CHAPTER 4

THE POTENTIAL FOR REGIONAL COOPERATION IN SOUTH ASIA

4.1. Introduction

The much publicised North-South talks petered out without any impact on the behaviour of the industrialised countries. The hegemonic structures established in the post-war period with American dominance were occasionally compromised with the demands of the developing countries for enhancing their legitimacy. Thus, without renouncing the essentials of the liberal regime, some incremental and marginal accommodation of the nonhegemonic forces was accomplished through the GATT and the inclusion of compensatory finance facility in the IMF, both of which suggest that the South have some bargaining power although a weak one. The reclamation of this power has not been easy. But since the eighties, there has been a "sharp disjunction between Southern demands and Southern strength" (Bhagwati, 1985, p. 57). It is true that in the 1960s the phenomenal growth registered in the developed countries with world trade growing faster than world output had its stimulating effect on the developing countries (Manmohan Singh, 1989, p. 24). But the monetary instability that came to characterize the world following the 1973 oil crisis and
the subsequent recession slowed down growth in the developed countries. While the oil importers among developing countries felt the crunch more severely, it was partly offset with the diversion of the OPEC surplus deposited in many international commercial banks to the developing countries. It may be noted that in the seventies the developing countries could still maintain 5% growth as against the developed countries whose growth rates have been around 3%, which speaks of the possibility of delinking the growth of developing countries from that of the West. Increased reliance on monetary policies in the West to control inflation led to interest rates of an all time high level in the eighties leading to the collapse of the commodity prices to the lowest levels since the great depression (keeping the inflation in view). According to an estimate, the loss suffered by the Third World on that account alone stood at $90 billion from 1981 to 1986. The collapse of non-oil commodity prices (primary commodities) also led to difficulties in debt servicing and loss of confidence in the credit worthiness of the Third World as far as the lending institutions were concerned. In these circumstances, the international institutions only tightened the terms and conditions for their lending (Singh, 1989, p.25). Manmohan Singh says: "At a time like this increased economic cooperation among developing countries could have helped to offset to some extent the impact of deflationary impulses originating from the developed countries" (p.25). In the Third World,
the population increase and corresponding increase in the labour force suggest the need for a growth rate of at least 5 to 6% per annum. But the Northern countries in the next decade are estimated to reach growth levels of only up to 3% and not more which means that the North can no longer act as the engine of growth for the developing countries. Expansion of domestic demand in large developing countries like India can substitute for international demand to some extent. The imperative nature of Third World cooperation becomes all the more clear in the light of the net transfer of resources from the developing countries to the developed far exceeding transfer from the West to the Third World.

A realist sceptic may, first of all, ask whether there is any potential for cooperation in South Asia. A noted economist has said that at the moment, there is no rationale for economic cooperation in South Asia. According to the World Bank criteria, all the seven states of South Asia are part of the group of the least developed 20 countries at the bottom of standard of living index. They all rely on agriculture and the dependence on food aid by some of the countries also is substantial. The economies of the region do not complement each other in resource availability, the structure and content of production, and the supply of services. The logical conclusion that follows is that there is no scope for grouping them in a system of regional exchange. The countries of the region compete
among themselves for the same foreign markets offering identical products. India, Nepal and Bangladesh do it in respect of jute in places like the UK, the US and the EEC. Similar competition in respect of textiles and tea, to name a few leading ones, also takes place among the regional partners to the advantage of the importing countries. On the regional import front also, the countries competed among themselves for procuring equipment and technology which has only led the exporting countries to push up the prices. The SAARC countries have not been able to take a common stand in the North-South dialogue or in the GATT negotiations, or in the face of the deteriorating economic environment characterized by shrinking world trade.

This is not to say that the basis for regional economic cooperation cannot be created. On the contrary, there is adequate potential to develop cooperation if conditions are created as has been done in other integration schemes. A division of production among the regional partners and the development of common external stances in economic terms can go a long way in creating hospitable conditions for economic cooperation (Adisheshiah, 1987, p. 38). This argument takes for granted the task of economic cooperation as creating a suitable environment for trade as though the same criteria which engendered cooperation in the EC can be replicated, which may not be possible in South Asia. But yet there is a recognition that free trade without any control will
result in a free ride for India (Adishesiah, 1987, p. 39). Another organizing principle is regional collective self-reliance whose importance is only imperious in the light of the uncertainty, protectionist trends in the West, global recession, decline of the value of primary products, growing indebtedness of the SAARC countries with rising debt servicing ratios, and the bleak prospects for concessional aid. So collective self-reliance coupled with export promotion within a protected regional market with enhanced internal trade will bridge the foreign exchange gap and will result in production for increased consumption within the region and also for export, according to Adisheshiah (1987, p. 39).

All these problems warrant South-South cooperation which should be pursued consciously and sometimes even on a global scale without tying it down to regional categories, according to Gamani Corea (1987, p. 1). Like Adisheshiah, he also insists on collective self-reliance of the South. It is right to say that the low level of trade in the region is a reflection of the low level of development particularly industrialization which needs to be accelerated through regional cooperation (Corea, 1987, p. 3). But like Adisheshiah, he says that the methods of the West cannot be applied in toto: "The methods and mechanisms of cooperation would, of course differ from those pursued in the industrialized countries. The integration arrangements in Europe marked the crowning point of an historical process that had already led to a
high level of intra-regional trade and linkages. Cooperation in developing countries usually heralds the beginning of such a process" (p.4). The work undertaken and carried out by the NGOs like Committee for Studies on Cooperation and Development is considerable. Echoing support for the more limited sectoral approach to cooperation, Corea says, "It is evident that cooperation arrangements in South Asia would need, for a considerable period at any rate, to be less generalized and comprehensive than those adopted in the more industrialized countries. Overall systems, such as common markets, free trade areas and customs unions, are likely to be premature and hence to court failure. Instead a more selective approach providing for cooperation in specific areas or sectors is more promising" (P.5).

