

CHAPTER - XFUTURE PROSPECT IN THE CONTEXT OF REGIONAL  
ECONOMIC COOPERATION IN SOUTH ASIA.

Regional economic cooperation has been the most important feature in post World War - II era.<sup>1</sup> Given the success in the West Europe, Latin America etc. and the present unstable economic order in the world, such cooperation has got special urgency within the Third World countries. When the North-South dialogues under the auspices of the UNCTAD and the UNIDO failed to do better off for the developing countries, the Group of 77 and the NAM come forward to provide a global forum for the Third World countries to initiate regional groupings through South-South cooperation.<sup>2</sup> And South Asian cooperation has been the latest development in the arena of such regional grouping.

The genesis of South Asian cooperation has got its intellectual base in 1978, almost at non-official level, when senior scholars of some leading research institutes in Bangladesh, India, Iran, Nepal, Pakistan and Sri Lanka established the Committee on Studies for Cooperation in Development in South Asia (CSCD) and adopted some definite programmes of studies for regional cooperation in the region.<sup>3</sup>

The first official move for South Asian Cooperation was initiated by the late President Zia-ur-Rahman of Bangladesh when he despatched a letter in May 1980 to the six Heads of State or Governments of Bhutan, Maldives, Nepal, India, Pakistan and Sri Lanka proposing a Summit meeting with a view to explore the possibility of regional cooperation.<sup>4</sup>

Following a series of four meetings of the foreign secretaries of the seven South Asian countries, viz., Bangladesh, Bhutan, Maldives, Nepal, India, Pakistan and Sri Lanka, and a ministers level meeting,<sup>5</sup> the regional cooperation was finally institutionalised with the adoption of SAARC Charter and signing the SAARC Declaration by the seven Heads of State or Governments at the Summit meeting held in Dhaka from 7 to 8 December 1985.<sup>6</sup>

Though a severe asymmetry prevails among the SAARC countries in respect of demography, security perceptions, political systems, foreign policies and the role of pivotal power which are generally regarded as the essence of a successful regional cooperation,<sup>7</sup> the seven Heads of State or Governments of South Asia declared their aim to improve the quality of life of their people by adhering their commitments to the UN Charter and the Principles of NAM.

The Charter adopted in Dhaka Summit reveals the following objectives of the Association<sup>8</sup> :

- a) to promote the welfare of the peoples of South Asia and to improve their quality of life;
- b) to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to life in dignity and to realise their full potentials;
- c) to promote and strengthen collective self-reliance among the countries of South Asia;
- d) to contribute to mutual trust, understanding and appreciation of one another's problem;
- e) to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- f) to strengthen cooperation with other developing countries;
- g) to strengthen cooperation among themselves in international forums on matters of common interest; and
- h) to cooperate with international and regional organisations with similar aims and purposes.

To fulfil the objectives, thirteen specific areas<sup>9</sup> of beneficial regional cooperation were identified upto the end of the first Summit meeting in Dhaka remarkably excluding the areas of trade, energy, industry and finance.<sup>10</sup> So, SAARC, in fact, happens to be an association neither exclusively and specifically for political nor for economic cooperation.<sup>11</sup>

### INDIA'S TRADE WITH THE SAARC COUNTRIES :

In the present uncertain world economy, developing countries of the Third World may cooperate in trade through the following possible levels, viz., (i) formation of a customs union; (ii) establishing a free trade area; (iii) preferential trading; and (iv) through bilateral trade agreements.<sup>12</sup>

Trade within the SAARC countries so far have been guided by bilateral trade agreements and this would likely to continue so long the trade, industry and finance remain outside the perview of SAARC activities of cooperation.

