CHAPTER : I

THE CONCEPT AND METHODS

OF ECONOMIC CO-OPERATION
The 20th century is considered as an era of international co-operation. This era specially stands for regional and sub-regional co-operation through the substitution of planned economic co-operation for purely national economic policies. The economic co-operation is one of the important aspects of international co-operation. Some times economic co-operation is considered as a basic aspect.

The year 1958 is considered as an important year from the point of international economic co-operation. During this year the Western European Countries established a fullfledged common market as a firm step in the direction of economic co-operation. The success of the movement for economic co-operation in Western Europe has created a good deal of interest among developing countries for establishing regional economic groupings of their own. Therefore many of the developing countries in Latin America, Central America, Africa, and Asia have established their own groupings by adopting various forms of economic co-operation.

The experience of these countries in this respect has not only been encouraging but also a guide for economic co-operation between India and her neighbouring Arab oil exporting countries.

The object of the study is to visualize the possibility of economic co-operation between India and Arab oil exporting
countries. The first part, however, aims at discussing the meaning and various methods of economic co-operation as well as evaluating an appropriate approach of economic co-operation.

PART A:

The concept of economic co-operation:

The word co-operation is derived from Latin word 'co-operari', where 'co' means with and 'operari' means to work. Therefore co-operation means working together for a 'common purpose'. The co-operation brings together independent countries to work together in order to achieve the common goal, because they cannot achieve it individually. Therefore such type of co-operation among independent nations is considered as a case of international co-operation. In this respect international co-operation is a matter of regularization of relationship among independent nations. The concept of co-operation is possible in every field of human activity and economic co-operation is only one of its aspects.¹ The economic relations are, however, basic to 'human relations'. International economic co-operation constitutes an essential part of international co-operation. The international economic co-operation assumes the action of lessening discrimination among the independent nations. In this respect economic co-operation between independent

nations is nothing but policy agreements between concerned independent nations regarding certain things. It is one of the ways to attain the bilateral or multilateral and other agreements among separate sovereign states and also it is helpful to bring about closer economic relationship or economic integration. While defining the concept of international economic co-operation we have never found two economists agreeing with each other. Everybody gives his own definition. And most of the economists have conceived the concept of international economic co-operation in the form of different stages of integration\(^1\) i.e. free trade area, customs union, common market and an economic union. But the classification of international economic co-operation into several stages of integration have some limitations. It is because such type of classification made by economists was mainly in the sense of the first large scale experiment in integration in Western Europe in the wake of World War II.

The various stages of integration are not the only means of international co-operation but also some other methods of international co-operation which are not covered by the categories of integration. Therefore economic co-operation through bilateral or multilateral agreements is a way to reach towards closer economic integration. Moreover,

\[\text{References:}\]
\[1. \text{Gunner Myrdal, } "\text{An International Economy}, \text{ Harper and Row, New York, 1964, p. 5.}\]
\[2. \text{Bela Balassa, } "\text{The Theory of Economic Integration}, \text{ Richard D. Irwain INC Homewood Illinois, 1961, p. 2.}\]
The various methods of economic co-operation are voluntary ones. Whereas the different forms of integration are binding in nature. In this respect the various forms of integration are nothing but the higher degree methods of economic co-operation. Therefore, the term economic integration represents the optimum\(^1\) of international economic co-operation. Hence to find out an appropriate approach of economic co-operation for independent nations like India and the Arab oil exporting countries it is necessary to examine the difference between the methods of economic co-operation and the forms of integration.

**Economic integration:**

In international economics the concept of economic integration is used to express the optimum of international economic co-operation. It shows the systematic regulation of the relations among various national economies. In this respect the term represents the creation of the most desirable structure of the international economy through removing artificial barriers and introducing all the desirable elements of co-ordination or unification.\(^2\)

Generally the concept of economic integration includes various forms such as free trade area, customs union, common

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market and an economic union. Moreover, the arrangement of these stages represents successively higher degree of integration.\(^1\) Therefore economic integration is considered as a process which covers a number of instruments of economic policy of independent nations, related with considerable external effects. It means the process of integration covers such measures designed to abolish discrimination between economic units belonging to different national states.\(^2\) The different stages of integration are mainly concerned with the adoption of certain policy measures, which enables the member countries to reduce discrimination among themselves. Moreover, the successive stages of integration enable the member countries to attain successively higher degree of integration.\(^3\) The following are the important stages of integration which show successively higher degree of integration.

