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SOUTH ASIAN TRADE COOPERATION WITHIN SAARC AND WITH ASEAN: RATIONALE, PROSPECTS, REALITIES

I. Introduction

South Asia is passing through interesting times. For about a decade or so¹ an effort is on for institutionalised regional cooperation—something hardly ever before conceived of as a real possibility. The emergence of South Asian Association for Regional Cooperation (SAARC) with Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka as member-States has drawn a great deal of attention and no less of expectations. In a region otherwise bedevilled by endemic mutual mistrust, occasional hostilities and chronic tensions cooperative programmes of SAARC are expanding with an apparently well-intentioned, if not euphoric, image of regionalism for economic development and collective self-reliance.

On the other hand, whilst the process of institutionalising regional cooperation within the nascent association goes on, the prospect of SAARC as an effective organisation for regional cooperation continues to be viewed with scepticism. Indeed, when SAARC was formally launched in the wake of the first ever summit meeting of South Asian Heads of State or Government held in Dhaka in December 1985, it

1. Late President Ziaur Rahman of Bangladesh undertook the first exploratory trips in favour of SAARC during 1977-1980.

appeared more to be an event of symbolic value than an opening for concrete cooperation, and for the growth of effective regionalism among the states of the region. This is due partly to the historical reality of mistrust and suspicion and partly to the fact that the new association has imposed on itself what has been called a 'self-denying ordinance,'² whereby, again largely because of mistrust and suspicion, 'core' areas of the economy like trade, industry, investment, etc., have been kept out of the agenda of cooperation.

Views on SAARC are sceptic also because of the lessons from cooperation and integration efforts in many other regions of the developing world which are principally discouraging. Such efforts have been evidenced to be 'foundering on the reefs of distrust, non-cooperation and parochial nationalism.' The performance of some regional organisations often appeared so moribund that even the theoretical foundations of regional cooperation were shaken.³ Add to this the fact that the benefits of integration for the most part accrue in the long run. The governments and peoples of developing countries are not always in a position to wait for long term benefits and this tends to weaken the will to sustain integration efforts.⁴

2. Rehman Sobhan, "The Logic of Placing Economic Cooperation on the SAARC Agenda", A Seminar Paper presented at BISS on 26 October 1987.
3. See for example, Charles A. Daffy and Warner G. Feld, "Whither Regional Intergration Theory?", in Warner G. Feld and Gavin Boyd, *Comparative Regional Systems*, (Pergamon 1980) pp. 497-521. Also on the subject, Earnst B. Hass, *The Obsolescence of Regional Integration Theory*, (Beverly 1975), Constantive V. Watson, "Crisis in Regional Economic Cooperation Among Developing Countries", *World Development*, June 1978.
4. For academic views that accompanied the emergence of SAARC see, *Asian Survey*, Vol. XXV, No. 4, April 1985, M. Abdul Hafiz and Iftekharuzzaman (eds.) *South Asian Regional Cooperation: A Socio-economic Approach to Peace and Stability*, (BISS/Hakkani, Dhaka 1985); S.D. Muni and Anuradha Muni, *Regional Cooperation in South Asia*, (National Publishing House, New Delhi, 1984); Atiur Rahman, *Political*

The rationale, viability, problems and prospects of regional cooperation in South Asia have thus been the focus of an upsurge of academic exercise.⁵ There seems to be little scope of consensus out of the debate and deliberation on the subject. The debate in all likelihood will continue, which is in effect contributing to a healthy growth of SAARC process. In the meantime, the present paper purports to set out some of the major issues in increasing intra-regional trade within SAARC and promoting inter-regional trade between SAARC countries and faster growing neighbouring countries of the ASEAN—a more experienced Third World regional grouping. The study consists of four main parts. In section II the major arguments in favour of increasing South-South trade (which includes both intra-and inter-regional trade) are briefly revisited. Section III provides an overview of the comparative economic structure of the economies of SAARC and the ASEAN and the existing state of intra-regional trade of the two regions and the level of trade between the two regions. The final section presents the contrast between image and reality in the prospect of trade cooperation in South Asia .

II. The Rationale for Trade Cooperation

One of the significant features of global trade and economic development in recent years, particularly since the 1970s is the increasing concern of the developing countries with the deliberate promotion of mutual trade. This is an imperative stemming from

Economy of SAARC, (UPL, Dhaka 1986); Pran Chopra (ed.), *Future of South Asia* (UPL/Macmillan, Dhaka 1986); Iftekharuzzaman, Abdus Sabur, Nilufar Choudhury, "Future of SAARC and South Asia", Seminar Paper presented at BISS on 26 August 1986; Bhabani Sengupta, *Regional Cooperation and Development in South Asia*, Vols, 1-2 (South Asian Publishers, New Delhi, 1986); Iftekharuzzaman, *The SAARC in Progress : A Hesitant Course of South Asian Transition*, BISS Papers No. 7, 1988.

5. "Strengthening the Weakest Link : A Review of Certain Aspects of South-South Trade and Finance", UNCTAD, Report No. ST/ECDC/28, October 1985.

the vagaries of the existing infrastructure of international economic interaction including financial, monetary, trading, insurance, banking and marketing institutions which inherently favour North-South at the expense of South-South trade linkage and economic cooperation.

The fourth summit meeting of Non-aligned states in Algiers recommended a "doubling of the growth rate of mutual trade" to all member states, thereby stressing the need for a shift in favour of deliberate governmental and private efforts in trade directionality as distinct from the predominance of the forces of market. At subsequent meetings of the NAM as well as other international fora including the UN and the Group of 77 the importance of South-South trade as a means of promoting sustained growth has been recognised and repeatedly stressed.⁶ Decisions and recommendations have been made to encourage expansion of trade flows through introduction of new patterns of trade cooperation and establishment of a detailed and complex preferential system for South-South trade through a global system of trade preferences (GSTP).

The various action programmes and related documents have set out the macro-economic objectives in the promotion of mutual trade within the South. These include :

- Greater exploitation of the complementarities among developing countries;
- Development of new patterns for a mutually beneficial division of labour through sub-regional specialization, thereby establishing broader interdependence among developing economies;
- Strengthening of the collective and individual bargaining position of developing countries in the international markets ; and

6. Taken from Boris Cizeljic, Metka Fuks, "Trade Among Developing Countries : Achievements and Potential", in Oli Havrylyshyn, *Exports of Developing Countries, How Direction Affects Performance*, A World Bank Symposium, World Bank, 1987, p. 141.

—Implementation of principles of a new international economic order (NIEO) among themselves, such as preferential treatment by the more advanced to the less advanced developing countries.⁷

The objectives and image of South-South trade are certainly a departure from traditional governmental concerns about the pattern of foreign trade. Indeed the focus on mutual trade for facilitating development through greater collective self-reliance has an essentially political content. The whole concept of South-South trade is often thought to be excessively politicized, particularly when it is defined as a substitute for North-South trade.⁸ Given the fact that the concept originated in politics the criticism may be partially true. But then, it is also possible to argue that the volume of trade that takes place between the developed countries would be much larger than what is warranted by pure comparative advantage. If subjective considerations have guided the pattern of trade and economic linkages of developed economies, it appears all the more justified for the developing countries to apply mutual preferential treatment in shaping their economic relations.⁹

Moreover, in recent times there have been serious economic analyses to substantiate the rationale of increased South-South trade. Havrylyshyn and Wolf present a comprehensive survey of the theories and evidences of South-South trade.¹⁰ Alice Amsden was of course among the first to undertake a study on the concept with particular focus on trade in manufactures.¹¹ Frances James Stewart

7. *ibid.*

8. Iftekharruzaman, Nilufar Choudhury, "SAARC-ASEAN Cooperation : Perspectives and Issues", *The Indonesian Quarterly*, January 1988.

9. *Trade Among Developing Countries : Theory, Policy Issues and Principal Trends*, World Bank Staff Working Paper No. 479, World Bank 1981.

