UNIT 21 LIBERALISATION AND SAPs

Structure

21.0 OBJECTIVES

The unit analyses an important issue related to economic development in South Asia, liberalisation and structural adjustment programmes. After going through this unit, you should be able to:

- define the concept of liberalisation;
- identify the main ingredients of Structural Adjustment Programmes (SAPs);
- identify the issues involved in liberalisation and SAPs in South Asia;
- evaluate the impact of liberalisation and SAPs on South Asian economies; and
- analyse the merits and demerits of liberalisation and SAPs.

21.1 INTRODUCTION

The experience of the Great Depression of late 1920s and the economic ruin caused by the World War II forced the industrialised nations to coordinate economic relations among nations. In 1944, the Allied nations met at Bretton Woods and agreed on a system of rules, institutions, and procedures to regulate the international political economy. They established the International Bank for Reconstruction and Development (the World Bank) and the International Monetary Fund (IMF). The former was intended to provide finance to restructure and rebuild economies which were damaged by the World War II and provide assistance for developmental work such as building

infrastructure, programmes for eradication of poverty, education and health etc. The IMF, on the other hand, was intended to provide financial assistance to countries which suffered from balance of payment problems and for correcting fiscal deficits in government expenditure. In 1948, the General Agreement on Tariff and Trade (GATT) was set up to facilitate international trade between nations by reducing tariff and non-tariff barriers. With these three organisations coming to play an influential role in the post-World War period, the international economic order has came to be called the Bretton Woods order.

In the post war period, the industrialised countries of the North opened up their economies and adopted massive liberalisation programmes. Liberalisation helped these countries to expand rapidly between 1950 and 1973. Their annual average growth rate during the period was nearly 5 percent which was almost twice the trend rate of growth of the previous 100 years. The period of 1950-73 has therefore, come to be regarded as 'Golden Age' in world economy. The expansion of the industrial economies benefited the world and the driving force of this expansion was growth in international merchandise trade.

However, in late 1973, when the prices of oil and petroleum products suddenly shot up, the world economy plunged into recession. While the developed economies of the North were adversely affected, the worst sufferers were the least developed (LDCs) and the developing economies of the South. Their balance of payments witnessed severe deficit crisis. Some of these countries went into debt-trap. When they approached the IMF for relief assistance, the IMF sanctioned the loan on the condition that these borrower countries would introduce Structural Adjustment Programmes (SAPs) aimed at enhancing the role of the market and diminishing that of the state. Currently, the SAPs are being implemented in many countries including South Asia. In this unit, we will analyse the liberalisation and SAPs in the South Asia and bring out their various facets.

21.2 LIBERALISATION

Before we proceed further, it will be useful to clarify the two terms, liberalisation and globalization that have come to dominate the discourse in development economics. In simple words, liberalisation refers to the freeing of trade, investment and capital flows between countries. It implies the simplifying procedures of business, i.e. merchandise trade, foreign investments, trade in services, etc., so that countries can do business without hassles. It underlines the less interventionist and more cooperative role of the government in facilitating international business. The core of trade liberalisation is reduction in import tariff (i.e. custom duties) and non-tariff barriers. The liberalisation of investment underscores the fact that the private domestic and foreign investors can participate either in production activities or in management of manufacturing /service sector companies as per the procedures laid down by the government. The liberalisation of capital flows implies an investor (domestic and foreign) can bring in or withdraw his investment on short term current as well as long term capital account at any point of time.

Globalization, on the other hand, is relatively a broader term which encompasses a wide range of phenomena. It refers both to the integration of production facilities in different countries under the aegis or ownership of the multinational corporations (MNCs) and to the integration of product and financial markets facilitated by liberalisation. In simple words, globalization means expansion of economic activities across the political boundaries of nation states. It underlines the increasing economic openness and growing economic interdependence between countries.

Another term that has gained currency in recent years is privatization. It indicates the disinvestment of state assets (i.e. stocks/shares) in government owned enterprises. By doing so, the ownership of public enterprises get transferred to private entrepreneur. Under privatization, private participation is permitted in management of public sectors undertakings (PSUs).

21.2.1 Motivation Behind Liberalisation

The economic processes of liberalisation and globalization have been around since 1945 if not earlier. Initially, the implementation of these processes was limited to the developed countries of the North (the industrial countries of the North America and Europe). Moreover, these processes did not occur at one go but in varying phases. First, the liberalisation of trade and freedom of capital movements was implemented to the greatest degree. Trade in manufactured products was liberalised gradually over the whole post-World War II period through successive rounds of international trade negotiations under GATT.

The liberalisation of capital movements among developed West had also occurred in stages, but in somewhat different ways than the deregulation of foreign trade. In many respects capital market liberalisation between these countries has gone further than trade liberalisation. Most of these countries achieved current account convertibility in the late 1950s. However, capital account convertibility took place only in the 1970s-initially in the US, Canada, UK and Germany and in 1980 in Japan, and in France and Italy in 1990.

Liberalisation has been much less evident with respect to flows of labour between countries. Moreover, unlike trade and capital movements, over time there has been retrogression in this sphere in many industrial countries. However, after 1980, there has been considerable relaxation in the domestic rules and regulation in industrial countries in maintaining labour standards, minimum wages and labour rights. These changes resulted in massive inflows of labour and their services, particularly from information technology (IT) sector to the developed countries.

Globalization and liberalisation occurred at a slower pace in developing countries. These countries, which had recently emerged from colonial domination, were reluctant to switch over from orthodox development programme to a new development paradigm fearing that it may challenge their economic sovereignty. The underlying philosophy was that liberalisation and globalization would benefit the industrialised economies more and marginalise the developing countries. A shift in the position of these countries began to occur with the end of the 'golden age' (1950-73) following the 'oil shock' in 1973. That year, when the Organization of Petroleum Exporting Countries (OPEC) suddenly increased prices of oil and petroleum products, the developing countries were the worst-hit. Their import bill of oil and petroleum products shot up to unprecedented high levels affecting adversely their balance of payments position. These countries were caught in a miserable situation - stagnancy in export earnings and rise in import bill. This led to the crisis of foreign exchange reserves which dropped to the rock-bottom level causing serious concerns in external debt servicing. Many developing and LDCs were caught in debt-trap. To overcome this situation, these countries approached the World Bank and the IMF for financial assistance. But assistance was given on the condition that these barrower countries would carryout economy-wide policy reforms, mostly in trade and financial sectors. This led to the implementation of liberalisation and globalization processes.

21.3 STRUCTURAL ADJUSTMENT PROGRAMMES

Structural Adjustment Programmes (SAPs) are thus the adjustments in the economies (of borrower countries) as per programmes modelled by the IMF and World Bank. These programmes placed greater emphasis on structural measures to promote domestic resource mobilization, remove price distortions, ensure increased access to imports (i.e. opening of markets to foreign products), and reorder investment priorities.

The impact of 'oil shock' was more on developing than on developed countries mainly because the developing countries followed the model of 'import substitution' which dampened the prospects of increasing exports. These countries got caught in the situation

where there was no growth or stagnancy in exports and rise in imports on account of industrial and services expansion. Exports were never looked upon as an engine of growth. Under SAPs, these countries were asked to shift development strategy from import substitution to export promotion. The ultimate goal of this strategy was to restore stability on the BOPs and enable the developing countries to service their external debts. Earning more foreign exchange through exports was an option before developing countries no matter how poor they were.

The inherent thinking behind this strategy was that the developing countries must trade and exchange goods and develop their sector of 'tradables'. This mechanism for forcing potentially reluctant participants to engage in the world market is the set of economic policies called structural adjustments and its vital component was the doctrine of export-led growth. The SAPs aims to increase the role of exports in the economy and stimulate the private sector through the combination of wage and price stabilization polices and austerity programmes. The SAP package includes a mix of the following measures:

1) privatization of state and semi-state government enterprises in order to reduce inefficiencies and government protection or monopolies;

2) high interest rates and credit squeeze in order to reduce inflationary tendencies;

3) trade liberalisation in order to open up the internal market and expose local industry to world market competition and boost foreign trade exchange;

4) domestic demand management leading to a lowering of government budgets and decreasing expenditures;

5) currency depreciation in order to improve the balance of payments by raising import prices and making exports more competitive;

6) free-market prices in order to remove distortions resulting from subsidized food, fertilizers and power.

Along with this package it was recommended to bring in institutional reforms in the functioning of labour market and changes in social security system and privatization of social services. The SAPs gave greater weight to growth objectives than to income distribution objectives. The thrust of SAPs was realignment of overall domestic expenditure and production patterns in order to bring the economies (of developing countries) to a path of steady and balanced growth. The SAPs were based on 'shock therapy' replacing the policy of import substitution, economic interventionism and protectionism which were considered to be responsible for evils such as high inflation rates, unemployment, and balance of payments and trade deficits, inefficient operating productive systems, etc. It underlined the fact that state interventionism had to be confined to the organization of public services (such as defence, justice, etc.), to the installation of a regime of law and order, and to the support of activities the private sector was unwilling to provide.

By the early 1980s, some 30 African countries adopted SAPs with the approval and support of the World Bank and the IMF. In Latin America, East and Southeast Asia, SAPs were introduced during the mid-1970s. In East Asia, Japan, South Korea and Taiwan implemented SAPs with pro-active role of government in economic activities. SAPs were accommodated in their long term growth strategy, emphasising macro-economic stability and investment in human capital. These countries preferred strategic integration to widespread opening of the market. China opened up the economy in 1978, but did not accept the World Bank's perspective on developmental paradigm. It charted out its own plan of liberalisation and privatization. Undoubtedly, there has been a large-scale introduction of markets into China, these markets are far from being either flexible or competitive. Moreover, in many important areas like labour, capital and land such markets can hardly be seen to exist at all.

In case of Southeast Asia, since the beginning of 1980s, the economies of the region shifted to outward-looking strategy replacing the inward-looking policies. However, these countries too developed their own developmental paradigm instead of relying on policy pills from the World Bank and IMF. But the financial crisis of mid 1997 to 1999 compelled some of these countries (Thailand, Indonesia and Philippines) to rush to IMF for financial assistance and IMF insisted on implementation of SAPs.

