CHAPTER – V

ECONOMIC CO-OPERATION AMONG SAARC COUNTRIES – INDIA’S ROLE
Two dominant forces have been shaping the world economy during the last quarter of the 20th Century – globalization and regionalisation. Regional economic integration has occurred simultaneously and is linked to the process of globalization. The General Agreement on Tariffs and Trade (GATT) and its successor organization, World Trade Organization (WTO) has recognized the role of Regional Trade Agreements (RTAs) in the world economy. Multilateral trade liberalization had led to an exponential growth of the world economy, benefiting many nations, yet it became clear from both North and South in Seattle and in other places that increasing trade openness was imposing tremendous short-term cost to developing as well as some sectors of the developed countries. Regional Cooperation is seen by the participating countries as a countervailing power in trade negotiations with the countries outside the region, besides providing opportunities to benefit from trading with the neighbours.¹
Most of the newly liberated countries of Asia, Africa and Latin America have faced tremendous difficulties in planning their development strategies, because of a number of potential problems like population explosion, lack of technology and skilled manpower, low rate of growth, poor per capita income, galloping inflation, unfavourable balance of trade and low productivity etc. Their problems are further accelerated due to lack of cooperation by the developed countries. Inspite of several rounds of North-South dialogues under the auspices of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO), one hardly notices any ray of hope for the developing countries. Major reforms in the world economy have been suggested by the well-known New International Economic Order (NIEO) resolution of the UN General Assembly in 1974 and thereafter reemphasized from time to time in the final declarations of the Non-Aligned Summits and the meetings of the Commonwealth Heads of State or Government. But the developed nations have turned deaf ear to such suggestions.2

With such gloomy scenario on the outcome of the North-South Dialogue, several rounds of discussions have been initiated among the developing states for a more meaningful interaction among themselves. The developing countries including South Asia, face the precise role of regional cooperation in the rapidly globalising world. In view of the large gains from multilateral trade liberalization, South Asia
needs to continue on the trade liberalization front; this does not stand in the way of enhanced regional cooperation.³

World trade has grown at an average rate of 6 percent over the past decade or so, at twice the growth rate of world GDP. On January 1, 1995, the WTO replaced GATT, which dealt only with trade in goods and included in its mandate to monitor and implement agreements on commodities, services, and intellectual property rights and a mechanism for dispute settlement. Now with more and more countries becoming members of the WTO, global trading order is what WTO rules make it to be. In 1999, more than two-thirds of the 140 members (as on November 30, 2000) of the WTO were developing countries with having approximately a 20 percent share of world exports. This has wide ranging implications for the global economy.⁴

REGIONAL TRADING GROUPS:

Looking at the current trend in forming regional trading blocks, one can see that nearly all of the WTO’s 140 members have notified participation in one or more Regional Trade Agreements (RTA’s) customs unions, free trade areas or other preferential arrangements. In the period 1948-1994, the GATT received 124 notifications of RTA’s (relating to trade in goods) and since the creation of the WTO, 90 additional arrangements covering trade in goods or services have been notified. Out of the total of 214 agreements and / or enlargements so far notified to the GATT / WTO, 134 are deemed to be
currently in force. The network of RTA’s throughout the world is now highly complex and many countries are members of several agreements, sometimes with very differing rules.⁵

The Mahbub Ul Haq Human Development Centre in its report cited four motivating factors for forging regional alliances. These are:⁶

- To promote economic cooperation among the members of the group by increasing efficiency and exploiting economies of scale;
- To achieve international competitiveness during globalization;
- To build a sense of security and to facilitate political harmony within a region; and
- To forge a collective bargaining position in global negotiations.

During the last two decades of 20th Century, there is a great rush of regional alliances around the world. There is a considerable debate over the nature and future of these regional alliances under the auspices of the WTO. As to their future role, it is not certain whether their recognition in the WTO framework, viz., Article XXIV, is to attract existing regional blocs to enter the WTO membership, or merely to promote the existence of such regional (preferential) trading blocs as a complementary instrument to the working of WTO. Another view is that Article XXIV of the WTO may, at a later date,
translate into a phasing out mechanism for these regional blocs. By examining the nature of these blocs some insist on calling these alliances ‘preferential’ rather than ‘regional’ or ‘free’ trade agreements.

SOUTH ASIA – ECONOMIC CONDITIONS

All the South Asian States fall in the category of less developed states of Third World. All of them are faced with the challenges of low rate of economic growth, high rate of population growth, under utilization of manpower resources, high incidence of poverty income inequalities, food shortage, adverse terms of trade, heavy balance of payment deficits, high cost of oil imports, heavy debt service burdens, inflation and similar other related problems. The SAARC countries are of different sizes geographically and population-wise and having different factor endowments. They account about 21 percent of the world population and 3.5 percent of the total land areas, but their share in world output is mere 1.3 percent. Further their share in world merchandise trade is about 1 percent only. About half of the world poor are found in these countries. The economic structure of these countries is basically agrarian. About three-fourths of their total population subsists on agriculture. These similar conditions compelled the countries of the region to forge an alliance for economic development.

The economic backwardness of the region is so universal that except Maldives and Sri Lanka the rest of the SAARC countries,
i.e., India, Pakistan, Afghanistan, Bangladesh, Nepal and Bhutan consisting of 98% of the total population of the region figure in the low Human Development Index group of 44 countries prepared by UNDP.\(^9\)

The economic system among the SAARC countries, is the same as that of mixed economy because of their underdevelopment characteristics and adopting of planning process for their development. These countries are having various economic features in common like poverty, dependence on agriculture, low productivity and mass unemployment, industrial backwardness further adds to the already existing under employment and unemployment in this region. Industrial production accounts for about one-fourth of the gross domestic product and provides employment to less than 15 percent of the total population of this region.\(^10\)

Keeping in view of these anomalies South Asian countries, came to a common platform for speedy economic growth of region. Recognizing the value of regional cooperation in both economic and non-economic spheres and despite being confronted with some of the most intense political issues the seven South Asian States formally launched the South Asian Association for Regional Cooperation (SAARC) on 7th December 1985. SAARC is an institutional arrangement to encourage mutual cooperation among its member-states.\(^11\)
Explaining the necessity of regional cooperation, particularly in the economic sphere the ‘Bangladesh Working Paper’ pointed out, “the efforts have not fully exploited the vast potential of regional cooperation that exists and the consequential benefits that this will bring, collectively and individually, to the countries of the region. Collective economic benefit is the main rationale as well as drive behind SAARC’. The Bangladesh proposal argued that inherent logic strongly justifies regional cooperation, particularly among South Asian countries because the countries in the region enjoy geographical contiguity, historical, social, cultural and ethnic affinities which would act as centripetal forces and thus, contribute substantively to facilitate coordination and to reducing of transaction costs.