(a) The countries which form free trade area, intend to eliminate discrimination as far as exports and imports

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are concerned so as to increase foreign trade among themselves. Along-side they adopt (common or) individual discriminating policy with the outside countries for giving preferential treatment to the goods of the member countries.

(b) In addition to free trade between member countries a customs union enables them to adopt common external tariff against the non-member countries.

(c) A common market provides free movement of the factors of production enabling the member countries to make proper and optimum utilisation of the factors of production.

(d) In the more advanced form of integration which is called 'economic union' fiscal, monetary, and other instruments of economic policy are also harmonised.

(e) Efficient functioning of an economic union requires a high degree of political co-ordination, which may lead eventually to a political union.

Economic Co-operation v/s Integration:

International economic co-operation and economic integration are the means to attain economic inter-dependence among the independent nations through mutual help, which may ultimately lead to mutual benefits. However, there is a basic difference between international economic co-operation and integration. It is because international
economic co-operation is a loose concept as it covers a variety of policy agreements aimed at the economic advancement of the concerned countries. The important policy agreements in economic co-operation are cultural exchange programmes, training programmes and co-ordination of education, common research services, joint use of natural resources, various trade agreements like bilateral and multilateral trade, trade agreements for specific purchase, trade agreements of limited payments arrangements, preferential trading, bulk purchase and selective trade liberalisations, as well as joint industrial ventures and clearing arrangements etc. Therefore economic co-operation in the above mentioned respects can be considered, as the 'third best',\(^1\) approach of increasing economic interdependence between the participating countries.

To increase economic interdependence between independent nations the 'first best',\(^2\) approach is the adoption of economic integration at the global level which assumes

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1. Economic Co-operation through its various methods neither requires to adopt economic integration at the global level between all the peoples of the world, nor is it binding to adopt the different forms of integration between the independent nations.

maximisation of welfare of all the peoples of the world, which directly or indirectly all the peoples of the world participate. It requires co-ordination of the economic policies of all the countries of the world, which is possible only with the existence of an effective world government. But in our real world which consists of number of independent nations we find that these independent nations are interested in maintaining their sovereignty. Therefore the best way for independent nations to increase economic interdependence is through the adoption of "regional economic integration" between some of the countries of the world. Therefore 'regional economic integration' is a 'second best' approach for the economic development of the participating countries. And it can be represented as an optimum of economic co-operation and take some specific forms such as free trade area, customs union, common market an economic union and a political union which is possible among a few countries of the world with common interests and generally in similar stages of development. The participating countries come together and form their association, which is politically acceptable to their respective governments. Therefore the classification of economic co-operation into only various stages of integration by most of the economists have some limitations.

Firstly, the various stages of integration are not the only means of promoting economic interdependence among the independent nations.

Secondly, it is also possible to promote economic interdependence among independent nations through various policy agreements.

Thirdly, the classification of economic integration into various forms, primarily shows the experience in the Western European countries.

Fourthly, the experience of developing countries shows that they have followed mostly voluntary methods of economic co-operation unlike various forms of economic integration which by nature are binding on all participating countries.

Fifthly, there is a tendency of overlapping in the categories of integration. These categories are not strictly scrutinised. Because it is possible for integration to begin with the harmonization of development plans.

Lastly, for economic co-operation it is not necessary to begin with formation of free trade area. Co-operation could be possible with cultural exchange programmes or with simple trade agreements between independent nations.
With these limitations of the classification of economic co-operation into different stages of integration it is possible to differentiate the concept of economic integration from economic co-operation. The difference between economic co-operation and economic integration is qualitative as well as quantitative. The qualitative aspect represents a structural change while quantitative aspect relates to a change within a given type of structure. Therefore qualitatively the term economic co-operation is a loose term as against economic integration. It is because it assumes only co-operation among some countries in regard to certain things. It does not cover specific instruments of lessening discrimination between independent nations. While integration through its stages requires adoption of specific instruments of eliminating discrimination among the participating countries. Economic co-operation covers actions aimed at lessening discrimination among the participating countries. While the process of integration comprises measures that entail the suppression of some forms of discrimination among the participating countries. Therefore economic co-operation requires little or no surrender of sovereignty through

2. Ibid.
commitments to change domestic government policies. However, economic integration in its different stages requires changes in domestic policies of the participating countries. These changes can have varying degrees of political significance.