Indian scholars have been making a strong plea for economic cooperation. The traditional Vinerian view of economies of scale, expansion in the size of the market and the fusion of the markets leading to the vivification or death of inefficient industries and the specialization of production on a regional basis are often cited by many commentators as the rationale for regional integration in Third World countries (eg. Varshney and Kumar, 1989). It has been argued that the expansion of the internal market will facilitate extensive industrialization of the member countries which would not be possible within the existing market set
This argument does not do justice to the fact that the Indian market is sufficiently large and that its dynamism has not been fully exploited. While their plea for regional self-reliance is welcome, their plea for a regional market, if created, will only mean the flooding of the region with Indian goods. It is necessary to take into consideration the costs of integration or the political factors involved in Third World integrative systems. It is our contention that expansion of SAARC activities into the realms of trade, money and industry are more advantageous to India as experience in other Third World integrative systems have shown. The most advantageous strategy for the region is to start with low level, project specific and production related activities of the variety that Vaitsos (1978) outlined, and was practiced for long in the ECAFE. But there are also several areas where some sort of regional approach is necessary. The task of this chapter is to identify certain areas of cooperation.

4.2 Environment

The issue of the environment is a major area for joint effort in South Asia. Environmental degradation leads to population displacement with all its attendant social and political implications. Further, it destroys the infrastructure without which the basic needs of the people cannot be fulfilled. Furthermore, it creates food insecurity which has a destabilizing effect on the
regimes in power and adds to the external dependence of the states of the region by compromising the sovereignty of the country.

A report of a seminar on Regional cooperation for the Protection of the Environment in South Asia held in New Delhi came to the conclusion that South Asia constitutes a single geographical entity with an integrated ecosystem. The subsystems within it like the Himalayan mountains in the north and the seas in the south have their own effect on the climate of the region as a whole. They found that the consequences of the ecological events are all interlinked. Ruptures in one part of the region produce deleterious effects on other parts. The need to conserve natural resources especially water and soil is of paramount importance and the seminar concluded with a call for the preservation of the forests. It is a paradox that the water resources of the region are inadequately tapped and managed. The result is that the region has floods as well as drought. In South Asia, therefore, poverty, environment and development are interlinked. The need to anticipate the ill effects of the ozone depletion and the onslaught of the greenhouse effect is very important, requiring the setting up of monitoring stations and the pooling of available technologies in the region. In Nepal alone, there is an estimated hydroelectrical potential of about 83,000 megawatts although only less than 0.1% of this has been utilized so far (Agrawal, 1987, p. 44). The future energy
requirements of India far surpass her current and future capabilities if the current growth rate in the energy sector is any indication. A country like Nepal is not adequately equipped to start hydro-electric projects on its own.

It is true that in respect of the environment in the region, a system perspective is the most suitable strategy. Regional water resources development may have to be channelled by adopting strategies which will not result in the causation of environmental and human migratory effects. Apart from the common recognition that the Himalayas are having problems arising out of soil erosion and depletion of water resources, the highly degraded nature of the land has resulted in the migration of the able-bodied population of the hilly areas to the urban centres for work leading to a lot of social displacement. The women, children and aged persons left in many of these hilly tracts are unable to manage the land leading to further soil erosion and degradation. It may be noted that the process of exploitation of the Himalayan forests started during the colonial period. It was accelerated in the post-independence period due to the strategies of development. Agricultural expansion of a commercial kind is to be blamed partly for this as it entails rapid exhaustion of soils. Village common lands have been prevalent in many of these areas which had linked the people with the environment which has since been upset thanks to modern strategies of
development (Burman et al. 1989). Deforestation means many different activities including cutting of wood for fuel, commercial logging, shifting cultivation, forest clearing for cropping or grazing, gathering medicinal plants, mining, flooding by reservoirs and burning. Satellite imagery and remote sensing techniques reveal that only 15% of the land area in South Asia is forested today (Hassan, 1991, p.13). There is also a credulous opinion that the deforestation is aided by the attitudes of the forest department which is motivated by crass commercialism, an inheritance of colonialism, rather than by any concern for trees. More than any other country, Nepal has an annual forest depletion rate of 4.3% which is alarming in view of the fact that the whole country has approximately 34% of the total land area only under tree cover (Hassan, 1991, p.14). Bhutan, which has the largest forest cover of 60% of the total land area, is also experiencing deforestation at a considerable rate thanks to the developmental and infrastructural projects and timber export to India (p.15). The nationalization of forests has not led to the solution of deforestation especially in those places where the connection between forests and the people has been the most intimate, mostly tribal areas. Short-cut methods have been used to construct large institutions, and the urbanization process always took place at the expense of the forests. So what is needed is a strategy based on local needs. The unchecked and unregulated flow of the water resources also reveals the faulty developmental strategies. So what
is necessary is a sound regional policy which takes into consideration the issue of environment in a fundamental way. While large water reservoirs may look attractive from a purely growth-based developmental perspective, they may not be the answer. The development of inland navigation within the region especially in the Ganges river area is also necessary.