10. Alice H. Amsden, "Trade in Manufactures between Developing Countries", *Economic Journal*, Vol. 86 (1976).

11. Frances James Stewart, *Recent Theories of International Trade : Some Implications for the South*, Queen Elizabeth House, Oxford, 1982.

has shown that South-South trade relations provide a better option for the developing states.¹² Sir Arthur Lewis has also advocated intra-South trade as a means of promoting sustained growth in the face of continued recession and growing protectionism.¹³

The main arguments of these and related studies can be summed up as follows : Firstly, the developing countries of the South have suffered chronically from the 'dependency syndrome'. Efforts for simple and individual self-sufficiency have been largely unsuccessful, particularly in case of least developed countries, and hence collective self-sufficiency appears to be the available option. Secondly, and this is related to the first, colonial trade pattern and institutions have built up a bias in favour of North-South trade at the cost of potentially more lucrative trade in the South with one another. Intra-South trade is beneficial because of opportunities for learning by doing, the shared technological requirements of the South and the advantages of appropriate technology. Thirdly, as a matter of compulsion in the face of growing protectionism in the developed North and chronic phase of global slow growth, developing countries have to look for opportunities amongst themselves and increase mutual trade. Fourthly, the differential economic performance within the developing countries provides new and enhanced opportunities for trade within the South. Rapid growth and structural change in newly industrialised countries (NICs), for example, lead to increase in their demand for the primary goods exported by other developing countries in exchange for the former's enhanced supply of manufactured products imported by the latter.

The need and rationale for increased trade intra-regionally within South Asia and inter-regionally with the geographically proximate ASEAN countries fit well within the frame described above. And as it will be evident in the subsequent sections, the sooner deliberate

12. W. Arthur Lewis, "The Slowing Down of the Engine of Growth", *American Economic Review*, Vol. 70 (1980).

13. Rehman Sobhan, *op. cit.*, p. 14.

governmental and private initiatives are taken to strengthen these trade ties rather than leaving them to the forces of market the better. Furthermore, analysts have argued that whilst increased intra and inter-regional trade would be beneficial to all member countries of SAARC the delay in acting in that direction would be more harmful to the smaller and lesser developed states. Rehman Sobhan argues, for example :

The price of . . . inactivity within SAARC to come to grips with the need to plan for enhanced trade cooperation within South Asia will in the final analysis be paid for by those who can least afford it. Their inherited apprehension in planning economic relations within SAARC will let the market place remain the arbiter of South Asian regional economic cooperation. The inexorable laws of the market will favour the strong and sow the seeds of new generation of political tension induced by the apprehensions of dependence and domination of the weaker by the stronger within the South Asian region.¹⁴

Before further extending the argument in favour of placing trade cooperation within the SAARC agenda we now turn to highlight the comparative economic features and trade structures, particularly directions of trade of the member-states of SAARC and ASEAN.

III. SAARC and ASEAN Economies : The Comparative Profile and Opportunities

Some of the main features of the economies of the two regions are presented in this section. The objective is to facilitate an understanding of the prospects and limitations of trade expansion. The relevant statistics depicting the complementarities and competitiveness at both regional and inter-regional levels are provided in tables 1 to 15. The main highlights of the information may be summarized as follows.

14. Mukul G. Asher, Charan Wadhva (eds.) *ASEAN-South Asia Economic Relations* ISEAS, Singapore, 1985, Introduction, p. 3

Profile and Complementarities

Countries of SAARC and ASEAN belong to the broad category of developing countries and share many of the vulnerabilities and problems common to such category of countries. The ASEAN group is nevertheless at a higher stage of economic performance than the SAARC group in nearly all respects so that potential complementarities exist between the two regions. On a closer focus, within the SAARC group while the member-states belong to the bottom end of the low-income countries there are divergences indicating the economic rationale for greater trade cooperation.

While the population of South Asia is more than 3.5 times and GDP is more than 30% higher than that of ASEAN, the latter's per capita GNP is much higher than that of the former. The highest per capita GNP among the South Asian countries - that of Sri Lanka at US \$ 400 - is merely about 80% of the lowest in ASEAN that of Indonesia at US \$ 490 (Table 1). Moreover, growth rates of GNP are much higher in ASEAN than in SAARC thus indicating widening income differentials. The divergences are brought into sharper focus if the distribution of output and potentials of the SAARC region is taken into consideration. Nearly 80 percent of the GDP of the region is for example produced in India. The strongest South Asian economy's (India) GDP in 1986 was over 900 times that of the weakest (Bhutan), whereas in case of ASEAN the differential was about 4 times. Within South Asia, India accounts for roughly 76% of the population, 73% of the total area, 68% of manufacturing exports, 62% of the export earnings, 79% of manufacturing value added, 59% of the import market and 41% of the external reserves. Divergences are also quite prominent in ASEAN Indonesia occupying about 62% of the land area and 56% of the population. But in terms of overall economic performance disparity is much less within the ASEAN economies with all of them at a considerably higher level than their SAARC counterparts but India.

Data on structure of production presented in Table 2 reveal reasonable prospect of both intra and inter-regional trade. Agriculture

Table 1
SAARC and ASEAN Member States : Basic Indicators

Member-State	Variables								
	Population (millions/ mid 1986)	Area (thousand sq. km)	GDP US Dollars billion/1986	GNP Per. cap. US \$ 1986	Annual Growth Rate		Total External Debt (1986) US \$ Millions	Debt service (1986) as % of GNP Export	
					GDP (%) 1980-86	GNP (%) 1965-86			
SAARC									
Bangladesh	103.2	144	15.46	160	3.7	0.4	7,282	1.8	25.1
Bhutan	1.3	47	0.21	150	—	—	—	—	—
India	781.4	3,288	203.79	290	4.9	1.8	34,511	1.6	24.6
Maldives	0.189	—	—	310	—	1.8	—	—	—
Nepal	17.0	141	2.20	150	3.5	1.9	711	1.2	9.4
Pakistan	99.2	804	30.08	350	6.7	2.4	11,794	3.3	27.2
Sri Lanka	16.1	66	5.88	400	4.9	2.9	3,544	4.6	18.4
Sub-total (SAARC)	1020.2	4,490	257.62	—	—	—	57,842		
ASEAN									
Brunei	0.232	6	—	15,400	—	—	—	—	—
Indonesia	166.4	1,919	75.23	490	3.4	4.6	35,729	7.3	33.1
Malaysia	16.4	330	27.58	1,830	4.8	4.3	19,650	12.7	20.7
Philippines	57.3	300	30.54	560	-1.0	1.9	21,622	6.1	21.3
Singapore	2.6	1	17.35	7,410	5.3	7.6	—	—	—
Thailand	52.6	514	41.78	810	4.8	4.0	14,130	7.7	25.4
Sub-total (ASEAN)	295.2	3,070	192.48	—	—	—	91,131		
Total (SAARC+ASEAN)	1315.4	7,560	450.10	—	—	—	148,973		

Source : World Bank, *World Development Report 1988*

Table 2
SAARC and ASEAN Member States : Structure of Production (1986)

Member States	Distribution of Gross Domestic Product (Percent)			
	Agriculture	Industry	Manufacturing	Services
<i>SAARC</i>				
1. Bangladesh	47	14	8	39
2. Bhutan	—	—	—	—
3. India	32	20	19	39
4. Maldives	—	—	—	—
5. Nepal	56 (1984)	12 (1984)	4 (1984)	32 (1984)
6. Pakistan	24	28	17	47
7. Sri Lanka	26	27	15	47
<i>ASEAN</i>				
1. Brunei	—	—	—	—
2. Indonesia	26	32	—	42
3. Malaysia	21 (1984)	35 (1984)	14	44 (1984)
4. Philippines	26	32	25 (1984)	42
5. Singapore	1	38	27	62
6. Thailand	17	30	21	53

Source : World Bank, *World Development Report, 1988*

still occupies the predominant position in South Asia in general as far as its share in GDP is concerned. But, of the five countries for which data are available, two (Bangladesh and Nepal) are relatively more dependent on this sector than in others, while the others (India, Pakistan and Sri Lanka) have more diversified structure of production with industry and manufacturing sectors occupying important positions. This may imply that potential complementarities exist within the region.