**ECONOMIC INITIATIVE BEFORE FORMATION OF SAARC:**

The Foreign Secretaries of the seven South Asian countries accordingly agreed at their first meeting in Colombo (21-23 April, 1981) to pursue cooperation in five broad areas, namely agricultural, rural development, telecommunication, meteorology and health and population services. The Foreign Secretaries also agreed to set up ‘Committee of the Whole’ comprising senior officials from the seven countries to identify and report on other areas of possible cooperation. Thus Committee at its first meeting held in Colombo in August-September 1981 expressed the need to expand economic
relations, and the need for cooperation in international economic negotiations.

In 1983, (24-25 January) the first meeting of the representatives of ‘National Planning Organisation’ was held in New Delhi. This was in fact the first ‘economic’ meeting at a regional level among the South Asian countries. The meeting focused on three areas viz., national planning models and techniques; poverty alleviation programmes; and the global economic situation. The meeting agreed on the need for regular consultations and exchange of information, but more importantly, it called for the systematic exploration of the scope for intra-regional economic cooperation.¹³

The main objectives laid down in the SAARC Charter adopted at the first Summit are to promote the welfare of the peoples of South Asia; accelerate economic growth and social progress; promote active collaboration in the economic, social, cultural technical and scientific fields; strengthen cooperation in international forums on matters of common interest; and cooperate with international and regional organizations with similar aims and purposes.

ECONOMIC INITIATIVES AFTER THE FORMATION OF SAARC:

After the declaration of SAARC Charter, the first ‘Ministerial Meeting on International Economic Issues’ was held in Islamabad in March-April 1986. The declaration of this Ministerial Meeting stressed
the need for intensifying economic cooperation among SAARC countries and also agreed that SAARC countries should coordinate their positions at the various headquarter of regional and international organizations, as well as in relevant international conferences to further the common objectives of member countries.\textsuperscript{14}

The second meeting of ‘National Planning Organization’ was held in Islamabad in October 1987. It recommended that in view of the adverse international economic situation facing the region, there was a need to pool resources for long-term regional cooperation. The representatives of the meeting felt the need to constitute a study group to identify priority areas for regional economic cooperation.

Accordingly the first attempt was made towards moving in to core areas of trade and economic cooperation was the commissioning by the SAARC Secretariat, a ‘regional study on ‘Trade Manufacturers and Services’ (TMS). The TMS study was completed in 1991. It outlined a number of recommendations for promoting regional cooperation in the core economic areas.\textsuperscript{15} It considered economic cooperation among the countries of the SAARC region as an inevitable imperative for promoting all round development of the region.

In May 1991, the Council of Ministers at their Ninth session at Male endorsed the study of the TMS and established a high level committee known as the ‘Committee on Economic Cooperation’ (CEC)
comprising Commerce/Trade Secretaries of the SAARC Member States. The CEC was mandated to formulate and oversee implementation of specific measures, policies and programmes within the SAARC framework to strengthen and enhance intra-regional cooperation in the field of trade and economic relations. With the creation of the CEC, regional, economic cooperation was formally institutionalized. The recommendations of the CEC are submitted to the Standing Committees of Foreign Secretaries and through it to higher bodies, namely the Council of Ministers and the Summit.\textsuperscript{16}

The CEC at its third meeting in New Delhi in November 1991 recommended that the Draft Agreement on SAARC Preferential Trade Agreement (hereafter as SAPTA) with few modifications, be approved by the Council of Ministers at its next Twelfth Session in Dhaka.\textsuperscript{17} In December 1991, the Sixth Summit, held in Colombo approved the establishment of an ‘Inter Governmental Group’ (IGG) to formulate an agreement to establish a SAARC Preferential Trading Agreement (SAPTA) by 1997.

SAPTA:

Given the consensus within SAARC the Council of Ministers signed the framework Agreement on SAPTA in Dhaka on 11th April 1993. The signing of SAPTA was a landmark achievement of the South Asian countries. The New Delhi Summit held from 2\textsuperscript{nd} to 4\textsuperscript{th} May
1995, formally approved the proposals for preferential trade worked out by the Inter-Governmental Group (IGG) and later endorsed by the SAARC Foreign Ministers with all the member countries having ratified the Agreement, the same came into force on December 7th 1995 – the date which marks the end of the first decade of SAARC’s experience.\textsuperscript{18}

SALIENT FEATURES OF SAPTA AGREEMENT

The operationalization of SAPTA Agreement is the real beginning of SAARC. This Agreement is recognized as the first step towards higher level of trade and economic cooperation in the region. It aims to promote and sustain mutual trade and the economic cooperation among the member countries, through exchanging concessions. It promotes intra-SAARC trade through reduction in tariffs, para-tariffs, non-tariff measures, and taking direct trade measures like buy-back arrangements, state trade operations, etc. Member countries were agreed to undertake appropriate steps and measures for developing and improving the communication system, transport infrastructure and transit facilities for accelerating the growth of trade.

PRINCIPLES OF SAPTA:

SAPTA Agreement shall be governed by the following principles:\textsuperscript{19}

- SAPTA shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a
way as to benefit equitably all Contracting States taking into account their respective levels of economic and industrial development, the pattern of their external trade, trade and tariff policies and systems;

- SAPTA shall be negotiated step by step, improved and extended in successive stages with periodic reviews;
- The special needs of the Least Developed Contracting States shall be clearly recognized and concrete preferential measures in their favour should be agreed upon;
- SAPTA shall include all products, manufactures and commodities in their raw, semi-processed and processed forms.