Quantitatively, economic co-operation is different from economic integration. In economic co-operation any country from any corner of the world can co-operate with the other country. Moreover, economic co-operation may have no binding for the participants. The participating countries can co-operate on any policy agreement. But in economic integration countries within a limited area can come together and take some concrete steps by which they remove discrimination among themselves and to get more benefits.

With the discussion of the nature of economic co-operation and economic integration, it is possible to evaluate the methods of economic co-operation. In the following paragraphs the various methods of economic co-operation are discussed.

Methods of Economic Co-operation:

Generally the methods of economic co-operation can be classified into two groups i.e. non-customary type of economic co-operation. And these types of economic co-operation can be classified considering
various factors such as regularity of the agreements, concerned parties of the agreements like private or governmental bodies from the respective countries, governmental interference from these countries, and surrender of sovereignty of such countries in order to change their domestic policies.

(I) **Non-customary type of economic co-operation**: 

These agreements are most informal in their nature. Because there are a few such agreements between private or governmental bodies from different nations. They are neither related with any type of formal arrangement, nor they are backed by any type of formal presentation. Therefore these agreements cannot be presented in a legal form. Examples of such agreements are occasional meetings of private societies in various countries, exchange of information, advice and exchange of published documents etc. Exchange of such agreements between the concerned countries enables them to enhance mutual understandings between themselves.

(II) **Customary type of economic co-operation**: 

There are some similar agreements between independent countries which can be presented in a legal form. These agreements are backed by formal arrangement. In this type of co-operation the concerned countries take

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interest in policy agreements between themselves. They have for instance occasional adhoc meetings of government officials and groups to deal with special problems which may arise at the time of agreement. The concerned countries agree to come together to take regular joint action in order to solve the special problems in which they are mutually interested. In this respect the possible agreements among these co-operating countries are as follows:

(a) Exchange of services:

There are a few services which can be rendered by the government of one country to the other country. The country which renders the services to the other country does not sustain loss on her own part. It is because of this nature of services the concerned countries agree to exchange of these services; is profitable for both the countries. At the same time exchange of such services requires little or no surrender of sovereignty through commitments to change domestic government policies. In this respect the following services can be exchanged among the participating countries.

(i) **Cultural Exchange Programmes**

Co-operation between two or more countries is possible by reviving cultural contacts among the participating countries. It is not difficult for the governments of the participating countries to agree to pursue an active policy for promotion of cultural contacts. This form of co-operation does not require any surrender of sovereignty on the part of the individual country. Therefore exchange of art, artists and art exhibits, students, scholars, poets and journalists will foster the sense of good will among the participants. This is conducive to the acceptance of even limited forms of co-operation. ¹

(ii) **Training Programmes and Co-ordination of Education**

The participating countries through economic co-operation can be benefitted a lot by co-ordinating the facilities of training and education. Therefore the co-operating countries can agree to co-ordinate facilities in the sphere of training and education. In this respect the concerned countries can co-operate in the field of management, administration, foreign trade, economic growth, engineering and medicine. Moreover, the co-operating countries can prevent the duplication of investment in the sphere of education and training facilities. And this

method of economic co-operation is also important in the initial stages to foster mutual understanding between the participating countries.

(iii) Common Research Services:

One of the possible areas of economic co-operation between the participating countries is the co-ordination of research services. It is not difficult to come to an understanding on the establishment of common research institutions between respective countries. This method of economic co-operation also does not involve surrender of sovereignty on the part of the co-operating countries. Moreover, the results obtained through research can be utilised for the benefit of the co-operating countries. And the equality in the distribution of benefits can be ensured through establishing these institutions in the participating countries. In this respect the best example is East African Community. Therefore on the lines of the East African Community the participating countries can establish research institutions either on a common institutional basis.

1. East African Community run twelve research stations all over East Africa. Five of these are located in Kenya, three in Uganda and four in Tangania. The community has set up two councils to co-ordinate the activities of two wings of research i.e. medicine and natural resources. An East African Authority which is distinguished in the field related to the activities of the Council is responsible to look after each Council. While the industrial research board supervises industrial research work.
or through the existing institutions in individual partner countries. In this respect the co-operating countries can develop such research institutions in using natural resources and medicine.

