

# Social and Political Issues in South Asia

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*"All processes of economic, political and social development must be judged by only one criterion: what do they actually mean for the people?" (Dr. Mahbub ul Haq)*

### Introduction

South Asia contains 22% of the world's population and is one of the world's fastest growing regional economies; this growth is based on high quality manufactures and matchless services in different fields. However, the sunny portrait is darkened when we note that South Asia is also home to some of the worst forms of deprivation, poverty and conflict.

South Asia also has the highest level of illiteracy. Its child under nutrition figures are below Sub Saharan Africa. There is also very high incidence of disease. These issues are important to address from the perspective of a new administration in the U.S post November 2008 elections.

This paper attempts to explain the social and political issues confronting South Asia today. The analysis presented will contribute to defining 'America's Role in Asia.' Although there are many important social and political events in this region, we will focus on only the important ones.

A social issue is defined as one which plays or can play a major role in improving the quality of life of the poor in South Asia. This category also contains economic issues. Important issues in this area are progress on the MDGs, economic growth, deficits in energy and infrastructure, and problems arising out of global warming. We will also examine the impact of the 'War on Terror,' which already has a huge impact on social issues in the region, particularly in Afghanistan and Pakistan. Evidently, this war will bring marked changes in the South Asian nations and effect their social and political development.

A political issue is one which is concerned with matters of legitimacy, democracy, governance, civil society, insurgency, conflict and empowerment. Some observations are also made about emerging issues, which may have far reaching political impact on the well being of the South Asians. These relate to the effect of unrestrained free market policies popularly called the 'Washington Agenda.' We also examine the likely impact of genetically modified crops, the effect of bio-fuel on hunger, and other issues related to WTO and SAARC.

This discussion concludes by recommending steps necessary to bring positive change to South Asia.

### U.S policy in South Asia

South Asia has emerged as a region of strategic international interest. What we are witnessing is the emergence of India as a major power and one of the balancer of power in the near future. In 2050, China and India will be the two biggest economic powers in the world.

I visualize that large countries like Pakistan and Bangladesh with their big populations can be significant players. Pakistan has an especial role since she is also a nuclear power and has the capacity to weigh in on any new strategic re-arrangement in South Asia. Because of these configurations, the present U.S policy for the region is based on the following objectives:

- To develop a new strategic relationship with India based on commercial, scientific, technological and political - military interests.
- To deepen relationship with Pakistan besides counter-terrorism cooperation.
- To stabilize and democratize Afghanistan.
- To become an influential player in South and Central Asia.
- To assist the region in issues related to climate change, globalization, energy security, AIDS and other diseases, terrorism and weapons of mass destruction.

U.S. foreign policy is also concerned with risk mitigation in the following areas:

- Balancing any new power that could disturb the existing power configuration in global politics.
- Diffusing regional weaknesses that could threaten U.S. security and well being.
- Prevent creation of collective action harmful to U.S. security and well being.
- Find regional partners who can assist in the reduction of such risks.

### **Social and economic issues facing South Asia**

Progress in the social and economic field can go a long way in stabilizing the South Asian region. Some of the distortions are caused by an absence of secure livelihoods for huge number of people of this region which is a major cause of instability and separatist fighting in Sri Lanka, Nepal and Pakistan. This instability effects negatively the attainment of development goals and cooperation internationally. It can hold back South Asia. Let us review some of the issues in these areas.

### **Poverty reduction**

One of the most intractable problems facing the region is poverty. Although South Asia has 22% of the world's population it contains more than 44% of the world's poor. More than four hundred and fifty million South Asians live below the poverty line, it includes those who earn \$1 or less a day. This is despite a robust annual GDP growth of 6-9% average for the region in the last five years.

However, it may be noted that India accounts for more than 80% of the region's population and accounts for more than 77% of the South Asian GDP. The South Asian per capita annual income per head is \$ 692. It is the lowest of any region. The next higher income is that of sub Saharan Africa, which is \$ 746. Within this low income is its mal-distribution within countries. Some are better off than others.

Thus three things must happen, if halve poverty by 2015, and to obtain more equity in income distribution. Recent trends show that income distribution in South Asia has worsened with growth. The South Asian economy must continue to grow at 10% per annum for reducing poverty, secondly policy interventions are needed to ensure better income distribution which can come from employment growth. Thirdly, gender equity must be given priority because hidden within these statistics is the worse condition of the female adult and child. Rampant free market liberalism has not been such good news for the poor South Asians.

### Economic growth

Some of the highlights about economic growth in the region are discussed next. India has been posting high growth rates of 9-10% per annum consistently since the past five years. This has been achieved by policy reform and technological development. In Pakistan the GDP grew by 6.6% in 2006 but was lower in 2007 and this trend was likely to continue through 2008.