In South Asia SAPs were introduced in different periods, in Sri Lanka in 1977, in India in mid 1991. In South Asia, SAPs were implemented as per IMF and World Bank prescription and the respective governments almost accepted it as blue print for future economic strategy.

Check Your Progress 1

Note: i) Use the space given below for your answers.
ii) Check your answers at the end of the unit.

1) Write a brief note on the prevalent situation in world economy before the emergence of the concept of liberalisation and SAPs.

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2) Liberalisation is

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3) What are the ingredients of SAPs.?

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21.4 ECONOMIC CHARACTERISTICS OF SOUTH ASIA

South Asia region comprises of four least developed countries (Bangladesh, Bhutan, Maldives and Nepal) and three developing countries (India, Pakistan and Sri Lanka). No country (of the region) has yet achieved the status of developed economy. The entire region is poverty-ridden where one-third poor of the world are living. India is the largest country in the region: population-wise, land area-wise and economy-wise. The region has a large number of rural population and most of them survive on subsistence agriculture.

The merchandise trade (export and import) of the region is minuscule in the total world trade: the combined share of the exports (of the region) in world exports in 1990s was below one per cent. Similarly, its combined share in total inflows of world foreign direct investment was hardly 2 per cent in 1990s. With little over $ 2 billions Foreign Direct Investment (FDI), India hosts the largest FDI in region. However, given the large size of its economy, the FDI inflows are small and below its potential. Countries in the neighbouring East and Southeast Asia host much higher levels of FDI. For instance, China attracts about US $ 40 billion FDI annually, Singapore US $ 6 billion..

Currently the region is passing through many problems, particularly persistent poverty for a long period, which is central to the overall economic backwardness. The poverty related social problems such as terrorism, ethnic conflicts, etc. are abundantly present. The hard-earned economic resources are diverted to tackle the menace of terrorism and providing security to the civilians. The military expenditure is increasing while social expenditure is decreasing.

In the following section we will focus on the four big economies of the region, Bangladesh, India, Pakistan and Sri Lanka. This is because statistics and economic information about these economies is adequately available. Secondly, these economies have embarked upon liberalisation and SAPs for quite some time. Their evaluation could throw light on the merits and demerits of these programmes. Thirdly, the left out three countries, i.e. Bhutan, Maldives and Nepal are dependent economies. India supports them financially in many respects. India provides considerable external aid to these countries. For instance, India helped to finance Bhutan the entire development plans in the initial years. Currently, nearly one third of Bhutan's Five Year Plans are financed by India.

21.5 LIBERALISATION AND SAPs IN BANGLADESH

Bangladesh since its liberation in December 1971 followed the path of 'inward looking' or 'import substitution'. The fall out of this policy was that the country suffered low growth rate and the industrial and manufacturing sector registered a modest growth. The emphasis of industrial and trade policy was on development of traditional industries such as jute products, textiles, readymade cotton garments, etc. The share of agriculture in GDP during the first decade of independence was about 40 percent which gradually declined to about 25 per cent in year 2000. The share of manufacturing remained stagnant over the period while the share of services in GDP increased to 52 per cent. The share of industry has risen to 24 percent in year 2000 from 16 per cent in 1980. The rise in services' share cannot be seen as a healthy indicator of real progress for a least developed economy. Because of an increasing population, in such countries, what is needed is proportionate rise in employment opportunities, which only manufacturing sector can provide. In fact, in the last 20-25 years, the share of manufacturing sector in the national income of the developed economies of the West has remained over 30 per cent. The substantial presence of manufacturing sector has strengthened the fundamentals of their economies.

Against the background of modest economic performance, Bangladesh decided to launch economic reforms and adopted the policy of SAPs in 1990. It followed the policy of 'outward looking' i.e. export-led growth. The impact of economic reforms was that the exports increased by over three times: from US$1.72 billion in 1991 to US$5.76 billion in year 2000. Imports too rose but not as rapidly as exports. There was overall improvement in GDP growth rate – rising from 3.3 percent in 1991 to 5.5 per cent in year 2000. The liberalisation of foreign trade regime helped to boost up the growth rate. Under the liberalisation programme the quantitative restrictions (QRs) on imports has been brought down. However, the major challenge is diversification of export basket. Currently the 76 per cent of Bangladesh exports are of cotton garments and knitwear. By early 2005 the protection to exports of cotton garments and apparel under the Multifibre Agreement (MFA) of WTO will end and that would expose the exports of Bangladeshi products to international competition

Bangladesh announced a new industrial policy in 1999 which emphasises expansion of the industrial base with higher participation of private sector, including foreign investors. The policy places considerable importance on stimulating competitiveness, both in internal and external markets. The diversification of the manufacturing base, which is overwhelmingly dominated by textiles, chemicals, and food processing, remains a major challenge. The new areas of production – for diversification are – computer

software, agro processing and food processing. Although the information and communications technology sector has promising potential, the country is not well equipped to face intense global competition. The major constraints in building a sound industrial base are inefficient infrastructure, unstable macro-economic environment, inefficient markets, particularly capital (both debt and equity), least transparency in decision-making process at government level, etc. The country needs rapid sectoral reforms, especially in financial sector which continues to be shallow and underdeveloped. The lack of efficient banking system is the biggest hurdle in the country's developmental process. Besides, the capital market is also at nascent stage. A well-developed, long term saving market has yet to emerge. A well-developed capital market is the pre-requisite to earn the benefit of financial globalization and Bangladesh is very much lacking in this area.

The launching of liberalisation and SAPs has helped the economy to attract FDI. The amount of FDI inflows which was almost negligible until 1991 has gone up to US$280 million in 2000. The FDI is mainly attracted in the field of exploration of energy (oil, gas and petroleum products) and development of physical infrastructure like ports, road, electricity, telecommunications, etc. So far the impact of liberalisation and SAPs on Bangladesh economy is positive in the sense that the growth rate has been accelerated and per capita income has increased. However, the distribution of national income on public goods is unsatisfactory. The government expenditures on education, health, etc. are inadequate to transform social sector into an efficient sector, which is essential to attain sustainable development in the longer period. Although military expenditure apparently looks within the limit, there is need to reduce it to less than 1 per cent of the GNP; that would help to raise the allocation of resources on other developmental heads.

21.6 LIBERALISATION AND SAPs IN INDIA

India launched massive economic reforms in July 1991 to overcome the economic crisis which has set in the economy because of shortage of foreign exchange (forex) reserves. The forex reserves since the beginning of 1990 was in bad shape mainly because of rising import bill, fall in exports and meagre inflows of FDI. Severe strain on forex reserves was placed by the high levels of imported raw material component in India's exports. Especially the import of oil and petroleum products amounts to about 20 per cent of total import bill. The US-Iraq Gulf War of 1990-91 which led to sharp increase in international oil prices affected India directly and forex reserves began to decline from US$ 1.1 billion in August 1990 to US$896 million in January 1991. The Gulf War also affected India's exports to Iraq, Kuwait, and other West Asian countries following United Nations trade embargo on Iraq and tense situation in the Arabian Sea. Besides, the remittances of the Indian labour working in Kuwait ceased to flow in as they were evacuated and shifted back to India following the War. The impact of all these factors was multiple on the Indian economy and it disrupted industrial production, accelerated inflation to peak level of 16.7 per cent in August 1991 and sharp decline in real GDP growth rate to 2.5 per cent.

Amidst all this economic chaos, there was political instability at the national level and a caretaker Central government was in the office. The elections were declared and the new government assumed office in June 1991. Immediately, the new government took series of corrective measures to rejuvenate economy. The short-term measures were aimed at crisis management such as devaluation of the Indian currency to boost up exports. The long-term measures were of structural reforms, aimed at improving efficiency and productivity. To correct imbalance in the BOPs, the government borrowed huge loans from the IMF. The devaluation of the Indian currency helped to curb non-essential imports. These measures helped to overcome the problem of forex reserves crisis (on BOPs) as exports began to pick up.

Along with these measures, the government launched large-scale economic reforms in July 1991 as per the guidelines provided by the IMF and the World Bank. The

in July 1991 as per the guidelines provided by the IMF and the World Bank. The process of these reforms is still continuing. The principal thrust of 'First Generation Reforms' of 1990s was opening the economy to foreign producers and investors. The reforms were initiated in the following four areas:

i) Fiscal Correction

Under fiscal correction the principal concern was macro-economic stability by bringing government expenditure under control. As maintained here, the government financial position was in bad shape in 1990-91 mainly because the expenditure was much higher than income. To meet the increasing need of the expenditure the government often borrowed heavily from abroad (mostly from IMF) and this over-borrowing led the situation to debt-trap. The mounting pressure of external debt and limited mobilization of domestic income created serious trouble in the management of the economy. To come out of the situation and reduce the expenditure, a suggestion was put forward to abolish various subsidies, including export subsidy. Another suggestion was to increase fertilizer prices, keep non-plan expenditures (including defence expenditure) in check. The government applied these measures and brought macro-economic situation under control.

ii) Trade Policy Reforms

The thrust of the trade policy reforms was to provide stimulus to exports. The pursuit of 'import-substitution policy' since independence adversely affected exports. Under the new trade policy it was decided to pursue 'pro-active export policy' by reducing the degree of regulation and licensing control. The first task was to improve price competitiveness of exports by devaluing the currency (i.e. rupee). For encouraging the competition in the domestic market tariff barriers to imports were reduced. The high tariff level of 150 per cent in 1991 was brought down to 35 per cent in 2001 and to 20 per cent in the Budget of 2003-4. Quantitative restrictions on imports were also phased out. Trade liberalisation opened the gates for large-scale foreign products in the indigenous market.

iii) Industrial Policy Reforms

The revamping of industrial sector was another important item on reform agenda. The dismal performance of industrial and manufacturing sector (both in private and public sector) was a matter of serious concern. The slow down of public and private sectors had badly affected employment opportunities. To enhance private and foreign participation, the government decided to deregulate industry. For doing so the industrial licensing was abolished for all projects except in industries where strategic or environmental concerns are paramount. Now about 80 per cent of industry has been taken out of the licensing framework. Besides, areas reserved for the public sector have been narrowed down, and greater participation by private sector is permitted in core and basic industries.