SAPTA Agreement envisages periodic rounds of trade negotiations for exchange of trade concessions. The operationalization of SAPTA Agreement from 7th December 1995 is, of course, a positive step towards liberalization and creation of SAARC trade block, that too, very modest. The consolidated National Schedule of Concessions containing the lists of products furnished by the member countries for tariff concession under First Round of SAPTA was not very impressive. Under first Round of SAPTA the seven SAARC countries agreed to grant preferential duty rates for exports among member countries. They identified 226 commodities / items (484 tariff lines) for exchange on tariff concessions ranging from 10 percent to 100 percent. Bangladesh
agreed to give a uniform duty concession of 10 percent on all exports from member states on 12 items. Likewise, Bhutan also listed 11 items for duty concession, of which non-LDCs (Least Developed Countries) will get concession on only four. India granted tariff concessions for 106 items. Maldives listed 17, Nepal listed 14, Pakistan listed 35 and Sri Lanka listed 31 items for tariff concessions. However a large number of products offered for concession by the Member States were not imported at all from the region.\textsuperscript{20}

The Second Round of SAPTA negotiations, which concluded in Kathmandu on 29-30th November 1996, has resulted in tariff concessions on 1972 tariff lines/items. The following Table depicts the details of concessions exchanged during the Second Round under SAPTA of SAARC countries.\textsuperscript{21}

**TABLE – 5.1**

**CONCESSIONS EXCHANGED DURING THE SECOND ROUND UNDER SAPTA OF SAARC COUNTRIES**

<table>
<thead>
<tr>
<th>Concessions Granted by</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>Total given concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>--</td>
<td>1</td>
<td>204</td>
<td>2</td>
<td>16</td>
<td>13</td>
<td>5</td>
<td>241</td>
</tr>
<tr>
<td>Bhutan</td>
<td>1</td>
<td>--</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>33</td>
<td>3</td>
<td>47</td>
</tr>
<tr>
<td>India</td>
<td>513</td>
<td>0</td>
<td>--</td>
<td>1</td>
<td>0</td>
<td>175</td>
<td>22</td>
<td>911</td>
</tr>
<tr>
<td>Maldives</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>--</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Nepal</td>
<td>41</td>
<td>38</td>
<td>0</td>
<td>12</td>
<td>--</td>
<td>172</td>
<td>14</td>
<td>277</td>
</tr>
<tr>
<td>Pakistan</td>
<td>26</td>
<td>10</td>
<td>230</td>
<td>0</td>
<td>99</td>
<td>--</td>
<td>21</td>
<td>386</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>17</td>
<td>3</td>
<td>22</td>
<td>3</td>
<td>4</td>
<td>53</td>
<td>--</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total Concessions Received</strong></td>
<td>601</td>
<td>52</td>
<td>456</td>
<td>18</td>
<td>132</td>
<td>646</td>
<td>67</td>
<td>1972</td>
</tr>
</tbody>
</table>

**Source:** SAARC Documentation Centre.
Out of 1972 tariff lines/items, India has granted concessions on 911 tariff lines, followed by Pakistan on 386 tariff lines, Nepal on 277 tariff lines, Bangladesh on 241 tariff lines, Sri Lanka on 102 tariff lines, Bhutan on 47 tariff lines and Maldives on 8 tariff lines. On the other hand, Pakistan has received tariff concessions on 646 tariff lines, followed by Bangladesh on 601 tariff lines, India on 456 tariff lines, Nepal on 132 tariff lines, Sri Lanka on 67 tariff lines, Bhutan on 52 tariff lines, and Maldives on 18 tariff lines.

The slow process of SAPTA is manifested with the fact that SAARC countries would finalize only 1972 items/tariff lines out of total 6000 items/tariff lines for tariff concession. The Council of Ministers at its nineteenth session (Male 10-11th May 1997) welcomed the start of the Third Round of Trade Negotiations under SAPTA and agreed that the process of liberalization of regional trade should be accelerated. It directed the IGG on trade liberalization to conduct negotiations on sectoral and across the board basis. It urged the removal of non-tariff and other barriers. Accordingly, the Third Round of Negotiations under SAPTA was initiated in SAARC Secretariat, Kathmandu from 29-31st July 1997 and concluded on November 23, 1998. In the third round, SAPTA covered a total of 3456 tariff lines. The cumulative tariff lines offered country-wise are given in the following Table.
TABLE – 5.2
SAPTA – 3 (NOVEMBER 1998)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of tariff lines offered for concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1,917</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>481</td>
</tr>
<tr>
<td>Pakistan</td>
<td>295</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>82</td>
</tr>
<tr>
<td>Nepal</td>
<td>189</td>
</tr>
<tr>
<td>Bhutan</td>
<td>124</td>
</tr>
<tr>
<td>Maldives</td>
<td>368</td>
</tr>
</tbody>
</table>

Source: SAARC Documentation Centre.

INTRA-REGIONAL TRADE

The SAARC countries are highly dependent on the advanced countries of the world for their trade relations. Though the importance of the developing countries has grown significantly for their mutual trade among themselves, yet the SAARC trade relations have been strongly linked with the developed world. Historically, the trade relations among SAARC countries have been continuously at a low level. The bulk of their exports and imports have largely with the developed countries. Further, the terms of trade of these countries have become unfavourable due to their low export prices and high import prices. Their export products face tough competition in the world market because of their high cost in comparison to the product of the developed countries. Thus these countries are facing continuous unfavourable balance of trade with the rest of world.
The share of SAARC countries in the World Trade depicts a rather discouraging picture. Their share in the world exports and imports was 7.2 and 5.3 percent respectively in 1938.23 The respective share declined to 0.99 percent and 0.94 percent in 1972. During 1975-91 the share of SAARC in the world exports and imports has remained 0.80 percent and 1.19 percent in world exports and imports respectively on an average per annum.24 The share of SAARC in the total trade turnover of the world during 1995 was 1.05 percent only.

SAPTA was envisaged primarily as the first step towards the transition to a South Asian Free Trade Area (SAFTA) leading subsequently towards Customs Union, Common Market and Economic Union. In the Eighth SAARC Summit held in New Delhi in May 1995, India proposed for the transition from SAPTA to SAFTA. In the sixteenth session of the Council of Ministers held in New Delhi on 18-19th December 1995, agreed on the meet to strive for the realization of SAFTA and to this end an Inter Governmental Expert Group (IGEG) was set up in 1996 to identify the necessary steps towards moving into a free trade area.

