CHAPTER - II

ECONOMIC STRUCTURE OF SOUTH ASIAN COUNTRIES

II.1. Introduction :

The economic structures of South Asian Countries are more or less identical. The economies are overwhelmingly agriculture-based and they export mainly primary products. The colonial domination of the countries in this region paralysed their economies and even after independence they continued to depend on their earlier masters for export of primary goods and import of manufactures.

II.2. Socio-Economic Features of South Asian Countries :

The South Asian countries have many common socio-economic features. These countries have by and large a similar colonial history and tradition. They are also having social, cultural and ethnic links. All the South Asian Countries suffer from tremendous balance of payment burden, intolerable unemployment problem, excessive growth of population, untold poverty, continuous food crisis, low rates of economic and industrial development, unskilled manpower and massive illiteracy.

The Table-II.1 presents a summary view of the socio-economic situation of South Asian Countries. India is the biggest country in the region both in area and population. 73.2

per cent of the total area and 76 per cent of the total population of South Asia region are in India. Next to India, comes Pakistan with an area of 804 thousand sq. km. which is only a quarter that of the former. All the other countries are at a much greater distance, with Maldives having only .300 thousand square km. In population, India is followed by Bangladesh, Pakistan, Nepal, Sri Lanka, Bhutan and Maldives in that order. The growth rate of population has been very high for all countries except Sri Lanka. The highest growth rate has registered by Pakistan at 3.2 per cent per annum during 1980-89 followed by Maldives at 3.1 per cent

In terms of area per capita, the situation is completely different. Bhutan has the highest area of 0.335 square hectare, followed by Nepal 0.077, Pakistan 0.074, India 0.040, Sri Lanka 0.039 and Bangladesh, the lowest, 0.013 square hectare.

With regard to arable land per capita, the best endowed country is India with 0.21 hectare, followed by Pakistan 0.18, Sri Lanka 0.12 and Nepal 0.11 hectare.

As regards to the economic well-being of South Asian countries, the smallest country, Maldives, has the highest per capita income of $ 480. This is followed by Sri Lanka with

$ 430, Pakistan $ 360 and India $ 350. The poorest countries are Nepal and Bhutan with only $ 150 each. The rate of economic growth for these countries over the last two and a half decades varied widely. During 1980-89, while Maldives registered an annual GDP growth rate of 10 per cent and Bhutan 8.1 per cent, for Bangladesh — the most densely populated country — it was only 3.9 per cent. The inflation rate for the countries also varied substantially. In the last decades the average annual rate of inflation was as much as 11.9 per cent for Sri Lanka as against 7.7 per cent in Pakistan.

In literacy rate, Sri Lanka had the highest percentage of 82 in 1980 and 87 in 1989. India came second with only 36 per cent in 1980 and 44 per cent in 1989. The literacy rates for the other countries varied between 32 per cent and 36 per cent in 1989.

The life expectancy at birth which is a very important indicator of economic well-being, also varied considerably. In 1989 Sri Lanka had the highest level of 71 years as against Bhutan's only 48 and Bangladesh's 51 years. India's life expectancy at birth was 52 years in 1980 and 59 years in 1989.

Table -II.1

SELECTED SOCIO - ECONOMIC INDICATORS OF SOUTH ASIAN COUNTRIES

Country	Area 000 Sq. KM	Population Million Mid-1989	Population Average Annual growth rates 1965-80	Population Average Annual growth rates 1980-89	Area per Capita Sq. Hectore	Arable land & land under permanent crops Million HA	Arable land per capita Hectore	GNP per capita US dollar 1989	GDP Annual Average growth Rates (%) 1965-80	GDP Annual Average growth Rates (%) 1980-89	Inflation Rates (%) 1979-84	Inflation Rates (%) 1984-89	Literacy Rate (%) 1980	Literacy Rate (%) 1989	Life Expectancy at birth (Year) 1980	Life Expectancy at birth (Year) 1989
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Bangladesh	144.0 (3.2)	110.3 (10.3)	2.7	2.4	0.013	9.4	0.08	180	2.4	3.9	10.8	11.0	27	35	46	51
Bhutan	47.0 (1.0)	1.4 (0.1)	1.6	1.9	0.335	0.1	0.07	150	-	8.1	-	-	23	32	44	48
India	3288.0 (73.2)	811.8 (76.0)	2.3	2.4	0.040	168.9	0.21	350	3.7	5.8	10.0	7.8	36	44	52	59
Maldives	0.3 (Negl.)	0.21 (negl.)	-	3.1	0.014	0.0	0.00	480	-	10.0	-	-	-	-	-	-
Nepal	140.8 (3.1)	18.4 (1.7)	2.8	2.6	0.077	2.0	0.11	150	2.4	4.1	10.4	10.3	24	36	46	52
Pakistan	803.9 (17.9)	108.7 (10.2)	3.1	3.2	0.074	19.4	0.18	360	5.1	6.6	8.8	5.8	24	34	50	55
Sri Lanka	65.6 (1.5)	16.8 (1.6)	1.8	1.6	0.039	2.0	0.12	430	4.0	4.2	15.7	8.1	82	87	66	71
TOTAL	4489.2 (100)	1067.6 (100)														

Note : HA = Hectare

Source : (1) World Bank, World Development Report - 1988.

(2) Asian Development Bank (ADB), Key Indicators, July 1991.

