

Single currency and Saarc: A straight talk

MD. ABDUR RAHMAN FORHAD

AFTER a successful launching on the Euro in 1999 as a single currency in the 12 European countries, the tendency for economic and monetary integration has increased in the different regional block across the world. In the current 46th Annual Summit of ADB held in New Delhi on May 2-5, 2013, Mr. Shekhor Datta, the former president of Confederation of Indian Industries (CCI) proposed the Indian Rupee be adopted as a common currency between Bangladesh and India, the two neighbouring countries to enhance their bilateral trades. He argues that the dollar price fluctuation against Indian Rupee and Bangladeshi Taka is a major barrier to enhance the bilateral trades. If these two countries adopt a single currency -- Indian Rupee -- then both of them will benefit. The Bangladesh Finance Minister Mr. A.M.A. Muhuth agrees with the proposal, however doesn't mention which currency will be adopted as a common currency. In this article, I would like to brief the history of common currency at first. Then I will provide some empirical evidence whether or not it is feasible to introduce a common currency across the South Asian (Saarc) countries. Finally, I would like to draw our attention on the current proposal to introduce a common currency between India and Bangladesh.

A common currency among a group of countries refers to the adoption of a single currency and common monetary and exchange rate policy. The adoption of a common currency also leads a single central bank replacing the existing central banks of the member countries. Robert Mundell, Professor of Columbia University first introduced the concept of Optimal Currency Area (OCA) in 1961, and asked the following question: Under what conditions does a common currency lead to better economic integration among the member countries? Most of the academic researchers suggest the following

criteria should be met among the proposed member countries before introducing a common currency -- higher labour mobility, price and wage flexibility, degree of openness, product diversification, inflation differentials, effectiveness of monetary policy, correlation and variation of shocks, political integration. If, for example, potential members of a common currency area have labour force that is mobile, sufficient price and wage flexibility, a high degree of openness, similar inflation rates and political will to abandon their own currency and adopt a new one, then the common monetary policy can benefit all members.

Following Mundell's (1961) work on OCA, numerous studies have examined the feasibility of introducing a common currency in various groups of countries, including the European Union (EU), and North American Free Trade Area (Nafta). After a successfully launch on the Euro at the beginning, the other regional groups of countries such as Association of Southeast Asian Nations (Asean), Mercosur(Argentina, Brazil, Paraguay, Uruguay, and Venezuela), and Western Africa examined their feasibility of such an monetary integration following the successful history of EU. The South Asian Association of Regional Cooperation (Saarc) is a regional group of countries in South Asia, established in 1985, containing seven founding members Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined Saarc in 2007. Their objectives include promotion of socio-economic development within South Asian countries. One of the objectives is to move towards more economic integration and ultimately towards a common currency in South Asia. This was emphasised by the prime minister of India, Mr. Atal Bihari Vajpayee, in the twelfth Saarc Summit held in Islamabad, Pakistan on January 4-6, 2004.

Most of the Saarc economies are moderately open (the ration of total trade to GDP is 40-50%), except Maldives and Bhutan where it is more than 100% of GDP. Most Saarc economies

Regional Group	1950	1960	1970	1980	1990	1995	2000	2008
MERCOSUR	6.10	7.60	9.40	9.70	11.00	19.20	19.90	15.50
AFTA	35.50	30.40	36.00	33.20	37.20	42.00	46.80	40.00
ASEAN	2.80	12.70	22.40	15.90	17.00	21.00	22.70	25.80
ASEAN+3	16.10	21.90	25.80	29.00	26.80	34.90	33.70	34.00
GCC	NA	NA	4.60	3.90	8.10	7.50	6.20	5.50
SAARC	11.60	5.00	3.20	3.50	2.70	4.30	4.50	4.80
EU 25	47.90	51.80	61.00	61.80	67.40	66.40	67.20	66.70
APEC	44.20	47.00	57.90	57.50	67.70	71.70	72.50	65.50

SOURCE: UNCTAD

Country	1985	1990	1995	2000	2004	2007
Afghanistan	11.4	14.5	11.1	29.7	35.3	43.1
Bangladesh	4.7	6.0	12.8	7.9	10.5	9.4
Bhutan	NA	NA	NA	NA	NA	NA
India	1.7	1.6	2.7	2.5	3.0	2.7
Maldives	12.5	12.7	14.3	22.2	19.8	12.2
Nepal	34.3	11.9	14.8	22.3	47.2	60.5
Pakistan	3.1	2.7	2.3	3.6	5.0	6.6
Sri Lanka	5.5	5.6	7.8	7.4	15.1	18.9

