paper work in international trade worldwide is estimated at around US \$ 40 billion per annum."<sup>38</sup> Any mechanism within SAARC framework for trade facilitation will expand trade within and outside the region, contributing to development efforts of each member country. The Technical Committee on Transport has already considered the questions of simplification and standardization of customs practices at points of entry and exit; overland movement of goods, highway, rail-



way and air links in the region. If regional norms and standards could be formulated and agreed upon to guide the principles and practices in such areas as transit, customs and overland transportation of goods, this will contribute to facilitation and expansion of trade within and outside the region.

The early stages of regional cooperation in South Asia should be characterised more by such harmonization measures which need no investment of scarce capital resources but only the demonstration of magnanimity and good will, which alone can create an environment of mutual trust and confidence.

(iii) Harnessing of Vast Potential Resources of the Region

Although South Asia is relatively poor in many important natural resources, it is, however, endowed with vast and yet unexplored and untapped resources hidden in deep sea beds, high Himalaya and huge population, which can offset, to a considerable extent, the deficiency in other resources. The high Himalaya dominates the meteorological conditions and the physical geography of the region. The three major river systems of the region affect the life of the millions. The countries of the region should have a common interest not only in conservation and improvement of the Himalayan ecology and the sea beds, but also in exploitation of practically immeasurable potential for hydro-power generation, irrigation, river-navigation, marine-resource development.

The first ever call for regional cooperation was made by His Majesty King Birendra Bir Bikram Shah Dev in 1977 in His Majesty's inaugural address to the 26th Ministerial level meeting of the Colombo Plan Consultative Committee held in Kathmandu, urging the regional countries in the following words, for cooperation in harnessing the vast water resources of Nepal for the benefit of the people in the region.

"If water constitutes one of the potent sources for Nepal's economic growth, we do not intend to look at them from the standpoint of national interest alone. It is the conviction that if cooperation can be called for, especially cooperation of Asian countries such as Nepal, India, China, Bhutan, Bangladesh, Pakistan, Sri Lanka and all other regional countries, a vast resource of bountiful nature can be tapped for the benefit of man in this region. Additionally, the river system can be so developed as to help landlocked countries in their search for a passage to the sea."<sup>39</sup>

Whether SAARC is born out of mutual conviction or convenience of the South Asian countries depends largely on whether they are prepared to make the best use of the unused and underused resources of the region, including the vast water resource. Multilateral and bilateral treaties have ensured legal rights and provided oppor-

tunities for harnessing of the water resources of many important river systems in the world.<sup>40</sup> In any water resource development scheme in South Asia on a regional scale or bilateral basis, river navigation across international boundaries with passage to the sea for the landlocked countries must be an integral part. Bashir Ahmad even suggested that "development of integrated inland waterways should be considered with a regional outlook, much in the same way as an Asian high-way project is viewed. All the parts in eastern South Asia--Calcutta, Chittagaong, Chalna, Khulna, etc.--could then become mutually supporting, geared to overcome the bottlenecks of congestion and to minimise the disruption through natural and man-made disasters and to serve the entire hinterland linked with inland waterways right up to Nepal and Bhutan."<sup>41</sup>

Likewise, the huge human resource of the region accounting for one-fifth of the world, has so long been more a drag on development than its driving force, as the latent potentiality of labour force is going waste on an enormous scale without proper use. Besides the open unemployment ranging from about 18 percent (Sri Lanka, 1981) to 3.5 percent (Pakistan, 1982), more than one-fifth to one-third of labour force is estimated as underemployed in South Asian countries.<sup>42</sup> In general, underemployment is more widespread in rural areas and its incidence is high in traditional agricultural sector. Poverty in rural areas is largely the result of widespread underemployment, low productivity and inadequate access to productive assets such as land.

In countries where employment outside agriculture not growing at a faster rate than labour force and where farming is also done largely on a joint-family basis, labour force must be getting accumulated over the years on practically fixed land. This results not only in further accumulation of idle labour on land, but also further deterioration in factor combination, affecting productivity of both land and labour. While the industrial sector is generally growing faster than the economy as a whole, it does not seem to be growing fast enough to keep the back-log of unemployment and underemployment from rising. It is believed that the employment elasticity in most of the developing economies is below 0.5. This means that the rate of economic growth should be twice as high as the rate of increase in labour force just to hold the back-log of unemployment and underemployment from further deterioration.