With the opening up of the industrial sector, the foreign investment is flowing in the economy. The joint ventures and collaborations (between the Indian and foreign industry) are rising. Even defence (production) industry is opened up to private domestic and foreign investors and upto 26 per cent foreign investment is permitted (subject to licensing). And for the Indian private sector (participation), the defence industry is opened upto 100 percent, subject to licensing.

iv) Public Sector Reforms

One of the principal thrusts of the reform process is to re-structure public sector enterprises. Over the years, the public sector units incurred huge losses. To run them involved huge investment with no hope for adequate returns. Under the reform process a sizeable number of public units have been either partially privatized or fully sold out. The process of disinvestment has been continuing and the government is offering equity to private and foreign investors. Rather the disinvestment of public sector is on top priority under the agenda of 'Second Generation Reforms' which have been launched in 2001

Currently the government is showing great interest in opening the economy further by liberalisation of equity limits for private domestic and foreign investors, for example, petroleum refining (under public sector) should be opened up 100 per cent, civil aviation 49 per cent, pipeline (oil and gas) 100 per cent, real estate (complexes) 100 per cent, etc.

So far, the economy has shown the mixed-result of the process of liberalisation and SAPs. Initially, after launching the process in July 1991 the exports rose rapidly. This rise was mainly because of currency devaluation. Similarly, between 1991 and 1996 the GDP growth rate was impressive. The FDI inflows and the forex reserves improved to a comfortable level. However, the process lost momentum because of two reasons: first, the political instability between mid 1996 and October 1999 at the central government level created uncertainty about the continuity of the process. Secondly, the Asian Financial Crisis of July 1997 affected India's exports adversely and the value of rupee (vis-à-vis US dollar) deteriorated to new low, affecting the sentiments of the foreign investors. Since October 1999 the political instability as well as the Asian financial crisis has ended. The government in the subsequent period has been showing commitment to widening the scope of reform process. The result of this determination is quite evident as the FDI inflow has increased to about US$3 billion per annum. Exports have also picked up again.

Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answers at the end of the unit.

1) What is the impact of liberalisation and SAPs on the Bangladeshi economy?

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2) What are the factors that prompted India to liberalise and accept SAPs in the early 1990s?

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3) How would you evaluate the performance of liberalisation and SAPs in India?

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21.7 LIBERALISATION AND SAPs IN PAKISTAN

As we noted in Block Three, the armed forces play a important role in the functioning of the Pakistani government even if the country is not under the martial rule. A sizeable section of Pakistani society believes that the military alone can bring discipline in functioning of the government which is sine qua non for economic prosperity.

Pakistan launched SAPs in 1988 under the guidelines of the IMF and World Bank. The 13 years of military rule (1975 to 1988), had ruined the economy. The new democratic regime was confronted with low GDP growth rates, high external debts, low exports, low industrial production, and deteriorating forex reserves. The overall condition of the economy was extremely bad and the democratic government had no choice other than to approach the IMF and World Bank for financial assistance. While granting loans the IMF and World Bank advised the government to initiate economic reforms.

The main focus of the reforms was to reduce fiscal deficit in government finance. The IMF asked the government to lower its fiscal deficit to 4 per cent of GDP which was in double digit. For achieving this target, the IMF advised high taxation and a decrease in public expenditure. The largest cuts in public expenditure came in the area of development: from 9.3 per cent in 1981 to 3.5 per cent (of GDP) in 1997. Another key area of the SAPs was reduction in tariff rates which were brought down to 45 per cent in 1999 from 125 per cent in 1992. For boosting up the exports the devaluation of the Pakistani currency was recommended and since 1988 the devaluation is continuing at regular intervals. Along with these steps, the selling-off of state-owned enterprises was also advised.

The IMF advised the Pakistani government to implement SAPs initially in six areas. First, reforms in trade policy by adjusting the country's currency vis-à-vis US dollar. This was to be done by consistently depreciating the currency and keeping level of exchange rate competitive. In addition, restrictions on exports were to be removed and quantitative restrictions on imports, i.e. quotas, and tariffs were to be reduced. The trade policy thus focussed on outward-oriented export-led path. Secondly, reforms in fiscal policy to reduce and eliminate fiscal deficits by curtailing public expenditure. This was to be achieved by increasing prices in the public sector so as to meet costs and increase revenues. Reforms in the tax system, substantial cut or elimination of subsidies to agricultural and energy sectors were the other ingredients. Thirdly, reforms aimed at privatizing unprofitable public sector units. Fourthly, reforms in financial sector by way of relaxing interests rates ceilings as well as liberalizing time deposit and lending rates. Fifthly, reforms in industrial policy include removal of protection to industrial sector and price controls over goods. Lastly, reforms in agriculture sector by eliminating bias against agriculture by adjusting the exchange rate and by removing protection offered to industry. The reforms should see liberalisation of agricultural prices and discontinuation of subsides.

What is the impact of SAPs on the Pakistani economy? After the implementation of SAPs, the GDP growth rate has declined and there was a moderate rise is exports. This is attributed to the currency depreciation rather than quality appreciation in export products. The rise in FDI inflows is also very moderate indicating that foreign investors have not paid enough attention to the liberalisation programmes. In other words, mere opening up of the economy is not a sufficient condition for attracting higher doses of foreign investment; an efficient infrastructure plus social and political stability are important. Currently Pakistan is lacking on this front.

The SAPs have not helped Pakistan in bringing fundamental change in the structure of economy. The share of manufacturing sector in national income remained low and over the period has gone down. As we noted earlier, the decline in manufacturing sector adversely affects the employment generation. An economy with growing manufacturing sector provides macro-economic stability. The rise in services sector can provide temporary relief to employment problem. Similarly, the question of good governance always looms large over Pakistan. Frequent military take over of the government sends wrong signal to the private domestic and foreign investors. The rise in the military expenditure which is beyond 5 per cent of the national income is excessive, especially for a developing country like Pakistan. The government expenditure on developmental heads such as education and health has been declining.

21.8 LIBERALISATION AND SAPs IN SRI LANKA

Sri Lanka is the first South Asian nation to adopt, rather fully, the liberal outward-looking policies. It has brought in series of changes in its trade regime since it gained independence from British colonial rule in 1948. During the first decade after independence, it continued with a liberal trade regime. However, growing BOP problems and a change in political leadership induced a policy shift-towards protectionist import substitution policies. By the mid-1970s the Sri Lankan economy had become one of the most inward-oriented and regulated economies. The fall-out of these polices was the slowing down of the economic growth since the early 1960. In the later half of the 1970s, the government, therefore, decided to embark upon the path of extensive economic liberalisation. It launched SAPs in two phases, first in 1977-89 and second in 1990 and onwards.

21.8.1 The First Phase (1977-89)

The process of economic reforms began in late 1977 first by initiating the task of revising tariff structure, reducing restrictions on foreign investment, announcing new incentives to export-oriented foreign investment under a Free Trade Zone (FTZ) scheme. It also undertook financial reforms including adjusting interest rates to levels above the rate of inflation, opening the banking sector to foreign banks and allowing credit markets to determine interest rates, exchange rate realignment and incentives for non-traditional exports. It devalued its domestic currency by more than 100 per cent (in nominal terms).

The impact of these reforms on the economy was quite substantial as the GDP growth rate went up from 2.9 per cent in the first half of the 1970s to 6 per cent during 1978-83 The FDI inflows which were US $ 0.2 million (annual average) in 1970-77 reached to about US $ 41 million in 1978-87 . The exports went up to US $ 1.5 billion in 1988 from US $ 0.80 billion in 1977. Most importantly the confidence of the foreign investors increased and number of joint ventures between domestic and foreign investors increased. However, these reforms lost momentum in the early 1980s mainly because of two reasons: first shift in policy priorities away from structural adjustment towards politically appealing glamorous investment projects and secondly, the intensification of the ethnic conflict between the Sri Lankan Tamil and the government forces.

21.8.2 The Second Phase of SAPs

The movement for separate land for the Sri Lankan Tamil picked up around mid-1980s under the banner of Liberation Tigers of Tamil Elam (LTTE) which caused immense economic loss and instability in political and social fields. The LTTE's revolt and militant activities resulted in sharp escalation in defence expenditure, which, in turn led to widening fiscal deficits, growing macro-economic problems, and a rapid erosion of international competitiveness. By the end of 1988, the forex reserves had fallen sharply. The FDI declined and there was balance of payments crisis which compelled the government to approach the IMF in June 1987 for financial support. The loan was sanctioned with the conditionality of launching economic reforms.

The reform package included privatization programmes, further tariff cuts and simplification, removal of exchange controls on current account transactions (of BOPs), commitment to flexible exchange rate, and an initiative to cut the fiscal deficit. The implementation of reforms package helped the economy to rejuvenate growth rate from 3.5 per cent in the later half of the 1980s to 5.03 per cent in the first half of the 1990s. The containment of the LTTE's rebellion (for a while) during 1990-96 also helped the government to make concerted efforts to refocus attention on developmental activities. With the return of social stability and peace, the foreign investment began flowing in the country. In 1997, the FDI inflows rose to US$433 million. There was also marked improvement in exports. However, the question of reducing military expenditure could not be resolved. The country spends over 4 per cent of national income on military which is quite high for a modest economy like Sri Lanka.

Check Your Progress 3

Note: i) Use the space given below for your answers.

ii) Check your answers at the end of the unit.

1) How would you see liberalisation and SAPs in the context of Pakistani economy?

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2) Identify the main features of economic reforms undertaken by Sri Lanka since the late 1970s.

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21.9 LET US SUM UP

A severe recession was set in the world economy following first 'oil shock' in 1973. Many developing and least developed countries were shattered and they were forced to approach to the IMF and World Bank for assistance to rebuilding their economies. The assistance came with policy prescription in the form of liberalisation and SAPs. The borrower economies were to initiate the process of opening their economies/ markets to foreign products. At the same time they were to restructure their economies to do away with inefficient elements such as public sector enterprises, etc. The underlying principle in this thinking was that market should play more role than the state or government.

