

# EMERGING TRADE ALLIANCES IN ASIA AND TRADE AND BANK OPPORTUNITIES AMONG THE SAARC COUNTRIES

By Ariya Abeysinghe

## 1. Emerging Trends

**T**rade caucus has become a bilateral conflict between the Moslem Malaysia and the unipolar power, the United States. The United States is opposing the *East Asian Economic Caucus* (EAEC), a downgraded version of the Malaysian proposal for a regional economic grouping. ASEAN has since adopted the Australian proposal for an *Asian Pacific Economic Co-operation* (APEC). However, the United States wants only one regional grouping, APEC. Besides, it objects to any organization which Japan, the Asian Economic giant, would inevitably dominate and from which it would be excluded. The present Chairman of SAARC Summit, Sri Lankan President, Ranasinghe Premadasa, has proposed a *South Asian Preferential Tariff Area* (SAPTA) at the last, sixth Summit, held in Colombo, Sri Lanka, which later could be extended to form a South Asian Economic Caucus, and its possibilities will be examined, in the light of the emerging trends in trade alliances in other parts of Asia.

The Malaysian Prime Minister Data Seri Mahathir had discussed the proposal with the Japanese and South Korean officials in December, 1991, when he visited Tokyo and Seoul. It is reported that some Japanese officials have suggested that EAEC ought to merge

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with APEC but Mahathir insists that the EAEC is a forum for regional consensus before APEC meetings and not a trading bloc. If the United States, Canada and Mexico could form the *North American Free Trade Association* (NAFTA) and join the APEC why could not EAEC be formed and join the APEC. Similarly,

why could not SAPTA be formed and link with EAEC, to form a strong Asian Alliance.

Whatever the intentions, the NAFTA circumvents political fears of Mexico's problems spilling over the border and encourage Americans and Canadians to invest in Mexico. Malaysia more than any other Asian country opposes NAFTA on the same count that Washington opposes EAEC: that it would become a trading bloc.

With attention focused on EAEC, other East Asian Developments are all but ignored. But proposals abound to strengthen regional alliances and markets, admits apprehensions about a closed European market after 1992, an European Monetary Union by 2000 following the Maastricht Treaty of December 12, 1991 and of NAFTA becoming a trading bloc of the Americans. Aiding these are vibrant economies in almost every East Asian country which made them important competitors in the global market place.

The search for natural allies is to ensure that Western closed market do not impede East Asian's growth, Taiwan (ROC) proposal for a *Sinic Common Market* of China, Hongkong, ROC (Taiwan) did not work partly because it depends on Hongkong's position after 1997, and because Singapore, a natural member, is not in it, ROC (Taiwan) looks upon it to strengthen her position vis-a-vis the People's Republic of China (PRC) when Beijing pressures rise to incorporate

her into the Mainland. The World Chinese Entrepreneurs Conference, a gathering of overseas Chinese, discussed the future relations with the People's Republic of China, at its meeting in Singapore in August 1991, and saw Singapore, as China's Hongkong after 1997 as Sri Lanka would be SPATA's Singapore in time to

come. The Conference (inspite of ROC backers) now accepts that the overseas Chinese should co-exist with China, neither controlling the other, but ready to provide economic and financial help without being part of that country. Some believe that this formula would persuade China to consider ROC (Taiwan) as an overseas Chinese enclave and not as an integral part of the Mainland. Singapore cannot for geopolitical and economic sensitivities be linked to the Sinic Common Market but her support for such a move can be anticipated.

Singapore's immediate regional concern is the Growth Triangle, a regional economic group that links Singapore, with South Malaysian State of Johore, and the Indonesian islands of Bintang and Batan. Despite Singapore's initial reluctance to take Indonesia and Malaysia into confidence, the proposal came in the midst of plans in Kuala-Lumpur and Jakarta to develop these area by tapping Singapore's advantages and experience and despite their political reservations about it.

Malaysian politicians believes that the Growth Triangle attracts overseas Chinese entrepreneurs to Johore and to Batan and Bintang so that Singapore would have a Chinese industrial hinterland closely. Besides, Singapore discussed the project first with Johore and not with Kuala-Lumpur. A feeling persists in Kuala-Lumpur that Johore and the Indonesian Islands would get any Investments that Singapore diverts to them. A Malaysian Minister remarked "It is a linkage involving a nation (Singapore), a state (Johore) district (Riau) of which two islands are a part" This does not, however, detract the obvious benefits and advantages. It is known that Indonesia was developed with Chinese shop-keepers and capital and with this model it is obvious that it would be Singapore Chinese shop-keepers and capital that would develop Batan and Bintang. However, the political perception of Malaysia are not clear. On the other hand, Singapore inadvertently invoked the theoretical regrouping of the historical Rhian sultanate, of which Batan, Bintang, Singapore and Johore were once part of the kingdom. The quite acceptance if the Growth Triangle makes it an important psychological consideration, not that it would

come to pass. On the other is the fear the Singapore's larger purpose is to ensure a solid Chinese entrepreneurial class settled in Batan, Bintang and Johore.

Kuala-Lumpur would obviously find merits in the regional Growth Triangle and would like one that links its Penang, Kedah and Perlis states with Indonesia Sumatra and South Thailand. Thailand has proposed an *ASEAN FREE TRADE AREA* as an intermediate step to economic integration. In July 1991 ASEAN Foreign Ministers at their annual meeting in Kuala-Lumpur supported it. Indonesia also sees it as an option to other economic integration proposals on the table like the *Moslem Common Market* linking Malaysia, Brunei, Indonesia, Pakistan, Afganistan, Maldives, Gulf States including Iran, Iraq, Turkey and the former Soviet Islamic Republics.

The ASEAN proposal extends an earlier Thai proposal for Bangkok as the intermediary in trade and economic relations between India and Indo-China. Bangkok believes it is one way to bring Indo-China and possibly the Buddhist Burma (Myanmar) into the ASEAN's periphery and justifying it as an intermediate step before ASEAN accept them as members.

