

THE CHALLENGES AND DRIVERS OF REGIONALISM IN SOUTH ASIA: THE INDIA-PAKISTAN PEACE PROCESS

*Akmal Hussain*¹

This is a moment of reckoning for South Asia. The region's economic dynamism and innovation are catapulting it into a position of global leadership even as the world economy's center of gravity shifts from the West to Asia. Yet, at the same time, South Asia's very existence is being threatened: by the specter of nuclear holocaust, by religious extremism and an increasingly fragmented society, by the persistent poverty of the masses amid the growing affluence of the elite, and by the breaking down of basic ecological life-support systems. The challenges are great, but so are the opportunities. Regional cooperation offers a vital channel for addressing both.

In this chapter, I outline the economic opportunities now available to South Asia, whose rich cultural traditions, I argue, have much to contribute to the world. I then discuss the need for a new policy paradigm to address the multiple challenges of conflict, poverty, and environmental degradation, a paradigm that utilizes modern sensibilities even as it remains rooted in traditional South Asian values of human solidarity, harmony with nature, and social responsibility. I then look at the implications of the India-Pakistan peace process for regional economic development and security. In the final section, I discuss constraints to the peace process and several short- and medium-term initiatives to achieve peace and regional cooperation.

Can South Asia Lead the World?²

South Asia will likely play a key role in the global economy in the twenty-first century. It could also contribute its rich talent and core values drawn from its cultural heritage, to meet the global challenges of poverty, armed conflict, and environmental degradation. However, first its member nations must resolve the political and economic issues that divide them.

If South Asia is to realize its potential as an integrated region, there is no time to act like the present. For the first time in three-hundred-and-fifty years, the global economy's center of gravity is shifting from Europe and North America to Asia. If present trends of gross domestic product (GDP) growth continue, in

two decades China will be the largest economy in the world, followed by the United States, then India. However, economic integration could enable South Asia to become the second largest economy after China. Given the geographic proximity and economic complementarities of South Asia and China, Asia could soon consolidate into the greatest economic powerhouse in human history.

Yet the world cannot be sustained by economic growth alone. Human life is threatened by environmental crises and conflicts arising from the overuse of public goods, endemic poverty, and the danger of violent extremism and interstate conflicts. South Asian societies have often succeeded, throughout their long history, in achieving unity in diversity.³ In bringing this approach to bear on contemporary challenges, it is hoped that the people of the region can introduce not only new institutions but higher ideals to guide the mechanisms of the global market. Together, South Asia and China could put the world on a new trajectory of sustainable development and human security in the twenty-first century and thereby contribute to enriching human civilization.

Changing the Policy Paradigm

As South Asia acquires a leadership role in the global economy, its nation-states must shift their policy stance from conflict to cooperation. As of now, the production of new weapons is the emblem of state power. I suggest that if global economic growth is to be sustainable—indeed, if life is to survive on earth—a new dynamic must guide the interactions of human beings with one another and with the world around them. South Asia, with its living folk traditions 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 scientific collaboration in world history, many of the world's leading environmental scientists joined together to form the Intergovernmental Panel on Climate Change (IPCC). The IPCC's 2007 assessment report⁴ echoes the similarly comprehensive work of the Millennium Ecosystem Assessment. Both present evidence of an impending ecological crisis and show that over the past fifty years, humans have caused "substantial and largely irreversible loss in the diversity of life on Earth," including the forced extinction of 25 percent of the earth's species. Meanwhile, "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."⁵

The IPCC's assessment of global warming and associated climate change indicates that the planet's life-support systems are being destabilized by human intervention.⁶ It can be argued that this is due to the levels and forms of production, consumption, waste disposal, and types of technologies used over the last three centuries within the dynamic and sustained economic growth process that was specific to capitalism.

The IPCC report projects, with a high degree of confidence, that increased global average temperatures will result in major changes in “ecosystem structure and function,” leading to “negative consequences for biodiversity and ecosystem goods and services, such as water and food supply.”⁷ It is projected that global warming could decrease crop yields in South Asia by 30 percent by 2050, which would further the food crisis and sharply increase poverty. Meanwhile, approximately 20–30 percent of the world’s plant and animal species are at risk of extinction;⁸ any further reduction in biodiversity would make the world’s ecosystems more fragile and thus more susceptible to exogenous shocks.

Current production and consumption processes inject toxic gases and materials into the air, land, and water systems. Since the earth’s ecology has a maximum load capacity, it is clear that the present consumer culture, economic growth patterns, and underlying institutional structures cannot be sustained indefinitely without undermining the planet. A new relationship between humans, commodities, and nature needs to be forged. The question is, what role can South Asia play?

A New Sensibility

The post-2007 slowdown in Western economic growth has quelled the usually unrestrained praise of market forces. As of 2010, the predominant view is that market forces, though a necessary feature of the global economy, require regulation. Yet, as we have seen in recent decades, regulation faces vociferous opposition from those who argue against it in good times, and as the recent downturn attests, succeed in doing so. The growth of Asian firms, some of which are based on a different set of social norms than those of the West, exemplify a paradigm based on market forces but tempered by norms of social responsibility within and between collaborative networks. In other words, they model a sustainable alternative to unrestrained free markets. As Mahatma Gandhi said: “There is enough in the world for everybody’s need but not for everybody’s greed.”