(b) Joint use of natural resources and common pool:

The neighbouring countries may have some common problems. The solution to these problems will be profitable for both. These problems are mainly related to the use of natural resources, as well as creation of a common pool of the resources of individual countries. The resources which belong to the individual countries may not be utilised efficiently with their limited efforts. Therefore some sort of joint efforts is essential for the proper utilisation of this valuable resource. It is only with the combined use of these resources the participating countries can share the advantages.

Examples of such sort of combine use of resources are road, river-valley development, co-operative deep sea fishing and fish canning, setting up of regional air and shipping lines and also establishment of a co-operative development bank like the Asian Development Bank (ADB). In this respect the best way of economic co-operation is through the adoption of monetary co-operation among the participating countries. The method of monetary co-operation enables the participating countries in solving their problems of balance of payments.
Therefore it ultimately enables the participants to increase trade among them, as well as economic interdependence among themselves. The method of monetary co-operation takes the form either of clearing union or payments union and reserve fund or moves towards a full-fledged monetary union. This method of economic co-operation enables the member countries in financing the additional trade generated through different trade agreements or trade liberalisation programmes by giving preference to the trade among themselves. In this respect clearing union among the participating countries helps to adopt the method of economic co-operation in the initial stages.

(1) **Clearing Union**

A clearing union of participating countries on a voluntary basis does not affect the interests of any member country and does not have the political implications among the measures of economic co-operation. It is a very useful first step towards introducing measures for trade co-operation and other methods of monetary co-operation between the participating countries.

The establishment of a clearing union enables to increase closer relationships and to a great extent monetary co-operation between the central banks or monetary authorities of the participating countries. It is because
the Central Banks or monetary authorities of the respective countries are the members of such a clearing union. The Central Banks of the participating countries agree for the settlement of mutual debts arising out of trade transactions between the member countries at the end of a specified period.\(^1\) It means the operations of the clearing union follow the pattern of cheque clearance method adopted by commercial banks within a country. In this respect the central banks of the respective countries play very important role in settlement of transactions on the individual basis of an exporter or importer as well as the total value of exports and imports trade of the country as a whole and also individual member countries of the clearing union.

Under a clearing union arrangement each Central Bank of a clearing union agreed to grant other member central banks - either combined or individually - an automatic credit limit in its own currency upto a specified amount. In this respect the importers and exporters in the member countries pay and receive in their own currencies through commercial banks and commercial banks through Central Banks. \(^2\)

The Central Banks of the member countries, after

\(^{1}\) This period is six months in case of Central American Clearing house, one year among RCD countries, three months in Arab payments Union, and one month among Western African Central Banks.
particular period settle net claims and liabilities in US dollars. Therefore with the establishment of a clearing union the prevalent practice of using foreign exchange for the settlements, of trade accounts among the participating countries can be avoided. Thus the use of foreign exchange can be saved to a large extent.

A clearing union provides a multilateral clearing arrangement. Therefore the present dependence of the participating countries on convertible currencies can be avoided. The participating countries can enjoy the advantages of double convertibility. It is because a clearing union provides use of currencies of member countries for the payments of trade between themselves. Therefore the conversion of their currencies can be avoided at least at one stage, which would result in significant saving in transactions costs.

The clearing union also enables the member countries to develop their banking system, for the banking institutions of the member countries come into closer contact. Hence, the important hinderence in the growth of trade between member countries can be avoided with the development of banking facilities in these countries. It will also help to reduce the credit gaps at least in regard to financing of foreign trade.
It is also possible to avoid the substantial delay in realising the bills. Because in the present system the bills drawn in sterling or in dollar are realised at London or New York. This procedure, however, takes pretty long period. In this long period the exporter has to wait for realising his bills. At the same time the commercial bank charges interest for the collection period. Therefore the exporter, in turn, takes account of this amount into consideration while fixing the price for his goods and draws his bills accordingly which results in the increase in price of the commodity.

A clearing union also provides extension of credit facilities in specific circumstances to the needy member countries. This facility enables expansion of trade between the member countries and ultimately help to mobilize the idle resources of these countries.