SOURCE: REGIONAL CO-OPERATION STRATEGY AND PROGRAM, SOUTH ASIA (2006-2008), ADB, UNCTAD.

are small (except India), and their exports go to other parts of the world which make them susceptible to external shocks. Regional shocks are also important for the potential member countries, especially for the small economies. Since most of the Saarc member countries are small open economies (except India), the regional shocks would have a significant impact on the feasibility assessment of OCA. My Master thesis examined the feasibility of a common currency across the Saarc countries incorporating the external global and regional shocks; domestic supply, real interest rate, and exchange rate shocks. The highly correlations of these shocks among the member countries will suggest the more feasibility to form a currency area to face

these shocks following a common monetary policy. It is found these shocks are asymmetric, suggesting that the Saarc countries are yet to ready for a common currency. Also, there is not a significant amount of labour mobility across these countries.

When Saarc was formed in 1985, it was expected that the intra-regional trade would increase. It is evident in Table 1 that the intra-regional trade in South Asia is the lowest compared to other regional area. Despite Sapta and the Safta agreement, the intra-Saarc trade has been low, indicating Saarc wasn't able to meet the objectives of its formation. Table 2 also shows very tiny volume of intra-regional trade among Saarc countries in the past decades,

which indicates these countries are not highly integrated. Although the formation of Saarc increases intra-Saarc trade slightly, there is no significant variation among the member countries. The intra-Saarc trade of Nepal is the high than any Saarc countries. India and Pakistan are the least trading with Saarc members countries. It is alleged that there is also significant illegal trades happened among these member countries. For example, the values of formal and informal trade between Bangladesh and India is roughly the same, while informal trade value is almost one-third of formal trade between India and Sri Lanka. The intra-regional trade of Saarc economies remains a tiny fraction of total trade, despite considerable liberalisation following the free trade agreement (Safta, 2006). Also, the Saarc countries are not politically integrated compared the pioneering regional block for single currency EU.

Thus, the lower share of intra-regional trade, the lower degree of factor mobility, lack of political integration, lower degree of intra-regional trade would suggest that the desirability of introducing a common currency is not feasible across the Saarc countries. It is noted that the Indian contribution to Saarc GDP is around 80% over the past decades, which indicates a comparative advantage over other regional countries. Bangladesh never be a prime trade destination for India. The above statistics suggests that it will be a pragmatic move if the trade barriers with India are minimised rather than thinking to introduce a single currency with India. Then, we can observe how these policies works for reducing our trade deficits with India in the long run to proceed for the next steps. It will not be wise if we ignore the current euro crisis.

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The challenge of the Holy Spirit

MARTIN ADHIKARY

TODAY is the Christian Festival of Pentecost. The Holy Bible records that the first disciples of Jesus Christ had a unique experience on the day of Pentecost, the 50th day after the Passover. They received the power and leading of the Holy Spirit on this day and were enabled to boldly preach the Gospel of Christ to people. They preached the Gospel in and through words, deeds, signs and life.

The Holy Spirit is the Spirit of God. Jesus is also known in the Holy Qur'an as *ruhulullah* (the Spirit of God). Even Allah talks about Jesus in the Holy Qur'an: "He is my Spirit." The lives of the disciples experienced such a great transformation through the touch and power of the Holy Spirit that they were able to not only preach the life transforming message of God in words but were also able to rise against all evils and ungodliness. Their lives were full of love, compassion, justice, goodness, self-control and godliness.

Commenting on the fruits of the Holy Spirit, Paul, the great apostle said this in his famous letter to the Christian community in the city of Galatia two thousand years ago: "But the fruit of the Spirit is love, joy, peace, patience, kindness, goodness, faithfulness, gentleness and self control." (Galatians 5:22). According to him the works and fruits of the sinful and fleshly nature are immorality; impurity; debauchery; idolatry and witchcraft; hatred; discord; jealousy; fits of rage; selfish ambition; dissensions; factions and envy; drunkenness; orgies and the like. Paul urges that we live lives in the Spirit, which will exhibit the godly qualities befitting believers in God.

