

**LEADING THE WORLD:
Re-conceptualizing Regional Cooperation in South Asia**

By

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PART I: LEADING THE WORLD

South Asia is likely to play a key role in the global economy in this century. In doing so, the people of this region could contribute to addressing the challenges of poverty, peace and environmental degradation that confront the world. This article attempts to articulate a vision for South Asia in the new world that is taking shape.

South Asia can lead the World

South Asia is at a historic moment of transforming the economic conditions of its people and playing a leadership role not only in the global economy but also in the development of human civilization in the 21st century. For the first time in the last 350 years, the global economy is undergoing a shift in its center of gravity from the continents of Europe and North America to Asia. If present trends in GDP growth in China, U.S. and India respectively continue, then in the next two decades China will be the largest economy in the world, U.S. the second largest and India the third largest economy. However, if South Asian countries develop an integrated economy, then South Asia can become the second largest economy in the world after China. Given the geographic proximity and economic complementarities between South Asia on the one hand and China on the other, this region could become the greatest economic powerhouse in human history.

Yet the world cannot be sustained by economic growth alone. Human life is threatened with the environmental crisis and conflicts arising from the culture of greed, from endemic poverty and the egotistic projection of military power. Societies in this region have a rich cultural tradition of experiencing unity through transcending the ego, of

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creative growth through human solidarity and a harmony with nature. In bringing these aspects of their culture to bear in facing contemporary challenges, the people of this region could bring a new consciousness and institutions to the global market mechanism. In so doing South Asia and China can together take the 21st century world on to a new trajectory of sustainable development and human security. It can be an Asian century that enriches human civilization.

South Asia and the New Paradigm of Policy

All great epochs of economic and cultural achievement are associated with an intellectual renaissance. So must it be for South Asia as it faces the prospect of a leadership role in the 21st century. Let us begin with a critical examination of the theoretical postulates that have formed the basis of economic and foreign policy of modern nation states.

The policy paradigm underlying the last three centuries of economic growth within nation states and political relations between states, has been characterized by two propositions that are rooted in conventional social science theory:

- (a) Maximization of individual gains in terms of continuous increases in production and consumption, within a competitive framework ensures the maximization of social welfare at the national as well as global levels.
- (b) The economic and political interests of a nation state are best achieved by translating economic gains into military power. The assumption here is that a state can enhance national welfare by initiating, or being part of an initiative for projecting hegemonic power over other states.

These propositions now need to be questioned because of the increased inter dependence of people and states on each other and on the ecology within which they function.

Let us briefly critique each of these propositions to lay the basis of proposing an alternative paradigm of policy, as this region develops a leadership role in the world:

- (a) First, the idea that competition alone ensures an efficient outcome may not be necessarily true in all cases in view of the work by Nobel laureate, economist John Nash,

who proved mathematically that in some cases the equilibrium, which maximizes individual gains, could be achieved through cooperation rather than competition.

The Nash Equilibrium solution may be particularly relevant in the context of India-Pakistan relations. Consider. India, if it is to sustain its high growth rate, will require sharply increased imports of oil, gas and industrial raw materials from West and Central Asia, for which Pakistan is the most feasible conduit. Similarly India's economic growth, which has so far been based on the domestic market will in the foreseeable future require rapidly increasing exports for which Pakistan and other South Asian countries are an appropriate market. Thus the sustainability of India's economic growth requires close cooperation with Pakistan. Conversely, peace and cooperation with India is essential for Pakistan, if it is to achieve a GDP growth rate of 8 to 9 percent, overcome poverty and build a democracy based on a tolerant and pluralistic society. It is clear therefore that governments in India and Pakistan will need to move out of the old mindset of a zero-sum game, where gains by one side are made at the expense of the other. Now the welfare of both countries can be maximized through joint gains within a framework of cooperation rather than conflict.

The missing dimension of the relationship between competition and welfare in conventional economic theory is that of institutions. The recent work of another Nobel Prize winning economist, Douglas North has shown that if competitive markets are to lead to efficacious outcomes, then they must be based on a set of underlying institutions. He defines institutions in terms of constraints to behaviour for achieving shared objectives within an appropriate combination of incentives and disincentives. We can apply Douglas North's principle to suggest that emerging economic powers need to seek a broad framework of cooperation for the efficient functioning of a competitive global economy.

Our proposed logic of locating competitive markets within broader institutional structures of cooperation at the regional and global levels is necessitated by the integrated ecology of the planet. *Global cooperation in environmental protection, poverty reduction and*

defusing the flash points of social conflict and violence will become the essential underpinning of sustainable development and human security in this century.

