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TRADE AND REGIONAL ECONOMIC COOPERATION*

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I. Introduction

Efforts to achieve regional economic integration are not new. The post-World War II era has witnessed the emergence and growing importance of regional economic groupings in many different parts of the world to overcome obstacles to international trade and to isolate the region from the fluctuations of the world economy. The process of regional economic cooperation was initiated by Western Europe in the late 1940s with the formation of the European Coal and Steel Community and subsequently to the Treaty of Rome in 1957 that established the European Economic Community (EEC). The formation of the EEC encouraged some other countries outside the EEC to form the European Free Trade Area (EFTA). The spectacular success of the EEC in the immediate aftermath provided an added impetus to the growing tide of regional integration. Accordingly, a large number of integration schemes, ranging from bilateral or multilateral agreements to sub-regional or regional cooperation, came into existence in different parts of the world.[1]

The late 1980s attracted increased interest in regionalism, even at a time when the most ambitious round of multilateral trade negotiation (MTNs), the so-called Uruguay Round, was under way with the goal of further liberalization of global trade and extension of GATT disciplines into other areas such as trade in services and trade-related investment measures and intellectual property rights.[2] The renewed interest in regional integration has been attributed in part, to the increasingly cum-

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[1] More on this issue, see Srinivasan ad Canonero (1995), Khan (1995), and de la Torre and Kelly (1992), Lawrence (1994) and Park (1995).

[2] Since the start of the Uruguay Round in September 1986, 25 preferential trade agreements were notified to the GATT, see Sutherland (1995).

bersome nature of MTNs as well as the prospects for a successful conclusion of the negotiations becoming uncertain.[3] One source of uncertainty was the pace of the GATT negotiations. The Tokyo Round lasted for seven years (1973-1979), while the Uruguay Round started in September 1986 and was scheduled for completion in 1990, but the impasse at the Brussels Ministerial Meeting in December 1990 led to its extension for three years (The Uruguay Round was successfully completed in December 1993). In contrast, the United States – Canada Free Trade Agreement (FTA) was negotiated in less than one year. Furthermore, the GATT multilateral negotions involved very diverse interests of a large number of participating countries – a point that greatly complicated the agenda of MTNs. Yet another problem concerned the GATT's de facto consensus rule which countries used liberally to block progress until their individual demands were met.[4]

The late 1980s and early 1990s, witnessed the fever of regional trading arrangements taking firm hold.[5] During 1986-87 the members of the ECC hatched their plans for a Single Market by 1992. During 1988-89 the United States agreed to and implemented the Free Trade Agreement with Canada, thereby abandoning its forty years of opposition to participation in preferential trade agreement.[6] During 1990-92, a new customs union was agreed in the Eastern half of South America (consisting Argentina, Brazil, Paraguay, Uruguay), commonly known as 'MERCOSUR'. The Andes countries (Bolivia, Colombia, Ecuador, Peru, Venezuela) agreed to form a serious Free Trade Area; and the ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand) agreed in principle on an ASEAN Free Trade Area by 2006.

Most developing countries have viewed the growing interest in regional trade arrangements among developed countries with concern. For them, such groupings pose risks of trade and investment diversion towards member states of the trading blocs, risks of intensified competition in major developed country markets for similar products benefiting from preferential advantages; and risks of pre-emption of limited financial aid flows in favour of developing countries belonging to the same integration system. Some have been questioned whether this trend is desirable, as the best way to liberalize trade is on a most favoured-nation (MFN) basis (i.e. no discrimination between trading partners) – which can be done unilaterally or in the context of multilateral trade talks. Formation of regional trading arrangements should not, therefore, be allowed to divert attention from MFN liberalization and the ulti-

[3] de la Torre and Kelly (1992), and Patterson (1989).

[4] See, Hufbauer and Schott (1985), and Schott (1989).

[5] Braga and Yeats (1992) show that approximately 46 per cent of world trade is currently conducted under some form of regional trade arrangements while the affected share of world trade in manufactures is approximately 50 per cent.

[6] See for example, Kahler (1994), and Panagariya (1995).

mate goal of global free trade.[7] Thus, the successful conclusion of the Uruguay Round Agreement was expected to reduce the attractiveness of regional approaches and mitigate concerns about the implications of economic integration for the multilateral system and third countries.[8]

Surprisingly, with the successful conclusion of the Uruguay Round and the establishment of the World Trade Organization (WTO), the interest in regionalism has not waned. On the contrary, the integration process has been intensified in Europe, North America and Asia. The most celebrated recent preferential trading arrangement (PTA) is the North American Free Trade Area (NAFTA), signed by Canada Mexico, and the United States in 1992 and enforced since January 1994. The full integration of Austria, Finland and Sweden into the European Union (EU) in January 1995 and the strengthening of EU relations, with the Central and Eastern European countries in transition, are yet another development. New integration schemes for the longer term also proliferated in all regions: Asian Pacific Economic Cooperation (APEC) agreed to acheive free regional trade and investment by 2010 in the case of developed country members and by 2020 for others; American countries agreed to establish a Free Trade Area of the Americans (FTAA) comprising the entire Western Hemisphere and to start implementation not later than the year 2005. The EU has plans to enlarge its membership to include a number of Central and Eastern European countries in transition and to open the association membership to certain CIS countries and to negotiate association agreements with Mediterranean countries, MERCOSUR and South Africa. Discussions have been revived regarding the proposal of a Transatlantic Free Trade Area between EU and NAFTA as members.

At the same time integration among developing countries has gained new momemtum. In Latin America, MERCOSUR and the Andean Group have rapidly moved ahead with their programmes to liberalize mutual trade and establish customs unions. Furthermore, Brazil has thoughts of combining the two into a South America Free Trade Area before bargaining with the North Americans on hemisphere arrangements. In Asia, ASEAN has accelerated implementation of its Free Trade Area scheduled to be completed by 2006, while South Asian Association of Regionl Cooperation (SAARC) decided to reduce barriers to mutual trade in a first group of 226 products in 1996. New integration initiative were taken by the East Asian Economic Caucus (EAEC) and countries bordering on the Indian Ocean rim. Several African integration grouping have been engaged in a major revision and restructuring process.[9]

7 Shiells (1995).

8 See for example, WTO Secretariat (1995), Bliss (1994), and Bhagwati (1993).

9 For a comprehensive review of recent developments in economic integration, see Frankel and Wei (1995), WTO Secretariat (1995), Parrenas (1995), Rao (1995), UNCTAD Secretariat (1995), de la Torre and Kelly (1992), Park (1995), and Lawrence (1994).

Whether the proliferation of overlapping PTAs is a stepping stone to global free trade consistent with the GATT principle or is a hinderance to non-discriminatory multilateral trade liberalization is a contentious issue on which experts continue to differ [Srinivasan and Canonera (1995)]. Some are of the view that the formation of regional blocs could facilitate future rounds of the GATT because a small number of blocs could make future GATT negotiations more manageable [Panagariya (1995)]. Furthermore, it is a fact that recent regionalism involves attempts at deeper integration, going beyond what has been acheived in the Uruguay Round. The new regionalism has shifted emphasis to liberalization of investment and labour markets, strenghtening of technological and scientific cooperation, environment, common competition policies, financial and monetary integration and harmonization of regulatory regimes. Others have argued that smaller countries would be the most hurt by a drift toward regionalism that undermines the principle of MFN non discrimination [de la Torre and Kelly (1992)].

Notwithstanding the difference of opinion, the fact is that the fever of regionalism has taken firm hold. The view that regional integration is complementary to the multilateral process is widely held among GATT contracting parties [Sutherland (1995)]. The process of the formation of trading blocs in different parts of the world has already set into motion. These developments will have harmful effects on the countries that are unfortunate enough to be left out of any important bloc. Even if the bloc members leave their tariffs and other trade barriers unchanged *vis-a-vis* outsiders (under Article XXIV of the GATT, they are prohibited from raising them), there will nevertheless be some diversion of trade away from the non-members, toward bloc members [Frankel and Wei (1995)]. Against the backdrop of these developments what should be the response of a developing country like Pakistan. Should Pakistan pursue the route of regionalism? If yes! at what levels? Pakistan is a member of the SAARC and the ECO. Should SAARC and ECO be strengthened? Should Pakistan look towards ASEAN or EU or NAFTA? Does the new regionalism in Europe and Western Hemisphere pose a major threat to Pakistan in the long-run? This paper attempts to provide answers to these questions.

We begin in Section II by reviewing the major new developments in regional trade blocs and their likely impact on Pakistan. Pakistan's response to these challenges are discussed in Section III. The current state of intra-SAARC/ECO trade relations are discussed in Section IV. Finally, Section V present conclusions.