High rate of economic growth is, therefore, a necessary condition for alleviation of the problem of unemployment and underemployment. However, this is not a sufficient condition, for high growth may be combined with high capital intensity resulting in low employment elasticity. Besides, in countries where one-fifth to one-third or more of the labour force remains unproductive or outside the production process, high growth rate also remains elusive and unattainable. Even if high growth is somehow attained, this will not result in corresponding decline in the incidence of poverty of the masses. The strategy of development which has employment as its primary objective can alone ensure high level of growth with social justice as well.

Several studies have indicated that employment elasticity is generally higher in agricultural sector and if the new seeds and fertilizer technology is combined with adequate supply of water, both employment and productivity can be increased substantially. Besides, rural electrification can produce dramatic impacts on rural handicrafts and small industries with great employment potential even without increasing capital coefficients. If the immense hydro-power potentiality of the region can be harnessed on a regional scale, it would provide much needed irrigation and energy both of which could create productive employment to millions of the people in the region. The construction of Bhakra and Tarbela dams indicate that the region may not fall short of the required technology as well, provided there is necessary political will. In the Bangalore Declaration, the Heads of State or Government rightly observed that "The countries of the region had large, rich and varied human and natural resources. They expressed their determination to achieve the optimum utilization of these resources by intensifying their cooperation, bearing in mind the immense present and potential complementarities among their economies." They also "recognised that this would require increasing exchange among their countries, on the basis of mutual benefit, of ideas, experience and technology as well as goods and services, which utilise and enhance the productive capacity of each of their countries and build their collective self-reliance."<sup>43</sup> What is now needed is the translation of this "determination" into actual demonstration of "political will."

#### CLOSING OBSERVATIONS

The geo-political and economic realities have brought the seven countries of South Asia together to work individually and collectively for peace, stability, and development in the region. Regional cooperation does not gain momentum by its own force unless it derives its motive power from mutual trust and understanding of its partners. The environment, which is conducive to regional cooperation, can be vitiated by unsettled and unresolved problems. No problem is, however, incapable of peaceful resolution with necessary political will. Problems made by man can also be resolved by man. The keepers of the past cannot be the builders of the future. Leaders of vision and statesmanship do not, therefore, remain captives of the past. They view the historical events and legacies against the dynamics of the changing environment and changing relations. The SAARC framework should provide new opportunities to create in South Asia a constructive process in generating a climate of mutual trust, goodwill and harmony. As the leaders of the region have decided to meet annually at a Summit, such frequent contacts and exchange of views at the highest political level should contribute to further promotion of mutual trust and goodwill.

The magnanimity which the developing countries expect from the developed countries should first be demonstrated by the developing countries themselves. The north-south deadlock should first be resolved at South-South dialogue and cooperation. The New International Economic Order (NIEO), likewise, should first begin at the regional level. As a matter of fact, the Declaration and the Programme of Action on the establishment of NIEO of May 1974 viewed cooperation among the developing countries at the regional, sub-regional and inter-regional levels as a means of strengthening the role of NIEO. The International Development strategy for 1980's also visualised economic and technical cooperation among the developing countries (ECDC and TCDC) based on collective self-reliance as a "dynamic and vital component of an effective restructuring of international economic relations."

The countries of South Asia have been bound together not only by the age-old cultural, social and historical traditions, but also by the common aspirations of their people to live together, now and for ever, in peace, stability and prosperity. The real test of regional cooperation, therefore, lies in the ability of its leaders to work together to the legitimate expectations and aspirations of a billion people in the region. As His Majesty King Birendra Bir Bikram Shah Dev has observed, "After a long winter of mistrust, coldness and suspicion this region of South Asia certainly looks forward to a new spring giving birth as it were to a new era of enlightened self-interest based on a common desire to replace conflict with cooperation, to substitute discord with harmony, and finally, move from an altitude of self-centeredness to a widening horizon of contacts in the region in a spirit of reciprocity, give and take, live and let live."<sup>44</sup>

## Statistical Appendix

Table 1

## Area, Population and Production, 1984

No. Country	Area ('000 sq.km)	Population (Million Mid-1984)	Average Annual growth of population (%) (1973-84)	Average annual growth of population (%) estimate (1980-2000)	Estimated Population in 2000 (Million)	Gross Domestic Product, 1984 (Million US \$)
1. Bangladesh	144 (3.2)	98.1 (10.1)	2.5	2.4	141	12320 (5.7)
2. Bhutan	47 (1.0)	1.2 (1.1)	1.9	2.3	2	-
3. India	3288 (73.1)	749.2 (77.0)	2.3	1.9	994	162280 (77.3)
4. Maldives	0.3 (0.0)	0.15 (0.01) <sup>a</sup>	2.5 <sup>b</sup>	NA	NA	20 (0.0) <sup>c</sup>
5. Nepal	147 (3.3)	16.1 (1.7)	2.6	2.6	24	2290 (1.1)
6. Pakistan	804 (17.9)	92.4 (9.5)	2.9	2.6	138	27730 (13.2)
7. Sri Lanka	66 (1.5)	15.9 (1.6)	1.8	1.8	21	5430 (2.6)
South Asian Region	4496.3(100.0)	973.05 (100.0)				210070 (100.0)