**SAARC Economic Cooperation Conference:**

The SAARC Chamber of Commerce and Industry (SCCI) and Federation of Indian Chamber of Commerce and Industry (FICCI) organized Economic Cooperation Conference on November 19, 1996. While inaugurating the SAARC Economic Cooperation Conference, the
then Indian Prime Minister Sri. H.D. Deve Gowda under scored the need for regional agreement of conventions on investment promotion and protection, avoidance of double taxation, customs harmonization and cooperation among the SAARC countries. The delegates felt that the trade liberalization has got the right impetus in the SAARC region. It also opined that consensus on 1200 items is essential to kept open for tariff reduction among SAARC nations. Such step goes a long way in further ensuring the implementation of SAFTA.

**Economic Cooperation Conference (ECC)**

Indian Chamber of Commerce organized ECC on December 20, 1996 at Calcutta. Members of Federation of Pakistan Chamber of Commerce and Industry (FPCC) expressed eagerness for increasing trade and business exchanges with India. Pakistan was prepared to exchange engineering goods, for Indian Tea on barter basis. In the meeting delegates from Dhaka requested for removal of tariffs on 210 items, India conveniently agreed to waive custom duty on 164 items.

**SAARC Council of Ministers Meeting:**

The 17th session of SAARC Council of Minister was inaugurated by the then Indian Prime Minister Sri. H.D. Deve Gowda on December 19, 1996. In his address he vehemently suggested that efforts to be made to make the South Asian Free Trade Area (SAFTA)
the early deadline for which was the year 2000 and the latest 2005 – operational in 1998. He remarked ‘The SAFTA will make the regional grouping a strong economic entity’. The formation of SAFTA (at an early stage) would certainly help in removing trade barriers and also possibly enable the member-states to overcome the contentions on bilateral issues. It is felt that SAFTA’s inception could also result in extending of concession of tariffs and favourable treatment to the Least Developed Countries (LDCs) in the region.

Recognizing the need to address asymmetries in development and other complexities that may stand in the way of such a tight schedule, the Tenth Colombo Summit directed that the text of the regulatory framework for creating a Free Trade Area in the region should be finalized. In this connection, a Committee of Experts has been constituted to draft a comprehensive treaty which has, following its first meeting in Kathmandu (July 1999) worked out its broad terms of reference. Eventually, the treaty would incorporate *inter alia*, binding time frames for freeing trade measures to facilitate trade, protection of LDC’s including mechanism for compensation of revenue loss etc. After setting the Committee of Experts the Inter Governmental Export Group (IGEG) was winded up.

All the member countries of SAARC has shown keen interest in the Ninth SAARC Summit held in Male during May 1997, to
advance the deadline of the implementation of SAFTA from 2005 to 2001. India's proposal for SAARC Economic Community (SAEC) after attaining the goal of SAFTA had also responded positively in this Summit. However, the targets could not be met and it was decided at the Eleventh Summit held at Kathmandu on 4th to 6th January. Decided that the goal should be attained by the end of 2002.

**SAFTA**

The Twelfth SAARC Summit scheduled to held in 2003 was delayed due to escalating tensions between India and Pakistan. So the issue of SAFTA agreement also delayed. However, the Twelfth SAARC Summit was held in 2004 in Islamabad. The one success that had been eluding the SAARC Summit for quite sometime and keeping the member states at loggerheads with each other has ultimately been accomplished. The Islamabad Summit of SAARC has produced a fine blue-print for the future economic development and integration of the region in the form of a masterpiece known by the nomenclature of SAFTA. The agreement signed at the 12th SAARC Summit is a huge morale booster of the region. The SAFTA agreement was signed by the Council of Ministers of the region in 2004. It was formally approved by the Summit.

**Salient Features of SAFTA:**

The SAFTA signed on 6th January 2004 has the following features:28
• The objective of the agreement was to promote and enhance mutual trade and economic cooperation by eliminating barriers of trade in and facilitating the cross-border movement of goods between the territories of region.

• It suggested for fair competition in the free trade area and ensured equitable benefits to all members of the region.

• It is decided for the creation of effective mechanism for the implementation of the agreement and for resolving disputes.

• It involve for the free movement of goods between countries through, inter-alia, the elimination of tariffs, para tariffs and non-tariff restriction on the movement of goods.

• Keeping in view, the special needs of the Least Developed Countries it adopts concrete preferential measures in their favor on a non-reciprocal basis.

• For the mutual benefit it decided for the simplification and harmonization of customs clearance procedure.

It was decided that the agreement shall enter into force on 1st January 2006, upon completion of formalities, including ratification by all contracting States and issuance of a notification there of by the SAARC Secretariat. This Agreement shall supercede the agreement of SAPTA.
Superiority of SAFTA over SAPTA:

SAFTA has more chances of success than SAPTA, due to the fact that the former may encourage greater cooperation in areas such as investments and the formation of a common energy grid. Bhutan and Nepal have surplus power and there could be import of energy into India. But the possibility of having a quantum jump in trade in goods is not very encouraging. It is not expected to lead to any immediate jump in exports to India since as many as 884 specific product groups have been kept on the sensitive list where the trade liberalization programme would not be applicable. Other countries in the SAARC region had a limited trade basket mainly comprising textiles and plantation sector items, whereas India’s sensitive list includes goods mainly from the agriculture sector, textiles, chemicals and leather and those reserved for the small-scale sector. SAFTA would encourage more textile trade between India and the LDCs of SAARC and the same could not be said about the plantation sector. As most of the items under the plantation sector are kept in the sensitive list, there is a limited scope for trade enlargement in this area. SAFTA deal is likely to work in favour of LDCs such as Bangladesh, which is already a low-cost manufacturer of textiles and would get preferential access to huge Indian market.29

The two select features of SAFTA – the rules of origin and the sensitive list – demonstrate everything. Three areas were clearly
identified in SAFTA at the 13th Summit. (i) negative lists dealing with the exclusion of commodities not falling within the consist of free trade; (ii) the rules of origin to ensure that third country goods did not slip into intra-regional trade without adequate value addition in a member-nation; and (iii) the rescue composition of LDCs to compensate than for the loss of duties following free trade. SAFTA is heavily skewed in favour of the LDCs, not merely on the staggered tariff reduction schedule but also in the drawing up of the negative lists of items not covered by the agreement. Effective implementation of SAFTA will determine the larger success of SAARC.