Compared to South Asia, the ASEAN region is significantly advanced in terms of contribution of industry and manufacturing in GDP, although the positions of India, Pakistan and Sri Lanka are comparable to some of the ASEAN states. The data also indicate that there are reasonable complementarities between the two regions — one with predominantly agricultural and divergent production structure and the other with increasingly industrial and more even GDP distribution.

Table 3 shows that countries of ASEAN are more export-oriented than those of SAARC. Contributions of exports of goods and non-factor services to GDP have been much higher in ASEAN countries than their SAARC counterparts. Moreover, ASEAN's shares of world exports and imports in 1981 were 3.64 and 3.75 percent respectively as against South Asia's corresponding proportions of only 0.69 and 1.32 percent.¹⁴ The rate of growth of export is comparable within the two regions whereas current account is in much more substantial deficit in South Asia than in ASEAN. Indeed, three of the ASEAN economies (Philippines, Singapore and Thailand) had considerable positive current account balance in 1986 whereas all South Asian countries had deficit. Total external debt is higher in ASEAN than in SAARC but the burden of debt in terms of debt service as percentage of export is not necessarily so (Table 1).

Table 3 further shows that the export structures reflect the divergences in the respective structure of production of the countries of the two regions. While the share of primary commodities in the

Table 3
SAARC and ASEAN Member States : Structure of Merchandise Exports

Member State	Percentage Share of Merchandise Exports (1986)					Average annual growth rate of exp 1980-86 (percent)	Export of good and non-factor services as % of GDP 1986	Current Account Balance 1986 US \$ millions
	Fuels, minerals & metals	Other Primary Commodities	Machinery and transport equipment	Other manufactures	(Textile and clothing)			
SAARC								
1. Bangladesh	1	25	0	73	(57)	5.6	6	-538
2. Bhutan	—	—	—	—	—	—	—	—
3. India	15	23	10	52	(18)	3.8	6	-3,604
4. Maldives	—	—	—	—	—	—	—	—
5. Nepal	2	31	2	66	(43)	6.7	13	-112
6. Pakistan	1	31	3	65	(51)	6.2	12	-778
7. Sri Lanka	7	52	2	39	(30)	6.4	23	-417
ASEAN								
1. Brunei	—	—	—	—	—	—	—	—
2. Indonesia	58	21	3	19	(4)	2.0	21	-4,004
3. Malaysia	26	38	26	10	(2)(1984)	10.2	57	-295
4. Philippines	14	26	6	55	(7)	-1.7	25	996
5. Singapore	21	12	38	30	(5)	6.1	—	478
6. Thailand	4	54	9	33	(15)	9.2	27	249

Source : World Bank, *World Development Report 1988*.

total merchandise exports of the two regions are broadly comparable both intra and inter-regionally, in terms of export of minerals and fuels and machinery and equipments there are considerable divergences. For South Asian countries these items occupy much lesser share in total exports compared to ASEAN. Within South Asia India's export of these items is much higher than that of other SAARC states. This indicates certain degree of complementarity in these items both intra-regionally and inter-regionally. The same, although in the reverse direction appears to be evident from the table in relation to the items under the heading 'other manufactures' which include textile and clothing (particularly garments).

Table 4 shows the comparative import structure. Although between the two regions the structures are more or less similar, at the micro level there may be some complementarities. South Asian countries' import of food items is for example in greater proportion compared to their ASEAN counterparts, The same is true for other primary commodities also. More importantly, there are considerable complementarities on these items within South Asian states. Table 4 also shows that although the position of the two regions in relation to terms of trade is comparable, South Asian countries' import have been increasing at a much greater average annual rate than that in ASEAN states over the period 1980-86.

The main implication of this brief analysis is that the countries of the SAARC region must make efforts to increase their volume of trade, particularly exports in order to improve the crippling balance of payments positions. Such efforts need to be vividly focused at both intra-regional and inter-regional levels. Agreeably, the intra-regional import and export structures as presented in table 3 and 4 appear to offer more of competitiveness rather than a complementarity. On a closer focus, however, there may be some opportunities as will be further elaborated subsequently. It may be noted at this stage that while all South Asian countries are exporters of non-fuel primary commodities, India's share of export of fuels, minerals and

Table 4
SAARC and ASEAN Member States : Structure of Merchandise Imports

Member States	Percentage Share of Merchandise Imports (1986)					Average annual growth rate of imports 1980-86 (percent)	Terms of Trade (1980=100)
	Food	Fuels	Other primary commodities	Machinery and transport equipment	Other manufactures		
SAARC							
1. Bangladesh	27	6	11	19	37	3.3	109
2. Bhutan	—	—	—	—	—	—	—
3. India	10	14	10	22	44	3.6	427
4. Maldives	—	—	—	—	—	—	—
5. Nepal	10	11	6	22	51	6.5	97
6. Pakistan	18	14	7	32	29	3.8	103
7. Sri Lanka	16	14	2	29	39	3.0	96
ASEAN							
1. Brunei	—	—	—	—	—	—	—
2. Indonesia	4	14	4	39	38	-1.0	64
3. Malaysia	10	5	4	51	30	5.2	64
4. Philippines	8	15	5	22	51	-6.0	101
5. Singapore	9	20	5	37	30	3.6	101
6. Thailand	5	12	8	34	40	2.0	83

Source : World Bank, *World Development Report 1988*

metals as well as machinery and transport equipment are reasonably important. Intra-regionally, there seems to be good prospects of exchange of ASEAN fuels, minerals and metals as well as machinery and equipment for non-fuel primary commodities and textile and clothing from SAARC countries.

Existing Trade Directions

Table 5 shows the general pattern of trade directions in terms of exports in the two regions. It is note-worthy that for both the regions industrial market economies are much more important destinations than developing economies. Compared to South Asia, greater portion of ASEAN exports are, however, directed towards the developing economies. The pattern of intra-regional trade in South Asia in terms of direction of exports is shown in table 6. It may be observed that intra-regional export trade in South Asia is rather insignificant for most of the countries. Indeed, excepting the case of two of the smallest countries (Maldives and Nepal) none other country directed in 1987 any significant proportion of exports to South Asian partners. Bangladesh exported 4.7% of its total export to South Asian partners while Pakistan and Sri Lanka directed 2.3, 2.4 and 3.3 percent of their exports to South Asian countries. More importantly, in almost all cases the trend during 1981-87 period has been one of falling intra-regional export trade. The same trend is also valid in case of these countries' export to all the developing countries taken together.