II.3. Pattern of Development in Different Countries:

Economic Planning is an important means of economic development in the developing countries, and the South Asian countries are no exception to it. However, the nature of economic planning, the manner of implementation and the extent of development varied from country to country. Below we give a brief account of the Pattern of development in different countries:

Bangladesh: Economic planning of Bangladesh began more seriously only after it attained independence in 1971. The government of Pakistan did not make any concerted effort for its eastern wing's development. The First Five Year Plan of Bangladesh was started in 1973 covering the period 1973-78. This was followed by a Two Year Plan during 1978-80 as some of the targets of the first Plan were not fulfiled and as the Planning Commission could not finalise the targets for the Second Five Year Plan. In 1980, came the second five-year Plan covering the period 1980-85. This was followed by the third five -year Plan(1985-90) and currently the fourth five-year Plan (1990-95) is under implementation.

The objectives of the first five-year Plan were :-

(1) Reduction of poverty and generating employment opportunities;
(2) Rehabilitation and reconstruction of the war-damaged economy;
(3) Increase in GDP at the rate of 5.5 per cent per annum and of per capita income at the rate of 2.5 per cent.
(4) To expand the output in order to provide for minimum consumption requirements and to arrest the rising trend in general price level;
(5) To reduce population growth rate from 3 per cent to 2.8 per cent annually;
(6) To reduce dependence on foreign aid through export promotion and import substitution;

(7) To transform the institutional and technological base of agriculture with a view to attaining self-sufficiency in foodgrain; and
(8) To ensure a more equitable distribution of income and to ensure better social justice.

Development of agriculture has always been given high priority. The fourth five-year Plan has taken the following initiatives with a view to up-lift the socio-economic conditions of the farmers and other people:

(a) Increase high-yielding area and introduction of multi-crops production system;
(b) Special schemes for the development of backward and interior areas;
(c) Minimisation of production cost through provision of minor irrigation;
(d) Introduction of integrated insecticide projects;
(e) Promotion of modern agriculture Research;
(f) Installation of agro-based industries and promotion of exports;
(g) Provision of agricultural training and its publicity; and
(h) Formation of an Agricultural Commission.

The development of industries has also received increasing attention in recent years. The fourth five-year Plan (1990-95) has taken the following initiatives in this area :

(I) Promotion of indigenous industrial role in the total industrial production with a view to have a 9.1 per cent growth of industrial production;
(II) Increase employment in industrial sector;
(III) Promotion of balanced trade and self-reliance; and
(IV) Development of science and technology through research and application.

The amount of investment under the different Plans, however, could not be very high due to the economy's poor state. Before inde-

pendence most of the capital invested in various industries (both in public and private sectors) were transferred from East Pakistan to West Pakistan. This transfer capital paralysed the industrial sectors and the economy as a whole. During the Third Five Year Plan, the aggregate of investment amounted to Tk. 34,108 crores in which Tk. 20,967 crores (61.5 per cent) came from foreign aid. The investment as a proportion to GDP declined to 10.68 per cent in 1989-90 from 12.06 per cent in 1985-86.[1]

Achievement of the different Plans varied considerably due to a number of reasons. The average annual growth rate in GDP was, however, 2.4 per cent during 1965-80 and 3.7 per cent over the period 1980-88. Sectorally, agriculture registered an annual growth of 1.5 percent during the former period and 2.1 percent during the latter. In industry, these were respectively 3.8 percen-t and 4.9 percent and in services 3.4 percent and 5.2 percent.[2]

To look into the growth of production in some of the important items : The index of production in 1988-89 with 1973-74 as the base year, stood at 649 for cement, for drinks at 615, for fertilizers at 553, for fish and fish preperation at 340, for matches at 239 and for gas at 208. Low growth was recorded by some of the important items like vegetable oil at 81, jute textile 101, cotton textile 111, Sugar 116, industrial chemicals 121, iron and steel 129 and tea 140 in 1988-89.[3]

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1. Bangladesh Arthanaitik Zarip -1990-91, Ministry of Finance, Government of Bangladesh, p/19.
2. World Bank, World Development Report (New York), 1988 and 1990 issues
3. Banglasesh Arthanaitik Zarip -1990-91, ibid, p/272-73.

As a result of these developments, as evident from the Table II.2, the relative share of agriculture in GDP came down to 37.1 per cent in 1989 from 55.3 per cent in 1970. The diversification towards industry was, however, not significant---- its relative share in GDP rose to 17.1 per cent from 15.9 per cent over the same period. The gainer was mainly the service sector, whose share rose to 45.8 per cent from only 28.8 per cent over the same period.

Bhutan : In 1961 Bhutan entered the era of Economic Planning. The First Five Year Plan covered the period of 1961-62 to 1965-66 and this was followed by five successive Five Year Plans. The Seventh Five Year Plan, currently running, covers the period of 1992-93 to 1997-98. The Planning Commission of Bhutan was, however, established only in 1971 and the First and the Second Plans were prepared by the Indian Planning Commission.

The main objectives of Bhutan's economic Plans have been:

(a) to improve the living standard of the people, especially those belonging to the poorer sections;

(b) to develop the infrastructure and prepare ground for the installation of cottage and manufacturing industries using local raw materials;

(c) to establish better road communication between Thimpu and interior places of the hilly region;

(d) to achieve better performances in export promotion, environmental conservation and balanced regional developmend; and

(e) to develop agricultural sector with a view to have self -sufficiency in food grains and to supply more raw materials to indigenous industries.