II. Recent Developments in Regional Integration

Over the past few years major new developments have taken place in regional integration schemes in various parts of the world, notably in Europe, North America and Asia. In the three regions the respective regional blocs, namely, the EU, the NAFTA and the ASEAN/APEC are of major concern to Pakistan. Almost 71 per cent of Pakistan's exports of cotton and cotton related products are directed towards the EU and North America. Similarly, 79 per cent of leather products and 74 per cent of Pakistan's exports of carpet and rugs go to the EU and North America. Any development in these trading blocs is likely to affect Pakistan's overall exports. Therefore, recent developments in these three regional blocs are reviewed.

1) Major Developments in EU

Recent developments in EU integration, which are of interest to developing countries in general and Pakistan in particular, include primarily the move to a Single Market Programme, its geographical extension to Austria, Finland and Sweden, the intensification of its relations with Central European, Mediterranean and other developing countries.

The EU's single market became a reality in 1993. It has deepened economic integration within the EU and continues to serve as a powerful stimulus to intra-EU trade and economic growth. The harmonization of national trade measures has simplified access of products from their countries to the whole EU market. However, it also opened the door to trade diversion as barriers for goods and services provided from within the EU. Furthermore, higher tariffs have been imposed on a few products such as canned fish, bananas and motor vehicles. Greater tariff escalation in certain industries such as leather, textile, tobacco, metals and electronic has placed third country suppliers of higher-value products in these areas at a disadvantageous position.

Austria, Finland and Sweden joined the EU on February 1995. The enlarged EU now consists of 15 members accounting for 5.6 per cent of world population, 40.6 per cent of world merchandise exports, and 39.4 per cent of world merchandise imports. The three new member states adoped the Common Customs Tariff of the Community, which led to modifications of MFN bound tariff rates. This gave rise to requests by Canada, United States and other WTO members for negotiations of compensation within WTO. Applied GSP rates for developing countries were raised for products where GSP rates of three new member states were either zero or lower than the new GSP rates of the EU. They also adopted the EU's non-tariff measures, including import quotas, VERs, and the EU's anti-dumping measures.

In the textiles and clothing sector, patterns of restrictions varied widely between the EU and the acceding countries. The former had a comprehensive system of bilateral agreements covering the entire range of MFA products with numerous quota restrictions, while the latter had applied restrictions in a highly selective manner, with restraints mostly in the clothing sector. Moreover, the number of developing countries affected by export restraints arrangements is significantly higher in the case of the EU than in the case of the three acceding countries. In the same vein, the EU restraints major suppliers more extensively than the others. Consequently, the exporter from developing countries will face a substantially larger area of restrictions in the new member countries due to the extension of the EU's bilateral agreements. Sweden, which had abolished MFA quotas in August 1991, had to re-establish them for developing countries and economies in transition.

The new members applied all anti-dumping measures of the EU. Hence, the access conditions have become more restrictive. Anti-dumping measures have been considerably more important in EU trade policies than in the policies of any of the three acceding countries. For instance, in 1993-94, exports to three new members from developing countries were not affected by anti-dumping duties. Only anti-dumping investigations were initiated by Austria and Sweden against two countries. This is in striking contrast to the much greater use of anti-dumping measures (tripled between 1991 and 1994) by the EU.[10]

The EU has signed the Europe Agreements with Bulgria, the Czech Republic, Hungary, Poland, Romania and Slovakia which has already been enforced. The EU has also concluded Europe Agreements with the Baltic States. These agreements offer the future prospects of full membership.[11] Negotiation with Slovenia is under progress. Preliminary analysis by the UNCTAD Secretariat (1995) though suggests that the aggregate effects of the Agreements on competition with developing countries in EU markets might remain limited for some time to come, yet competition could intensify for products like textiles, clothing and footwear. The liberalization of textiles and clothing from MFA quotas has been substantially accelerated in favour of Europe Agreements partners following the conclusion of the Uruguay Round, which will intensify the preferential effects primarily vis-a-vis developing countries' exporters [UNCTAD Secretariat (1995)].

The EU's Mediterranean policy also takes a new direction under the EU-Mediterranean Partnership project. This project will involve the progressive establishment of a vast free trade area over the longer term, comprising the EU, the Mediterranean countries and eventually the Central and Eastern European countries in transition. The EU has already begun the negotiations with Egypt, Morocco, and Tenisia on the establishment of a free trade area [see, Parrenas (1995)]. The EU has also agreed to implement the customs union agreement with Turkey and to open the possibility of accession for Cyprus and Malta. It already has a free trade arrangement for industrial products with Israel [see, Parrenas (1995)]. The EU is further expanding its network of free trade agreements beyond Europe and the Mediterranean region. In December 1994, the EU and MERCOSUR agreed to conclude an

[10] In some cases, the EU negotiated a settlement with regards to the imposition of countervailing duties on imports from developing countries, as in the case of imports of Chilean apples and pears. In 1994, the application of countervailing duties on imports of lemons from Argentina resulted in a complete stop of Argentinean sales to the EU market [see, UNCTAD Secretariat (1995)].

[11] Hungary, Poland, Romania and Slovakia have applied formally for full membership.

interregional framework agreement on trade and economic cooperation as a first step towards interregional association agreement [Parrenas (1995)]. The EU's interest in closer relations with MERCOSUR is a response to the creation of NAFTA [UNCTAD Secretariat (1995)]. The EU further intends to negotiate similar free trade agreements with Mexico and South Africa.

2) EU's Implications for Pakistan

The EU's market for Pakistan's exports of textile and clothing and leather products is very critical. On average (1990-96), 22 per cent of textile and clothing (which was slightly more than 13 per cent of total exports) and 60 per cent of leather products (which were 5.5 per cent of total exports) were exported to the EU market [see, Table 1]. Any development in the EU is bound to affect Pakistan.

Greater tariff escalation as a consequence of the Single Market Programme in some industries such as leather and textile and clothing has placed Pakistan at a disadvantageous position in the EU's market. With the accession of three new members to the EU, the patterns of restrictions in the textile and clothing are likely to increase because of the extension of the EU's bilateral agreement which is comprehensive and covers the entire range of MFA products with numerous quota restrictions. Sweden, which had abolished MFA quotas had to re-establish them for developing countries. Liberalization of MFA quotas on textile and clothing imports from the Central, Eastern and Southeastern European countries as part of the EU's Europe Agreements with these countries have already accelerated after the Uruguay Round. These countries are likely to get preferential treatment viz-a-viz other developing countries. All these developments are likely to affect Pakistan's exports of textile and clothing and leather products to EU market.

3) Major Developments in NAFTA

NAFTA, which was signed by Canada, Mexico and the United States[12] in 1992, entered into force in January 1, 1994. Besides progressive liberalization of merchandise trade among its member countries, the Agreement covered new areas that include liberalization of trade in various services, investment policies (through the granting of MFN and national treatment and the elimination of trade-related investment measures), government procurement, strengthening intellectual property rights protection and competition law, and elaboration of dispute settlement procedures. Labour standard and environmental protection issues were also covered in side agreements.

[12] The three countries together accounts for 6.7 per cent of world population, 18.1 per eent of world merchandise exports and 22 per cent of world merchandise imports.

TABLE 1

Shares of Pakistan's Major Exports
to the EU and North America

Years	Total Exports EU	Total Exports North America	Textiles & Clothing EU	Textiles & Clothing North America	Leather EU	Leather North America
1990-91	2101.9	746.5	805.8	497.3	328.1	51.9
	(34.2)	(12.2)	(13.1)	(8.1)	(5.3)	(0.8)
			[24.1]	[14.9]	[58.8]	[9.3]
1991-92	2050.6	1020.6	908.5	635.7	305.2	88.2
	(29.7)	(14.8)	(13.1)	(9.2)	(4.4)	(1.3)
			[24.4]	[17.1]	[51.7]	[14.9]
1992-93	2114.5	1104.4	1072.6	654.3	536.1	116.8
	(31.0)	(16.2)	(15.7)	(9.6)	(7.9)	(1.7)
			[28.2]	[17.2]	[84.2]	[18.3]
1993-94	2218.2	1151.4	1002.9	729.4	309.1	88.8
	(32.6)	(16.9)	(14.7)	(10.7)	(4.5)	(1.3)
			[26.0]	[18.9]	[49.2]	[14.1]
1994-95	2549.2	1491.7	1074.2	1026.2	344.2	77.7
	(31.3)	(18.3)	(13.2)	(12.6)	(4.2)	(1.0)
			[22.8]	[21.8]	[53.1]	[12.0]
1995-96	2570.2	1483.3	1208.9	1090.7	276.7	55.9
	(29.5)	(17.0)	(13.9)	(12.5)	(3.2)	(0.6)
			[23.8]	[21.5]	[44.1]	[8.9]

Source Pakistan's Foreign Trade Key Indicators, Ministry of Commerce, Government of Pakistan, April 1997.

