

# Common currency proposal

*Pak. & Indian Daily*  
18.12.03 By Sultan Ahmed

INDIAN prime minister Atal Behari Vajpayee wants an extraordinary increase in cooperation among the South Asian countries particularly in the economic sector. He suggests political disputes in the region, which hold up its progress, be consigned to the back seat to enable its 1.5 billion people benefit from extensive economic cooperation. And he wants that cooperation in many new areas of a positive and productive kind.

His suggestion is that the region should move from a Preferential Trade Agreement Area to a Free Trade Area, and finally become a region with a common currency, like the Euro. He admitted before an international audience on peace in New Delhi that peace with Pakistan was a key condition for the progress of South Asia.

Although what he envisages seems to be more like a fight of fancy, he reminded his audience that no one had expected the Berlin Wall to collapse or the cold war to end in the manner it did. Nor did they expect apartheid in South Africa to give way bloodlessly to Nelson Mandela's rainbow country.

The idea of a common currency for South Asia eventually has been suggested by several other thinkers in the West and the East. But the birth of Euro took almost 50 years after the World War II and the setting up of Marshall Plan. Britain is still not a member of the Euro bloc, although a member of the European Union. Several European states are not regarded fully qualified to be a member of the Euro bloc. Turkey, too, is not regarded qualified for membership of the European Union because of its treatment of the Kurds. But eventually European Union is to have 25 members.

But Saarc has only seven members, beginning with the largest India and ending with the smallest Bhutan and Maldives. And their economic development is diverse. Politically they are not uniform and consist of democracies, kingdoms and militarily rule. Nevertheless if they can be developed properly, with the small states being helped by the big and more resourceful, they can have eventually a common currency some 15 to 20 years from now by moving gradually.

But as Mr Vajpayee too has indicated the future of South Asia collectively depends on the extent of understanding and cooperation between India and Pakistan to begin with. In that area there is a large gap now, which defies being bridged. India wants Pakistan to accord to it the Most Favoured Nation Treatment in the area of trade so that they can trade freely by enjoying the concessions given by Pakistan to other countries.

Pakistan had earlier said the MFN status would be given to India after a political settlement between the two countries is reached. Now following the Indian insistence Pakistan has agreed to accord that status after India enters into serious discussions on the Kashmir issue. But the fact is this status given by Pakistan to all the countries with which it trades regularly can be delayed but not denied to India as under the World Trade Organization rules granting of such a

status by one member to another becomes obligatory.

But what is even more striking is that Mr Vajpayee has floated the proposal of a common currency for South Asia at a time when he, as the leader of the largest country in the region, is still reluctant to hold a dialogue with the leaders of Pakistan to settle the core issues between them. Such being the state of bilateral relationship, the idea of having a common currency for the region appears to be too illusive.

The options for India and Pakistan are however clear. Either they trade openly under agreed rules beneficial to both or they let smugglers on both sides take over the trade and flourish at the cost of the state revenues on both sides. There has been no stopping of the smuggling even when the armies of both the countries have been facing each

---

Mr Vajpayee has floated the proposal of a common currency for South Asia at a time when he, as leader of the largest country in the region, is still reluctant to hold a dialogue with the leaders of Pakistan to settle the core issues between them. Such being the state of bilateral relationship, the idea of having a common currency for the region appears to be far-fetched.

---

other eye ball-to-eye-ball. Like smugglers elsewhere, smugglers in the region have proved to be too crafty and very enterprising.

In the 1990s the volume of smuggling on both sides was said to be one billion dollars. And now it is stated to be two to three billion dollars, resulting in loss of revenues for about a third of that amount, if not a half. Should this smuggling continue and get larger and larger?

Mr Vajpayee says that small countries need not fear the large ones in the area of trade in the region. Each country can choose its own area of specialization or competence and get the better of the bigger countries in those products. Belgium, the Netherlands and the Scandinavian countries co-existing with the larger France and Germany is an example.

What matters now is what will happen when the 12th SAARC summit takes place in Islamabad next month along with meetings of its various committees? Will Mr Vajpayee and the Pakistan leaders enter into serious discussions of core issues that divide India and Pakistan, Or will they agree to defer the more contentious issues for discussion at a later date and get on with the rest of the agenda?

The SAARC Committee on trade has come up with another list of over 500 items which the regional states can trade on a preferential basis. It has also proposed a preferential trade arrangement which would eventually pave the way for a Free Trade Agreement between SAARC states. Will all that lead to proper agreements and adequate follow-up?

Mr Vajpayee has also noted that following the failure of WTO negotiations for enlarging world trade the US is seeking regional free trade agreements. Such arrangements are being made in Latin America, Middle East and East Asia. In such a context South

Asia cannot remain a solitary exception with its states being at odds with one another or suspicious of each other.

But whether it is Europe or South East Asia economic cooperation thrives where there are no serious political disputes. So after floating the vision of a common currency for South Asia, Mr Vajpayee should take initiative in breaking the political impasse and create a fair understanding between India and Pakistan on a durable basis. Now that the old ceasefire line in Kashmir, which became Line of Control, has again become ceasefire line, and to add to that India is building a barbed wire fence there despite Pakistani protests he need not talk of cross-border infiltration any more.

While the governments of the two countries are slow in moving towards cooperation, their people are reaching out to each other warmly. Trade delegations have been visiting each other's countries. About 30 businessmen of Pakistan have participated in the International Exhibition held at New Delhi with good results. Cultural groups are also making visits and performing before large crowds. India is promoting such people-to-people exchanges but will it welcome its logical conclusion as well — a political settlement that includes Kashmir as well?

If economic ties are restored, Pakistan can import textile machinery from India as well as its spare parts instead of getting them from third countries at a far higher cost. It can import textile and other chemicals cheaper than it does from other countries. The All Pakistan Textile Mills Association has been agitating for such imports for long to make its textile exports more economic and local sales cheaper.

Hence, a common currency for South Asia is unthinkable without a friendly political climate. Citizens of Saarc should not need passports to travel to other countries of the region. Instead, there should be a Saarc identity card for travel. There has to be free movement of people within the region and the people be free to seek employment in any country.

If the rich countries of the West are forming regional blocs it is all the more necessary for the people of the poor countries of the world to join hands in every economic area possible and try to benefit by that. Forty per cent of the 1.5 billion people of South Asia are living below the poverty line and face a variety of other privations. Hence the urgency to unite and work together is great in South Asia.

The UN Millennium goal is to reduce poverty and hunger by a half by the year 2015. Experts now believe that, judging by the current trends in the world and the pre-occupation of the rich countries too much with themselves, that may not be possible. That means the South Asian countries will have to make concerted efforts to improve their economies and reduce the poverty.

The peace dividend, which is being talked about, can come only if there is real and enduring peace and less is spent on arms and the armed forces, and far more on the people. And more has to be spent not only to reduce hunger or poverty but also to educate the people and import to them adequate technical training.