Due to shared political and economic legacy of British dominance in the past, most of the SAARC countries have their higher trade links with the Western industrial market economies, especially with the Britain. Percentage distribution of five SAARC countries' (excluding Bhutan and Maldives due to inappropriate and

non-availability of data) exports as revealed in Table - 10.1 shows that a comparatively higher proportion of SAARC countries' exports go to the Western industrial countries. Such proportion ranges from the minimum 17.2% to the maximum at 45.8% in 1975 for Bangladesh, India, Nepal, Pakistan and Sri Lanka. The same were 36.0% to 48.7% in 1980 and 47.9% to 62.4% in 1985 showing an almost increasing trend for all the five SAARC countries. Correspondingly, the intra-regional exports of the SAARC countries have registered the minimal share throughout the period from 1975 to 1985 except for Nepal. Nepal's share of exports to the SAARC countries were as high as 75.6% in 1975. But due to earnest endeavour for diversification of her export markets, such share drastically trickled down to only 30.5% in 1985. The trend of intra-regional exports of the SAARC countries is almost declining during the decade from 1975 to 1985.

A similar picture will be viewed from Table - 10.2 showing the percentage distribution of SAARC countries' imports. All the five SAARC countries appeared on the Table import at high percentages from Western industrial countries. Such percentage share ranges between the minimum 35.3% to the maximum 61.0% in 1975, 38.9% to 50.1% in 1980 and 43.8% to 54.8% in 1985 respectively. The trend of imports from industrial countries was, however, declining for India and Bangladesh during the reference period. Intra-regional imports of the SAARC countries have also shown the lower percentages except Nepal with sharp declining trend for all the five SAARC countries.

Table - 10.1

Percentage Distribution of SAARC Countries' Exports.

Country	Industrial Countries			Developing Countries		
	1975	1980	1985	1975	1980	1985
1. Bangladesh	40.8	36.0	47.9	38.0	57.6	46.6
2. India	45.8	48.7	57.7	20.2	31.8	24.2
3. Nepal	17.2	48.4	62.4	80.7	51.6	37.6
4. Pakistan	35.6	36.4	49.5	36.6	61.3	45.4
5. Sri Lanka	34.4	39.6	50.8	34.0	43.8	39.0

( Continued )

(Table - 10.1 continued)

Country	USSR & Other Socialist Countries (Non-member of IMF)			SAARC Countries		
	1975	1980	1985	1975	1980	1985
1. Bangladesh	11.1	6.4	5.4	2.5	8.6	7.6
2. India	16.7	18.8	17.8	3.6	3.6	2.2
3. Nepal	-	-	-	75.6	37.8	30.5
4. Pakistan	5.0	2.3	5.2	6.9	6.2	5.2
5. Sri Lanka	4.5	3.2	3.2	9.2	7.0	4.2

Source : IMF - Direction of Trade Statistics, Yearbook 1982 & 1987.

Table - 10.2

Percentage Distribution of SAARC Countries' Imports.

Country	Industrial Countries			Developing Countries		
	1975	1980	1985	1975	1980	1985
1. Bangladesh	56.6	48.1	44.0	13.2	36.2	38.5
2. India	61.0	46.2	54.4	7.9	43.9	36.3
3. Nepal	35.3	38.9	43.8	64.7	61.1	56.1
4. Pakistan	59.5	50.1	54.8	16.7	48.3	44.2
5. Sri Lanka	45.4	45.5	46.0	33.9	52.5	50.1

( Continued )

(Table - 10.2 continued)

Country	USSR & Other Socialist Countries (Non-member of IMF)			SAARC Countries		
	1975	1980	1985	1975	1980	1985
1. Bangladesh	6.8	2.9	3.4	8.2	3.6	3.4
2. India	10.5	9.6	8.7	0.8	0.9	0.7
3. Nepal	-	-	-	60.3	47.9	33.1
4. Pakistan	4.1	1.5	1.0	2.8	2.3	1.5
5. Sri Lanka	2.7	0.8	0.7	7.2	6.5	6.4

Source : IMF (Same as Table 10.1).

India's share of exports to SAARC countries which was merely 3.6% in 1975 remain unchanged in 1980 but declined to 2.2% in 1985. On the other hand, her imports from the region were in fractions at 0.8% in 1975, 0.9% in 1980 and 0.7% in 1985. Such miserably low level of India's trade with the SAARC countries has been confirmed by the small values of her export-trade as well as import-trade intensity indices with those countries as shown in Table - 10.3 and Table 10.4. Within the regional framework, India's export-trade intensity is comparatively higher in case of Nepal though in declining trend. Intensity is comparatively better with Sri Lanka and Bangladesh than with Pakistan for India's exports as well as imports.