Although, India is a SAARC member and has accepted SAPTA, yet India has expressed an interest in APEC though not in EAFC. Its obvious advantages are trained and cheap man-power especially in computer software development. Both Pakistan and Sri Lanka could also explore business and employment opportunities in similar spheres. India has an edge in East Asian developments. Unlike India where Punjab, Kashmir, Assam and Tamil Nadu problems are somewhat under control, the other SAARC countries which India try to dominate through its "gunboat diplomacy" are mired in regional political squabbles to consider orderly regional economic co-operation. Pakistan has its own domestic problems. Bangladesh has its dispute with Burma over 300,000 Rohingyas who cross over to Bangladesh. Sri Lanka has problems with India over Kachchativu. Nepal has her own problem with India and Bhutan. Bhutan has the problems of Bhutanis of Nepali origin. However, these countries will have to give up their parochial

outlooks, concentrate on their strengths, make drastic changes in their own economic structures, and look to their dominant East Asian economies rather than to the West for their future. A Growth Triangle with Sri Lanka as the hub, linking Pakistan, Bangladesh, Maldives, Thailand and Indonesian islands of Sumatra, Java would be worth serious consideration with Japanese participation.

This Asian outlook towards East Asian economies also underlines Washington's hostility towards the Malaysian Prime Minister. Dato Seri Mahathir has resisted every attempt by Washington to be a part of the growing East Asian economies. With the collapse of the Soviet Union and the birth of the fragmented Commonwealth of Independent States (CIS), Washington presumes that in a Uni Polar world, her main enemy is Japan and works overtime to prevent Tokyo from getting support from countries around the world especially in East Asia.

#### SAARC Co-operation among SAARC countries

SAARC was founded in 1985, but trade and economic co-operation was not regarded as a priority at the time of its formation due to suspicion and lack of mutual trust that characterised relations between India and other SAARC countries. However, it is difficult to develop close relations without the development of trade and economic co-operation. It was in 1987 SAARC Summit at Kathmandu, that economic co-operation was accepted. (Joint Press Release: Third SAARC Summit, Kathmandu, Nov. 4, 1987). In 1988, the economic planners of the SAARC Countries met at Islamabad, Pakistan.

The SAARC region has 1/5 th of the world population and 2% of the world Gross National Product is produced in them. All countries are heavily dependent on agriculture despite increase in the manufacturing output at a faster rate than the growth of Gross National Product in all SAARC countries. Food and Textiles predominates in manufacturing output except for India. In Sri Lanka for example, garments heads its export sector, earning a total foreign exchange of Sri Lanka Rupees 33.3 Billion (1991) compared to Rs. 25.2 Billion (1990) which was an increase of 35%. Sri Lanka actually

earns only about 25% of the value of these exports since 75% of the gross earnings in garment exports are inputs, which are imported. In 1991, imports for the garment industry was Rs. 27.5 Billion, (Central Bank of Ceylon; Sri Lanka Customs). Garment exports accounted for over 30% of Sri Lanka's total export earnings. Garment exports have increased from Rs. 2 Billion (1980) to Rs. 33 Billion (1991), in a decade. Another characteristic of SAARC countries is the low level of income in them. There are many dissimilarities as well.

TABLE III  
Share of Imports, Export Trade in GDP - 1987

	Share of Exports in GDP	Share of Imports in GDP	Share of Trade GDP
Sri Lanka	23.1	34.5	37.6
Pakistan	13.2	18.4	31.6
Nepal	5.9	22.2	20.1
Bangladesh	6.1	14.9	21.0
India	5.7	8.6	16.3

Source: World Development Report.

The SAARC countries are heavily dependent on agriculture. The share of the output in the GDP of Sri Lanka, Pakistan and India are not very dissimilar. Nepal and Bhutan have a small manufacturing sector.

TABLE I  
Population and GNP in SAARC Countries

Country	Population Mid 1977 (Mln)	% share in re- gional Pop.	Pop. in Mid 1991	% share in re- gional Pop.	Pop. Growth rate in 1991
Maldives	0.2	0.02	0.2	0.02	3.4%
Bhutan	1.3	0.12	1.5	0.13	2.3%
Sri Lanka	16.4	1.57	17.5	1.59	1.3%
Nepal	17.6	1.69	19.6	1.76	2.3%
Pakistan	107.5	9.84	115.6	10.36	2.9%
Bangladesh	106.1	10.19	115.6	10.36	2.7%
India	797.5	76.56	845.7	75.79	2.1%
Total	1041.6	100.00	1115.7	100.00	

Therefore, SAARC countries have limited capacity to produce goods for current trade between countries. Unless liberalization take place for all goods it is difficult to conceive of trade expansion amongst SAARC countries though potential exists between countries like Sri Lanka and Pakistan through Joint Ventures in oil seeds (Sunflower, groundnuts, sesame), citrus, pineapple, lime, lemon) betal leaf, sugar technology, cotton weaving and spinning, for textile manufacture, leather goods manufacture etc. The other feature is that the importance of trade varies between SAARC countries. The smaller countries in the SAARC region rely heavily on trade to meet the demand for goods and therefore, rely on exports. Bigger countries are not so reliant on trade.

	GDP in Mid 1987 M/Ns. US\$	% share in region GDP	Per capita Income US \$	GDP in Mid 1992 US \$	% share in region GDP	Per capita Turnover
Maldives	55	0.02	300	470	21.16	470
Bhutan	250	0.09	150	190	8.55	190
Sri Lanka	6040	2.16	400	463	20.85	430
Nepal	2560	0.92	160	160	7.20	170
Pakistan	31650	11.34	350	380	17.11	380
Bangladesh	17600	6.31	160	208	9.36	179
India	770830	79.15	300	350	15.76	350
Total	278985	100.00	290	2221	100.00	309.8

Source: World Development Report 1989  
World Development Report 1991  
Asia Week 1991/1992

Thus it is evident that smaller members of SAARC depend heavily on trade.

The structure of trade of SAARC member countries reveals that 1/3 of their export are of primary goods due to their agrarian production structure.

TABLE II  
The Structure of Gross Domestic Product - 1987

Country	Agriculture	Industry	Total Manufacturing	Others
Maldives	-	-	-	-
Bhutan	51	16	04	23
Sri Lanka	27	27	16	46
Nepal	57	14	05	29
Pakistan	23	20	17	42
Bangladesh	47	13	7	40
India	30	30	20	40

Source: World Development Report.

It is clear, that the share of primary goods in Sri Lanka and Nepal is high. In most of these countries, except India, even the manufactured exports are agrobased. Food products account for more than 10% of imports. In the SAARC countries another common features is that energy is a substantial % of imports and thus, the SAARC region is energy deficient.