Data on South Asian intra-regional import trade are presented in Table 7. It is almost the same scenario as in case of export trade, only that two of the largest countries, India and Pakistan, purchase even lesser share of their total import (0.6 and 1.6 percent respectively) from within the region. While the trend of intra-regional import trade during the period 1981-87 is rather erratic the overall share of imports of South Asian countries coming from all developing countries is higher than their exports. This last element may

Table 5
SAARC and ASEAN members : Direction of Trade (1986) Manufactured Exports

Member States	Destination of manufactured exports (percentage of total)			
	Industrial market economies	High income oil exporters	Developing economies	Others
<i>SAARC</i>				
1. Bangladesh	67	1	28	6
2. Bhutan	—	—	—	—
3. India	59	0	24	23
4. Maldives	—	—	—	—
5. Nepal	65	0	28	3
6. Pakistan	65	11	19	5
7. Sri Lanka	89	1	10	—
<i>ASEAN</i>				
1. Brunei	—	—	—	—
2. Indonesia	50	4	46	—
3. Malaysia	69	2	29	0
4. Philippines	74	1	25	—
5. Singapore	55	4	40	1
6. Thailand	60	8	32	—

Source : World Bank, *World Development Report, 1988*

Table 6
Intra-regional Trade of SAARC Countries : Direction of Exports

Sl. No.	Country Year	Destination of Exports (Millions of US Dollars)								
		Bangladesh	India	Maldives	Nepal	Pakistan	Sri Lanka	South Asia Total	Developing Countries Total	World Total
1.	Bangladesh									
	1981	—	20.2	—	0.2	42.3	2.7	65.4(8.3)	466.4(59.0)	790.6(100.0)
	1984	—	28.3	—	2.2	63.3	0.5	94.3(10.1)	416.1(44.7)	931.4(100.0)
	1987	—	11.0	0.1	2.3	27.9	0.2	41.5(4.7)	295.7(33.3)	886.9(100.0)
2.	India									
	1981	49.0	—	1.0	79.0	3.0	65.0	197.0(2.4)	2,193.0(26.0)	8,295.0(100.0)
	1984	55.0	—	1.0	83.0	12.0	101.0	252.0(2.5)	2,763.0(27.9)	9,916.0(100.0)
	1987	69.0	—	1.0	101.0	11.0	75.0	256.0(2.3)	2,791.0(24.6)	11,343.0(100.0)
3.	Maldives									
	1981	—	—	—	—	0.2	1.8	2.0(23.3)	5.8(67.4)	8.6(100.0)
	1984	—	—	—	—	1.2	1.6	2.8(15.9)	10.9(61.9)	17.6(100.0)
	1987	—	—	—	—	—	4.3	4.3(13.9)	19.4(62.8)	30.9(100.0)
4.	Nepal									
	1981	10.7	40.6	—	—	1.9	—	53.2(37.9)	63.0(44.9)	140.3(100.0)
	1984	—	39.8	—	—	0.4	—	40.2(31.4)	47.4(37.0)	128.2(100.0)
	1987	0.1	48.3	—	—	1.0	4.1	53.5(34.2)	57.8(36.9)	156.6(100.0)
5.	Pakistan									
	1981	17.9	67.4	0.2	0.1	—	30.7	116.3(4.0)	1,790.9(62.1)	2,882.6(100.0)
	1984	19.4	25.3	1.6	0.1	—	20.1	66.5(2.6)	1,275.2(49.8)	2,558.2(100.0)
	1987	25.3	21.4	0.3	1.6	—	49.7	98.3(2.4)	1,575.0(37.8)	4,171.8(100.0)
6.	Sri Lanka									
	1981	2.7	30.0	2.0	—	55.5	—	90.2(8.3)	472.0(43.4)	1,088.1(100.0)
	1984	2.8	12.5	3.9	—	34.2	—	53.4(3.6)	627.2(42.8)	1,467.1(100.0)
	1987	0.8	8.8	6.3	0.1	29.3	—	45.3(3.3)	458.4(32.9)	1,392.8(100.0)

Source : IMF, *Direction of Trade Statistics, Yearbook 1988*

Note : Data on Bhutan is not available with IMF source.

Figures in Parentheses indicate percentages.

Table 7
Intra-regional Trade of SAARC Countries : Direction of Imports

Sl. No.	Country Year	Source of Imports (Millions of US Dollars)								World Total
		Bangladesh	India	Maldives	Nepal	Pakistan	Sri Lanka	South Asia Total	Developing Country Total	
1.	Bangladesh									
	1981	—	64.0	—	11.8	46.5	2.0	124.3(4.6)	1,182.3(42.8)	2,699.1(100.0)
	1984	—	60.1	—	—	18.6	4.1	82.8(2.9)	1,012.0(3.6)	2,825.2(100.0)
	1987	—	74.4	—	0.2	37.3	5.0	117.1(4.3)	957.0(35.4)	2,707.1(100.0)
2.	India									
	1981	14.0	—	—	45.0	77.0	56.0	192.0(1.2)	6,629.0(43.0)	15,418.0(100.0)
	1984	31.0	—	—	44.0	51.0	14.0	140.0(1.0)	7,948.0(55.0)	14,361.0(100.0)
	1987	12.0	—	—	53.0	24.0	10.0	99.0(0.6)	6,110.0(36.8)	16,596.0(100.0)
3.	Maldives									
	1981	—	0.4	—	—	1.0	2.1	2.6(6.8)	27.2(71.6)	38.0(100.0)
	1984	—	0.4	—	—	1.7	4.5	6.6(9.2)	54.7(76.1)	71.9(100.0)
	1987	—	0.4	—	—	0.3	6.7	7.4(7.4)	73.5(73.9)	99.4(100.0)
4.	Nepal									
	1981	0.3	87.3	—	—	0.1	—	87.7(23.8)	137.3(37.2)	368.8(100.0)
	1984	16.1	91.2	—	—	0.1	—	107.4(25.8)	149.7(36.0)	416.0(109.0)
	1987	5.5	110.7	—	—	1.7	—	117.9(22.1)	243.8(45.7)	533.1(100.0)
5.	Pakistan									
	1981	51.3	2.8	0.4	2.2	—	49.6	106.3(1.9)	2,868.7(50.9)	5,631.2(100.0)
	1984	72.5	12.7	1.3	0.6	—	36.0	123.1(2.1)	2,777.7(47.5)	5,853.1(100.0)
	1987	49.7	11.8	—	1.1	—	31.3	93.9(1.6)	2,355.9(40.5)	5,822.1(100.0)
6.	Sri Lanka									
	1981	2.4	76.7	2.0	—	17.8	—	98.9(5.3)	982.3(53.1)	1,848.6(100.0)
	1984	0.2	111.5	1.8	—	17.1	—	130.6(7.0)	935.4(50.1)	1,866.5(100.0)
	1987	0.2	82.9	4.9	4.5	56.6	—	138.1(6.7)	1,068.8(51.9)	2,061.0(100.0)

Source : IMF, *Direction of Trade Statistics, Yearbook, 1988*

Note : Data on Bhutan is not available with IMF source.

Figures in parentheses indicate percentages.

be largely because of import of fuel from the oil-rich developing countries.

Data on South Asian intra-regional import of ASEAN countries are presented in table 8 and 9. Compared to South Asia, the level of intra-regional ASEAN trade for all member countries are obviously much higher. ASEAN intra-regional export-trade in 1987 ranged from 8.9% in case of Philippines to 24.2% for Malaysia. As for import, the range of intra-regional trade in ASEAN in 1987 was from 6.9% in case of Indonesia to 37.9% for Brunei. Data on SAARC-ASEAN trade for 1987 are presented in Tables 10 and 11. It may be observed that except for Nepal for which India is the most important trade partner even globally, ASEAN is a much more important destination of exports of all South Asian countries. In 1987 South Asia exported 2.8 percent of its exports to SAARC countries themselves while 3.8 of exports went to ASEAN countries. The situation is even further striking in case of imports. Again, excepting Nepal, all South Asian countries imported at least twice—in cases many times more—from ASEAN countries than from their SAARC partners. Taken together for the region, intra-regional import is less than one-fourth of the region's import from ASEAN. On the other hand SAARC region is comparatively much less significant trading partner for the ASEAN countries as depicted by the data in Tables 12 and 13. In terms of exports only Malaysia (4.4 percent), Singapore (4.1 percent) and Thailand (2.1 percent) have some notable trade with South Asia. ASEAN's export to SAARC in 1987 amounted to 2.8 percent compared to its intra-regional export of 17.2 percent. In terms of import, SAARC is even less significant a partner, with South Asia offering only 0.9 percent of ASEAN's total import in 1987 compared to 16.1% of intra-ASEAN import trade. Thailand was the only country to have imported more than 1 percent of its total volume of imports from SAARC countries.