(b) The second proposition in conventional social science theory and political practice, that the economic welfare and political influence of a nation state can be best achieved by translating economic gains into military power is also questionable. In the new world that is now taking shape, the influence of an emerging power will be determined not by the magnitude of the destruction it can wreak on other countries but by its contribution to enhancing life in an inter-dependent world. Thus it is not the military muscle of a state that will be the emblem of status, but its contribution to meeting the challenge of peace, overcoming global poverty and protecting the planet from environmental disaster.

Meeting these challenges will require a deeper scientific understanding of the processes that shape nature and human societies, as well as a deeper spiritual awareness of our inner self and our shared civilizational wellsprings. Thus, as South Asia pursues a leadership position in the global economy, it would have to strive to reach the cutting edge of human knowledge in the natural and social sciences. At the same time it would have to bring to bear its value system rooted in the experience of humanity that is evoked in its diverse literary and philosophical traditions.

PART-II: HUMANITY, NATURE AND GROWTH

As South Asia acquires a leadership position in the global economy over the next two decades, a change is required in the policy paradigm of nation states: from competition to cooperation, from the production of new weapons as the emblem of state power to the nurturing of a new sensibility that can sustain life on earth.

We will suggest that if sustainable development is to take place in the global economy, indeed if life itself is to survive on the planet, a new relationship will have to be sought between human beings, nature and economic growth. South Asia with its living folk tradition of pursuing human needs within the framework of human solidarity and harmony with nature may be uniquely equipped to face this challenge.

The Global Ecological Crisis

In perhaps the largest collaborative scientific effort in the world, some of the leading environmental scientists and international institutions have recently come together to conduct the Millennium Ecosystem Assessment of planet earth. The report completed last year, suggests that we are in the midst of an ecological crisis. The results show that over the past fifty years, humans in the process of economic growth have caused “substantial and largely irreversible loss in the diversity of life on Earth”: 25% of the species living on earth have gone extinct in the last fifty years. The crisis is made even more grave by the fact that “60% of the ecosystem services that were examined in the study are being degraded.... including fresh water.... air and the regulation of regional and local climate”.

The existing process of production and consumption of goods involves generating toxic gases and materials into the air, land and water systems. Since the earth’s ecology has a maximum loading capacity, it is clear therefore that the present consumerist culture, patterns of economic growth, and the underlying institutional structure, cannot be sustained indefinitely into the future without undermining the life support systems of the planet. For sustaining life on earth, a new relationship will have to be sought between human beings, nature and economic growth. Thus we may be either on the threshold of ecological disaster or the reconstruction of a new human civilization. In this situation, for South Asia to lead the world means introducing new forms of social production, new institutions and a new consciousness that can sustain life on earth.

The New Sensibility

Today the market is being apotheosized as the mythical space in which the individual can be free and yet provided with plenty by the hidden hand of the market. Yet, inherent to the capitalist accumulation process is the systematic inculcation of an insatiable desire to possess goods. The subliminal language of advertisement does not *represent* goods, but rather *fantasizes* goods such that they appear to us not in terms of their material attributes, but as magical receptacles of such qualities as beauty, efficacy and power. Thus,

qualities, which we actually possess as human beings are transposed into goods, and the individual gets locked into an endless pursuit of acquisition.

The culture of consumerism, which the market systematically inculcates, is inconsistent with conserving the environment. The life support systems of our planet cannot be sustained beyond a certain limit in the levels of global output growth inspite of any foreseeable development and adoption of green technologies. As Mahatama Gandhi put it, “There is enough in the world for everybody’s need but not for everybody’s greed”.

Contemporary market culture is marked by the atomization of society, the inculcation of greed, egotism and the estrangement of the individual from his humanity. A new more humane sensibility must form the basis of a sustainable relationship between man, nature and economic growth. Perhaps South Asia can contribute to the contemporary world by weaving from the golden threads of its folk cultures the tapestry of a 21st century sensibility.