**TABLE IV**  
**Dependence on Trade Shown in GDP and Total Foreign Trade of South Asia**

	<i>% share in GDP</i>	<i>% share in Export</i>	<i>% share in Imports</i>
Sri Lanka	2.16	7.19	6.91
Pakistan	11.35	21.55	19.30
Nepal	0.92	0.78	1.89
Bangladesh	6.31	5.55	8.60
Bhutan	0.09	0.13	4.91
India	19.16	64.00	62.93

Source: Foreign Trade Statistics

**TABLE V**  
**The Structure of Trade in SAARC Countries**

Commodity Category	Fuels Minerals and metals		Other primary Commodities		Textiles and Clothing		Transport Machinery Equipment		Other Manufacturing Goods	
	1965	1987	1965	1987	1965	1987	1965	1987	1965	1987
Sri Lanka	2%	8%	97%	52%	0%	25%	0%	2%	1%	13%
Pakistan	2%	1%	62%	32%	39%	41%	1%	3%	6%	35%
Nepal	0%	2%	78%	26%	-	37%	0%	2%	22%	33%
Bangladesh	-	16%	-	33%	-	33%	-	17%	-	-
India	10%	9%	41%	22%	36%	16%	1%	10%	12%	43%

**TABLE VI**  
**Structure of Imports in SAARC Countries**

Country	Food	Fuels	Other primary Commodities	Machinery & Transport	Other Manufactures
Sri Lanka	17	17	3	27	37
Pakistan	16	19	7	31	27
Nepal	6	8	7	22	57
Bangladesh	16	9	6	28	42
India	8	11	8	24	48

**TABLE VII**  
**Origin of Imports - 1986: Percentage Share**

Country	Industrialised market economies	Socialist Non-market economies	High income oil exports	Developing economies
Sri Lanka	46	01	09	44
Pakistan	64	02	14	20
Nepal	41	0	0	0
Bangladesh	45	06	09	40
India	41	10	10	19

**TABLE VIII**  
**Destination of Exports From SAARC Countries - 1986**

Country	Industrialised market economies	Socialist Non-market economies	High income oil exports	Developing economies
Sri Lanka	60	03	10	27
Pakistan	54	04	15	27
Nepal	56	0	0	0
Bangladesh	59	07	07	27
India	57	19	05	10

It is seen that the demand for energy will increase as the petroleum consumption increases. Food and fuel account for 20% of the region imports. Manufacturing goods account for over - whelming imports. In Pakistan it is 50%, Sri Lanka 64%, Bangladesh 70%, Nepal 79% and India 72%. It is also seen that the share of transport and machinery equipment is high due to limited Engineering Production capacity in the region, reflecting an investment and trade opportunity with Japan together with participation from SAARC countries as a regional project.

An analysis of imports and exports of the SAARC countries particularly in regarding to the origin of imports and destination of exports reveal a heavy dependence on the industrialized HDC economies for imports and exports which the Malaysian Prime Minister Datu Seri Mahathir is trying to reverse through the East Asian Economic Caucus (EAEC). Any expansion in trade to the other LDC's is constrained due to severe, restrictions in the LDC's especially within the SAARC countries themselves. Another characteristics of the SAARC region is that tied aid is a major source of financing imports which can be snapped through joint efforts and getting more Japanese, Korean, Chinese high technology into the SAARC region.

Due to this pattern of trade, most SAARC countries have a precarious Balance of Payment situation. Current amount of SAARC countries exceeds 6 billion annually. Therefore, without foreign aid, these countries cannot sustain a high level of imports and diversion of trade to the SAARC countries is not possible immediately. If the imports, on the other hand, are self-financing then SAARC countries can increase their trade among themselves.

#### Trade Policies in the SAARC Countries

The trade patterns are influenced by the structure of production and both the structure of production and trade is influenced by policies. A market promoting or expanding trade policy has two facets. One relates to what the country aspiring to grow has to accomplish on its own in the field of its internal production and distribution structures by designing a

TABLE IX  
The Balance of Payments and Foreign Assets of the SAARC Countries

Country	Current Account Balance 1991	Foreign Debt	Exports 12 months 1991	Foreign Assets not disbursement US\$ Million (1987)
Sri Lanka	-\$ 300 Million	\$ 5.3 Billion	\$ 1.8 Billion	502
Pakistan	-\$ 1480 Million	\$ 19.5 Billion	\$ 6.1 Billion	858
Nepal	-\$ 300 Million	\$ 1.5 Billion	\$ 0.2 Billion	345
Bangladesh	-\$ 800 Million	\$ 10.8 Billion	\$ 1.5 Billion	1637
Bhutan	\$ 6.9 Million	\$ 0.07 Billion	\$ 0.07 Billion	42
India	-\$ 8900 Million	\$ 69.8 Billion	\$ 19.3 Billion	1852
Maldives	\$ 6.2 Million	\$ 0.09 Billion	\$ 0.06 Billion	-

Source: World Development Project

trade regime which would be optimal in terms of maximization of its output, whether exportables or importables. But it has also another aspect which is that the countries constituting major markets for the goods should reciprocate by pursuing complementary or non-contradictory trade policies so as not to negate the efforts of the country following trade promoting policies. It is not uncommon to see that these two aspects of trade policies – the policies adopted by the exporting developing countries and those followed by the importing industrial countries like the US are often confused in the discussions on appropriate trade strategy by developing countries. It has been argued that protectionist or managed trade policies by some of the industrial countries are the real villains of the piece, impeding trade of developing countries, regardless of whether the latter has efficient trade promoting policies in place [A. Bogchi (1990)]. Whilst there is some truth in this view, it does not follow that the correct trade policies would not yield right results ever though a part of the trade gains resulting from the correct trade policies is whittled down by the protectionist policies of the industrial countries.

A trade policy, usually called outward oriented strategy is invariant with reference to the size of the country or to the degree of the government intervention. It should work equally efficiently in a continental type of country such as India or China and in a small, resource poor country like Korea or Hongkong as long as its incentive structure remains neutral between domestic and foreign markets. If such a policy does not work for some

reason in a large sized country the cause of the failure may lie elsewhere in mis-conceived socio-economic policies, particularly in serious fiscal imbalances.

The outward oriented trade policy, likewise, should not be equated with the absence of government intervention or completely free trade policy. Government non-intervention is not a necessary condition for an outward oriented trade strategy as is borne out by the experiences

of the NIC's like Korea, Taiwan (ROC) Hongkong etc. Jagdish Bhagwati (1988) underscored "government intervention can be of great value and almost certainly has been so, in making the neutral incentive trade strategy work successfully when the government can trend in some cases towards with a export promotion and generate enough confidence in investors to undertake costly investments and programmes in order to take advantage of a shift in such trade policy". Under the neutral incentive structure of a trade policy, there is a greater incentive to undertake new investment which can contribute to faster growth in output produced under competitive conditions. There is thus, greater scope for expanding business opportunities not only in the countries adopting such policies, but also in others which come to contact with them through growth in Trade.