The principle reasons for a lower growth rate in Pakistan are three fold. Firstly, the tension that has arisen between civil society and government due to the judicial crisis is still unresolved and is threatening growth. Secondly the recent social and infrastructural damage following Benazir's assassination has harmed Pakistan's textile export sector seriously.

Thirdly, the power outage due to oil and gas shortage is likely to reduce Pakistan's growth rate even further and will threaten its economy. It will cause further social problems. Thus, if Pakistan is to grow consistently, it must solve the problems of civil society and also quickly generate more energy.

In Sri Lanka the increase of 20% in oil prices in 2006 and the restart of fighting with the Tamils has reduced the growth rate to 6%. Nepal's growth rate suffered because of internal turmoil and could barely manage 1.9% growth.

Afghanistan has averaged a growth rate of 9% per annum since 2003 based on international assistance. The country is in the reconstruction phase. However, the Afghan drug economy makes her long term recovery difficult. In 2007, it produced 92% of the world's opium related drugs. Earnings from drugs constitute 1/3<sup>rd</sup> of the Afghan GDP, and money from drugs is also fueling the anti-state Taliban.

Bhutan has progressed rapidly by adding 2% annually to its GDP growth since 2005 and was likely to reach 16% GDP growth in 2008. However, this is made possible by Indian assistance worth \$600 million provided in 2007 for the development of hydel energy. However, the counter insurgency operations launched by the Bhutanese recently may slow down her economic growth.

### Health and education

Looking at the health issues we find that each year about 20 million persons suffer from Malaria. About 900,000 new cases of Tuberculosis are reported each year. HIV/AIDs scourge is affecting more than 6 million persons. In Pakistan 1 in 10 children dies before his or her 5<sup>th</sup> birthday. Under weight prevalence amongst children younger than 5 years is between 38 and 51% in large countries like Afghanistan, Bangladesh, India, and Pakistan.

South Asia has the world's highest illiteracy rate at 45% of the total population. Some countries like Sri Lanka, Maldives and the southern Indian states have levels of health and education which are comparable to middle income countries. Both Bangladesh and Nepal have improved their human development indicators considerably. However, some problems of quality and equity remain.

For instance Sri Lanka has achieved universal primary education, yet 2/3<sup>rd</sup> of its primary school graduates lack basic language and mathematics skills. Similarly, although girls have advanced to parity with boys regarding access to secondary education but the quality of girls education is poor. Thus except Sri Lanka, South Asia nations will be unable to meet the goal of universal primary completion.

### Millennium Development Goals

A brief explanation is needed to describe the principle cause of impoverishment of the developing world including South Asia. It may be recollected that due to oil price hike in the 1970's and 1980's, the economies of the developing world were unable to service the loans borrowed from the developed world's banking system. This in term created a financial crisis in the West. To overcome it, an elaborate strategy was prepared.

The IMF and the World Bank began to re-structure the economies of the debtor nations to prevent a recession. The objective was to prevent default so that the creditors were cushioned. The developing world needed more money so it cooperated by re-structuring its budget and state function as prescribed by the Banks.

The main policies adopted by the IMF/World Bank duo was to bail out the financially strapped third world economies on the condition that they first agreed to impose financial austerity, reduce subsidies and the size of government, privatized state activities and carried out market liberalization.

These policies had been devised for Latin America and in that context made sense since the South American economies suffered from specific problems related to them. South American nations had run huge deficits from inefficient government enterprises, protection, and loose monetary policy. This had led to deficits and inflation. Growth was not possible with deficits and hyperinflation.

However the results were far from desirable in South Asia. The IMF/World Bank 'mantra' known as the "Washington Consensus," was applied to all countries indiscriminately irrespective of their differences. Such an approach which was not based on local analysis generated problems. And they were huge.

### 'Washington Consensus' and its implications

All countries of South Asia were affected by the adverse consequences from these new global economic and financial organizing principles. For our purposes we will take the example of what the policy impact was on one South Asian nation – Pakistan? Others also suffered similarly but with different specificities.

Pakistan's budget since the 1960's was based upon Western assistance which she invited by playing host to world power ambitions. This helped her fulfill two goals; financial assistance for development and military assistance against a powerful neighbor India with whom she had a dispute over Kashmir.

These goals were met, when Pakistan fitted into the Western global strategy, whether in the Cold War years as an ally of the U.S against the USSR, or in the Jihad against the Soviets in Afghanistan.

As long as Pakistan cooperated, adequate budgetary and development support was provided. The leaders of Pakistan thus had no need to build bridges with the people for obtaining their cooperation in the task of nation building. State building needed taxes which are collected from the people. Since money was coming from outside, there was little need of basing the state on democratic principles contingent on peoples' support. This has been the model of Pakistani growth since 1959.

