

Economic Co-operation Between Two Punjabs

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East Punjab and West Punjab were allocated respectively to India and Pakistan in 1947. The partition divided the Punjab into Indian Punjab and Pakistani Punjab. Before partition the flow of economic progress of the region was towards central Punjab represented by two prominent cities, Lahore as political capital of Punjab and cultural centre of north India and Amritsar as centre of trade and commerce. There was emerging possibility of fast economic progress of this agriculturally progressive region and later on transition towards industrial economy. The line of partition changed the direction of economic progress from the region centric towards outside big cities of the two countries as the two central cities of the region (Lahore and Amritsar) had been converted into border cities. The unnatural line of divide put the transition of the Punjab from agricultural economy into industrial economy far behind the potentials. In spite of green revolution both the Punjabs continue to be agricultural economies. For want of adequate employment opportunities outside agriculture, a large number of young persons are forced to emigrate to the Middle East and Western countries. While keeping separate entities within two sovereign countries of India and Pakistan, the co-operation between the two Punjabs can correct the distorted flow of economic progress and convert it into organic growth of the region.

The river Indus and its five tributaries have formed this plain known as Punjab, the land of five rivers. These perennial rivers provide water to the largest network of canals (in the world) for irrigation of fields. The region has a common history and people speak Punjabi language (including its dialects). The city of Lahore falls in the centre of Punjab. Our forefathers settled here and worked very hard to develop this area. The construction of network of canals built over a century's period has made it one of the most productive plains of the world. The partition of Punjab disrupted its natural development pattern and the region could not achieve the level of progress for which potentials have been existing. The friendship and cooperation of the two Punjabs can convert these potentials of development into reality. The theory of

regional economic integration demonstrates that the two Punjabs, keeping their distinct political entities in two countries, can realize the unachieved potentials of socio-economic progress.

Theory of Regional Economic Integration

In a well referred book *The Customs Union Issue (1950)* by eminent American economist Jacob Viner has discussed the issue of regional economic integration in the context of countries falling in the same region. The regional economic integration/co-operation can be achieved in the following three forms : (a) The Free Trade Area; (b) The Customs Union; and (c) The Common Market. The countries forming free trade area mutually abolish customs duty but continue to have their own/separate schedule of customs duty against the rest of the world. In the case of customs union, the countries joining it mutually abolish customs duty for goods traded and agree to have a common schedule of customs duty against the rest of the world (or non members). The common market is highest form of regional economic integration for countries of a region. In this case the countries joining it abolish mutually customs duty for goods traded, agree to have a common schedule of customs duty and abolish all restrictions for movement of persons (including visa requirements) and capital within the common market. These three forms of regional economic integration are being practiced in the contemporary world. The NAFTA is a free trade area between Canada, USA and Mexico. European Union is a common market of the European countries.

According to Viner, the customs union (taking it as representative form of regional economic integration) creates two powerful effects namely trade diversion and trade creation. The trade diversion effect takes place because customs duties are mutually abolished leading to reduced prices of the goods imported from the member countries compared to the goods imported from non member countries which continue to be subjected to customs duty. This diverts trade from non-member towards trade between members of customs union. The trade creation takes place because goods imported by members from each other become cheaper leading to their enhanced demand. This results in enhanced level of trade. Viner believed that trade creation makes positive effect while trade diversion leads to negative welfare effect.

R. Lipsey in a seminal article in *Economica* (February 1957)convincingly argued that under certain circumstances trade diversion also leads to positive welfare effects. After this a consensus developed among economists on the net positive effects of regional economic integration for countries forming economic blocs in any of the three forms. Apart from positive effects under static conditions, there are several positive effects generated under dynamic conditions. These include exchange of technology, collaboration in R&D, economies of scale, reallocation of production resources in the areas of comparative advantage from areas of comparative disadvantage. In addition to this, mutual co-operation and economic exchanges reduces tension on borders, develop mutual trust and confidence and consequently less spending are required on arms and security arrangements.