Apart from waste-water treatment plants to reduce biodegradable organic substances, waste-water treatment can also reduce pathogens in the effluents for which regional cooperation will be of immense help. Flora and fauna of the coastal as well as inland areas need to be protected. The recently held Rio summit has demonstrated once again the wariness of the industrial West to assist the Third World countries with the management of the environment and the protection of the rare species of plants and animal life. For all these, additional mapping of the area of South Asia and the conducting of technical studies are necessary. In this context, it may be noted that the environment is increasingly looked upon as a matter affecting the security of the region. But the narrow interpretation of security in the region has led to a neglect of the security threats arising out of environmental issues and a concentration on military security alone. In fact many security issues in the subcontinent are shaped directly or indirectly by the environment (Hassan, 1991, p.3). Following Nepal's decision to import Chinese arms, the economic blockade
imposed on that country by India led to a lifting of the ban on the use of firewood as domestic fuel which led to fresh rounds of deforestation in the country. The call of Bangladesh for a regional effort to tackle the problem of flooding in Bangladesh was rejected by India leading to resentment among the politically active segments within that country. The pledges of the US, France, China and Japan to assist Bangladesh with flood control measures have also not been liked by India which is sensitive to extra-regional involvement in the region. There is a debate in Bangladesh and Nepal about the usefulness of friendship treaties with India (Hassan, 1991, p. 4).

The unfortunate part of the whole thing is that while environmental degradation is taking place throughout South Asia, individual countries have generally concerned themselves only with their own local problems without taking a systemic perspective. While, SAARC appears to have made a modest effort in the right direction, the continued unilateralism in respect of regional environmental matters is a cause for concern. In countries like Bangladesh where environmental deterioration has become a cross-border issue, it has affected domestic politics and the tenor of bilateral relations with India (Hassan, 1991, p. 4).

The reasons why environment and security are to be studied in an interrelated way are not far to seek. With the erosion of the environmental equilibrium, a nation's
economy will decline and social and political stability
will also suffer. Economic opportunities will be reduced
leading to demographic displacement within states as well
as between states. This in turn leads to tensions with
neighbours. Environmental stress may lead to the
proliferation of subnational sentiments often with
transnational implications. Environmental devastation
stemming from natural disasters can lead to a situation
in which the policies pursued by the affected country can
directly come into conflict with a neighbouring country.
Further, as mentioned earlier, environmental issues may
serve the narrow group interests of certain political
groups who may manipulate it to their advantage for all
of which there is evidence in South Asia (Hassan, 1991,
p.5).

The sea is a source of food, transport, commerce and
vital resources. Marine resources are not adequately
developed in the region. From one perspective, it is
logical to argue that deep sea and offshore fishing
offers a potential area of cooperation. The nonliving
resources of the region are enormous especially in the
sea bed. There is also a need to protect the mangroves
like the Sunderbans and the coral reef which is
increasingly depleted due to marine pollution and
industrial dumping into the sea. For example, in
countries like Bangladesh, India and Pakistan, the
agrochemicals washed off into the sea are likely to cause
major pollution problems (Asthna et al. 1989, p.116). It
is generally believed that an accumulation of greenhouse gases in the atmosphere causes global warming as a consequence of which the sea level may rise, threatening low lying states like Maldives and Bangladesh and naturally it is a high priority item for these two states.

4.3. Disaster Management

Obviously, one major area of cooperation relates to the development of disaster management capabilities. The creation of early warning systems can go a long way in restricting human and material loss accruing from disasters. With the 1991 cyclonic storms in Bangladesh still fresh in our memory, it is only befitting that such a collective strategy for disaster management is adopted. During a crisis situation like that kind, it is disheartening that the neighbours did not come to the aid of Bangladesh to any significant extent. As far as Bangladesh is concerned, she "cannot plan any large scale flood control measures locally and in isolation, without taking into consideration what is happening or might happen in future, either naturally or due to man-made causes, in the upper catchments to bring about changes in the hydrological regime" (Miah, 1989, p.135). Apparently, if floods in the three rivers of Ganges, Brahmaputra and Meghna synchronise, entire Bangladesh barring the hill tracts will be submerged. So, because the major causes are beyond its control, there is need
for regional cooperation on this front. The flood problem also haunts Pakistan to no less extent as proved in September 1992.

The river beds of many of the rivers are rising. This is due to soil erosion and it leads to flash floods, the siltation of reservoirs and tanks, the downstream effects of choking of the estuaries and harbours, and land formations in the bay of Bengal which caused the dispute between India and Bangladesh over the silt formed New Moore island. This dispute had raised popular sentiments in Bangladesh against India (Hassan, 1991, p. 54). Anyhow, it seems reasonable to say that environmental issues can give rise to political disputes between states and environment-related conflicts tend to assume a zero-sum in nature. The problem with salinity is also a major one which has been accentuated due to the diversion or withdrawal of fresh water in the upper reaches of the Ganges and the diversion of the flow at Farrakka in India. If this withdrawal continues, salinity will only increase (Hassan, 1991, p. 17). With rivers like the Bramhaputra altering their course several times, the prospects for a flood-free situation remain bleak. In India, flood-prone areas had increased from about 25 million hectares at the end of the 1960s to about 40 million by the mid 1970s (Hassan, 1991, p. 18). The problem of drought is also acute. In Pakistan 60% of the land is semi-arid and in India most of the western parts of the
country are drought prone with many droughts appearing in the eighties alone.

In Bangladesh there is a feeling that Indian help would alleviate the flood problem to a significant extent and Bangladesh efforts at a multilateral solution to the problem of floods by involving also Nepal have yielded no positive response on the part of India. India's reservation is based on her desire to negotiate with the neighbours on her own terms and any change in her traditional bilateral approach will only amount to a sort of caving in, a point on which India is very sensitive. At least she thinks that concessions are likely to send the wrong signals to the neighbours, that it is a sign of Indian weakness (Hassan, 1991, p.47). A collective effort to protect the environment was discussed at the Katmandu summit in 1987 which gave a call for each country to complete a survey of the state of its environment. The fourth summit took up the issue of environment as a priority item. The fifth summit even went to the extent of declaring 1992 as the SAARC year of environment. (Hassan, 1991, p.58). The survey of individual countries is likely to be the most comprehensive of its kind and may recognize the already apparent need for ecological and economic interdependence in the region. Apart from India which has a considerable grass roots movement to protect the environment, the other countries do not have anything significant of that kind (Hassan, 1991, p.59). Hassan (1991, p.59) suggests
that a part of the army of each of the countries of South Asia could be set apart for disaster management and ecological protection for which they have some experience.