When Pakistan's strategic assistance was not needed as from 1967 – 1978, or after 1989 when the Soviet Union retired from Afghanistan, Pakistan was left to fend for itself. In 1990 the Congress enforced the Pressler amendment. According to it, the U.S President had to certify that Pakistan was not involved in building nuclear weapons.

It is not that the U.S did not know that Pakistan was developing nuclear weapons during the Afghan war from 1979 to 1989. It did know, but did not wish to lose Pakistani political support by not granting a waiver.

However, when budgetary support was withdrawn by the U.S, many social de-stabilizers came into effect. Public sector investment in subsidies and pro poor activities in education, and child and mother health care programs were withdrawn. At the same time a financial crisis loomed coupled with high inflation due to lack of funds.

The poor were the hardest hit. Poverty and hunger sky-rocketed; parents began to send their children to the Jihadi social catchments provided by the religious parties through the richly endowed Madrassas. By this time the religious parties had themselves developed large and independent funding base from the sale of weapons and donations received during the Afghan Jihad. They thus became autonomous from the state.

The Madrassas had proliferated during the Afghan Jihad years. Many of these were radical. Pakistan today has more than 120,000 such institutions. Secondly, the majority of these are located in the poverty stricken areas near the Afghan border in Baluchistan, NWFP and tribal areas – the Taliban hot spots.

Simultaneously, these areas were also heavily weaponized during the Jihad. According to a source this region received more than \$ 66 billion of weapons, including what was supplied by the USSR to Afghanistan! But what was happening to Pakistan was also happening to many other Muslim countries or those having large Muslim populations. Thus the poor were forced to seek assistance from religious charities or Islamist social organizations; these countries also became comparatively more radicalized and included Egypt, Algeria and Muslim populations in South East Asian countries.

The dislocation caused by rising oil prices led to an international financial crisis. In order to give priority to the problems of the creditor nations, the poor countries of South Asia were forced to give up pro-poor spending and subsidies. It created a large pool of the disaffected. They are the ones who are now the foot soldiers fighting against the developed world in South Asia. They are the creation of the policies contained in the "Washington Agenda."

On the other hand the impact of new policies was to reduce subsidies and the size of government. Both these factors caused unemployment. Another round of unemployment began with the withdrawal of protection from local industry which was taken over by foreign manufactures.

As stated earlier these policies had a negative impact on poverty throughout the South Asian region. Poverty increased substantially from 1980 - 2000. The latest figures for 2006 indicate that poverty may have declined marginally in South Asia. However, certain doubts have been expressed about the quality of poverty data in many South Asian countries. But it still has the world's highest poverty rate.

As a rule of thumb, South Asia as a whole has to grow at 9-10% per annum to reduce poverty annually by 1 – 1.5%. Since constant growth in all the South Asia countries may not be possible, the existing strategies will have only marginal impact on poverty. Secondly, the poverty

figures conceal its spatial spread. Those areas which are less integrated into international trade are poorer than the rest of the country. In Sri Lanka growth has been concentrated in its Western Province.

In India while developed states like Maharashtra, Gujarat, and Tamil Nadu have attracted most of the new investment. Backward areas like Bihar, Orissa and Assam did not fare well under deregulation. Secondly, employment generation has been less than desired.

In Pakistan a similar pattern of unequal growth is discernable. There is high growth and employment in Punjab centered on Lahore, Faisalabad, Sialkot and Gujranwala. In Sindh high growth areas are Karachi, Hyderabad and Gawadar. Although, Gawadar is in Baluchistan, but its proximity to Karachi makes her a part of Sindh. In Bangladesh benefits have remained confined to Dacca and its environs.

As a result of increasing poverty in the early 1980s, due to reduction of subsidies and the withdrawal of the state from education, health and other social services, poverty began to increase globally including in South Asia. It also became evident to planners that a world based on free trade and globalization will be held back unless people became participants in economic growth. It was clear that a vast population would not be able to part take in the benefits, if they remained uneducated, diseased or did not have incomes. It was also a fact that the excluded took up violence to negotiate better conditions.

Therefore, to take care of these problems, to protect globalization, 189 nations at the U.N signed in 2000 the Millennium Development Declaration under which they committed to achieve the Millennium Development Goals aimed at removal of poverty, hunger and other social and environmental deficits from the developing world. The developed world including the U.S and the multi-lateral institutions promised to provide assistance for this purpose.

Subsequently, President Bush committed the U.S to the achievement of the goals by creating a Special Millennium Fund. The developed world also coordinated international assistance through the Paris Declaration for Alignment and Harmonization of Development Assistance.