Note: Figures in parentheses are the shares in total exports.
Figures in square bracket are the shares in respective commodity.

Asian developing countries' concern about NAFTA centers on several issues. The entry of Mexico, a developing country, producing goods similar to those being exported by other developing countries to the US, presents the prospects of trade diversion at the expense of many Asian countries. Trade diversion is likely to take place in favour of Mexico in the areas of textile, clothing, footwear, automobile parts, light trucks, and certain radio and electronic products. Furthermore, stringent rules of origin are expected to contribute to trade diversion, especially in textiles, clothing, automobile parts and certain electronic items. Moreover, the liberalization of cross-border trucking by NAFTA will reduce transportation costs which will favour Mexican over non-NAFTA products in the US market. NAFTA's main implications for other developing countries stem from the fact that Mexico will improve its competitive position owing to its preferential advantages for these products.

The expansion of NAFTA has begun with negotiations over Chile's membership. At the same time, there are already proposals to start negotiating with other countries and groupings in Latin America, Asia, and Europe for membership in the free trade area. One such possibility, that is being considered, is the establishment of a Trans-Atlantic Free Trade Area (TAFTA) that would link NAFTA with the EU. The inclusion of Chile in NAFTA will have limited implications for third countries, as Chile's exports to NAFTA amounted to $2.4 billion in 1994, while only 0.27 per cent of its import came from NAFTA.

The important development, taking place is the move towards the Free Trade Area of the Americas (FTAA). In December 1994, the US, Canada and 34 Latin American countries agreed to establish the FTAA by the year 2005 that will not only remove barriers to merchandise and services trade but also cover liberalization of capital markets, investments and government procurement, strengthening protection for intellectual property rights and enhancing competition policy. This free trade area would develop out of linkages among existing regional groupings such as NAFTA, the Andean Group, the Central American Common Market (CACM), the Caribbean Community (CARICOM) and MERCOSUR. The prospects for the achievement of an FTAA have improved in the past several years. The inclusion of Mexico in NAFTA and the eventual accession of Chile have started a trend of mixed membership in regional trade arrangements. The liberalization of mutual trade within the various Latin American groupings as well as trade and investment policy reforms being undertaken unilaterally or as part of the Uruguay Round commitments by individual countries, are expected to facilitate the acceptance of such a free trade area.[13]

The progress from NAFTA to FTAA will have important implications for third countries. The preliminary estimates suggest that FTAA might divert 2.8 per cent of

[13] The common external tariffs of the Andean Group, CARICOM, CACM and MERCOSUR, covering 80 per cent of all products now range from 0-20 per cent [see, Parrenas (1995)].

exports from affected third countries to the US by the year 2002; East Asia would suffer a diversion of 2.6 per cent of projected exports (mainly textiles and apparel, leather products and sports goods); South Asia around 2.8 per cent (mainly food products, textiles and clothing) and Western Europe around 3.5 per cent (mainly food products and textiles).[14]

4) NAFTA's Implications for Pakistan

Any assessment of the impact of NAFTA on Pakistan's exports must first consider the relative importance of the North American market as a destination of her exports. Around 17 per cent of Paksitan's exports in 1995-96 went to the North American market. Textiles and clothing are by far the dominant export items, accounting for 44 per cent of total exports, destined for the North American market. Leather is also a major item of exports to the North American market. Under the NAFTA agreement the existing trade restrictions are to be removed against the intra-regional trade of the US, Canada and Mexico but these will continue to be applied to imports from third countries like Pakistan. This preferential removal of trade barriers will cause Pakistan's exports, particularly, textiles and clothing and leather, to be diverted to Mexico.

Pakistan faces, on average, slightly less than 20 per cent tariff on textiles and clothing and leather in the North American market. NAFTA has not only created important preferential margin but the removal of MFA restrictions on Mexico's exports will further augment the effect of NAFTA's tariff preferences [see Safadi and Yeats (1993)]. However, Safadi and Yeats (1993) argue that Mexico's ability to displace third countries import in North America is limited by two factors. Firstly, the import penetration ratios of Mexico in the areas of textiles and clothing are much smaller than the countries of South Asia (0.22 against 0.65 in textiles and 0.45 against 1.50 in clothing). Secondly, a relatively large portion of the Mexican MFA quota remained unfilled (the quota utilization rate of Mexico has been 77.7 per cent as against 89.6 per cent for Pakistan during 1985-89) indicating important supply constraints which will limit the ability of Mexico to displace third country exports.

Two things must be noted in this regard. Firstly, the import penetration ratios reported by Safadi and Yeats (1993) are dated (i.e., of 1987-88). Secondly, the low utilization of MFA quota does not necessarily reflect the supply constraints. Mismanagement of quota by the representatives of the textiles and clothing has also been an important factor for the low utilization rate. All in all, the preferential removal of trade barriers within NAFTA as well as the removal of MFA restriction on Mexico's exports are most likely to displace Pakistan's exports of textiles and clothing and

[14] Quoted in UNCTAD Secretariat (1995), p.10.

leather in the North American market.[15] Furthermore, as it is well-known, the major barriers in the US are non-tariff barriers and administrative protection such as anti-dumping duties. Canada and Mexico are to a larger extent exempt from such US protection under the NAFTA , (this was the major attraction of the FTA). Thus, concern about trade diversion from South Asia in general and Pakistan in particular, is very relevant [see, Frankel and Wei (1995)].

The effects of the FTAA on the exports of South Asian countries are also significant. Anticipating the Miami Summit, Hufbauer ad Schoff in 1994 made estimates of the effects of the FTAA. They showed that South Asia would suffer trade diversion of about US$ 3.2 billion by 2002, or 2.8 per cent of its projected exports to the US market. Textiles and clothing would alone experience a trade diversion of US$1.2 billion.

5) Major Developments in ASEAN/APEC

The Association of South East Asian Nations (ASEAN) was formed in August 1967 with the initial purpose of developing a prosperous and peaceful community of Southeast Asian Nations with a sense of regional identity.[16] Unfortunately, ASEAN acheived only modest progress in its goal toward substantive cooperation during its first eight years.[17] The Bali Summit of 1976 signaled the first landmark when the ASEAN members created practical programmes affecting trade and security in the region.[18] At the Bali Summit the ASEAN leaders adopted the Treaty of Amity and Cooperation which proposed to strengthen economic cooperation and endorse new approaches for economic development and joint assistance. The Bali Summit established the structural foundation and plans for the economic policies and projects that governed ASEAN until the recent watershed at the 1992 Singapore Summit.

ASEAN initially exhibited concern about the 1989 US-Canada Free Trade Agreement, wary that it might exclude ASEAN from an evolving North American trade zone. This anxiety increased when discussion of a trade pact expanded to include Mexico. ASEAN began to fear the possibility of being forced into reliance on an Asian regional trading block if free trade within the EU and NAFTA limited ASEAN's access to European and North American markets. Consequently, leaders of ASEAN

[15] Safadi and Yeats (1993) estimate a trade diversion of about 0.8 per cent of Pakistan's total exports to the US. The most affected products were textiles and clothing, and leather products.

[16] The member states of the ASEAN include: Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei Darussalam.

[17] ASEAN remained essentially a political association with a few, relatively small programmes designed to promote intra-ASEAN trade, joint ventures, and industrial specialization [see, Lawrence (1994)] and Ariff (1994).

[18] See, Hass (1994).

countries perceived the need for stronger ASEAN ccoperation and in January 1992 signed a framework agreement to create the ASEAN Free Trade Area (AFTA) by 2007. The Common Effective Preferential Tariff (CEPT) was used as a principal mechanism for establishing the AFTA. The three major objectives of the CEPT scheme were focus on increasing intra-ASEAN trade through accelerated tariff reductions, attracting foreign investment in ASEAN, and increasing the efficiency and competitiveness of the manufacturing sectors.[19] The provision of AFTA is the reduction of intra-ASEAN tariffs on all manufactured goods to a maximum of 5 per cent by January 1, 2008, thus integrating ASEAN's domestic market.

