Chapter-3

CONCEPTUAL FRAMEWORK AND METHODOLOGY
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INTRODUCTION

The word cooperation means working together to achieve the same end, the end may be political, religious, or economic. In the latter case one may call it economic cooperation which can further be restricted to a particular branch of economics.

The process of cooperation takes time and it involves management of several complex factors both economic and non-economic. Out of the eleven areas for cooperation presented in the working paper by the President of Bangladesh, six were economic in content or impact. These were agriculture/rural sector, joint ventures, market promotion, shipping, scientific and technological cooperation and tourism. The committee of all the member countries which was appointed to report on these recommendations reinforced this economic gravitation by adding number of core subjects such as monetary cooperation, cooperation in international economic negotiations and negotiations with multinational corporations, environment, man power export, cooperation among regional planners, academic and research institutes. The standing committee however, as an initial step agreed to accept only 5 of the areas proposed, namely agriculture, rural development, telecommunications, meteorology and health and population activities.
Other subjects were added in due course and the final list as it stood in 1990 had seven more education, postal services, prevention of drug trafficking, sports, arts and culture, transport, women in development and science and technology. In the final list areas of economic cooperation have been reduced compared to earlier recommendations and were confined to only the following three areas: agriculture, rural development and science and technology. These areas constitute a very narrow basis for a meaningful economic cooperation.

It lacks the core areas of economic activity like trade, finance, industry and energy which constitute the warp and woof of regional cooperation in the economic field.

Hitherto countries of the region wasted their potentialities in acrimonious bilateral issues and some of these countries persistently attempted to inject regional politics foras, thus jeopardising any sincere effort to build up any organisation to cater to the regional needs and aspirations.

Due to wide disparities in size, population, and economic resources and development between India on the one hand and the other South Asian countries on the other the centrality of India's position in South Asia in many respects, and the past history of conflict make India's South Asian neighbours wary of landing themselves in any situation in which their economics become closely tied to India's. For they are haunted by the sceptre of India's hegemony in the region and are constantly on guard against doing any thing which may, in their view, facilitate its
establishment Divergences in State systems and security perceptions between India and its neighbours further accentuate this wariness. The Dominant bourgeoisie in the various South Asian countries have over the years developed a vested interest in economic relations with the industrially advanced. Western countries and are afraid of losing their vantage positions secured as a result of those relations if these are replaced by new ties with India. With all this, there is also a genuine fear among the elite in these countries that Indian economy being much stronger and more advanced and diversified than others, there is every possibility of the former swamping their markets and making them subservient to it.

With Bangladesh, a trade agreement was signed in 1980 which provided for trade on MFN terms in freely convertible currency. The export import Bank of India provided a credit loan to Bangladesh. India helped Bangladesh for the reconstruction of a war ravaged economy. The early economic assistance form India included grants for the purchase of urgently needed commodities such as food, petroleum, fertilisers, cotton sugar, medicines, cement, steel, vehicles, power generation equipment etc. India cooperated with Bangladesh in flood forecasting and warning, cyclone warning and for solving their special flood control problems. In addition to Railway reconstruction, the Indian agencies in shipping and transport, posts and telegraph contributed to restoring the communication infrastructure in Bangladesh. After rehabilitation of Bangla economy, cooperation in the field of technology, trade and industry received the focus, From 1974, a programme of
cooperation in nuclear energy was launched a mobile science laboratory was gifted, a cultural and academic exchange programme was initiated, consultancy and research studies were undertaken for a number of industrial projects.

Under the Indo-Bangladesh joint economic commission there has been some progress of collaboration in the fields of industry, including small and cottage industries, transport and communication and science and technology. India recently offered Bangladesh to construct a cement plant at Chattak, although problem with regard to augmentation of Ganga waters at Farakka persists.

India has made significant contribution to Bhutan in the field of telecommunication, hydrology, roads, and archaeology. A telecommunication agreement was signed in 1984 under which Indo-Bhutan Microwave link came into operation which links Bhutan with India and other countries through communications. India is also closely involved in the development of education and technical skills in Bhutan.

India and Maldives identified agriculture, agro-based industries and fishing, coconut plantation and coconut based industries as specific areas of cooperation in 1984. Under the Indian Technical Economic Cooperation programme, India provides facilities for training to Maldivian officials in areas such as custom, civil aviation and manpower survey.
India's trade with Nepal is governed by a trade agreement. Under this agreement India has agreed on a non-reciprocal basis, favourable treatment with respect to products originating from Nepal, India has also agreed to provide overland routes to Nepal in order to facilitate her trade with Bangladesh, India has been extending aid to Nepal in the field of infrastructure and so on. The Indian private sector has agreements with Nepalese nationals for joint ventures in various projects. India continues to assist Nepal in various fields such as transport, communication, road building, Agriculture, hydro-electricity, irrigation, industry, horticulture, planning, education, sports, archaeology, and health. Several Indian commercial organisations and chambers of commerce have sent teams to Nepal to discuss proposals for mutually beneficial cooperation in trade and industry. Besides this, economic cooperation was notable in the field of water research and construction of 203 kms. Kolhapur-Mahakali section of the Mahendra highway and feeder road.

Trade between India and Pakistan was governed by a trade agreement signed. In 1975, However, in the field of agricultural research and development, under the Indo-Pak joint, commission cooperation, collaboration and exchange of germplasm, breeding material, scientific literature, information and methodologies and exports and imports of scientific equipment was agreed to in 1985.

Trade agreement between India and Sri-Lanka in 1961 specifies various facets of economic and technical cooperation between the two
countries. At the regional level both are also parties of the first agreement on trade negotiations among the developing member countries of ESCAP (Bangkok Agreement) signed in 1975. Under it India has offered tariff reductions to few select products of Sri-Lanka, such as cloves and graphite.

Besides exports and imports of various commodities India is providing consultancy service in the fields of textiles, transport, engineering and construction. Credit facilities to Sri-Lanka have also been extended by the Government of India to enable it to purchase Indian goods.

The Federation of Indian Chamber of commerce and Industry has a Joint Business council with the federation of Sri Lanka Chambers of commerce and industry. This forum is striving to establish closer business links with the Sri Lankan business circles.

**SCOPE FOR ECONOMIC AND TECHNICAL COOPERATION**

In case of South Asian countries, some cooperation on a bilateral level does exist, mostly under the government to government agreements and those between apex chambers. Bilateral economic cooperation offers limited scope in terms of economic gains. The avenues for economic cooperation among South Asian Countries are many and varied. Cooperation offers a viable strategy for accelerated economic development and structural transformation among these countries. The areas which seem appropriate for South Asian economic cooperation
and the avenues where regional cooperation can take place can be the
following notwithstanding the fact that sensitive areas of today may well
become insensitive areas of tomorrow if their mutual economic benefits
seem pronounced to policy makers.

DEVELOPMENT OF HIMALAYAN RESOURCES

Development of Himalayan resource can bring a sea change in the
economies of Nepal, Bhutan, Bangladesh and India directly and can
greatly influence the course of development in other SAARC countries
indirectly. It is only through regional cooperation that vast resources
both renewable and non-renewable of the Himalayan region such as
land, forest, mineral and water etc. can be developed and utilised in an
integrated manner.