Perhaps South Asia can contribute its historical experience to the contemporary world by weaving its cultural and ethical values into a twenty-first-century sensibility which can regulate competitive forces at the micro level within a new institutional framework of cooperation at the macro level.

Human Security, Development, and the Peace Process

For all its rich traditions, South Asia, as of 2010, is suspended between hope of a better life and fear of cataclysmic destruction. On the one hand, the region’s tremendous human innovations and natural resource potential, not to mention its rich cultural diversity, promise to flourish within the unifying framework of the region’s shared history and civilization. On the other hand, South Asia is not only the poorest region in the world but its people live under the threat of nuclear destruction. The very fabric of South Asia’s society and state structures

are being torn asunder by armed extremist groups who use fear and violence to achieve their political goals, and to fuel interstate tensions.

It can therefore be argued that interstate peace in the region—not enhanced military capability—is the key to national security, indeed human survival. In this chapter, I will propose that peace between India and Pakistan is necessary, not only for sustaining economic growth but also for building pluralistic democracies, thereby sustaining the integrity of both states and societies in the region.

Militarization and National Integrity

India and Pakistan, the most powerful states in South Asia, have pursued national security through the building of military capability for mass annihilation of each other's citizens. Therefore, it is not surprising that South Asia is the poorest and yet the most militarized region in the world:⁹ it contains almost half the world's poor and yet has the capability (even in a limited nuclear exchange) to immediately kill over a hundred million people, with many hundreds of millions more dying from radiation-related illnesses.¹⁰

The arms race between India and Pakistan—both countries account for 93 percent of South Asia's total military expenditure—is responsible for this cruel irony. India ranks 142nd in terms of per capita income but 1st in the world in terms of arms imports; Pakistan is not far behind, ranking 119th in per capita income and 10th in arms imports.¹¹ These military expenditures, on a scale that is unprecedented in the developing world, are being undertaken in the name of national security, even as the majority of South Asians continue to live below the international poverty line (\$2 a day),¹² 46 percent of children are malnourished,¹³ and 35 percent of the population suffers from health deprivation (measured in terms of people who lack access to safe water and are undernourished).¹⁴ The trade-off between military expenditure and the provision of basic services is worth considering; for example, a modern submarine with associated support systems costs \$300 million—enough to provide safe drinking water to sixty million people. These figures challenge the logic of increased military expenditure as a means to national security.

The deadly nuclear dimension added to the India-Pakistan arms race in 1998 is assumed to reinforce national security through “deterrence.” Yet three defining features of the India-Pakistan situation imply a high probability of an accidental or deliberate nuclear war, thereby making this presumed deterrence unstable: (1) the flying time of nuclear missiles between India and Pakistan is less than five minutes, (2) the unresolved Kashmir dispute fuels tensions between the two countries and makes them susceptible to disinformation about each other's intentions, and (3) intrastate social conflicts in each country feed off—and spur—interstate tensions.

India-Pakistan relations are strained to the point that a chance terrorist attack could induce military mobilization and a conventional armed conflict that could quickly escalate to a nuclear war. Consider the current situation:

- Armed militant groups continue to conduct what they view as a war of liberation in Kashmir. Pakistan’s government claims that such groups are not under its control, while India continues to accuse it of “cross-border terrorism.”
- When a high-profile terrorist attack occurs in India, Pakistan is immediately held responsible—as it was following the December 2001 attack on the Indian Parliament and the more recent barbaric bombings in Bombay (July 2006 and November 2008); in the former case, India actually mobilized its military forces in a warlike deployment on the India-Pakistan border.
- In the case of an Indian incursion into Pakistani territory following a chance terrorist attack: If the territorial gains of Indian forces reach an unspecified critical level, Pakistan has already made clear that it will use nuclear weapons to defend itself; at the same time, the declared Indian nuclear doctrine involves an all-out nuclear attack on Pakistan. As then-Indian defense minister George Fernandes clarified in December 2002, such an all-out nuclear retaliation would occur even if Pakistan drops a nuclear bomb on Indian forces operating within Pakistani territory.¹⁵

These elements could spark a military confrontation between the two states at any time. Moreover, there is grave danger that, given the fact that most of Pakistan’s major cities are within less than 100 kilometers of the border with India, loss of one or more of these cities following a conventional assault could spark a nuclear response. That this prospect is terribly real was illustrated on at least three occasions:

- *India’s Operation Brass Tacks in 1986.* This military exercise, which was seen by Pakistan as a prelude to an Indian invasion, prompted then-Pakistani foreign minister Sahibzada Yaqub Khan to convey the explicit threat of nuclear war to his old collegemate, Indian foreign minister I. K. Gujral, during a meeting in Delhi.
- *The Kargil conflict in 1999.* The quickly escalated mobilization of military force along the border made the danger of an all-out war so grave that then-Pakistani prime minister Nawaz Sharif, rushed to Washington to get U.S. president Bill Clinton’s support to avoid it. Bruce Reidel,¹⁶ who was present during the Sharif-Clinton meeting, claims that the United States had information that Pakistan was preparing its nuclear arsenal for possible use. Reidel claims that Clinton actually asked Sharif “if he knew how advanced the threat of nuclear war really was?”¹⁷
- *After the attack by armed militants on the Indian Parliament in 2001,* India mobilized its military forces along the border with Pakistan; tensions rose and Pakistan threatened “unconventional” military retaliation if war broke out.¹⁸

These and other incidents of India-Pakistan tension suggest that any war between the two countries would not be localized or conventional. With the stakes of catastrophic destruction as high as they are in the region, any nonzero probability of nuclear war ought to be unacceptable. Yet the defining features of the nuclear environment in South Asia make the probability of an intentional or accidental nuclear war higher than in any other region of the world.