Table - 10.3

Intensity of India's Export Trade with SAARC countries.

Year	Bangladesh	Nepal	Pakistan	Sri Lanka
1975	11.7	150.0	...	5.3
1980	5.0	123.0	0.1	11.4
1981	7.1	127.0	0.1	12.4
1982	3.3	84.0	0.1	8.2
1983	2.9	84.0	0.2	11.7
1984	4.0	85.0	0.3	10.4
1985	5.3	90.0	0.5	8.2

Source : IMF (Same as Table - 10.1).

Table - 10.4Intensity of India's Import Trade with SAARC Countries.

Year	Bangladesh	Nepal	Pakistan	Sri Lanka
1975	2.0	...	1.8	...
1980	1.2	...	3.6	4.6
1981	3.2	...	3.0	4.0
1982	3.0	...	2.2	2.6
1983	1.0	...	0.9	2.8
1984	3.2	...	1.0	0.8
1985	3.2	...	1.4	0.4

Source : IMF (Same as Table - 10.1).

Within this scenario, Table - 10.5 has been designed to show India's exports to, imports from and balance of trade with SAARC countries. It shows that India's exports always exceeded over her imports from other SAARC countries except Pakistan in 1975 and in 1980 to 1985 periods. India, thus, had maintained an unfavourable balance of trade with Pakistan throughout the period in the face of her consistently favourable balances with all other SAARC countries including Bangladesh. As a net result, India's favourable balances in the SAARC region (excluding Bhutan and Maldives) stood at US \$ 122.9 million in 1975; \$ 128.2 million in 1980 and \$ 133.2 million in 1985.

Table - 10.5

India's Exports (X) to, Imports (M) from, and Balance of Trade (BT) with SAARC Countries. (Value in Millions of US dollars. Export : f.o.b.; Import : c.i.f.)

Country Year	Bangladesh	Nepal	Pakistan	Sri Lanka	Total
<u>1975</u>					
X	82.2	65.6	0.2	21.3	169.3
M	5.3	25.6	15.1	0.4	46.4
BT	76.9	40.0	-14.9	20.9	122.9
<u>1980</u>					
X	55.6	104.0	3.9	96.7	260.2
M	8.0	19.0	70.7	34.3	132.0
BT	47.6	85.0	-66.8	62.4	128.2
<u>1981</u>					
X	64.0	87.3	2.8	76.7	230.8
M	20.2	40.6	67.4	30.0	158.2
BT	43.8	46.7	-64.6	46.7	72.6
<u>1982</u>					
X	43.3	82.9	4.0	72.9	203.1
M	20.3	36.2	50.5	21.2	128.2
BT	23.0	46.7	-46.5	51.7	74.9

(Continued)

(Table - 10.5 continued)

Country Year	Bangladesh	Nepal	Pakistan	Sri Lanka	Total
<u>1983</u>					
X	37.9	82.9	7.0	115.4	243.2
M	6.9	36.2	28.5	27.7	99.3
BT	31.0	46.7	-21.5	87.7	143.9
<u>1984</u>					
X	60.1	91.2	12.7	111.5	275.5
M	28.9	39.8	25.3	12.5	106.5
BT	31.2	51.4	-12.6	99.0	169.0
<u>1985</u>					
X	64.9	91.2	15.5	74.7	246.3
M	29.6	39.8	37.5	6.2	113.1
BT	35.3	51.4	-22.0	68.5	133.2

Source : IMF (Same as Table 10.1).

Note : Data derived from Partner Country wherever necessary for better representation.

Such imbalances can be well judged from Table - 10.6 showing Trade Reciprocity Index of India with SAARC countries. The highest values of indices stood at .65 for Bangladesh, .64 for Nepal, .67 for Pakistan and .57 for Sri Lanka which were fairly below the level of balanced bilateral trade.

