

Demographic Profile of Economic Resources and Environment in South Asia

By
Jalandhar Pradhan*

Abstract

The south Asia region – Afganistan, Bangladesh, Bhutan, India, Maldives, Pakistan, Nepal, Sri-Lanka-possesses an extra ordinary diversity of landforms and climatic regimes. Deepening nature of poverty and its impact on the process of environmental degradation is one of the major concerns in this area. In this context the countries of region need to examine carefully the development option available to them and cooperate in designing strategies, which promote the sustainable development. Accordingly, first part of this paper deals with the state of south Asian economy and environment and the second part examines a few likely scenarios of long term economic growth, foreign investment, and demographic change and their implications for regional economic relationship. Results demonstrated that south Asian countries are at a turning point to achieve 6 to 7 percent growth rate however a poor social infrastructure and the low level of human resource development will impose severe constraints.

Introduction

The south Asia region – Afghanistan, Bangladesh, Bhutan, India, Maldives, Pakistan, Nepal, Sri-Lanka possesses an extraordinary diversity in land forms and climatic regimes ranging from the highest mountains, hottest plains, wettest and driest places and dissected valleys to coral Islands. With a total population of 1379.8 Millions (World Development Report 2003), the major concern of the region has been the deepening nature of poverty and it's impact on the process of environmental degradation. With 22 per cent of the world population, and that too with high rate of density, it is plagued by high level of illiteracy, prevalence of poor health conditions and a poor degree of gross national product. Historically, the region has been the profitable hinterland for several colonial powers, which perhaps remained as major reasons for backwardness in all sectors from education to health, from agriculture to industries, etc.

On the other side, the potentials of the region are not too bad. In fact, the region is rich in terms of natural resources, which, if harnessed appropriately, could perhaps change the entire scenario. However, this is the particular area where there is tremendous flaw despite the known facts of the opportunities.

It is true that there is great amount of disparity in the distribution of economic resources in the region. It is also true that all the countries in the region are striving to accumulate as much physical and human capital to achieve and accelerate their economic development. Against this backdrop and particularly in the face of growing competition in global trade, economy and investment, concerted cooperation among the countries of the region has become imperative. The process of globalization has also spearheaded the concept and practice of interdependence. Economic and trade liberalization policies enforce stronger bilateral and multilateral cooperation. This has infused the trend for regional and sub-regional cooperation in many parts of the world

* Research Scholar, International Institute for Population Sciences, Deonar, Mumbai-88.
E-Mail: jpp_pradhan@yahoo.co.uk

and, as we have been seeing, such moves resulted in substantial benefits. The case in point could be the ASEAN, EU, and NAFTA etc.

There have also been several attempts in the region to stage such cooperative endeavours. Not one but many. But regrettably nothing has worked well so far and the situation tends to remain as dim as ever. The need for a strong regional or more specifically sub-regional cooperation has always been orchestrated well. Unfortunately, the real work has never surfaced. Formation of regional or sub regional cooperative endeavours is indeed imperative when resources are shared by the concerned countries and more so, when opportunities for accumulating common benefits are in place. While we should not ignore the possibilities of benefit from such cooperation, we must also ensure that these endeavours are based on natural and due advantages for each and every participating country. In this context the countries of region need to examine carefully the development option available to them and cooperate in designing strategies, which promote the sustainable development. This paper is organized into two parts. The first part deals with the state of south Asian economy and environment. It begins with an overview of the main structural features of the region as a whole and thereafter examines the national trends. This is followed by an analysis of the emerging environmental problem, the demographic profile of the region and the situation relating to human resources, including the development of human capital and incidence of poverty. The second part examines a few likely scenarios of long term economic growth, foreign investment, and demographic change and their implications for regional economic relationships on the one hand and the sustainability of regions ecosystems on the other.

Sources of data

For the present study the data has been extracted from World Development Report 2003, Human Development in South Asia 2001, Asian Development Outlook 2001, Human Development Report 2000.

Macro aspects of south Asian countries

The human development index (HDI), the Gender related Development Index (GDI) and the Human Poverty Index (HPI), provides summary information about human development in a country. Table 1 shows the various indices of human development or deprivation in the countries of the South Asian region.