The ASEAN countries also finalized the list of prodcuts facing rapid reduction and elimination of their tariffs through the CEPT scheme. AFTA added a total 321 items to the original list of items scheduled for tariff reduction and deleted 516 items from the temporary exclusion list. The CEPT scheme, implemented on January 1, 1994, proposed reductions under two programmes: fast-track with 15,201 items scheduled for reduction, and normal track, covering 25,837 items.[20]

One major regional initiative in the Asian-Pacific region is the APEC (Asia Pacific Economic Cooperation), an association which includes nations from Asia, Australia, and North and South America. Formed in 1989, APEC aims to ensure that regional blocs do not stifle trans-pacific trade and investment. APEC drew sudden worldwide attention in November 1993, when the heads of state met in Seattle, Washington for the APEC Summit. Until the Seattle conference critics had regarded APEC as an insignificant "talking shop", but the Summit attracted major attention because it marked an unprecedented meeting of the membership trade leaders. In November 1994 the 18 member States of APEC[21] adopted the long-term goal of free and open trade and investment in the Asia-Pacific region. Industrialized countries intend to achieve this goal by 2010 while developing countries by 2020.

APEC members further decided to expand and accelerate trade and investment facilitation programmes by eliminating administrative and other impediments. They also intensified cooperation on developing the human and natural resources and technolgical and entrepeneuial capacities of the region. The APEC countries have confirmed their full commitment to the multilateral trading system, to accelerate the implementation of their Uruguay Round commitments, to continue the process of unilateral trade and investment liberlization, and to work together with other

19 See, Kenevan and Winden (1993).

20 See, Ming (1993).

21 The members of the APEC are: Australia, Brunei, Canada, Chile, China, Hongkong,. Indonesia, Japan, Malaysia, Mexico, New Zealand, Papa New Guinea, Philippines, Korea, Singapore, Taiwan, Thailand and United States.

countries towards further multilateral liberalization. However, APEC's intention is not to create an inward-looking trade bloc. While APEC will reduce barriers among regional economies, it also intends to reduce those between APEC and non-APEC economies. It will devote particular attention to ensuring that non-APEC developing countries also benefit from trade and investment liberalization, in conformity with WTO provisions. In other word, APEC has accepted the principle of "open regionalism", which involves regional economic integration without discrimination against economies outside the region.[22] The current consensus in APEC favours immediate-term actions on an MFN basis and several members also wish to grant whatever liberalization they undertake as part of APEC unconditionally to the rest of the world. However, the United States continues to advocate liberalization vis-a-vis non-members on a reciprocal basis, steering APEC towards the direction of more traditional free trade area or custom union, though remaining open to countries willing to accept the rules of free and open trade and investment.

In 1994, APEC accounted for about 25 per cent of world GNP, 46.3 per cent of world merchandise exports, and 47.5 per cent of world merchandise imports. Intra-APEC trade accounted for about two-thirds of total exports of these countries. Thus, APEC is by far the largest trading bloc in the World.

6) APEC's Implications for Pakistan

At the present stage, it would be highly speculative to evaluate possible effects of APEC on Pakistan. Essential features of the APEC programme and the way it will operate are still to be defined. Nevertheless, some general remarks regarding the impact of APEC on developing APEC and non-APEC members can be made.

APEC trade is dominated by developed country members like US, Canada and Japan, which account for about 57 per cent of total regional trade. However, Asian developing country members (the NIEs, ASEAN and China) are already important players, currently contributing 36 per cent to total regional trade. For Asian developing countries, APEC is important for a variety of reasons. It offers possibilities for ensuring and further expanding market access in the US and Japan – their major export markets. It is also important in reducing the negative effects of NAFTA and FTAA on Asian exports to the US. APEC is also important as a vehicle for promoting multilateral trade liberalization within the framework of the WTO.

Non-APEC Asian developing countries including Pakistan face a more difficult situation than the APEC members with regard to the formation and expansion of large economic spaces in Europe and North America. On the one hand, the level of trade among countries within this grouping is quite low at less than 3 per cent of total

[22] For an extensive discussion on "open regionalism", see Garnaut (1994).

trade as of 1994.[23] On the other hand, their dependence on the EU and APEC is high, with both groups taking up 78 per cent of their total exports in 1994 [see, Parrenas (1995)].

These countries also face greater challenges than the NIEs and ASEAN in adjusting to greater competition for export markets as well as to the liberalization of trade and investment policies. Compared to the NIEs and ASEAN, the economies of non-APEC Asian developing countries including Pakistan are less outward-oriented. Average export-to-GDP ratio of this group was only 12.3 per cent in 1992 (13 per cent for Pakistan in 1994-95) as compared to the 43 per cent average for the NIEs, ASEAN and China. As a group they also account for a very small portion of global FDI flows (less than 0.2 per cent for 1992), compared to larger portions for East and Southeast Asian market economies.

For these countries including Pakistan, a development of APEC that leads to a closed free trade or custom union type of arrangement (which is less probable) would entail losses due to trade and investment diversion in the APEC market in favour of APEC member countries with similar economic structures. Based on current export structures, trade and investment diversion in the food sector are likely to occur in favour of ASEAN countries and in other manufactures in favour of NIEs in the APEC market.

III. Policy Options for Pakistan

In the face of rising economic regionalism and emerging trading blocs what are the policy options for Pakistan? As discussed in the preceding section, the large economic spaces like EU, NAFTA and APEC are likely to have far reaching implications for developing countries which are not members of any of the three trading blocs. The way the regional trading arrangements are proliferating, it appears that the world trading system will be truncated into three large economic spaces (EU, FTAA and APEC) by the year 2020. Even at the end of 1995 the world trading system had been truncated into three economic spaces, i.e., the EU, NAFTA and the APEC. Since the three members (Canada, US and Mexico) of the NAFTA are also the members of the APEC, the world trading system has virtually been truncated into two large economic spaces. As Table 2 shows, the three or two large trading blocs consisting of 33 countries accounted for almost 87 per cent of world exports and imports in 1995. The high concentration of economic power has left the rest of the countries in the World to compete for their shares in the remaining 13 per cent of world merchandise trade. Among the countries striving for the limited shares in the world trade are the ones that belong to the SAARC (South Asian Association for Regional Cooperation), Middle East and Africa regions. Middle East and Africa

23 The level of trade among South and Central Asian countries has been 3.5 per cent and 4.8 per cent respectively of their total trade in 1994.

TABLE 2

Shares of Various Regional Blocs in World Merchandise Trade

(Per cent)

	Exports			Imports		
Trading Blocs	1980	1990	1995	1980	1990	1995
World	100.0	100.0	100.0	100.0	100.0	100.0
EU (15)	37.2	44.6	40.4	41.0	44.7	37.1
NAFTA (3)	15.4	16.6	17.0	16.5	19.5	19.6
ASEAN (6)	3.5	4.2	6.1	3.1	4.6	6.6
APEC (18)	–	–	46.3	–	–	49.6
EU + APEC	–	–	86.7	–	–	86.7

Source: Annual Report 1996, Volume 2, World Trade Organization, Geneva.

mostly exporting oil, minerals and raw materials will not be greatly affected as all these exports enter duty free in all the three trading blocs. African countries also have preferential access to EU under LOME Convention for their manufactures. The SAARC will be the worst affected region as its exports profile has large concentration of 'sensitive products' (textile and clothing, leather goods and fisheries) ranging from 70 per cent (Bangladesh) to 23 per cent (India) and Pakistan taking a middle ground (42 per cent). These sensitive products are subject to quantitative restrictions as well as face tariff rates above 15 per cent. If Chinese and Thai textile enter US and Japan (members of APEC) duty free in the 21st century, whereas Pakistani textiles and clothing are subject to 15 to 20 per cent tariff, she will not be able to compete in these markets. Similarly, if Turkish and Egyptian textiles and clothing enter EU free of duty and quota it will be difficult for Pakistan and other South Asian countries (Bangladesh and India) to export value added textile products to the EU. To survive in a new emerging trading environment the left out developing countries including Pakistan have limited policy options. Pakistan is fortunate enough to lie on the theshold of two large and important regions – South and Central Asia, and is a member of two corresponding regional groupings – SAARC and ECO. The possible policy options for Pakistan are identified below:

1) The most important policy option for Pakistan and other South/Central Asian countries is to speed up the process of domestic policy reform. Reforms must

focus on policies that favour the flow of capital to the more competitive sectors in the economy, lower the cost of goods and services to outward-oriented enterprises and lower the costs of doing business in terms of lower inflation and interest rates and stable exchange rates. This means accelerating reforms in trade and industrial policies along with macroeconomic policies that promote stability for providing a favourable environment for enterprises competing in the global market as well as attracting foreign investors. Such reforms in policies could help to cushion some of the longer term effects of large economic spaces on the domestic economy.