The impact of SAPs and liberalisation on South Asia was mixed: some countries reaped the benefits while some faltered. Sri Lanka and India benefited in the sense that their growth rates picked up. Exports rose and foreign investment inflows increased. Pakistan did not get benefit mainly because of political instability coupled with insecure social environment.

In order to benefit from liberalisation and economic transformation, existence of efficient infrastructure is essential. This infrastructure is either fully or partially, lacking in South Asia. Besides, there is opposition from private domestic industry to the entry of foreign industry; mainly on the ground that 'level playing field' to the indigenous players is not available. Despite such opposition, the policy is under implementation and its full evaluation can be viewed only when it remains in practice for some more time.

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21.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) The end of World War II saw drastic change in the trade policies of the developed, developing and LDCs. While industrial (developed) economies liberalized their trade regime to give export-led growth strategy a chance, the developing and LDCs adopted import-substitution strategy to protect their indigenous market. The outward-looking export strategy benefited developed countries to accelerate their growth rates whereas inward-looking strategy brought stagnancy to developing and LDCs economies. Besides, the developing and LDCs relied heavily on public sector enterprises for mass production which curbed the development of private sector. This created disequilibria in the structure of these economies and led to inefficient allocation of the factors of production. The 'oil shock' of 1973 exposed the weaknesses of the developing and LDCs and the need was felt to implement liberalisation and SAPs.

2) Liberalisation implies the freeing of trade, investment and capital flows between countries. It underlines the simplification of business procedures involved in merchandise trade, foreign investment, trade in services etc. It also underlines the less interventionist and more cooperative role of the government in international business. Reduction of import duties (i.e., tariff) is the core of trade liberalisation

3) The SAPs include privatization of state owned enterprises, amendments in trade policy, i.e. discarding import-substitution strategy and acceptance of export-led strategy. It also includes reduction in fiscal deficit, changes in industrial policy to remove protection to industrial sector, and liberalisation of agricultural prices and discontinuation of subsides.

Check Your Progress 2

1) Bangladesh embarked upon liberalisation and SAPs in 1990 and improved its growth rate from 3.3 per cent in 1990 to 5.5 per cent in 2000. The change occurred because of rise in exports. The foreign investment has also risen, although moderately. However, the major challenge is diversification of export basket which mainly consists of cotton readymade garments. Besides, physical infrastructure continues to be inefficient and is unable to attract large foreign investments.

2) Severe economic crisis had set in the Indian economy because of shortage of foreign exchange (forex) reserves arising from rising import bill; fall in exports and meagre inflows of FDI. As a result of the US-Iraq Gulf War of 1990-91 and the embargo on Iraq, India's oil expenses shot up, exports to West Asian countries dwindled and halted the flow of remittances of Indians working in West Asia. This disrupted industrial production, accelerated inflation to peak level and reduced GDP growth rate. Amidst this economic crisis, there was political instability at the national level. In these circumstances, India devalued its currency and corrected imbalance in the BOPs, by borrowing huge loans from the IMF. It initiated structural reforms in July 1991 as per the guidelines provided by the IMF and the World Bank.

3) India is essentially a democratic country where every policy of the government comes under debate not only in the opposition parties but within the ruling party too. To build a consensus on economic matter involves a long time and rigorous exercise and in the process foreign investors sometimes get disappointed and withdraw their commitment. Even after getting green signal there is no assurance of continuation of the policy with the change in the government. Currently, the disinvestment of public sector units is in debate and government finds it difficult to pursue the matter because within the government there is no consensus.

Check Your Progress 3

1) Pakistan began implementing liberalisation and SAPs in 1988 and after a decade or so its growth rate has declined. The opening of trade regime could moderately boost up the exports mainly because the export-basket is restricted to few traditional items. Moreover, modernization of industrial sector could not take place. Secondly the doses of FDI inflows could not expand because of political instability and social insecurity. Currently, the rise of religious fundamentalism is restricting the flow of FDIs. Finally, the non-availability of efficient infrastructure is the greatest obstacle in successful implementation of liberalisation and SAPs.

2) Sri Lanka implemented economic reforms in two phases, first in 1977-89 and, second in 1990 and onwards. Sri Lanka realized the drawbacks of import-substitution strategy in mid 1970s and began removing the quantitative restrictions (QRs) on imports, opened the economy to foreign products. The export-led strategy was put into practice which helped to increase exports and the GDP growth rate was accelerated. During the second phase of reforms the attention was paid to attract foreign investment. The FDI inflows increased and there were rise in joint ventures between private domestic and foreign industry. However, the reforms suffered setback because of the Tamil separatist movement.

UNIT 22 GLOBALISATION AND THE STATE

Structure

22.0 OBJECTIVES

This unit examines the meaning and dynamics of globalisation, particularly its impact on nation-states in South Asia. The unit also explores the critical aspects of South Asian states integration with the global economic order. After going through this unit, you should be able to

- Define and explain the salient features of the process of globalisation;
- Describe the impact of globalisation on nation states particularly those in South Asia; and
- Critically evaluate aspects of South Asian states' integration with the global order.

22.1 INTRODUCTION

Sovereign state has been the basic unit of international relations since the treaty of Westphalia in the 17th century. Many wars are waged around the formation of nation-states in the modern age. The nation-state has symbolised the spirit of freedom. The sovereignty of state signifies liberties of a people within specified territorial boundaries around which the modern international system is built. That central position of state in the international relations is increasingly being affected by many forces unleashed by global developments. State is undergoing a major transformation as it seeks to redefine its relationship with its people at different levels. Though the sovereignty of state remains important, it is getting constricted by fragmentation at the local level and integration at the global level. This lesson tries to outline the various dimensions of it.

The transformation of nation-state in different regions of the world assumes different forms depending upon the specificity of regional formations. The transformation of state in South Asia also bears its own form. This unit examines the multiple meanings of globalisation and their implications to nation-state. It particularly brings out the

different dimensions of the transformation of the nation-states in South Asia. The unit also discusses the dynamics of regional formation in South Asia that are being shaped by the current wave of globalisation.

22.2 GLOBALISATION AND ITS MULTIPLE MEANINGS

There are two apparently contradictory trends in the present process of globalisation. First, states seem to be giving up their autonomy in their rush to sign regional trading and political agreements. In the process, the state is losing its previous pre-eminent position giving way for the supra nation entities like World Trade Organisation (WTO) in the global system. Secondly, ethnic, caste, class, gender, tribal and ecological groups within the states are struggling to assert greater autonomy. We call these movements by various names such as identity movements, new social movements or local movements. They are spread across the world and have truly become global phenomenon. Culturally, the idea of national identity for individuals or groups is fast eroding in favour of the fortification of ethnic, regional, caste and religious identities. Previously, identity of people was more tied to a nation's identity. Now the credentials of nation-state to claim monopoly over allegiance from its citizens has been seriously challenged by the rise of identities where people betray their loyalties to more immediate formations such as caste, gender, ethnic or linguistic.

Globalisation is most visible and pronounced in the economic dominion. A large number of national economies are getting integrated into a global market. Financial markets and capital flows are transcending national boundaries, often bypassing sovereign state controls at will. International trade accounts for 20 percent of global output and is estimated to be worth $5 trillions per annum. Cross border transactions, Foreign Direct Investments (FDI) and the Multinational Corporations (MNCs) are growing in importance in determining the economic destiny of nations.

The factory-centred production of Fordism harboured on protectionist policies of nation states is rapidly being replaced by production facilities spread across different regions and countries. In this post-fordism, production and even distribution is controlled by MNCs. Presently, the top five hundred MNCs are responsible for a huge and increasing share of global production. The sectoral distribution of these corporations in the year 2000 reveals an interesting trend. The maximum number of corporations (56) are concentrated in the banking and financial sectors where quick profits could be reaped from speculative investments in the global financial markets without making long-term investments in the real economy. The other sectors are petroleum refining, automobiles, telecommunications, food and drug stores, and electronic industries. The predominance of the MNCs in the banking and financial sectors is illustrative of the phenomenal rise of finance capital in the recent years.

Some MNCs are bigger than many states in terms of the number of people employed and the finances at their disposal. While these MNCs are for most part not amenable to state control, they nevertheless need the nation-states. It is the state which has to take decision for their entry into their territories. It is the state which has to provide facilities and ensure the political, social and economic stability for the smooth operation of their transactions in its territory. The MNCs, therefore, seek the support of nation-states and international governmental organizations such as World Trade Organisation, World Bank, International Monetary Fund, etc to shape the contemporary global economy.

Globalisation involves the most fundamental centralized restructuring of socio-economic and political relations since the industrial revolution. Its basic principle revolves around the absolute primacy of exponential economic growth and an unregulated free market, with the need for free trade to stimulate growth. Free trade favours export-import-

oriented economies with their accelerated privatization of public enterprises, and aggressive promotion of consumerism, which when combined with global developments, correctly reflect a Western vision. These guiding principles of the new international economic structure also assume that all countries, despite their diverse cultures, will gradually get homogenised and attain cultural uniformity in products and services. The ongoing economic globalisation will, therefore, place continuous pressure on developing nations to abandon local traditions and dismantle programmes geared to developing more self-sufficient economies.

Though globalisation advocates a uniform order across the globe, the process of globalisation has divided the world into two camps. The developed nations of the North argue that the benefits of globalisation are inclusive and benefit both the developed and the underdeveloped nations. The developing countries of the South, on the other hand, tend to view globalisation with scepticism, if not with abject cynicism. The apprehension of the developing countries arises not only from their weaker economic position, but also from the economic divide between the North and the South. The uneven distribution of the fruits of globalisation seems to widen the gap further. Moreover, though globalisation favours the resolution of international issues through multilateral forums, the reality is that these forums are currently controlled or dominated by the advanced countries of the North. In these circumstances, the interests of the weaker countries get sidelined or submerged. The developing countries are therefore exercising extreme caution in embracing globalisation.