Even as their governments are preoccupied with achieving “national security” through a paradigm of military conflict, the citizens of these adversarial states share a common concern for human security: from the threat of war, religious extremism, economic deprivation, social injustice, and environmental degradation. Bridging the gap between the preoccupations of the state and those of civil society is necessary to maintain the social contract that underlies the writ of the state and sustains national integrity. At the same time, establishing a framework for lasting peace is essential for regional stability in South Asia. The question is: what are the obstacles to peace, and what can be done to overcome them?

The India-Pakistan Peace Process: Obstacles and Drivers

Let us first look at the political economies of India and Pakistan as backdrop to the peace process. India’s economic strength lies in the fact that, having established a heavy industrial base in the 1950s under Jawaharlal Nehru, it reconfigured its policy framework in the 1990s to play a greater role in the globalized economy, launching it on a high-growth trajectory. With a large domestic market, an infrastructure for technological change, international competitiveness in select cutting-edge sectors (such as software and electronics), and large capital inflows, India has sustained impressive GDP growth over the past two decades. Yet, growth has been predominantly based in the home market; India’s exports as a percentage of world exports stood at less than 1 percent in 2008. Continued GDP growth in the future will require India’s accelerated export growth and the establishment of: (1) markets for manufactured exports in South Asia and abroad and (2) an infrastructure for the supply of oil, gas, and electricity. It is in this context of sustaining GDP growth that the three strategic imperatives for India become apparent: (1) achieving a regionally integrated economy through an early implementation of the Islamabad SAARC Summit Declaration on the South Asian Free Trade Area (SAFTA) (January 2004); (2) securing oil and gas pipelines and rail and road transportation routes between Central Asia and India via Pakistan; and (3) overcoming political disputes with Pakistan and other South Asian neighbors to establish a political framework of lasting peace and a regional economic union.

Peace and economic cooperation with Pakistan is necessary for India to not only secure its strategic economic interests but also to maintain its secular democratic polity. India’s current high-growth open economy is inseparable from a liberal, democratic political structure. The existing social forces of Hindu nationalism—intolerant of minorities—threaten to undermine India’s secular

democratic structure as much as its economic endeavors. Continued tension between India and Pakistan will only fuel extremist religious forces in both countries, to the detriment of their economy and polity. The tension between India and Pakistan and the rise of violent extremist forces, is exacerbated by the fact that both the Indian government and influential U.S. scholars and politicians believe that some extremist groups have received support from elements of the state apparatus in Pakistan.¹⁹ Similarly, the Pakistani establishment now believes that the separatist nationalist movement in Balochistan, as well as some extremist Taliban groups, is receiving support from India.²⁰

Pakistan's economy, by contrast, is facing a crisis as it is unable to sustain high GDP growth due to an aid-dependent economic structure, inadequate export capability, and recurrent balance-of-payments crises. Persistent high levels of poverty and continued tension with India fuel the forces of religious extremism. Armed militant groups have now emerged as rivals to the state, threatening its structure and territorial control as well as the very fabric of society. Peace with India would encourage much-needed foreign and domestic investment, which could play an important role in accelerating and sustaining GDP growth and poverty reduction in Pakistan.

It is clear that, through peace, both India and Pakistan can reap economic benefits for their people and secure their respective democratic structures against the forces of religious extremism. The national security of both countries is threatened not by the neighbor across the border, but by internal forces of intolerance, violence, and poverty. A new framework of lasting peace would reduce the danger of cataclysmic destruction from nuclear war and also provide economic and political stability; thus, national security would enhance security of life and livelihood.

Trade and investment have historically been both the cause and consequence of institutional change; this is true for Pakistan, India, and indeed all South Asia. Thus, implementation of the Islamabad SAARC Declaration²¹ with respect to the SAFTA in the forthcoming SAARC Summit 2010, in Bhutan, would be a strategic step toward regional economic integration and peace, and would serve to strength the institutional structures of democracy in the region. Some of the main issues before the leaders at the forthcoming SAARC Summit are: allowing free trade in services; setting up an enforcement mechanism to implement the provision of the SAFTA Agreement that tariff barriers for intra-SAARC trade be reduced to the 5 percent level by the year 2010; establishing an institutional framework to indentify and remove nontariff barriers, which prevent 60 percent of the potential intra-SAARC trade.

In connection with the SAFTA, Pakistan should establish free trade and mutual investment strategies with India and other South Asian countries, while easing travel restrictions on their citizens. Such steps would to (1) set up a powerful economic stimulus, (2) give voice to stakeholders of peace and the demilitarization of the polity in Pakistan, (3) strengthen civil society influence, and (4) help build a tolerant and pluralistic democratic culture. Let us briefly

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examine the dimensions of institutional change that would result from an India-Pakistan peace settlement.