Figures in parenthesis indicates percentage. a. mid-1979 b. 1975-1979 c. GNP in 1978

Source: World Bank, World Development Report, 1986.

Asian Development Bank, Key Indicators of Developing Member Countries of ADB, Vol. XI, No. 1, April 1980.

Table 2  
Quality of Life, 1984

No.	Country	GNP per capita (US \$)	Daily per capita calorie supply (as % of requirement)	Life expectancy at birth	Ex-liternity rate (e)	Primary school enrollment (6-11 yrs): 1983	Secondary school enrollment (12-17 yrs): 1983	Higher education enrollment (20-24 yrs): 1983	Infant mortality rate (1-4 yrs)	Child death rate (1-4 yrs)	% Share of Household income of	
											Lower 20%	Higher 20%
1.	Bangladesh	130	81	50	22	62	19	4	124	13	6.2	46.9
2.	Bhutan	100 <sup>a</sup>	NA	44	NA	25	4	NA	135	20	NA	NA
3.	India	260	96	56	34	85	34	9	90	11	7.0	49.4
4.	Maldives	150 <sup>b</sup>	NA <sup>c</sup>	NA <sup>d</sup>	NA	NA	NA	NA	106 <sup>f</sup>	NA	NA	NA
5.	Nepal	160	93	47	28	73	22	5	135	20	4.6	59.2
6.	Pakistan	380	95	51	23	49	16	2	116	16	NA	NA
7.	Sri Lanka	360	106	70	79	101	56	4	37	2	7.5	43.4

a. 1978 (Qureshi, *Ibid.*, p. 34).

b. 1978 (ADB, *Ibid.*, p. 7).

c. Per capita daily calorie supply in 1977 was only 1971.

d. 47 years in 1978 (Third World Diary).

e. Bangladesh 1975, India 1976, Nepal 1984, Pakistan 1976, Sri Lanka 1971.

f. 1976 (ADB, *Ibid.*, p. 2).

g. Bangladesh (1976-77), India (1975-76), Sri Lanka (1969-70), Nepal (1976/77-NPC Survey).

Source: World Development Report, 1986.

Table 3  
GNP Growth and GDP Distribution, 1984

No.	Country	Ave. annual growth of per capita GNP (1965-84)	Ave. annual growth of GDP (1973-84)	GDP distribution by origin (%)		
				Agriculture	Industry	Services
1.	Bangladesh	0.6	5.0	48	13	39
2.	Bhutan	NA	NA	NA	NA	NA
3.	India	1.6	4.1	36	26	38
4.	Nepal	0.2	3.1	35	27	38
5.	Pakistan	2.5	5.6	24	29	47
6.	Sri Lanka	2.9	5.2	28	26	46

Source: World Development Report, 1986.

Table 4  
Current Account Balance and Public Debt, 1984

No.	Country	Current account balance (\$ million) deficit (-) surplus (+)	External public debt: as % of GNP	Debt services as % of exports of goods and services
1.	Bangladesh	- 521	40.0	14.2
2.	India	-2429	12.2	10.1
3.	Nepal	- 102	17.0	3.4
4.	Pakistan	-1118	29.6	26.7
5.	Sri Lanka	+ 9	41.2	11.2

Source: World Development Report, 1986, p. 206 and p. 112.



Table 5  
Institutional Cost Sharing

(In Percentage)

Countries	Minimum for Host	Equal shares (of 60%)	Assessed shares (of 60%)	Total	
				Host	Non-Host
Bangladesh	40	(3) 1.8	( 8.35) 5.01	46.81	6.81
Bhutan	40	(3) 1.8	( 2.00) 1.20	43.00	3.00
India	40	(3) 1.8	(29.10) 17.46	59.26	19.26
Maldives	40	(3) 1.8	( 2.00) 1.20	43.00	3.00
Nepal	40	(3) 1.8	( 8.35) 5.01	46.81	6.81
Pakistan	40	(3) 1.8	(20.85) 12.51	54.31	14.31
Sri Lanka	40	(3) 1.8	( 8.35) 5.01	46.81	6.81

Note: . Figures in parenthesis are as per SAARC Secretarial Formula.