Indiscriminate use of Himalayan resources poses grave danger to the
countries of sub-continent, may it be deforestation, unprecedented soil
erosion, depleted land holdings and massive waste of valuable water
resources, all these problems call for an urgent joint effort by the
countries of South Asia. Nepal alone possesses more than 6000 streams;
rivulets and rivets with a total length of 45000 km and with a theoretical
power potential of 83,300 MW. Significantly less than 0.1 per cent of
this potential has been utilised so far. These resources may be put to
better use especially by exhibiting regional perspective in the form of:
(i) Coordinated policy formulation and implementation at the regional level with regard to river control, watershed management etc.

(ii) Establishment of an agency for monitoring and evaluation of likely disasters at regional level.

(iii) Research on Himalyan ecosystem and the courses and consequences of resources and environment degradation.

(iv) Cooperation in forest projects development and on forest conservation and development.

(v) Regional water resources development.

(vi) Construction of large reservoirs in Nepal to regulate and increase water flows for irrigation, flood control, hydropower development, etc., for the benefit of Nepal, Bangladesh and India.

(vii) Development of inland navigation system in the Ganges river covering Nepal, Bangladesh and India.

(viii) Cooperation in identification and exploitation of minerals and the transfer of mineral commodities within the region for industrial development.
(ix) Collection and maintenance of water resources data such as river discharges and gauges and exchange of information. Also regional feasibility studies for the development of hydro-power.

(x) Sharing of the unique experience and technical knowledge gained by expertise and in India in exploration of minerals in the Himalayas with other countries in the region. Regional joint ventures can be effective in the proper exploitation and use of these resources.

(xi) Regional cooperation in agricultural development such as overall production of cereals introduction of tree crops especially temperate fruits, development of sericulture under existing vegetation apiculture and animal husbandry etc.

(xii) Encouragement of social forestry and social agro-forestry projects as a support to the rural economy coupled with environmental stabilisation.

(xiii) Indepth researches need to be conducted in the following areas:

(i) Proper resource use and management Strategies.

(ii) Preservation of environmental Stability.

(iii) Area of sub basin studies of resource development along with socio-economic development of the people, initially
separately in such country and subsequently in shared catchments.

(iv) Specific regional problems such as soil, water and land management preservation and development of forests, development of hydel power, flood prevention, flood waring, flood ways and river navigation.

(v) Appropriate institutional arrangements that may need to be set up necessitated by development and management of Himalayan resources in regional context.

From the point of view of benefits and political sensitively river basin development could be a promising field for initiating broad based cooperation, vast possibilities of developing the international basin of the Ganges, the Brahmaputra, the Sindhu, the Sutlej and a number of other rivers.

The inter-river basin needs to be harnessed jointly by co-basin states of the region, to improve not only the supply of power, but also the existing irrigation system, river navigation, fishery and forestry, prevent water logging and salinity and to improve the quality of the life of the people in general.

If the Nepalese river basins are developed and their hydro electric power potential harnessed. It is possible to create a vast infrastructure
for industrial development. A carefully planned irrigation canal system may augment agricultural development in the whole of north-eastern belt of sub-continent. The development of hydro-electric power and gas potential can support a large complex of petrochemical, and a number of other power intensive industries.

On the Western frontiers of India, there are five important rivers. Indus, Jhelum, Chenab. Ravi and Sutlej encompassing areas of India and Pakistan. The development of their basins has scope for irrigation, hydro-electric power, Navigation and fisheries besides providing gainful employment to many in this area.

Since a sound water management policy cannot be evolved for a single basin, the countries of this region should evolve a multilateral approach to the development of the river basins.

DEVELOPMENT OF THE RESOURCES OF THE SEA

Resources of the sea consist of living and non-living resources. Living resources consist of fish, seaweeds, molluscs, crustaceans, turtles and marine mammals, etc. Non-living resources of the sea are minerals and energy. Minerals may consist of salt, bromine, potassium, iodine and magnesium that are dissolved in water. They may also consist of unconsolidated minerals such as sand, gravel, limnetic, iron, titanium, gold, diamonds, uranium, phosphorites and manganese, etc. Energy may consist of crude oil, natural gas, tides, waves, gradients in
temperature and salinity etc. The resources of the sea represent the common heritage of mankind. So the sea resources of South Asia need to be development in a regional context so that the benefits and costs of the development and utilisation of such resources accrue equitably to all the countries of the region including land locked countries. Also the protection of coastal ecosystems and the prevention of marine pollution are also important from the development perspective. However the areas of cooperation in developing sea resources can be the following:

1. Resource surveys and experimental fishing.

2. Exploitation of ocean minerals through regional ventures.


4. Expansion of intra-regional markets for sea resources.


7. Regional collaboration research on living and non-living resource including the setting up of a regional marine research station and aquarium.

8. Development of technical man power.

9. Designing a strategy for improving the socio-economic conditions of small scale fisherman.
10. Exchange of information and experience.

The development of the resources of the sea is specialised, technical and enormously expensive process. Hence, regional thrust is essential for their development.

DEVELOPMENT OF TRANSPORT AND COMMUNICATION LINKAGES

Transport and communication linkages are central for the expansion of economic activities. They are must for trade, investment, tourism and resource development etc. In this area the avenues for cooperation can be as follows:

1. Establishment of regional transportation networks such as the Asian highway project and Trans – Asian Railway project etc.

2. Development of regional inland water ways, with special emphasis to transit facilities for land locked countries.

3. Evaluation of an optimal inter-modal mix for traffic movement and Investment planning on a regional basis. This will also help conserve energy.

4. Exchange of information and experience with regard to development and construction of roads, manitenance of roads,
safety on roads, control of noise pollution and training in the field of transport.

5. Cooperation in shipping and port arrangements such as centralized freight booking system, regional ownership of ships, establishment of regional insurance facilities, multi-model transport, including containerization, regional ship building and repairing facilities. A regional conference for break bulk cargo can be established to obtain a higher share of tonnage.

6. Development of regional air linkages by means of pooling arrangements among South Asian airlines, regional aircraft maintenance and training facilities, regional research and rescue centres, common control air worthiness requirements and standardization of cargo rates etc. A South Asian Regional Airlines can be started.

7. Development of uniform norms, rules and procedures on regional basis to Facilitate faster movements of goods. Similarly customs clearance and immigration procedures can be simplified to speed-up the movement of the people. Simplification and standardisation of customs and immigration procedures can go a long way for promotion of South Asian Regional cooperation.

8. Development of plans and programmes on a regional basis to reduce transportation costs. Collaborative research studies can be undertaken for this purpose.
9. Cooperation in the development of postal systems and efficient exchange of mail by means of standardization of rates, streamlining delivery system, training of personnel and formation of South Asian postal union etc.

10. Cooperation in the development of telecommunication system by means of Standardization of equipments. Common maintenance facilities, joint investment projects to develop infrastructure and manufacturing of equipments and regional training and facilities etc.