The MDGs established goals and indicators in all the important sectors aimed at helping the poor and the marginalized. Two important goals were to reduce poverty by half by 2015 and secondly to halve in the years 1990-2015, the proportion of people who suffered from hunger. To meet the MDG challenges countries in the developing world were required to prepare poverty strategy papers.

Research into the South Asian Poverty Programs has brought out the following serious weaknesses. Poor governance of programs is leading to ineffectiveness in the delivery of outputs. Other problems identified are:

- Poor coverage
- Poor targeting
- Political interference in identifying the beneficiaries
- Leakages due to corruption
- Poor administrative capacities
- Lack of monitoring and proper evaluation



- Poor governance which leads to making of policy which hurts the poor more by taxing his meager income
- There has only been marginal increase in agricultural productivity – this is the sector where improvements can have the most impact on poverty. Thus rural poverty remains high in India, Pakistan, Nepal and Sri Lanka.

It is apparent that unless more serious commitment is shown towards achieving the goals of the MDGs, it too will become a platitude to keep the dissenters of globalization at bay. It could create pressures as in Pakistan, which can harm economic growth and stability in South Asia.

If the region remains peaceful then it will be safe to project that by 2050 India will be the world's second largest economy after China and overtaking the U.S. as well as the European Union. Since globalization increases conflict other mechanisms to help the poor have to be found like the re-engagement of the state in the delivery of social services. According to one calculation, today there are more than 71 million people who are affected by full blown conflicts in South Asia. The human and financial loss as a result of conflict is about 2% of South Asia's annual GDP.

### **Energy and infrastructure development**

Due to the high economic growth rate the demand for energy has increased by 60% from 1990-2004. New energy sources are a must for development, yet shortage of energy can be a serious barrier to growth. Secondly, depleting fossil fuel reserves could start competition amongst the nations of the world for the remaining reserves. Therefore, many energy related security problems can arise in the future.

Thirdly, development of alternate energy technologies like those based on nuclear power has its down-side. For instance the recent U.S proposal to provide sale of nuclear fuel and technology to India has brought reaction from Pakistan because of the unresolved Kashmir issue.

The regional countries recognize the rationale behind the U.S – India entente. As mentioned before, it is projected that by 2050, India will be the world's second largest economy. However, economic growth would require abundant energy supplies whose availability is becoming unpredictable.

An alternative to fossil fuel is nuclear energy; however access to technology is not easy. Besides technological hurdles, import of nuclear fuel and tools are restricted items under the International Non-Proliferation Rules.

### **Energy cooperation**

Energy cooperation in South Asia remains a high priority. India, Pakistan and Bangladesh are three large South Asia nations and they constitute more than 90% of its population. Their growth depends upon assured energy supplies. India and Pakistan are diversifying to find new gas, oil and nuclear alternatives for their energy requirements.

India has an ongoing energy dialogue with the U.S. India also has an energy cooperation agreement with Russia and has invested in the exploration of oil and gas in the Sakhalin. She is



also negotiating for oil, gas and hydroelectric power with Central Asian states and Iran. Besides, India imports of 90% of its gas by ship from Qatar.

Pakistan has similar plans of energy cooperation with Turkmenistan, Tajikistan and Iran. The Iran-Pakistan-India gas pipe line is another project under negotiation. However, India has some inhibitions about this project. Nepal, Bhutan, India and Bangladesh could also integrate their energy policies and even have a regional grid based on hydro-power.

However the energy factor assumes a political issue shape on two grounds. Firstly, as I will elaborate later India's expansion of nuclear cooperation with the U.S will result in a race for nuclear warheads with Pakistan because of the latter's perceived security threat. Secondly, carbon emission controls will snow ball into a political issue in the near future when increasing global warming, begins to harm coastal states with the rise of sea level.

Although the main carbon emitters are the G-8 nations, yet the growing South Asia economies will come under pressure to reduce emissions. Energy conservation and pollution control will require South Asian energy cooperation. If energy politics are to be maintained at a peaceful level in South Asia, then once again increased cooperation and trust between India and Pakistan is essential.

### **India - U.S nuclear cooperation**

The Joint Statement by U.S and India issued on July 18, 2005 indicated the existence of a future road map for strategic partnership between the two nations based on cooperation in the use of nuclear energy as well as in the military domain. The U.S is thus looking at India as a strategic ally.

Pakistan feels that once the nuclear agreement is implemented between the two countries, it will affect the South Asian balance of power. Pakistan fears that new technology will permit India to make qualitative and quantitative improvement to its nuclear arsenal. Since Pakistan holds an Indo-specific threat perception, the implementation of the agreement is likely to create a new arms race.