Source: Report of the Meeting of the Working Group on Sharing of Institutional Costs of SAARC Regional Institution, Kathmandu, May 13-14, 1987.

Table 6  
SAARC: Progress of Work as of November 1986

Type of Activity	(Unit: Number of Activities)									
	Agri-culture	Health & Population	Meteo-rology	Postal services	Rural devel-opment	Science & technol-ogy	Sports art & culture	Tele-communication	Trans-port	Women in develop-ment
Total:	14	4	3	8	6	9	12	5	11	1
1. Expert meeting <sup>a</sup>	8	1	-	-	-	1	-	-	-	-
2. Seminar, symposium & workshop	3	2	-	2	1	2	2	3	2	1
3. Conference & Congress	-	1	-	-	-	-	1	-	-	-
4. Training course	3	-	-	2	4	1	-	1	1	-
5. Feasibility meeting	-	-	-	-	-	-	-	1	-	-
6. Research paper, project proposal, concept paper, status paper & draft documents	-	-	-	-	1	-	-	-	5	-
7. Coaching camp & sports events	-	-	-	-	-	-	1	-	-	-
8. Study & study tour	-	-	-	2	-	-	-	-	-	-
9. State-of-the-art	-	-	1	-	-	4	-	-	-	-
10. Miscellaneous	-	-	2	2	-	1	-	-	3	-

a. Meeting of counterpart scientists, meeting on exchange of scientific and technical publications, meeting for multilateral allocation of various cups etc.

Source: SAARC/Summit 2/PC 2/6/Rev. 1, Bangalore, November 11-12, 1986.

Table 7  
 Activities Held Since November 1986 Updated & Calendar of Activities, 1987-88

Type of Activity	Sector	Agri-culture	Health & population	Meteorology	Postal services	Rural development	Science & Technology	Sports, art & culture	Tele-communication	Transport	Women in development	Drugs trafficking
Total	29	8	14	12	16	11	32	7	15	20	3	
1. Expert meeting	13	-	-	-	-	-	-	-	-	-	-	-
2. Seminar, symposium & workshop	2	3	3	2	3	5	4	4	9	10	-	-
3. Conference & congress	-	3	-	-	-	-	3	-	-	-	-	2 <sup>b</sup>
4. Training course	8	-	2	3	5	-	-	1	1	1	-	-
5. Feasibility study meeting	-	-	-	-	-	-	-	-	-	-	-	-
6. Research paper, project proposal, concept paper & draft documents	5	2	1	3	1	-	-	-	-	1	-	-
7. Coaching camp & sports events	-	-	-	-	-	-	-	16	-	-	-	-
8. Study & study tour	-	-	-	1	4	-	-	-	-	1	-	-
9. State-of-the-art	-	-	7	-	-	5	-	-	-	-	-	-
10. Art festival, exhibition, & gallery	-	-	-	-	-	-	6	-	-	-	2	-
11. Miscellaneous	1	-	1	3	3	1	3	2	-	5	1 <sup>c</sup>	-

a. The first meeting of the Technical Committee was held only in April 12-15, 1987 in Islamabad.

b. Meeting of NGO's on Drug Abuse.

c. Exchange of Information and Intelligence on Suspect Traffickings & Drug Trafficking etc.

Source: SAARC/PC. 3/11/Rev. 1, New Delhi, June 14-15, 1987.

Table 8  
Intra-regional Trade of South Asia

(Percentages)

Country	Intra-regional exports as % of Total exports			Intra-regional imports as % of Total imports		
	1972	1978	1984	1972	1978	1984
Bangladesh	0.41	8.81	9.85	26.33	5.76	6.35
India	5.99	3.15	1.21	0.83	0.69	0.02
Nepal	53.11	59.76	60.54	66.74	46.28	60.12
Pakistan	2.29	5.26	3.32	5.29	4.33	2.09
Sri Lanka	8.26	6.73	4.37	9.39	10.07	6.97
South Asia	5.43	4.39	3.17	6.24	3.13	2.81

Source: Based on Qureshi, *Ibid.*, pp. 139-140, pp. 144-145 for 1972 and 1978 figures for 1984, U.N. Handbook of International Trade and Development Statistics, 1986, Supplement.