2) Another important policy option for Pakistan and other South/Central Asian countries is to strengthen their less effective regional associations – the SAARC and ECO.[24] Strengthening of the SAARC and ECO may be a stepping stome to future integration into the world economy. Currently the individual members of these clubs have very little bargaining power vis-a-vis the largest trading blocs (the EU, NAFTA and APEC). But a more unified and integrated SAARC and ECO perhaps even with a common external tariff and speaking with a common voice, would command more attention. The idea is that South/Central Asian countries should use SAARC and ECO as leverage in order to be taken more seriously in ASEAN or APEC and EU respectively, and use them as leverage at the global level. To strengthen SAARC and ECO, the member countries may take the following steps. Firstly, while unilateral liberalization by each of the South/Central Asian Countries would yield substantial benefits to each, from a political perspective in the regions it would be ideal to go for a *coordinated liberalization* in all the South/Central Asian countries, with liberalized access then being extended to the rest of the world on a MFN principle.[25] Such *coordinated liberalization* will not only increase intra-regional trade but will ward off political opposition to liberalization that may arise if one country is liberalizing its economy faster than its neighbors, especially when its imports from neighbors rise faster than its exports to them. Secondly, the SAARC and ECO member states must remove all non-tariff barriers in their respective countries to facilitate trade and investment in the region. Thirdly, trade and investment in the region can only flourish if all member states provide transit facilities to each other.[26]

24 The members of the SAARC include: India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan and the members of the ECO include Pakistan, Iran, Turkey, Afghanistan and six Central Asian Republics, namely: Azerbaijan, Kazakistan, Kyrgyzistan, Tajikistan, Turkmanistan, and Uzbekistan.

25 This idea was proposed by Panagariya (1994) which is worth pursuing.

26 Khan and Mahmood (1993) have estimated that if all the member states of SAARC cooperate with each other by providing transit facilities, the net gain to intra-regional trade could reach to $1.1 billion by year 2010.

3) If Pakistan and other South/Central Asian countries pursue their liberalization policy in a coordinated and multilateral way then these countries may strive to enter into association agreement (along the lines of LOME convention between EU and some African countries) with one or two of the three large trading blocs (EU, NAFTA and APEC). Turkey being the founder member of the ECO on the one hand and in custom union agreement with the EU on the other, can serve as a bridge between the ECO and the EU. Such policy option will have the added advantage of becoming easier to "lock-in" the liberalization in each of the countries in that any reversal will jeopardize the association agreement [Srinivasan and Canonero (1995)].

4) Another option for Pakistan and other South/Central Asian countries could be to join a large grouping. Apart from uncertainties about the effective advantages and risks involved, such a choice may not always exist. The capacity and readiness of an integration grouping to absorb new members may be limited for economic, financial and institutional reasons. Furthermore, conditions of fairly strict reciprocity presuppose that the applicant economy has already reached a high level of international competitiveness and maturity of its productive structures in order to be able to face intra-grouping competition and to forego a number of development policy instruments. It should be mentioned that it may remain as difficult to negotiate full liberalization of sensitive products in an association agreement as in multilateral negotiations.

5) Simultaneous membership of several integration grouping broadens the development options and minimizes the implications of multilateral liberalization and disciplines. But it remains inferior to a multilateral approach, as developing countries and economies in transition need access to all major world economies and cannot neglect any of the major systems. Furthermore, multiple membership may raise issues of compatibility, giving rise to conflicts and constrains the country to avoid discrimination between partners of different groupings. The harmonization can, in many cases, only be achieved through full liberalization and national treatment.

6) Another policy option to large integration systems is to encourage national enterprises to invest or establish affiliates within such groupings from which they can serve the whole region. This way they can avoid barriers, such as common external tariffs, and at the same time benefit from the advantages of a large market with common standards, rules and regulations.

7) Pakistan and other South/Central Asian countries could design export promotion strategies to assist their enterprises to diversity into new and dynamic markets which may provide an alternative option for the expansion of trade and investment. For example, these countries could target more effectively the

business opportunities offered by their own region. Targeting new trading opportunities opened up by the Uruguay Round can also open alternative business prospects.

8) Pakistan and other countries may consider exploring the possibilities of further progress along the multilateral route. It may also seek to defend its rights in WTO when access barriers increase as individual countries accede to integration groupings. This will become more important as the membership of such groupings expands. Furthermore, these countries may actively prepare for the scheduled multilateral negotiations on the further liberalization of agriculture, services, investments and other trade measures.

Among the eight policy options listed above the most prefered one for Pakistan and other South/Central Asian Countries is to liberalize their economies unilaterally, preferably in a coordinated and multilateral way, and strengthen their regional associations – SAARC and ECO to raise their bargaining power vis-a-vis the three large trading blocs. It is therefore, essential to review, the current state of trading relationships in these two regions, which is the subject of the next section.

IV. Current State of Intra-SAARC/ECO Trade

Physical propinquity notwithstanding, the South/Central Asian regions present a dismal picture of intra-regional trade. The mutual trade in the regions has been stagnant overtime, its value being slightly less than 3 billion US dollars in the case of the SAARC and less than 5 billion US dollars in the case of the ECO. The share of intra-regional trade to the world trade of countries of the regions remained more or less stagnant around 3.0 per cent during 1980-96 and 5 per cent during 1990-94. The intra-regional trade continues to retain a marginal character in South/Central Asia.

1) Intra-SAARC Trade

SAARC, consisting of seven nations, was formed in 1985 with aims at accelerating economic growth, social progress and cultural development in the region, promoting active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields and strengthening of cooperation among themselves in international forums on matters of common interest.[27] These countries together comprise 20 per cent of the World's population, 3.5 per cent of total land area, and account for only 2 per cent of the world GNP. Per capita income levels range from

[27] Trade and economic cooperation were not included in the priority areas of the SAARC at the time of its formation. Their importance was realized in the SAARC Summit meeting in 1987 and planners of the member states were asked to explore possibilities of economic cooperation in the region.

a low of US$180 (Bhutan) to US$600 (Sri Lanka) with Maldives and Pakistan taking the middle ground. India accounts for 76.3 per cent of the region's population and 72.9 per cent of its GDP. The Maldives is the smallest member, accounting for 0.02 per cent in population and 0.03 per cent in GDP (see, Appendix Table A1 for relevant statistics). The major trading partners of these countries are located in the developed industrial countries. It is significant to note that trade between the member countries of the SAARC is quite low (Appendix Tables A2 and A3).

During its one decade of existence, this institution has made considerable progress in forging regional cooperation in South Asia. Most prominent achievement has been the signing of the SAARC Preferential Trading Agreement (SAPTA) in April 1993. The main objective of the SAPTA is to expand trade and other economic cooperation amongst the member states through reciprocal exchange of concessions with a view to equitably benefiting all South Asian states. It envisages a gradual liberalization of intra-regional trade through a step-by-step approach and extending tariff concessions to each other. Effective from December 1995 SAPTA provided for tariff reductions on a total of 226 items ranging from 10 per cent to 15 per cent.[28] The SAPTA agreement is stated to be a step towards its conversion to SAARC Free Trade Area (SAFTA). Given the current levels of intra-regional trade, the reduction in tariff appears to be symbolic and is not going to have a significant impact on regional trading.

The magnitude of intra-SAARC trade in relation to world trade of SAARC countries is reported in Table 3. It can be seen from the table that mutual trade (exports plus imports) of the SAARC member states has been stagnant during 1980-87 but gained considerable momemtun thereafter. Its value ranged from US$1.2 billion to US$2.9 billion during 1980-94. During the same period, the global trade of these countries increased from US$37.9 billion to US$83.1 billion. Consequently, the state of intra-SAARC trade to the global trade of these countries declined steadily from 3.2 per cent in 1980 to 2.4 per cent in 1990 but improved considerably to 3.5 per cent by 1994. Trade policies pursued in these countries have tended to discourage intra-regional trade on the one hand and encouraged trade with the developed countries on the other.[29]

In contrast with the strong expansion of intra-Asian trade that has taken place in the last decade or so, the performance of intra-SAARC trade has been dismal. Marwah and Klein (1995), using various statistical methods of economic cohensiveness and trade linkages, have found a high degree of economic isolation of India and Pakistan vis-a-vis the East Asian 'Miracle' countries. In a rapidly changing global trading environment the current state of intra-SAARC trade is discourag-

[28] For a detailed discussion on the Intra-SAARC trade and the SAPTA agreement, see Khan (1995).