Instead of focusing on larger issues beneficial for the economic well being of South Asia, acrimony on this matter will stifle initiatives in other fields. The issue of Kashmir may again begin to take back stage and deal a death blow to President Musharraf's goal of redesigning Pakistan as a moderate state.

It is apparent that India also wants a peaceful settlement with Pakistan. Prime Minister Vajpayee extended a hand of friendship to Pakistan in 2003. It was a reciprocal realization in the mind of the Pakistani leadership when the Islamabad Declaration was signed in Jan 2004, to begin a composite dialogue for solving all outstanding disputes including Kashmir.

It is very much in the interest of both nations to move forward in this area. By 2030 Pakistan will have a population of about 290 million and a nuclear armed nation. Progress on Kashmir, as I will discuss later has been held back by recent problems in Pakistan and India's lack of movement on the issue.

### **Infrastructure development**

The development of high standard infrastructure like roads, railway, and communications is absolutely essential for rapid economic growth and speedy poverty reduction. In 1980, India

had higher infrastructure stocks than China. But China rapidly overtook India by larger investments made possible by a high saving and investment rate of almost 40%. India and other South Asian countries have a lower saving and investment rate. India's rate is about 25%. Pakistan's is a low 16%, while the other countries have savings rate which is in between.

In a survey of Indian firms, 33% cited poor infrastructure as a major obstacle to growth. In Bangladesh, 78% businesses complained of poor infrastructure. It has power outage for 250 days a year. Nepal has outages every day. Pakistan also suffers severely from power and other infrastructure deficits.

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### **Political issues facing South Asia**

We now examine some of the important political issues facing South Asia which are impediments to the growth and development of this region. South Asia already faces difficult social and economic challenges which are made more acute by the presence of violence, lack of good governance and a weak civil society which is not empowered.

### **War on Terror**

The War against Terror has its epicenter in Afghanistan and Pakistan. These South Asian nations will become more brittle and human development and growth is likely to suffer. The war is likely to lead to more radicalization and destabilization. There are going to be more social problems for the inhabitants of these two nations. War will also lead to break down of institutions. This is already visible in Pakistan; Afghanistan is in the process of nation building from scratch and it will take many years for the region to stabilize. Governance and capacity building is therefore an area for continuous assistance.

After the withdrawal of the Soviets from Afghanistan in 1989, the U.S abandoned Afghanistan. During the Jihad against the Soviet Union a lot of radical detritus was festering in Saudi Arabia and other Muslim countries. When the Muslim volunteers came to fight in Afghanistan their identity papers were taken away by intelligence services and were not returned even after the war had ended. These men had nowhere to go. So they joined the business of Jihad world wide!

Such persons who at one time numbered more than 12,000 were later taken over by Bin Laden who organized and used them to propagate Jihad in Bosnia, Chechnya, Burma, the Philippines and many other countries.

Samuel Huntington has called the havoc caused by Bin Laden's passport - less brigade a 'Clash of Civilization,' it was more an activity by a group of Muslims who had nowhere else to go. If there was a re-settlement plan for these fighters similar to the one created by Yasser Arafat for the "Black September Movement," the chances are that the present anarchic conditions would not have occurred.

Secondly, when the U.S began to fight the Taliban and al-Qaeda in Afghanistan, Pakistan and elsewhere, the nature of the war changed. It now became a universal war. Though the U.S. homeland is now comparatively better protected but matters have deteriorated for Pakistan and Afghanistan where the war has now shifted.

Pakistan is in a most alarming situation because many of those who trained the Jihadis were themselves radicalized. At one stage in 1990, Bin Laden supported the alliance of Pakistani Islamic parties called the IJI and was known to have funded a failed vote of no confidence in parliament against Benazir Bhutto, the then Prime Minister.

However, the War on Terror has created praxis in the U.S which gives higher priority to the conduct of war by the military in Pakistan rather than the ending of a non-democratic dispensation and placing the war under civilian control.

When in March 2007 severe difference arose in Pakistan between the judiciary and the executive a mini Martial Law was imposed in November 2008 to oust the judiciary from its independent role and the movement for the rule of law was crushed. While civil society and political forces stood for the rule of law and democracy, the U.S policy was seen to support an over-bearing executive. The U.S Freedom Agenda thus turns out to be relative.

It is understandable that the US fears that if the war on terror was placed under civilian control the bad blood between the military and the democratic forces would create a huge crisis. Evidently, such fears are not misplaced. Pakistan at present requires a politico-military government to deal with the situation. One concern that ought to be articulated in an evolving Pakistani crisis is the adherence to the rule of law and pre eminence of civilian control. If the elections to be held on Feb 18 are perceived to be unfair the crisis of state will deepen with serious consequences for the whole region.

Another important reason for radicalization of Afghanistan, NWFP and the tribal areas is due to poverty in the rural areas. The unemployed and the poor have created a protest movement based on Islamic rhetoric.