Table 9

From	Experts: Destination					(Percentage)
	<u>Bangladesh</u>	<u>India</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Sri Lanka</u>	
To						
<u>North America</u>						
1970	...	15.3	9.7	13.1	9.8	
1980	10.2	12.4	9.5	5.9	12.6	
1983	15.4	22.7	9.9	6.8	19.2	
<u>Western Europe</u>						
1970	...	20.1	20.8	26.9	33.3	
1980	18.9	25.6	28.2	22.6	22.3	
1983	20.9	20.8	53.0	19.0	21.0	
<u>Eastern Europe &amp; USSR</u>						
1970	...	20.2	...	11.8	8.5	
1980	7.7	20.2	...	3.8	4.2	
1983	10.5	13.9	..	4.2	5.0	
<u>Asia &amp; Pacific</u>						
1970	...	15.9	4.8	9.1	8.7	
1980	7.6	11.0	12.2	8.5	4.9	
1983	10.4	12.0	1.5	8.8	5.9	
<u>Asia &amp; Pacific (Dev.)</u>						
1970	...	11.7	64.2	18.5	17.0	
1980	32.1	13.1	46.0	32.7	18.3	
1983	26.4	14.8	35.3	30.8	14.7	
<u>Africa</u>						
1970	...	8.4	...	7.5	6.8	
1980	13.7	6.1	3.9	6.4	7.2	
1983	9.0	4.2	...	5.0	11.1	
<u>South America</u>						
1970	...	0.5	...	3.6	0.8	
1980	3.3	0.5	...	1.7	2.0	
1983	0.4	0.3	...	1.1	0.9	
<u>Western Asia</u>						
1970	...	5.0	...	7.2	2.8	
1980	5.4	9.3	0.2	18.0	14.2	
1983	6.4	8.8	0.3	23.3	13.2	

Note: (...) Indicates that data not available.

Source: UN ESCAP, Economic & Social Survey of Asia & the Pacific, 1985, pp. 140-141.

Table 10

To From	Imports: Origin				
	Bangladesh	India	Nepal	Pakistan	Sri Lanka
(Percentage)					
<u>North America</u>					
1970	...	36.5	2.1	32.6	8.6
1980	17.0	15.1	6.0	14.6	5.6
1983	16.1	13.3	3.8	11.0	8.3
<u>Western Europe</u>					
1970	...	19.8	11.7	32.5	27.4
1980	17.7	24.5	14.0	23.8	24.8
1983	20.2	25.1	15.3	24.5	20.5
<u>E. Europe &amp; USSR</u>					
1970	...	14.9	...	7.6	6.7
1980	...	10.4	...	3.1	1.2
1983	...	6.9	...	2.3	0.5
<u>Asia &amp; Pacific</u>					
1970	...	7.0	10.0	12.7	14.2
1980	13.4	7.0	21.0	11.6	15.1
1983	8.1	10.4	19.8	16.2	19.8
<u>Asia &amp; Pacific (Dev.)</u>					
1970	...	8.0	76.2	9.7	33.3
1980	17.9	18.0	58.2	14.0	25.8
1983	16.1	16.6	60.4	14.7	39.9
<u>Africa</u>					
1970	...	10.6	...	0.4	1.8
1980	0.1	1.9	...	0.9	4.3
1983	0.3	1.5	-	1.3	2.4
<u>South America</u>					
1970	...	0.9	...	-	-
1980	0.3	2.5	0.4	1.9	3.1
1983	0.1	2.8	...	1.2	0.4
<u>Western Asia</u>					
1970	...	1.9	...	3.1	-
1980	15.7	19.6	0.1	29.3	18.2
1983	18.3	21.0	...	27.3	5.6

Note: (...) Indicates that data not available.

( - ) Indicates that amount is nil/negligible.

Source: UN, ESCAP, Economic & Social Survey of Asia & the Pacific, 1985.