The outward oriented trade policy implies that trade controls are either non-existent or low, in the sense that any disincentives resulting from import barriers are more or less counter-balanced

TABLE X  
Economic Indicators — East and South Asian SAARC Countries

Country Group	Population (Millions) 1987	Per Capita GNP 1987	GNP per Capita 1965-87	Growth Rate		
				Agriculture 1980-87	Industry 1980-89	Manufacturing 1980-87
<b>Outward Oriented Countries</b>						
South Korea	42	2690	6.4	4.4	10.8	10.6
Taiwan (ROC)	18.2	2729	7.5	13.2	13.2	14.1
Hongkong	5.6	8070	6.2	-	6.8	6.3
Singapore	2.6	7940	7.2	-3.9	4.0	3.3
<b>Moderately Outward Oriented Countries</b>						
People's Republic of China						
	1068.5	290	5.2	7.4	13.2	12.6
Indonesia	171.4	450	4.5	3.0	2.1	7.8
Malaysia	16.5	1810	4.1	3.4	5.8	6.3
Philippines	58.4	590	1.7	1.8	-2.8	-1.1
Thailand	53.6	850	3.9	-	-	-
<b>Inward Oriented Countries</b>						
Bangladesh	106.1	160	0.3	2.4	4.7	2.4
Nepal	17.6	160	0.5	4.2	-	-
India	797.5	300	1.8	0.8	7.2	8.3
Pakistan	102.5	350	2.5	3.4	9.1	8.9
Sri Lanka	16.4	450	3.0	3.1	4.2	6.2

Source: World Development Report.

by export incentives. This policy is also characterised by absence of direct controls and licensing arrangements and by the equivalence between the effective exchange rate on imports and exports. The real issue is what should be the criteria by which the success or otherwise of a trade policy with neutral incentive structure can be judged. One way is to compare, the economic performance, particularly the export performance of countries adopting outward-oriented trade policies and those which pursue inward looking trade policies. This is particularly apt for this study—that is to analyse trade policy orientation of the South Asia (SAARC) countries and the impact on their growth performance—because the NIC's which are located in the same geographical area have adopted a set of trade policies diametrically opposite to those adopted in the SAARC region countries such as Bangladesh, Nepal, India, Pakistan and Sri Lanka. The contrast in these trade policies are evident in few indicators — per capita GNP, average GNP growth rate, the growth rate of industry and within industry, that of manufacturing. Another indicator is the manufacturing exports which are considered to be the most dynamic element in international trade. Imports also reveal the pattern.

It is clear that the per capita GNP in the outward oriented countries is way above that in moderately outward oriented countries and the inward oriented countries. That also holds true in respect of average GNP growth rate during 1965–1987. Only in the Philippines in the moderately outward oriented countries, that the GNP growth rate was as low as in the inward oriented countries and that was largely due to the political upheaval in that country. The rate of growth of industry and within industry, that of manufacturing was also higher, generally with a few exceptions in the outward oriented countries. The contrast become sharper when the statistics relating to exports, imports and their composition are considered.

During 1965–80 the rate of growth of exports was on average much higher in the outward oriented countries followed by the moderately outward oriented countries. The laggards was again the

**TABLE XI**  
**Imports, Exports and their Compositions**

	<i>Exports</i> (Million Dollars 1987)	<i>Annual Growth Rates</i> 1965–1980    1980–1987		<i>Share of</i> <i>manufac-</i> <i>turers in</i> <i>total</i> <i>exports (%)</i> 1965–1987		<i>Imports</i> (Million Dollars) <i>Rates 65–80</i> <i>80–87</i> <i>imports (%)</i> 1965–1987		<i>Share of</i> <i>manufac-</i> <i>turers in</i> <i>total</i>		
<b>Inward Oriented Countries</b>										
South Korea	47.172	27.2	14.3	59	92	40.934	15.2	9.6	51	62
Taiwan (ROC)	-	-	-	-	-	-	-	-	-	-
Hongkong	48.475	9.5	11.4	87	92	48.462	8.3	9.1	59	84
Singapore	28.592	4.7	6.1	35	72	32.480	7.0	9.1	44	69
<b>Moderately Outward Oriented Countries</b>										
People's Republic of China	39.542	5.5	11.7	46	70	43.392	7.9	14.2	39	85
Indonesia	17.206	9.6	2.7	4	27	14.453	14.2	-2.2	89	78
Malaysia	17.865	4.4	9.7	6	40	12.506	2.9	-0.7	54	80
Philippines	5.649	4.7	-0.4	6	62	7.144	2.9	-0.4	63	68
Thailand	11.659	8.5	10.2	4	53	12.955	4.1	3.4	80	72
<b>Outward Oriented Countries</b>										
Bangladesh	1.074	-	6.2	-	50	2.620	-	2.3	-	70
Nepal	.051	-2.3	5.1	22	72	.569	3.0	6.4	59	79
India	12.548	3.7	3.6	49	69	18.985	1.6	4.7	59	72
Pakistan	4.172	4.3	8.4	36	67	5.822	0.4	3.4	72	58
Sri Lanka	1.393	0.5	6.5	1	40	2.085	-1.2	3.2	46	64

Source: World Development Report 1989 World Bank.

inward oriented countries in which the highest rate of growth of exports was 4.3% for Pakistan. During 1980–82 the export growth in the outward oriented countries somewhat slackened because the base level of exports became larger. The export growth rates picked up in others because trade reforms in moderately

outward oriented countries were accelerated and in the inward oriented countries there was some relaxation in their controlled trade regimes, particularly in India and Pakistan.