Investment capacity of the Bhutan government was very poor. During the first two Five Year Plans there was absolutely no investment. The first Plan had a targeted outlay of Rs.1,750 lakhs and it was entirely financed by the government of India. The total outlay for the second Plan was Rs.2,000 lakhs and it was also fully financed by India. The outlay for the third and the fourth Plans were Rs.4,752 lakhs and Rs.11,062 lakhs respectively. India contributed Rs. 4,372 lakhs——— that is 92 per cent of the total---- for the third Plan and Rs. 8,603 lakhs---- that is 78 per cent of the total---- for the fourth Plan. Bhutan could contribute only 5 per cent of of the total outlays in these Plans and the rest were provided by the international agencies. In the fourth Plan, the total outlay was Rs. 27,400 lakhs and more than fifty per cent of it came from India.[4]

The economy of Bhutan is essentially rural-based with 95 per cent of the work-force employed in agriculture and allied activities. Rice, wheat, barley, corn, millet and potato are the principal crops of Bhutan. Agricultural production increased by 37 per cent in 1976 over the average during 1961-65. In industrial production, Bhutan is still in the cradle. In the earlier Plans, the country put more emphasis on integrated rural development than on the development of industries. With the beginning of the Third Five Year Plan(1971-76), however, the industrial sector received considerable attention. Construction of the Chukha Hydel Project began in 1973 and the Penden Cement Plant in 1975. Both the projects are presently in operation. Phuntsholing in Bhutan has emarged as the largest industrial estate. In 1987, there were about

4. Bhutan Country Paper and Development Perspective-----1980s, Planning Commission, Royal Government of Bhutan.

400 small-scale, cottage and medium industrial units in Bhutan. There are also a food processing factory, a tea chest ply veneer factory, a resin and turpentine factory, a salt iodization plant and three distilleries at present.

India: Economic Planning in India started in 1951, that is four years after the country achieved independence. Various Plans launched since then were -------- First Five Year Plan(1951-56), Second Five Year Plan(1956-61), Third Five Year Plan(1961-66), Fourth Five Year Plan(1969-74), Fifth Five Year Plan (1974-79); Sixth Five Year Plan (1980-85), Seventh Five Year Plan (1985-90), and The Eighth Five Year Plan (1992-97). There were annual Plans in between the Third and the Fourth Five-Year Plans and again in between the Fifth and the Sixth Plans and the Seventh and the Eighth Plans.

The First Five Year Plan was of the "ground preparing" type. The primary aim of this plan was to achieve economic stability and eleminate shortage of food and basic resources. During the First Plan, owing largely to the remarkable progress recorded by agricultural production, the national income registered an increase of about 18 per cent as against the target of 12 per cent. The Second Plan initiated a large and more broad-based efforts than the First Plan. But due to a number of difficulties, the increase in national income during the Second Plan period was only about 20 percent as against the target of 25 per cent.[5]

While the emphasis in the First Plan had been on agriculture, the priority of the the Second Plan was given particularly on

5. Review of the Second Plan in the Third Five Year Plan----1961-66, Planning Commission, Government of India.

industrialisation. The major objectives of this Plan were :-

(a) Rapid industrialisation with particular emphasis on the development of basic and heavy industries;

(b) Increase production of iron and steel, heavy chemicals, (including nitrogenous fertiliser) and development of heavy engineering machine building industry;

(c) Removal of poverty, unemployment, underemployment and inequality and creating more employment opportunities;

(d) Attain overall growth rate of 5.5 per cent per annum; and

(e) Development of agricultural sector and supply necessary raw materials to the industrial sector.

The main objectives of the Third Five Year Plan were :

(a) to secure an increase in national income of over 5 per cent per annum, to achieve an increase in consumption at the rate of 4 per cent and 14 per cent was taken as the target of saving;

(b) to achieve self-sufficiency in food grain;

(c) to expand basic and heavy industries; and

(d) to utilise manpower resources and to ensure a substantial expansion in employment opportunities and a more -even distribution of economic power.

Elemination of poverty and attainment of self-sufficiency have received the highest priority both in the Fifth and Sixth Plans , while the Seventh Plan emphasised the development of science and technologies along with the creation of employment opportunities, eradication of poverty, reduction of inflation, removal of ecological imbalances, promotion of savings and investment.

In the First Plan (1951-56), the total outlay was Rs.1960 crores in which 73 per cent (Rs.1440 crores) financed from the domestic budgetary resources and 10 per cent (Rs. 190 crores) came from external assistance. The outlay increased and registered nearly

double amount in each of the Plan compared to the preceeding Plan. Following this trend the total outlay reached to Rs. 16160 crores in the Fourth Plan and to Rs. 1,80,000 crores in the Seventh Plan. While contribution to the financing of Plans by the external assistance were 13 per cent and 10 per cent of the total outlay respectively. The highest percentage (28) of external assistance received during the Third Plan(1961-66). Since then, a declining trend in percentage in the contribution of foreign assistance to the financing of Plans was observed with little exception during the Fifth Plan. It is notable that since 1974 (Fourth Plan), India has been able to finance more than 80 per cent of the total outlay of five -year Plans.

Annual growth rate of GDP at 1980-81 price was averaged 3.4 per cent in between the First and the Fourth Plans and 5.3 per cent between Fifth and Seventh Plan.[6]

During the first twenty years(1951-71) of Planning, India's national income grew at an average annual rate of 3.6 per cent, same increased at the rate of 4.5 per cent in the following fifteen years. The annual growth rate in agriculture was 3.6 per cent during the first two decades of Planning and at the rate of 4.5 per cent in the last two decades. Growth rate in industrial sector was greater than that in agriculture. During the first twenty years, it was at the rate of 6.4 per cent per annum while during 1971-91 the average annual growth in industrial sector declined to 4.5 per cent.[7]

The growth in production of some of the major agricultural items is as follows:

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6. Economic Survey -1991-92, Part-II, Govt. of India.
7. Asian Development Bank, Asian Development Review, 1990, Vol.8, No.2.