Table 11  
Composition: Exports & Imports

	Export From					Import, Into						
	Bangla- desh <sup>a</sup>	India <sup>b</sup>	Mal- dives <sup>c</sup>	Nepal <sup>d</sup>	Pakis- tan	Sri Lanka	B <sup>a</sup>	I <sup>b</sup>	M <sup>c</sup>	N <sup>d</sup>	P	S
<b>Food Items</b>												
1970	5.8	29.7	...	...	10.6	72.6	52.0	22.7	...	...	22.4	48.3
1980	7.2	37.8	...	27.4	24.6	63.8	56.8	33.3	...	3.0	28.7	60.6
1983	19.3	28.2	92.0	12.2	21.4	47.1	22.4	15.2	53.6	11.8	19.6	22.6
<b>Agr. Raw Materials</b>												
1970	35.3	5.6	...	...	30.2	21.3	8.2	10.0	...	...	3.9	2.2
1980	24.6	4.0	...	39.5	18.8	19.5	7.1	2.7	...	-	4.3	2.8
1983	15.4	5.0	8.0	35.8	12.5	13.8	8.2	4.5	-	0.8	5.4	2.0
<b>Fuels</b>												
1970	-	0.8	...	...	1.2	-	3.8	7.7	...	...	6.5	2.7
1980	0.1	0.9	...	-	1.1	-	7.6	22.6	...	0.9	17.9	16.7
1983	0.3	0.4	-	-	1.9	9.3	10.7	43.6	10.9	19.1	28.4	23.9
<b>Ore &amp; Metals</b>												
1970	-	18.5	...	...	0.7	0.7	4.6	19.4	...	...	12.7	4.5
1980	-	15.0	...	21.3	0.5	5.3	5.3	14.3	...	2.6	15.3	3.7
1983	0.1	8.6	-	0.1	1.6	0.8	9.3	24.6	0.3	9.0	8.9	5.1
<b>Mfg. Goods</b>												
1970	58.8	45.1	...	...	57.2	1.4	33.8	44.8	...	...	61.1	45.0
1980	67.8	42.2	...	21.5	54.3	3.8	28.7	49.5	...	94.3	51.6	32.0
1983	61.0	57.5	-	52.0	61.4	28.9	59.8	55.8	4.6	77.8	66.0	70.0
<b>Among the Mfg. (Chemical Products)</b>												
1970	0.3	2.3	...	...	0.8	0.3	7.7	12.1	...	...	17.2	9.4
1980	0.6	2.7	...	0.5	1.1	1.9	8.7	23.0	...	5.1	11.4	11.7
1983	1.3	4.2	-	0.5	1.0	2.0	16.5	16.6	3.7	14.5	15.3	8.9
<b>(Machinery &amp; Transport Equipment)</b>												
1970	0.3	4.7	...	...	0.5	-	16.0	25.4	...	...	33.4	18.2
1980	0.2	7.3	...	4.9	0.6	0.3	10.6	20.2	...	20.6	29.0	10.3
1983	2.4	8.3	...	...	0.9	0.7	25.6	22.8	-	24.6	36.7	33.7
<b>(Textile Yarn &amp; Clothing)</b>												
1970	...	24.7	...	...	46.8	0.4	...	0.5	...	...	0.9	8.4
1980	...	18.2	...	16.4	39.6	0.8	...	0.3	...	27.6	2.7	2.6
1983	47.5	23.1	...	19.4	50.0	19.5	5.5	1.0	...	...	4.1	11.1
<b>(Footwear)</b>												
1970	...	0.8	...	...	8.0	-	...	...	...	...	...	...
1980	...	0.5	...	-	1.0	0.1	...	...	...	...	...	...
1983	...	0.6	...	...	0.5	0.2	...	...	...	...	...	...

a = Starting year = 1974, b = final year = 1980, c = final year 1979, f = final year 1981.  
Note: (...) Indicates that data not available, (-) Indicates that amount is nil/negligible.  
Source: Same as Tables 8 and 9.

Table 12  
 ASEAN Exports, 1982: Intra-ASEAN & Global

(Million US \$)

From To	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN	% of ASEAN
Brunei	-	-	39.8	4.5	359.5	8.1	411.9	2.4
Indonesia	-	-	38.5	55.0	2815.0	184.6	3093.1	18.2
Malaysia	14.0	59.1	-	177.8	3673.5	363.9	4288.3	25.2
Philippines	77.8	292.8	128.2	-	323.5	35.0	857.3	5.0
Singapore	277.5	3120.9	3004.6	111.5	-	507.0	6971.5	41.0
Thailand	97.4	26.3	442.0	14.4	798.4	-	1378.5	8.1
ASEAN	416.7	3499.1	3653.1	363.2	7969.9	1098.6	17000.6	100.0
% of ASEAN world total	(2.4)	(20.6)	(21.5)	(2.1)	(46.9)	(6.5)	(100.0)	
Intra-ASEAN	3808.4	22293.3	12926.7	5020.6	20788.0	6956.8	70893.8	
As % of world	(10.9)	(15.7)	(30.4)	(7.2)	(38.3)	(15.8)	(24.0)	

Source: ESCAP Survey, 1985, p. 211.