The cyclonic storms in Bangladesh and India reveal the need for managing the coastal environment in the region. It may be noted that a cyclonic storm in Bangladesh with General Yahya Khan's failure to visit the region immediately was one of the precipitants in the final break with Pakistan (Hassan, 1991, p.20). In India alone as many as 1,554 large dams were constructed in the first three decades of its independence and a number of dams were also built in neighbouring countries with all their attendant adversarial effects on the environment. In India, it has brought environmental grass roots activism alive against large dam projects such as the Tehri dam and the Silent Valley Project which was later scrapped. The Tehri dam is located at an earthquake prone area and therefore it has elicited protests from many quarters including the Environment Ministry of the government of India. The issue of water sharing is a major bone of contention between states as well as between the union and the states. In the case of Bangladesh, floods have shown that "natural disasters can have, aside from the damaging effects on the economy, a positive impact on the domestic power balance, and in the foreign-policy context, provide new opportunities either to strengthen existing policies or to justify new
departures which might, under normal circumstances, be difficult to initiate or implement" (Hassan, 1991 p. 36).

4.4 Migration

Immediately after the partition of the subcontinent millions of people crossed the borders between the two regions. Migration from Bangladesh to Assam continued on an unprecedented scale (Weiner, 1978) which has become an issue between the two countries especially in the context of Assamese politics. The reason for this influx is also ecological. With scarcity of cultivable land, the Muslims were forced to migrate to the relatively sparsely populated jungle regions of Assam across the porous border between the two states. The decades of migration are alleged to have posed a religious, physical and cultural threat to the original inhabitants. The detribalization of Tripura is well known with the Tripuris now a minority in what was once their own state. Anti-immigrant riots are common in these regions, sometimes with overtones of independence. Immigration was not taken up by the politicians as they saw it as a source of votes. After a proposed bid to fence the whole border, now the priority is building a road parallel to the border so that patrolling can be done effectively. The open border between India and Nepal allowing Indian nationals to enter and engage in business or employment in Nepal has made Nepal vulnerable although lot of Nepalis also come to India in search of work. When the
trade and transit treaty with Nepal which is a landlocked country expired in 1987, the Indian government virtually made an economic blockade of the country inviting the ire of the Nepalis and making them aware of their own vulnerability. But India has seen the present government as more politically attuned to it than the monarch. In Pakistan, partition was followed by large scale migration of Muhajirs or Indian Muslims who settled in a large majority in the Sind province which led to the reduction of the Sindhi component of the population to less than half of the total. The major industrial town of Karachi has less than 5% Sindhis. Hyderabad is also a Muhajir stronghold causing lot of political and violent outbursts which led to thousands of deaths in the eighties alone (Ispahani, 1990/91, p.24-5). Thus, population displacement and interregional migration has led to many conflicts in Nepal, Bangladesh, Pakistan, India, Bhutan and Sri Lanka. Its intensity is more widespread in those regions where the indigenous population has been submerged through mass migration and have been made alienated from their traditional lands as well as in those regions where the ethnic and electoral arithmetic have been altered leading to resentment on the part of groups who have been dominant so far. Tackling the problem of migration requires regional cooperation as it is having transnational ramifications.

4.5 Drugs, Population, Food and Culture
The issue of drugs also is becoming a problem especially in Pakistan following the Afghan invasion in 1979 and the lurking fear of political uncertainty in Kabul several months after the Communist regime was toppled. Prior to 1980, Pakistan did not have any recorded drug cases of heroin addicts. In 1983, the figure reached 30000 and in 1989, it was anything between 800000 and 1 million (Ispahani, 1991/92, p.26) which is all the more reason why if there is no regional policy for the prevention of drugs, it can have deleterious effects on the states of South Asia. Pakistan also acts as a conduit of drugs to other areas of the world. Another major area in which South Asia can usefully resort to regional cooperation relates to the development of the region’s human resources which is an asset in abundant supply in India, Pakistan and Bangladesh. It may be noted that while India boasts of having a large number of scientific personnel, the extent of literacy and women’s education leaves much to be desired. The establishment of some sort of regional strategies to remove illiteracy is important as it is one of the means of conscientizing the people of the region and making them active participants in developmental activities. It is true that there is already a human resources development centre in Pakistan established under SAARC auspices. But given the fragile nature of cooperation envisaged so far, its contribution can be at best a grain in the sand and nothing more.
In demographic terms, the population of India was 860 million in 1991 which is expected to soar to 1.16 billion in 2010 with a current growth rate of 2% per year. This is compounded by the fact that the rate of urban growth is now 3.9% per annum with its attendant consequences on the environment. This figures indicate that India will have 41% of its population living in urban areas by 2010. In Bangladesh the situation is worse with a formidable population figure of 116 in 1991 which is expected to rise to 177 million by the year 2010. Similar trends in population growth are expected in Pakistan which is currently having a population of 118 million which is estimated to reach 195 million in 2010 (Hassan, 1991, p.7). But there are regions within South Asia like Kerala and Sri Lanka which have made rapid strides in the area of population control and living conditions. It would be worthwhile for the region to emulate their strategies and experiences. A regional population policy which will draw on the experiences of each of the countries of the region could be thought of. The following table which gives us an overall picture of South Asia is self-explanatory:

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<tr>
<td>Bangladesh</td>
<td>143.998</td>
<td>116.6</td>
<td>2.4</td>
<td>176.6</td>
<td>14</td>
<td>28</td>
<td>810</td>
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<tr>
<td>Bhutan</td>
<td>46.500</td>
<td>0.7</td>
<td>2</td>
<td>1</td>
<td>13</td>
<td>35</td>
<td>15</td>
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<tr>
<td>India</td>
<td>3,166,829</td>
<td>859.2</td>
<td>21157.8</td>
<td>27</td>
<td>34</td>
<td>271</td>
<td></td>
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<tr>
<td>Maldives</td>
<td>298</td>
<td>0.2</td>
<td>3.7</td>
<td>0.4</td>
<td>28</td>
<td>19</td>
<td>671</td>
</tr>
<tr>
<td>Nepal</td>
<td>147,181</td>
<td>19.6</td>
<td>2.5</td>
<td>30.6</td>
<td>7</td>
<td>28</td>
<td>133</td>
</tr>
</tbody>
</table>
Food security is a major problem in South Asia in conditions of great pressure on land and there is limited potential for boosting food production in the region. Some 38% of India's population, 42% of Nepal's and so on are living below the poverty line. Progressive laws pertaining to absence of landlordism and the revision of inheritance laws are difficult in Muslim states like Pakistan and Bangladesh because of the religious basis that the inheritance laws have. (Hassan, 1991, p.10).

Hassan says "The most important measure that is yet to be undertaken in the subcontinent is the transfer of the land to the landless. This would bring hope to the poor, which is politically desirable; increase employment in the rural sector and generate rural capital; reduce urban migration; it is likely to boost agricultural production and expedite the goal of food self-sufficiency in the region." (p.10) This cannot be brought into being with
half-hearted reforms of the type that Bangladesh undertook in the early seventies which did not have the desired effect.

"Can we not run a SAARC Express from Dacca to Peshawar and a South Asia Mail from Colombo to Katmandu everyday? Can we not lay the foundations for a system of collective food security for the region's coming generations"(1987. p.20) asks Eric Gonzalves, the former Foreign Secretary of India. He suggests that health institutions specializing in disciplines not developed elsewhere in the region could be encouraged to make their expertise available to the whole region by catering to patients on a regional basis. At a time when some of the life saving drugs are difficult to procure in view of the high prices, it is only opportune that a regional health policy and coordination are undertaken. India, for example, has some centres where certain specialized branches of medicine are developed. If there is some sort of a regional health policy, it would be possible for the ordinary people to avail these facilities which is not possible now because of several national constraints. Same could be said of communication and transport. Gonzalves suggests that trade issues should be left to National Chambers of Commerce in each of the countries to negotiate and develop, which approximates to the functional position. But as we saw in the earlier chapter, because of the nationalist spirit and intercountry asymmetries, trade and commerce conducted by
the private sector alone would be anathema, making government control of this sector inevitable. Some joint industries, again in the private sector, are suggested by him. Free exchange of films, magazines, newspapers etc., can go a long way in creating a better atmosphere of cultural congruence. Pakistan, for example, can provide a number of actors and actresses whose talents can be utilized for the region as a whole. Another major area of cooperation is tourism which has been included as one of the areas at the Male summit. Other areas like South Asian airlines, South Asian highway project, South Asian Bank, limited convertability of the regional currencies, regional training facilities, cooperation in respect of shipping etc., are suggested (Agrawal, 1987). Agrawal favours some sort of limited and selective trade liberalization of an item by item approach to offset fears of Indian preponderance.

4.6 The Panchamukhi Report

A report prepared by Dr. V R Panchamukhi on behalf of the Indian government in 1991 to be submitted to the SAARC Secretariat has mentioned the following areas of potential cooperation in respect of intraregional trade: primary commodities and minerals, iron ore, natural rubber, tea and coffee, manufactured goods, food products and beverages, cotton textiles, silk, synthetics, pig iron, iron scrap, special steels and products, aluminium products and transport equipment.
non-electrical and electrical machinery and equipment, consumer electronics, chemical fertilizers, dyes and dye stuffs, medicines, pharmaceuticals, agro chemicals, industrial chemicals, rubber products including tyres and tubes, rubber reclamation, pulp, paper and newsprint and cement. For joint ventures and technical transfer, the broad areas include food processing industries, agro-based industries, textiles and leather products, metal and metal products, transport equipment, non-electrical machinery, electrical equipment and machinery, chemicals, minerals based industries, rubber, plastic products and energy. The export-oriented projects for third countries include garments, sericulture, fishing and deep sea fishing, coffee and gems. Regional projects include newsprint, wood pulp, gas-based fertilizer plants, phosphetic fertilizers, rubber products and metallurgical coking coal. In the service sector areas of cooperation include tourism, hotels and restaurants, consultancy, engineering and construction, services for small industry development, international trade, computer software, research and development, commercial banking and regional financial institutions (Hindustan Times, May 31, 1991).

As regards trade, India proposes that it can export iron ore to Pakistan which imports 90% of its requirements from the outside at higher rates. Further, delivery time can also be shortened and India can import Pakistani pig iron which is deficient in the country. India can import natural rubber from Sri Lanka, processed
fruit and fruit juices from Bhutan and Nepal, and butter oil from Nepal, while India can export mango pulp, spices, beer and soft drink concentrate to other SAARC countries. India has ruled out multinational Western cooperation for intraregional joint ventures on the plea that the regional joint ventures are more cost-effective. At present, the intra-SAARC trade is just 2.5% of total and the SAARC countries account for only 8.53% of India's total investments in joint ventures (Hindustan Times, May 31, 1991).