Regional cooperation in transport and communication linkages represents a prerequisite for meaningful cooperation in other areas of economic activities.

**PROMOTION AND EXPANSION OF INTRA-REGIONAL TRADE**

Trade is an important indicator of the extent of interdependence between the countries involved. Among the South Asian countries it has not show much bouyancy. Agriculture commodities and industrial raw materials are the dominant export items and major earners of foreign exchange mainly from western markets. Direction of trade is still towards developed countries. This has resulted in poor complimentarity among the economics of South Asian countries. The following can be the major avenues for regional cooperation in promotion of intra-regional trade.
1. **TRADE LIBERALIZATION**

This involves elimination of trade barriers among South Asian countries. It may take the form of the following:

(a) **Free trade Area**: Freeing of intra-region trade while external tariffs and trade restrictions are maintained.

(b) **Custom Market**: Common external tariff to the free-trade among members.

(c) **Common Market**: Free external trade, common external tariff and restrictions and free factor movement.

(d) **Economic Union**: Harmonization of all economic policies of member state.

(e) **Selective Trade Liberalization**: Elimination of tariff and barriers for selected items.

(f) **Regional Trade Agreements**: Broad frameworks for trade expansion which impose commitments of the contracting parties.

South Asian economics are more or less in an infant stage where protection of Indigenous industries seems essential. Hence, the viable alternative for liberalization may be Selective Trade Liberalization which involves an "item-by-item" approach whereby a common list of tradeables is prepared on which tariffs are gradually eliminated and
non-tariff barriers are removed. Similarly, Regional Trade Agreements can also be very useful for the expansion of trade.

2. **HARMONIZATION AND COORDINATION OF TRADE POLICIES**

This will help create new patterns of complementarity among the countries of the region by bringing about changes in the production structure and trade patterns. The beginning in this direction may be made with a limited range of activities which lead to intra-regional speculation.

3. **MARKET SHARING ARRANGEMENTS**

This involves limited cooperation through agreements to share the market of the region in a package of specified products. Specialization in specific product lines is required by each country accompanied by mutual trade liberalization in agreed products. This will countries reap the benefits of comparative advantage.

4. **INDUSTRIAL JOINT VENTURES**

They refer to regional joint ventures to manufacture specified products. There exist a number of bilateral joint venture projects in South Asia but to promote regional cooperation regional joint ventures are needed. Products of such joint ventures should be made free of all tariff and non-tariff barriers. Such products, however, should help import substitution
as well as development led export promotion. Such projects should also increase the supply of products which are not available to fulfill the demand of the region.

5. **MARKET DEVELOPMENT AND INFORMATION EXCHANGE**

In order to increase intra-regional trade, cooperation among the countries of South Asia is needed in the areas of market promotion, exchange of market information, and development of regular contacts among the exporters and importers of the region. A South Asian chamber of commerce may well be set up for this purpose. Similarly, trade promotion intra-structure need to be developed in each country and at regional level. Also, sheap credit facilities should be made available to promote regional trade.

6. **TRANSIT FACILITIES TO LAND LOCKED COUNTRIES**

The land locked countries of South Asia have not been able to expand. Their trade because of lack of adequate transit facilities. Regional agreements should be entered to provide unrestricted transit facilities, provision of sufficient railway wagons and access to all the alternative sea routes available within the region.
7. STANDARDIZATION OF DOCUMENTS

Harmonization, simplifications and standardization of documents relating to trade is essential for expansion of South Asian Trade. In practice this may have a significant impact on the steady flow of traffic and elimination of delays and red-tapism.

8. COOPERATION AMONG STATE TRADING ORGANIZATIONS

Every country in South Asia has State Trading Organization. Hence, production and marketing tie-ups among them can go a long way in promoting cooperation. Similarly, a system can be worked out whereby preferential treatment can be meted out to government purchases from South Asian Countries.

9. TRADE FAIRS AND EXHIBITIONS

South Asian trade fairs and exhibitions are needed to expand intraregional trade. They can be held on a rotation basis in each country.
10. TRAINING AND RESEARCH FACILITIES

In order to expand intra-regional trade in South Asia, regional training and research facilities should be established to train personnel and to conduct collaborative research on matters related to trade. Such research should focus on identification of products which are of export and import interest to the regional countries. They should also estimate the level of export surplus and the level of future imports. The impact of removal of import restrictions on the competing home industries should also be analysed. The research should also give consideration to the mechanism which will be needed to liberalise trade.

Regional cooperation should lead to net expansion in trade of the region. It should also divert trade from metropolitan centres to South Asian Region so that complementarities can increase.

PAYMENT ARRANGEMENTS AND MONETARY COOPERATION

Payment Arrangements and Monetary, Cooperation are key to the expansion of intra regional trade in South Asia. They are needed to remove trade imbalances. The avenues for regional economic cooperation in these areas be as follows:

1. Regional arrangements for lines of credit so that trade deficit can be financed.
2. Strengthening of the Asian clearing union. A South Asian clearing union may also be established.

3. Regional payment arrangements can be effected which allow limited convertibility of local currencies inter se by eliminating exchange controls.

4. Regional cooperation in harmonizing as far as possible the exchange systems and arrangements.

5. Establishment of a South Asian Monetary fund. However, this aim may be realized in a long term perspective.

6. Exchange of information and experience among countries of the region in the field of payment arrangements and monetary cooperation.

Appropriate payment requirements are essential for expanding intra-regional trade and they can be feasible. However, monetary cooperation in South Asia should be a long term proposal.

INDUSTRIAL COOPERATION AND TECHNOLOGY TRANSFER

Economic cooperation among South Asian countries should lead to increases in production capacity of the region and expansion of markets so that intra-regional and extra-regional trade can expand. Industrial cooperation through regional ventures as well as intra-regional transfer
of appropriate technology are essential to increase markets and production capacity. The role of South Asia in investment collaboration has remained rather limited. There has been mostly transfer of low technology in areas like ready made garments. This has hindered the intra-regional high technology, including managerial skills.

The avenues for regional economic cooperation in industrial cooperation and technology transfer can be as follows.

1. Promotion of South Asia industrial joint ventures for products of mutual benefit which are critical to the development needs but are generally in short supply. Some of the products in this category may be petrochemicals, telecommunication chemical, fertilizers, cement, electronics, hydro-electric power, iron and steel. Pharmaceuticals and other development oriented goods. This will facilitate the pooling together of financial of and other resources of the region.

2. Promotion of South Asian Banking and Finance institutions which provide easy access to money markets and credit facilities to the countries of the region.

3. Promotion of intra-regional tourism in South Asia. At present the flow of tourists among South Asian countries is very small. Special projects therefore, should be designed to develop South Asia as a destination not only to extra-regional tourists but also to
intra-regional tourists. Special rates for hotels, airlines, tours, and other tourist oriental attractions should be instituted for South Asian Tourists. Similarly, package programmes should be developed that cater specially to the needs of South Asian tourists.