Table - 10.6

Index of Trade Reciprocity of India with SAARC Countries.

Year	Bangladesh	Nepal	Pakistan	Sri Lanka
1975	.13	.57	.03	.04
1980	.29	.31	.11	.53
1981	.48	.64	.08	.57
1982	.64	.61	.15	.46
1983	.31	.61	.40	.39
1984	.65	.61	.67	.21
1985	.63	.61	.59	.16

Source : IMF (Same as Table - 10.1).

BANGLADESH'S TRADE WITH THE SAARC COUNTRIES :

Pakistan and India are the two important trading partners of Bangladesh in South Asia region as have been shown in Table - 10.7. The so long cut-off trade relation with Pakistan from her liberation, Bangladesh has resumed the same in 1975 following the assassination of Sheikh Mujib in Dacca. Bangladesh's politico-economic relations with Pakistan gained a fair momentum from this period though her claim for a share in national wealth of the then undivided Pakistan to the tune of 23,000 crores of Takas<sup>13</sup> has not been met nor the dispute on the question of repatriation of about 250,000 Pakistani nationals<sup>14</sup> commonly known as the "Biharis" residing in Bangladesh have been settled by the Pakistan Government still now. However, Bangladesh's exports to Pakistan in the first year of trade resumption, i.e., in 1975 was of the order of US \$ 5.2 million with corresponding imports of US \$ 21.5 million and thereby having an unfavourable balance of US \$ 16.3 million. In 1980 Bangladesh had a favourable balance of US \$ 20.4 million with Pakistan but in 1981 it turned into an unfavourable balance of US \$ 4.2 million. Afterwards, Bangladesh has maintained consistent favourable balances of trade with Pakistan by exceeding her exports to over imports from Pakistan.

The picture is just opposite in case of her trade relation with India. She has maintained always unfavourable balances of

Table - 10.7

Bangladesh's Exports (X) to, Imports (M) from and Balance of Trade (BT) with SAARC Countries. (Value in Millions of US dollars. Export : f.o.b.; Import : c.i.f.)

Country Year	India	Nepal	Pakistan	Sri Lanka	Total
<u>1975</u>					
X	5.3	...	5.2	2.9	13.4
M	82.2	...	21.5	5.7	109.4
BT	-76.9	...	-16.3	-2.8	-96.0
<u>1980</u>					
X	8.0	0.5	55.3	4.8	68.6
M	55.6	1.0	34.9	4.7	96.2
BT	-47.6	-0.5	20.4	0.1	-27.6
<u>1981</u>					
X	20.2	0.2	42.3	2.7	65.4
M	64.0	11.8	46.5	2.0	124.3
BT	-43.8	-11.6	-4.2	0.7	-58.9
<u>1982</u>					
X	20.3	0.1	42.1	0.5	63.0
M	43.3	0.5	25.5	3.0	72.3
BT	-23.0	-0.4	16.6	-2.5	-9.3

( Continued )

(Table - 10.7 continued)

Country Year	India	Nepal	Pakistan	Sri Lanka	Total
<u>1983</u>					
X	6.9	2.8	51.4	0.5	61.6
M	37.9	...	17.2	4.9	60.0
BT	-31.0	2.8	34.2	-4.4	1.6
<u>1984</u>					
X	28.3	14.6	63.3	0.3	106.5
M	60.1	...	18.6	4.1	82.9
BT	-31.8	14.6	44.7	-3.8	23.6
<u>1985</u>					
X	29.6	5.1	41.5	0.2	76.4
M	64.9	...	17.7	4.8	87.4
BT	-35.3	5.1	23.8	-4.6	-11.0

Source : IMF (Same as Table - 10.1).

trade. Her exports to are always below the level of her imports from India causing deficits of US \$ 76.9 million in 1975, \$ 47.6 million in 1980 and \$ 35.3 million in 1985 respectively.