The same picture emerges in regard to manufacturing exports which are the most dynamic elements in international

**TABLE XII**  
**Share in Manufacturing Exports**

	<i>Share in World Exports</i>				<i>Share in Developing Countries Exports</i>			
	1965	1970	1980	1986	1965	1970	1980	1986
All developing countries	7.8	7.9	13.9	17.1	100.0	100.0	100.0	100.0
East Asia and Pacific	3.0	3.5	7.4	10.8	49.1	44.0	53.6	78.0
East Asian M/Cs	1.8	2.7	5.9	8.3	22.8	34.5	42.7	63.4
People's Republic of China	1.1	0.6	0.8	1.4	13.9	7.3	6.1	8.4
Indonesia	-	-	0.1	0.2	0.4	0.1	0.4	1.3
Burma	0.2	0.4	1.5	2.3	2.0	4.6	10.8	13.4
Malaysia	0.1	0.1	6.2	0.4	1.0	0.9	1.7	2.1
Philippines	0.1	0.1	0.2	0.2	0.6	0.6	1.5	1.2
Thailand	-	-	0.2	0.3	0.4	0.5	1.3	1.6

(a) East Asian NIC's - People's Republic of China, Indonesia, Malaysia, Philippines and Thailand.  
(b) Hongkong, Korea, Singapore and Taiwan (ROC)

Source: A. Bhattacharya and J. Lina - Trade and Industrial Policies in the Developing Countries of East Asia, World Discussion Paper No. 27 - Washington DC 1988 p. 12.

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trade. In two of the outward oriented countries, almost all exports – about 92% comprised manufacturing exports. This is true of Taiwan (ROC). There is a shift in the composition of exports in moderately outward oriented countries which began to move about moderately towards outward oriented trade strategy during the 1980's. The share of manufacturing exports in total exports in the People's Republic of China rose from 46% to 70%, between 1965 and 1987. In Indonesia, the ratio rebounded from a mere 4% to 27%, in Malaysia from 9% to 40%, in Thailand from 5% to 5.3% and in Philippines from 6% to 62% in the same period. In contrast the shift in export composition in the inward oriented countries was moderate except in Bangladesh and Sri Lanka but these could not be considered to be typical because the exports base from which these countries started was very small to begin with.

Imports in all three groups of countries reveal a divergent pattern. By and large in outward oriented countries and moderately outward oriented countries, the rates of import growth were higher than in inward oriented countries and apparently their trade balances instead of deteriorating, in fact, improved. These observations contradict the popularly held view that with outward oriented trade policies, the Balance of Payments situation tends to deteriorate. This is of course, not to suggest that trade policy is the only determinant of the countries current account balance of payments. It also depends on the type of macro-economic policies, including fiscal and monetary, which the countries pursue. However, the countries with outward oriented and moderately outward oriented trade policies could maintain good macro-economic balances which reinforced their policies and other liberalization measures.

An examination of the share in manufactured exports reveals that outward oriented countries and moderately outward oriented countries dominated the export trade of all developing countries. Between 1965–1986, the share of all developing countries in the total global manufactured exports rose from 7.8% to 12.1%. The share of East Asian and Pacific countries which includes

outward oriented countries and moderately outward oriented countries in global

manufactured exports increased during the same period from 3.0% to 10.8%. This

TABLE XIII  
Shares in Imports of Manufacturers of Key Markets (1984)

Country	U.S.	Japan	EEC	Development countries
China	1.4	4.5	0.5	4.8
Indonesia	0.3	0.6	0.1	0.2
Korea	4.5	8.5	0.8	1.7
Malaysia	0.7	0.7	0.2	1.0
Philippines	0.5	0.4	0.1	0.3
Thailand	0.4	0.7	0.2	0.5
East Asian NIC's	16.2	18.0	13.1	7.1
East Asia & Pacific	19.5	24.9	4.2	13.9
All developing countries	28.5	27.8	11.4	15.8
Developed countries	71.1	67.3	88.2	74.3

Source: A. Bhattacharya and J. Linn (1988) World Bank Discussions paper 27.

TABLE XIV  
Intra - Regional Trade among SAARC Countries

Year	Intra-regional Imports US \$ '000	Intra-regional Imports as a % of total imports	Intra-regional Exports US \$ '000	Intra-regional Exports as a % of total exports
1980	666	2.8	596	5.0
1981	665	2.8	554	4.5
1982	587	2.2	430	3.4
1983	664	2.6	505	3.4
1984	726	2.6	583	3.7
1985	752	2.7	545	3.6
1986	528	1.8	502	3.1

TABLE XV  
Percentage Share of Intra-Regional in the Total Imports of SAARC Countries

Year	Maldives	Sri Lanka	Nepal	Pakistan	Bangladesh	India
1980	-	6.5	46.4	2.3	8.2	1.0
1981	6.8	5.4	36.0	2.0	9.0	1.3
1982	30.3	5.3	37.3	2.0	7.7	0.8
1983	8.8	7.3	49.0	2.0	7.4	0.5
1984	9.2	7.1	55.5	2.1	6.5	0.5
1985	9.1	6.2	58.6	1.6	6.4	0.7
1986	8.7	7.6	33.4	1.7	3.6	0.5

Source: Directions of Trade-Country Statistics.

TABLE XVI  
Percentage Share of Intra-Regional in the Total Exports of SAARC Countries

Year	Maldives	Sri Lanka	Nepal	Pakistan	Bangladesh	India
1980	-	7.1	32.8	6.3	11.1	3.2
1981	19.2	8.7	36.6	5.7	7.5	2.9
1982	12.3	8.1	26.1	5.1	12.4	1.5
1983	16.0	6.3	63.5	2.7	9.0	2.4
1984	20.3	4.7	60.9	3.3	11.4	2.4
1985	19.2	3.8	52.0	5.3	6.7	2.2
1986	18.2	4.5	38.4	3.2	6.0	2.1

Source: Based on direction of Trade Country Statistics.

means that little less than 2/3 of developing countries manufactured exports came from nine countries from the East Asian and Pacific region. These nine countries claimed 78% of manufacturing exports by all developing countries to each other. Therefore, the outward oriented countries and the moderately outward oriented countries have occupied a pride of place in exports to the industrial and developing countries, which was made possible only because of their outward oriented trade strategies. There are few broad generalisations that could be made though the correlation between exports, economic growth and other variables and other policy instruments is complex and hence, is not easily amenable to definitive analytical conclusions.