It is my surmise based on water availability data from Afghanistan, which indicates the presence of a long term continuous drought in Afghanistan since 1970. It damaged agriculture, grazing lands and livestock belonging to the Ghilzai people. It led them to revolt and take over power in Afghanistan. The advent of the Taliban movement in Afghanistan and in Pakistan although seen foremost as a religious – reformist movement, is in my view generated to a large extent by the same ecological compulsions which had brought the Communists to power in Afghanistan. The Taliban movement is largely generated by worsening livelihood conditions.

Since no single cause is the sole driver of a large social movement, the effect of the Afghan Jihad and the conversion of the Pakistani state into a religious configuration by Gen. Zia ul Haq during the 1980s have also contributed to the creation of the Taliban.

Another important contributory cause was the use of Jihadis in Kashmir by Pakistan. Pakistan today is paying a very heavy price for such policies. The Jihadis introduced sectarianism and helped in the Talibanization of many areas in Pakistan.

In my view what hastened the spread of Talibanization in the Frontier districts of Pakistan was the abolition of the executive authority of the province by the disastrous manipulation of the Pakistani administrative system in 2002 when for no justifiable reason the district magistracy was abolished.

In one move we placed our security at the mercy of any armed group which wanted to dominate this space belonging to the executive. Today, there is no adequate coordinating mechanism for regulating law and order. Any two pence religious zealot is free to install illegal FM broadcasting stations to whip up emotions or create a private army.

The linkage between al-Qaeda and Taliban is extremely close. This insurgency could prove to be very destabilizing and could cause problems between South Asian nations in the future.

A robust economic and a democratic response is needed to battle this menace. The war against terror cannot be fought by the military alone. It requires the whole hearted support of all classes. Benazir showed her commitment by sacrificing her life for such a cause. Pakistan needs to consolidate all its military and civil society forces to defend the space for freedom. Conflict between state institutions like the one between the executive and the judiciary is suicidal.

Wholesale reforms are also needed in the Pakistani tribal areas like their merger into the NWFP, so that the tribal population is dealt in equality with other citizens of Pakistan.

In Sri Lanka the ongoing fighting between the government and the Tamil LTTE is harming that country's potential for growth. According to a report the cost of this war is the loss of 2-3% points of growth a year.

In Nepal the withdrawal of the monarchy from active politics has been a major reason for creating conditions for a settlement with the Maoists. Only time will tell whether the understanding reached in Nepal is long lasting.

In Bhutan the army is taking counter insurgency action against Assamese separatists from India. Whatever, the long term effect of these operations might be it will effect Bhutan's growth in the short run.

### **Kashmir issue**

If one was to identify any one issue which has caused the most problems in relations between India and Pakistan then it is Kashmir. There have been four wars fought between the two countries on this issue. It has wasted precious lives and good money. It perverted state formation in Pakistan and caused disempowerment of its civilian institutions. We must end this and work cooperatively for the greater good of the people of this region.

An outline for a possible solution will lie in a proposal recently mooted. The solution suggested is for India to give additional autonomy to Kashmir, beyond what is contained in Article 370 of its constitution. Pakistan should do like wise.

Secondly, both the countries should allow the free movement of goods and people between the two Kashmirs under SAFTA. Thirdly, a massive economic development program should be launched for the region for re-construction of Kashmir. For this a \$20 billion development plan has been suggested extended over a ten years period. Fourthly, the militaries of both the countries should be withdrawn from the Kashmir border. Their only job will be to thwart activity by Jihadi elements.

The reason why progress in Kashmir is essential is to unleash the locked giant of SAARC trade. As long as Pakistan and India are stuck in Kashmir, SAARC and SAFTA cannot mature. As soon as such an agreement is reached, both Pakistan and India should then sign a No-War pact with a reduction of nuclear weapons.

### SAARC and trade

South Asian Association for Regional Cooperation was created in 1985 for increasing regional trade in South Asia. Unfortunately, because of differences between India and Pakistan on Kashmir, the whole region is suffering from lost potential. It is not only hindering growth but also future cooperation in other areas like energy.

If the relationship between the two neighbors India and Pakistan were good new agreements by now would have been reached on sharing Iranian or Central Asian gas brought via pipeline through Afghanistan.

Trade amongst SAARC nations is only 3.5% of their total trade volume, which is much lower than in other trading blocks. Similarly the benefits from SAFTA have been denied to South Asia. In contrast to the meager regional trade, India has a robust bilateral trade with many other countries.

In 2006 Indo-U.S trade alone was worth more than \$30 billion, while Indian investors bought assets worth \$2.1 billion in the U.S and \$ 10 billion in the Netherlands.