With the emergence of multilateral institutions like World Trade Organisation, every country has opened up its economy and joined the global regime of trade. Several countries which a decade ago relied on state control and ownership have begun to privatize their economies. The countries in the South Asia region are not exception. Most of them have started liberalising their economies in the early nineties. Twentieth-century economic liberalism champions private ownership, a reduced role for the state in business, fewer trade barriers, lower taxes, and a general reliance on the market as the most efficient distributor of resources in a given economy.

It is interesting to look at the political corollary of this apparent shift toward economic liberalism. The individual nation states negotiate the emerging global order mainly at three levels- regional, national, and domestic. New institutions, structures and organisations are being created at different levels to cope with the conditions. In different parts of the world, countries are coming together and forming regional groups to handle the global situation, lest it becomes a difficult task for the states to bargain individually. In some parts, efforts are on to give a new direction to the existing regional organisations.

Some efforts have been made to create new political structures that transcend national boundaries. The European Union instituted a Single Market within its twelve member countries at the end of 1992. In addition, it is making efforts to create a political and monetary union with the underpinning of economic cooperation. Similarly, governments in the Far East are discussing plans that would increase political cooperation within the region, in line with growing economic ties. The US, its Free Trade Agreement with Canada and Mexico already in place, is now ready to extend the FTA concept to South America as well.

As we know from the experience of the SAARC countries in the recent times, South Asia Free Trade Agreement (SAFTA) has been a compelling exercise on the part of these countries, in spite of the differences between them, particularly, the animosity between Pakistan and India. SAFTA is a step towards free trade area. SAARC's urge to emerge as a strong regional body in order to cope with the vicissitudes of globalisation was very much evident at its Summit meeting in Islamabad in January, 2004 where the idea of a monetary union was mooted.

Yet, at the national level the relative decline of the autonomy of nation-states in the sphere of global economy raises concerns about democratic aspirations of the people, particularly in the developing countries. Here, the people's expectations on the state are very high even though the state capacities in mobilising and distributing the resources are low. As global integration involves certain crucial policy adjustments on the part of national governments such as privatisation, disinvestment of public sector, retrenchment of workers, it is naturally bound to cause anxieties about the role of the state.

At the domestic level, nation-states face considerable challenges thrown up by different movements. The citizens continue to hold their national governments accountable on issues over which states have no autonomous control. Yet the strong sense of allegiance to the nation-state borne by its citizens, and developed through the anti-colonial struggles, has not weakened in line with the decline of the autonomy of national governments vis-à-vis global processes. One can say it is far fetching to expect the belongingness of the citizens in the developing countries to such supranational bodies when the people of developed countries have little allegiance to emerging supranational bodies such as the European Union. It is a challenge that a nation-state continues to face in mediating global and local pressures.

22.3 NATION-STATE AND SOVEREIGNTY

The concept of sovereignty has been a key idea in the evolution of the modern world and the all-powerful nation-state. Initially, it involved the state's authority to exercise legal violence in order to maintain order within a given territory. Gradually nation states have assumed more legitimate claims over the exclusive authority within its territorial boundaries by adding welfare functions. With this, citizens have developed expectations on their nation states' ability to resolve their problems. Objectivity in the exercise of authority lends legitimacy to the acts of nation-state.

In the late twentieth century, the nation state, however, enters into crisis with the advent of globalisation. Its ability to act independently has been strained by the external forces at the global level and internal forces at the local level. Nation-states are betwixed by the forces of global integration and of local fragmentation. The most important structuring of relationship in most peoples' lives has been their relationship to the nation-state. The people who have hitherto had a privileged link to the state, no longer have it, as states are neither able to negotiate with global forces on their own nor are capable of forging a sense of unity among their citizens who choose to live through exclusive identities. The developing countries feel this more intensely because the (dis)ability of the state on both fronts is more prominent. Citizens are seeking new forms of organization, which involve asserting their identities in different ways. The effects are manifold. Local communities, seeking a greater share of resources, will sometimes see that their interests lie in underpinning nation-states, at other times in subverting them.

The rising local forces are increasingly seeking to project their issues at global level putting pressure on nation-state. The recent phenomenon of world summits is a case in point to explain how the local communities are seeking to become trans-border entities. The Vienna Summit of human rights groups, the Beijing Summit of women groups, Rio Summit of ecological groups, Durban Summit against Racism or the World Social Forum (WSF) are all mobilizing the local communities across nations on the lines of ethnic, caste, gender, ecological issues. They raise the questions of social justice beyond the purview of nation-states and connect these local groups with the global processes. For instance, the track record of human rights within a country has emerged as a crucial issue in disbursement of loans or grants by international lending agencies. This explains how nation-state is coming under the pressure from both the domestic and global forces.

Check Your Progress 1

Note: i) Use the space given below for your answers.
ii) Check your answers at the end of the unit.

1) Explain the role of MNCs in today's world order.

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2) How is the sovereignty of the nation state affected in the context of globalisation?

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22.4 THE SOUTH ASIAN STATE AND GLOBALISATION

The international system in operation today is certainly far less state centred than in the past. But, to swear by the "globalisation gospel" or proclaiming the "End of the State" is equally premature. While the post-cold war world is certainly not state centric, it is also not a stateless or a state-free dispensation. A process of regional integration at the supra-national level is also taking place in different areas of the world at varying degrees of pace, intensity and extent. The European Union is most integrated and South Asian Association of Regional Cooperation (SAARC) has a long, long way to go.

22.4.1 Challenges to Nation-State in South Asia

The nation-state in South Asia has been facing serious challenges from different forces emerging out of local, regional and global contexts. Prominent among them are identity movements and communitarian arguments, regional movements and the global agencies. Each of them is contending to substitute or to act independent of the nation-state. It is important to appreciate the arguments of these forces to understand direction in which nation-state in this region is moving.

Several reasons can be sighted why a supra-national region has emerged as a strong contender to nation-state. There can be certain possible advantages with supra national regional formations. A supra national region can respond to economic, technological and strategic challenges much more competently. Wherever regional integration has been reinforced, there local conflicts have been eased, military expenditure has declined or has been kept within limits and there has been better economic performance. Moreover, supra national regions can acknowledge sub-national identities much more confidently than nation-state can dare to afford. If nation is not something natural but imagined, region could be imagined too albeit on different foundations. It can safeguard a regime of rights much better than states as nationalism has often tended to be chauvinistic and so on. Add to these reasons the process that seems to be at work in the present where regional relations are increasingly being consolidated. These reasons seem to suggest region as the natural *telos* of the nation-state.

However, the emergence of regionalism is unlikely to weaken nation-state units. In South Asia, despite the great scope for regional cooperation, the divergent interests of nation-states in the region have placed hurdles in the consolidation of regional identity. In South Asia there is an evident ambivalence with regard to efficacy of regional formation.

One major challenge that South Asian states are facing in the recent times is the consolidation of communities/identities on ethnic, caste, gender, and regional lines. For instance, issues of marginalisation and displacement of large chunk of tribal populations owing to dam construction, mining etc. are getting articulated in the form of ecological movements seriously questioning the development model adopted by these states. In India, the Dalit movements in their search for identity often question the validity of the state as being dominated by the upper castes. Similarly, the gender construction of power and nation-state is a serious poser to the state's support bases. It questions the male dominated political, social and economic order, in one word, - its patriarchal base.

All these are eroding the nation-states' position as a sole claimant of citizen's allegiance. They assert that the member's primary loyalty lies with one's own community as the self of an individual member is constituted in and through the community, through its values, lore and traditions and can assume its agency only by being so situated. Often it is true that the claims of these communities come into conflict with each other in sharing resources or power structures. But who can arbitrate when there are conflicts between and within communities? There need to be a point of anchor independent of communities.

Besides, the boundaries of communities are very porous, and they are constantly reinvented. Take cases such as Hindutva or Ummah or any other construction of communities on religious lines. The boundaries of such communities are not permanent and often undergo a change. They seek to build large blocks of communities constantly ignoring divisions within. They often come into conflict over their exclusive claims. Further, they refuse to recognise or accept the existence of multiplicity of beliefs and ways of life. In such a situation, state alone can arbitrate between the communities that are in conflict. Therefore, the arguments for communities being seen as some kind of alternative to the nation-state are far too tall a claim. Besides, for communities to negotiate their ways across globally without the mediating presence of the nation-state seems well nigh impossible.

Over and above the states, is there a global system that is an alternative to the nation-state? There are today a number of issues which can be substantially tackled only at a global level such as ecological imbalance, terrorism, pollution, disarmament, etc. Already, the growing number of international organisations and the tasks before and expected of these organisations is constantly on the increase. Besides, there has emerged a broad consensus on certain issues such as human rights and democracy. Advocates of the global or world system point to the thick outlay of institutions and processes at work across states as evidence of the global system, however, nascent it may be. They therefore support globalisation not merely in the economic arena but in the political realm as well.

However, a global system or government as an alternative to the nation-state is not a feasible proposition and even if it is, it is not desirable. In fact, growing interdependence and functional cooperation has been strengthening the nation-state, rather than weakening it. The nation-state is the space to fall back upon not merely for recognition but also in moments of crisis. Though world system offers a unified world, it is wrought with several contradictions. A world system with more advanced countries of the North dominating, would provide no security to less developed countries and less so to their vulnerable sections.

22.4.2 The Relevance of Nation-State in South Asia

Over the last two centuries, nation-states irrespective of their ideological focus have shaped the popular imagination of citizens about the way they organise and relate themselves with their state. The nation-state has been not merely the organised expression of a collectivity but several times an active agency of transforming relations, economic development and popular empowerment at least to the extent possible. It is

nation-state in South Asia, which bears the memory of the national movement and gathers within its fold remembrances and recalling of ages. In spite of the chinks in the authority of state in South Asia owing to ethnic strife, peoples of South Asian countries hold their cultural moorings around their respective states. Right from sports to military conflicts in the subcontinent rouse huge emotional outburst. Besides, in our conditions the nation-state alone can be the instrument, however imperfect, in standing up to external domination and intimidation either on its own or in association. This ability of the state could help a great deal in carving out autonomous spaces of culture and political life and at least a limited regulation of the economy.