Table-1: Comparison of human development indices

South Asian countries	Human development index (HDI)	Gender development index (GDI)	Human poverty index (HPI), (%)
India	0.563	0.545	34.6
Pakistan	0.522	0.489	40.1
Bangladesh	0.461	0.441	43.6
Srilanka	0.733	0.727	20.3
Nepal	0.474	0.449	51.3
Maldives	0.725	0.720	25.4
Bhutan	0.483	-	-

Source: Human Development Report 2000, UNDP

Sri Lanka outweighs all the South Asian countries in terms of HDI, GDI and HPI followed by Maldives.

Structural features

The share of GDP and population to the aggregate level reveals a blue picture among the south Asian countries. The national proportion of GDP and population of the south Asian region as a whole is shown in Table-2.

Table-2: South Asia GDP and National Share 2001

Regions	GDP million US \$	Share (%)	Mid year population	Share (%)
South Asia	615,308	100	1379.8	100
India	477,555	77.61	1033.4	74.79
Pakistan	59,605	9.68	141.5	10.24
Bangladesh	46,652	7.58	133.4	9.65
Sri Lanka	16,346	2.65	19.6	1.41
Nepal	5525	0.89	23.6	1.70
Maldives	-	-	2.83	0.20
Afganistan	-	-	27.24	1.97

Source: World Development Report 2003, World Bank.

India accounts nearly 78 percent of GDP followed by Pakistan, by nearly about 10 percent. Similarly, India accounts for 75 percent of the total population of the region. Vast inequalities of size, economically territorially and demographically put the countries of the region into three distinct categories. First, there is India, which outweighs by four all other countries (except Pakistan and Bangladesh) and is around three times their sum total. Second, there are still the two countries, which in terms of population are among the ten countries with population above 100 millions. Thirdly, Nepal, Sri-Lanka Maldives and Afghanistan are comparatively quite small proportion of population.

National Income trends

In the previous section we have discussed the overall scenario of south Asia region. But it is not sufficient see the process of long-term development in this region. Table-3 shows the average annual growth rate of GDP in comparison to average annual growth rate of population.

Table-3: National economic trends

Regions	Average annual growth rate of GDP (1990-2001)	Average annual growth rate of population (1990-2001)
South Asia	5.5	1.9
India	5.9	1.8
Pakistan	3.7	2.5
Bangladesh	4.9	1.8
Sri Lanka	5.1	1.3
Nepal	4.9	2.4
Maldives	-	2.6
Afganistan	-	3.9

Source: World Development Report 2003, World Bank.

In south Asia, the average annual growth rate of population is 1.9 compared to average annual growth rate of GDP at 5.5. India, Bangladesh, Sri-Lanka and all other countries were experienced higher growth rate of population during the period 1990-2001, but in GDP growth rate, only India outweighs aggregate growth rate of south Asian region.

Trends in saving and investment

The south Asian region as a whole was able to achieve reasonably high average rates of economic growth during the 1990's. Although these were lower than the more dynamic

economies of the East Asia and South East Asia, the economic performance of South Asian economies was creditable considering the economic condition of many countries of Africa and Latin America, where, rates of economic growth were much lower or negative. The process, which contributed to the dynamic growth of East and South East Asia, were derived from their international competitiveness, gained through their macro-economic policies and the dynamic structural adjustments of their economies to the shift in comparative advantage. South Asian economies were only beginning to move slowly out of the inward looking state-regulated economic system in the early 1980's with Sri Lanka taking the lead in the process of liberalization. However, the main economic aggregates of saving and investment had begun to rise significantly in almost all countries.

Table-4: Trends in saving and Investment

Regions	Gross domestic saving		Gross domestic investment	
	1995	2001	1995	2001
India	25.1	22.8	26.8	23.8
Pakistan	14.2	11.6	18.3	15.5
Bangladesh	16.7	21.8	19.1	23.3
Sri Lanka	15.3	18.9	25.7	27.0
Nepal	16.3	-	25.2	-
Maldives	-	-	-	-
Bhutan	43.9	19.0	48.7	44.1

Source: Asian Development Outlook 2001, Asian Development Bank.