Similarly Indo-China trade is growing rapidly. In 2006 both countries agreed to increase trade to \$40 billion by 2010. This target was surpassed in only two years. Under the new paradigm of trade led growth, investment is attracted to regions which have better infrastructure or more educated man power.

It is thus a pity that the annual trade between India and Pakistan is currently estimated at a sorry \$ 1 billion when it could easily go up to \$ 9 billion if the restrictions are removed.

### Globalization

The lifting of financial controls, lower duties on imports and the impact of communication technologies has in the words of Thomas Friedman, created a “flat world.” Manufactures and services can be obtained from any part of the world. Trading collaboration does not require government, except for security and regulation. Anyone can participate in this world of “plug and play,” who has the right skills and attitudes – the willingness to constantly re-learn and re-train, an ability to conceptualize and the ability to be a good social interactor with different cultures and people are the only pre-requisites required by this new world.

What has been the impact of this new pattern of globalization on poverty and hunger in South Asia? Economic data collected by the World Bank since 2000 indicates that the countries of South Asia grew rapidly yet the Gini coefficient showed widening disparities in incomes.

Increasing inequalities have created divided nations. For instance between 1980-2004 Bihar in India generated 2.2% average growth per annum, as compared with 7.2% in Karnataka. The same is the case in Pakistan, Sri Lanka and Afghanistan, where the north is rapidly out stripping other parts.

Rising inequalities in a globalized world causes other types of discrimination like access to markets and services in education, health, infrastructure and other facilities. Inequalities cause disempowerment which leads to social and political unrest. If a balance is not restored by positive intervention by the state the situation will ultimately result into violence and separatism.

All the South Asian insurgencies have their root in the inequality of distribution of economic wealth. In India, Sri Lanka, Nepal, Bhutan, Pakistan and Afghanistan simmering unrest against the established order is wide spread. The time has come to re-assess the role of

policies and to take corrective action rather than leave destiny in the hands of the market. It may be good in allocating resources but is purblind to issues of equity.

As we have noted in the case study on Pakistan, as public investment was reduced for subsidies and social services, poverty increased particularly in NWFP and Baluchistan. The poor instead began to obtain these services from Madrassas and private religious endowments. Since 1980, Pakistan is divided into two classes, those who have been trained and educated in Madressahs and those who have received elitist education from private schools.

The former get their examples from the glorious days of Islam in the 7<sup>th</sup> and 8<sup>th</sup> century, which they want to replicate. The modernizing elites are westernized and look to the modern western world for their cues. Such divisions have generated endemic conflict not only in Pakistan but in almost all the South Asia nations.

Both the U.S. and India wish for more committed Chinese response against increasing radicalism in Afghanistan and Pakistan. China has recently won a bid worth \$2.4 billion to exploit copper in Afghanistan. This shows that China will get committed to the security in this part of South Asia. She already has interests in Saindak copper mines in Baluchistan as well as the development of Gawadar port in Pakistan. Chinese support for anti terrorism is likely to be available.

### **Human rights and gender balance**

Securing Human Rights and creating Gender rights balance are extremely important for the development and empowerment of the people of this region.

In Pakistan the judicial crisis and the abridgement of the Constitution under the Provisional Constitutional Order has brought out vividly that even at the start of the 21<sup>st</sup> century the political mind set is at least fifty years behind its time. Many were arrested as a result of protests against an unaccountable political set up.

The performance of the Pakistani parliament has been poor and hardly any legislation of importance was passed in the last five years. The War on Terror has not been a good omen for human rights or democracy in Pakistan.

Due to the onslaught of the medieval Taliban, gender freedom and balance has been disturbed far more in the tribal areas and north western districts of Pakistan than anywhere else in South Asia. Girl schools were forcibly shut and NGOs serving women and the girl child were asked to leave. In some parts even providing polio drops to infants was banned by the regressive Taliban!

Similarly the imposition of emergency in Bangladesh vides Rule 5.5 of the Emergency Powers Rule – 2007, ousted the jurisdiction of courts in matters challenging executive authority. The armed forces have thus been placed above the rule of law and abuses against human rights will accumulate.

The Human Rights situation in Nepal has improved due to an agreement with Maoists for power sharing. Bhutan is undertaking military operations against separatists who had settled in camps there. The suffering of the proscribed people is mounting including a worsening of conditions of the women.



India has progressed better on this score except for the large number of those on or below the poverty line. The condition of the lower caste and the burden on the female as a consequence are heavier. However, political and judicial activism gives hope for better human rights and gender balance in India.

Both Afghanistan and the northern parts of Sri Lanka remain low in the rating for human rights and gender support. Both are in the midst of conflicts.