[29] The details of intra regional exports and imports of the SAARC member states are reported in Appendix Tables 4 and 5, respectively.

TABLE 3

Intra-SAARC Trade in Relation to World Trade

Year	Intra-SAARC Trade (Export + Imports) (Million US$)	World Trade of SAARC Countries (Export + Import) (Million US$)	Share of Intra-SAARC Trade in World Trade of SAARC Coutries (%)
1980	1201.0	37885.3	3.2
1981	1176.8	36616.2	3.2
1982	1015.3	39875.3	2.5
1983	969.0	40410.0	2.4
1984	1119.0	44055.1	2.5
1985	1088.7	43759.5	2.5
1986	1054,5	44041.8	2.4
1987	1145.9	49480.3	2.3
1988	1455.8	52313.2	2.8
1989	1404.0	56243.9	2.5
1990	1583.9	65489.9	2.4
1991	1907.1	69889.9	2.7
1992	2478.6	71162.8	3.5
1993	2444.0	71953.0	3.4
1994	2923.0	83110.0	3.5

Source: Estimated from IMF Direction of Trade Statistics Yearbook 1995.

ing and if no special efforts are made to strengthen this organization in the line of options listed in the preceding section, the South Asian countries will be completely sidelined in the world trading system.

2) Intra-ECO Trade

Intra-ECO trade has been no different from Intra-SAARC trade, stagnating between 2-5 per cent of their total trade during the last five years.[30] It can be seen from Table 4 that intra-ECO trade remained stagnant around 2 per cent until 1992 but improved significantly to around 5 per cent by 1994 as a result of the inclusion of six Central Asian states in the ECO.[31]

[30] For a detailed discussion on intra-ECO trade, see Kemal (1995) and Khan (1995).

[31] The details of intra-ECO exports and imports are reported in Appendix Table 7 and 8, respectively.

TABLE 4

Intra-ECO Trade in Relation to World Trade

Year	Intra-ECO Trade (Export + Imports) Million US$	World Trade of ECO-Countries (Export + Import) Million US$	Share of Intra-ECO Trade in World Trade of ECO Coutries (%)
1990	1963	85798	2.3
1991	1860	91218	2.0
1992	2415	101304	2.4
1993	4024	102132	3.9
1994	4944	102479	4.8

Source: Direction of Trade Statistics, Year Book 1995, IMF, Washington, D.C.

The ECO is new and an expanded version of the Regional Cooperation for Development (RCD) with Iran, Pakistan and Turkey being the founder members.[32]

The member states of the ECO signed the Preferential Trade Agreement in 1992 which provided for a 10 per cent import tariff reduction on specified commodities. It was proposed to expand the list of concession (eligible commodities) and increase the depth of tariff reductions to 25 per cent but no actions toward wider and deeper reduction in tariff has been taken as yet. Since the preference has been rather limited, it has made very little impact on the Intra-ECO trade.

V. Concluding Remarks

The interest in regional economic integration increased in the Eighties partly due to the increasingly cumbersome nature of MTNs as well as the prospects for a successful conclusion of the Uruguay Round Agreement was becoming uncertain. It was expected that the successful conclusion of the Uruguay Round Agreement would reduce attractiveness of regional integration. However, on the contrary, the regional trading blocs proliferated after the Agreement in many parts of the world, most notably, in the EU, North America, and Asia. Whether the proliferation of

[32] After the break-up of the Soviet Union the Muslim states of the Central Asian Republic joined hands together with Iran, Pakistan and Turkey to form the ECO in 1992. Accounting for 5.9 per cent of world population and 1.6 per cent of world GDP, the ECO countries are also dissimilar in many aspects (see Appendix Table A6, for relevant statistics). Whereas the population of Tajikistan and Turkmanistan is only 3.9 and 5.8 million respectively, the population of Pakistan, Iran and Turkey is 122.8 million, 64.2 million and 59.6 million respectively. Per capita income levels range from US$430 (Pakistan) to US$2970 (Turkey) with Iran and Kazakistan taking the middle ground, (see, Appendix Table A6).

regional trading blocs is a first step towards global free trade consistent with the GATT principle or is a hinderance to multilateral trade liberalization on the MFN principle, is a contentious issue on which experts continue to differ. Some argue that the formation of regional blocs could facilitate future rounds of the GATT negotiation while others believe that smaller countries would be the most hurt by a drift toward regionalism.

The process of the formation of trading blocs in different parts of the world has already set into motion. These developments will have harmful effects on the countries that are unfortunate enough to be left out of any important trading bloc. For example, the recent developments in the EU and NAFTA are likely to effect Pakistan adversely in may ways. Firstly, Pakistan is likely to face trade diversion, particularly, in the areas of textile and clothing and leather products. Secondly, the access conditions in these two markets have become more restrictive for Pakistan. Finally, the scope of using non-tariff measures including import quotas, VERs and the anti-dumping measures have been increased in the EU and NAFTA.

The large economic spaces like the EU, NAFTA and APEC are likely to have for reaching impacts on developing countries which are not the members of any of these trading blocs. These three trading blocs consisting of 33 members accounted for almost 87 per cent of the world trade in 1994. The further expansion of these trading blocs by 2005 will enhance their market shares even further. To survive in a new emerging trading environment, the left out countries including Pakistan have limited options. Eight policy options for Pakistan and other South/Central Asian countries have been listed. The most preferred one appears to be the following: Pakistan and other South/Central Asian countries must liberalize their economies unilaterally but preferably in a coordinated and multilateral way, and strengthen their regional associations – the SAARC and the ECO to enhance their bargaining power vis-a-vis the three large trading blocs (EU, NAFTA and APEC).

The current state of intra-SAARC and intra-ECO trade present a dismal picture. The mutual trade in the regions has been stagnant over time, ranging between 2 to 5 per cent of the total trade of the regions. Both regional associations have signed preferential trade agreements which provide for tariff reduction on specified commodities. Since the current level of intra-regional trade is low, these preferential trade agreements have made very little impact on increasing intra-regional trade. If the member states of these two regional organizations do not take special measures to strengthen their organizations in the light of various options listed above these two regions (South and Central Asia) will be completely sidelined in the world trading system.

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APPENDIX

TABLE A1

Population and Gross Domestic Product in SAARC Countries

Countries	Population in mid 1993		GDP in 1993		
	In Million	Percentage share in the Region's Population	In Million US$	Percentage share in the Region's GDP	Per Capita Income US$
Pakistan	122.8	10.4	46300	15.0	430
India	898.2	76.3	225431	72.9	300
Banglades	115.2	9.8	23977	7.8	220
Sri Lanka	17.9	1.5	9377	3.0	600
Nepal	20.8	1.8	3551	1.1	190
Maldives	0.2	0.02	102	0.03	492
Bhutan	1.5	0.14	238	0.07	180
Total	1176.6		30903		

Source: World Development Report 1995.

TABLE A2

Major Export Markets of SAARC Member Countries: 1994

(Percentage)

Countries	Industrialized Countries	Developing Countries	Asian Countries	SAARC Countries	Middle East
Bangladesh	81.4	17.7	9.6	2.2	3.4
Bhutan	–	–	–	–	–
India	60.7	37.4	20.1	4.1	9.4
Maldives	60.4	39.6	39.6	25.0	–
Nepal	94.0	6.3	6.0	4.6	–
Pakistan	60.7	39.1	21.1	3.6	10.8
Sri Lanka	74.4	21.1	6.5	2.6	7.9

Source: Directorate of Trade Statistics, Year Book 1995, IMF, Washington, D.C.

TABLE A3

Major Suppliers to SAARC Member Countries: 1994

(Percentage)

Countries	Industrialized Countries	Developing Countries	Asian Countries	SAARC Countries	Middle East
Banglades	28.4	56.4	50.1	12.7	3.4
Bhutan	–	–	–	–	–
India	54.5	45.4	14.1	0.5	21.9
Maldives	14.4	83.8	76.1	17.6	6.3
Nepal	31.0	69.0	67.8	19.2	0.8
Pakistan	50.2	49.8	22.8	1.5	20.9
Sri Lanka	39.9	47.7	39.8	9.2	4.0

Source: Directorate of Trade Statistics, Year Book 1995, IMF, Washington, D.C.