In the largest economy, India, domestic saving had risen from about 25 percent in 1995 to 23 percent in 2001. The corresponding figures for Pakistan were 14 percent and 11 percent, for Bhutan 44 percent and 19 percent and for Bangladesh 17 percent and 22 percent. Investment had not increased significantly as the proportion of GDP during the recent past. Gross Domestic investment had declined from 27 percent in 1995 to 24 percent (2001) in India. The same trend also reveals in Pakistan and Bhutan.

Structural change

The structures of economies have also been changing significantly, with the share of agriculture decreasing and that of industry increasing (Table -5).

Table-5: Structural change in south areas countries, sectoral share of the GDP

Regions	Agriculture			Industry			Service		
	1970	1980	2000	1970	1980	2000	1970	1980	2000
India	44.5	38.1	24.0	23.9	25.9	27.1	31.6	36.0	48.9
Pakistan	40.1	30.6	26.2	19.6	25.6	24.9	40.3	43.8	48.9
Bangladesh	-	49.4	24.3	-	14.8	24.7	-	35.8	51.0
Sri Lanka	30.7	26.6	20.6	27.1	27.2	27.3	42.2	46.2	52.1
Nepal	-	61.8	38.8	-	11.9	20.7	-	26.3	40.5
Maldives	-	-	9.5	-	-	15.5	-	-	75.0
Bhutan	-	56.7	32.5	-	12.2	32.4	-	31.1	35.1

Source: Asian Development Outlook 2001, Asian Development Bank.

The rate of structural change, measured by the rates of decline of the share of agriculture and rates of increase of the share of industry has been relatively high for the period 1970-2000. In the Indian economy, which accounts for 78 percent of the south Asian GDP, the share of agriculture declined from 44.5 percent in 1970 to 24 percent in 2000, and the share of industry increased from 23.9 percent to 31.6 percent and service sector rose from 31.6 percent to 48.9

percent for the corresponding period. All the countries in south Asia have experienced this trend. This structural change, which leads to accelerated industrialization and urbanization, will have far reaching impact on the environment of the individual countries and the region as a whole with major consequences for the political and economic relationships.

The prospect of sustaining the south Asian growth effort that has been evidence in the recent past will depend on a number of critical preconditions. The first among these are regional political stability and peace along with stability and order within the nation. The related political issues lie outside the scope of this paper. These issues however are relevant to the extent that economic growth will increase income and employment and alleviate poverty. This will help to reduce internal tensions, which fuel unrest and sharpen ethno-religious conflicts that spill over the inter governmental relations.

Apart from the political pre-conditions the prospects of sustaining economic growth depend crucially on the macro economic “fundamentals”, the pursuit of a set of consistent macroeconomic policies, that control fiscal deficits reduce the international competition, prevent the over valuation of the local currencies, central inflation, privatize public sector and create the economic environment which can attract foreign investment.

Table– 6 presents two key indications of macro economic performance for the countries- the state of current account deficits in the balance of payment and fiscal deficit.

Table –6: Macro economic indicators of south Asian countries

Regions	Balance of payment on current account (\$ million)		Balance of payment on current account (% of GDP)	
	1995	2000	1995	2000
South Asia	-10,495	-9155	-2.2	-1.9
India	-5910	-6509	-1.7	-1.3
Pakistan	-2484	-977	-4.1	-1.6
Bangladesh	-920	-442	-2.4	-1.0
Sri Lanka	-786	-989	-6.0	-6.0
Nepal	-343	-82	-8.1	-1.5
Maldives	-18	-29	-4.5	-4.6
Bhutan	-34	-127	-12.1	-28.5

Source: Asian Development Outlook 2001, Asian Development Bank.

All the countries have substantial deficits in the current accounts of their balance payment as well as in their government budgets. Domestic borrowing and external assistance and loans meet the major part of these deficits. Although, as discussed earlier, investment has increased, these increases are heavily dependent on net external resource flows.

The state of environment

The richness and the diversity of both the physical and the human environment of south Asia hold the promise of significant growth possibilities for the region. But the absence of social vision, political leadership and enlightened economic policies, together with the presence of a huge population base and burgeoning poverty continue to hamper south Asia’s progress.