In South Asia the interaction of diverse civilizations across millennia has brought to the surface certain fundamental features of each civilization, which while being rooted in its specific linguistic, religious and cultural *form* are essentially of a universal nature. Three characteristics of a South Asian sensibility can be articulated:

- i) The *other* constitutes the essential fertilizing force for the growth of the self. The *other* when brought into a dynamic counter-position to the *self*, helps to transcend the ego and thereby enlarge the experience of the *self*. To recall the words of Shah Hussain, the Punjabi Sufi poet. “You are the woof and you the warp, you are in every pore, says Shah Hussain Faqir, I am not, all is you”.
- ii) In the South Asian tradition, (whether the muslim Sufis, or the Bhaktis or the Buddhists) there is a detachment from the *desire* for commodities, which are seen as merely *useful*. Of course the Greek philosopher Aristotle, held a similar view when he observed in his Nichomacean Ethics, that goods cannot have value since they are merely useful. It is

human functioning that is of value. However this proposition is no more part of the contemporary Western culture. Unlike the West however the voice of the Sufis still echoes in contemporary South Asian folk culture: “Those who have accumulated millions, that too is mere dust.” (Shah Hussain); and the Tamil poet Kambar in describing a good society says, “There was no one who did not have enough, there was no one who had more than enough.”

- iii) Nature in the South Asian tradition is treated not as an exploitable resource but as a reference point to our own *human* nature. Nature is the context within which we experience our connection with the eternal, and sustain economic and social life. The Bishnoi community in Rajasthan and the peasants of Bhutan still conduct their production and social life in harmony with nature, as part of their spiritual beliefs. Najam Hussain Syed, the contemporary Sufi poet of the Punjab writes, “Plant the moonlit tree in your courtyard, nurture it, and thereby remain true to the beloved.”

Amidst its diversity South Asia has shared civilizational propensities of transcending the ego as a means of fulfillment, of locating the need for goods in the context of human responsibility and of harmonizing economic and social life with nature. It is this South Asian sensibility and the associated human values that could be brought to bear in building a new relationship between humans, nature and production to sustain life in the 21st century world.

PART-III: CONCRETIZING THE VISION

South Asia can contribute to the emergence of a 21st century civilization by helping to establish a sustainable relationship between individuals, commodities and nature. We will first outline an alternative perspective on development and then indicate a set of specific policy initiatives that can be undertaken to begin the process of actualizing the great human potential of South Asia.

An Alternative Approach to Economic Development

Aristotle in his *Nicomachean Ethics* propounds a relationship between human beings and commodities, which seems strange to contemporary economic theory but may be vital in building a new 21st century perspective on economic development. He proposed that it is *human functioning* that gave richness to life and not commodities, which are merely useful. The Nobel laureate, economist Amartya Sen in his recent work has drawn upon Aristotle's proposition to go beyond the notion of living standards in terms of just income or goods. A.K. Sen proposes the concept of capabilities and entitlements whereby in addition to requiring certain goods and services for oneself one may also *value* one's capability to be *socially useful*. This helps to clarify that the issue of overcoming poverty is not simply 'delivering' a certain quantity of food, but also providing complementary services such as drinking water, sanitation, health care and education. Thus A.K. Sen laid the theoretical basis of what has come to be known in the literature as "human development". Sen argues that food, health care and education constitute entitlements of citizens since they are necessary for actualizing human capabilities.

It can be argued that Sen's capabilities and entitlements formulation is rooted in the premise that our *sociality* is essential to human functioning. If this indeed is the case, then could we not extend the scope of Sen's concept of entitlements to include high quality universities, hospitals, a free press, peace, human security and the entire range of political rights associated with democracy? These rights and institutions are surely necessary for human beings to fulfill the peculiarly human need to function in "a socially useful way". If we could broaden Sen's concept in this way then the measure of "standard of living" in the theory of economic development would include not just goods and services but the whole set of social and political institutions that are necessary for what Aristotle called "human functioning".

Specific Policy Actions

A vision is efficacious to the extent that it can be concretized. This requires bringing to bear the new consciousness of South Asian cooperation to undertake five specific policy actions for our new perspective on economic development:

1. Let the people meet

Visas restrictions should be eased to allow citizens of each country of South Asia to travel freely to enjoy the natural beauty of the region, and to participate in the social and cultural events of the various countries of South Asia. Tourism alone could make a major contribution to the GDP growth of the region. It would at the same time be pro poor growth since it would generate employment and incomes for a wide range of social groups: From porters, and owners and employees of road side cafes, restaurants, hotels and transport companies. Such travel and social interaction would help in the rediscovery of the shared civilizational values of South Asia, and help build more pluralistic societies to strengthen democracy in the region.