II

Joint industrial ventures and consultancy services:

Establishment of joint industrial ventures and exchange of consultancy services between two or more countries are also one of the possible areas for economic co-operation. Joint industrial ventures enable the participating countries to exchange managerial skills, technical know-how,
technical personnel and contribution of capital among themselves. It is possible to derive the benefits of greater specialisation and diversification of production structure through efficient allocation and proper utilisation of available resources for both the contracting parties. For the host country it is possible to obtain capital and technical know-how (requirements of development) and for the investing country to obtain new lines of production by which they may be able to get the valuable foreign exchanges.

In addition to regular product exports, the joint industrial ventures and consultancy services provide an important medium of foreign economic linking between the concerned parties. Ultimately, however, the ends of economic co-operation would be served better only through the deliberate creation of new pattern of trade and production. The trade expansion from the existing capacities can reach only to a certain extent and not beyond that limit. It is only a deliberate creation of a new pattern of production among the participating countries that will not only result in a new pattern of trade but also in the form of expanded trade. The creation of new complementarities in respect of production could be encouraged through the establishment of joint industrial ventures among the participating countries. In this respect priority in selecting industries
for joint industrial ventures should be given to those industries which require more markets and resources.

The various methods of economic co-operation listed above enable the participating countries to take each other's help and make the way for coming together. The more and more benefits and from co-operation are expected to be derived from the increased international trade between the participating countries. The trade may be encouraged between two or more countries by various trade agreements, government trading and selective trade liberalisation programmes through giving concessions to specific products. Yet it requires more governmental encouragement from the participating countries.

Most of the comprehensive forms of co-operation require considerable sacrifice of the self-centred interests in order to gain the benefits derived from. The participating countries naturally weigh expected benefits against sacrifices. The sacrifice may be immediate while benefits are of long term. In this respect the following are the possible methods of co-operation, which cover the various trade agreements and are considered as more formal methods of economic co-operation.¹

¹. The various trade agreements between independent nations can be considered as more formal methods of economic co-operation. It is because the various trade agreements as against the other methods of economic co-operation require more governmental interference from the concerned countries and can be presented in a form.
Trade Co-operation:

(a) Bilateral and Multilateral Trade Agreements:

Trade co-operation between the participating countries through bi-lateral and multilateral trade agreements is a practical approach of economic co-operation. It enables to get more economic benefits and increase economic inter-dependence among the participating countries. Generally the various trade agreements are bilateral arrangements, either in one product or many products. Moreover, the bilateral arrangement of trade agreements can be made as multilateral through the trade agreements in respect of products of one country with various countries. Following are the main types of such agreements.

(i) Long term Trade Expansion Agreements:

There are some such trade agreements which provide a broad framework for long term trade expansion between two countries. These agreements involve no specific commitments to increase trade between the concerned countries. But such agreements are merely statements of good intentions.

(ii) Trade Agreements for Specific Purchases:

There are a variety of agreements involving commitments to make specified purchase of listed commodities over a stated period. Generally these agreements cover a period of
twelve or fifteen months, which may be extendable automatically, if neither party wishes to withdraw from the agreement. The payment of these agreements are made either in the currency of one of the trading partners or through free foreign exchange. These agreements are strictly bilateral arrangements.

(iii) Preferential Trading Agreements :

It is a sort of trading technique involving various measures for promoting trade among the members of the group. It is usually based on extension of reciprocal preferential tariff treatment to specific product of partner countries. The span of time is generally larger than the first two types of agreements i.e. trade agreements of specific purchase and long term trade expansion agreements. Generally such agreements may take place among the contracting parties to ensure a favoured treatment as compared to others. This kind of agreement is usually most favoured agreement. It may relate either to commodities or merely to customs duties.

(iv) Trade Agreements of Limited Payments Arrangements :

According to the agreements of limited payment-arrangement, the contracting parties agree to set off certain portion of imports against exports. And the rest of the trade between contracting parties takes place in free foreign exchange. Under these agreements all payments
are not envisaged to be made in non-convertable currency. Because for number of items payments are expected to be made in free foreign exchange. They can also agree to convert the surplus into free foreign exchange on demand by the creditor after a specific period and a predetermined level of trade in favour of a trading partner.