The Index of food grain production rose to 183.4 in 1989-90(with the triennium ending 1969-70=100) from 137.5 in 1980-81. For oil-seed, the index rose to 186.1 in 1989-90 from 113.6 in 1980-81; among the oil-seeds,mastard registered a growth to 275.0 from 135.8. For fibres the index rose to 185.7 from 126.3; within it,cotton registered a growth to 203.9 from 125.1. Among plantation crops; the index number for tea rose to 181.5 from 144.7 whereas for the group as a whole these were respectively 216.3 and 154.3. For agricultural commodities, as a whole,the index was 187.0 in 1989-90 as against 135.3 in 1980-81.[8]

In industrial production,the index number for mining and quarying rose to 211.6 in 1989-90 with 1980-81 as the base year.For manufacturing,as a whole,it was 190.7 and for electricity 219.7. Among manufacturing,electrical machinery and appliances registered the highest growth with the index reaching 459.2 in 1989-90; for chemicals it was 247.6, followed by non-matallic mineral products 189.9, leather and fur products 188.3, paper and paper products 181.5 and wood products at 176.0. For industrial products,as a whole,the index in 1989-90 stood at 196.4.[9]

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8. Economic Survey 1991-92 Government of India, op.cit.S-13.

9. Ibid.S-40

As a result of this pattern of development, as evident from Table II.2, the share of agriculture in GDP declined to 32.1 per cent in 1989-90 from 47.4 per cent in 1970-71. For Industry, the relative share rose to 28.8 per cent from 21.7 per cent over the same period. The service sector's contribution increased to 39.1 per cent in 1989 as against 30.9 per cent in 1970.

The Eighth Five Year Plan of India started in April, 1992, has taken the following as its major objectives:[10]

(I) Generating adequate employment to achieve near employment by the tern of the century;

(II) Containing population growth through an effective scheme of incentives and disincentives;

(III) Complete eradication of illiteracy among the people in the age group 15 to 35 years;

(IV) Provision of safe drinking water and primary health care and complete elemination of scavenging;

(V) Growth and diversification of agriculture to achieve self-sufficiency in food and generate surplus for exports; and

(VI) Strengthening the infrastructure(energy, transport, communication, irrigation etc.) in order to support growth process on a sustainable basis.

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10. Ibid. p/18.

The Eighth Plan aims at an average growth of 5.6 per cent per annum. A total investment of Rs.7,92,000 crores at 1991-92 price has envisaged for the Eighth Plan. The public sector investment will be financed to the extent of 70 per cent from house-hold savings, 20 per cent from own saving and 10 per cent from the foreign assistance.

Maldives: Maldives became politically independent only on 26 July, 1965. The Maldivian economy is among the least developed in the world. Most of the country's population live in tiny coral islands in scattered atolls. These islands are generally outside a money economy, subsisting by fishing and collecting cocunuts. A large proportion of the cocunuts is generally destroyed by rats and a programme to eradicate the rats began in 1981.

Male, the capital town, has traditionally maintained a higher standard of living than the national average by levying an indirect tax on fish and cocunuts. The soil is generally sandy and the arable land is minimal. Small quantities of cocunuts, millets, sorghum, maize and yams are grown, but practically all the staple foods are imported from the out side world.

There is no systematic Plan for economic development in Maldives and precise data do not exist, there being no system of national accounting. Even the statistical Year Book of ESCAP and ADB are not in a position to quote any Official source from which information of Maldives' development could be obtained.

Maldives achieved an average annual economic growth of 8.9 per cent between 1976 and 1986, largely due to increased revenues from fishing and tourism. Between 1965 and 1985 Maldives' GDP per capita increased in real term, at an average annual rate of 1.9 per cent.[11]

The major industries in Maldives are___ fishing, tourism, shipping, reedware, lacquer- work, cocunut processing and garment manufacturing. Untill the early 1970s, Sri Lanka was importing 90 per cent of Maldives' fish. But the situation has since changed; the country is selling fresh fish almost entirely to Japanese companies that have been given purchasing rights in Maldivian water. The first fish-canning factory with Japanese collaboration was opened in 1979.
This country is fully dependent on other countries for its agricultural as well as industrial development.

Nepal: Economic Planning for a systematic development of Nepal started in 1956 with the launching of the First Five Year Plan covering the period 1956-60. It was a modest plan of Rs. 330 million, most part of which(more than 90 per cent) came from external sources. Preparation of ground for economic development was the main objective of this Plan. Priority was given to the development of infrastructures like transport and communications, village development and for the development of agriculture and forestry.

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11. Manorama Year Book — 1993, Manorama Company Ltd., Kottayam-1, Kerala, India, P/194.

The Second Plan was launched after a gap of one year and it covered a three-year period(1962-65). The objectives of this Plan were :-

(I) Improvement of standard of living of the people;

(II) Greation of employment opportunities;

(III) Provision of social services ; and

(IV) Justice in distribution of income.

The Plan also gave a high priority to the development of infrastructure, power, industry and tourism. The crucial sector, agriculture, got only 14.6 of the total allocation of Rs.600 million while transport and communication consumed 38.7 per cent.