Economic Cooperation

An economic opening with India would accelerate Pakistan's GDP growth via increased investment by Indian entrepreneurs. Moreover, imports of relatively cheaper capital and intermediate goods from India could reduce capital-output ratios in Pakistan and thereby generate higher GDP growth for given levels of investment. Imports of food products during seasonal shortages could reduce food inflation and improve the distribution of real income in Pakistan. Easing of travel restrictions would boost Pakistan's tourism, services, and retail sectors and would increase employment elasticities by stimulating employment-intensive GDP growth (since the tourism sector is labor intensive); this would in turn accelerate the growth of employment and improve income distribution. Thus, free trade relations with India would enable Pakistan to achieve better and more equitable GDP growth.

Free Trade and a Culture of Democracy

As free trade and investment bring substantial economic dividends to the middle and lower-middle classes, a large constituency will be created in Pakistan that no longer identifies with a "national security state" that is presumed to be "threatened by India" and that therefore requires the military to dominate national policy. Shifting from the ideology of a national security state to a democratic one will make it possible to acknowledge that the security and welfare of citizens is primarily achieved through peace and development and will go far toward strengthening civil society influence within the polity.

Important constraints to the building of a democratic polity—and indeed the principal threats to state structures in South Asia—are internal conflicts such as those sparked by religious extremism; ethnic, communal, and caste differences; and other subnational fractures. Containing these conflicts requires the building of institutions for a pluralistic society. In such a society, not only can diverse identities coexist, but multiple identities can be maintained by each individual.²² Thus, for example, Muslims and Hindus should be able to live in peace; at the same time, a particular individual may be at once a Muslim, a Balochi, a Karachite, a Pakistani, a South Asian, and a Commonwealth citizen.

The cultural diversity of South Asia is nurtured by shared wellsprings of human civilization. Thus, national integrity is strengthened not by the denial of multiple identities but by the creation of a democratic polity in which they can flourish. Essential to the building of pluralistic democracies in India and Pakistan is the opening up of new economic and cultural spaces within which people of the two countries can encounter the "other" and experience the diversity and richness of the self. Yet, in the past, state-sponsored interest groups have sustained interstate conflict by demonizing the other; this involves a narrowing

of the mind and a constriction of the identity, placing the self and the other into a mutually exclusive dichotomy. Yet, through human relationship the other is experienced as a vital catalyst to the growth of the self; engaging erstwhile “enemies” in such a dynamic could enrich identity and help strengthen pluralistic democracy in Pakistan and India.²³

The Dialectic of Cooperation and Confrontation

Obstacles to regional peace can be understood in terms of a dialectic between the strategic political imperatives for peace on the one hand and the military establishment’s tendency for path dependence on the other. I will briefly discuss this dialectic in order to explain the stop-go nature of the peace process and the opportunities now available for triggering medium-term change.

Strategic Imperatives for the Peace Process

The decision in July 2001 by General Pervez Musharraf’s administration to engage India in a peace process was predicated on three imperatives:

1. Reducing tensions with India in order to focus on economic growth, which was seen by the new military regime as a means to political legitimacy
2. Closing the front with India (at least temporarily) in order to avoid a two-front situation after 2001, when Pakistan joined the West in the war against terrorism in Afghanistan
3. Responding to popular demand for peace with India

These strategic military and political imperatives induced General Musharraf to engage with India on the basis of a new policy formulated around several key innovations. First, Pakistan moved away from its previous demand that a plebiscite in Kashmir be a precondition for normalizing economic relations with India. This was replaced by a new focus on a composite dialogue within which cross-border economic relations were to be discussed alongside the resolution of outstanding political and territorial disputes, including that over Kashmir. The different dynamics of the two tracks were acknowledged, including the probability that trade relations would yield results sooner than the Kashmir dispute, given its intractable nature. It was initially thought that success in economic relations and the resultant peace dividend would not only create advocates for lasting peace in both countries, but would also help build confidence in jointly resolving the political dispute-resolution process. Third, there was a significant move away from talking about the plebiscite in Kashmir as the “unfinished business of partition” and therefore essentially a bilateral dispute. Instead, General Musharraf proposed that Pakistan and India set aside their traditionally rigid positions and seek to find a resolution acceptable to India, Pakistan, *and* the people of Kashmir.

At the same time, the Indian government shifted its position from insisting that Kashmir was an entirely internal issue to allowing it as a viable subject of bilateral discussion on economic cooperation.

Constraints to Peace

General Musharraf's stated policy initially produced encouraging results, with a substantial increase in trade volumes between India and Pakistan and confidence-building measures, such as increased visa permits for a larger number of cross-border travelers. However, structural restrictions to trade and indeed investment could only be overcome if Pakistan granted most favored nation (MFN) status to India whereby trade, instead of being restricted to a few officially negotiated items, could be open for the free flow of goods and capital, as among World Trade Organization (WTO) members. Instead, constraints on trade persisted even as Pakistan, under the SAARC umbrella, signed the Islamabad Declaration making the SAFTA a national objective.