Data on SAARC and ASEAN countries' trade directions are summarized in Tables 14 and 15. It may be observed that whereas

Table 8
Intra-regional Trade of ASEAN Countries : Direction of Export

Sl. No.	Country Year	Destination of Exports (Millions of US Dollars)								Total World
		Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Total ASEAN	Total Developing Countries	
1. Brunei										
	1981	—	—	25.2	119.2	280.8	126.5	551.7(13.7)	731.4(18.1)	4,036.6
	1984	—	21.7	0.5	54.8	228.9	206.8	512.7(16.1)	685.7(21.5)	3,183.0
	1987	—	0.5	1.2	47.8	119.2	221.6	390.3(21.7)	575.9(32.1)	1,796.2
2. Indonesia										
	1981	—	—	47.0	439.0	2,320.9	37.0	2,843.0(12.8)	5,751.0(25.8)	22,260.0
	1984	—	—	98.0	166.0	2,126.0	98.0	2,488.0(11.4)	4,930.0(22.5)	21,902.0
	1987	8.0	—	110.0	74.0	1,011.0	93.0	1,296.0 (7.8)	3,365.0(20.3)	16,548.0
3. Malaysia										
	1981	29.0	58.0	—	186.0	2,683.0	196.0	3,152.0(26.8)	4,951.0(72.1)	11,770.0
	1984	97.0	101.0	—	363.0	3,380.0	465.0	4,406.0(26.7)	7,318.0(44.4)	16,448.0
	1987	93.0	147.0	—	323.0	2,263.0	511.0	4,337.0(24.2)	7,550.0(42.1)	17,939.0
4. Philippines										
	1981	3.3	153.6	104.1	—	129.2	25.3	315.5(7.3)	1,210.0(21.4)	5,654.6
	1984	0.5	8.3	178.0	—	321.3	9.0	517.1(9.8)	1,116.4(21.2)	5,273.5
	1987	0.5	64.8	119.0	—	196.4	124.7	505.4(8.9)	1,165(720.6)	5,648.8
5. Singapore										
	1981	323.0	—	3,269.0	274.0	—	883.0	4,749.0(22.6)	11,906.0(56.8)	20,967.0
	1984	294.0	—	3,902.0	207.0	—	1,154.0	5,557.0(23.1)	12,513.0(52.0)	24,070.0
	1987	337.0	—	4,073.0	418.0	—	1,215.0	6,043.0(21.1)	13,233.0(46.1)	28,692.0
6. Thailand										
	1981	14.2	135.3	319.9	20.3	550.8	—	1,040.5(14.8)	2,903.0(41.3)	7,030.6
	1984	133.3	46.9	350.8	23.0	623.3	—	1,177.3(15.0)	3,073.4(41.5)	7,412.9
	1987	102.3	58.5	369.2	73.0	1,023.9	—	1,626.9(23.9)	4,203.4(35.8)	11,727.0

Source : As of Table 6

Note : Figures in parentheses indicate percentages in relation to col. "Total World"

Table 9
Intra-regional Trade of ASEAN Countries : Direction of Imports

Sl. No.	Country Year	Source of Imports (Million US Dollars)						Total ASEAN	Total Developing Countries	Total World
		Brunei	Indonesi	Malaysia	Philip-pines	Singapore	Thailand			
1.	Brunei									
	1981	—	1.0	30.9	2.6	139.4	14.7	188.6(31.7)	212.3(35.7)	594.2
	1984	—	1.8	31.0	1.2	150.4	15.8	200.5(32.2)	232.5(37.4)	621.8
	1987	—	1.6	102.5	0.5	370.2	17.1	491.5(37.9)	521.2(42.2)	1296.9
2.	Indonesia									
	1981	—	—	60.0	253.0	1,243.0	146.0	1702.0(12.8)	3889.0(29.3)	13272.0
	1984	—	—	86.0	15.0	1,791.0	55.0	1947.0(14.0)	4362.0(31.4)	13882.0
	1987	1.0	—	155.0	69.0	415.0	64.0	704.0(6.9)	2041.0(19.9)	10234.0
3.	Malaysia									
	1981	2.0	69.0	—	96.0	1,513.0	395.0	2075.0(18.0)	3970.0(34.4)	11550.0
	1984	1.0	172.0	—	242.0	1,839.0	481.0	2735.0(19.5)	4608.0(32.9)	14501.0
	1987	1.0	176.0	—	148.0	1,874.0	443.0	2642.0(20.8)	4341.0(34.8)	12700.0
4.	Philippines									
	1981	122.7	232.6	182.4	—	114.1	28.4	680.2(1.0)	3277.3(38.7)	8479.1
	1984	55.7	199.0	354.8	—	119.4	50.8	779.7(12.1)	2487.0(38.7)	6432.4
	1987	52.5	92.1	233.5	—	237.4	44.2	859.7(9.2)	2512.9(35.2)	7144.3
5.	Singapore									
	1981	329.0	—	3,412.0	107.0	—	473.0	4321.0(15.7)	14165.7(51.4)	27572.0
	1984	195.0	—	4,306.0	185.0	—	633.0	5319.0(18.6)	13750.0(48.0)	28667.0
	1987	131.0	—	4,500.0	178.0	—	1017.0	5826.0(17.9)	13904.0(42.7)	32529.0
6.	Thailand									
	1981	154.7	24.0	268.5	20.0	695.4	—	1162.6(11.7)	3916.7(39.3)	9955.1
	1984	216.5	79.1	504.7	20.2	822.2	—	1642.7(15.8)	3873.3(37.3)	10397.6
	1987	243.7	111.1	521.3	140.6	1,012.2	—	2028.9(15.7)	4453.9(34.4)	12964.1

Source : As of Table 6

Note : Figures in parentheses indicate percentages in relation to col. "Total World"

Table 10
SAARC-ASEAN Trade : SAARC Countries Export to ASEAN Countries (1987)

Country	Destination of Exports (Million US Dollars)							Total to ASEAN	Total to SAARC	Total to Developing Countries	Total to World
	Brunei	Indonesia	Malaysia	Philip-pines	Singapore	Thailand					
Bangladesh	0.1 ^a	1.3	2.3	0.1 ^b	38.4	1.5	43.7	41.5	295.7	886.9	
							(4.9)	(4.7)	(33.3)	(100.0)	
India	1.0	10.0	90.0	9.0	227.0	86.0	423.0	256.0	2,791.0	11343.0	
							(3.7)	(2.3)	(24.6)	(100.0)	
Maldives	—	—	0.3 ^b	—	0.8	12.9	14.0	4.3	19.4	30.9	
							(45.3)	(13.9)	(62.8)	(100.0)	
Nepal	—	—	0.1	0.3	1.9	—	2.3	53.5	57.8	156.6	
							(1.5)	(34.2)	(36.9)	(100.0)	
Pakistan	1.8	25.1	15.2	12.0	34.5	61.6	150.2	98.3	1,575.0	4171.8	
							(3.6)	(2.4)	(37.8)	(100.0)	
Sri Lanka	...	0.6	1.5	0.2	30.4	15.3	48.0	45.3	458.4	1392.8	
							(3.4)	(3.3)	(32.9)	(100.0)	
Total	2.9	37.0	109.4	21.6	333.0	177.3	681.2	498.9	5,197.3	17,982.0	
							(3.8)	(2.8)	(28.9)	(100.0)	

Source : As of Table 6

Notes : (a) 1985, (b) 1984.