4.7 Economic Structure of Pakistan and Bangladesh

That both Pakistan and Bangladesh are the results of efforts aimed at breaking away from dominant groups with an eye on autonomous development is a matter with implications for regional cooperation. The pre-partition economy of Pakistan (East Bengal, West Punjab, Sind and the North-West frontier) accounted for just 6.5% of employment in the industrial sector in undivided India. Though the region of West Pakistan produced 23% of the cotton produced in undivided India, only one percent of the mill-made cloth came from there while mills in Bangladesh produced 3%. As a result, 65% of the cotton crop of West Pakistan was consumed by the textile mills located in post-partition India with the remaining exported. The region constituting present Bangladesh which produced the bulk of the raw jute grown in India actually did not have a single jute mill. 64 per cent of
the jute produced there was exported and 35% consumed in the mills of post-partition India. Thus, the post-partition Pakistan was a rural hinterland. There was a nexus between the rural and industrial centres of India which continued for a brief while even after partition with the trade between India and Pakistan remaining high. But between 1948/49 and 1951 the volume of Indo-Pakistan trade declined from 70% to 3% of Pakistan's total foreign trade and between 1951 and 1960 it never exceeded more than 6% of Pakistan's total foreign trade. In 1965 trade was cut off between the two states and since then there has been a virtual freezing of trade until recently (Sobhan. 1984, pp 270-71). Even now, full trade has not been restored.

The collapse of Indo-Pakistan trade is alleged by Sobhan to have resulted in the structural transformation of the Pakistani economy which, insulated from the Indian manufacturing hub, and thanks to the facilitated conditions by the state, created the preconditions for the industrialization of Pakistan much of which was exploited by the West Pakistani traders who used their surplus to finance industrial ventures. As a result, the share of large scale industry in the GDP of West Pakistan rose from 2.3% in 49/50 to 12% in 69/70 which may not have occurred within a united India where regional recomposition would have been constrained by comparative advantages, even while admitting that this industrialization was concentrated in the West. The loss
of Pakistani trade was felt less by India because of the size of the economy where the loss of jute raw materials from East Pakistan only led to the allocation of rice growing lands for jute cultivation. In respect of the cotton economy of India, the loss of trade was very minimal. While jute was an important component of India's export earnings, they are now marginal as the economy became more and more diversified (Sobhan, 1991, p.270-1). Although Indian exports to Bangladesh increased during the immediate aftermath of the separation, it declined soon afterwards. The trade with Bangladesh was anyway marginal to India's own production structure and export structure. Although some projects like a fertilizer plant, cement plant and a scheme for exporting Indian iron ore were on the anvil during the time of Mujibur Rahman, they were shelved following the coming of the new regime to power in 1975.

Does India need the regional markets for its survival? By and large, India has seen her neighbours as peripheral to her needs. India's trade with South Asian countries is of marginal significance in relation to the country's global trade with the percentage of her trade with the region accounting for less than 2 per cent of the total. So as far as India is concerned, she has found it convenient to substitute regional markets and supplies with non-regional ones (Mukherji, 1987). But in contrast, in terms of intra-regional trade, India's trade in the region is of considerable importance. It is true that
finding additional markets is a sine qua non for the expansion of capitalism. In the case of India, the potential of the indigenous market is still not fully exploited. With a strong industrial base, she is now even competing with many developed countries in the export of engineering and intermediate goods. More than any other country in the region, competition from India is likely to affect Pakistan which also has an export sector in respect of light engineering goods (Sobhan, 1984, p.277).

In respect of regional economic cooperation, the perspectives of Bangladesh and Pakistan differ from India's. India is looking for markets in the Third World for her capital and intermediate goods as well as technology. A sharp expansion of Indian credit extension facilities or a mutual expansion of trade is suggested often to take regional cooperation forward. But the political situation in the region is highly charged and any suggestion of dependence on India will not be taken kindly (Sobhan, 1984, p.278). The Indian import structure is based on petroleum products, machinery, manufactures and so on, for which Pakistan cannot be of any help to India's needs. In contrast, India is able to meet many of Pakistan's requirements, even in those areas where it is now deficient. Sobhan suggests a triangular co-operation with the Gulf countries by which Pakistan's import deficit with India could be funded by credits from the oil exporters against payment for India's petroleum imports from the Middle East (p.280).
The onus for expansion of trade with Bangladesh is complicated by the fact that most of the country's imports are funded by various aid programmes and credits which make them linked intimately with the donor countries. This renders its trading options inflexible. The only items exportable to India are fish and raw jute. All the others are produced in India at the required or exportable levels. While raw jute can be exported to India with attendant diversion of the hitherto cultivated jute land in India to rice etc., the increased jute production in India would amount to the crippling of the already established jute manufacturers of Bangladesh. Here, the conflict of interests of the Bangladesh jute farmers and the Bangladesh manufacturers is explicit (Sobhan, 1984, p.282). Sri Lanka's trade with South Asia is minimal. India and Pakistan account for much of her imports from the region. India's exports to Sri Lanka is the highest compared to her export to other South Asian countries. Expansion of trade within a SAARC framework after adequate liberalization of trade can benefit Sri Lanka most because she undertook market reform and liberalization much earlier (Wanigaratne, 1988, p.279). Wanigaratne calls for a selective liberalization of imports from the region. This idea is also supported by others who advocate a product-by-product approach to trade negotiations as the most feasible strategy of countering disparate economic levels of development (eg, L N Mukherji, 1987, Bhuyan, AR, 1987). India has acquired a
strong technological base through its policies of import substitution and self-sufficiency. After India, it is Pakistan, then Sri Lanka, then Bangladesh, Maldives, Nepal and Bhutan in technological progress (Wanigaratne, p.285). An across-the-board approach to tariff reduction will "undoubtedly offer greater advantage to a country with a more diversified export base whereas countries with a narrow export base will not be able to take advantage of the opportunities offered. a product-by-product approach provide greater flexibility so that a reasonable balance in the distribution of benefits to the members is maintained" (Mukherji, 1987, p.175). In the case of the ASEAN, until 1980, a product by product approach was followed and after 1980 they decided to follow an across-the-board approach which is more wide ranging (Mukherji, 1984).