Third Five Year Plan(1965-70) was broader in scope than the earlier Plans and a significient progress was made in some of the fields, such as transport service, communications, use of chemical fertilizer and primary and Secondary School enrolment. The plan had a bigger outlay of Rs.2,500 million, of which 1,250 million came from foreign assistance.[12] A National Planning Commission was, however, established in May, 1968 to advice on development priorities and to review the development programmes.

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12. Third Plan (1965-70), Ministry of Economic Planning, HMG, Nepal.

In the following years also Nepal continued its development efforts through economic Planning. The Seventh Five Year Plan was completed in March,1990. In all these Plans,the public sector accounted for the lion share of the total outlay. For instance,during the Fifth Plan(1975-80),out of the total outlay of Rs.9,197 million,Rs.6,170 million(67.1 per cent) were alloted for the Public Sector while for private sector it was Rs.2,096 million(22.8 per cent) and for Panchayat sector only Rs.931 million--- that is 10.1 per cent.For Public Sector,45 per cent of the total outlay was obtained through foreign assistance.[13]

Currently,the Eighth Plan(1992-97) is in force. The objectives of this Plan are---- (a) to create more employment facilities,to develop the industrial and agricultural sectors; (b) to utilize the country's forest resources;(c) to promote facilities for tourism; and(d) to strengthen the tructure. The total outlay of the Eighth Plan is Rs.1,70,332 million at 1991-92 price, of which 56.3 per cent will come from national saving and 43.7 per cent from foreign aid.[14]

There was only a marginal increase in per capita income during 1964-89 due to low rate of growth in GDP in comparison with the higher rate of growth of population.The average annual groth in real GDP during 1964-89 was 3.4 per cent whereas the growth in per capita income was only 0.8 per cent in the same period.

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13. Fifth Plan(1975-80) in brief,National Planning Commission, HMG,Nepal.
14. Eighth Plan(1992-97).op.cit.July,1992,p/29

As a result of the low increase in per capita income, Nepal stands low even among the least development countries of the world.[15]

Average annual growth rate of GDP was 1.9 per cent during 1965-80 and 4.7 per cent over the period 1980-88. The growth in agriculture was notable at the end of 1980s. The average annual growth rate in agriculture which was only 1.1 percent during 1965-80, went upto 4.4 per cent in 1980-88[16]

Over the first three years of the Seventh Pan(1986-90), agricultural production grew by 4.7 per cent per annum and non-agricultural output by 4.3 per cent. Growth of GDP as a whole for these years averaged 4.5 per cent, which was more or less in line with the Plan target.[17]

In the industrial sector, Nepal has experienced some noteworthy developments in 1986 and in 1987 while industrial production increased by 17 and 27 per cent respectively. In 1988 industrial production rose by about 10 per cent. Much of this expansion reflects an increase in the production of textile, beverages and sugar.[18] It may mentioned here that Nepal gave much more priority to industrial development in the Sixth and Seventh Plans that is during 1980s.

Some of the items of agricultural and industrial productions grew considerably. The index of food crops(including paddy, maize, wheat, barley and millet) was 151 in 1989-90 with

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15. Eighth Plan(1992-97) Summary, op.cit.1992, p/1
16. World Bank, World Development Report, New York: Oxfort University Press, 1988 & 90.
17. ADB, Asian Development Outlook-1989, p/123
18. Asian Development Outlook, ibid, p/124

1974-75 as the base year. With 1986-87 as the base year, in the manufacturing industries, production index were; for detergent power at 860, footwear and shoes at 834, plastic products at 423, bear at 280, vegetable ghee at 240, paper and paper products at 233, rubber products at 221, liquor at 205 and sugar at 181 in 1990-91. Declining rate of growth in the same period with the same index were in the case of plywood at 11, cotton cloth at 30, bidi at 32, agricultural tools at 31, steel utensils at 63 and jute goods at 61.[19]

Despite several initiatives, Nepal experienced least amount of divercification in economic activities. Even as late as 1989 agriculture accounted for 60.2 per cent of its GDP and this represented a rise over the level existing in 1980 being at 58.8 per cent as evident in Table II.2. The contribution of industrial sector in Nepal's GDP rose to 17 per cent in 1989 as compared to 11.3 per cent in 1970. The share of service sector in the country's GDP was 21.2 per cent in 1970 and went upto 27 per cent at the end of 1980s.

In order to taking the challanges of economic stagnation and to give definite direction to the socio-economic improvement of the people, the Eighth Five Year Plan (1992-97) is now under implementation. The major objectives that the Eighth Plan seeks to achieve are :

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19. Economic Survey- 1991-92, Ministry of Finance, HMG of Nepal, Table-3.2.

(1) Sustainable Economic Growth;

(2) Alleviation of Poverty; and

(3) Reduction of Regional Imbalances.

With the limited financial, human and institutional resources of the country, it will not be possible to provide adequate resources to all activities at the same time. Hence, the programmes which receive special priority in the Eighth Plan are :

(a) Agricultural intensification and diversification;

(b) Energy development;

(c) Development of rural infrastructure;

(d) Employment generation and human resource development;

(e) Reduction of population growth;

(f) Industry and tourism development;

(g) Export promotion and diversification;

(h) Macro-economic stability;

(i) Administrative reform; and

(j) Monitoring and evaluation.

It is estimated that a 5.1 per cent average annual growth can be achieved during the Eighth Plan period. The growth rate for agriculture and industry targated for 3.7 per cent and 10.8 per cent respectively.[20]

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20. Eighth Plan(1992-97) Summary. op.cit., p/25

Although these growth rates seen ambitious in the light of the past experiences,it is expected that achievement of growth rates would be possible in new political and economic environment.