TABLE A4

Intra-Regional Exports of SAARC Countries and their World (WD) Exports

(Million US $)

	Year	Bang-ladesh	India	Mal-dives	Nepal	Pakis-tan	Sri Lanka	Total (SA)	Total (WD)	Exports as % (WD)
Bangladesh	1980	–	8.0	–	0.5	55.3	4.8	68.5	790.2	8.7
	1985	–	29.6	0.1	5.1	41.5	0.2	76.5	998.8	7.7
	1990	–	21.7	–	7.4	23.2	8.2	60.5	1671.8	3.6
	1991	–	22.8	–	11.5	39.1	5.9	79.3	1687.5	4.7
	1992	–	4.2	–	0.2	30.5	10.8	45.7	2040.3	2.2
	1993	–	13.0	–	7.0	26.0	9.0	55.0	2278.0	2.4
	1994	–	26.0	–	10.0	19.0	5.0	60.0	2699.0	2.2
India	1980	106.0	–	3.0	95.0	2.0	101.0	307.0	8441.0	3.6
	1985	59.0	–	1.0	87.0	14.0	68.0	229.0	10211.0	2.2
	1990	297.0	–	5.0	40.0	43.0	102.0	487.0	17813.0	2.7
	1991	325.0	–	5.5	77.0	40.0	175.0	622.0	17872.0	3.5
	1992	353.0	–	8.0	73.0	52.0	231.0	717.0	18498.0	3.9
	1993	430	–	6.0	75.0	58.0	247.0	816.0	20258.0	4.0
	1994	509	–	18.0	91.0	64.0	313.0	995.0	24150.0	4.1
Maldives	1980	–	–	–	–	0.4	1.7	2.1	7.9	26.6
	1985	–	–	–	–	–	4.1	4.1	24.0	17.1
	1990	–	0.5	–	–	–	7.0	7.5	52.0	14.4
	1991	–	0.03	–	–	–	10.0	10.3	54.7	18.6
	1992	–	0.03	–	–	0.07	10.0	10.1	40.6	25.2
	1993	–	–	–	–	–	11.0	11.0	35.0	31.4
	1994	–	–	–	–	–	12.0	12.0	48.0	25.0

(continued)

TABLE A4 (continued)

Nepal	1980	0.9	19.0	–	–	3.6	0.4	23.9	63.2	37.8
	1985	–	41.8	–	–	1.8	4.0	47.6	138.2	34.4
	1990	1.0	14.0	–	–	–	–	15.0	216.0	6.9
	1991	–	17.0	–	–	4.0	–	21.0	257.0	8.2
	1992	–	21.2	–	–	3.2	22.0	46.0	352.0	13.1
	1993	–	17.0	–	–	1.0	–	18.0	364.0	4.9
	1994	–	16.0	–	–	–	–	16.0	348.0	4.6
Pakistan	1980	54.7	70.7	0.3	0.4	–	38.8	164.9	2617.9	6.3
	1985	64.6	37.5	0.3	0.1	–	42.3	144.8	2738.4	5.1
	1990	103.0	49.0	1.0	1.0	–	69.0	223.0	5587.0	4.0
	1991	101.0	47.0	2.0	–	–	68.0	218.0	6494.0	3.4
	1992	136.0	136.0	2.0	1.0	–	85.0	360.0	7269.0	4.9
	1993	105.0	53.0	1.0	–	–	57.0	216.0	6701.0	3.2
	1994	114.0	46.0	1.0	3.0	–	70.0	239.0	7332.0	3.6
Sri Lanka	1980	4.0	34.3	1.2	–	34.2	–	73.7	1039.1	7.1
	1985	14.5	6.2	5.2	0.1	27.3	–	53.3	1264.9	4.2
	1990	10.0	20.0	7.0	–	32.0	–	69.0	1895.0	3.6
	1991	5.0	13.0	11.0	–	32.0	–	61.0	1987.0	3.1
	1992	7.0	12.0	9.0	1.0	29.0	–	58.0	2488.0	2.3
	1993	7.0	20.0	9.0	–	35.0	–	71.0	2859.0	2.4
	1994	8.0	29.0	13.0	–	38.0	–	88.0	3332.0	2.6
SAARC Region	1980	–	–	–	–	–	–	640.2	12959.3	4.9
	1985	–	–	–	–	–	–	555.3	15375.3	3.6
	1990	–	–	–	–	–	–	862.0	27234.8	3.2
	1991	–	–	–	–	–	–	1011.3	34845.5	2.9
	1992	–	–	–	–	–	–	1236.8	30687.3	4.0
	1993	–	–	–	–	–	–	1187.0	35495.0	3.6
	1994	–	–	–	–	–	–	1410.0	37909.0	3.7

– Data not available. *Source:* IMF, Directorate of Trade Statistics Year book, 1995.

TABLE A5

Intra-Regional Imports of SAARC Countries and their World (WD) Imports

(Million US $)

	Year	Bang-ladesh	India	Mal-dives	Nepal	Pakis-tan	Sri Lanka	Total (SA)	Total (WD)	Imports as %(WD)
Bangladesh	1980	–	55.6	–	1.0	34.9	4.7	96.2	2610.0	3.7
	1985	–	64.9	–	–	17.7	4.8	87.4	2526.2	3.5
	1990	–	170.3	–	1.5	70.1	8.0	249.9	3656.1	6.8
	1991	–	189.5	–	0.1	57.4	4.8	251.8	3381.4	7.5
	1992	–	283.9	–	0.4	88.0	5.5	377.8	3731.5	10.1
	1993	–	380.0	–	–	90.0	7.0	477.0	4015.0	11.9
	1994	–	486.0	–	–	131.0	8.0	625.0	4900.0	12.7
India	1980	12.0	–	–	21.0	76.0	32.0	141.0	14822.0	1.0
	1985	33.0	–	–	46.0	41.0	7.0	127.0	17769.0	0.7
	1990	15.0	–	–	15.0	45.0	22.0	97.0	23990.0	0.4
	1991	6.0	–	–	19.0	58.0	12.0	95.0	19509.0	0.5
	1992	10.0	–	–	23.0	146.0	14.0	193.0	23227.0	0.8
	1993	13.0	–	–	19.0	47.0	17.0	96.0	21225.0	0.4
	1994	29.0	–	–	17.0	51.0	30.0	127.0	25529.0	0.5
Maldives	1980	–	3.2	–	–	0.2	1.3	4.7	20.1	23.4
	1985	0.1	0.4	–	–	0.3	5.7	6.5	71.1	9.1
	1990	–	7.0	–	–	1.0	10.0	18.0	138.0	13.0
	1991	–	11.0	–	–	1.0	11.0	23.0	162.0	14.2
	1992	–	14.0	–	–	1.0	12.0	27.0	191.0	14.1
	1993	–	16.0	–	–	1.0	13.0	30.0	193.0	15.5
	1994	–	24.0	–	–	1.0	14.0	39.0	222.0	17.6

(continued)

TABLE A5 (continued)

Nepal	1980	0.5	104.0	–	–	0.4	–	104.9	218.7	48.0
	1985	5.6	95.8	–	–	0.1	–	101.5	297.2	34.2
	1990	8.0	43.0	–	–	1.0	–	52.0	452.0	11.5
	1991	13.0	85.0	–	–	1.0	–	99.0	500.0	19.8
	1992	–	80.0	–	–	2.0	1.0	83.0	477.0	17.4
	1993	8.0	83.0	–	–	–	–	91.0	528.0	17.2
	1994	11.0	100.0	–	–	4.0	–	115.0	600.0	19.2
Pakistan	1980	75.9	3.9	0.5	4.0	–	40.0	124.3	5349.5	2.3
	1985	45.5	15.5	0.1	2.0	–	30.5	93.6	5888.6	1.6
	1990	38.0	46.0	–	–	–	37.0	121.0	7383.0	1.6
	1991	37.0	44.0	–	4.0	–	34.0	119.0	8431.0	1.4
	1992	50.0	52.0	–	4.0	–	33.0	139.6	9374.0	1.5
	1993	38.0	67.0	–	1.0	–	41.0	147.0	9492.0	1.5
	1994	24.0	72.0	–	–	–	42.0	138.0	8884.0	1.5
Sri Lanka	1980	3.0	63.7	1.9	0.4	29.9	–	98.9	1905.7	5.2
	1985	0.2	74.7	4.3	4.4	33.8	–	117.4	1831.8	6.4
	1990	9.0	118.0	6.2	–	51.0	–	184.0	2636.0	7.0
	1991	4.0	110.0	10.3	–	74.0	–	308.0	3061.0	10.1
	1992	15.0	307.0	9.5	24.0	67.0	–	422.0	3474.0	12.1
	1993	7.0	343.0	11.0	–	55.0	–	416.0	4005.0	10.4
	1994	5.0	374.0	13.0	–	77.0	–	469.0	5066.0	9.2
SAARC Region	1980	–	–	–	–	–	–	569.8	24926.0	2.3
	1985	–	–	–	–	–	–	533.4	28383.9	1.9
	1990	–	–	–	–	–	–	721.9	38255.1	1.9
	1991	–	–	–	–	–	–	895.8	35044.4	2.5
	1992	–	–	–	–	–	–	1241.8	40475.5	3.1
	1993	–	–	–	–	–	–	1257.0	39458.0	1.2
	1994	–	–	–	–	–	–	13.0	45201.0	3.3

– Data not available. *Source:* IMF, Directorate of Trade Statistics Year book, 1995.