The process of integration of economies of the SAARC members has been painfully slow. Four countries remain in the LDC category and two or three of them have moved as to a much higher level of growth and development. More important political differences have held the grouping to random all the years. Because of the undue delay in implementing SAFTA, India went ahead and signed a bilateral FTA with Sri Lanka in the region and a few others as well. Implementing SAFTA is going to be two stage process – India, Pakistan and Sri Lanka are to bring their tariffs in line by 2013, and the rest of the region will follow suit by 2018.

The new regime can succeed, only through a process of consensus and compromise, trade is a two way street. If India opened up to its neighbours, allowing them to enter the domestic market, they
might be liberal in opening up their market place, and ultimately price and quality would settle the demand-supply equations. It is said that India had bowed to the domestic industries and has not played much to the expectations in proportion to the size of the India’s economy and its diversified nature.\textsuperscript{30} It is known fact that as much as 70\% of tariffs paid by developing countries. That is why Asian countries start helping their poor by lowering regional tariffs on key products. But it is not taking place in SAARC where India is the leader cruising on a high growth strategy with foreign exchange reserves running at \$ 140 billion dollars.

\textbf{SAARC Trade Fairs:}

The holding of SAARC Trade Fairs has become as regular feature since 1996 when the first SAARC Trade Fair was held in New Delhi in January 1996 with the theme “Cooperation for Growth”. The Fair organized as a part of the commemoration of the first decade of SAARC, was jointly inaugurated by the Commerce Ministers and leaders of delegations of Member States. The Fair provided a befitting venue for the representatives of the business and industry of SAARC member countries to discuss various issues connected with promotion and expansion of intra-SAARC trade. The Trade Fairs have succeeded not only in projecting the potential of the region but also in promoting the wide variety of products of the region produces, which match international quality and standards. The SAARC Secretariat has also set up stalls at Trade Fairs to inform the public of SAARC activities.
The Trade Fairs are one of the important vehicles for promoting intra-SAARC trade. The Table 5.3 gives the details of the SAARC Trade Fairs held so far:

Table – 5.3

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1996</td>
<td>New Delhi</td>
</tr>
<tr>
<td>Second</td>
<td>1998</td>
<td>Colombo</td>
</tr>
<tr>
<td>Third</td>
<td>2001</td>
<td>Karachi</td>
</tr>
<tr>
<td>Fourth</td>
<td>2002</td>
<td>Kathmandu</td>
</tr>
<tr>
<td>Fifth</td>
<td>2003</td>
<td>Dhaka</td>
</tr>
<tr>
<td>Sixth</td>
<td>2005</td>
<td>New Delhi</td>
</tr>
<tr>
<td>Seventh</td>
<td>2006</td>
<td>Karachi</td>
</tr>
<tr>
<td>Eighth</td>
<td>2008</td>
<td>Colombo</td>
</tr>
</tbody>
</table>

Source: SAARC Documentation Centre.

Dominating Partner: India

One of the basic features of the South Asian region is the compelling presence of India with a gigantic size in terms of population, area and economy. India shares three-fourths of the economy of the entire South Asia. This is both a source of strength and also creating certain discomforts for India as it overcomes has smaller neighbours, though India’s per capita income and foreign trade as percentage of GNP is lower than most of the SAARC member countries.

India is an agriculture-based country sharing nearly 31 percent of the GDP in 2001. While the share of industry is 30 percent, in this the manufacturing sector alone contributes nearly 20 percent in
2001. The analysis of the share of GDP exhibit that the share of agriculture is decreasing. This indicates that the country is shifting to developing and industrial economy. The per capita income of the country was estimated at US 2230 Dollars in 2001 and real growth rate estimated for the last decade, 1999-2000 was 3.5 percent. But the real growth rate during the period 2000-2001 was only 2.9 percent. This was because of the adverse impact of the Gulf crisis.31

**Travel of India’s Trade with SAARC**

Generally the foreign trade of a country includes exports and imports. The following are the important items of exports and imports from India to SAARC countries and from SAARC states to India.

**Afghanistan:**

India has signed a Preferential Trade Agreement (PTA) on March 6, 2003, with the Afghanistan, according to which preferential tariff is granted by the Government of Afghanistan on eight items exported from India including tea, medicines, sugar, cement. The other major exports to Afghanistan from India include articles of iron or steel, clothing accessories, aluminium articles, electrical machinery, nuclear reactors and boilers etc. The major imports from Afghanistan including goods like edible fruits and nuts, lal, gums, resins, carpets, paper and paper board etc. The Table 5.4 gives the details of India's exports and imports to Afghanistan and its share in the total trade of India.
TABLE 5.4
INDIA’S TRADE WITH AFGHANISTAN

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th></th>
<th>IMPORTS</th>
<th></th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Exports</td>
<td>% of Growth</td>
<td>% of share</td>
<td>Total Imports</td>
<td>% of Growth</td>
</tr>
<tr>
<td>1.</td>
<td>2002-2003</td>
<td>60.77</td>
<td>---</td>
<td>0.12</td>
<td>18.46</td>
<td>---</td>
</tr>
<tr>
<td>2.</td>
<td>2003-2004</td>
<td>145.47</td>
<td>139.38</td>
<td>0.23</td>
<td>40.51</td>
<td>119.50</td>
</tr>
<tr>
<td>3.</td>
<td>2004-2005</td>
<td>165.44</td>
<td>13.73</td>
<td>0.20</td>
<td>47.01</td>
<td>16.03</td>
</tr>
<tr>
<td>4.</td>
<td>2005-2006</td>
<td>142.67</td>
<td>-13.76</td>
<td>0.14</td>
<td>58.42</td>
<td>24.29</td>
</tr>
<tr>
<td>5.</td>
<td>2006-2007</td>
<td>181.58</td>
<td>27.27</td>
<td>0.14</td>
<td>34.48</td>
<td>-40.99</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
It is crystal clear from the Table 5.4 that India has favourable balance of trade with Afghanistan during the all years of study. During 2003-2004 the percentage of growth in exports and imports is more than 100 percent. The exports registered gradual growth year by year and imports also registered gradual growth except 2006-2007. It is important to note that the percentage of Afghanistan total trade with India never reached at least one percent of India’s total trade.