The region is sufficiently endowed with natural resources, although their distribution is skewed country wise. In terms of mineral resources India’s reserves are extensive and diversified, Bangladesh has huge reserves of natural gas and coal, while Pakistan has reserves of coal, natural gas and crude oil. Natural resources like rubber, bauxite and marble are found in Nepal, Bhutan and srilanka. Forest resources, which cover 19 percent of the total area, are scattered throughout the subcontinent. But of the total land area, the forest area is 8 percent in Bangladesh

land area, 35 percent in Nepal, 59 percent in Bhutan and 22 percent of India. The region is also rich in bio-diversity.

Environmental issues

There are a plethora of environmental problems facing the region, among which are destruction of forest, soil, aquifers, reefs, fisheries and biological species, pollution of air, land, subterranean and marine resources through human and industrial activities; and unsustainable environments caused by both anthropogenic activities and natural disasters.

Among the principal cause of environmental degradation in the sub continent are: demographic pressure, which has worsened the man-land ratio causing severe strain on the ecological support base; developmental activities, which have resulted in indiscriminate attacks on the natural resource base; absence of adequate environmental legislation or the failure to implement such legislation to guarantee minimum protection to the environment; and natural disasters, whose frequency and ferocity appears to have increased in recent decades. The impact of any one of these factors is bad enough but cumulative effect is proving to be disastrous. Table-7 shows that, though south Asian economies are characterized by the predominance of agricultural sector still then the percentage of irrigated land is very less, except Pakistan (81%), with high annual rate of deforestation (2.9%). The impact of green house effect on the availability of croplands, cropping patterns, crop productivity, human settlement, rainfall and its special distribution, to name just a few, will become a major concern for all the countries of the region.

Table-7: The state of environment among south Asian countries.

	India	Pakistan	Bangladesh	Nepal	Sri Lanka	Bhutan	Maldives	South Asia
Land area (1000ha), 1997	297319	77088	13017	14300	6463	4700	30	412,917T
Percentage of land area under, 1997								
- Forest and woodland	22	2	8	35	28	59	3	19
- crop land	57	28	63	21	29	3	10	54
Irrigated land (1997) (as a % of crop land)	34	81	45	38	32	25	-	40
Deforestation (1000 ha per year) 1980-89	1500	9	8	84	58	1	-	1106
Annual rate of deforestation (%) 1990-95	0	2.9	0.9	1.1	1.1	0.3	-	1
Reforestation (1000 ha per year) 1980-89	138	7	17	4	13	1	-	103
Internal renewable water resources per capital (1000m ³ per year), 1998	1896	1678	10940	7338	2341	49557	-	2937
*Carbon dioxide emission (millions of tons), 1998	1061	97.1	23.4	3.0	8.1	-	-	1194.4

Sources: *Human Development Report 2003, UNDP.

Human Development in South Asia 2001, Mahbub ul Haq Human Development Center.

Demographic profile

Table-8 below gives the demographic profile for the countries of the regions, which provides both long-term and short-term process of development.

Table-8: Demographic profile of South Asian countries

	India	Pakistan	Bangladesh	Nepal	Srilanka	Bhutan	Maldives	South Asia (weighted average)
Crude Birth Rate (per 1000 live birth)								
-1960	43	49	47	44	36	42	41	44
-1999	25	35	28	34	18	37	35	26.4
-% Decline (1960-99)	42	28.6	40	23	50	11.9	15	40.9
Crude Death Rate (Per 1000 live birth)								
-1960	21	23	22	26	9	26	21	21
-1999	9	7	9	10	6	9	7	8.8
-% Decline (1960-99)	57	69.5	59	61.5	33	65.3	67	57
Total Fertility Rate								
-1960	6	7	6.7	6	5.4	6	7	6.1
-1999	3	4.8	3	4.3	2.1	5.3	5.2	3.2
-% Decline (1960-99)	50	31.4	55.2	28.3	61.1	11.6	25.7	47.5
% Annual Growth in Labour Force								
-1980-1999	2	2.8	2.6	2.3	2.2	-	-	2.1
-1999-2010	1.9	3.2	2.3	2.5	1.7	-	-	2.1
Employed Labour force % (1997)								
- Agriculture	60.1	45.5	60.1	93.8	46.3	94	20.2	59.1
- Industry	18.1	21.5	21.8	0	22.9	0.5	32.7	18.5
- Services	21.8	33	18.1	6.4	30.8	5.5	48.1	22.4
Life expectancy at birth (1995-2000)	62.6	64.0	58.1	57.3	73.1	64.5	60.7	62.7
Infant mortality rate (1998)	69	95	79	72	17	62	84	72
Under five mortality (per 1000 live births), 1998	105	136	106	100	19	87	116	106
People not expected to survive to age 60 % (1995-2000)	29.7	26.7	37.9	39.1	15.3	27.6	33.8	29.7
Maternal mortality ratio reported (per 100000 live births) 1990-98	410	-	440	540	60	350	380	-