Table 13  
Exports from Countries in Bangkok Agreement, Annual Average 1980-1982

(Million US \$)

To	From	Bangladesh	India	Republic of Korea	Sri Lanka	Intra-group	Percentage Intra-group
Bangladesh		-	90.6 <sup>a</sup>	68.7 <sup>b</sup>	3.4	162.7	22.8
India		8.2	-	318.2	28.6	355.3	49.8
Republic of Korea		2.2	52.5	-	0.5	55.2	7.7
Sri Lanka		2.8	85.5	52.5	-	140.8	19.7
Total intra group		13.5	228.6	439.4	32.5	714.0	100.0
(Percentage intra-group)		(1.9)	(32.0)	(61.5)	(4.6)	(100.0)	
World total		690.3	7529.2	21056.6	1032.7	30308.8	
(% of intra-group in world total)		(2.0)	(3.0)	(2.1)	(3.1)	(2.4)	

a = Average 1980, 1981, 1983.

b = 1980 only.

Source: As in Table 11.

Table 14  
Percentage Share of Exports & Imports of Goods & Services in GDP  
(At Current Prices)

Country	Exports			Imports		
	1970	1975	1982	1970	1975	1982
Bangladesh	6.8 <sup>a</sup>	3.0	7.8 <sup>b</sup>	14.0	10.3	22.7
India	4.4	6.5	6.8 <sup>b</sup>	4.5	7.6	10.2 <sup>b</sup>
Nepal	-	5.1 <sup>c</sup>	3.4 <sup>d</sup>	-	11.4 <sup>c</sup>	18.7 <sup>d</sup>
Pakistan	7.6	11.6	10.2	10.4	20.5	21.2
Sri Lanka	24.6	27.0	29.1	27.6	34.4	47.9

a = 1973,    b = 1981    d = 1982/83    c = 1975/76

Source: i) Same as Table 11.

ii) For Nepal, Economic Survey, 1986/87.

Table 15  
Structure of Production (Percentage Distribution of GDP)

Country	Agriculture		Industry		Services	
	1965	1984	1965	1984	1965	1984
Bangladesh	53	48	11	12	36	39
Bhutan	-	63 <sup>a</sup>	-	5 <sup>a</sup>	-	32 <sup>a</sup>
India	47	35	22	27	31	38
Nepal	65	56	11	12	23	32
Pakistan	40	24	20	29	40	47
Sri Lanka	28	28	21	26	51	56

a = 1983

Source: World Development Report, 1985 & 1986.

FOOTNOTES

1. M.L. Qureshi, Survey of Economy Resources and Prospects of South Asia, Marga Institute (Colombo: 1981), pp. 2-5.
2. Asian Development Bank, Key Indicators of Developing Member Countries of ADB, Vol. XI, No. 1, April 1980.
3. Qureshi, op. cit., p. 2.
4. Address by General Mohammad Zia-ul-Haq, President, Islamic Republic of Pakistan at SAARC Summit Meeting, Dhaka, December 7, 1985, p. 7.
5. Address of His Majesty Jigme Singye Wangchuck, King of Bhutan to the First SAARC Summit Meeting, Dhaka, 7-8 December 1985, p. 2.
6. President J.R. Jayewardene delivered his speech at Dhaka Summit meeting without written text. The quotation was from Dhaka newspaper reporting.
7. Address from His Majesty King Birendra Bir Bikram Shah Dev, King of Nepal to the First Conference of Heads of State or Government of the South Asian Countries held in Dhaka, Bangladesh, December 7, 1985, p. 4.
8. World Development Report, 1986, p. 222.
9. Concluding Statement by Shri Rajiv Gandhi, Prime Minister of India, at the Second Meeting of Heads of State or Government of the South Asian Association for Regional Cooperation, Bangalore, 17 November 1986, p. 5.
10. Op. cit., Footnote No. 6.
11. Address of Shri Rajiv Gandhi, Prime Minister of India, to the First South Asian Regional Cooperation Summit, Dhaka, Saturday, 7 December 1987.
12. Ibid.
13. 1. SAARC Meteorological Centre, 2. SAARC Agricultural Information Centre, 3. Regional Centre for Amelioration of Problem Soils, 4. Regional Centre for Cataloguing and Data Collection of Animal Genetic Resources, 5. Regional Centre for Tuberculosis, 6. Regional Centre for Malaria, 7. Centre for Postal Research and Development, 8. Regional Centre for Appropriate Technology, 9. Regional Software Centre, 10. Institute of Transport Technology and Training, 11. Design Centre for Florating Craft, 12. Shipping Conference of SAARC Countries, and 13. SAARC Shippers Council.
14. SAARC Document--SAARC/Mc. 3/3, p. 3.