Like any other festival, Pentecost comes with the challenge of renewal and healing in our lives, our attitude and our commitment to love God and all godly values, serving others and working for justice and peace. We should internalise the significance of the Holy Spirit. Otherwise, there is no authentic faith and trust in a God who revealed Himself, redeemed mankind from the bondage of sin and also regenerated Creation in the power of His Holy Spirit.

Today much of religion is mere ritual without reality, lip-service without life and celebrations

without commitment. May Pentecost inspire and strengthen us to change our ways to the way of God. The challenge of the Spirit is to live in love, service and justice and peace among people. Today, many so-called religious people do not value spiritual and human qualities that ought to be the mark of authentic believers in God, who is Holy and just. In the name of religion they indoctrinate and instigate many with the theocratic agenda of dividing people against people. They want to get to positions of power. They give outward show and lip-service to spirituality, but in their hearts they want worldly gains and control. This is against the authentic godly values and motto of any religion. If religion speaks for peace let the means to achieve that be peaceful.

On this day we pray that the Holy Spirit will take control of our lives so that we will really be able to internalise the real meaning of our religions and faiths and translate them into action in love and compassion, justice and peace among people. For if we cannot love and respect people, how we can love their Creator? Indeed, without the help of the Spirit we cannot live a truly and fully human life, just as without wind or air we cannot exist.

There is so much immorality and corruption today in the society. We cannot progress if corruption continues. The power of the Holy Spirit is like fire which purges all corruption and filth. As fire purifies and refines gold or silver the Spirit purifies our minds and hearts. As a goldsmith uses fire to purge the dross or alloys from precious metals so God uses the Spirit to remove our sinful desires from us.

The Spirit produces the purity of God in our lives. God wants to purify us and His spirit is His agent for this. If we are led by lust and greed we miss the purpose of life. It is because of immoral gains that we have examples of many lives ruined in the end. Jesus said: "What good is it for a man to gain the whole world, and yet lose or forfeit his very self?" (Luke 9:25). The lust for wealth and power lies at the root of all evils in the society. Let's us be led by the Holy Spirit for a better world.

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GAME THEORY

Conflict and cooperation

MUHAMMAD AMINUL ISLAM

"Strange darkness has descended on the world these days, Those who are completely blind claim to see the most; Those who feel no love -- or affection -- or the flutter of pity Have become crucial to controlling the world."

Jibanananda Das (Translated by Fakhru Islam)

GAME theory is a method of studying strategic decision making. More formally, it is "the study of mathematical models of conflict and cooperation between intelligent rational decision-makers." Game theory is mainly used in economics, political science, and psychology, as well as logic and biology. The subject first addressed zero-sum games (one person's gain or loss exactly equals net losses or gain of the other participant), though game theory applies to a wide range of class relations, and has developed into an umbrella term for the logical side of science.

One of the interesting variants of game theory is Prisoner's Dilemma. The prisoner's dilemma, theoretically speaking, shows why two individuals might not cooperate, even if it appears rational that it is in their best interest to do so. The sole worry of the prisoner is increasing his own reward. The interesting symmetry of this problem is that the logical decision leads each to betray the other, even though their individual "prize" would be greater if they cooperated.

In an article Michael Kinsley, *Washington Post* Op Ed columnist, summarises the reorientation of game theory as follows: "You're standing at the edge of a cliff, chained by the ankle to someone else. You'll be released, and one of you will get a large prize, as soon as the other gives in. How do you persuade the other guy to give in?"

The answer is, "You just have to convince him that you are prepared to take a higher risk than he is of accidentally falling off the cliff. If you can do that, you win."

With all the theoretical orientation of game theory as above, let us delve into our own situation. "The incumbent has gone

for over-reach and the ground reality is that over-reach is not sustainable. The competitor has the sympathy due to any underdog but has not demonstrated any decisive change in its political culture that can inspire more enduring support. ... The poisonous brew is continually finding new breeding grounds in the professions, in the communities, in the business world. This in the longer run is a crisis even bigger than the political impasse." (Hossain Zillur Rahman, Behind The Headlines, Bangladesh at crossroads, The Daily Star, May 6, 2012).

The same was echoed by many others and expectations were high. The reason was quite obvious, that sense should prevail in the long run. "One would not be remiss to suggest that the expectation of the public is that this issue be addressed and resolved forthwith because in it lies the seeds of future flux in the country. ... And, as it has been always our stand, the ruling party must take the first step." (The Daily Star, Editorial, We hope Ashraf's suggestion is serious. Neither party should set conditions, May 29, 2012).