Joint international marketing organizations especially dealing with international markets in respect of primary commodities (Waqif, 1987,p.59) are often suggested. Sobhan says that some sort of collective bargaining by the two countries would help stabilize the jute sector in the world economy which does not amount to cartelization whose purpose is to raise the price of exported goods. This is necessary in view of the falling demands for jute following the expansion of synthetics in packaging. During the sixth session of the FAO intergovernmental group on jute in 1973, the participating governments and agencies agreed to set up
an international jute organization with a secretariat in Delhi and a research institute in Dacca which has not materialized (Sobhan.1984,p.285). The feasibility study of export of urea from Bangladesh to India was completed in the early seventies when the political relations between the two countries were good. It may be noted that fertilizer has been imported by India due to shortage and fertilizer requirements are likely to rise in future. Energy is also a potential area of cooperation especially the natural gas base of the region.

The South Asian situation has demonstrated that political factors can cause a breakdown of long lasting economic relations and this can be rectified only if there is a strong political commitment. "In the absence of any programme of intraregional economic co-operation, India is likely to remain satisfied with the working of market forces, particularly when these are supported by the extension of multilateral aid to its regional trading partners. Major concessions to its smaller neighbours within a programme of cooperation may prove increasingly difficult to carry through at home. The present trend in intraregional economic relations, which holds out prospects of trade without commitment, is thus close to optimal for India"(Sobhan, 1984, p.291). But, there is a countervailing argument that Indian capitalism has reached a stage where it must expand its reach of markets and regional economic cooperation with liberalization of trade at the centre of it will serve the interests of
Indian capitalists (Sobhan, 1988). The suggestion that more developed countries like India and Pakistan should take the lead by acting as the motor of development in South Asia is quite strong. It involves generosity on the part of the countries concerned which is unlikely given the nationalism which has plagued Third World integration schemes and the poverty of India and Pakistan in absolute terms. Further, India is not able to substitute extraregional products which are based on the latest technology which means no self-reliant scheme of an autarchical nature can be created in South Asia centred on India (Chufrin, 1975).

The case of industrial cooperation in South Asia has been well argued out (Waquif, 1987). If regional cooperation leads to increased regional production, there is a possibility of substituting regional products for the extraregional products now consumed by the region, assuming that it entails also reduced prices. In such a situation, the real income of the regional consumers can increase. In South Asia, there is demand for industrial consumer, intermediate and capital goods, raw materials as well as for energy. Because of the absence of complementarity, the demand structure and the supply structure are both similar in each country with marginal differences. The attitude of India is built on the belief that the smaller countries need regional cooperation more than India for their economic survival and growth. This needs to be changed by India so that she
may reap rewards of cooperation in the long run (Waqif, 1987, p. 61). But because in South Asia, economics is guided by politics, regional economic cooperation may remain more as an ideal than a reality.

The structural changes required in the regional economy as a whole cannot be brought about by trade liberalization alone. Mutual cooperation will have to be extended to the area of production which alone can redeem the least developed countries of the region. The structural dependence of the developing countries is manifest by the fact that if they resort to strategies of import substitution, they will require intermediate goods and also capital from the developed countries. If they resort to the strategy of export expansion, this is also dampened due to protectionism and other restrictive measures in the developed countries. So both the strategies have their own varied forms of dependence, one for capital and intermediate goods and the other for markets. Country specialization as a strategy of import substituting industrialization with equitable distribution of benefits has been suggested by some scholars (B P Sreshtha, 1988, p. 68). Within the ASEAN, such projects were selected and implemented with agreed equity participation. Sreshtha (1988, pp. 70-71) says that "the problem of least developed countries within the region is more of growth, creating marketable surplus on competitive basis than of trade on the basis of preferences.... Since planning is adopted in all the"
countries of the region as a major instrument of developmental policy, such planning process may be consciously geared to the requirements of the region with a selective sectoral approach to country specialization, industrial complementation and regional joint ventures". He pleads for political will that will be necessary to bring about cooperation.

4.8. People-based strategies

Regional cooperation should be seen and felt by the people of the region especially the social agents at the grass roots, as yielding or having the potential to yield some material benefits for them (Kumar, 1988, p.302). One area on which the region could concentrate collectively relates to the developing of alternative and appropriate technologies (Agrawal, 1987). The importance of such appropriate technology in any programme oriented towards fulfilment of the basic needs of the people of South Asia cannot be underemphasized. But in the quest for industrial production and high technology, such factors are likely to be neglected. Same is the case of agriculture upon which the economies of the region are largely based and neglect of which can lead to distortions.

Issues like differential impact on member countries, establishment of compensation packages for the poorer countries, macro-economic policies and their
coordination and so on are premature now for discussion as we are nowhere near them. Coordination of development policies is a useful area. It is true that India is least dependent of all the countries of the region both intraregionally as well as extraregionally. In contrast, Sri Lanka is dependent on the region more than all the other countries if trade figures are any indication (Abid Hussain, 1987, p.117).

