CHAPTER - X

SUMMING-UP

The main objectives of the present study is to analyse India's trade and economic relations with South Asian countries during 1980s; problems connected with India's exports to and imports from South Asian countries and make practical suggestions for the promotion of India's trade and economic relations with the countries of the region. Following are the main conclusions derived from the study:

(1) Economic Structures of South Asian Countries:

India has emerged as a single largest country in South Asia having 73.2 per cent of total area, 76 per cent of total population and nearly 90 per cent of total resources of South Asia region. In population, India is followed by Bangladesh, Pakistan, Nepal, Sri Lanka, Bhutan and Maldives respectively. Nepal has the highest share (60.2 per cent) of agricultural sector in GDP followed by Bhutan 45.8 per cent, Bangladesh 37.1 per cent, India 32.1 per cent, Pakistan 26.3 per cent, Maldives 25.5 per cent and Sri Lanka, the lowest, 20.9 per cent. On the other hand, in contribution of industrial sector in GDP, Sri Lanka has the highest ---- 29.8 per cent. India comes in the second position with 28.8 per cent followed by Bhutan 27.1 per cent, Pakistan 25.1 per cent and Bangladesh only 17.1 per cent. The annual average growth rate in GDP during 1980s was registered as 6.5 per cent for Pakistan, 5.3 per cent for India, 4.7 per cent for Nepal, 4.3 per cent for Sri Lanka and for Bangladesh 3.7 per cent only

It is interesting to note that as regards the economic well-being of South Asian countries, the smallest country, Maldives has the highest per capita income of $ 480, followed by Sri Lanka $430, Pakistan $360 and India $350. Nepal and Bhutan are the poorest countries with only $150 each. The Chapter II deals with the detail of these findings.

(2) Important Items of India's Exports to South Asian Countries:

(a) Export items to Bangladesh: The major export items to Bangladesh are ---- cotton, handloom and powerloom fabrics, knitted or crocheted fabrics, machineries, parts and accessors of machineries, motor vehicles and parts thereof, fruits, spices, medicine and pharmaceautical products, rubber tyres and tubes for motor vehicles etc.

(b) Export items to Maldives: Cotton and other handloom fabrics, potatoes cooked or uncooked, medicines and medicaments, onion fresh or chilled, aluminium utensils, small tools and hand tools etc. are the major India's exports to Maldives.

(c) Export items to Nepal: India's principal exports to Nepal are --- medicine and pharmaceautical products, tobaco and tobacco manufactures, motor vehicles and parts thereof, fruits, cotton fabrics and yarns, tea and coffee, malted milk, cooking and other coal, wheat for human consumption etc.

(d) Export items to Pakistan: India exports mainly iron ore, tea --- green or black, electrodes of furnace and graphite, manganese ore, spices, sports materials etc. to Pakistan.

(e) Export items to Sri Lanka: Major Sri Lanka's imports from India are --- motor vehicles and parts thereof, cotton fabrics and yarns, medicines and pharmaceautical products, motor cycles, bicycles and parts thereof, palm fibres, bidi leaves, spices, parts and accessors of machineries, soya oil-cake and meals of soyabean etc.

(3) Important items of India's Imports from South Asian Countries:

(a) Imports from Bangladesh: India imports mainly newsprint and other papers, raw jute and jute products, leather, hides and skins, etc. from Bangladesh.

(b) Imports from Maldives : Maldives are the small islands and hence, it has no important items for exports to India.

(c) Imports from Nepal : Important India's imports from Nepal are --Linseed and other oils : Lentils (Mosur) ; Raw jute ; Colouring matters of animal origin ; Ayurvedic and Uneame Herbs etc.

(d) Import items from Pakistan : Almonds, Pistachios and other fruits fresh drived ; Leather, Hides and Skins ; Raw Cotton ; Rice excepting parboiled (excluding Basmoti Rice) ; Waste and Scrap of stainless Steel and Copper ; Rock Sold etc. are the principal India's import items from Pakistan.

(e) Import items from Sri Lanka : Sri Lanka exports mainly Spices ; Waste and Scrap (Iron and Steel) ; Peas and Grams ; Glycerol ; Natural Rubber ; Furnace Oil; Crude Minerals ; Hides and Skins ; Graphite etc.

(4) Considering the intra-regional exports of South Asian countries, it is seen that Nepal has the highest (39.77 per cent) Intra-regional exports of its world exports. Maldives come to the second place with 16.42 per cent followed by Bangladesh 7.18 per cent,Sri Lanka

5.96 per cent, Pakistan 4.47 per cent and India, the lowrst, 2.52 per cent.