**Bangladesh:**

The main components of India’s exports to Bangladesh was cotton yarn, machinery and instruments, fruits and vegetables, spices, man made yarn, fabrics and made ups drugs, pharmaceuticals and fine chemicals, rubber manufactured products, transport equipment. The major imports from Bangladesh are News Print, Organic Chemicals, ores, metal scrap, textile yarn and fabrics, transport equipments, non-ferroure metals, pearls, precious and semi-precious stones. It is important to note that the none of these items had significant share in the imports from that country.
TABLE – 5.5

INDIA’S TRADE WITH BANGLADESH

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
<th>Trade Balance (Exports – Imports)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Exports</td>
<td>% of Growth</td>
<td>% of share</td>
</tr>
<tr>
<td>1.</td>
<td>2002-2003</td>
<td>1176.00</td>
<td>---</td>
<td>2.23</td>
</tr>
<tr>
<td>2.</td>
<td>2003-2004</td>
<td>1740.74</td>
<td>48.02</td>
<td>2.73</td>
</tr>
<tr>
<td>3.</td>
<td>2004-2005</td>
<td>1631.12</td>
<td>-6.30</td>
<td>1.95</td>
</tr>
<tr>
<td>4.</td>
<td>2005-2006</td>
<td>1664.36</td>
<td>2.04</td>
<td>1.61</td>
</tr>
<tr>
<td>5.</td>
<td>2007-2008</td>
<td>1626.58</td>
<td>-2.27</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
It is evident from the Table 5.5 that after 2003-2004, the percentage of share of India’s exports to Bangladesh started declining gradually. In 2004-2005 and in 2007-2008 the negative growth rate was registered in exports. While in case imports the percentage of share is not evenly distributed. The negative growth rate in imports was registered in the year 2004-2005. Unlike Afghanistan the share of India’s exports to Bangladesh reached nearly 3 percent.

**India’s Trade with Bhutan:**

The Free Trade Agreement between India and Bhutan provides for free trade between the two countries. Under this Agreement India also provides shipment facilities through Indian territory for Bhutan’s trade with third countries. All the export transactions are carried out in Indian Rupees and Bhutanese Ngultrum.

**Bhutan:**

The main components of India’s exports to Bhutan are transport equipment, primary and semi-finished iron and steel, machinery and instruments, manufacturers of metals, tea, ores and minerals. The chief items of import are wood and wood products, Inorganic Chemicals, coal, coke and briquettes.
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th></th>
<th>IMPORTS</th>
<th></th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>% of Growth</td>
<td>% of share</td>
<td>Total Imports</td>
<td>% of Growth</td>
</tr>
<tr>
<td>1.</td>
<td>2002-2003</td>
<td>39.05</td>
<td>---</td>
<td>0.07</td>
<td>32.15</td>
<td>---</td>
</tr>
<tr>
<td>2.</td>
<td>2003-2004</td>
<td>89.49</td>
<td>129.20</td>
<td>0.14</td>
<td>52.37</td>
<td>62.88</td>
</tr>
<tr>
<td>3.</td>
<td>2004-2005</td>
<td>84.58</td>
<td>-5.48</td>
<td>0.10</td>
<td>71.00</td>
<td>35.58</td>
</tr>
<tr>
<td>4.</td>
<td>2005-2006</td>
<td>99.17</td>
<td>17.24</td>
<td>0.10</td>
<td>88.77</td>
<td>25.02</td>
</tr>
<tr>
<td>5.</td>
<td>2006-2007</td>
<td>57.40</td>
<td>-42.06</td>
<td>0.05</td>
<td>141.33</td>
<td>59.20</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
The Table 5.6 makes it clear except for one year (2006-2007) India has favourable balance of trade with Bhutan. The growth rate of either exports or imports were not evenly distributed. The share of Bhutan’s trade with India never touched even one percent. Even after the conclusion of SAFTA, its impact on trade relations is not up to the expectations.

India’s Trade with Maldives:

Trade between India and Maldives is governed by the rules as mentioned in the Indo-Maldives Trade Agreement signed on 31\textsuperscript{st} March 1981. Under this agreement Indian major export items to Maldives include rice other than basmati, sugar, fresh vegetables, miscellaneous processed items, drugs, pharmaceuticals and fine chemicals, plastic and linoleum products, manufacturers of metals and machinery equipment. The imports from Maldives are insignificant. India and Maldives also shares the status of 'Most favored Nations' with each other.
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Exports</td>
<td>% of Growth</td>
<td>Total Imports</td>
</tr>
<tr>
<td>1</td>
<td>2002-2003</td>
<td>31.59</td>
<td>0.06</td>
<td>0.33</td>
</tr>
<tr>
<td>2</td>
<td>2003-2004</td>
<td>42.34</td>
<td>34.04</td>
<td>0.37</td>
</tr>
<tr>
<td>3</td>
<td>2004-2005</td>
<td>47.61</td>
<td>12.46</td>
<td>0.61</td>
</tr>
<tr>
<td>4</td>
<td>2005-2006</td>
<td>67.58</td>
<td>41.93</td>
<td>1.98</td>
</tr>
<tr>
<td>5</td>
<td>2007-2008</td>
<td>68.67</td>
<td>1.61</td>
<td>3.05</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
The Table 5.7 reveals that the volume of India's exports to and imports from Maldives gradually increasing over the years. The percentage of share of imports from Maldives to India constitutes less than 0.01 percent and insignificant. The trade balance is completely in favour of India. Unlike, other countries of the region Maldives never registered negative growth rate either in exports or imports.