Bangladesh's trade with other South Asian countries like Nepal and Sri Lanka are in very small amounts. In total, her unfavourable balances with the SAARC countries were US \$ 96.0 million in 1975, \$ 27.6 million in 1980 and \$ 11.0 million in 1985 indicating a sharp declining trend with her growing exports to the SAARC countries. In fact, her total exports to have exceeds to her total imports from SAARC countries in 1983 and 1984 by US \$ 1.6 million and \$ 23.6 million respectively.

Intensity of Bangladesh's export-trade and import-trade are comparatively high in trading with India and Pakistan as revealed in Table - 10.8 and Table -10.9 though the index values are undoubtedly low.

Her trade reciprocity indices in Table - 10.10 confirms the degree of balance of trade positions with SAARC countries. She approached to bilateral balanced trade level only in two cases. The first was in 1980 when her trade reciprocity index with Sri Lanka stood at 0.99; and the second was in 1981 when the index stood at 0.96 with Pakistan.

Table - 10.8Intensity of Bangladesh's Export Trade with SAARC countries.

Year	India	Nepal	Pakistan	Sri Lanka
1975	5.3	...	6.3	9.7
1980	8.0	6.0	25.8	6.0
1981	20.2	2.0	18.5	3.4
1982	20.3	1.0	18.2	0.6
1983	6.9	38.0	23.6	0.6
1984	28.3	156.0	21.9	0.3
1985	29.6	51.0	13.3	0.2

Source : IMF (Same as Table - 10.1).

Table - 10.9Intensity of Bangladesh's Import Trade with SAARC Countries.

Year	India	Nepal	Pakistan	Sri Lanka
1975	11.9	...	12.4	7.1
1980	5.3	...	9.5	3.6
1981	5.4	...	11.6	1.4
1982	3.7	...	7.7	0.2
1983	2.8	...	4.1	3.5
1984	3.7	...	4.9	1.8
1985	4.6	...	4.6	3.1

Source : IMF (Same as Table - 10.1).

Table - 10.10Index of Trade Reciprocity of Bangladesh with SAARC Countries.

Year	India	Nepal	Pakistan	Sri Lanka
1975	.13	...	.39	.68
1980	.29	.67	.78	.99
1981	.48	.04	.96	.86
1982	.64	.34	.76	.75
1983	.31	...	.51	.19
1984	.65	...	.46	.14
1985	.63	...	.60	.08

Source : IMF (Same as Table - 10.1).

CAUSES OF LOW SHARE OF INDIA AND BANGLADESH'S TRADE WITH SAARC COUNTRIES :

In the post World War - II period specially after the partition of India, South Asia become an area of political distrust and armed conflicts. India is the pivotal power in terms of her geographic size, population, economic and military strength in the region. So, most of her small neighbours found deliberately reluctant to increase their trade relations with her for a fear of Indian hegemony in the face of staggering trade deficits with her except Pakistan. Pakistan is the only country in the region which has trade surplus with India.

Second, during British domination the infrastructure in these countries were developed with the initiative of the Britishers to establish good trade links with Britain and thus most of the South Asian countries still continue to trade with Britain and other Western industrial market economics at a high level.

Third, the endeavour of most of the SAARC countries as separate nations for economic development of their respective economies have made them competitive rather than complementary in the milieu of prevailing distrust and enmity in the region. As a result they become economically more dependent upon the Western industrial market economies. Basically, all the South Asian countries are agricultural and they trade mainly in a few primary products. In the international market, India and Bangladesh compete for jute and jute goods, India, Bangladesh and Sri Lanka compete for tea, shrimps and marine products. India and Pakistan compete for rice. India, Pakistan and Sri Lanka compete in the field of readymade garments. Almost they all compete in respect of man power exports.<sup>15</sup>

Fourth, the lack of profit motive in Government to Government level trade relations of various South Asian countries hinder proper growth of intra-regional trade.