This was the scenario in 2012 and it was earnestly expected that some sense would prevail and there would be some light at the end of the tunnel. But no party took the first step as implored and the expectation of 2012 has further eroded by 2013, things have become worse. "Like a leopard never changes stripes, the ruling party and the opposition have been locked in do-or-die battles in the last year ... Of course, the seeds of distrust and suspicion, sown in the preceding four years, only reap a monstrous whirlwind at the end of the day" (The Daily Star, Pleasure is mine, Making sense of PM's interview with BBC, Shah Husain Imam, April 12). What evaded the sight of Shah Husain Imam is the total collapse of administrative fabric. Our media are full of incidents of brutality and mayhem.

Interestingly, the blame game is on, thus ignoring the cardinal issue of human lives and morality, which puts the role of the government and civil society in question. A general sense of unease prevails, and though

there is a strong penchant for political debate across the political spectrum, the ethical and moral character of political debate is lost.

Are poets prophets? At least, Jibanananda Das was, and he foresaw the current situation. Recent plethora of reports on mayhem and atrocities by the media and our civil society's stoic calm indicate that Jibanananda Das was quite prophetic. "Those who feel no love -- or affection -- or the flutter of pity have become crucial" in our polity.

It will be real wonder if our politicians have ever read Jibanananda Das or come across the tenets of game theory (they are too occupied to have the luxury of reading books, serious of course!). If they had read Jibanananda Das, they could find that today's Bangladesh is a typical Jibanananda scenario and feel some pang of conscience to introspect. But alas that did not happen, and it is they who are dancing along the edge of the cliff hell-bent to prove that each of them is ready to take higher risk and thus be the winner.

In our polity, the winner takes all culture is deeply entrenched and it is a life and death question to emerge as the winner. The cardinal point that is forgotten is that the parties are not adversaries like Jews and Palestinians, but that everyday life as well as the dreams and aspirations of a nation of 160 million are at stake. Bangladesh, time and again, has demonstrated a strong degree of resilience and creativity in adverse situations and, thanks to high performance of our labour force, notably expatriate and RMC, peasants and entrepreneurs, the country has marched ahead nullifying the prophecy of naysayers.

Let hope that our politicians have never heard about the sophistry of game theory and are not as desperate as its protagonists, and pray for bright mornings once again! Let us remind everybody that just few weeks back the nation wished Happy New Year to everybody, and let us mean that.

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ACROSS

1 "30 Rock" role

4 Dressed

8 Wrinkly fruit

12 Raw rock

13 Bigfoot's cousin

14 Bellow

15 Slight touch

16 Ski resort in the Poconos

18 Same

20 Vast expanse

21 Comfy footwear, for short

24 Make into law

28 Group of sub-marines

32 Continental coin

33 Alias abbr.

34 Decelerates

36 Kangaroo's kid

37 Deposited

39 Pancake

41 Hammerstein's contribution

43 God, in Grenoble

44 Upper limit

46 Getting on

50 Type of shoulder bag

55 Anti

56 "American"

57 Pivot

58 Greek H

59 Roly-

60 Layer

61 Morning moisture

DOWN

1 Source of wealth

2 Middle-eastern nation

3 Ox of India

4 One-eyed beast

5 Grazing ground

6 24-hr. money provider

7 Conks out

8 Suave

9 -- long way

10 Varnish

11 Annoy

17 Appomattox loser

19 Bowling alley

22 A little lower?

23 Berate

25 Emanation

26 Gator's cousin

27 Snatched

28 Partition

29 Fine

30 Hide-away

31 "The Bridge on the River"

35 House

38 In a pleasant way

40 Moon-shine

42 Auto-mobile

45 "Hey, you!"

47 On the rocks

48 Memo-random

49 Eat away (at)

50 With it

51 Big bother

52 Encyclopedic

53 Foreman foe

54 Prompt

Solution time: 21 mins.

Yesterday's answer 4-10

BEETLE BAILY

LOOKS LIKE WE MIGHT LOSE THIS BATTLE WITH GENERAL SHEPARD!

DON'T GIVE UP YET

GENERAL HALFTRACK IS TRYING TO OUT-STARE HIM

9-29

HENRY

ICE CR

GODA FOUNTAIN

9-29

QUOTABLE Quotes

Mahatma Gandhi

"The spirit of democracy is not a mechanical thing to be adjusted by abolition of forms. It requires change of heart."