Pakistan: For the implementation of the Economic Reform Programmes in Pakistan a number of measures have been taken through various development Plans.These Plans are : First Five year Plan(1955-60),Second Five Year Plan (1960-65), Third Five Year Plan-(1965-70), Fourth Five Year Plan (1970-75), Fifth Five Year Plan(1978-83), Sixth Five Year Plan(1984-88) and the Seventh Five Year Plan covering the period 1988-93.

A serious of economic reforms were introduced in Pakistan between 19970 and 1977. These are---- land reform,life insurance reform and foregin exchange and other reforms.In 1972 and 1973 various types of industries,insurance business and vegetable ghee industry were notionalised with a view to have more government control over the business and industrial sectors.

The First and the Second Five Year Plans had a reasonable success in the achievement of their targats of infrastructure development, self-sufficiency in food grain,generating employment and promotion of industrial sector.But the Third Five Year Plan was affected by the war with India in 1965 and the Fourth Five Year Plan was severely affected and practically scrapped after the break-way of the formar East Pakistan in 1971 emerging a new state of Bangladesh.The Fifth Five Year Plan(1978-83) started after a gap of three years with a hope of an annual GDP growth 7.2 per cent,(as against 3.1 per cent over the previous Plan),

agriculture advancing by 6 per cent and growth in industrial output by 10 per cent. Per capita income is scheduled to rise by 4.2 per cent. The major objectives of the Fifth Plan were----- to doubling the fertilizer consumption, greater use of pesticides and improved seeds and irrigation, self-sufficiency in wheat production and increase in the production of cotton, rice, cotton yarn and cloth, fertilizers, steel and cement. The total public sector outlay of this plan was Rs.1,48,170 million and private sector Rs.62,000 million.

Since the Fifth Plan, Pakistan has been turning to the Islamic Republic with an intention to get maximum economic assistance from the Islamic world. She got substantial economic aid from the Islamic countries during the decales of 1970s and 1980s and achieved considerable amount of progress in agriculture, manufacturing sector, investment and capital formation energy and technology. A large number of Pakistani nationals are now working in various Middle-East countries and they are sending their earning to Pakistan which are being used for the economic development. The total outlay of the Fifth Plan was Rs. 2,10,170 million of which Rs.1,48,170 million(70.5 per cent) was the contribution of Public Sector and the remaining part was for the private sector.[21]

The Islamic Republic of Pakistan initiated a number of targets during the Sixth Five Year Plan for the development of its agricultural as well as industrial sectors. Increase in agricultural products(wheat cotton rice and sugarcane) and

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21. Economic Survey-1979-80., Ministry of Finance, Government of

manufacturing output got top priority in this plan to create a surplus with a view to promote exports. The country achieved satisfactory growth rate of 6.6 per cent per annum during the sixth Plan.[22]

Achievements during the Plan periods showed a satisfactory growth by and large. The average annual growth rate in GDP which was 5.1 per cent during 1965-80, increased to 6.5 per cent in 1980-88. Agricultural production grew at the rate of 3.3 per cent per annum till the Fifth Plan and the same rose to 4.3 per cent at the end of 1980s. Industrial sector showed better performance compared to the others. It registered 6.4 per cent average annual growth rate over the period 1965-80 and increased further upto 7.2 per cent during the period of 1980s.[23]

The growth rate in agricultural sector has averaged about 4 per cent since the late 1970s. In 1987, heavy rain at the of wheat harvest(main crop) severely damaged the wheat crop resulting in a drop in the growth rate to 2.2 per cent. However, as in the last few years of 1980s, a substantial increase in the cotton production supported growth in the agricultural sector.In 1988, cotton production grew by 15 per cent. This not only stimulated agricultural growth in that year to a respectable 4.4 per cent,but provided a boost to the cotton taxtile

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22. Economic Survey 1989-90. op. cit

23. World Bank, World Development Report- 1988 and 1990.op.cit.

industry and to exports as well. In the industrial sector, the growth was specially strong in cotton yarn, cotton cloth and sugar in 1988. In order to meet the strong international demand the production of cotton yarn increased by 60 per cent in the last three years of 1980s.[24]

Agriculture contributed to the extent of nearly 26 per cent to the GDP of Pakistan in 1989 as observed from Table II.2. The service sector accounted for as much as 48.6 per cent of GDP in the same year. Industry, the crucial sector, contributed 25.1 per cent in 1989. The diversification was mainly towards the service sector---- in 1970 it contributed only 38.1 per cent of the GDP and in 1989 48.6 per cent of the same.

The Seventh Five Year Plan is now under implementation in Pakistan. The major objectives of this Plan are :

(1) Growth and diversification of agricultural sector;

(2) Eradication of poverty;

(3) Development of science and technology;

(4) More reasonable distribution of resources;

(5) Export promotion and import substitution; and

(6) 7.5 per cent increase in GDP per annum.

Sri Lanka : At the time of independence in 1948, Sri Lanka had a relatively well-managed and rich economic structure. Concerted efforts to develop the economy further, therefore, came only after the introduction of the Ten Year Development Plan(1959-68) in 1959. The Second Ten Year Development Plan(1969-78) was the

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24. Asian Development Outlook-1989, op.cit.p/128-29

the continuous process of development plans. The country took, however, various development programmes considering the need of the hours. Sri Lanka initiated a Six-Year Plan in 1948 immediately after the independence with a priority to prepare ground for the economic development and a Six-Year Special Programme of Investment(1954-60) to give utmost attention to the industrial and agricultural development. The country initiated Five Year Development Plans during 1980s.