(5) In intra- regional imports among the South Asian countries also, Nepal has the highest percentage (35.22) of its world imports on an average during 1980s followed by Maldives 11.92 per cent, Sri Lanka 6.80 per cent, Bangladesh 3.87 per cent, Pakistan 1.88 per cent and the lowest in the case of India (0.85 per cent) again. Both intra-regional exports and imports of South Asian countries are analysed in detail in chapter III.

(6) India has achieved a considerable improvement in the exports of manufactured goods over the period of 1980-89. On an average, more than 70 per cent of India's total exports was in manufactured goods over the same period. In imports, raw material and intermidiate manufactures (including petroleum oil and lubricant and fertilizers and chemical products) captured the highest percentage to the total imports of India over the period under investigation. Chapter III gives the details of these findings.

(7) It is clearly proved that India's share in the imports of South Asian countries have been very poor during the eighties except in the case of Nepal. On an average Nepal imports more than 25 per cent of its global imports from India. On the other hand, Sri Lanka imports 4.89 per cent, Bangladesh 2.75 per cent, Maldives 2.56 per cent and Pakistan imports the lowest (0.07 per cent only) from India. The average India's share in the total exports of Nepal during 1980s was 29.19 per cent which was the highest among the South Asian countries. India shared only 4.01 per cent of Sri Lanka's aggregate exports, 2.61 per cent of Pakistan, and only 1.81 per cent (lowest) of Bangladesh's total exports. Compared to the global imports of these countries, their imports from India had been declining by and large continuously over the period 1980-89 and the position has not improved significantly even after the formation of SAARC. Chapter 5 & 6 give the detail of these analyses.

(8) India enjoyed favourable balance of trade with all the South Asian countries during 1980-89 except with Pakistan. The highest average positive balance of India's trade was \$74.1 million with Nepal followed by \$59 million with Bangladesh and \$45.3 million with Sri Lanka. The average negative balance with Pakistan was \$75.4 million over the period 1980-89. The detail analyses are covered in chapter IV.

(9) Excluding Bhutan, the five South Asian countries jointly shared only 2.81 per cent of India's aggregate exports and contributed only 1.17 per cent to its aggregate imports on average during the eighties. A declining trend is observed in the case of India's exports to South Asian countries during the same period. It is now very clear that the imports of all South Asian countries from India not even form 2 per cent of India's global imports and the exports of these countries to India is not even 3 per cent of India's total exports. There are very insignificant improvements both in exports and imports after the formation of SAARC in 1985. This is also analysed in detail in chapter IV.

(10) It is revealed from the analyses of the share of South Asian countries in India's exports over the period 1980-89 that none of the countries has consumed even 1 per cent of India's global exports except Nepal. The average share of Nepal in India's total exports during 1980s is 1.10 per cent only. By and large a declining trend is observed for all the countries of the region over the period under investigation. The discussion is covered in chapter V.

(11) The share of South Asian countries in India's total imports is more alarming than that of the exports. The average highest contribution is 0.50 per cent for Pakistan followed by Sri Lanka 0.32 per cent, Nepal 0.26 per cent and for Bangladesh 0.10 per cent only. It may be seen from the table VI.3 in chapter VI.

(12) It is noticed that South Asian countries are not in a position to fulfil India's requirement of imports as the latter imports mainly heavy machineries, petroleum and most modern scientific equipments. The industrial bases of South Asian countries are very weak except of Pakistan. Hence, India imports mainly agricultural products and industrial raw materials from South Asian countries and only government level imports have been taking place in India from the countries of the region. This finding is derived from the chapter VI.

(13) On the basis of the foregoing analyses of the trend of India's imports from South Asian countries, some potential areas of India's imports may be identified: Newsprint from Bangladesh; jute, jute goods, hides and skins from Bangladesh and Nepal and rubber, clove and other spices from Sri Lanka.

(14) The common items of India's exports to South Asian countries are --- medicine and pharmaceautical products, motor vehicle and parts thereof, cotton fabrics and yarn, parts and accessors of machineries, fruits, spices and other manufactured products.