Some sort of a mechanism like the Asian Clearing Union also has been suggested to lessen the balance of payment position of deficit countries (Bhuyan, 1987; Mukherji 1987). It is true that trade negotiations involving the South Asian countries are already taking place under the auspices of the UN. At the second summit of heads of the state or governments, the leaders of India, Bangladesh and Sri Lanka stressed the need for moving into core areas of economic activity like trade, energy, money and finance. Until recently, the private sector of Pakistan could not import directly from India. Under the Bangkok Agreement of ESCAP signed in 1975 which included countries such as Bangladesh, Sri Lanka, South Korea and Laos some relaxation of mutual tariff and non-tariff barriers was allowed on goods originating in each of the signatory states. The agreement which came into force had also said that least developed countries like Bangladesh and Laos should be given special concessions. Under this provision India offered 100% concession to Bangladesh in respect
of two products. Under this agreement, Bangladesh offered 15 products at an average tariff reduction of 34%. India 16 products at 30% and Sri Lanka 18 products at 13%. (Mukherji, 1984, pp.129). There are several non-tariff barriers to trade. Thus the quality of the products, after sales service, spare parts, administrative bottlenecks etc., come under this category. The Asian Clearing Union has members such as Bangladesh, India, Pakistan, Nepal and Sri Lanka. It became operational in 1976 and is aimed at facilitating multilateral payments through the use of participating countries’ currencies in regional transactions, thus saving vital foreign exchange reserves and aiding intraregional trade expansion.

That independence has not meant self-reliance is spurring on the South to a confrontation with the North. Regional cooperation is a means of escaping from this almost perennial construction of domination and dependence through collective self-reliance. But the macro economic policies followed by the leading states of South Asia do not bring any hope for the emergence of a collective self-reliance strategy to counter dependence on the West. India, has thrown to winds a large part of her relative isolation from the dynamics of world economy as evidenced by the recent policies of liberalization. Sri Lanka is already ahead of all the other countries on this count. Pakistan also has adopted a similar strategy.
In the aftermath of the liberalization programme undertaken by the countries of the region (barring perhaps Nepal and Bhutan), the issues of equity and welfare can get sidelined in the process. Sri lanka, which took the first initiatives in this direction, could achieve some short term gains, but at the expense of welfare and equity. The result was “emergence of fresh incidence of poverty in the post-reform period” (Chakravarthy, 1990, p.144). The pitiable state of land reforms in each of these states is a case in point. In Bangladesh, according to 1977 estimates, as many as 67 per cent of the population held less than 2 hectares of agricultural land and their share in the total was a meagre 25 per cent. Conversely, the top 7 per cent controlling more than 6 hectares of land had in possession 36 per cent of the total cultivated land. In Pakistan, according to 1980 statistics, those holding less than 3 hectares of land were 51 per cent while the total land that they held was just 15 per cent of the total. In contrast to that, the top 9 per cent of the population who controlled more than 10 hectares of land were already in possession of 41 per cent of the total agricultural land. In India, 75 per cent of the people holding less than 2 hectares of land possessed only 26 per cent of the total land while the top 2 percent was in control of 23 per cent of land. These figures reveal the extent of landlessness and asymmetry existing in the South Asian region (Chakravarthy, 1990, p.158). Hence, the importance of growth with equity in the region is paramount.
Sobhan (1988, p.247) thinks that a programme of mutual trade expansion with higher volume of Indian exports to South Asia matched by a corresponding increase in imports from the other states of the region will be politically acceptable and trade should be tailored along those lines. Taking an orthodox political economy perspective, one may claim that the recent trends in the economic policies are progressive in the dialectical sense, that is, as engendering the conditions in which structural transformation becomes possible. Such a view would also welcome a trade-based regional cooperation as a progressive element in the transformation project. It is true that the current patterns of policies and the spirit of collective self-reliance enshrined in the SAARC and vigorously advocated by India are in direct conflict. The Indian position has come round to the position of the other South Asian countries, at least theoretically, in matters pertaining to seeking of external help and the role of external agencies in general in the programmes of the organization.

We have already underlined the inevitability of involving state in the integration process to offset complaints arising out of nationalism and uneven benefits. Adopting the same logic, it has been suggested that all projects for cooperation should be on a state to state basis as this is the only way in which the fear of penetration and domination by the capitalists of India...
can be contained. Otherwise, because of the undeveloped nature of the bourgeoisie of other countries, they may act as comprador to the Indian bourgeoisie. Hence, the State Trading Corporations should be the conduit for trade (Sobhan, 1988, p. 248-49).

Scholars and institutions can go a long way in promoting regional cooperation as evidenced in other regional integration schemes. The Committee on Studies for Cooperation in Development in South Asia is a body of scholars from the macro-region of South Asia to examine the possibilities of cooperation and to promote the same. (Tarlok Singh 1987). But so far their influence have been solely confined to the academic realm. South Asian cooperation has so far been confined to study and research. Unlike many other areas of the Third World, there is no dearth of skilled persons in the subcontinent. The dominance of political and strategic issues in the region has led to the inoperation of the liberal economic logic in the region. The creation of security regimes in the region can lessen not only the huge defence expenditure with attendant salutary effects on the economy but also reduce the external dependence of the states of the region significantly because a huge chunk of the import bill of the region is defence related.

4.9. Conclusion
The above discussion has identified several areas of regional cooperation. Because of the highly nationalist and politically charged atmosphere that prevails in South Asia and the existence of incomparable asymmetries, it is desirable that a sectoral programming of the type that engages the states into need-based and production-centred schemes is undertaken with a focus on reducing external dependence. While the original spirit underlying SAARC has taken this idea on board, the social and political situation in South Asia is not favourable even to such low level moves of cooperation. The recent policies of countries such as India, Pakistan, Sri Lanka and Bangladesh also do not augur well for the development of regional cooperation along South-South lines. Even if the outcome of the Uruguay round of negotiations on trade does not lead to any positive outcome for the South, the structural constraints are going to impede the progress of South-South cooperation even though rhetoric on the theme will not be in short supply. Again, what we are going to witness is the emergence of a new hierarchy of peripheral countries and the engaging of individual countries in advantageous deals with industrialized countries, a portent which should be looked upon with alarm by all those who advocate Third World solidarity and a basic needs approach to social issues. Unless the current elite-based strategies are changed in respect of development and a real people-based strategy adopted, all talk on regional cooperation will have no impact on the life of the ordinary people.