Figures in parentheses indicate percentages

Table 11
SAARC-ASEAN Trade : Import of SAARC Countries from ASEAN Countries (1987)

Country	Source of Imports (Million US Dollars)									
	Bru nei	Indo-nesia	Malaysia	Philip-pines	Singapore	Thailand	Total from ASEAN	Total from SAARC	Total from Developing Countries	Total from World
Bangladesh	—	33.3	28.3	1.8	163.1	90.9	317.4 (11.7)	117.1 (4.3)	957.0 (33.4)	2,707.0 (100.0)
India	—	36.0	567.0	5.0	613.0	43.0	1,264.0 (7.6)	99.0 (0.6)	6,110.0 (36.8)	16,596.0 (100.0)
Maldives	—	—	0.7	—	48.9	3.7	53.3 (53.6)	7.4 (7.4)	73.5 (73.9)	99.4 (100.0)
Nepal	—	—	3.2	0.6 ^a	33.5	28.5	67.6 (12.7)	117.9 (22.1)	243.8 (45.7)	533.1 (100.0)
Pakistan	0.2	31.0	183.3	1.7	89.9	33.0	339.1 (5.8)	39.9 (1.6)	2,355.9 (40.5)	5,822.1 (100.0)
Sri Lanka	—	17.9	60.5	2.8	148.9	38.6	268.7 (13.03)	138.1 (6.7)	1,068.8 (51.9)	2,061.0 (100.0)
Total	0.2	118.2	843.0	11.9	1,099.1	237.7	2,310.1 (8.30)	573.4 (2.06)	10,809.0 (38.85)	27,818.7 (100.0)

Source : As of Table 6

: (a) 1984

Figures in parentheses indicate percentages

Table 12
ASEAN-SAARC Trade : ASEAN Countries' Export to SAARC Countries (1987)

Country	Destination of Exports (US \$ Millions)						Total to SAARC	Total to ASEAN	Total to Developing World	Total to World
	Bangladesh	India	Maldives	Nepal	Pakistan	Sri Lanka				
Brunei	—	—	—	—	0.1	—	0.1 (0.005)	390.3 (21.7)	575.9 (32.1)	1796.2 (100.0)
Indonesia	32.0	33.0	—	—	27.0	9.0	101.0 (0.6)	1,296.0 (7.8)	2,989.0 (18.4)	16,548.0 (100.0)
Malaysia	34.0	515.0	1.0	3.0	171.0	58.0	782.0 (4.4)	4,337.0 (24.2)	7,550.0 (42.1)	17,939.0 (100.0)
Philippines	1.3	4.6	—	0.5 ^a	0.9	2.4	9.7 (0.2)	505.4 (8.9)	1,165.7 (20.6)	5,642.8 (100.0)
Singapore	218.0	557.0	45.0	32.0	131.0	189.0	1172.0 (4.1)	6,043.0 (21.1)	13,233.0 (46.1)	28,692.0 (100.0)
Thailand	102.3	39.2	3.4	25.7	32.9	39.5	242.7 (2.1)	1,626.9 (13.9)	4,203.0 (35.8)	11,727.0 (100.0)
Total	387.6	1148.8	49.4	61.2	362.9	297.9	2307.5 (2.8)	14,198.6 (17.2)	29,716.6 (36.1)	82,351.0 (100.0)

Source : As of Table 6

Note : Figures in parentheses indicate percentages

(a) : 1983

Table 13
ASEAN-SAARC Trade : ASEAN Countries' Imports from SAARC Countries (1987)

Country	Sources of Imports (US \$ Millions)						Total to SAARC	Total to ASEAN	Total to Developing World	Total to World
	Bangladesh	India	Maldives	Nepal	Pakistan	Sri Lanka				
Brunei	—	1.6	—	—	2.0	0.1	3.7 (0.3)	491.5 (87.9)	521.2 (40.2)	1,296.9 (100.0)
Indonesia	1.0	11.0	—	—	31.0	1.0 ^a	44.0 (0.4)	704.0 (6.9)	1,662.0 (16.2)	10,234.0 (100.0)
Malaysia	3.0	99.0	2.0 ^b	—	16.0	2.0	122.0 (0.9)	2,642.0 (20.8)	4,341.0 (341.8)	12,700.0 (100.0)
Philippines	0.1 ^c	10.0	—	0.1 ^d	11.4	0.2	21.8 (0.3)	659.7 (9.2)	2,512.9 (35.2)	7,144.3 (100.0)
Singapore	43.0	250.0	1.0	2.0	39.0	29.0	264.0 (0.8)	5,826.0 (17.9)	13,904.0 (42.7)	32,559.0 (100.0)
Thailand	2.0	94.4	14.1	1.0 ^e	71.5	20.1	203.1 (1.6)	2,028.9 (15.6)	4,463.9 (34.4)	12,964.1 (100.0)
Total	49.1	466.0	17.1	3.1	170.9	52.4	658.6 (0.9)	12,352.1 (16.1)	27,405.0 (35.6)	76,898.3 (100.0)

Source : As of Table 6

Note : (a) : 1985, (b) : 1981, (c) : 1984, (d) : 1983, (e) : 1986

Figures in parentheses indicate percentages

Table 14
Summary of SAARC Countries' Trade Directions

Million US \$

Year	SAARC Countries' Export to				SAARC Countries' Import from			
	World	All developing countries	SAARC region	ASEAN region	World	All developing countries	SAARC region	ASEAN region
1981	13,205.2 (100.0)	4,991.1 (37.8) [100.0]	524.1 (3.9) [13.5]	—	26,003.7 (100.0)	11,826.8 (45.5) [100.0]	611.8 (2.4) [5.2]	—
1984	15,018.5 (100.0)	5,139.8 (34.2) [100.0]	509.2 (3.3) [9.9]	—	25,393.7 (100.0)	12,877.5 (50.7) [100.0]	990.5 (3.9) [7.7]	—
1987	17,982.0 (100.0)	5,197.3 (28.9) [100.0]	498.9 (2.7) [9.6]	681.2 (3.8) [13.1]	27,818.7 (100.0)	10,809.9 (38.9) [100.0]	973.4 (3.4) [9.0]	2,301.1 (8.3) [21.3]

Source : As of Table 6

Figures in parentheses indicate percentages

Table 15
Summary of ASEAN Countries' Trade Directions

Million US \$

Year	ASEAN Countries' Exports to				ASEAN Countries' Import from			
	World	All developing Countries	ASEAN region	SAARC region	World	All developing countries	ASEAN region	SAARC region
1981	71,718.8 (100.0)	27,452.4 (38.27) [100.0]	12,751.0 (17.8) [46.4]	—	71,422.4 (100.0)	29,430.0 (41.2) [100.0]	10,129.4 (14.2) [34.4]	—
1984	78,325.4 (100.0)	29,636.5 (37.8) [100.0]	14,658.1 (18.7) [49.5]	—	74,051.8 (100.0)	29,312.8 (39.6) [100.0]	12,623.6 (17.0) [43.1]	—
1987	82,351.0 (100.0)	30,093.0 (36.5) [100.0]	14,198.6 (17.2) [47.2]	2,307.5 (2.8) [7.7]	76,898.3 (100.0)	27,784.0 (36.1) [100.0]	12,352.1 (16.1) [44.4]	658.6 (0.9) [2.4]

Source : As of Table 6

Figures in parentheses indicate percentages

for both the regions trade with all developing countries generally decreased during 1981-87, in case of ASEAN intra-regional trade remained fairly stable, if not increased. On the other hand, while SAARC countries' import from within the region during the period increased by 1 percent (3.4 percent in 1987 compared to 2.4 percent in 1981), their exports within the region had fallen by 1.2 percent (2.7 percent in 1987 compared to 3.9 percent in 1981). Table 14 shows also that South Asia's export within the region in 1987 was only 9.6 percent of its total export to all developing countries compared to 13.1% to ASEAN countries. During the same year South Asia imported 9.0 percent of its developing country source imports from the region compared to 21.3 percent from ASEAN. According to Table 15, more than 47 percent of ASEAN exports directed to the developing world remained in 1987 within the region whereas 7.7 percent went to South Asia. As for ASEAN imports on the other hand, 44.4 percent of the imports coming from developing country sources was within the region while 2.4 percent was drawn from SAARC countries.