The Ten Year Development Plans were formulated with the following objectives :

(a) To promote agricultural and plantation production;

(b) To establish export-oriented industries with the help of local raw materials;

(c) Employment generation; and

(d) To increase GDP in a higher rate.

The First Ten Year Development Plan had a total outlay of Rs13600 million in which agriculture received 23 per cent, industry 20 per cent, transport and communications 14 per cent and social investment 26 per cent. During the Second Ten Year Development Plan the total investment outlay had been nearly Rs. 20,820 millions shared by the public and the private sectors equally.

Achievements through the various development programmes initiated by Sri Lanka were not at all satisfactory. The average annual growth in GDP which was 4.0 per cent during 1965-80,

improved very marginally to 4.3 per cent over the period of 1980s. A severe drought in 1987 and Tamil movement in the Jafna region badly affected the total development programmes. There was no growth in agricultural sector during 1980s. The average annual growth of this sector was 2.7 per cent over the period 1965-80 and remained in the same level in 1980-89. Industrial production as a whole declined to 4.4 per cent during 1980s as compared to 4.7 per cent during 1965-80. Service sector only showed improvement to 5.3 per cent during 1980-89 against 4.6 per cent over the period 1965-80.[25]

Despite difficulties,production of some of the items grew considerably. For instance, rice production increased by 11 per cent, tea by 8 per cent and rubber by 10 per cent at the end of 1980s.[26]

As a result of this pattern of developments,the best performance is sertoral diversification was in the case of Sri Lanka. Its relative share of agriculture to GDP came down to 29.9 per cent from 36.6 per cent between 1970 and 1989, whereas for industries, the relative contribution rose to 29.8 per cent from 17.9 per cent as evident from the Table II.2. The service sector registered a marginal increase---- its contribution to GDP rose to 49.3 per cent from 46.5 per cent over the same perio

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25. World Development Reports- 1988 and 1990, op.cit.
26. Asian Development Outlook, op.cit.p/135

Asian Development Outlook-1989 op.cit.p/137.

The growth of GDP is projected at 4.5 per cent per annum. The agricultural sector is expected to show above-normal growth of over 4 per cent because of the large expansion in irrigated areas following the completion of same downstream projects under Mahawali Development Scheme. Industry and service sectors are projected to grow by about 7 and 3 per cent respectively, aided by the rehabilitation and reconstruction works being taken by the government with the assistance from international community.[27]

At present, Sri Lanka faces a very difficult economic situation. The macro-economic constraints to the economic growth are---- huge unemployment, excessive interest payment on government debts, a large current account defficit and low domestic saving. Moreover, the productivity of the massive ~~intarask~~ investment programme undertaken in the past has fallen far below the expectations.

Despite these constraints, Sri Lanka has a number of advantages. The country still ranks high among the South Asian countries in terms of most socio-economic indicators of development. It had been instituting courageous domestic policy reforms over the last decade towards a competitive, open and market-based economy with a view to rapid development of its economy and the same reform policy will continue over the period of 1990s also.

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27. Asian Development outlook-1989 op.cit.p/137.

Table - II.2

SHARE OF MAJOR SECTORS IN GDP OF SOUTH ASIAN COUNTRIES

(Per Cent)

	Agriculture			Industries						Services		
				All			Manufacturing only					
	1970	1980	1989	1970	1980	1989	1970	1980	1989	1970	1980	1989
Bangladesh	55.3	49.4	37.1	15.9	14.8	17.1	9.0	10.7	9.8	28.8	35.8	45.8
Bhutan	-	56.7	45.8	-	12.2	27.1	-	-	6.0	-	-	27.1
India	47.4	38.1	32.1	21.7	25.9	28.8	14.2	17.7	20.5	30.9	36.0	39.1
Maldives	-	34.4	25.5	-	15.5	15.8	-	3.4	5.7	-	50.1	58.7
Nepal	67.5	58.8	60.2	11.3	-	17	9.0	-	-	21.2	-	27
Pakistan	39.0	30.6	26.3	22.9	25.6	25.1	16.1	17.0	17.4	38.1	43.8	48.6
Sri Lanka	36.6	26.5	20.9	17.9	27.4	29.8	9.9	20.0	20.3	46.5	46.1	49.3

Source : Key Indicators, ADB, July, 1991.
World Bank, World Development Report - 1990.

II.4. Natural Resources of South Asian Countries:

Availability of natural resources in a country is an important factor in determining its current position and the potentials for future development. South Asian countries are, in general, not having enough resources for their development. Below we give a brief account of the extent of natural resources available in different countries in the region.

Natural resources include a variety of resources. Table II.3 presents the position with regard to some of the important items that are normaly required by every country. The region has 20 per cent of the world population but has only 3.31 per cent of the land area. Land surface provides the primary base on which a country develops its agriculture, and to the extent that the region has scarcity, this is a definite impediment in the way of development. Land availability, both in terms of quantity and quality, however, varies from country to country. Nepal and Bhutan are relatively better endowed in terms of per capita availability but the quality and location of the land are disadvantageous.

South Asian countries are much better equipped with regard to water and power resources. Data on these resources are incomplete. However, the water resources of Bangladesh, Nepal, India and Pakistan, as reflected by their annual average river flows, add upto 2,822 million acre feet, only a part of which is presently utilised. The hydel power potentials of Nepal and Pakistan exceed 100 million kilowatts, a small portion of

Table - II.3

DISTRIBUTION OF NATURAL RESOURCES OF SOUTH ASIAN COUNTRIES BY TYPE OF RESOURCES AND COUNTRIES.