4. Promotion of regional cooperation for the transfer of technology. A Regional clearing house may be set up to clear the technology transfer from outside the region. Preference should be given to the transfer of technology from outside the region. Preference should also be given to the transfer technology from within the region. Regional agreement may be entered for the transfer of intra-regional technology, which provide speedy transfers at concessional rates.

India in South Asia is one of the worlds industrial giants. The costs and benefits of industrial cooperation and technology transfer among South Asian countries must be shared equitably. Moreover, this type of cooperation will require effective checks and balances.

**OTHER POSSIBLE AREAS OF COOPERATION**

SAARC can make commendable progress in the field of science technology through the following ways:
One of the major areas of concern in the import of technology is its adaptation and assimilation of the know-how. Regional cooperation in design and engineering consultancy and research through which the countries of this part of the world can pool common resources may go a long way in this direction.

The maintenance cost may be very high. The small number of technologies introduced into the market may not create sufficient demand for the maintenance facilities if they were created at enormous cost. It may be possible to develop regional maintenance service combining the skills available in the countries of the area.

The SAARC countries have been importing technologies from various countries for years. These countries meaningfully share their experiences and information so that more efficient decisions can be made. The countries of the region pool their resources to develop regional capabilities to produce technology of their need. The personnels can be trained in an area where the costs can be prohibitive.

It would pay for all countries in the region if they decide, as a matter of policy, not to permit restrictions on diffusion of know-how. Similarly restrictions of export, especially to countries within the region may not be allowed.

In order to make the imported technology appropriate it is necessary to make changes in the design, composition of materials, raw material,
specifications and scale of operations for the optimal application of foreign technology. Cooperative research projects may be undertaken among the nations of this region. It is necessary to identify specific areas of collaboration and mutual interest to all the countries of the region for such cooperative research to be successful. Bio-technology, Bio-gas, small scale food packagings are a few such areas.

The SAARC countries can share the essential services like flood control, ground water survey oil exploration know-how developed in India, which is showing tremendous strides in this region.

A centralised information system which could give a correct idea about the inventory of capabilities available within the region and technologies could be developed which in future could be set up.

To avoid the buying of obsolete technology from the suppliers, a technology monitoring and intelligence cell may be set up at SAARC level so that all the countries of this region would be benefited.

In the area of jute manufacture it is possible for India and Bangladesh to have collaboration in research to different blends of jute, new designs in jute fabric etc.

The genetics engineering and certain forms of bio-technologies find massive application in developing countries. But these technologies are almost monopolised by developed countries. In these areas, this region
may be better served if SAARC nations collaborate and invest in massive research projects to develop their technology. They may cooperate to create infrastructure that would improve their bargaining power, vis-a-vis transnationals. Let us trust, the SAARC Technology Exchange Programme would go a long way towards that end.

Other fields in which South Asian countries can converge are shipping, tourism, market promotion of selected commodities, and educational and cultural cooperation. Holding of South Asian industrial exhibition, exchange of data about trade, industry and commerce and periodical meetings of professional minds can enrich the possibilities of strengthening economic ties. Once the initial barriers are broken, it will not be difficult to create confidence. Then the existing constraints in areas of transportation, infra-structure and communications can be gradually removed.

Once the initial infra-structure is built up, it will be possible to move towards a programme of regional cooperation through joint action committees. Such committees could be set up for handcrafts, tea, jute, textiles, spices, marine products and tourism. In the second stage, action committees for foreign trade promotion shipping and energy be set up. The joint action committees might be able to pave the way for trade preferences among the participating countries. Creation of a regional bank could serve as an important means of promoting schemes of trade preferences and coping with the balance of payment problems of the region to some extent.
Once the institutional infrastructure develops, various schemes of industrial complementation can be evolved, what is needed to achieve all this is the political will.

**CONSTRAINTS FOR EFFECTIVE COOPERATION**

The prospects of regional cooperation are clouded by potential constrains which are likely to hamper or hinder the pace of its progress in the times to come. The factors which can be considered detrimental to the spirit of effective cooperation in the region may be described under the following heads:

(1) **HISTORICAL BACK DROP**

Historical background of the region has ingrained feelings of mistrust, fear, suspicion, isolation, separation among the countries of South Asia, creating thereby a psyche in its people that is detrimental rather than being conducive to foster the spirit of cooperation. International and national economic scenario has of course now compelled the countries of South Asia to open the window of new ideas and perceptions to dominate their mind in accepting the ground realities of the present and come closer to each other.

Causes that were responsible for dismemberment of United India into Pakistan and that, into Bangladesh, still persist. They are the bane of colonial masters to the freedom loving people of this region. Arousing
religious passions or striking the chords of sub nationalism in any nation disastrous for the entire region as it sustains the centripetal forces rather than centrifugal ones, restricting interaction among them and severing all types of linkages including economic against the common good of all the people. This fact is always to be kept in mind to guard ourselves against such disruptive forces to mar the spirit of cooperation with the past history of economic domination and exploitation. Small countries of the region may fear its repetition, making them sceptical about economic cooperation so that no single country attains that position and swamps their market and accentuate dependency on them. If cooperation results in surrender of economic freedom by way of loss of customs revenue due to trade arrangements or constrain of domestic industries causing dependency on big countries, the situation may not be acceptable to small countries. Therefore, to begin with SAARC should concentrate only to those areas of economic cooperation which member countries find difficult to enter individually and which accelerate industrial activity and generate more employment and help attain self reliance in the region. As the fruits of economic cooperation become real other areas can always be included. Also for the satisfaction of participating countries a frame work needs to be evolved and agreed upon whereby adequate safeguard protect their legitimate interest and all countries benefit equitably from the close economic cooperation.

Since withdrawal of colonial rule, the dominant bourgeoisie in independent South Asian states with their commercial, industrial and professional vested interests are consciously pursuing the policy of
maintaining close relations with the developed countries of the west and distancing their economics from each other. They are wary of loosing their vantage positions earned due to their closeness to western Industrial economics and association with extra regional groupings. Till their inherent apathy towards intra regional cooperation and common stakes in looking beyond the region for aid investment show any sign of reversal progress would continue to be slow and tardy.

The dommarit partners would do well to adopt all those measures which instill feeling of confidence in the new grouping. Providing non-reciprocal tariff access to exports of smaller countries and gesture of giving concessions on the economic front may be small sacrifices but would be attractive to the neighbours. Present seemingly elite to elite cooperation if succeeds in rousing peoples own concerns and their wide ranging involvement around specific tasks and endeavours, would become more lasting and meaningful.

2. **POLITICAL ENVIRONMENT**

The political scenario and its offshoots have greatly hindered the formation of, now SAARC, for a long time and continues to be a potent stumbling factor in the development of the present nascent organisation. Unless political matters are settled first, there is little scope for fostering regional economic cooperation. Logic of politico-strategic primacy, residual bitterness of traditional rivalries and disputes and compulsions of existing political equations are bound to cast their
shadow on SAARC. Indian 'ambitions' big brotherly attitude of the 'Indian Threat' have been a staple of generation of politicians in many of these countries. Pakistan has been an old member of this club and other nations become entrants as and when it suits them. Geographically all the nations border one-India-and no two border each other. So India remains a constant variable in all the main problems of this region while others have very few among themselves. Pakistan's very existence needs anti-Indian rhetoric. Other countries too are wary of Indian intentions. They are haunted by the seeptr of India's hegemony in the South Asia and are keen not to fall a prey to it. Their suspicion is so intense that they leave no opportunity to carry on their tub thumping approach and persistently try to poison the political climate with acrimonious bilateral contentions and efforts to inject regional politics into the organisation to get even with India.