The above discussion implies that the complementarities within South Asian region have so far been exploited at a very low level not only in simple intra-regional terms but also compared to trade with ASEAN region, although even in this latter aspect there seems to be reasonable scope for further expansion of trade. It is not possible at this stage to be specific, but the following general observations may be made by way of identifying possible avenues for expansion of commodity trade under SAARC.

Commodity Composition

1. Existing and potential commodity composition in intra-regional trade in South Asia : Commodities traded within South Asia reflect the resource endowment and production structure of the countries of the region. The commodities include : a) foodstuffs like cereals, fish, fruits and vegetables, b) industrial raw materials,

agricultural or mineral and c) semi-manufactures and manufactures including some kinds of capital and intermediate goods.¹⁵ A list of commodities currently traded in the region is given in Annexure which indicates that except for India and to some extent Pakistan, export of all the South Asian countries are too heavily concentrated in certain traditional items like foodstuffs, raw materials and some manufactures. The commodity composition, as already indicated show considerable overlapping and competitiveness. This is of course the outcome of resource endowments and the absence of any regional planning or coordination in the development of the production structures of the countries concerned. It is understandable that changing the production structures to make them more regional trade oriented is an issue of long term policy planning. In the meantime, it may be possible to make a casual list of items in the agenda of intra-regional trade expansion.

a) Bangladesh for example, may expand its regional trade by exporting more of fresh water fish, vegetables, wood, raw jute, tea, naphtha, bamboo, cane, paper, newsprint, handicrafts, handloom products, molasses, raw hides and skin, leather and leather products, and fine jute carpets. These are of course already traded with some countries, particularly India and Pakistan. But there seems to be good prospect of expanding these exports further as India and Pakistan are in a position to import larger volume of these products. Bangladesh's export trade in some of these commodities may be expanded to a considerable extent with other smaller countries of the region. Moreover, there seems to be opportunities for export-oriented joint venture enterprises with Bangladesh's South Asian partners in such items like gas-based industries, textiles, leather, marine products, cement, etc., raw materials for which are available

15. A. R. Bhuiya, "Intra-regional Trade Cooperation in South Asia: Problems and Prospects", Seminar Paper, published in *An Anthology of Papers presented in SAARC Seminars*, Ministry of Foreign Affairs, Dhaka, 1985, p. 227.

in Bangladesh and products of which are in demand both within the country and outside.

b) India's export structure is much more diversified within the region, as already indicated. Scope of expansion of Indian export to the region is also much wider than any other country. India may supply larger volume of such items as various types of machinery, iron and steel manufactures, engines, internal combustion and plastic materials. Other items like telecommunication equipment, office machines, computers, medical apparatus and other scientific equipments, chemicals, dyestuffs, transport and agricultural equipments etc., also may be cost-effectively imported from India by its South Asian partners. India furthermore, as Third World's largest exporter of technology may be a very important partner in cooperation for development of technology, particularly appropriate technology in its South Asian neighbours.

c) Items for expansion of Pakistan's export within the region include raw cotton, textiles, residual fuel oils, gypsum, onyx, rock salt, fruits and vegetables, coffee, chemical elements, metal manufactures, machinery, clothing and some scientific instruments, etc. Pakistan can also be a partner in joint venture export-oriented industries of smaller countries of South Asia.

d) Sri Lanka may expand its intra-regional trade through such items as coconut oil, natural rubber, graphite, lobsters, tea, cinematographic film, teak logs, mineral wax, edible fats, tobacco, etc.

e) Nepalese export trade may be expanded by such items as rice, pulses, sugar and honey, vegetables, oilseeds, wood, railway slippers, wool and other animal hair, raw jute and cuttings, etc.

f) For Bhutan and Maldives, India is still practically the exclusive destination of intra-regional exports. In recent years however they are also penetrating other South Asian markets. Items that Bhutan may offer include vegetables, fruits, rice, pulses, soyabean, mustards, sands, and pebbles, dolomite chips, timber and

a wide range of farm and fruit products. The main items for expansion of Maldivian export are fish, copal, cowries and chanks.

The above catalogue of items for trade expansion within South Asian region is more of indicative rather than exhaustive nature. The basic rationale of the discussion is that pending a more coordinated and planned cooperation in production amongst the SAARC partners, even in the existing structure, there are opportunities of expansion of the level of intra-regional trade.

2. Existing and Potential Commodity-composition of South Asian trade with ASEAN : South Asia's trade with ASEAN countries is broadly reflective of existing complementarities in resources and production structure, with South Asian export to ASEAN dominated by primary products and non-manufactures and ASEAN export to South Asia dominated by manufactures. Major items of ASEAN export to South Asia include chemicals, machinery, equipments miscellenous manufactured goods, crude materials inedible, animal/vegetable oils and fats, food, mineral fuels and lubricants. SAARC countries' export to ASEAN include food and live animals, beverages and tobacco, manufactured goods, machinery and transport equipments, mineral fuels, lubricants and related materials.

It has already been indicated that South Asia is comparatively a less significant trade partner for ASEAN and the latter could be more important a trade partner for South Asia. The existing low level of inter-regional trade does not necessarily suggest the non-existence of complementarity between them. There are reasonable differences in factor endowments and in the levels of technological advancement to generate mutually profitable exchange of goods and services. The possibilities of closer trade cooperation have so far remained unexploited, left basically to forces of market and little planned efforts have been made. Even in the existing set up mutual trade can be expected to grow.¹⁶

16. Problems and Prospects of SAARC-ASEAN Cooperation have already been fairly researched. See for a very exhaustive study, Charan D. Wadhva

ASEAN countries are rich in considerable number of natural resources including natural rubber (83% of total world output), palm oil (80%), tin (70%) and coconut (67%). The ASEAN also accounts for a significant portion of world production of sugar, coffee, nickles, bauxite, trunsten, copper and coal. ASEAN countries' flourishing industries include iron, steel, machinery assembly and manufacture, garments and textiles, food processing, timber, electronics and chemicals.¹⁷

South Asian countries for their part are largely deficit in mineral and industrial products and to some extent agricultural products. Most of the SAARC countries are importers of major items of export of ASEAN countries. On the other hand, South Asian countries may expand exports of such items as raw jute and jute goods, some minerals like natural gas and some manufactures like paper and paper board, newsprint and certain pharamaceutical products to ASEAN countries. Moreover, there are wide opportunities for trade oriented cooperation in product development, marketing and sales promotion, transport, communication and shipping, joint ventures in industry, agriculture and fishing.

IV The Image and Reatity

South Asia is a region of sharp contrasts. The seven South Asian states which shared the cradle of much of the cultutal and civilisational heritage recorded in history and have so many commonalities in terms of fundamental economic problems of underdevelopment and poverty, have become victims of mutual mistrust resulting in very low level of regional interpenetration. The SAARC countries along with other Thlrd World states are ardent advocates

and Mukul G Asher (eds.) *ASEAN-South Asian Economic Relations*, ISEAS, Singapore. 1985.

17. Iftekharuzzaman, Nilufar Choudhury, "SAARC-ASEAN Cooperation : Perspectives and Issues", *op. cit.* The subsequent para is also taken from this source.

of South-South trade within the framework of ECDC and TCDC. But when it comes to the question of their own practical contribution to the concept of South-South trade in the form of trade amongst themselves they do so little despite the fact that they have so much to offer.

The foregoing analysis has shown that the level of trade cooperation among SAARC countries—both intra-regionally within South Asia and inter-regionally with ASEAN is much below what is warranted by the state of complementarities and potential opportunities. This is striking particularly since with the launching of the SAARC there has been what may be called an euphoria of rising expectation about closer economic cooperation for development. The image around SAARC generally is that through cooperative endeavours in socio-cultural and economic fields the states of the region will proceed to a gradually rising level of development. But that expectation by all indications remains far from a reality.