The advantages of regional economic integration can be realized by two Punjabs of India and Pakistan if they agree along with other SAARC countries to create any of the three forms of regional economic integration. If this happens then the Punjab as a region get restored its organic growth process. Economic development of the region would become Punjab centric and disadvantages of being placed at landlocked border would be converted into advantages for both the Punjabs. Recognizing advantages of regional co-operation and integration the discourse on co-operation between two Punjabs can be extended further.

The Areas of Cooperation

Areas of Co-operation and Potentials can be worked out. At the same time mutual disadvantages can be minimized and problems can be solved on the basis of mutual benefits. For this purpose the following four issues merit our consideration :

(a) Trade

Trade is the initial and the most common way of developing mutual co-operation. There are lots of potentials for this. There are several commodities which can be exported from East Punjab to West Punjab and from West Punjab to East Punjab if Wagha and Hussainiwala borders are opened up for trade. By opening up trade via land routes consumers from both sides would be gaining a lot in the form of low prices for imported products. The producers would gain in the form of market

access and higher prices than what they get at present. The gains to both consumers and producers would accrue through economies in the cost of transportation, storage and transshipment of the products. Presently direct trade between the two countries takes place via Mumbai and Kandla ports in India and Karachi in Pakistan. The goods originating from East Punjab are first transported to Mumbai or Kandla port, stored at the port awaiting availability of ships for some time, then shifted from godowns to ships and are taken to Karachi. After unloading from ships at Karachi, the goods are stored at port awaiting wagons and then transported to cities in West Punjab. The same route is followed in reverse direction for goods originating from the West Punjab. This involves huge transport cost and wastage of goods while changing modes of transportation. The time taken is long and this makes trade in perishable goods quite difficult if not impossible. The beginning of trade via Wagha and Hussainiwala routes would not only reduce enormous transport and related costs but would also accelerate trade between these two regions.

A study by R.S. Ghuman (1986) of Punjabi University, Patiala has prepared some estimates of trade potentials. East Punjab can supply to West Punjab wheat, fresh vegetables, fruits and flowers, tractors, motor parts, agricultural implements, cycle and cycle parts at prices much below at which they are supplied from other sources. The West Punjab can supply to East Punjab at low prices fresh and dry fruits, oil seeds, cotton, mineral salt, vegetables, cotton thread etc. Besides, the two Punjab regions can be centres for accelerated trade between India and Pakistan. On both the sides there would come into existence a chain of mega stores and godowns. This would also give fillip to activities like transport, hotel, restaurants and tourism on both sides. The estimates prepared by Ghuman reveal that Pakistan would have annually gained between US \$ 1.2 crore to US \$ 3.4 crore between 1976-80 and India would have annually gained US \$ 3.4 crore from three commodities in terms of price gains, had they imported goods from each other at their existing level of trade. In terms of potential it is estimated that India has the capacity to supply 24.47 per cent of Pakistan's total imports. This turns out to be 10.43 per cent of India's exports (during 1976-80). In the same way Pakistan can meet considerable part of India's imports. The low prices would also have a large trade creation effect. This is in addition to gains which countries would get in terms of savings in transport cost. Without

stretching the argument it needs to be brought out that there is difference in weather cycle between two regions which provides a lot of potentials in trade of agricultural products. Winter and summer crops mature in Indian Punjab 8-10 days ahead of West Punjab. When there is a glut of agricultural products in Indian Punjab there is acute shortage of fresh vegetables, fruits and other goods in West Punjab. Similarly when the season is over in East Punjab (for fresh vegetables) showing acute shortage, there is a glut in West Punjab. The weather cycle difference can provide a lot of opportunities for trading both for the benefit of the consumers as well as that of producers.

(b) Co-operation at International Level

With the formation of WTO the scope of international trading and co-operation has increased manifold between the developing countries falling in the same region. These countries can join hands to strike a better bargain with the advanced countries. The patent regime under TRIPS (Trade Related Aspects of Intellectual Property Rights) under WTO can be used as an illustration. Some products (old one) can be patented under the clause of geographical indications. The French wines and champagne have got such protection. Basmati rice is grown in West Punjab, East Punjab and Uttaranchal area of India. Some US companies attempted to patent it under the name of Kasmati which was thwarted involving a lot of efforts. The two countries need to join hands to protect this prestigious crop. The efforts of both India and Pakistan to work together at Cancun meet of WTO has already shown the way. It is high time to encourage such efforts in other areas where interests of the two countries converge. The organization of SAARC needs to be strengthened and as a first step its status needs to be brought at the level of free trade area.