2. South Asia Health Foundation (SAHF)

Ill health is a major trigger that pushes people into poverty and keeps productivity at a low level in South Asia. Therefore provision of high quality preventive and curative health facilities would be a strategic intervention for poverty reduction, human development and economic growth in the region. It is proposed that a South Asia Health Foundation may be instituted with the following objectives: (i) To set up district level general hospitals at the highest international standards in selected districts of each of the countries of South Asia. (ii) Each SAHF hospital would have a network of high quality basic health units and also reproductive and child health care clinics. The latter would provide pre natal and post natal care to mothers, family planning services and basic pediatric services to infants. (iii) Each SAHF hospital would initiate community-based campaigns for hygienic drinking water, sanitation, immunization and control of epidemics.

The doctors and staff of the SAHF hospitals in a particular country could be drawn from other South Asian countries to signify the commitment of South Asians to each other. The healing and humanity in these hospitals would stand as a living symbol of both the promise and fulfillment of South Asian cooperation.

3. *South Asia Education Foundation*

A South Asia Education Foundation may be instituted on the basis of a private-public partnership with contributions from multi lateral donor agencies. The purpose of the foundation would be to establish a network of schools as well as universities at the best international standards to help develop the knowledge base to prepare South Asia for its leadership role in the new world that is taking shape. The network of universities could enable students and researchers to interact intensively across international boundaries in South Asia and create a community of scholars that could produce new knowledge in the natural and social sciences.

4. *Private Sector Joint Venture Infrastructure Projects*

- (i) India, Pakistan and Bangladesh should cooperate closely in establishing gas pipelines in South Asia for transporting gas from Iran, Qatar and Turkmenistan and even Myanmar. Specifically the ongoing official negotiations on transporting oil and gas from Iran through Pakistan to India should be brought to an early and successful conclusion. To strengthen the mutual inter dependence between India and Pakistan the recent proposal by Mr. Manishanker Iyer for transporting diesel fuel from Panipat to Lahore should also be taken up quickly. In the context of developing energy markets of these resources, power trading in the region calls for establishment of high voltage interconnections between the national grids of the countries of the region.
- (ii) Facilitating private sector joint projects in building a network of motorways and railways at international quality standards through out South Asia. These modern road and rail networks would connect all the major commercial centers, towns and cities of SAARC countries with each other and with the economies of Central Asia, West Asia and East Asia.

- (iii) Facilitating regional and global joint venture projects for developing new ports along both the western and eastern seaboard of South Asia, and at the same time up-grading existing ports to the highest international standards.
- (iv) Facilitating regional investment projects in building a network of airports, together with cold storages and warehouses that could stimulate not only tourism but also export of perishable commodities such as milk, meat, fish, fruits and vegetables.

5. *Restructuring Growth for Rapid Poverty Reduction*

Economic growth must not only be accelerated but restructured in such a way that its capacity to alleviate poverty is enhanced for given growth rates of GDP. In this context of achieving pro poor growth, three sets of measures can be undertaken at the country as well as the regional levels:

- (i) Joint venture projects need to be undertaken to rapidly accelerate the growth of those sub sectors in agriculture and industry respectively which have relatively higher employment elasticities and which can increase the productivity and hence put more income into the hands of the poor. These sub sectors include production and regional export of high value added agricultural products such as milk, vegetables, fruits, flowers and marine fisheries.
- (ii) Regional network of support institutions in the private sector can be facilitated for enabling small scale industries located in regional growth nodes, with specialized facilities such as heat treatment, forging, quality control systems and provision of skill training, credit and marketing facilities in both the country specific and regional economies.
- (iii) A SAARC Fund for vocational training may be established. The purpose of this Fund would be to help establish a network of high quality vocational training institutes for the poor. Improved training in market demanded skills would enable a shift of the labour force from low skill sector to higher skill sectors and thereby increase the productivity and income earning capability of the poor. It would at

the same time generate higher growth for given levels of investment by increasing factor productivity.

CONCLUSION

If South Asia is to play a leadership role in the new world that is taking shape, then it must undertake specific initiatives within a new policy paradigm for pursuing peace, overcoming poverty and protecting the life support systems of the planet. However this requires that governments move out of a mindset that regards an adversarial relationship with a neighbouring country as the emblem of patriotism, affluence of the few at the expense of the many, as the hallmark of development, individual greed as the basis of public action, and mistrust as the basis of inter state relations. We have arrived at the end of the epoch when we could hope to conduct our social, economic and political life on the basis of such a mindset.

This is a historic moment when the people of South Asia have recognized that they have a new tryst with destiny. They are affirming that their security and well being lies not in inter-state conflict but in peace and cooperation. Let the governments hearken to the call of their people.