It has already been mentioned that the vital areas of the economy including trade are not included in the SAARC agenda of cooperation. It is reported that studies are being undertaken under the auspices of the SAARC Secretariat to examine the possibilities and implications of inclusion of trade as an area under the Integrated Programme of Action. In the backdrop of continuing mistrusts which if anything are on the increase, there seems to be very little prospect of an immediate breakthrough. Prospect of expansion of cooperative agenda to include vital economic areas (which are rightly or not regarded as contentious areas) appear to be destined to be victims of the jargon of "in-depth study". The experience so far shows that little if any progress is made by such "in-depth studies" other than bureaucratic feet-dragging in series of diplomatic carousels, which end up normally in very carefully-worded reports indicating little practical progress.

Nevertheless, compared to any other segment of South Asian history, the period since the launching of SAARC may

be regarded as one of certain degree of positivism in inter-state relations, measured particularly in terms of official and political meetings at various levels.¹⁸ But parallel with this has continued a process of further deepening of distrusts and distortions in the inter-state relations which are inhibiting the process of cooperation¹⁹. As a part of the reality in South Asia these are indeed deeply ingrained in the psycho-socio-political frame of mind of South Asian peoples. The reality in South Asia is also that as already mentioned, the countries have divergences in nearly all factors that shape their mutual relations—foreign policy orientation, size, population, resources, economic performance, power potentials, statecraft and security and threat perceptions. At the bilateral levels there are numerous thorny problems between the states. Most of the problems centre around the pre-eminant power India about whose role there is a two-way misperception—almost all India's neighbours are suspicious of the motives and designs of India while India is sceptic about the role of its neighbours vis-a-vis New Delhi.²⁰ The reality further is that all these problems are of greater concern to South Asian states than cooperative endeavours under SAARC.

What emerges is that it would be shallow optimism to anticipate any appreciable progress in trade cooperation under SAARC auspices in the foreseeable future. What is needed is efforts for gradual reduction, if not elimination, of psychological barriers and parochialism in mutual behaviour. The fact remains that SAARC cannot be expected to work as a panacea to all the problems that South Asia faces, nor it is desirable that benefits of cooperation under the association continue to be more of a chimera than reality.

18. See for details, Iftekhharuzzaman, *The SAARC in Progress* *op. cit.*

19. *Ibid*

20. Iftekhharuzzaman, Abdur Rob Khan (eds.), *ASEAN Experiences of Regional and Inter-regional Cooperation : Relevance for SAARC*, BISS 1988, p. 71.

There is the need for a strong and shared political will to increasingly focus attention to areas of agreement rather than those of dissension so that gradually and tenaciously the psycho-social and political basis is created for real economic cooperation.

Annexure

Commodity Composition of Intra-South Asian Trade

A. Bangladesh's Exports to South Asian Countries:

India : Crude materials (rayon), raw Jute, Newsprint and paper, fresh fish (hilsa).

Nepal : Hides and skin, raw jute, newsprint and paper.

Pakistan : Tea, tamarind, ginger, betel leaves, bamboo, raw jute and cuttings, cellophane, pharmaceuticals, hardboard, newsprint, paper, cables and wires.

Sri Lanka : Raw jute, hides and skin, jute goods, newsprint.

B. India's Exports to South Asian Countries:

Bangladesh : Fruits and nuts, coal, coke and briquettes, dyes and paints, textile yarn, glassware, pig iron and ferro alloys ingots and other primary forms of iron and steel, universal plates and sheets of iron and steel, M.S. tubes and pipes, other metal manufactures, textile and leather machines, parts and accessories of motor vehicles, motor cycles, scooters, railway vehicles.

Maldives : Cane sugar, spices, medicine and pharmaceutical products, cotton fabrics, crude fertilizer, and different types of stone.

Nepal : Spices, crude vegetable materials, petroleum products, paper and paper board, textile yarn, cotton fabrics, cement and construction materials. metal manufactures, electrical machinery, spare parts, medicine and pharmaceuticals.

Pakistan : Wheat and meslin, tea, crude vegetable materials, rubber tyres and tubes, glassware, hard wood, mineral

manufactures, metal manufactures. parts and accessories of motor vehicle.

Sri Lanka : Fish dried, slated or smoked, vegetables fresh or frozen, cane sugar refined, spices, rice, cereal preparations, medicine and pharmaceuticals, textile yarn, cotton fabrics, iron and steel sheets, metal manufactures, internal combustion and piston engines, textile and leather machinery, machine tools and spares, heating and cooling equipment, electrical apparatus transport equipment, motor vehicles, scooters, electrical machinery, etc.

Bhutan : Diesel, petroleum, kerosene, coal, cooking gas, bitumen, rice, wheat, flour, dairy products, meat products pulses, sugar, molasses, edible oil, salt, tea, vegetables, oil seeds, fabrics, yarn, garments, jute, footwear, plastic goods, wood manufactures, medicine, cement, cigarettes, pharmaceuticals, bricks, iron and steel pipes sheets, etc., hardwares, metal manufactures, agricultural equipment, refrigerator, metal working machinery, machinery appliances, fertilizer, wires, electric goods, toiletries, telecommunication apparatus, sewing machines, sanitary fitting, cosmetics, paints and varnishes, glasswares, sports goods, chemicals, etc.

C. Bhutan's Exports to South Asian Countries:

Bhutan's trade is almost exclusively with India. The main export items to India are cardamon, potato, chillies, orange, apple, lemon, pineapple, pear, ginger, tomato, pepper, catechu, betel nut, rice millet, pulses, soyabeans, mustard oil and oilseeds, menthol oil, turpentine, beauty powder, cold drinks, orange juice, jam mixed fruits, candles, katha, liquors, cow skin, cane, bamboo, broom, boulder, line powder cement, sawn timber, tea chest panels, core veneers, sands and pebbles, dolomite chips, firewoods, etc.

D. Pakistan's Exports to South Asian Countries:

Bangladesh : Fruits and vegetables, coffee, cocoa, spices, sugar and honey, cereals, crude fertilizer, oilseeds, raw cotton, vegetable oils and fats, chemical elements and compounds, dyeing, tanning and colouring materials, medicine, rubber manufactures, textile yarn and fabrics, metal manufactures, non-metallic mineral manufactures, machinery, clothing, scientific instruments.

India : Raw cotton.

Sri Lanka : Rice, dried fruits, sugar, cigarettes, cotton yarn, jute bags. Pakistan's exports to other South Asian countries is negligible.

E. Sri Lanka's Exports to South Asian Countries:

Bangladesh : Chanaks (conch-shell), arecanut oil, natural graphite, tyres for bicycles.

India : Dried vegetables shelled or split, cloves and clove stems, coconut oil, cocoa, residual fuel oils, furnace oil, cinamon leaf oil, natural rubber sheets, raw hides and skin, natural graphite.

Maldives : Meat and edible meat offals, arecanut, margarine, imitation lard and other edible fats, tobacco, non crude oils and motor spirit, medicaments.

Pakistan : Lobsters, black tea, betel leaves, arecanut, margarine, imitation lard and other prepared edible fats, natural graphite, cinematography film, natural rubber, teak logs, brooms and brushes, mineral wax, cardomon, coir yarn, dessicated coconut, copra, coconut oil.

Sri Lanka's trade with Nepal is very small and no trade connection exists with Bhutan.

F. Nepal's Exports to South Asian Countries

Bangladesh : Rice, pulses, railway slipper, sugar and honey, chemicals.

India : Butter, rice, maize, vegetables fresh, chilled or frozen, spices, animal feeding stuff, oilseeds and oleaginous fruit used for non-soft vegetable oil, wood rough, wood simply worked, railway slippers, wool and other animal hair, catch extracts.

Pakistan : Large cardomon, fresh ginger, raw jute and cuttings jute bags, Catechu.

G. Maldives Exports to South Asian Countries:

India : Copal unworked or simply prepared, copal, cowries, chanks.

Pakistan : Fish.

Sri Lanka : Fish.

Source : A.R. Bhuiya, *op. cit.*