(15) It is clearly noticed from the foregoing analyses that among the South Asian countries, Bhutan and Nepal are notably dependent on India's financial aid. During 1980s South Asian countries jointly received more than 75 per cent of India's aggregate aid. Out of total provision of India's aid to South Asian countries over the period 1980-89, more than 68 per cent was sanctioned for Bhutan and 24 per cent for Nepal. Despite being economically very weak, Bangladesh received very small amount of financial aid from India (This country receives huge amount of loans and grants from developed and Islamic countries). Pakistan did not receive any financial assistance from India over the period 1980-89. Provision of India's financial aid to South Asian countries helped India to increase the volume of its exports to these countries. These are analysed in detail in chapter VII.

(16) It is observed from this study that India has already been established a number of Joint Ventures in South Asian countries except in Pakistan and Maldives. The total amount of Indian equity in 161 joint ventures in operation abroad was Rs. 108.25 crore (including bonus shares) till 31st December, 1990 and the approved Indian equity of joint ventures under implementation abroad amounts to Rs. 107.67 crore till the end of the same period. The total amount of Indian equity of approved joint ventures under implementation increased dramatically to Rs. 454.67 crore as on 31-12-1992. It is also noticed that only 15 per cent (24) of India's total joint ventures in operation abroad are in South Asian countries. India has earned foreign exchange of Rs. 37.76 crore from the joint ventures of South Asia which forms 10.37 per cent of India's aggregate foreign exchange earning (Rs. 364.05 crore) from joint ventures abroad till 31-12-1990. The detail discussion in this regards is given in chapter VIII.

(17) Some potential areas for Indian joint collaboration in South Asia may be identified from this study. Indian cement companies may establish profitable joint ventures with Nepal and Bhutan to set up cement factories in those countries. Trade and tourism are the two important areas to be set up as joint ventures in Sri Lanka, Nepal and Maldives. India can shake hands with Bangladesh for the manufacturing of newsprint in Bangladesh with the help of raw materials available in Bangladesh and Eastern India.

(18) It is proved from the analyses made in this study that India's share in the imports of South Asian countries have increased very insignificantly after the formation of SAARC in 1985. India's share to Nepal's imports increased in highest percentage (3.38) and the same to Sri Lanka increased to 1.01 per cent, to Bangladesh 0.24 per cent and to Pakistan 0.03 per cent . India's share in the imports of Maldives declined to 2.70 per cent after the formation of SAARC. On the other hand, India's share in the exports of

South Asian countries increased to 1.19 per cent (highest) in the case of Nepal and declined to 0.55 per cent and 0.52 per cent in the case of Bangladesh and Pakistan respectively after the formation of SAARC. It is now clear that the formation of SAARC in 1985 did not influence India's trade with South Asian countries significantly till 1989. This is analysed in detail in chapter IX.

(19) Considering the period under investigation (1980-89) and formation of SAARC in 1985, it is observed that while India's overall exports and overall imports increased to 30.3 per cent and 19.3 per cent respectively after the formation of SAARC, the exports to and imports from South Asian countries increased 37.1 per cent and 42.2 per cent respectively in terms of dollar. It means, India's trade with South Asian countries increased in higher rate than its global trade after the formation of SAARC(see table IX.1).

Thus, India is exporting more to South Asian countries than what it imports from this region. Analyses of different indicators prove that even though India is in a favourable position in balance of trade, the trade relations with South Asian countries have not been improved much till the end of the eighties. India needs to take a lot of initiatives to promote its trade and economic relations and to expand its trade with South Asian countries. This requires positive cooperation from the other members of SAARC also. The following measures may prove to be useful to promote India's trade and economic relations with the countries in the South Asia region:

(a) Preferential Trading Arrangement;
(b) Reduction of Non-tariff barriers;
(c) Suitable Payment Arrangements;

(d) Mutual exchange of adequate information in respect of trade and economic developments;

(e) Extension of Indian credit facilities to the least developing SAARC countries;

(f) Establishment of more Indian joint ventures in the countries of South Asia region and transfer of advanced technologies to them;

(g) Commencement of Joint Marketing of the common products of the SAARC member countries;

(h) Establishment of SAARC Development Bank to facilitate the short-term and long-term loan to the member countries with a view to helping in their rapid economic growth;

(i) Arrangement of Trade Fairs and exchange of trade deligations;

(j) Establishment of joint Research and Information System;

(k) Integration in Development Planning among the SAARC member countries; and

(l) Establishment of Transport Linkage among the countries of South Asia region.