Natural Resources	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	SriLanka	South Asia	World	South Asia as % of World
1	2	3	4	5	6	7	8	9	10	11
1. Area (000 Sq.K.M.)	144	47	3,288	0.3	141	804	66	4,490	1,35,830	3.31
2. Average Annual River Water Flow (Million Acre feet)	1,100	-	178	-	1,378	166	-	-	-	-
3. Hydel Potential Million KW)	-	-	-	-	83	21	-	-	-	-
4. Coal; Known recoverable resources(Million MT)	152	-	10,683	-	-	17	-	10,852	4,30,101	2.5
5. Brown Coal and Lignite known Recoverable Resouces (MMT)	-	-	897	-	-	15	-	912	1,60,574	0.57
6. Crude Petroleum Reserve (MMT)	-	-	281	-	-	38	-	319	74,587	0.43
7. Natural Gas Reserve(1977) (Thousand Million Cubic metre)	-	-	96	-	-	415	-	511	63,108	0.81
8. Uranium (1978) (MT)	-	-	29,800	-	-	-	-	29,800	1,65,000	1,81
9. Iron Ore Production(1977) (000 MT)	-	-	26,520	-	-	-	-	26,520	4,42,800	5.49
10. Antimony Ore Production 1977 (MT)	-	-	-	-	-	93	-	93	69,500	0.13
11. Bauxite Production(1977) (000 MT)	-	-	1,512	-	-	-	-	1,512	79,600	1.90
12. Chromium Ore Production 1977 (000 MT)	-	-	170	-	-	4	-	174	4,200	4.13
13. Copper Ore Production 1977 (1000 MT)	-	-	33	-	-	-	-	33	8,000	0.42
14. Gold Production (Kg)1977	-	-	1,994	-	-	-	-	1,994	9,88,000	0.20
15. Lead Ore (000 MT) 1977	-	-	14	-	-	-	-	14	3,270	0.44
16. Magnesite Production 1977 (000 MT)	-	-	403	-	-	1	-	404	10,380	0.04
17. Manganese Ore Production 1977 (000 MT)	-	-	665	-	-	0.0	-	665	9,510	0.70
18. Silver Production(000 MT)	-	-	13	-	-	-	-	13	10,240	0.13
19. Tungsten Production 1977(MT)	-	-	22	-	-	-	-	22	50,600	0.04
20. Zinc Ore Production 1977 (000 MT)	-	-	31	-	-	-	-	31	5,750	0.53
21. Salt Production 1977(000 MT)	-	-	5,329	-	-	474	-	5,803	1,72,500	3.36
22. Phosphate Rock Production (000 MT)1977	-	-	734	-	-	6	-	740	1,25,713	4.77
23. Asbestos Production 1977 (000 MT)	-	-	20	-	-	-	-	20	5,320	0.38
24. Diamonds Production 1977 (000 MT)	-	-	18	-	-	-	-	18	40,366	0.15
25. Forestry Round Wood Production 1977 (MCM)	11	-	129	-	9	8	5	162	1,415	11.46
26. Natural Rubber Production 1977 (000 MT)	-	-	152	-	-	-	146	298	3,595	8.28
27. Fish Catches Production 1977 (000 MT)	835	1	2,540	27	2	249	139	3,792	73,500	5.16

Source : Survey of Economic Resources and prospects of South Asia By M.L.Qureshi, Marga Institute, 61, Isipathana Mawatha, Colombo - 5, Sri Lanka,(1981).

which is being utilised. It is necessary to generate an effective programme for the proper utilisation of water and power potentials of the region.

Among other resources, the region has only one per cent of the world's total in respect of brown coal and lignite crude petroleum, natural gas, antimony, copper, gold, lead, magnesite, manganese, silver, tungsten, zink, asbestos and diamond and less than five per cent in respect of coal, uranium, buxite, chromium, salt and phosphate rock. The region has 5 per cent of the fish catches, 8 per cent of natural rubber production and 11 per cent of round wood production of the world.

Among the countries of the region, India has the maximum potentiality in respect of natural resources. Out of 27 items of natural resources listed in the Table II.3, India shared massively in all items except two. Pakistan has also some natural resources though the amount is not comparable with that of India. All other countries are very poorly endowed. A proper exploration work, however, in some of these countries is yet to be done. At presrnt India belongs to nearly 90 per cent of the total resources of South Asia region.

Reviewing the discussion in the foregoing chapter it reveals that -------

(I) India, Pakistan, Sri Lanka? Bangladesh, Nepal, Bhutan and Maldives are the nations of South Asia which continue a continuous geographical entry but the economies of these countries neglected the geographical opportunities;

(II) India has emerged as a single largest country in South Asia region more human and natural resources than that of the others;

(III) The share of agricultural sector in GDP was the hishest that is 60.2 per cent, in the case of Nepal in 1989 followed by Bhutan 45.8 per cent, Bangladesh 37.1 per cent, India 32.1 per cent, Pakistan 26.3 per cent and Sri Lanka, the lowest, 20.9 per cent;

(IV) Contribution of industrial sector to the GDP stood in the highest level of 29.8 per cent for Sri Lanka in 1989. India came second with 28.8 per cent followed by Bhutan 27.1 per cent, Pakistan 25.1 per cent and Bangladesh 17.1 per cent;

(V) The annual average growth in GDP was registered as 3.7 per cent for Bangladesh, 5.3 per cent for India, 4.7 per cent for Nepal, 6.5 per cent for Pakistan and for Sri Lanka 4.3 per cent.