It was at this point that special interests kicked in to effectively stall the process: influential members of Pakistan's establishment saw a rapid improvement in economic relations and a permanent peace with India as a threat to the *raison d'être* of the large military establishment. This same military was getting the lion's share of the budget on the basis of the "Indian threat" and the ideology of a national security state; fears that the Pakistani economy would be swamped by cheap Indian goods began to circulate, as did the notion that the very identity of the state would be threatened by the normalization of relations with India.

These considerations put the brakes on the peace process as then-prime minister Shaukat Aziz pointedly declared that improvement in economic relations was contingent on progress in resolving the Kashmir dispute. The policy of delinking the economic and political tracks was thus reversed, and progress in economic relations was once again made hostage to the intractable Kashmir dispute. The setback was furthered as President Musharraf's political position weakened and his reliance on the support of his military constituency increased amid the gathering storm of a judicial crisis. The peace process was effectively put on hold as Musharraf faced a double threat to his government from the democratic opposition on the one hand and the intensified attacks of militant extremists on the other.

The democratic government in Pakistan, which emerged after the February 2008 elections, restarted dialogue on the same terms as before the military held up progress. Foreign Minister Shah Mahmood Qureshi called for a "comprehensive settlement" with India and President Asif Ali Zardari declared the government's intentions to accelerate the peace process and focus on economic cooperation.²⁴ The imperatives of building a dynamic economy and a democratic polity are clearly apparent to the leadership of Pakistan's fragile democracy. The terrible Mumbai massacre in 2008 by Pakistan-based militants again disrupted the peace process. After a hiatus of several months, the peace dialogue restarted

in February 2010, with a formal meeting of the foreign secretaries of the two countries in New Delhi.

Path Dependence and Short-Term Ways of Accelerating the Peace Process

The concept of path dependence has been conceived by Douglass North as the tendency of individuals and groups to resist institutional change where such a change threatens their interests; such individuals and groups are willing to invest their energy, resources, and time to resist institutional change.²⁵ Therefore, as North points out, path dependence is guided by “the constraints on the choice set in the present that are derived from historical experiences of the past.”²⁶ The 2008 terrorist attack in Mumbai and the later attack against the Sri Lankan cricket team in Lahore indicate the urgent importance of addressing the issue of terrorism if economic activity, let alone cooperation, is to be sustained.

The problem of path dependence in this context is located in the mind-sets of Pakistan and India’s respective bureaucracies, shaped as they are by years of mutual demonization. These mind-sets were reinforced by the India-Pakistan wars in 1965 and 1971, the more limited Kargil conflict in 1999, and the protracted insurgency in India-occupied Kashmir. Recurrent military confrontations and the perception of each other as adversaries in a zero-sum game has bred attitudes of mutual mistrust and suspicion among the military establishments, the bureaucracies, and to some extent, the political leadership of the two countries. While the attitudes—or at least the words—of the political leadership in Pakistan and India have changed significantly over the past decade as a result of popular pressure to pursue peace, the “trust deficit” in the military and bureaucratic establishments remains unchanged.

The problem of path dependence, in this context, is illustrated by an observation made by Prime Minister Manmohan Singh when addressing scholars at the South Asia Center for Policy Studies in New Delhi in 2004:²⁷ “the gains from peace are immense, yet old attitudes of strife, mistrust, and suspicion could lead us to a sub-optimal solution;” he went on to say that he was, however, willing to make a “new beginning” and that any ideas for peace would have his “fullest support” and he hoped that of his government.²⁸

Thus, constraints to peace are primarily located in the bureaucratic and military establishments of the two countries. Such establishments are locked in old attitudes, not only because of persistent modes of thought elsewhere considered obsolete, but also because their present economic power and political influence rest on “national security”—or, in other words, on maintaining the status quo. The possibility of overcoming old attitudes for the sake of securing peace is available to democratic governments; all that is required is that the power structures of the bureaucracy and military translate the will of their people into political action.

Clearly, free trade between Pakistan and India would be an important medium-term objective that could sustain and substantially accelerate the

long-term political process of institutionalizing a lasting peace between the two countries. It can be argued that the best short-term initiatives involve strengthening and deepening both democracy and the institutional structure of civil society. Achieving free trade, for instance, would essentially be an act of persuasion whereby special interests would be compelled to bow to the popular consensus created among civil society organizations, think tanks, and a responsive parliament. This is not outside the realm of the imagination—even the military establishment might be persuaded by the promise of greater corporate gains. Given the wide range of private sector corporations floated by the military (ranging from banks to breakfast cereals),²⁹ stimulation of Pakistan's GDP growth following trade and investment with India would also enhance the growth and profits of these corporations.