1. All of the outward oriented countries and the moderately outward oriented countries maintained realistic and real exchange rates along with sound fiscal and monetary policies. In the 1990's Korea, Indonesia, Malaysia and Thailand depreciated steadily their exchange rates.
2. The countries in the region had buttressed domestic investment by generally favourable policies towards foreign investment and technology transfer. Foreign investment has undoubtedly played an instrumental role in the emergence of Asian NIC's as the World's leading exporters of electric and electronic goods. These countries also supplemented acquisition of foreign technology with an active programme to promote domestic science and technology. Therefore, the East Asian economies have been relatively less distorted by trade and other economic policies. This has facilitated more efficient investment and production, reduced the degree of "rent seeking" activities in the economy and moderated the anti-export bias that would have resulted from higher productive trade regimes.
3. The incentive structure evolved through the various policies removed anti-export of the East Asian countries.
4. The very export success of the East Asian countries gave these countries a greater exposure to the world market, which in turn allowed for a more flexible and creative response to the changing circumstances and produced

Intra-SAARC Trade Matrix Exports - 1980

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan		2,000	70,511	34,280	5,204	0	400	112,395
India	70,710	0	6,292	34,451	19,000	0	0	130,453
Bangladesh	54,658	9,630	0	3,964	5,294	0	0	154,544
Sri Lanka	38,743	85,534	4,800	0	1,247	0	1,700	132,024
Nepal	400	64,016	500	0	0	0	0	64,916
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	1,256	0	0	0	1,256
Total	164,511	242,180	82,103	73,951	30,743	0	2,100	595,500

Intra-SAARC Trade Matrix Exports - 1981

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	3,000	44,177	55,561	1,816	0	200	104,754
India	67,404	0	2,108	29,373	19,000	0	0	117,885
Bangladesh	59,633	65,608	0	2,653	6,460	0	0	134,354
Sri Lanka	30,755	68,439	2,700	0	0	0	1,800	103,694
Nepal	100	91,419	200	0	0	0	0	91,719
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	2,088	0	0	0	2,088
Total	157,892	228,466	49,185	89,675	27,276	0	2,000	554,494

Intra-SAARC Trade Matrix Exports - 1982

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	4000	65315	38391	700	0	0	108,406
India	30592	0	17038	21899	17100	0	0	86,629
Bangladesh	73974	30240	0	3518	500	0	0	108,232
Sri Lanka	16262	44281	500	0	0	0	1600	62,663
Nepal	100	46241	100	0	0	0	0	46,441
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	17999	0	0	0	17,999
Total	120948	124762	82953	81807	18300	0	1600	430,370

Intra-SAARC Trade Matrix Exports - 1983

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	6000	61850	29573	400	0	400	98,223
India	28527	0	5726	27791	49677	0	0	111,721
Bangladesh	41343	34000	0	4690	0	0	0	80,053
Sri Lanka	11705	105000	500	0	0	0	1700	118,905
Nepal	100	8500	2800	0	0	0	0	87,900
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	3000	0	4742	0	0	0	7,742
Total	81675	233000	70876	66796	50077	0	2100	504,524

Intra-SAARC Trade Matrix Exports - 1984

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	12000	68799	34308	400	0	1200	116,707
India	25553	0	22937	12895	67083	0	0	128,468
Bangladesh	40161	51000	0	16411	0	0	0	107,572
Sri Lanka	20444	101000	300	0	0	0	1600	123,344
Nepal	100	85000	14600	0	0	0	0	99,700
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	3000	0	4261	0	0	0	7,261
Total	86258	252000	106636	67875	67483	0	2800	583,052

important dynamic benefits in terms of learning, technology acquisition and productivity growth.

Various explanations are cited, perhaps as an apology for the failure of the SAARC countries in evaluating the East Asian model particularly the NIC's.

Productionism of the industrial countries is held responsible to justify the poor export performance of the SAARC countries. It is true that tariff and non-tariff discrimination against imports from developing countries by industrial countries are formidable. However, this discrimination is against all countries (not only SAARC countries) including East Asian and Pacific countries. A. *Bhattacharya and Johanner. F. Linn* (1988) (World Bank Discussion Papers 27) concludes "(a) like other LDC's East Asian countries are subject to more NTB than industrial countries; (b) agricultural exports from the region tend to face a higher degree of trade restriction on than manufactured exports; (c) NTB's on manufactured exports tend to be the greatest for the EEC, and surprisingly low for Japan, China and Korea appear to be the most affected by the prevailing NTB's, as they have a relatively high share of textiles and garments exports. Manufactured exports from Thailand and Philippines also face a considerable level of NTB's, whereas Indonesia and Malaysia appear to have so far encountered less NTB's on manufactured produce than the average for developing countries."

However, despite all these restrict one, the East Asian and Pacific countries, which include NIC's, exported more to the developed countries. The share of developing countries as a whole in these industrial markets, the US, Japan and EEC in 1984 was 28.5%, 27.8% and 11.4% respectively. The corresponding percentages for East Asian and Pacific countries were 19.5%, 24.9% and 8.2%. This means that in the US market, the East Asian and Pacific countries, share accounted for little less than 2/3 of total developing countries exports of manufacture to the U.S.A., more than 3/4 in Japan about 1/3 in EEC. Thus, despite the protectionist measures, the East Asian and Pacific countries did much better in the industrial countries markets by

Intra-SAARC Trade Matrix-Exports - 1985

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Nepal	Maldives	Total
Pakistan	0	14000	40605	27300	26	0	0	0	81,931
India	37557	0	19282	6200	62839	0	0	400	126,278
Bangladesh	64665	56000	0	14500	4	0	0	100	135,269
Sri Lanka	42350	68000	200	0	4007	0	0	4100	118,657
Nepal	100	78000	5100	100	0	0	0	0	83,300
Bhutan	0	0	0	0	0	0	0	0	0
Nepal	0	0	0	0	0	0	0	0	0
Maldives	0	0	0	0	0	0	0	0	0
Total	144672	216000	65187	48100	66876	0	0	4600	545,435

Intra-SAARC Trade Matrix-Exports - 1986

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Nepal	Maldives	Total
Pakistan	0	1200	35500	33800	1600	0	1200	0	84,100
India	20745	0	7700	11800	41800	0	0	0	82,045
Bangladesh	42633	52000	0	6900	0	0	0	0	101,533
Sri Lanka	46997	72000	600	0	12800	0	4100	0	136,497
Nepal	400	87000	10100	0	0	0	0	0	97,500
Bhutan	0	0	0	0	0	0	0	0	0
Nepal	0	0	0	0	0	0	0	0	0
Maldives	0	0	0	0	0	0	0	0	0
Total	110775	223000	53900	52500	56200	0	5300	0	501,675

Intra-SAARC Trade Matrix-Imports - 1980

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	76000	54483	30058	45	0	200	160,786
India	3841	0	100807	96493	104000	0	3200	303,341
Bangladesh	75921	12000	0	3200	1016	0	0	92,137
Sri Lanka	39984	32000	5513	0	28	0	1300	78,825
Nepal	3900	19431	1000	0	0	0	0	24,331
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	1970	0	0	0	1,970
Total	123646	139431	161803	131721	105089	0	4700	666,390