Last, but not the least, most of the South Asian countries suffer from foreign exchange crisis due to their poor economic strength. So, they all try to import goods from the cheapest source and to avail credit facilities, if possible. In this respect, the industrialised developed countries score over all the countries in South Asia. Moreover, all the SAARC countries resorted to import substitutions by adopting restrictive import policies with a view to protect the local industries; to provide tax revenue to the government by way of import duty and thereby to help solve the problem of foreign exchange shortage. An estimate shows that Bangladesh earns about 33%, Pakistan 25% and Nepal 50% of their total tax revenues from import duty.<sup>16</sup>

#### SPECIFIC MEASURES FOR INTRA-REGIONAL TRADE :

1. At present, in the severe asymmetry prevailing in the South Asian countries in respect of geo-polity and economies, a complete economic integration like Customs Union or Free Trade Area is not feasible.

GATT Article XXIV defines Customs Union as "the substitution of a single custom territory for two or more customs territories, so that (i) duties and other restrictive regulations of commerce (i.e., tariffs, quantitative restrictions, outright prohibition of imports, licences, foreign exchange allocation, multiple exchange rates and other administrative and regulatory measures designed to curb imports) are elimi-

nated with respect to substantially all trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in each territories, and (ii) ..... the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union."

In India, Bangladesh and Pakistan presently the tariff rates and other quantitative restrictions are high but in Sri Lanka and Nepal they are low enough. In this situation if these countries form a Customs Union by fixing a common tariff at a level higher than the present level of tariff rates in Sri Lanka and Nepal, these two countries will suffer from severe trade restriction. In this case trade diversion would exceed trade creation for them. Moreover, revenue loss will be substantial for them. Protected domestic industries will have to face regional competition and here lies the possibility of economic hegemony of the strongest economy in the region, viz., India due to her advantageous position in the same.<sup>17</sup>

A Free Trade Area, on the other hand, is another form of regional grouping where tariffs and quantitative restrictions between the member countries abolished; but each of them retains their separate individual tariffs in trading with non-member countries. So the problems cited in case of a Customs Union also hold good in a Free Trade Area.

Some of the countries in the South Asia trade with MFN terms like India and Bangladesh. In GATT Article - I (Para 1), the MFN Clause states that "any advantage, favour, privilege or immunity granted by any contracting party to any product originating for or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties."

So, under a multilateral frame work, Preferential Trading Arrangements would be the most feasible to begin with in South Asia. GATT Article - XXIV permits such preferential arrangements among contiguous countries. In this case, product by product basis exchange of tariff and non-tariff preference are possible.

Within the framework of UN sponsored ESCAP India, Bangladesh and Sri Lanka as three signatories from South Asia have already exchanged tariff preferences on 134 selected product groups under Bangkok Agreement. Pakistan and Nepal entered into the Agreement in the second round negotiation held in Seoul in 1985. In UNCTAD-V at Manila, India offered upto 50% concession in tariffs on the basis of mutual advantage and most of the South Asian countries are participating in Global Scheme of Trade Preference.<sup>18</sup>

So a good start has already been made. Now it requires a careful speedy follow-up actions in right direction for the benefit of SAARC countries.

2. The other already existed Asian Clearing Union (ACU) which is in operation from 1976 has been designed for monetary cooperation and payments arrangements within Asian countries in which five SAARC countries, viz., India, Bangladesh, Nepal, Sri Lanka and Pakistan are the members. Since most of the trade transactions of SAARC countries are mainly conducted through hard currencies like Dollars or Pound-Sterlings and as they all suffer from severe shortage of such free convertible foreign exchanges, the ACU do provide, to a certain limit, the scope of trading amongst themselves with their limited convertible national currencies. This has reduced the use of scarce free convertible exchanges for the settlement of accounts within the Asian Countries to which the member SAARC countries are also the beneficiaries. Presently the ACU takes only two months for settlement of accounts and lacks in providing credit support to the member countries suffering from acute trade deficits for a long time.

In 1984, however, the total payments received and made through ACU have been estimated to about 1293 million Asian Monetary Units (AMUs), where an AMU is equivalent to one SDR.<sup>19</sup> So, appropriate measures are to be adopted to strengthen the ACU.