15. SAARC Document--SAARC/Summit 2/Sc. 7/19/Rev. 1.
16. SAARC Document--SAARC/CM. 3/3, New Delhi, June 18-19, 1987.
17. Statement by His Excellency J.R. Jayewardene, President of the Democratic Socialist Republic of Sri Lanka, at Second SAARC Summit in Bangalore, November, 1986, p. 2.
18. Address of His Excellency Hussian Mohammad Ershad, President of the People's Republic of Bangladesh at the Second SAARC Summit, Bangalore, India, November 16, 1986, p. 4 and p. 6.
19. Address from His Majesty Birendra Bir Bikram Shah Dev, King of Nepal, to the First Conference of Heads of State or Government of the South Asian Countries held in Dhaka, Bangladesh, December 7, 1985, p. 3.
20. Address from His Majesty Birendra Bir Bikram Shah Dev, King of Nepal to the Second Conference of the Heads of State or Government of the South Asian Countries held in Bangalore, India, November 16, 1986, p. 2.
21. Address of His Majesty Jigme Singye Wangchuck, King of Bhutan to the Second SAARC Summit Meeting, Bangalore, November 16-17, 1986, p. 3.
22. Statement by His Excellency Mr. Maumoon Abdul Gayoom, President of the Republic of Maldives at the Opening Session of the Second SAARC Summit Meeting, Bangalore, November 16, 1986, p. 7.
23. Inaugural Address at the third session of Council of Ministers, June 18, 1987. SAARC Document - SAARC/CM, 3/3.
24. Concluding Statement at Second SAARC Summit, op. cit., p. 3.
25. SAARC Document - SAARC/Summit, 2/P.C./, 2/6/Rev. 1.
26. Ibid.
27. Ibid.
28. Economic and Social Survey of Asia and the Pacific, 1985, p. 210.
29. F.G. Veleza, The ASEAN Experience with Regional Economic Cooperation, Paper presented at the International Conference on South Asian Regional Economic Cooperation, Dhaka, January 1985, Quoted in Economic and Social Survey of Asia and the Pacific, 1985, p. 210.
30. The Rising Nepal, July 11, 1987.
31. Economic Survey of Asia and the Pacific, op. cit., p. 213.

32. Miesko Mishimizu and Sherman-Robinson, Trade Policies and Production Change in Semi-industrialised Countries, Paper presented at the 1982 meeting of the American Economic Association, Report No. 52, March 1983. Quoted in ESCAP Survey, op. cit., p. 119.
33. P.R. Bhatt, Trade Flows in South Asia in Contemporary South Asia, Edi. by M.D. Dharmadasan, (Varanasi: 1985), p. 189.
34. ESCAP Survey, op. cit., p. 85.
35. Ibid., pp. 130-131.
36. SAARC Charter, Article II, (1).
37. Vide Prof. Lok Raj Baral, Political Demography and Security in South Asia, Paper presented at the International Seminar on "Regional Security in South Asia" Sponsored by Centre for Nepal and Asian Studies, Tribhuvan University, November 3-6, 1985.
38. ESCAP Survey, op. cit., p. 191.
39. Inaugural Address by His Majesty King Birendra Bir Bikram Shah Dev at the formal opening of the Preliminary Session of the 26th Consultative Committee Meeting of the Colombo Plan held in Kathmandu on December 5, 1977, p. 4.
40. For details vide B.M. Abbas A.T., "Regional Cooperation for River Basin Development" in South Asian Regional Cooperation, Edited by M. Abdul Hafiz Ittekkharuzzaman, (Dhaka: June 1985).
41. Bashier Ahmad, "South Asian Regional Cooperation and Sharing of River Waters", in South Asian Regional Cooperation, op. cit., pp. 139-40.
42. It is difficult to find comparable figures on the extent of under employment as estimates are made using different concepts and methods. On the basis of the number of hours worked per week, rural underemployment in Bangladesh (people working 40 hrs or less/week) was estimated at 22% (1983). The corresponding figures for Pakistan was 20.1% (less than 35 hrs/week) in rural areas (1982/83) and that for India, 31% (2 hrs/week) between 1959 and 1967. In 1978/79, overall underemployment stood at 22.8% in Sri Lanka and that in Nepal ranged from over 60% to 30% in 1976/77 (ESCAP Survey 1985, p. 96 and NPC Survey and ILO-ARTEP Report for Nepal).
43. SAARC Document - SAARC/Summit 2/SC 7/19/Rev. 9.
44. Address to the First SAARC Summit, op. cit., p. 4.