Intra-SAARC Trade Matrix-Imports - 1981

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	7600	62532	71160	67	0	100	155,859
India	2778	0	81869	76158	104000	0	400	265,205
Bangladesh	51323	14000	0	2300	2270	0	0	69,893
Sri Lanka	49546	56000	5788	0	132	0	2100	113,566
Nepal	2200	44226	11800	0	0	0	0	58226
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	0	0	0	0	1,998
Total	105847	190226	161989	97616	106469	0	2600	664,747

Intra-SAARC Trade Matrix-Imports - 1982

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	56000	62473	19645	0	0	0	138,118
India	3547	0	65123	72986	93600	0	400	235,656
Bangladesh	62548	22000	0	200	100	0	0	84,848
Sri Lanka	39541	23000	6033	0	0	0	19800	88,374
Nepal	1000	39000	500	0	0	0	0	40,500
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	1811	0	0	0	1,811
Total	106636	140000	134129	94642	93700	0	20200	589,307

surmounting protectionist barriers than other developing countries, including the SAARC countries. The same conclusion follows if the data on market penetration in major industrial countries for manufacturing and selected sub-sectors by developing countries groups and East Asian NIC's are analysed. The NIC's and China have performed much better than the Southern-Asian countries or other developing countries.

Thus, the protectionist policies of the industrial countries, does not explain the poor export performance of the SAARC countries or other developing countries. The protectionist barriers affect all developing countries and despite that if some countries have done better than the others, the explanation must lie elsewhere.

SAARC countries mostly pursued import substitution or inward oriented policies. Most countries maintain over-valued exchange rates and supported balance of payments situation through severe restrictions on imports and subsidies to exports. These have a distinct anti-trade bias. Such policies were pursued upto the mid-1970's and late 1970's. All SAARC countries have undertaken major important steps towards import liberalization in the 1980's. Despite these, import restrictions continue except in Sri Lanka.

Each SAARC country has adopted a managed floating exchange rate policy (i.e. keeping exchange rate near the equilibrium exchange rate). There is reliance on tariff and exchange rate adjustments to bring equilibrium in the Balance of Payments. There has been a rationalization leading to clear distinguishing trade, revenue and protection efforts. Among the SAARC countries the extent of liberalization differ. Sri Lanka is the most liberalised country in the SAARC countries and has low tariff rates. Sri Lanka, Pakistan and Bangladesh have introduced a system of negative lists i.e. all product which are not barred or restricted can be freely imported. Nepal has introduced negative list but follows a Open General Licence System as well. India persists in the positive list system of open general licence system and has restrictions. Under Prime Minister Narasimha Rao there has been further liberalization measures.

Intra-SAARC Trade Matrix-Imports - 1983

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	31000	44207	13593	206	0	300	89,306
India	7053	0	61106	115227	213090	0	400	396,876
Bangladesh	68224	8000	0	600	3791	0	0	80,615
Sri Lanka	33248	31000	5709	0	1034	0	5100	76,091
Nepal	700	19000	0	0	0	0	0	19,700
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	1830	0	0	0	0
Total	109225	89000	111222	131250	218121	0	5800	664,418

Intra-SAARC Trade Matrix-Imports - 1984

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	28000	32179	17105	783	0	1700	79,767
India	12735	0	84202	111396	235113	0	400	443,846
Bangladesh	72952	31000	0	200	6444	0	0	110,596
Sri Lanka	36319	14000	17075	0	140	0	4500	72,034
Nepal	500	19000	0	0	0	0	0	19,500
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	1821	0	0	0	0
Total	122506	92000	133456	130522	242480	0	6600	727,564

Intra-SAARC Trade Matrix-Imports - 1985

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	4100	52207	33800	25	0	300	127,332
India	15433	0	94056	74700	253276	0	400	437,865
Bangladesh	45414	33000	0	200	5779	0	100	84,493
Sri Lanka	30495	7000	9820	0	73	0	5700	53,088
Nepal	2000	43000	0	4400	0	0	0	49,400
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	0	0	0	0	0
Total	93342	124000	156083	113100	259153	0	6500	752,178

Intra-SAARC Trade Matrix-Imports - 1986

'000 US \$

	Pakistan	India	Bangladesh	Sri Lanka	Nepal	Bhutan	Maldives	Total
Pakistan	0	23000	26300	46100	300	0	0	95,700
India	12707	0	57200	79200	95800	0	400	245,307
Bangladesh	43426	8000	0	300	11100	0	0	62,826
Sri Lanka	35553	13000	7600	0	0	0	6500	62,653
Nepal	1700	46000	0	14100	0	0	0	61,800
Bhutan	0	0	0	0	0	0	0	0
Maldives	0	0	0	0	0	0	0	0
Total	93386	90000	91100	139700	107200	0	6900	528,286

Import policies in the SAARC region countries are vary from country to country with significant tariff-differences in the tariff rates. There is wide dispersions in the rates of duties. The average rate of import duties is quite suggestive of the stringency of import restrictions. The average rate of import duties in Nepal

and Sri Lanka is 20%, Pakistan is 30%, India is 70%, and Bangladesh is 100%. All SAARC countries have pursued managed floating exchange rate system in the 1980's. The difference between official exchange rate and the kerp rate has narrowed down in the range of 5-10%. India is the only exception where

the differential extends to rather larger proportions. Pakistan and Sri Lanka has withdrawn cash subsidies in the form of compensatory rates. India persist with such subsidies to exports. However, in most quarters there is a move towards pro-trade outward oriented policies.

**Intra-Regional Trade in SAARC Area**

In the SAARC region trade accounts for 1/4 of their gross product. The trade among SAARC countries is limited. Intra-regional imports fell from \$666,000 to \$528,000 from 1980-1986 and exports fell from \$ 576,000 to \$ 502,000. The intra-regional account for 2.4% of trade of SAARC countries. The share of intra-regional imports is 1.8%. whilst that of Intra-regional exports is 3.1%. (Table XIV).

It is worth examining the percentage share of intra-regional imports in total

imports and test of intra-regional exports in total exports in the SAARC countries.

Why is the trade among SAARC countries so low? Is it because the SAARC countries do not produce goods which are being imported by the countries of the region from the rest of the world — i.e. supply constraints. Is it because they are relatively inefficient producers of the products being imported from the rest of the world? Is it because that though the goods are produced efficiently but due to lack of information about the markets, inter-regional trade is low? Is it that these countries have a resource constraint and foreign aid which eases the resources constraints is tied to the sources and as such perforce these products being imported from the rest of the world? Is it due to high import duties and other restrictions on potential export products

of interest to SAARC? The answers to these questions are of basic importance to trade expansion possibilities.