### **Global warming and disaster preparedness**

By all accounts global warming with serious consequence will be biting into South Asia by 2030. It will create huge political issues for the region. South Asian nations must cooperate more actively or the impact of warming will compromise the promise of this region's development.

Global warming will likely result in the following physical consequences for South Asian nations:

- The main rivers like Brahmaputra, Ganges and Indus will have reduced flows and will be mostly dry outside the Monsoon season. For instance the flows in Indus basin will come down from an average annual flow of 104 MAF to less than 70 MAF. A similar situation will prevail relating to other rivers. This will compromise food and energy security. It will also cause conflict over fresh water sources like common rivers.
- The fragile Himalayas will be geologically affected by the disappearance of glaciers and the formation of large lakes owing to snow meltdown. Many of the lakes are likely to burst causing destruction to humans and loss of agricultural land particularly in Nepal, Bhutan, India, Pakistan and Afghanistan.
- As water decreases in the rivers, disputes amongst joint users will arise. There is thus a need to formulate joint water use treaties.
- Reduction of water will reduce cereal production and cause food shortage.
- Plant production and plant and human pathologies will change with new diseases entering the medical lexicon as a result of the higher temperature.
- Sea board nations will suffer from sea encroachment when the water table rises. The Maldives, Bangladesh, Sri Lanka and Southern India will have large populations affected by increase of sea level.

Evidently, global warming will cause a catastrophe destabilizing growth in South Asia which will result in huge social and political problems. It is proposed that these be handled immediately under SAARC by development of disaster management plans.

### **Bio-fuel and genetically modified crops**

The above matters are likely to cause another set of problems with wide negative impact on food prices and poverty in South Asia. They will create political problems in the future.

Due to high oil prices, many agriculture commodity producers have converted to planting crops for bio-fuel. This is causing two sets of problems. First, the price of food crops is already increasing as acreage for crops is reduced. Secondly although under WTO agreement the G-8



countries have to stop agricultural subsidies, yet a way has been discovered by them to continue to provide subsidies in agriculture when they provide tax breaks to farmers for growing bio-fuel crops!

On the other hand, despite a promise not to develop terminator seeds, a U.S firm has obtained patent for such a seed. This is potentially very dangerous as it will force farmers to purchase seeds from corporations. It is possible that their own crops may become unable to provide seeds that germinate. This will give the large corporations like Monsanto and others the ability to fix monopolistic prices and worsen the terms for South Asian farmers and poor consumers.

South Asian farmers who do not have high incomes are likely to be further immiserized. There are also reports of terminator genes entering the local gene pool of indigenous varieties. Thus both bio-fuel and GMCs could become serious political liabilities in the future. It is time to research into this sensitive area to find remedies.

### Recommendations

In view of the discussion in this paper the following key recommendations are made:

1. The removal of poverty and hunger is the most important objective, since it will not only improve economic growth but will have a positive impact upon conflict reduction, counter terrorism, improving human rights and bring a positive gender change. It must be noted that poverty reduction would require a holistic and consistent policy. For instance, positive policy changes would be needed in tandem to address issues related to global warming, GMC seeds and limits to plantation of bio-fuel crops.
2. There is a need to refocus and review the implementation of the MDGs as they are lapsing into rhetoric, particularly in the education and health sector - especially programs which impact the female and the girl child.
3. Countries of the region must cooperate to contain the impact of the War on Terror by enlarging and empowering civil society.
4. Cooperation should begin within the SAARC framework to prepare plans for tackling effects of global warming.
5. One of the most important regional disputes is Kashmir. As this paper recommends a positive movement in pushing Kashmir away from the conflict agenda is a pre-requisite for reduction of poverty not only in India and Pakistan but also regionally. The resolution of this problem will contribute to the growth of trade under SAARC and also lead to energy cooperation.
6. There is a need to maintain balance in the promotion of nuclear energy technology which would take into account the concerns of Pakistan.
7. Instead of creating a balance of power barrier, it is proposed that Chinese collaboration in the security of South Asia should be bought by giving China more interests to protect in South Asia. China needs energy and minerals; if she is asked to collaborate she will become engaged.
8. SAARC should initiate dialogue with developed countries for sharing of energy on a cooperative basis. Competition by capturing energy sources will lead to crisis which will be damaging to South Asia.

9. In order to reduce radicalism in Afghanistan and Pakistan, it is necessary to generate employment opportunities to boost their economies.
10. The time has come to review the impact of globalization and market economy on the poor. One ought to create a re-structured public sector in education and health and to develop safety nets for the poor. The partial ouster of the state from education has created serious problems for instance in Pakistan. Bangladesh may also like to take timely action to rectify an emerging issue of the same nature.
11. All South Asian nations need to invest heavily in their institutions through capacity building.