Four specific short-term initiatives could be taken toward achieving economic cooperation between India and Pakistan:

- *Convening a conference of South Asian parliamentarians on the topic of regional economic cooperation.*³⁰ The issue of free trade and in particular the implementation of the SAFTA agreement ought to be the main item on the agenda. The participants of the conference could also include representatives from regional think tanks, experts who have worked on regional cooperation, representatives of civil society advocacy organizations for peace and economic cooperation, civil servants involved in the peace process, lawyers, the media, and representatives from the faculties of the Command and Staff College and the National Defense University.
- *Establishing a network of South Asian institutes for regional cooperation.* These would be devoted to policy research and advocacy for peace and economic cooperation. Organized workshops would generate policy recommendations on economic cooperation in South Asia and, specifically, the dynamics of the peace process.
- *Developing an advocacy program for South Asian parliaments and governments.* Such a program would establish an institutional base for bringing together representatives of civil society organizations in Pakistan and India, as well as representatives from regional think tanks. The objective would be to undertake a short-term advocacy program with respective parliaments and governments to create the institutional basis in civil society that would allow the SAFTA Agreement to be completed and implemented. SAFTA should be followed up with another agreement for achieving an economic union for South Asia in the coming decade.
- *Easing of travel restrictions to promote regional tourism in South Asia.* Easing travel restrictions on South Asians traveling to SAARC member countries would enable greater economic, cultural, and social interaction among the citizens of India and Pakistan in particular and South Asia in general. The resulting increase in tourism would be a powerful stimulus

to the economies of the region; in fact, tourism could become one of the largest industries in Pakistan and some of the smaller South Asian countries. Moreover, as restaurants, hotels, and other tourism-related industries respond to the growing demand for services, the secondary effects of tourism would increase incomes across populations.

Medium-Term Drivers of Peace and Economic Cooperation

Meanwhile, several medium-term initiatives could be undertaken by the private sector and civil society, with support from the SAARC, to overcome path dependence. These include the establishment of a regional health foundation with the aim to make the benefits of regional peace and cooperation palpable to people through improved health care. The objective of the foundation would be to establish high-quality model hospitals, together with satellite clinics and outreach programs for preventive health care, in select backward districts in each country of South Asia.³¹ In addition, a South Asia Education Foundation (SAEF) could be created on the basis of contributions by SAARC member countries, individual philanthropists, and, more substantially, multilateral donor agencies. The purpose of the SAEF would be to create a network of high schools at an international standard across South Asia, with at least one such high school built in every administrative district. These schools could be models for both private-sector and government-run schools to follow.

Such a school network might play a particularly important role in Pakistan, where it would counteract the growing influence of madrassas run by militant religious groups, who are expanding their influence particularly in the rural areas and small towns of the NWFP and Punjab. One factor that attracts youths to such madrassas is that, in most cases, they get free lodging and boarding, with parents required to pay only nominal fees. The SAEF schools, which would provide a broad-based liberal education, should utilize a tiered fee system whereby students from affluent families pay higher fees to partially subsidize poor families. An endowment fund for scholarships could provide free education to students from poor families, and schools could provide residential facilities for out-of-town students and free lunches to day students.

With the goal of promoting energy cooperation to meet growing regional demand, high-voltage connections must be established among national grids across the region. India, Pakistan, and Bangladesh should also cooperate closely to build a gas pipeline for transporting gas from Iran, Qatar, Turkmenistan, and even Myanmar. The precondition to a competitive power market is to allow generators to produce electricity and distributors to sell it in the market. In this context, the joint development, trading, and sharing of energy should be pursued. Apart from electricity production and distribution through large hydroelectric projects, joint efforts to develop innovative new technologies (such as solar and wind energy) and single turbines, powered by canal flows in the extensive canal networks in both the Indus basin and the Ganges-Brahmaputra valleys. The

electricity produced through these innovative technologies, combined with the electricity generation from hydroelectric power projects in South Asia, could be linked up with district, national, and regional grids.

Joint-venture projects promote shared regional investment and tap shared resources. Such projects might include private-sector investment in a high-quality network of roads and railways to connect South Asia. These modern roads and rail lines would join all major commercial centers, towns, and cities of the SAARC countries with one another and with the economies of Central, West, and East Asia. Regional and global investment in new ports along the western and eastern seaboard of South Asia should accompany the upgrading of existing ports to the highest international standards. Regional investment should also be put into refurbishing and building airports, which together with cold-storage warehouses would stimulate not only tourism but also the export of perishable commodities such as milk, meat, fish, fruits, and vegetables.

The huge potential for energy and irrigation in the mountain ranges of South Asia remains untapped. Dams should be designed and located strictly in accordance with existing international treaties, such as the Indus Basin Treaty. Regional projects for improving the irrigation efficiency of canal networks and waterways would go far to increase agricultural potential throughout South Asia.

One of the most important aspects of regional cooperation should be environmental protection. For example there should be institutionalized cooperation, in the face of growing water scarcity, to conserve water and improve delivery and application efficiencies of irrigation.³² Related efforts could include the construction of medium- and small-sized dams to increase water availability in the off-season; the establishment of water distribution—on an equitable basis—across countries and provinces; the lining of canals and water courses; and improved on-farm water management. Joint efforts to reduce emissions of greenhouse gases within South Asia should accompany joint diplomatic efforts to achieve the same objective on a global scale.

In addition, SAARC countries should cooperate to develop heat-resistant varieties of grain and conduct biotechnology research to achieve a new green revolution in South Asia—even as the old green revolution comes to an end. Joint efforts toward the reforestation of water sheds and the treatment of industrial and urban effluent waste would help reduce soil erosion, devastating flash floods, and the toxicity of rivers. Sharing of biosaline research and technical know-how would help mitigate the desertification of soils—for example, by using plants such as halogenic phradophytes to control salinity. Member countries would also do well to share know-how on ecologically sound industrial technologies and cost-effective and safe methods of effluent disposal. Sharing of information on river water flow will go far to aid accurate flood forecasting. Engaging in joint development of Himalayan resources, including the prevention of deforestation and soil erosion on the mountain slopes is another worthy project with implications both regional and global. For these and other projects it would be invaluable to collect, systematize, and evaluate the traditional knowledge

systems of South Asian communities, with a focus on innovative techniques of earning a livelihood in harmony with nature.