(b) **Bulk Purchase and Government Trading:**

To increase trade between two or more countries the technique of bulk purchase and government trading can be used. It is, because, now-a-days in most of the countries, may be private enterprise economy, government has emerged as major buyer. Therefore, to increase trade among the participating countries the government of the concerned countries could make commitments for bulk purchase through their state trading corporations.

(c) **Selective Trade Liberalisation:**

Selective trade liberalisation is one of the possible areas of trade co-operation between the participating countries. This is a form of multilateral trade liberalisation. The method of selective trade liberalisation is followed in such a way that it takes into account the existing and expected production structures of co-operating countries. Under selective trade
liberalisation trade is also regulated with an eye on reciprocally balancing. The participating countries would be reluctant to undertake liberalisation commitments unless they are sure of reciprocal balancing. Therefore, the aim of the selective trade liberalisation is to increase the volume of trade between co-operating countries and hence to enhance the pace of their economic development. Moreover, the selective trade 'liberalisation-agreements' are possible either on 'item-by-item' approach or with the 'across-the-board' approach.

PART B :

III. Rationale for Economic Co-operation:

In the first part of this chapter the various methods of economic co-operation are discussed. The various methods of economic co-operation are the means to increase economic interdependence between the participating countries. But the basic incentive of economic co-operation between independent nations is its anticipated economic benefits. Therefore, it is aimed at discussing the various economic gains of economic co-operation to the participating countries.

In order to attain more economic gains from economic co-operation the participating countries will have to adopt an appropriate approach to economic co-operation. In this respect some of the methods of economic co-operation like
cultural exchange programmes, training programmes and co-ordination of education, common research services, and joint use of natural resources are the limited methods of economic co-operation used in the initial stages. Various trade agreements have also some limitations, as they are generally bilateral arrangements. These agreements also require regular revision for their effective implementation. Therefore these methods of economic co-operation enable the participating countries to increase mutual self-help between themselves. With economic co-operation however, the more economic gains to the participating countries cannot be expected.

A combination of different methods of economic co-operation i.e. cultural exchange programmes, training programmes and co-ordination of education, common research services, joint use of natural resources, different trade agreements and bulk purchase government trading can be appropriately used to achieve co-operation, between the participating countries. Moreover, in support of the above referred approach of economic co-operation a cleaning union, joint industrial ventures, and consultancy services between the participating countries can help them to attain more benefits from economic co-operation. Hence, a larger volume of international trade between participating countries is expected only with the various trade agreements those are supported by the clearing arrangements and joint industrial ventures between the participating countries.
Therefore a combination of the above referred methods of economic co-operation is nothing but a form of partial integration, which may ultimately result in trade expansion among the participating countries. Hence, the approach of economic co-operation with the combination of above referred methods may be more beneficial to the participating countries instead of adopting any one form of economic co-operation. The regular revisions of various trade agreements between the participating countries will enable them to increase trade between themselves instead with the outside countries. The trade agreements like long term trade expansion agreements, trade agreements for specific purchases, preferential trading agreements and trade agreements of limited payments arrangements as well as bulk purchase and government trading aim at expansion of trade between the participating countries instead with the outside countries. Through these agreements the participating countries utilise concessions to each other’s goods in terms of long term trade expansion, purchase of specific goods, preference of certain goods and payments arrangements. Moreover, cleaning arrangement and joint industrial ventures help to utilise concessions in trade between participating countries by reducing major obstacles
in their trade. Hence, economic co-operation in the above referred combined approach between the participating countries may enable them to increase economic interdependence between themselves which will ultimately lead to a case of strong economic co-operation at a later stage between the participating countries. Hence, such a case of strong economic co-operation between the participating countries will enable these countries to adopt a high degree form of economic integration.

The possibility of combined approach of economic co-operation between the participating countries depends upon certain factors such as cultural and political conditions, size of population and geographical conditions, agricultural, industrial and trade structure, trade agreements, cultural exchange programmes, research and training agreements, joint industrial ventures and consultancy services, and clearing arrangements between the participating countries.