Nepal:

Indo-Nepal Trade Treaty between India and Nepal is signed for the time period of five years. Under this trade agreement major items exported from India include drugs, pharmaceuticals and fine chemicals, petroleum products, pulses, transport equipment, rice other than basmati, tobacco manufacturers spices, fresh fruits and vegetables, miscellaneous processed items, ores and minerals, glassware/ceramics, manufacturers of metals, primary and smi-furnished iron and steel and cotton yarn fabrics etc. The major imports from Nepal includes vegetable oil, cereal preparations, crude materials, wood and wood products, sugar and cereals.
TABLE – 5.8

INDIA’S TRADE WITH NEPAL

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th></th>
<th>IMPORTS</th>
<th></th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>% of Growth</td>
<td>% of share</td>
<td>Total</td>
<td>% of Growth</td>
</tr>
<tr>
<td>1</td>
<td>2002-2003</td>
<td>350.36</td>
<td>---</td>
<td>0.66</td>
<td>281.76</td>
<td>---</td>
</tr>
<tr>
<td>2</td>
<td>2003-2004</td>
<td>669.35</td>
<td>91.05</td>
<td>1.05</td>
<td>286.04</td>
<td>1.52</td>
</tr>
<tr>
<td>3</td>
<td>2004-2005</td>
<td>743.14</td>
<td>11.02</td>
<td>0.89</td>
<td>345.83</td>
<td>20.90</td>
</tr>
<tr>
<td>4</td>
<td>2005-2006</td>
<td>859.97</td>
<td>15.72</td>
<td>0.83</td>
<td>379.85</td>
<td>9.84</td>
</tr>
<tr>
<td>5</td>
<td>2007-2008</td>
<td>927.77</td>
<td>7.88</td>
<td>0.73</td>
<td>305.73</td>
<td>-19.51</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
It is evident from the Table 5.8 that the imports from Nepal to India never exceeded the exports. The exports and imports growth rate was not evenly distributed. During 2007-2008 imports registered negative growth rate. Except in 2003-2004 the percentage of share of either exports or imports touched one per cent of India’s total trade.

India’s Trade with Pakistan:

No trade agreement has been signed between India and Pakistan till 2007. Although India has granted the status of ‘Most favoured Nation’ to Pakistan since 1996 but Pakistan has yet to reciprocate by granting this status to India. Indian exports to Pakistan are restricted to a list of 773 items known as positive list. Iron ore is the major export to Pakistan. Other exports were oil meals, dyes, tar and chemicals, spices, paint, enamel and varnish, ores and minerals, drugs, pharmaceuticals and fine chemicals, machinery and instruments. The chief components of imports include fruits, textile yarn, fabrics and made ups, metalifers, ores and metal scrap, crude minerals, wood pearls and semi-precious stones.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports (Value in US $ million)</th>
<th>% of Growth</th>
<th>% of Share</th>
<th>Total Imports (Value in US $ million)</th>
<th>Growth</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 2002-2003</td>
<td>920.98</td>
<td>1.75</td>
<td>0.15</td>
<td>161.31</td>
<td>114.41</td>
<td>0.25</td>
</tr>
<tr>
<td>2. 2003-2004</td>
<td>1319.20</td>
<td>2.07</td>
<td>0.25</td>
<td>229.29</td>
<td>144.41</td>
<td>0.34</td>
</tr>
<tr>
<td>3. 2004-2005</td>
<td>1413.18</td>
<td>1.69</td>
<td>0.39</td>
<td>426.09</td>
<td>94.31</td>
<td>0.39</td>
</tr>
<tr>
<td>4. 2005-2006</td>
<td>2024.87</td>
<td>1.96</td>
<td>0.39</td>
<td>509.67</td>
<td>52.67</td>
<td>0.39</td>
</tr>
<tr>
<td>5. 2007-2008</td>
<td>2253.82</td>
<td>1.79</td>
<td>0.25</td>
<td>1025.54</td>
<td>-18.60</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
It is evident from the Table 5.9 that India's trade balance with Pakistan was in favour of India as the imports from Pakistan never exceeded the exports. The growth rate in exports as well as imports is not constant over the years. But increase of exports the percentage of share is gradually going up and it culminate more than one percent of India's total exports in 2007-2008.

India's Trade with Sri Lanka:

After Bangladesh, Sri Lanka is the biggest export market for India, Trade between the two countries is carried out as per guidelines mention in the Indo-Sri Lanka Free Trade Agreement. Major items of export from India have been pulses, wheat, other cereal spices, oil meals, fresh vegetables, miscellaneous processed items, drugs, pharmaceuticals and fine chemicals, inorganic/organic agro chemicals, rubber, manufactured goods except footwear, glass, glassware/chemicals and allied products, paper/wood products, plastic and linoleum products, non ferrous metals, manufacturers of metals, machinery and instruments, iron and steel bar/rod etc. Primary and semi finished iron and steel, electronic goods, cotton yarn, fabric made ups and petroleum crude and products. The largest components of India's imports from Sri Lanka is metalifers, ores, metal scraps, manufacturers of metals, pulp and waste paper synthetic and reclaimed rubber.
### TABLE – 5.10

**INDIA’S TRADE WITH SRI LANKA**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>EXPORTS</th>
<th></th>
<th>IMPORTS</th>
<th></th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Exports</td>
<td>% of Growth</td>
<td>% of share</td>
<td>Total Imports</td>
<td>% of Growth</td>
</tr>
<tr>
<td>1.</td>
<td>2002-2003</td>
<td>206.16</td>
<td>---</td>
<td>0.39</td>
<td>44.85</td>
<td>---</td>
</tr>
<tr>
<td>2.</td>
<td>2003-2004</td>
<td>286.94</td>
<td>39.18</td>
<td>0.45</td>
<td>57.65</td>
<td>28.54</td>
</tr>
<tr>
<td>3.</td>
<td>2004-2005</td>
<td>521.05</td>
<td>81.59</td>
<td>0.62</td>
<td>94.97</td>
<td>64.75</td>
</tr>
<tr>
<td>4.</td>
<td>2005-2006</td>
<td>689.23</td>
<td>32.28</td>
<td>0.67</td>
<td>179.56</td>
<td>89.06</td>
</tr>
<tr>
<td>5.</td>
<td>2007-2008</td>
<td>1348.55</td>
<td>95.66</td>
<td>1.07</td>
<td>323.01</td>
<td>79.89</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Govt. of India.
The Table 5.10 shows that even in case of Sri Lanka India has favourable trade balance as in the case of other South Asian countries. Up to 2004-2005 Bangladesh is the biggest export market for India in the region. But from 2005-2006, Sri Lanka assumed the first place in case of exports. It is the peace negotiations between Liberation Tigers of Tamil Elam (LTTE) and the Government of Sri Lanka which created congenial atmosphere to expand Indian export market to the Island nations.