One of SAARC's primary goals—and one that requires concerted regional effort—is to accelerate poverty reduction across South Asia. To improve the material conditions of the people of South Asia requires not only a faster economic growth rate but also a restructuring of growth so as to make it pro-poor.³³ This requires providing the institutional bases and economic incentives for increased investment in those sectors that generate relatively more employment, productivity, and incomes.³⁴ In this context three sets of measures can be undertaken at the national as well as regional levels. First, joint-venture projects need to be undertaken to rapidly accelerate the increase in yield per acre of small farms in agriculture and small-scale industry, which have relatively higher employment elasticities and can more effectively increase the productivity and incomes of the poor. These subsectors include production and regional exports of high-value-added agricultural products, such as milk, vegetables, fruits, flowers, and fish. Second, regional networks of private-sector support institutions can provide small-scale industries located in regional growth nodes with specialized facilities—such as heat treatment, forging, quality-control systems, and provision of marketing facilities in both national and regional economies. Third, a SAARC fund for vocational training should be set up to help establish a network of high-quality vocational training institutes for the poor. Improved training in marketable skills would enable a shift of the labor force from low- to higher-skill sectors and thereby increase productivity and income-earning capability. It would, at the same time, generate higher returns on investment by increasing factor productivity.

Conclusion

In this chapter, I have argued that South Asia has an opportunity to address the critical challenges of poverty, armed conflict, and environmental degradation through regional cooperation. In doing so, member countries will foster a new form of equitable and sustainable economic growth. The process would involve new initiatives for restructuring the growth process to make it pro-poor. Efforts at the regional, national, and local levels could be made to develop new institutions and technologies in the areas of water-resource management, energy production, heat-resistant seed varieties, soil depletion, and greenhouse gas emissions. Most importantly, the process of sustainable development would be underpinned by South Asia's rich cultural traditions, including the value placed on human solidarity and harmony with nature.

For most South Asians, a choice between life and comprehensive destruction looms larger than before; both Pakistan and India are party to this dilemma and share responsibility for its solution. While sustainable development seems to be the answer, it requires a shift in mind-set. Suffering an adversarial relationship with one's neighbor can no longer be the emblem of patriotism.

Instead, cooperation and regional unity through plurality promise to guide the region—and the world—into a new dawn.

Notes

¹ An earlier version of this chapter was among the South Asia Center for Policy Studies (SACEPS) proposals for deepening regional integration, submitted to the SAARC heads of state scheduled to meet in Colombo for the SAARC Summit in August 2008. The same version was also circulated among the participants of the SACEPS/Institute of Policy Studies (IPS) Conference on Strengthening Economic and Social Integration of South Asia, May 30–31, 2008, Colombo. Another, longer version of this paper has just been published as chapter 1 in Sadiq Ahmed, Saman Kelegama, and Ejaz Ghani, eds., *Promoting Economic Cooperation in South Asia* (New Delhi: The World Bank and SAGE Publications 2010).

² This section is based on a more elaborate paper presented by the author before the parliamentarians from South Asian countries at the South Asian Free Media Association (SAFMA) Conference on Evolving a South Asian Fraternity, May 16, 2005, Bhurban.

³ See Najam Hussain Syed, *Recurrent Patterns in Punjabi Poetry* (Lahore: Majlis Shah Hussain, 1968), 9–22; Jawaharlal Nehru, *The Discovery of India* (London: Penguin Books, 2004), “Section: The Indian Philosophical Approach;” R. Fernando, ed., *The Unanimous Tradition: Essays on the Essential Unity of All Religions* (Colombo: The Sri Lanka Institute of Traditional Studies, 1991), especially chapter 1 by Whitall N. Perry, “The Revival of Interest in Tradition,” and chapter 2 by Frithjof Schuon, “The Perennial Philosophy.”

⁴ Climate Change, *Impacts, Adaptation and Vulnerability*, Working Group-II Contribution to the Fourth Assessment Report of the Inter-Governmental Panel on Climate Change (IPCC), Cambridge Univ. Press, NY, 2007.

⁵ See Millennium Ecosystem Assessment, *Ecosystems and Human-Well-Being, Current State and Trends*, Millennium Ecosystem Assessment Report (Volumes 1–4), Island Press, Washington, D.C., 2005.

⁶ Climate Change, *Impacts, Adaptation and Vulnerability*.

⁷ *Ibid.*, 11.

⁸ *Ibid.*

⁹ See Mahbub ul Haq, *Human Development in South Asia* (Karachi: Oxford Univ. Press, 1997).

¹⁰ *Newsweek*, June 8, 1998: 17.

¹¹ See Haq, *Human Development in South Asia*.