The factors and process of splitting united India has nurtured the forces of hatred, distrust, confrontation, bilateral rivalries and disputes which unless resolved and settled first, may continue to impede any effort towards meaningful cooperation. To make the present arrangements workable and effective, strong political will on the part of the constituent members is required to put the era of wars tensions and maximal defence outlays behind and proceed forward in laying the foundations of a congenial political environment based on rationality, commonsense and mutual benefit.
Some of the countries of the region face the problem of political legitimacy from within. These countries avoid coming closer to India as their regions suspect threat to their system from the functional democracy of India. Crisis of domestic polity in these countries may continues to generate problems for regional cooperation. Political divide, caused due to divergence in state systems and security perceptions is bound to restrict the movement of people and goods which lubricants cooperation. However, the proper understanding of each others problems and genuine efforts to desist from pursuing narrow nationalistic approach and avoidance of contentious bilateral issues the spirit of cooperation can be sustained and nurtured well. Political factors but are not always true in all situations. For example, following the ethnic crisis in Sri Lanka in July 1983 contrary to general opinion India's trade with Sri Lanka went up instead of decline. Also greater economic cooperation may pave the way for better understanding in other spheres.

3. **INDO-CENTRIC NATURE**

The centrality of India's position in South Asia gives it an Indo-centric entity India's physical size, population, location, economic resources, size and diversity of its economy and its military dominance all make its. Neighbours wary of losing their economic independence under Indian dominance. India is economically too big when makes others dwarfs. It is three times in size and GDP, of all six countries together and is a major trading partner of Nepal, Bhutan and Maldives. All these
characteristics make its neighbours apprehensive about its possible domination and their economics becoming subervient to it. They envisage the economic relationship developing into a pattern where in the less developed produced raw material to be processed by the industries of more developed and re-exported as manufactures to flood the markets of less developed. Such awareness and even misgivings would definitely tend to cloud the perception of these countries towards SAARC.

India as a largest country should dispel such apprehensions by highlighting the avenues in which smaller partners of cooperation are able to offer the bigger partners and take the initiative to offer these countries purchase of their goods, services, technological know how. If India resorts to dependence on these countries and vacate a few consumer and manufacturing industries for them and proceed to higher stages of processing using more advanced techniques, it would certainly reinforce the shattering confidence of its partners and go a long way to enhance the scope of cooperation. India has a special responsibilities to reassure its partners that conception of SAARC is not destined to be an instrument of further reinforcing the hold of India's political and economic influence in the region at the cost of its cooperating partners.

Some other problems can also be mentioned as constraint creator and would require due attention of SAARC members.
Dissimilar levels of development of the member countries may create problem in maintaining equity in the distribution of gains from the cooperation. The problem may be more sharp in the field of technology where lesser developed may be compelled to depend on major partner which may finally emerge as regional super power forcing others to wreck the grouping itself. However, if cooperation contributes to growth and development it should not be opposed on the basis of dissimilarity.

Costs and benefits aspect of cooperation if not tackled properly may pose difficulty for the spirit of cooperation. Balance of trade deficit, if persists for long, is bound to prompt the country to leave cooperative relationship as it is reflective of sharing the costs more in proportion to benefits. So it should be ensured that costs and benefits are equitably distributed among the participating Countries. To achieve this mutuality rather than reciprocity should be the guiding principle. Dependence has to be mutual so that both parties stand to loose by the termination of cooperative relationship. It may act as deterrent for such termination.

The absence of key economic areas from the final list constituted a very narrow base to launch an effective programme for economic cooperation. Natwar singh bemoaned that unfortunately we have still not been able to initiate cooperation in areas which have traditionally constituted the wrap and weft of regional cooperation. Without extending our complementaries can never be fully utilised the comparative advantages of the respective members can not be sustained and nurtured. He termed it a "fundamental lacuna" of SAARC.
Such inhibitions reflect towards serious limitations that SAARC is facing from they very beginning. SAARC countries must shed their inhibitions about each other and political problems be not allowed to cloud the horizon and areas so vital for economic upliftment be included.

Further, SAARC must not confine itself only to training programmes seminars, symposium, study tours, exhibitions, workshops etc, showing the peripheral level of gains only. These are also the regular features of international technical cooperation system which we could and have tapped even without SAARC. Output of these activities should server as inputs for the coordination of intra and inter state policies and programmes. In the absence of any such clear direction SAARC would remain a paper organisation, shaking ultimately the confidence in its utility.

The interest and pre-occupations of super powers, extra regional pressures, its relationship with more developed economies, lack of institutional arrangements for promotion of cooperation and members not showing adequate stake in SAARC can cast shadow over regional cooperation and impede its progress.

These problems though formidable can be solved through mutual discussions. Regional cooperation can serve as a confidence building bridge at the economic front among the countries of the region primarily depends on the role India plays as its dominant member and shape that Indo-Pak relations take in near future. As more and more people of the
region begin to understand the advantage SAARC provides and difficulties and proceed forward towards rapid economic development making it a means of economic renaissance of the countries of the region. Nature made us rich but we are yet to make ourselves rich SAARC can help us become rich by exploiting the gifts of the nature and changing the entire economic scenario of the region.

No organisation showed concrete results immediately after its formation, instead they took year to become successful SAARC is no exception. It would be improper to seek results form SAARC so soon. The SAARC spirit survives that is itself reassuring. To point to bases of discord does not mean that SAARC has no future. This fact that cooperation has made a start is itself a refutation of this hypothesis. India on its part should protect the charter with firmness and take the pinpricks in its stride and look for common objectives and perspectives. As economic cooperation grows and blossoms and mutual trust is establish SAARC would be able to fulfill its historical role.

Before the emergence of SAARC, economic cooperation amongst the countries of South Asia mainly stemmed from bilateral economic agreements between almost all the countries of the region in one form or the other. Each country benefited from such agreements in varying proportions. Now, it is increasingly being felt that these benefits can be substantial if concerted efforts of cooperation at regional level are made, to exploit the vast potential of this region.
The major thrust of economic cooperation can be in the areas of the development of Himalayan resources and the resources of sea, development of transport and communication linkages, promotion and expansion of intra-regional trade, payment expansion of intra-regional trade, payment arrangements and monetary cooperation and industrial cooperation and technology transfers including the promotion of South Asian tourism.

The prospects of regional cooperation in economic field are clouded by potential constraints emanating from historical back drop, present political environment and Indo-centric nature of this region. It is because of such factors that key economic areas of trade, industry, money and finance are still being ignored negating the very logic of cooperation. However, it is hoped that with the attitudinal change on the part of SAARC countries SAARC would be able to fulfill its historical role.