Further, the nation-state as an organisational form is sufficiently flexible in accommodating a range of relations and identities within and outside it. Nationalist ideology could assume a large number of orientations. Such flexibility is not possible in any narrowly carved identities nor in any remotely conceived idea of supra national entity which is too far from the imagination of an ordinary citizen.

Check Your Progress 2

Note: i) Use the space given below for y our answers.
ii) Check your answers at the end of the unit.

1) What are the main challenges that Nation-State is facing in South Asia?

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2) Do you think the emerging World System is an alternative to the Nation-State?

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22.5 THE DYNAMICS OF REGIONALISM IN SOUTH ASIA

South Asia is the home of 1.2 billion people, and accounts for over one fifth of the world's population. With a GNP per capita of $309, which is only one-third the average for the developing world and less than one-fiftieth of the industrial world, South Asia is indeed the "most deprived region" of the world. South Asia not only lags behind other regions not only in income levels but also in human development levels. Nearly one-half of the world's illiterate population lives in South Asia. This is partly because of the relatively higher levels of military expenditure due to the arms race between India and Pakistan and the ongoing ethnic conflict in Sri Lanka.

With the trend of regional approach to address the common problems becoming popular, countries of South Asia sought to initiate the formation of a regional group in the late 1970s. After a series of official level meetings outlining the structure and functions of the new organization, the South Asian Regional Cooperation came into formal existence in 1985. This organisation was soon renamed as South Asian Association of Regional Cooperation (SAARC) in order to give it a formal recognition.

Among the main highlights of the new regional organisation were: emphasis on interdependence or "balanced interdependence" in view of the centrality of India and asymmetrical economic positions of the member countries; avoidance of contentious and bilateral issues; concentration on soft areas rather than on sensitive areas pertaining

main thrust of the SAARC in the early years was in the areas of health, education, culture, communication, agriculture, rural development, etc. With almost all member states of the SAARC getting integrated with the global economy by adopting policies of liberalization and market economy in the 1990s, they have not only signed the South Asian Preferential Arrangement in 1993 but have signed an agreement to move into the Free Trade Area (SAFTA) at twelfth SAARC Summit held in Islamabad in January, 2004.

22.5.1 Globalisation-Regional Cooperation – Nation-States in South Asia

There are three basic compulsions, which warrant regional cooperation among the countries of South Asia region in the context of globalisation: security environment in the region, economic cooperation and common historical heritage.

Dramatic changes such as disintegration of socialist block and waning of old notions of balance of power in the wake of the end of the Cold War did not create concomitant impacts on changing the South Asian security environment. The dynamics of security and regional cooperation in South Asia to a large extent have been affected by the relations between India and Pakistan. The old threat perceptions and old mindsets continue to haunt the strategic elites of India and Pakistan. So, the sudden transformation of bipolar nature of the world politics into a 'unipolar' world short of a 'New World order' did not desist the two competitive regional powers–India and Pakistan–from reducing their defence budgets or from stockpiling sophisticated weapons, including nuclear weapons. As a matter of fact, the presence of the US in the region always has a destabilising effect on the security environment in South Asia.

South Asia is a unique region from global perspective. Its problems and conflicts have their own dynamics and most, if not all, of these are created within the region, by its history, its geo-politics, its economy and ecology. Marginalized to some extent from the mainstream of global developments, South Asia continues to be less active insofar as its relations with other powers and regions are concerned. However, India's policy of economic liberalisation making it an integral part of international global development has brought India into international limelight in the 1990s. The United States sees India as a potential market for its products and services. As a result, though it is unhappy over India's nuclear pursuits, it is willing to accommodate India because of its own long-term economic interests.

How the other South Asian countries see the US and its impact on maintaining South Asian strategic balance is yet another aspect. The other South Asian countries are bogged down too much in their internal problems and come out with formal statements for non-proliferation of nuclear weapons or for peace and non-interference in other countries' internal affairs. The smaller countries feel deprived of the Cold War era's manoeuvrability vis-à-vis India or other powers. Internationally, they are at the mercy of the industrialized West and Japan because of their domination in the international financial institutions or in providing bilateral aid. Japan is now the leading donor to many South Asian countries followed by European countries.

Over the last two decades, inter-governmental economic institutions-the IMF, the World Bank and the WTO– have been determining the course of economic policies in the developing countries. The monitoring and guidance of these organizations has been in respect of the objectives to be pursued, policies to be formulated, instruments to be used and institutions to be developed. This is because most of the developing countries have come under a system of various high and low conditionalties, arising out of the borrowings that these countries have made from the IMF and the World Bank. The package of these conditionalities is normally referred to as the 'Washington Consensus'. This consensus includes macro-economic policies, specifically in terms of adherence to a fiscal balance limiting the budget deficit to 3 percent of the gross domestic product (GDP), liberalisation of foreign trade and foreign direct investment policies, privatisation, permitting the market to play a dominant role in the economy and, above all, marginalisation of the state in the economic domain.

Significantly, the IMF and the World Bank crossed the rubicon in the 1990s taking upon themselves the role of adviser/stipulator with regard to the nature of governance in addition to their original mandate. These institutions insist on ensuring a suitable political environment in the countries for successful implementation of the projects that they support. The South Asian countries are no exception. They too have come under the dominant influence of these organisations over the years. Thus, their intervention in political reforms in these countries has come to stay.

However, the reforms undertaken by the countries of South Asia under the guidance of the international financial institutions have not really led to an acceleration economic growth rates. The Human Development Report on *Globalisation and Human Development in South Asia,* published by United Nations Development Programme (UNDP) did not find any dramatic increase in the growth rates of the South Asian economies in the last decade and half. The Report reveals that while Bangladesh and Nepal had modest growth rates, the growth rate faltered in the case of Sri Lanka in the second half of the 1990s while it declined in the case of Pakistan. Only India has been able to achieve a growth rate of above 6 per cent.

One of the main causes for this situation was that the sequencing of reforms has not been correct. For instance, none of the South Asian countries expanded the tax base before reducing tariffs. The result was that the governments lost revenue which was crucial for carrying forward reforms. Similarly, adequate measures were not taken to protect the agricultural sector, before introducing market reforms in this sector. As a result, the performance of the agriculture sector across the countries of the region was bad.

It is significant that the Human Development Report advocates a certain economic solidarity among South Asian countries. It recommends the setting up of a strong regional trading bloc which would not only promote economic co-operation among members but also improve the competitive position of the group in a globalised set-up. It would facilitate political harmony, which is vital, and also help create a situation that would enable them to bargain collectively at global negotiations.

Despite democratic decision-making in the WTO, the participation of developing countries in the decision-making is not significant. Hence it is vital for the countries of South Asian region to emerge as a coalition to substantially influence the decision-making without altering the present provisions of the WTO including the consensus approach in practice.

As to how the 'weaker states will use coalitions as vehicles of cooperation as well as influencing the stronger ones has emerged as subject of debate in international relations. Coalition building, it may be noted here, is a continuous process. In fact, coalition building by the developing countries in promoting their causes in international economic relations is not a new phenomenon. In the 1960s, the developing countries came together and this unity was extended in the 1970s. This group came to be known as Group-77. Even within this grouping, before presenting their cases unitedly at various international forums, various trade-offs had been made so that they could present their needs consistent with the varying demands of varying groups within the Group-77. However, the strategy of Group-77 had been often criticized as being ineffective.

In the early 1980s, selected developing countries, in fact, formed informal and formal coalitions, which included India and Pakistan, to oppose the introduction of new issues such as trade-related intellectual property rights, trade related investment measures and trade in services in the agenda for negotiations in the Eight Round of the Multilateral Trade Negotiations. While they did not succeed in achieving their objectives, they were at least successful in postponing the inclusion of these subjects for negotiation, though not for long.

At the WTO, the emphasis on cooperation has been continuously made. In view of the far-reaching consequences of the decisions of WTO on member countries of SAARC,

it was r:)lved that SAARC countries would endeavour to coordinate their decisions on these issues in areas of common concern so as to protect and promote the interests of the developing countries and also about the exclusion of non-trade issues such as labour standards and environmental conditions.

Therefore, the only way to cope with this difficult situation is to build an effective coalition of South Asian countries and develop a capacity to handle the ever-growing challenges of negotiations on new issues in international economic relations. The SAARC seems to have realised the need for a strong coalition as is evident in almost all the declarations of the Heads of States of SAARC countries through the 1990s.

To conclude, the dichotomy between nation-state and globalisation demands greater autonomy and accountability on the part of international actors of a variety of categories. If the multilateral organisations such as WTO or international forums on human rights, gender issues, ecological problems or international financial agencies such as World Bank, IMF are not favourably inclined to consider the conditions of less developed countries, the global integration is neither feasible nor desirable. Similarly, the option before the nation-states in South Asia to negotiate with the global economic, political and cultural order has to be one of critical engagement lest it leads us to believe that "the nation-state is dead: long-live the nation-state" because "neither the age of super-states, nor the end of all states is about to happen".

Secondly, South Asian regionalism is contingent upon the benefits that the states of South Asia region accrue from the emerging global order. Stifled by backwardness, these countries need to come together as a regional group to cope with the unevenness of global integration. However, it is important to note that while promoting the conditions for regional cooperation, the states in South Asia must strive for sustaining their own autonomy. This is necessary because the interests of vulnerable sections in their territories would be better secured by the nation state than by the global order dominated by the interests of more advanced countries.

Finally, globalism pervades both nation-states and regions in whatever form and intensity. It is so because engagement of the nation-states with the global processes has become indispensable. This does not however mean the total subordination of nation-state autonomy to the global order. Nation-states in the developing parts of the world will have to build their abilities to critically negotiate with the compulsions of globalisation either through strong regional grouping or larger blocks of cooperation. Such efforts do not mean the integration with the global order, but striving to have share in it, while keeping their autonomy intact.

Check Your Progress 3

Note: i) Use the space given below for your answers.

ii) Check your answers at the end of the unit.

1) What is Washington Consensus?

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2) What has been the impact of economic reforms under taken by South Asian countries in the 1990s?