3. Most of the SAARC countries export mainly the primary products and their resources for marketing their products in the foreign markets are very limited. Joint market promotion schemes required to pool their limited resources to put them in optimum use.

Within the framework of UNCTAD's Integrated Programme for Commodities, the "International Jute Council" has been formed which concluded its first meeting in Dhaka in January 1984 with the jute exporting countries like Bangladesh, India, Nepal, Thailand and China. The Council in its first session considered proposals in jute cultivation and market promotion in cooperation with FAO and UNCTAD/GATT International Trade Centre.<sup>20</sup>

SAARC countries may form such other Councils wherever feasible with the cooperation of those international organisations.

4. The SAARC "Integrated Programme of Action" have included, inter alia, telecommunication, transport and postal services as a part of infrastructural development in South Asia. In consonance with such developments entire area should be better linked with railway, roadway, airway, sea and even inland waterways for speedy movement of merchandise at lower freight rates. This would help most effectively the intra-

regional trade which is miserably low upto now. Moreover, the present information gap within the SAARC countries regarding availability of desired goods in other country of the region may be bridged by organising and participating in trade fairs and exhibitions.

Exchange of trade delegations and services of the commercial sections of each country's embassies in the region relating to collection and dissemination of trade information would help to a great extent to bridge the communication gap.

5. The Heads of State or Government of the seven South Asian Countries during the formation of SAARC at Dhaka Summit (8 December 1985) were conscious that peace and security was the essential pre-requisite for the realisation of the proposed SAARC objectives like "economic and social development in their respective countries through the optimum utilisation of their human and material resources, so as to promote the welfare and prosperity of their peoples and to improve their quality of life."<sup>21</sup>

Though the South Asia was so far a conflicting region, paradoxically the SAARC came into being like a beacon in the dark. So, it may be expected that the countries within the framework of SAARC will abstain from arms-race in future.

An estimate of arms imports of different South Asian countries has been given in Table - 10.11. It shows that arms imports of India, Pakistan and Bangladesh had increased during the 70's. Average imports were US \$ 375.5 million for India, \$ 154.0 million for Pakistan, \$ 16.5 million for Bangladesh, \$ 5.5 million for Sri Lanka and \$ 1.5 million for Nepal. Pakistan's arms imports during 70's were about 41% to that of India and Bangladesh's imports accounted for 4.3% as compared to India.

Table - 10.11

Arms Imports by South Asian Countries.

(in millions of US dollars)

Year	India	Pakistan	Bangladesh	Sri Lanka	Nepal
1971	240	50	-	10	0
1972	210	110	20	10	0
1973	190	130	40	10	0
1974	190	100	20	0	10
1975	170	100	10	0	5
1976	490	190	10	10	0
1977	725	220	30	0	0
1978	290	170	5	0	0
1979	525	190	0	10	0
1980	725	280	30	5	0
Average	375.5	154.0	16.5	5.5	1.5

Source : World Military Expenditure and Arms Transfer 1971-80, US Arms Control and Disarmament Agency. Washington DC. 1983. pp. 82, 94, 102, 104, 109.

Defence expenditure of these SAARC countries had shown also an almost increasing trend during the first five years of 80's. This has been presented in Table - 10.12.

Table - 10.12

Defence Expenditure of South Asian Countries.

(in billions of US dollars)

Year	India	Pakistan	Bangladesh	Sri Lanka	Nepal	Total
1981	4.40	1.18	0.11	0.02	0.01	5.72
1982	5.12	1.54	0.15	0.06	0.02	6.89
1983	5.26	1.89	0.15	29.42	0.02	36.74
1984	5.55	1.85	0.15	0.04	0.03	7.62
1985	5.68	1.87	0.17	0.06	0.03	7.81
<b>Total</b>	<b>26.01</b>	<b>8.33</b>	<b>0.73</b>	<b>29.60</b>	<b>0.11</b>	<b>64.78</b>
1% re- duction to Total	0.26	0.08	0.00	0.29	0.00	0.64

Source : US ACDA (Same as Table - 10.11).