The analysis of the trends in the share of intra-regional trade in total imports and total exports in SAARC reveals the patterns. It shows that the regional trade plays a very small role in the case of India. High dependence of Nepal on the regional trade essentially flow from the trade with India due to Nepal being a land locked country. The reliance of Sri Lanka, Maldives and Bangladesh on intra-regional trade has been quite significant whilst the trade of Pakistan though low is twice that of India. Except for Sri Lanka, and Maldives, reliance on regional trade has been declining quite rapidly. Over the six year period, reliance on intra-regional trade has declined by 50%, 26%, 56% and 28% in the case of Pakistan, India, Bangla-

**Trade with SAARC and the Rest of Trade**

YEARS	% share in the total trade						% share in intra-regional trade					
	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India
1981	8.7	-	22.9	1.0	8.5	59.0	19.8	0.7	18.6	15.8	24.3	20.9
1981	7.6	0.16	22.7	1.2	7.6	60.7	14.7	0.4	15.9	16.1	24.4	28.4
1982	6.7	0.25	19.7	0.9	6.6	65.8	16.1	3.4	18.1	15.9	22.8	23.8
1983	7.0	0.26	20.9	1.7	5.9	64.2	19.8	0.9	16.4	32.3	16.7	13.4
1984	6.6	0.26	21.0	1.6	7.3	63.3	17.9	0.9	16.8	33.3	18.3	12.6
1985	6.5	0.25	20.8	1.6	8.6	62.3	15.0	0.9	12.4	34.5	20.8	16.5
1986	6.3	0.27	18.4	1.1	8.7	65.1	26.4	1.3	17.7	20.3	17.2	17.0

Source: Based on earlier Tables.

**Trade with SAARC and the Rest of Trade and Imports**

YEARS	% share in the total trade						% share in intra-regional trade					
	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India
1980	8.7	-	21.8	0.8	62.6	6.2	12.4	0.4	27.6	5.2	40.7	13.8
1981	8.3	0.08	22.3	0.6	63.3	5.3	16.2	0.4	28.5	4.9	41.2	8.9
1982	8.0	0.10	18.8	0.6	67.2	5.3	19.0	0.4	28.1	4.3	29.0	19.1
1983	7.1	0.19	20.6	0.5	66.4	5.3	13.2	0.4	16.2	9.9	46.2	14.0
1984	9.2	0.09	16.5	0.7	67.5	5.9	11.6	0.5	14.6	11.6	43.2	18.3
1985	8.5	0.16	18.3	0.9	65.7	6.5	8.8	0.8	26.5	12.3	39.6	12.0
1986	7.2	0.18	21.0	0.9	65.2	5.5	10.5	1.1	22.1	11.2	44.2	10.7

**The Magnitude of Anti-Regional Bias Index for SAARC Countries**

YEARS	IMPORTS						EXPORTS					
	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India	Sri Lanka	Maldives	Pakistan	Nepal	Bangladesh	India
1980	-56	-	.23	-94	-65	1.82	-70	-	-22	-85	-55	.54
1981	-48	-59	.43	-93	-69	1.12	-49	.80	-22	-88	-40	.54
1982	-52	-93	.09	-95	-71	1.76	-58	.75	-34	-86	-73	1.32
1983	-65	-71	.27	-95	-65	3.79	-46	-52	.27	-95	-62	.44
1984	-64	-73	.25	-95	-60	4.02	-21	-82	.13	-94	-68	.56
1985	-57	-72	.68	-95	-59	2.78	-34	-80	-31	-93	-46	.66
1986	-76	-79	.04	-95	-51	2.83	-31	-84	-05	-92	-49	.47

Source: Based on earlier Tables.

desh and Nepal. On the basis of the Export and Import statistics a Trade Matrix could be formulated.

Dependence of a country on trade in the region may alternatively be assessed by contrasting the share of a country in total trade of SAARC with her share in the intra-regional trade. India's share in the Intra-Regional trade is low both for imports/exports than her share in total trade of the region.

The index of anti-regional bias is defined:

$$ARB = \frac{\text{Share of a country in total trade of region}}{\text{Share of a country in intra-regional trade}}$$

On this basis an attempt will be made to identify the percentage share in the total and percentage share in intra-trade among SAARC countries to arrive at the magnitude of the anti-regional bias index.

The Tables clearly brings out the fact that smaller countries have a pro-region bias in their trade structure while larger countries especially India has an anti-

regional bias in their trade structure. This has increased in 1980's and 90's for India and Sri Lanka. Except for Pakistan, India has surpluses with all the SAARC countries. The same is true of Pakistan to some extent. The probability of trade expansion in SAARC would be large only if it benefits all the trade partners and that the trade balance is not continually in favour of or against a particular country. The trend is reflected in the Index of Trade Balances.\*

Balance equals unity, trade is balanced and if trade balance is less than unity the country runs surpluses.

India's trade has not only an anti-region bias, the index of balancing for India exceeds unity. Her exports in the region has been higher than her imports. Indian exports from SAARC countries has been less than half of the exports to the region. Pakistan as an average has trade balance

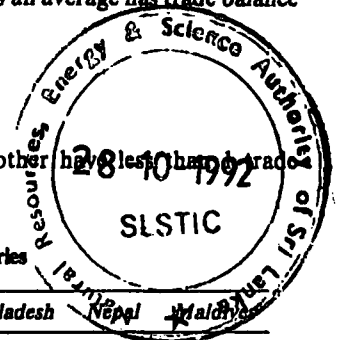
$$\text{*Trade Balance} = \frac{\text{Share of the country in Intra-regional Imports}}{\text{Share of the country in Intra-regional Exports}}$$

If Trade Balance exceeds unity — the country runs a deficit. If the Trade

of 1 and other have less than 1 trade balance.

Trade Balance in SAARC Countries

Year	Sri Lanka	Pakistan	India	Bangladesh	Nepal	Maldives
1980	1.6	0.7	0.5	1.8	3.0	1.8
1981	0.9	0.6	0.7	2.7	3.3	1.0
1982	0.8	0.6	0.6	1.2	3.7	8.5
1983	1.5	1.1	0.3	1.2	3.3	2.3
1984	1.5	1.2	0.3	1.0	2.9	2.3
1985	1.2	0.5	0.4	1.7	2.8	1.9
1986	2.4	0.8	0.4	1.6	1.8	1.2



*Will be Continued on Next Issue*