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22.6 LET US SUM UP

We have learnt in this unit different meanings of globalisation. We have also seen the dimensions of globalisation at different levels.

We have seen how nation state has come under severe strain because of the pressures from both global and local forces. The nation state's sovereignty appears to have received a jolt.

Most importantly we read in this unit that globalisation is not a uniform process that stands similar to all the countries. On the contrary, the experience of the advanced countries and least developed countries with globalisation is diagonally opposite. As we saw, the efforts of the developing countries to deal with global order must be critical and cautious.

The unit also examined the various challenges facing the nation states in the South Asian region and discussed efforts towards regional group formation, in recognition of the need to coop with the global order.

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22.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) MNCs, with their huge manpower and financial resources have enormous clout in the international economic order. They are for most part not amenable to state

control. Nevertheless, they are still dependent on the state to create conducive conditions for their entry and operation within the national territories.

2) The principle of sovereignty asserts autonomy or indepdence of the nation state. The forces of globalisation and local fragmentation are straining the states ability to act independently. States are finding it increasingly difficult to negotiate with global forces on their own. The increasing assertions of autonomy by local groups which are forging links with other similar groups across the border are also reducing the autonomy of states.

Check Your Progress 2

1) At the local level, the rise of strong local groups is eroding the states position as the sole claimant of citizen's allegiance. At the regional level, divergent interests of states in the South Asia are preventing the emergence of strong regional grouping. At the global level, the domination of the countries of the North in different global institutions poses a major challenge to these states

2) The world system, whose emergence is reflected in the growing number of international organisations, new issues requiring global attention and wide consensus on some issues such as human rights and democracy, cannot replace the nation state. The nation state remains the basis of international relations. The world system will remain dependent on nation states.

Check Your Progress 3

1) It refers to the package of macro economic polices that international financial institutions, the IMF and the World Bank impose on the barrowing developing countries.

2) Reforms undertaken at the behest of international financial institutions have not accelerated growth in the region. As a result of improper sequencing of reforms and inadequate protection to the agriculture, the primary sector, the gains for the countries of the region have been negligible or negative. Only India had a healthy growth rate of about 6 percent.

UNIT 23 POVERTY ALLEVIATION AND RURAL DEVELOMENT

Structure

23.0 OBJECTIVES

This unit deals with the overarching development issue in South Asia, poverty alleviation and rural development. After going through this unit, you should be able to:

- Describe the magnitude of the problem of poverty in South Asia;
- Recognise the linkage between rural development and poverty alleviation;
- Identify the macro and micro level strategies adopted by the countries in the region to deal with the problem; and
- Assess the impact of various anti-poverty measures.

23.1 INTRODUCTION

Several governmental institutions, social scientists and organizations have been conducting studies on poverty in South Asia. While the estimates of the incidence of poverty vary widely there is consensus that mass poverty is deeply entrenched in all the seven countries of South Asia. The region accounts for over 40 percent of the world's poverty in income terms. Here, about one third to almost one half of the rural population is poor, except in the Maldives where only 22 percent of the population is estimated to be below the poverty line. Although some progress has been made in reducing the prevalence of income poverty, the proportion of people still living in poverty and their absolute numbers is exceedingly high.

As an overwhelming majority of the population in the region continue to depend on agriculture poverty is disproportionately concentrated in rural areas. Poverty alleviation programmes are, therefore tied closely with rural development. In this unit, we will first examine the dimensions of the problem of poverty in the region and then proceed to examine some of the macro and micro level strategies aimed at poverty alleviation and rural development in the region.

23.2 POVERTY IN SOUTH ASIA

Most studies on incidence of poverty are based on two basic parameters, the calorie count and the level of income to meet the minimum calorie requirement. They do not take into account other basic necessities of life. As we observed in Unit 2, human poverty is much more than income poverty, more than a lack of what is necessary for material well being. Human poverty is the denial of choices and opportunities to lead a long, healthy, creative life and enjoy a decent standard of living. Besides income, what distinguishes the poor from the non-poor is the inadequate access to public services such as education, health, drinking water, and electricity. From this perspective, the levels of human poverty are alarming. The UNDP's Human Development Index (HDI) rates South Asia lower than all regions other than sub-Saharan Africa in terms of average achievements in basic human development. In the context of India, the *Human Development in South Asia*, 1997, authored by Mahbub ul Haq says that "the extent of human deprivation is staggering: 135 million people have no access to basic health facilities; 226 million lack access to safe drinking water; about half of India's adult population is illiterate...nearly one third of the total number of absolute poor of the world live in India".

Poverty is basically a rural problem in South Asia. In all countries of this region, poverty is disproportionately concentrated in rural areas. This is not surprising given that a large number of the people, from 42 per cent in Sri Lanka to 80 per cent in Nepal are still dependent on agriculture as a source of employment. Most of the poor are employed in agriculture or in related occupations. They are predominantly small farmers and landless laborers. They have limited or no access to land and other productive resources. Poor rural households tend to have larger families, with higher dependency ratios, lower educational attainment and higher underemployment. The poor also lack basic amenities such as water, sanitation and electricity. Their access to credit, inputs and technology is severely limited. As a result of their low levels of social and physical infrastructure, the poor are vulnerable to not only natural calamities such as famine and disease, but even economic fluctuations.

Distribution of poor in rural and urban households in South Asia

Country/year	Distribution of Poor	
	Rural	Urban
India (1994)	86.2	13.8
Pakistan (1990/91)	75.0	25.0
Bangladesh (1995/96)	57.8	42.2
Nepal (1995/96)	94.0	6.0

In Bhutan, no authentic and independent study has been done on poverty and income distribution. However, it is estimated that the majority of the 75 percent people living in rural areas are poor. There is skewed distribution in the size of landholdings. Bhutan does not have any poverty data based on calorie intake and consumption expenditure. Even while calculating the Human Development Indices *Bhutan National Human Development Report 2000* takes into consideration per capita wealth rather than per capita income. *Poverty Assessment and Analysis Report 2000*, published by Planning Commission of Bhutan showed that 33 per cent of the households have income below the national average. The same document mentions that, "average per capita household income of around Nu 1200 per month, about Nu 40 per person per day, is less than a dollar per person per day on average." This as per the definition of the World Bank points towards the existence of huge portion of the population living below poverty line.

India has 72 per cent of its population living in rural areas. Agriculture contributes 28 per cent of the country's gross national income (GNP). Poverty in all forms is alarmingly massive in India. The issue of poverty alleviation has been central to the planning process right since the First Five Year Plan (1951-56). Though several economists and organisations have been consistently conducting studies on the state of poverty in India, the broad methodological questions like criteria for identifying the people below poverty line, the samples, their geographical coverage and the periodicity have always dominated the poverty studies. The poverty scenario which has been showing a declining trend after the mid-1970s, has acquired an enigmatic dimension particularly in the 1990s. As per the Tenth Plan Document (2002-2007), the percentage and absolute population below poverty line came down steadily from 54.88 per cent (321.3 million) in 1973-74 to 26.10 per cent (260.3 million) in 1999-2000. In 1973-74, the concentration in the rural areas used to be as high as 81 per cent of the total which gradually came down to 77 per cent 1999-2000. Official claims that poverty is declining continuously came into a sharp criticism particularly in the light of ongoing economic reforms. The Planning Commission estimate has been critically contested by a number of experts and institutions.

In India, there are regional imbalances in distribution of poverty. These imbalances tended to increase gradually during the 1980s and rather steeply after the economic reforms were initiated in the early 1990s. It is expected that there will be a great variation in the projections of people below poverty line in the states by the end of the Tenth Five Year Plan in 2006-07. It varies from 2 per cent in States like Gujarat, Haryana, Himachal Pradesh and Punjab to 41 percent and 43 per cent respectively in Orissa and Bihar.

In the island state of Maldives, the disadvantaged groups, namely those living in the atolls are synonymous with the poor. Although there is no absolute poverty in the country, about 22 per cent of the rural population is poor. One of the major challenges that are facing Maldives has been to ensure that the benefits of growth and development are equitably shared between the nation's highly dispersed populations.

In Nepal, agriculture still contributes over 40 percent to national income. Agricultural growth has been poor and rural poverty is much higher than urban poverty. As per the *Ninth Plan, 1997-2002,* the size of population living below the poverty line has been found to be 42 percent in 1996. Within this also, 24.9 per cent is considered to be the poor and the remaining 17.1 per cent is estimated to be ultra poor. In Nepal, the per capita consumption level has been treated as the criterion. The Living Standard Survey launched by Central Statistical Organization in 1996 determined 2124 calorie as per capita per day necessity. On this basis, the per capita annual expenditure to purchase this determined calorie equivalent of food worked out to be Rs. 2637. If the expenditure on non-food items is added to it, the per capita annual expenditure is estimated to stand at Rs 4404. Those living in the mountainous regions are poorer than those in the hills and Terai.

Pakistan has 64 per cent of its population residing in the rural areas. Agriculture contributes 26 per cent to the country's GNP. The early substantial decline in rural-urban inequality has now come to a halt and more recently, inequality has started to increase. Rural poverty is now much higher. The latest *Economic Survey* (2003) emphatically mentions that poverty significantly and steadily increased from 26.1 per cent in 1987-88 to 32.1 per cent in 2001. In the income inequality trends also, the Gini coefficient rose from 0.355 in 1985-86 to 0.410 in 1998-99 showing a definite consolidation of inequality in Pakistan. The highest 20 percent of the income group continue to usurp almost 50 percent and the lowest 20 per cent gets hardly 6 per cent of the income. Rural areas of South Punjab and Baluchistan are very poor. At the World Summit for Social Development, the government of Pakistan has admitted that after the first Structural Adjustment Programmes were initiated in 1988, trends in both the incidence of poverty and inequality have shown an increase.