¹² In terms of the international poverty line of \$2 a day per person, the percentage of the population living below the poverty line is 80 percent India, 65 percent in Pakistan, just over 80 percent in Nepal, and 50 percent in Sri Lanka. See Mahbub ul Haq Human Development Center, *Human Development in South Asia* (Karachi: Oxford Univ. Press, 2006), figure 3.1, p. 51.

¹³ *Ibid.*, table 4.4, p. 70.

¹⁴ *Ibid.*, table 4.2, p. 68.

¹⁵ *Global Security Newswire*, December 30, 2002.

¹⁶ Bruce Reidel was at that time the special assistant for Near Eastern and South Asia affairs at the National Security Council.

¹⁷ See Bruce Reidel, “American Diplomacy and the 1999 Kargil Summit at Blair House,” Center for the Advanced Study of India, Univ. of Pennsylvania, 2002.

¹⁸ President Musharraf was reported to have said that Pakistan was not afraid to use unconventional weapons if attacked according to the daily, *The Hindu*; see *Global Security Newswire*, January 7, 2003.

¹⁹ For example, during the March 2010 hearings of the U.S. House Subcommittee on the Middle East and South Asia, Panel Chairman Gary Ackerman is reported to have said, “There is in fact no reason to doubt that Pakistan’s military is likely paying compensation to the families of the terrorists killed in the Mumbai Attack.” Even a Pakistani-American scholar, Shuja Nawaz, acknowledged, that the Lashkar-e-Taiba was a “Frankenstein’s monster,” which assumed a broader regional role. (The Indian government accused the Lashkar-e-Taiba of launching the 2008 Mumbai attack.) See *Daily Dawn*, Lahore (March 13, 2010).

²⁰ For example, on March 12, after the terrorist attack against military personnel in the crowded R.A. bazaar of Lahore Cantonment, Pakistan’s Interior Minister, Rehman Malik, stated that Pakistan had “solid evidence of [Indian] involvement in the Balochistan unrest.” See *Daily Dawn*, Lahore (March 13, 2010). On the same day, the commissioner of Lahore claimed on Pakistan’s private television networks that an Indian hand was behind the terrorist attacks in Lahore Cantonment that day.

²¹ Islamabad SAARC Declaration, January 2004.

²² For a discussion of multiple identities, see Amartya Sen, *Identity and Violence: The Illusion of Destiny* (London: Allen Lane, 2006), 3–5.

²³ This subsection is drawn from Akmal Hussain, *Human Security, Economic Development and the Peace Process*, chapter, “Non-Traditional and Human Security in South Asia,” 233–34, collection of papers presented at an international seminar jointly organized by the Institute of Regional Studies and National Commission for Human Development on October 31–November 1, 2006, Islamabad.

²⁴ In an interview on the CNN-IBN program “Devil’s Advocate,” Asif Ali Zardari said that good relations with India would not be held hostage to the Kashmir dispute. He said the two countries would wait for future generations to resolve the issue and should focus on trade ties for now (reported in the *Daily Times*, Sunday, March 2, 2008).

²⁵ Douglass C. North, *Understanding the Process of Economic Change* (New Jersey: Princeton Univ. Press, 2005), 51.

²⁶ *Ibid.*, 52.

²⁷ The author attended this event, which took place on August 30, 2004, at the prime minister’s residence.

²⁸ This discussion was first reported in Akmal Hussain, “Taking the Peace Process Forward,” *Daily Times*, Lahore, September 23, 2004. Significantly, Prime Minister Manmohan Singh subsequently repeated his remark about making a “new beginning” in the United Nations.

²⁹ For evidence on the corporate interests of the military see Ayesha Siddiqi, *Military Inc., Inside Pakistan’s Military Economy* (Karachi: Oxford University Press, 2009).

³⁰ A few years ago, SAFMA organized a highly successful conference in Bhurban of parliamentarians from each of the countries of South Asia in which it was agreed that the peace process should be made irreversible through institutional mechanisms in both government and civil society.

³¹ For an elaboration of this concept see Akmal Hussain, “South Asia Health Foundation,” Concept Note, November 8, 2004, SACEPS, Dhaka.

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³² Delivery efficiency of irrigation refers to the volumes (million acre feet) of water that reach the farm gate as a percentage of the volume of water taken from the river by the canal system. Application efficiency of irrigation refers to the volume of water that reaches the crops' root zone as a percentage of the volume of water received at the farm gate.

³³ For a detailed discussion on propoor growth, see Akmal Hussain, *A Policy for Pro-Poor Growth*, chapter, "Towards Pro-Poor Growth Policies in Pakistan," Proceedings of the Pro-poor Growth Policies Symposium, United Nations Development Programme–Pakistan Institute of Development Economics (UNDP-PIDE), March 17, 2003, Islamabad.

³⁴ Akmal Hussain, with inputs from A. R. Kemal, Agha Imran Hamid, Imran Ali, Khawar Mumtaz, *Poverty, Growth and Governance*, UNDP, Pakistan National Human Development Report (Karachi: Oxford Univ. Press, 2003), chapter 5. For a more recent discussion on the subject, focused on the institutional basis of pro-poor growth, see Akmal Hussain, "Institutional Imperatives of Poverty Reduction," paper contributed to the Institute of Public Policy, Beaconhouse National Univ., Lahore, May 2008.