Effective steps of India to further the trade and economic relations among South Asian countries may help the countries in the region to come closer to each other. Proper understanding and realisation of the need for more active cooperetion among South Asian countries may also help to reduce the tensions generated from the political factors and hence would pave the way to enjoy the benefits to be derived from the regional grouping under SAARC. The future prospects of the SAARC will depend on the active cooperation by all the member countrries of this regional grouping.

In comparing between ASEAN and SAARC, it is observed that the growth rate of ASEAN is higher than that of SAARC. The The result of ASEAN effort to increase market access to the developed countries has been limited though the ASEAN has been more successful in development assistance. There are now more than 150 programmes and projects in the economic field and in the areas such as human resource development, science and technology, culture and information and research and training. The countries like Singapore, Thailand and Indonesia are the members of ASEAN who have the capablity to establish joint ventures in other countries while in SAARC India is the only country with having such potentiality. The volume of India's EXIM with ASEAN countries is bigger than those to SAARC member countries. Obviously the members of the SAARC have no economic viability to fulfil India's requirements.

Though outside the ASEAN and SAARC, China is fast emerging as an important economic power among the developing countries. India is competing with China to increase its exports to the Asian countries and in this race China is well ahead than India. By the turn of this century, Hongkong will join with China which will ultimately help the latter to become a stronger economic power in this region. Naturally, India should try to accelerate its process of economic development with a view to earning capability to compete with China and to keep its market intact in the region.

The recent controversial issue for Indian economy is the Dunkel Proposal under GATT Agreement. The economists are giving their priceless opinion for and against the Dunkel Proposals. What are the basic facts about the Dunkel Draft ? The first is the reality of world of nation States flaunting unequal power which is the result of the political, social, economic and technological management of societies. Japan, with hardly any natural resources, has been well-managed; India, with a wealth of natural resources, had been badly governed and badly managed. Secondly, there are no allout winners or losers in the GATT negotiations. Thirdly, the Dunkel Draft shows that all can be partial gainers with the $200 billion a year anticipated increase in the global trade, plus a significant increase in international investment and employment.

What is the practical fallout of the Dunkel Draft for India ? One section of the economists opine that after 40 years of planning, and a drop in the share of global trade from an insignificant one per cent to 0.5 per cent, the government now hopes to restore trade to the level of one per cent in global term ---- with the help of an absolute increase of $2 billion a year---- and an increase in investment to $ 2 billion a year.

Secondly, Indian agriculture and agri-business --- where the bulk of the nation's poverty lies and which forms the largest political constituency --- should get the kind of boost it has never known by being exposed to the larger world market. The farm lobby should see major growth in exports in fisheries, vegetables, fruits and meat products, superior rice, vegetable oil processed products and flours. Dunkel presents no threat to Indian agricultural subsidies at only five per cent, compared with far higher rates in Japan and the E.U. Such subsidies are a matter of our internal economies.

In the case of drugs and pharmaceautical, there is a complaint about price rising 10 times. The Minister concerned has declared that only 10 to15 percent of drug may be affected. China agreed to drug patents in 1983. The coverage of Indian drugs will begin only in July 1995. Also there will be a 10-year time lag between filing patents and commercialisation.

As far as textiles are concerned, India and other developing countries could not get an earlier dismantling of the quota-based Multi-Fibre Agreement. Indian industry has to prepare itself in all competitive aspects, including quality and timely deliveries, for the progressive, though slow, reduction of quotas by 51 per cent between 1995 and 2005 and their elemination by 2005. It should be remembered that India enjoys this advantage over China because of its involvement in the GATT process.

As a result of the general lowering of tariffs under the Dunkel Draft, the prospects for Indian exports would be brighter, enabling the country to promote its share of world trade and strengthening its balance of payments. But this will work only if globalisation and liberalisation are adopted as major policy initiatives in the domestic economy.

The essence of GATT is greater economic liberalisation and greater competition both externally and internally. All consumers will gain from competition. Efficient producers would gain while the inefficient ones would lose and could be wiped out.

The Dunkel proposals, which have now been formalised into an international agreement under GATT, deny India the facility of "Copying" and thus of eventually becoming self-reliant in technological research and development. The Trade-Related Intellectual Property Right (TRIP) proposes a kind of international patent legislation, to which our own national patent legislation will have to confirm. Any infringement will bring on our head the collective wrath of the World Trade Organisation, which is going to be formed soon. Indigenous producers will now have to withdraw from the production areas which appear replicate Western machineries or pay a heavy royalty, which will make their products uncompetitive.

However, no conclusion should be drawn about the Dunkel Proposal at this initial stage. The future will tell its own tale.