Therefore, the possibilities of economic co-operation along above lines are enhanced and enlightened. In the light of this reasoning the factors pertaining to India, and Arab oil exporting countries are analysed in the following chapters to assess the case for economic co-operation. However, the possibilities of economic co-operation between participating countries in the above referred
combined approach depend on the examination of various factors like cultural and political conditions, size of population and geographical conditions, agricultural, industrial, and trade structure, various trade agreements, cultural exchange programmes, research and training agreements, joint industrial ventures and consultancy services and cleaning arrangements. It is, therefore, necessary to examine these factors which make the adoption of economic co-operation a feasible and gainful proposition.

(a) Cultural and Political Conditions:

The existing cultural and political conditions between the participating countries are to be considered for finding out the possibilities for economic co-operation between themselves. Because the cultural and political conditions have some influence on economic co-operation between participating countries. The favourable political conditions enable them to enhance economic co-operation among themselves through increasing their international trade. The trade between those economies having similar traditions and historical backgrounds may be encouraged. Therefore, while increasing economic interdependence between those countries adopting economic co-operation one has to ensure that though they do not have similarities in cultural and political respects, they should have
atleast minimum of such dissimilarities. It requires more cultural and political similarities between the participating countries for the formation of economic integration through its various forms. Therefore, in economic co-operation the countries having similarities in cultural and political respects can come together and take the benefits of increase in international trade between themselves. Generally the neighbouring countries can have traditional and historical similarities, which enable them to come in a closer co-operation. It means the geographical proximity of participating countries have also some influence for adoption of economic co-operation. It requires at least geographical nearness among the participating countries. It helps them to reduce the transport costs, which are to be incurred on the movement of goods between themselves.

1. R. Triftin, in "The size of the nation on its vulnerability to economic nationalism", argued that the need for integration is greatest, the obstacles to integration are least, and integration is therefore, most likely to be achieved among areas closely inter-dependent on one another, keenly conscious of this interdependence and better prepared by geographic proximity and a common historical heritage for a sympathetic understanding of each other's problems and policies."
(b) **Agricultural, Industrial and Trade Structure**:

It is necessary to consider the agricultural, industrial, and trade structure of the participating countries in economic co-operation. The agricultural, industrial and trade structure of the participating countries is an indicator to find out the possibilities of economic co-operation between themselves. The agricultural and industrial structures and trade of the co-operating countries may be similar or dissimilar. For this purpose the productivity in the agricultural and industrial goods is used to find out the production structure of agriculture and industry in these countries. Therefore the possibilities of economic co-operation would be more, greater the degree of overlapping between the class of commodities produced in the participating countries. Because it presents wider opportunities for the substitution of the products of the participating member country for those of the other participating countries.

(c) **Volume of Trade**:

The possibilities of economic co-operation through various methods of economic co-operation between the participating countries largely depend upon the volume of trade between themselves, before the adoption of economic co-operation. The dissimilarities and
similarities in trade are an indicator for the possibility of economic co-operation between the participating countries. The dissimilarities and similarities in trade can be determined by the volume of trade of these countries and trade between the participating countries. There is more possibility of economic co-operation between the participating countries if higher the proportion of trade among themselves of their total trade. At the same time there is more possibility of economic co-operation if the participating countries are actually selling the same goods in the same markets.

Some of the member countries in economic co-operation are having their exports with the countries outside the proposed area of economic co-operation and some participating countries are importing the same goods from the countries outside the proposed area of economic co-operation. Therefore, such type of trade structure of the participating countries in economic co-operation enables them to increase trade between themselves. Moreover, the greater the dependency of the foreign countries on the participating countries for the supply of commodities the more will be the possibilities of economic co-operation. It means greater the proportion of member countries into the total trade of foreign countries, there would be more possibilities of economic co-operation.
(d) **Existing Agreements:**

The existing agreements between independent nations help one to find out the possibilities of economic co-operation. In economic co-operation through various agreements the concerned countries can reap the benefits of increasing economic interdependence between themselves. The agreements related to cultural exchange programmes, training and education, research, and joint use of natural resources enable the participating countries to establish a favourable atmosphere for economic co-operation. At the same time the various trade agreements, joint industrial ventures, and clearing arrangements enable the participating countries to reap the benefits of larger trade between themselves. Therefore economic co-operation between the number of participating countries which are having more existing agreements relating to different fields will be always more beneficial as compared to economic co-operation between those participating countries which are having limited initial agreement relating to very few areas. Thus economic in respect of countries having more initial agreements in different fields will bring more interdependence and trade expansion between themselves.