CONCEPT

Various concepts have been used to study the development of economic activities of SAARC countries and their relationship with foreign trade. These concepts are as follow:

The term 'regions' means an area containing the territories of three or more states. The states have common interests.¹

¹ Ghulam Umar, SAARC, Renaissance Publishing House, Delhi, 2005.
The regional arrangement is a voluntary association of states having common interest for a joint purpose. Regional arrangement is an organisation of a permanent nature grouping in a given geographical area where several countries by reason of their proximity community of interests or cultural, linguistic, historical or spiritual affinities make jointly peaceful settlement of any dispute which may arise between them for the maintenance of peace & security in the region as well as for safeguarding of their interest and development of their economic and cultural relations. It should not be offensive in nature. Its aim is to work for well being and stability of the member states. Political cohesion should not be made a binding condition for regional arrangements. Any arrangements dealing with the areas of common interest member countries could be based on military alliance or collaborations in other fields. Nowadays such collaboration are in the fields of social, economical, cultural and co-operative developments such as European Economic Co-operation and European coal and steel community. Regional arrangements also exists in defence such as North Atlantic Treaty Organisation.

At the San Francisco Conference in 1945 the Egyptian delegation introduced on amendment in the UN Charter to limit the term regional arrangement by definition to organisation of a permanent nature grouping in a geographical area where some countries join together for safeguarding their interests and maintaining peace and security in the region.

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3 Ghulam Umar, SAARC, Renatssance Publishing House, Delhi, 2004
Regional co-operation is a fundamental urge which arises due to security compulsion. It is due to pressures and threats which may affect one or more countries of the region. The insecurity within the regional countries demand co-operation in order to minimize the threats. Regional co-operation is free from exploitation. It is based on welfare of the people. All the developing countries have the objectives of preserving their national identity. They want to live in peace and amity with their neighbours. The countries of the region want to safeguard territorial boundries and improve economic conditions. The co-operation among the nations can be in different forms such a treaty, alliance, pact, declaration. The regional cooperation has two common elements such as internal or external threat and national security. There have been regional co-operation among many countries of Europe. The examples of such co-operation is between Western countries and Soviet Union against Nazis during world war second. The Marshall Plan for economic uplift of European countries, the US-Japan co-operation during post war period.

It is believed that the nation state system is evolving toward a system in which regional groupings of states will be more important than independent states. Before nineteenth century there was no concept of regional organisation. The relations among the states were limited to conferences, peace treaties and diplomatic relations. Before 1914 regional co-operation was expressed in the form of customs unions, preferentials relationship opendoor, arrangements, long term commercial treaties inter-related through monetary union and the gold
standard. Regionalism was practised in a limited way in the Balkan and Baltic areas. Upto 1939 many regional arrangements came into existence known as 'Little Extente' comprising Czechoslovakia, Yogoslavia and Romania. The regionalism was initially confirmed to Europe. In Inter-American system there was regional arrangement in public health, trade, agriculture and education. After world war second co-operation started on a long scale and American republic in respect of common defence exchange of essential materials, financial and cultural collaborations. In June 1945 charter of United Nations was signed and an international organisation come into existence. Many other organisations named as Central American Common Market (CACM) Free Trade and Central Integration and a Common Market, Latin America Free Trade Association were formed for economic co-operation.

In Europe also many regional organisations were formed. The benclay Union. European Economics co-operations for trade, international payments and movements of labour. European Economic Committee were formed. North Atlantic Treaty Organization (NATO) was also formed.

It deals with military requirements. It also deals with political, information, cultural relations, armament, economic, production and financial activities. In East European countries also organization like 

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Warsaw Treaty Organization and Mutual Economic Assistance were formed.

The Arab countries also formed Arab League in 1945 to achieve close co-operation in economic, financial, cultural and social affairs. The Central Treaty Organization also came into existence in 1959. Regional co-operation for development between Iran, Turkey and Pakistan was also formed. The African states set up conference of Independent African States in 1958, comprising Ethiopia, Ghana, Liberia, Libya, Morocco, Sudan.

In Asia also organization like Pacific Ocean Security, South East Asia Treaty Organisation (SEATO) and in 1967 Association of South East Asia Nations were set up. The idea of regional co-operation in the region of South Asia was proposed by the president of Bangladesh on matters of mutual interest and co-operation in economic, social, cultural and other fields. This idea was mooted in November 1980. In 1983 integrated programme of Action was launched through the adoption of a declaration on South Asian Regional Co-operation. In December, 1985 the charter establishing the South Association for Regional Co-operation was adopted. This association is based on certain objectives and principles. The region of South Asia consists of seven countries such as Nepal, Pakistan, Maldives, Sri Lanka, Bangladesh, India and Bhutan. The main objectives of SAARC are to promote the socioeconomic welfare and development of member countries and to achieve the goal of collective self reliance through active collaboration.
in the economic, social, technical and scientific fields and to strength co-operation among the member nations.

The Integrated programme of Action was adopted in areas such as Agriculture, Rural Development, Meteorology, Tele-Communication, Postal Services, Transport, Scientific and Technological development and sports, arts and culture. The co-operation has also been sought in the areas of prevention of drug trafficking and development of education.

On April 11, 1993 SAARC countries arrived at Agreement on SAARC Preferential Trading Arrangement (SAPTA).

Main objectives of this arrangement are as follows:--

Motivated by the commitment to promote regional co-operation for the benefit of their peoples, in a spirit of mutual accommodation, with full respect for the principles of sovereign equality, independence and territorial integrity of all States;

Aware that the expansion of trade could not as a powerful stimulus to the development of their national economies, by expanding investment and production, thus providing greater opportunities of employment and help securing higher living standards for their population;
Convinced of the need to establish and promote regional preferential trading arrangement for strengthening intra-regional economic cooperation and the development of national economics;

Bearing in mind the urgent need to promote the intra-regional trade which presently constitutes of negligible share in the total volume of the South Asian Trade.

Recalling the direction given at the Fourth SAARC Summit meeting held in Islamabad in December 1988 that specific areas be identified where economic co-operation might be feasible immediately.

Guided by the declared commitment of the Heads of State or Government of the Member Countries at the Sixth SAARC Summit held in Colombo in December 1991 to the liberalisation of trade in the region through a step by step approach in such a manner that countries in the region share the benefits of trade expansion equitably;

Cognizant of the mandate given by the Sixth SAARC Sumit in Colombo to formulate and seek agreement on an institutional framework under which specific measures for trade liberalisation among SAARC Member States could be furthered and to examine the Sri Lankan Proposal to establish the SAARC Preferential Trading Arrangement (SAPTA) by 1997.
Recognising that a preferential trading arrangement is the first step towards higher levels of trade and economic co-operation in the region the seven states agreed as follows:

For the purpose of this Agreement:

1. Least Developed Country means a country designated as such by the United Nations.

2. Contracting State means any Member State of the South Asian Association for Regional Co-operation (SAARC) which has entered into this agreement.