Sources: *Human Development Report 2000, UNDP.

Human Development in South Asia 2001, Mahbub ul Haq Human Development Center.

High levels of fertility characterize the south Asian regions. Though CBR has declined, but it is so marginal. Total fertility rate was higher than replacement levels of fertility i.e. TFR= 2.1. There is no significant change in the growth rate of labor force in the south Asian region with the exception of Sri Lanka. Most of the regions are characterized by agrarian economy. At the current growth rate India is going to achieve double of its population by 2036, Pakistan by 2022, Bangladesh by 2039, Nepal by 2021, and Sri Lanka by 2021.

The demographic scenario that unfolds is therefore for bidding in the magnitudes that emerge. The new high yielding varieties that are likely to be developed and the second green revolution, which is being predicted on the basis of ongoing international research, would suggest that these yield levels could well be within the reach of these countries. But almost all these increases will have to come from increases in the productivity of already cultivated land. This would imply that more intensive farming, higher inputs of agro chemical and more irrigation all of which will lead to environmental stresses of various types.

Another consequence of the rapidly growing population is the corresponding increase in the economically active population and the large cohorts of new entrants to the work force. If all

countries of the region are unable to achieve and sustain high rates of economic growth sufficient to absorb the growing work force in gainful employment in each of their economies, not only will there be social unrest and instability in the country itself but also the movements of population across national borders which has already become a problem in the region and is likely to intensify and become a serious destabilizing factor in the region. Rate of economic growth in the region of 6 percent to 7 percent should be quite sufficient to absorb a workforce, which is growing at the rates of 1.8 percent (India), 3.2 percent (Pakistan), 2.3 (Bangladesh), 2.5 percent (Nepal), 1.7 percent (Sri Lanka), allowing for the increases in the productivity of labour and the rise in real wages.

Life expectancy at birth shows the levels of long-term development process. It varies within the region with highest of 73.1 (Sri Lanka) to the lowest of 57.3(Nepal). Infant mortality rate is the highest in Pakistan (95) and the lowest in Sri Lanka (17). Under five mortality ranging from 136 in Pakistan to 19 in Sri Lanka compared to the regional average of 106. Maternal mortality ratio shows the dynamics of health services in the society. It is highest in Nepal (540) compared to the lowest figure of 60 in Sri Lanka.

Education and Health Profiles

Table-9 and 10 present the education and health profiles for the countries of the region.

Table-9: Education profile of South Asian Countries

	India	Pakistan	Bangladesh	Nepal	Srilanka	Bhutan	Maldives	South Asia (weighted average)
Adult literacy rate % (1999)	56.5	45	40.8	40.4	91.4	42	96.2	53.9
Male literacy rate % (1999)	67.8	58.9	51.7	58	94.3	58	96.3	65
Female literacy rate % (1999)	44.5	30	29.3	22.8	88.6	30*	96.2	42
Combined enrolment (primary plus secondary) (% level)	56	40	37	60	70	33	77	52.6
Pupil –teacher ratio (primary level) 1997-99	48.29	48.43	59.31	38	30	41.4	23.43	49
% of children dropping out before grade 5 (1995-99)	48	50	30	56	3	14	2	45.8
Public expenditure in education (as % of GNP), 1995-97	3.2	2.7	2.2	3.2	3.4	4.1	6.4	3.2

Source: Human Development in South Asia 2001, Mahbub Ul Haq Human Development Center.