TABLE A6

Population and Gross Domestic Product in ECO Countries

Countries	Population in mid 1993		GDP in 1993		
	In Million	Percentage share in the Region's Population	In Million US$	Percentage share in the Region's GDP	Per Capita Income US$
Afghanistan	18.0	5.5	–	–	–
Azerbaijan	7.4	2.3	4992	1.3	730
Iran	64.2	19.7	107335	28.9	1672
Kazakistan	17.0	5.2	24728	6.6	1560
Kyrgyztan	4.6	1.4	3915	1.0	850
Pakistan	122.8	37.8	46360	12.5	430
Tajikistan	5.8	1.8	2520	0.7	470
Turkmanistan	3.9	1.2	5156	1.4	1322
Turkey	59.6	18.3	156413	42.1	2970
Uzbekistan	21.9	6.7	20425	5.5	970
Total	325.2		371844		

Source: World Development Report 1995.

TABLE A7

Intra-Eco Exportsin Relation to World Exports of Member States

Countries/ Years	Afgha-nistan	Azer-baijan	Iran	Kaza-kistan	Kyr-gyztan	Taji-kistan	Tur-key	Pakis-tan	Turkma-nistan	Uzbe-kistan	Total (ECO)	Total (WD)	ECO as as % of
Afghanistan													
1990	–	–	–	–	–	–	2	6	–	–	8	278	2.9
1991	–	–	–	–	–	–	–	5	–	–	5	351	1.4
1992	–	–	–	–	–	–	–	6	–	–	6	359	1.7
1993	–	–	–	–	–	–	–	9	–	–	9	872	1.0
1994	–	1	–	–	–	–	–	10	–	–	11	296	3.2
Azerbaijan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	18	–
1993	–	–	–	–	–	–	32	–	–	–	32	121	26.4
1994	1	–	219	17	2	1	16	–	17	3	276	637	43.3
Iran													
1990	–	–	–	–	–	–	389	183	–	–	572	19305	3.0
1991	–	–	–	–	–	–	321	135	–	–	456	18661	2.4
1992	–	106	–	–	–	–	762	158	21	–	1047	19868	5.3
1993	–	211	–	–	1	–	692	135	42	–	1080	18570	5.8
1994	–	61	–	–	1	–	689	118	63	–	932	19165	4.9
Kazakistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	707	–
1992	–	–	–	–	–	–	–	–	–	–	–	244	–
1993	–	–	–	–	–	–	39	–	–	–	39	707	5.5
1994	–	47	–	–	–	–	45	–	–	–	92	2712	3.4
Kyrgyztan	–	–	–	–	–	–	–	–	–	–	–	–	–
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	2	–	–	–	2	76	2.6
1993	3	–	–	–	–	–	3	–	–	–	6	112	5.3
1994	2	–	–	–	–	–	4	–	–	–	6	116	5.2

(continued)

TABLE A7 (continued)

Tajikistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	73	–
1992	–	–	–	–	–	–	–	–	–	–	7	131	5.3
1993	–	–	–	–	–	–	6	1	–	–	3	275	1.1
1994	–	–	–	–	–	–	2	1	–	–	–	–	–
Turkey													
1990	–	–	–	–	–	–	–	48	–	–	48	13240	0.4
1991	–	–	–	–	–	–	–	51	–	–	51	13723	0.4
1992	–	–	–	–	–	–	–	44	–	–	44	14606	0.3
1993	–	88	–	88	17	5	–	43	84	214	325	15349	2.1
1994	–	90	–	147	21	10	–	45	154	74	541	17386	3.1
Pakistan													
1990	2	–	31	–	–	–	86	–	–	–	119	5587	2.1
1991	7	–	171	–	–	–	54	–	–	–	232	6494	3.6
1992	16	–	90	–	–	–	43	–	–	–	149	7269	2.0
1993	15	–	18	10	–	–	103	–	–	14	160	6701	2.4
1994	26	–	26	7	–	1	36	–	–	18	114	7332	1.5
Turkmanistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	64	–
1993	–	–	–	–	–	–	71	–	–	–	71	268	26.5
1994	–	178	–	–	–	–	55	–	–	–	233	543	42.9
Uzbekistan	–	–	–	–	–	–	–	–	–	–	–	–	–
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	162	–
1993	–	–	–	–	–	–	29	–	–	–	29	610	4.7
1994	–	2	–	–	–	–	49	1	–	–	52	1693	3.1

Source: Directorate of Trade Statistics Year Book 1995, IMF, Washington D.C.

TABLE A8

Intra-Eco Imports in Relation to World Imports of Member States

Countries/ Years	Afgha-nistan	Azer-baijan	Iran	Kaza-kistan	Kyr-gyztan	Taji-kistan	Tur-key	Pakis-tian	Turkma-nistan	Uzbe-kistan	Total (ECO)	Total (WD)	ECO as as % of
Afghanistan													
1990	–	–	–	–	–	–	2	2	–	–	4	629	0.6
1991	–	–	–	–	–	–	1	8	–	–	9	616	1.5
1992	–	–	–	–	–	–	–	18	–	–	18	595	3.0
1993	–	–	–	–	–	–	–	17	–	–	17	638	2.7
1994	–	1	–	–	–	–	1	28	–	–	30	602	5.0
Azerbaijan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	1	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	69	–
1993	–	–	–	–	–	–	75	–	–	–	75	313	24.0
1994	1	–	67	52	2	–	76	–	196	3	397	778	52.0
Iran													
1990	–	–	–	–	–	–	545	34	–	–	579	15890	3.6
1991	–	–	–	–	–	–	536	188	–	–	724	21810	3.3
1992	–	–	–	–	–	–	501	99	–	–	600	23127	2.6
1993	–	–	–	–	–	–	318	20	–	–	338	16411	2.0
1994	–	241	–	–	–	–	294	29	–	–	323	12061	2.7
Kazakistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	460	–
1993	–	–	–	–	–	–	74	11	–	–	85	1445	5.9
1994	–	18	–	–	–	–	162	7	–	–	187	4234	4.4
Kyrgyztan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	3	–	–	–	3	70	4.3
1993	–	–	–	–	–	–	9	–	–	–	9	112	8.0
1994	–	–	1	–	–	–	15	–	–	–	16	105	15.2

(continued)

TABLE A8 (continued)

Tajikistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	73	–
1993	–	–	–	–	–	–	6	1	–	–	7	131	5.3
1994	--	1	–	–	–	–	11	1	–	–	13	275	4.7
Turkey													
1990	1	–	492	–	–	–	–	84	–	–	577	23306	2.5
1991	–	–	91	–	–	–	–	70	–	–	161	21132	0.8
1992	–	–	365	–	–	–	–	44	–	–	409	24380	1.7
1993	–	35	761	43	2	7	–	–	78	32	926	29355	3.1
1994	–	5	759	49	5	2	–	41	60	54	975	23870	4.1
Pakistan													
1990	6	–	172	–	–	–	43	–	–	–	221	7383	3.0
1991	5	–	144	–	–	–	73	–	–	–	222	8431	2.6
1992	7	–	185	–	–	–	50	–	–	–	242	9375	2.6
1993	10	–	149	–	–	–	58	–	–	–	217	9492	2.3
1994	11	–	129	–	–	–	56	–	–	1	197	8884	2.2
Turkmanistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	–	–	–	–	118	–
1993	–	–	–	–	–	–	91	–	–	–	102	212	48.1
1994	–	19	–	–	–	–	169	11	–	–	199	375	53.1
Uzbekistan													
1990	–	–	–	–	–	–	–	–	–	–	–	–	–
1991	–	–	–	–	–	–	–	–	–	–	–	–	–
1992	–	–	–	–	–	–	–	1	–	–	1	300	0.3
1993	–	–	–	–	–	–	239	15	–	–	254	784	32.4
1994	–	3	–	–	–	–	82	20	–	–	105	1815	5.8

Source: Directorate of Trade Statistics Year Book 1995, IMF, Washington D.C.