3. Serious injury means significant damage to domestic producers, of like or similar Products resulting from a substantial increase of preferential imports in situations which cause substantial losses in terms of earnings, production or employment unsustainable in the short-term. The examination of the impact on the domestic industry concerned shall also include an evaluation of other relevant economic factors and indices having of that product.

4. Threat of serious injury means a situation in which a substantial increase of preferential imports is of a nature to cause serious injury, to domestic producers and that such injury, although not yet existing, is clearly imminent. A determination of threat of
serious injury shall be based on facts and not be more allegation conjecture, or remote or hypothetical possibility.

5. Critical circumstances means the emergence of an exceptional situations where massive preferential imports are causing or threatening to cause serious injury difficult to repair and which calls for immediate action.

6. Sectoral basis means agreements amongst Contracting States regarding the removal or reduction of tariff, non tariff and para tariff barriers as well as other trade promotion or co-operative measures for specified products or groups of products closely related in end use or in production.

7. Direct trade measures means measures conducive to promoting mutual trade of Contracting States such as long and medium term contracts containing import and supply commitments.

8. Tariffs means customs duties included in the national tariff schedules of the Contracting States.

Para tariffs means border charges and fees, other than tariffs on foreign trade transactions of tariff - like effect which are levied solely on imports, but not those indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges
corresponding to specific services rendered are not considered as para tariff measures.

Non tariff means any measure, regulation, or practise, other than tariffs and para tariffs, the effect of which is to restrict imports, or to significantly distort trade.

Products means all products including manufactures and commodities in their raw, semi processed and processed forms.

The team economic integration may be identified with liberation of trade of factor movements. Bella Balassa defines economic integration as a process and as a state of affairs. Regarded as a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national state: renewed as a state of affairs, it can be represented by the various forms of discrimination on between national economies.

Balassa also make a distinction between integration and co-operation. Whereas co-operation includes actions aimed at lessening discrimination, the process of economic integration comprises measures that entail the suppression of some forms of discrimination. For example, international agreements on trade policies belong to the areas of international co-operation, while the removal of state barriers is an act of economic integration.
Economic integration of the counties embraces several forms of international economic co-operation. It progresses from its lowest to its highest forms through Free Trade Area (FTA), Customs Union (CU), Common Market (CM), Economic Union (EU), and Total Economic Integration (TEI). These forms represent successively higher degrees of economic integration.

In a Free Trade Area all the trade restrictions within the participating countries are abolished but each participant is free to maintain any sort of external tariffs with the non-participating countries. The emergence of the European Free Trade Association (EFTA) in 1956 and the Latin American Free Trade Association (LAFTA) in 1960, are the examples of such free trade areas.

A customs union involves not only unrestricted free trade between its members but also a common external tariffs against non members. The emergence of BANELUXZ (economics alliance between Belgium, Netherlands and Luxemburg) in 1952 is the example of such customs union.

The more developed form of economic integration is a common market in which trade restrictions and restrictions on the movement of the factors of production are abolished. The European Coal and Steel Community (ECSE) in 1953 and European Common Market (ECM) in 1958 are the examples of such common markets in the world.
Further, an Economic Union is the more advanced form of economic integration in which besides abolishing restrictions on trade and factor movements, the economic activities and policies of the participating countries are also perfectly harmonized or integrated and collectively operated.

The highest form of economic integration is the Total Economic Integration. According to Bela Balassa total economic integration presupposes the unification of monetary, fiscal, social and counter cyclical policies and requires the setting up of a supernatural authority whose decisions are bindings for the member states.

In view of all the above forms of economic integration, from its lowest to highest form, we may define economic integration as an expanded specialization and exchange within the participating countries by the means of removing trade barriers among them and adopting discrimination against non participants.

Many developing countries also resorted to economic co-operation at the regional and sub-regional level like Latin American Common Market (LACM) in 1960, the Regional co-operation for Development (RCD) in 1964, the Association of South East Asian Nations (ASEAN) in 1967, and the South Asian Association for Regional co-operation (SAARC) in 1985. However, the achievements of may of these organisations have either been very small or negligible.
Two of the basic forms of economic integration are the Free Trade Area and Customer Union. While free trade is obviously the best policy for international welfare, the customs union is the second best policy. It should be noted that in free trade area, terms of trade may face deterioration with the rest of the world, while they can improve within the customs union with a corresponding loss to the non-members. Therefore, the customs union is also given much importance for regional economic co-operation.

**REGIONAL TRADING BLOCKS**

The increasing trend towards globalisation of markets is one of the contributing factors for the formation of different regional trading blocks.

The European Union earlier known as the European Community or the European Economic Community, was created in 1957 originally with six members. Germany, France, Italy, Belgium, the Netherlands and Luxembourg. Subsequently it was enlarged with the induction of Denmark, U.K. and Ireland with effect from January 1, 1973 and later on of Portugal, Greece and Spain. The 12 members European Community was integrated into a single European market with effect from January 1, 1993, with the elimination of barriers to the movement of goods, services, capital, manpower and skills within the block. The integration in Europe has been further fortified with the formation of the European Economic Area (EEA) from January 1, 1994. The EEA aims at economic and political integration. The EEA with 12 member European
Union and five countries of the European Free Trade Association constitutes the world's largest and prosperous market, as also a powerful trading block, while the assurance has been given by EU that the single market will not result in a fortress Europe, the developing nations fear that their share of trade with EU will decline especially in the context of major changes that are taking place in East European countries with whom the EU would prefer to increase their share of trade in the coming years.

The motivation for forming regional trading block differs from region to region and even from country within a block, but a few factors seem to play a key role.

(i) Members may see economic benefits from achieving a more efficient production structure (including by exploiting economies of scale through spreading fixed costs over larger regional markets), and enhanced economic activity from growth in foreign direct investment, learning by doing, and research and development.

(ii) Members may value non-economic objectives, such as strengthening political ties and managing migrations flows.

(ii) Smaller countries may seek increased security of market access safe havens by forming regional trading blocks with larger countries.
(v) Countries may want to lock in unilateral domestic policy reforms.

(v) Members may want to improve their bargaining power in multilateral trade negotiations or express frustration with the slow pace of these negotiations.

(vi) Members may want to promote industries that are not viable without a protected regional infant industries the idea being that they would be internationally competitive if given sufficient time to develop.

With the formation of regional blocks by advanced nations the Third World Countries face a major challenge in regard to market access for their products.

The Uruguay Round of GATT sought to expand the scope of the organisation by including services investment and intellectual property rights. The Uruguay round proposals were accepted by all the members of the GATT in December 1993 at the official level and in March 1994 at the ministerial level. The agreements were ratified by the legislatures of 85 members countries by year end 1994. On such ratification the Uruguay round agreement has come to be implemented.

The Uruguay agreement provides for the setting up of the World Trade Organisation (WTO). WTO started functioning from January 1, 1995.
The WTO performs the following functions.

1. It administers, through various councils and committees, the 28 agreements contained in the final act of the Uruguay Round of World trade talks plus a number of plurilateral agreements, including those on government procurement.

2. Its overseas implementation of the significant tariff cuts (averaging 40 per cent) and reduction of non-tariff measures to in the trade negotiations.