Table-10: Health Profiles of South Asian Countries

	India	Pakistan	Bangladesh	Nepal	Sri Lanka	Bhutan	Maldives	South Asia (weighted average)
Population with access to health services (%) 1995	85	55	45	-	93	65	75	78
Population with access to safe water (%) -2000	88	88	97	81	83	-	-	88.5
Population access to sanitation (%) -2000	31	61	53	27	83	-	-	36.9
Population per doctor -1992-95	2083	1923	5555	20000	4348	5000	5263	2273
Population per nurse -1993	3323	3330	11549	2257	1745	6667	-	4091
Public expenditure on health (as % of GDP) -1990-98	0.6	0.9	1.6	1.3	1.4	4	5.3	0.8
Pregnant women aged (15-49) with anaemia 1975-91	88	37	53	65	39	30	-	84

Source: Human Development in South Asia 2001, Mahbub ul Haq Human Development Center.

With the exception of Sri-Lanka the other countries indicate one major deficiency in the foundation of basic human capital required for development- the relatively poor level of health and education. In south Asian countries, other than srilanka, the component which can have a critical impact in accelerating the demographic transition and development in general, female literacy is well below the average for low-income countries. Enrollment in primary plus secondary is no satisfactory in countries like Pakistan (40), Bangladesh (37) and Bhutan (33). Dropout rate is also very high in Nepal (56%) as compared to south Asian average of 45.8 percent. Expenditure pattern in the educational sector is also not so satisfactory. Except Maldives, all other countries are spending 2.3 percent of GNP on education.

The health profile in south Asian region is also not so good. Population access to health services is very low in Pakistan (55%) and Bangladesh (45%) as compared to the other countries. Population per doctor and nurse indirectly shows the health status of the country. But table 10 shows that it is not so favorable for the improvement of the health status of the society. Percent of GDP spent on health sector is very low, having a south Asian average of 0.8. Anemia status of the women plays a crucial role for the survival status of the children. As per the table pregnant women aged 15-48 with anemia is higher in India i.e. 88 percent.

Poverty and income distribution

Human resources development has to be seen in the context of the high incidence of absolute poverty in south Asia. South Asia as a whole has nearly 500 million people who live in absolute poverty i.e about 40 percent of the worlds poor. Table-11 provides some relevant indicators for the countries of the region.

Table –11: poverty and income distribution among south Asian countries

Regions	National poverty line				International poverty line				
	Survey year	Rural	Urban	National	Survey year	Population below \$1 per day	Poverty gap at \$ 1 a day, %	Population below \$2 per day	Poverty gap at \$ 1 a day, %
India	1994	36.7	30.5	35.0	1997	44.2	12.0	86.2	41.4
Pakistan	1991	36.9	28.0	34.0	1996	31.0	6.2	84.7	35.0
Bangladesh	1995-96	39.8	14.3	35.6	1996	29.1	5.9	77.8	31.8
Srilanka	1995-96	-	-	25.0	1995	6.6	1.0	45.4	13.5
Nepal	1995-96	44.0	23.0	42.0	1995	37.7	9.7	82.5	37.5

Source: World Development Report 2003, World Bank.

With the process of development Sri Lanka has achieved a significant level of poverty reduction. Table also shows that there was a drastic variation between urban and rural poverty level. The international standard it also shows the same trend.

Trends in Resource flows to South Asia

Over the last decade, the flow of private capital to south Asia has changed markedly (Table –12). In contrast to the beginning of the 1990s, when private debts flow comprised the majority of total private capital to the region, non –debt flows came to form over 70 percent by the decades end. A primary component of these non-debt flows has been foreign direct investments. Empirical evidence has shown that FDI has positive impact on economic growth of host countries, more so than other types of extremes flows and domestic investment, as a result of various inter related factors including improvements in productivity, technology transfer and promotion of exports.

Table –12:Foreign direct investment (\$ million)

Regions	1994	1995	1996	1997	1998	1999
South Asia	1581	2931	3510	4899	3541	2911
India	973	2144	2426	3577	2635	2169
Pakistan	421	723	922	716	500	370
Bangladesh	11	2	14	141	190	179
Bhutan						
Maldives	9	7	9	11	12	12
Nepal	-	-	-	-	-	-
Sri Lanka	166	56	120	430	193	177

Source: Asian Development Outlook 2001, Asian Development Bank.