(c) Cooperation in R&D

West and East Punjabs' economies are dominated by agriculture. They have their own problems. East Punjab has become agriculturally more advanced compared to West Punjab. In 1993-94 per hectare yield of HYV wheat was 1944 kg in West Punjab compared to 3324 kg in East Punjab. In case of rice per hectare yield was 1221 kg. in West Punjab compared to 2013 kg. in East Punjab in 1993-94. In the same way the differences in per hectare yield of other crops can be observed. The

farmers of West Punjab can acquire seeds of wheat and rice from East Punjab and East Punjab farmers can learn and acquire seeds of cotton and citrus fruits from West Punjab.

Agricultural scientists from both the Punjab can pool their resources for agricultural research. R&D in agriculture is increasingly becoming costly and skill intensive. After formation of WTO new seeds and plant varieties are subject to patents. Unlike earlier situation free availability of new seeds and plant varieties are becoming difficult. New patents are acquired by MNCs and these giant corporations are establishing their monopoly in the chosen areas of agricultural research. The availability of new seeds would be more costly in the future and may go beyond the reach of the poor farmers. Under the emerging situations the role of public institutions in the agricultural research has to be reshaped to suit requirements of the farming and farmers. But public institutions in agricultural R&D (agricultural Universities) are facing serious financial crisis due to fiscal crisis of the governments. Therefore, there is a dire need on the both sides to cooperate and collaborate with each other to optimally use R&D resources. The results of agricultural research needs to be shared with each other so that the rural people benefits on the both sides. Joint research projects can also be started for intensive research. The meets of agricultural scientists from the both sides can be arranged for this purpose. Both sides can learn from each other about new seeds, plant varieties, dairy and poultry practices. Besides, East Punjab can learn better management of groundwater resources from West Punjab and West Punjab can learn from East Punjab about treatment of alkaline soil and other practices of rural development such as rural electrification, village link roads, rural education, decentralized governance and agricultural marketing and extension services. We can learn from each others successes as well as failures in different areas. Similarly, co-operation can be further extended in industrial R&D. Ways and means can also be evolved to meet harmful effect of enhanced competition on both sides and corrective steps can be planned and liabilities can be jointly shared.

(d) Exchange of Intellectuals and Students

There is need to look at economic progress beyond agricultural and industrial development. Modern economies have progressed from agricultural to industrial

economies and now have been transformed into service economies. These economies are increasingly becoming knowledge based economies. To establish lead at global level human resource development is the foremost requirement. Along with the traditional subjects, the importance of technical, professional and creative arts have increased considerably. To accomplish this task constructively, the exchange of experts and students is very important. On both sides there are centres of excellence in education. Some new centres of excellence can be created. The students from both the regions can benefit by acquiring knowledge and skills from these centres. At the same time there can be exchange programmes for short duration between intellectuals and experts. They can formulate and implement joint projects for research. The arrangements of financial resources can be made for such programmes. The platform of SAARC can play very important role in this endeavour.

To sum up, there are lot of potentials between two Punjabs for economic co-operation. There is also considerable enthusiasm among the peoples on both sides. The SAARC platform can considerably accelerate the process of co-operation but it is not working well as yet. The peoples of two Punjabs, researchers, intellectuals, social workers, journalists, and enlightened politicians would have to play active role to enhance co-operation within this region. There are some achievements in this direction but more needs to be done. The efforts need to be continued and one day they would surely fructify. The flow of economic progress would become Punjab centric and this region has the potentials to be one of the most advanced region in the World. On the basis of co-operation within this region, economic integration on the pattern of European Union can be built among countries of South Asia. The bright of future of South Asia as a region is visible in the form of regional economic integration while maintaining political sovereignty of countries involved in this task. This would ensure fast economic progress and consolidate socio-economic co-operation among the confident sovereign countries and their natural economic regions like those of the Punjab.

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