**External Economic Linkages of SAARC:**

SAARC has established trade cooperation with international and regional organizations. SAARC signed cooperation agreements with the following international and regional organizations for the betterment of its functioning. They are:

**1. SAARC and UNCTAD:**

In February 1993 a Memorandum of Understanding (MOU) on the Trade Analysis and Information System (TRAIMS) between SAARC and United Nations Conference on Trade and Development (UNCTAD) was signed. Under this MOU, UNCTAD will provide the SAARC Secretariat on a regular basis an updated copy of TRAINS containing data on trade control measures, prevailing in several developed and developing countries. This will facilitate global exports.
The SAARC Secretariat, in turn would provide data on trade control measures prevailing in the SAARC countries.

2. SAARC AND UNICEF:

A Cooperation Agreement between SAARC and United Nations International Children's Emergency Fund (UNICEF) was signed in December 1993. The Agreement envisages cooperation in implementing, the relevant SAARC decisions relating to children through an annual agenda which include joint studies, exchange of documentation and monitoring of implementation. SAARC and UNICEF have been at the forefront of efforts of the community for the survival, protection and development of children.32

3. SAARC and ESCAP:

A Framework Agreement for cooperation between SAARC and Economic and Social Commission for Asia and the Pacific (ESCAP) was signed in February 1994. The Agreement provides for cooperation on development issues through joint studies, workshops and seminars and exchange of information and documentation in poverty alleviation, human resource development, trade promotion, foreign direct investment, environmental protection and prevention of drug trafficking, infrastructure development etc.
INDIA’S TRADE WITH BHUTAN

Value in US Million $
INDIA'S TRADE WITH BANGLADESH

Value in US Million $
SAARC and UNDP:

The SAARC United Nations Development Project (UNDP) Memorandum of Understanding (MOU) was signed in July 1995 and embodies a general agreement for broad-based collaboration with the aims and purposes of promoting sustainable human development for eradicating poverty, preservation and protection of environment, regeneration of natural resources, employment, creation, and the goals of women in development; undertaking periodic consultation for joint activities; publishing studies on priority concerns and exchanging relevant reports. Cooperation between SAAARC and UNDP has been particularly close in the area of poverty eradication. UNDP has initiated programmes in specific locations in six member countries of SAARC to promote social mobilization with a view to eradicating poverty under its programme RAS/96/600. UNDP and SAARC have been maintaining regular contacts on the implementation of these programmes. A UNDP Advisory Committee on its Poverty Eradication Programmes in South Asia was formed in 1996.

SAARC AND UNDCP:

SAARC signed the MOU with UNDCP in August 1995 to coordinate efforts in combating drug trafficking and drug abuse in the region. The Memorandum envisages mutual consultation and exchange of information between the two organizations, development and implementation of such activities as human resource development;
improving regional cooperation on drug intelligence through the SAARC Drug Offences Monitoring Desk; legislation; financial investigation; money lending; precursor control; and the establishment of a networking arrangement among existing institutions in drug abuse prevention, etc. A UNDCP-SAARC Workshop for policy makers of the member States on Drug Trafficking and Drug Abuse was held in Colombo on 1996.34

SAARC AND EUROPEAN COMMISSION:

Since the conclusion of the MOU on Administrative Cooperation with the EC in July, 1996, the Secretariat has been in regular touch with the European Commission to concretize SAARC-EC cooperation through the implementation of specific projects/programmes. The MOU mainly focuses on exchange of information, institutional support and training, and technical assistance. The MOU envisages cooperation between the two organizations in the areas of staff training of SAARC Secretariat and SAARC institutions, technical assistance for institutions and institutional support to strengthen the capacities and effectiveness of SAARC Secretariat and SAARC institutions. The two organizations have identified specific areas where cooperation was feasible. The South Asia Rinderpest Eradication Campaign Support Project (SAREC SP) proposed by EU is under consideration by the Member States.

SAARC and ITU:
The Memorandum of Understanding (MOU) between SAARC and International Telecommunications Union (ITU) was signed in March 1997. Providing a framework agreement for ensuring closer cooperation and coordination of efforts between SAARC and ITU. The areas covered by the MOU include development of telecommunications and telemetric services as well as improvement of the quality of voice and non-voice telecommunication services in the region. Member States of SAARC and ITU would jointly work towards improving the productivity and efficiency of the telecommunication organizations and networks in the region.\textsuperscript{35}

**SAARC AND CIDA:**

SAARC and the Canadian International Development Agency (CIDA) signed a Memorandum of Cooperation in July, 1997 for promotion of cooperation and mutually beneficial relationships between the two organizations in the core areas of mutual concern, which, among others, include poverty eradication; economic and trade cooperation; social and human resource development; sustained economic growth; and sustainable development. For the purpose of cooperation in these areas, the Memorandum envisages establishment of an annual programme of cooperation and regular interaction for coordination, exchange of information, and review of cooperation activities, between the two contracting parties. The Memorandum also intends to encourage cooperation between SAARC and CIDA through
involvement of mutually agreed upon regional institutions and non-governmental organizations.

Inference:

The globalization and liberalization trends in world economy in the last quarter of twentieth century led to confusion and embarrassment among third world countries. These circumstances forced the countries of South Asia to concentrate on regional economic cooperation. Besides, the economic background of all the countries of the region also contributed to strengthen economic ties among the SAARC nations. In order to boost economic cooperation, meetings at official and political level have been held to discuss mutual areas of cooperation. These meetings proved fruitful and at last the countries of the region concluded the SAPTA in April 1993. For the equitable development of all countries of the region the SAPTA recognized the special needs of Least Developed Countries (LDCs). But the progress made after the conclusion of the agreement is not upto the mark. Hence the leader of the region started negotiations to expand the trade in the region. The negotiations culminated, with conclusion of South Asian Free Trade Area (SAFTA) in 2004. SAFTA has more chances of success than SAPTA, due to the fact that the former may encourage greater cooperation in areas like investment, and the functioning common energy grid. Inspite of various agreements and treaties, India phobia continued in economic relations. India’s trade with other
countries of the region is in favour of India. It means that India has positive trade balance with other SAARC countries. The major export markets for India was Bangladesh and Sri Lanka. Beside inter-regional trade, the SAARC countries entered into extra-regional trade linkages with other regional and international economic unions.
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19) Ibid., p.20.


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29) Nirmala Devi, T., "SAPTA & SAFTA", Centre for SAARC Studies, Andhra University, Visakhapatnam.


33) Ibid, p.57.

34) Ibid, p.58.

35) Ibid, p.60.