It is evident from the table that the total defence expenditure of the five SAARC countries, viz., India, Pakistan, Bangladesh, Sri Lanka and Nepal were as much as US \$.64.78 billion. Since the defence expenditure is unproductive, it has very remote stimulus to economic and social development of a country. So, it is logical to keep such expenditure as low as feasible. This is

more felt in case of South Asian countries after the formation of SAARC. If the above five SAARC countries had reduced their defence expenditure by atleast 1%, they would have saved US \$ 0.64 billion during 1981-85 in total. This amount would have been available then to increase intra-regional trade for mutual benefit. Therefore, all the SAARC countries should make great strides to reduce their defence expenditure and arms-race to ensure peace, the essential pre-requisit, to attain the desired goal of intra-regional trade and economic cooperation in South Asia. This is all the more important.

6. India is one of the few developing countries which has acquired the capacity to undertake joint ventures abroad and to supply a wide range of capital goods and equipments. With requisite expertise and capability she has already undertaken different joint venture projects both in developing and developed countries.

There were 208 Indian joint ventures initiated in different countries upto the end of December 1985. Out of these, 156 Indian joint ventures were in operation and 52 were at different stages of implementation.<sup>22</sup>

Indian joint ventures are dispersed over 30 countries of the world. In South Asia most of her joint ventures are in operation in Sri Lanka.

Competent Indian companies both from private and public sector have initiated joint ventures abroad in the fields of chemicals, pharmaceuticals, textiles, palm oil refining & fractionation, iron & steel products, pulp & paper, glass & glass products, food products, readymade garment and in like other manufacturing ventures. In the non-manufacturing sector the largest number is in hotels & restaurants followed by trading and marketing sector, engineering contracts and construction, consultancy etc.<sup>23</sup>

So there remains immense possibilities for all the SAARC countries especially those having adverse trade balances with India to participate in joint ventures wherever feasible. Indian joint ventures could be established in the region with buy-back arrangements. This will help to wipe-out the trade gaps to a large extent.

What needed, in all, is the good political will among the nations in South Asia to cooperate in trade and economic developments in the region for their utmost mutual benefits and India as the pivotal power has to do a lot in a sacrificing mood atleast in the initial period for ultimate long-term gain of the entire region.

**SUMMARY :**

Both India and Bangladesh's trade within the South Asia region are very low. Within the frame-work of SAARC, India and Pakistan are the two most important trading partners of Bangladesh. She has maintained a consistent trade deficit with India for the entire reference period of their relations; but she has maintained a consistent trade surplus with Pakistan since 1982.

It is argued that a Preferential Trading Arrangement would be the most feasible device to adopt in the South Asian region at the present stage of regional cooperation. Reduction in unproductive wasteful defence expenditure and initiation of Joint Ventures with India with buy-back policies are also be resorted to with a view to help solving the problems of most of the SAARC countries, including Bangladesh, to wipe-out their trade-deficits with India.

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5. Ibid. pp. 375-379.
6. See the SAARC Declaration (Appendix - 6) and the SAARC Charter (Appendix - 7).
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9. In the first Secretarial Meeting at Colombo (April 21-24, 1981), five specific areas were selected for co-operation, viz., (1) agriculture, (2) health and population activities, (3) meteorology, (4) telecommunications, and (5) rural development.

In the second Secretarial Meeting at Kathmandu (November 2-4, 1981) three more areas were selected, such as, (1) Transport, (2) Postal service, and (3) Scientific and technical cooperation.

Likewise, two additional areas were selected in the third Secretarial Meeting at Islamabad (August 7-9, 1982), viz., (1) Sports, Art and Culture; and (2) Planning and development.

The last three areas relating to terrorism; drug trafficking and abuse; and women in development have brought into the fold of SAARC by joint press release issued at the conclusion of Dhaka Summit.

10. In the second SAARC Summit at Bangalore, India placed the proposal to include the areas of trade, energy, industry and finance within the purview of SAARC Action Programme. This was accepted in principle but nothing has been done in the subsequent SAARC Summit at Kathmandu (1987) and even in the fourth Summit at Islamabad (1988).

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