3. It is a watch dog of international trade, regularly examining the trade regimes of individual members.

4. Members are required to notify in detail various trade measures and statistics: which are maintained by the WTO in a large database.

5. It provides several conciliation mechanisms for arriving at an amicable solution to trade conflicts among members.

6. Trade disputes that cannot be solved through bilateral talks are adjudicated under the WTO dispute settlements court.

7. Panels of independent experts are established to examine disputes in the light to WTO rules and provide rulings.
tougher, streamlined procedure ensures equal treatment for all trading partners and encourages members to abide by their obligations.

8. The WTO is a management consultant for world trade. Its economists keep a close watch on the pulse of the global economy and provide studies on the main issues of the day.

9. The WTO secretariat assists developing countries in implementing Uruguay Round results through a newly established development division and a strengthened technical co-operation and training division.

10. The WTO is a forum where countries continuously negotiate the exchange of trade concessions to trade restrictions all over the world. The WTO already has a substantial agenda for further negotiation in many areas, notably certain services sectors.

The agreement establishing WTO reiterates the objectives of GATT:

(i) Raising standard of living and income, ensuring full employment, expanding production and trade optimal use of world's resources and the objectives to services.

(ii) Introduces the idea of Sustainable Development in relation to the optional use of world's resources and the need to protect and
preserve the environment in a manner consistent with the various levels of national economic development.

(ii) Recognises the need for positive efforts designed to ensure that developing countries, especially the least developed ones, secure a better share of growth in international trade.

RESEARCH METHODOLOGY

COVERAGE OF THE STUDY

The Coverage of this study will be confined to all SAARC countries and more specifically India's trade and socio-economic relations with SAARC countries. The SAARC countries are: India, Pakistan, Bangladesh, Sri-Lanka, Nepal, Bhutan and Maldives. Here, an attempt is being made to give a brief profile of each SAARC country.

BANGLADESH

Bangladesh which was once a part of Pakistan was created after 1971 war fought between India and Pakistan. Before that it was called East Pakistan. Bangladesh attained its freedom 29 years ago on the slogan of acquiring a national identity. Its people sought independence so that they could decide their political destiny. They wanted economic independence.
It has an area of one lakh forty seven thousand five hundred seventy seven KMS. It is surrounded by India from three sides. It has population of 11.4 million. Population growth rate is 2.8 per cent. 80 per cent of the population lives in rural areas. The life expectancy is 51 years, 35 per cent of population is educated. The number of workers is 51.2 million. Daily calories supply per capita is 1927 which is the lowest as compared to India. Pakistan and Sri Lanka the infant mortality rate is 119, birth rate is 41 and death rate is 15.

BHUTAN

This country is situated in the north of India. It is a Himalian Kingdom. It is small country having a total area of 46,500 sq. km. The population of this country is 6,00,000 which is even less than many cities in India. The population growth rate is 3.1 per cent which is higher than India, Bangladesh, Pakistan, Sri Lanka and Nepal. The most common language of this country is DZONGKHA. The gross domestic product is 296 million and it is growing at the rate of 5.4 per cent. The per capita income is $ 470 which is higher than many SAARC countries. The main commercial centre is Paro and the industrial growth rate is 10.7 per cent which is higher than Pakistan, Sri Lanka and Nepal. The Country does not have sufficient plain land as India, Pakistan, Bangladesh and Sri Lanka possess.
INDIA

India is the largest country of SAARC region. As per 1991 census the population of India stands 84.63 crores. It was about 16 per cent of the total world population and 77 per cent of the total population of SAARC region. At present the annual growth rate of population is 2.14 per cent. The birth rate has come down from 48.1 in 1901-1911 to 30.5 in 1989. The death rate has fallen at the fast rate from 42.6 to 10.2 during the same period. The density of population has also increased from 142 persons in one sq. km. in 1961 to 267 in 1991. The life expectancy in the country is about 60 years. With the expansion of educational and technical institutions the literacy rate has also increased to 52.2 per cent in 1990-91. The urbanization is also increasing though at slow rate. As per 1991 census 25.7 per cent people lived in urban areas. During the same period the productive population was 37.8 per cent.

MALDIVES

It is a small Island situated in Arebian sea. It has an area of 298 sq. km. with a population of 245,910. The growth rate of population is 3.4 per cent which is the highest among all the SAARC countries. The land for agriculture purpose is limited. The occupational distribution of population is that 26 per cent are engaged in agriculture, 22 per cent in service sector. The literacy rate is 98 per cent which is the highest among the SAARC countries.
NEPAL

Nepal is situated in the north of India. Most of the area is covered by Himalayan range. A very small part is covered by plains. It has an area of 1447,181 sq. kms. The population of the country is 18.49 million. 91 per cent of the population resides in rural areas. The population growth rate is 2.1 per cent. The labour force in the country is 22 per cent which is equal to Bangladesh. The percentage of unemployment is very high. The occupational distribution shows that the economy is undeveloped because 80 per cent of the population is still engaged in agriculture whereas only 3 per cent are engaged in industrial sector. 39 per cent of the population is educated.

PAKISTAN

This country was created in 1947 when British Govt. divided India into two parts viz. India and Pakistan. This country is surrounded by India in the east, Afganistan in the north, Gulf countries in the west and sea in the south. It has an area of 803,940 sq. kms. The population of Pakistan is 103,8 million. The population growth rate is 2.8 per cent per annum. The labour force in the country is 38.7 million.

SRI LANKA

It is situated in the south of India and is surrounded by sea. It is bounded on the west by the Palk strait and the Gulf of Mannar on the
north and east by the way of Bengal on the south by the Indian Ocean. It has a total of 65610 sq. kms. which is more that Bhutan and Maldives. It has a population of 18.1 million, 32 per cent living in urban areas and 68 per cent in rural areas. The population growth rate is 1.4 percent. It is lowest rate of growth among the SAARC countries. The labour force in the country is 6.1 million and unemployment rate is 12.7 per cent.

RESEARCH STRATEGY

This study will mainly be based on secondary data. However, an attempt will also be made to collect primary information from the following sources; diplomats of respective country of SAARC, planners and policy makers who are involved in trade and its related economic activities in these countries and entrepreneurs who export their commodities among SAARC countries. The study will be confined to the period 1995-2005. In order to analyse the development of economic activities of SAARC countries, and their relationship with foreign trade and assess their backward and forward linkages, both types of data, will be used in this study. The secondary data will be collected from various sources such as annual reports of SAARC countries, public documents, economic surveys, five year plans, proceedings of various committees and summits of SAARC countries, research reports and other published literature periodicals, journals and speeches of leaders of SAARC countries the following variables will be taken into consideration terms of trade level of economic development, nature of commodities relating to exports and imports, foreign exchanges rate, tariff, quota, balance of
payment, foreign debt, factors relating to export promotion and import substitution joint ventures, technology transfer, factors related to trade expansion with SAARC countries etc. In order to test the hypotheses and to achieve the objectives, various statistical techniques such as chi-square Averages T-test, correlation and regression etc. has been used to draw inferences for the study.