In response to these measures and owing to improving macroeconomic fundamentals more generally the flow of FDI to South Asian countries has increased over the past decades. Most of these flows have originated from either the developed countries or the newly

industrialized countries of East and South East Asia. The United States and Europe have been the main providers of FDI to India and Pakistan during 1990s, while Japan, Hong Kong, Korea and Malaysia have been impact for Bangladesh and Sri Lanka (World Bank 1997 a and ESCAP 1998a). Annual average growth rates were also among the fastest in the developing world, increasing from 25 percent per year to 31 percent over the last two decades, attesting to increasing and rapid financial integration. In relative terms however, the increase in FDI to South Asia has been more modest, accounting for less than half of a percent of regional GDP during the 1990s, compared to 2.7 percent East Asia, 1.9 percent for Latin America and 7.4 percent for Sub-Saharan Africa.

Trends in exchange rate in relation to Dollar (US \$)

Over the period of time the value of Dollar has increased against the currencies of other countries with the exception of Maldives currency. The exchange rate between Rufiyaa and Dollar remains constant for a long period of time. The flow exchange rate between Dollar and other currencies are shown in the following Table-13.

Table-13: Exchange rates to the dollar (annual average)

Regions	Currency	1995	1996	1997	1998	1999	2000
India	India Rupee -Rs/ Re	33.4	35.5	37.1	42.5	43.3	45.8
Pakistan	Pakistan Rupee- PRe/PRs	31.5	35.9	40.9	44.9	49.1	50.1
Bangladesh	Taka - Tk	40.2	40.9	42.7	45.4	47.8	50.3
Bhutan	Ngultrum -Nu	31.4	34.3	35.8	38.4	42.6	43.6
Maldives	Rufiyaa -Rf	11.8	11.8	11.8	11.8	11.8	11.8
Nepal	Nepalese Rupee- Ne/ NRs	51.9	56.7	58.0	66.0	68.2	68.8
Sri Lanka	Sri Lanka Rupee- SLRe/ SLRs	51.3	55.3	59.0	64.6	70.4	75.9

Source: Asian Development Outlook 2001, Asian Development Bank.

Table 13, indicates that there is a devaluation of currencies among the south Asian countries, which partly leads to slower pace of economic development.

Conclusions

The present paper examined the regional dimensions of the linkage that have implications for either conflict or cooperation among South Asian countries. The current economic trends indicate that south Asian countries are at a turning point that can take them on a path of 6 to 7 percent growth rate in the region. The outlook for the short term appears to confirm these trends. The economic reforms on which all these countries are embarking depend on the macro economic foundations. Nevertheless, a poor social infrastructure and the low level of human resource development in all the countries with the exception of Sri Lanka will impose severe constraints. Absolute poverty is still high in all countries. Demographically, population growth will be high to moderate in most countries, again the exception of Sri Lanka, resulting in continuing pressure of population on scarce resources and environment, which is already under great stress. This creates conditions which if they persist without rapid amelioration can result in political instability and social unrest within countries spilling over to the region as a whole.

The state of the environment in South Asia resembles the familiar features of a poor region in which the population is burgeoning and low-income livelihoods in increasing number are being extracted with technologies, which are at low levels of productivity. The combination is leading to environmental degradation of a high order. The degradation of these ecosystems is causing serious economic and environmental problems for all these countries. The resulting poverty and economic deprivation are partly responsible for the cross boarder migration.

The South Asian region has the capability to improve on its current economic performance and reach and sustain highest rates of economic growth in the region of seven percent and over. Growth rates of seven percent will lead to a rapid alleviation of poverty and more than quadruple per capita income at the end of three decades. The social and economic improvements that result from such a process of growth will contribute to political and social stability within the nations and promote trade and economic exchange among the countries and will create the conditions conducive to intra- regional peace and stability.

In sum, rapid economic growth for South Asia as a whole is an essential condition for the peace and stability in the region. Achieving and sustaining high rates of growth require a high level of regional economic cooperation, which in turn can transform the present conflict ridden inter-country relations.

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