Three household income and expenditure surveys covering the entire Sri Lanka, except the North and East were conducted during the 1990s. The Department of Census and Statistics (DCS) data suggest the absolute poverty increased significantly from 33 to 39 percent according to the higher poverty line, and from 20 to 25 per cent according to the lower poverty line. The DCS conducted another Household Income and Expenditure Survey in 2002. A preliminary report, based on the first three months survey data covering about 40000 households indicates that around 28 percent of the population is experiencing consumption poverty. This finding, even though tentative, suggests that there has been no significant change in the poverty level in the latter half of the 1990s.

The World Bank's poverty assessment found that the incidence of poverty varies across the major ethnic groups (Sinhalese, Sri Lankan Tamils, Indian Tamils and Muslims) with the exception of Indian Tamils, most of who are classified as poor. Indian Tamils (often referred to as estate Tamils) are among the poorest people in Sri Lanka.

Sri Lanka has been immersed in ethnic war from 1982 to 2001 (nearly 19 years). The humanitarian, social and economic impact of the war is felt most directly by population in the North and East and the area bordering it. Some of the effects of the conflict include: loss of civilian lives and psychological trauma, damage to infrastructure and homes, displacement, restricted mobility in some areas in the country, disruption of local economies, disruption of community and institutional networks, high dependence on relief, deterioration in the health status of the population, and widespread vulnerability and insecurity among the population.

Qualitative reports suggest that income poverty, healthcare, education and economic conditions are far worse in areas racked by war than in other parts of the nation. Among the worst affected groups are households that have been displaced, sometimes repeatedly, as a result of conflict in or threats to their home villages. Displaced families have lost productive assets, including in some cases lands they had cultivated before being displaced. The Sri Lanka Integrated Survey (SLIS) found that nearly all households in the northeast (97%) that moved due to the war suffered loss of property.

Check Your Progress 1

Note: i) Use the space given below for your answers.
ii) Check your answers at the end of the unit.

1) What is the percentage of people living below povery line in the following South Asian countries.

Country	India	Pakistan	Sri Lanka	Nepal
Poverty levels				

2) What are the economic and demographic characteristics of the poor in South Asia?

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23.3 ANTI POVERTY POLICIES

If the bulk of the poor in South Asia are in rural areas, what is the appropriate strategy for alleviating poverty in the countries of the region? The perception of policy makers and economic analysts regarding appropriate policies for alleviating poverty has

undergone significant changes over the years and as we shall see in the following discussion, wavered between economic growth and redistribution as the potent weapon for assault on poverty. Till the early 1970s, the dominant ideology governing development efforts was that economic growth would lead to a 'trickle down' and 'spread' effect benefiting the poor. Rural development efforts during this period, such as Community Development Programmes in India and Village Aid Programmes in Pakistan aimed at increasing access to education, health, housing and social welfare, they did not explicitly aim at poverty alleviation. The pressing objective of these programmes was to increase agricultural production.

By the early 1970s, it became clear that the process of economic growth had bypassed the rural poor, and in some cases had even worsened their condition. A series of developmental studies highlighted that economic growth, by itself, cannot lead to redistribution of assets or incomes and that the condition of the poor will remain largely unaltered. Pakistani economist and the author of *Human Development in South Asia Report 1997* aptly remarked, "my own rude awakening came quite early after a decade's experience with Pakistan's development planning. After generating a GNP growth rate of 7 per cent per annum during 1960s, our team of young and enthusiastic economic planners was getting ready to a bow on the national stage in 1968. It greatly puzzled us that the majority of the people were not as impressed with the quantum of growth as we were and instead were asking for an instant demise of the government. What had really happened was that while national income had increased, human lives had shrivelled, as the benefits of growth had been hijacked by powerful pressure groups". Therefore, it is not just the pace of economic growth that matters for poverty alleviation, but also the kind and quality of growth.

It is in these circumstances that redistributive measures to address the problem of poverty alleviation gained popularity. Since the late 1970s, most South Asian countries launched special policies and programmes aimed at poverty alleviation and rural development. In a significant departure from the past, this phase saw the involvement of a number of non-governmental organisations (NGOs) in poverty alleviation and rural development programmes. The NGOs came to the fore in the late 1980s, when there was a decline in the expenditure on social sectors in most countries in South Asia because of adverse external trade environment and debt crisis.

Policies that are concerned with the issue of removal of poverty may be broadly classified as falling under three groups. First, there is the set of policies which are directly oriented towards production and income generation such as tenancy and land reforms which increase the asset base and productivity of the poor. A second set of policies that affect the flow of incomes or consumption to individuals or households include employment and wage employment. A third set of policies relate to public expenditure schemes which seeks to provide certain basic infrastructure and amenities such as rural roads and drinking water supply, which are essential for improving the living conditions of the poor. Let us examine a few policies and programmes aimed at poverty alleviation in South Asia.

23.3.1 Land Reforms

Most South Asia countries embarked upon land reforms soon after independence. The ceiling-cum-redistribution policy is by far the most radical in nature, yet one that has been least successful in practice. Indian land reforms began in the 1950s. By the mid-1980s about 1.5 per cent of the cultivated land was acquired under ceiling laws and less than 80 percent of it was actually distributed. Moreover, since the amount of land available for distribution was itself small, the total number of beneficiaries amounts to a miniscule proportion of poor households.

The record of Bangladesh is even more dismal. The excess land over the stipulated ceiling would have amounted to no more than one per cent of the cultivated land even if the ceilings were strictly enforced. In practice, only15 percent of the potential has been distributed.

In Nepal, the results of the most comprehensive land reforms programme through Land Acts of 1964 have been equally dismal. Only 3 per cent of total cultivated area was found to be in excess of the ceilings. The area that was redistributed was 23, 588 hectares (a little over one percent of the cultivated area).

In Pakistan, land reforms of 1959 resulted in acquiring only 2.50 million acres, representing about 4 per cent of the then cultivated land. In the next phase of land reforms in 1972 and again in 1977 another five per cent of cultivable land was resumed for redistribution.

Sri Lanka's achievements appear to be more remarkable. As much as 20 per cent of the cultivated land was promptly acquired following the legislation of 1972 and 1975. But the landless and small peasants gained very little –only 12 percent of the land acquired, which amounts to 2.4 per cent of the land cultivated land, accrued to the peasantry. The reason is that the reform was aimed mainly at the plantation sector-only one per cent of the paddy land was acquired in the process. The bulk of the plantation land came under state run corporations which did very little to enhance the control of the landless poor.

The general picture all over the region is thus one of negligible impact of redistributive land reforms. In general, the stipulated ceiling was too high to release adequate surplus land. Even the meagre amount of land that should have been legally available, could not be fully acquired as the land owners made use of various legal loopholes such as benami transfers to keep possession of land . Further, much of the meagre land actually surrendered was found to be extremely poor, made up of ditches, marshes and waste land.

Tenancy Legislation

Most South Asian states have enacted legislations providing for ownership rights to tenants as also determining the sharecropper's share of the produce. These legislations however not only failed to improve the tenants control over land, but in fact, made their condition worse by promoting large scale eviction. Given the existing ownership rights and the acute land hunger on the part of the landless and marginal peasants, the mere existence of legislation is not enough. The tenants must have countervailing political power at the local level to neutralize the pre-existing superior power of landlords. Further, even if the tenants get access to land, they will need new sources of consumption loan, working capital loan and other elements of subsistence insurance which will no longer be forthcoming from the landlord. It is precisely the non-fulfilment of these two conditions that led to almost complete failure of tenancy reforms in most South Asian countries.

23.3.2 Policies Promoting Self-employment by Strengthening Asset Base

Given the acute shortage of land, a number of poverty alleviation schemes have emerged which seeks to promote self-employment in non-farm activities by strengthening the asset base of the poor. Case studies of schemes in South Asian countries are examined below:

The Grameena Bank

The Grameena Bank (GB), a voluntary organization which emerged in Bangladesh in the mid seventies, became a novel antipoverty programme in the country. It was aimed at the bottom 40 per cent of the rural population in selected areas of the country. Its target group generally covers households who own no more than half an acre of land.

GB takes banking services to the door step of the target groups through its workers who attend weekly meetings of loanees, at which credit is disbursed and instalments of loan repayments are collected. GB has progressed rapidly and by the end of 1984 had come to cover 2.5 per cent of all the villages in Bangladesh.

A notable feature of GB is that about 51 percent of its members are females who receive about 37 per cent of total loans disbursed. GB loans are being used basically for undertaking rural non-crop activities such as trading, shop keeping, processing and manufacture of livestock and fisheries.

It is significant to note that GB has encouraged higher female participation in non-farm activities. The per capita incomes of loanee households have increased more rapidly as compared to non-loanee households. It is noteworthy that this has been very high. GB has thus succeeded in giving income support to the poor without degenerating into a dole giving institution that so many other poverty alleviation programmes have tended to become.

It must be noted however, that so far GB covers only a small proportion of the total population of Bangladesh and the question arises whether it can be replicated widely to produce a significant impact on poverty alleviation at the national level.

Integrated Rural Development Programme

Integrated Rural Development Programme (IRDP) was conceived as an ambitious anti-poverty programme in India's Sixth Five year Plan (1980-85) and was designed to help 15 million families in rural areas to rise above poverty line.

IRDP provided the eligible families with financial assistance, by way of both loan and subsidy, to enable them to acquire productive and income generating assets. The programme marked a distinct departure from the earlier plans in which poverty alleviation was taken up largely on the fruits of overall development.

Most case studies on IRDP concede the success of the programme in raising the level of income of a large number of targeted beneficiaries. However, the evaluation reports of the IRDP have highlighted a series of administrative and organisational weaknesses. Block level machinery was found to be quite weak for providing appropriate and integrated delivery system. As the bulk of the beneficiaries were identified by block development officials, and not by elected village assemblies, the proper targeting of more deserving households was not possible.

Another drawback of IRDP was the preponderance of schemes of assistance in the primary sector and that too in the animal husbandry sub sector. The programme floundered in many cases because of the low level of investment and non-availability of good quality animals. The programme did not provided for feed and fodder and the beneficiaries were unable to market their product, especially milk. The beneficiaries were handicapped in respect of availability of raw materials, access to working capital and lack of infrastructural facilities in terms of marketing. Consequently, the initial increase in incomes could not be sustained over longer periods. What is further disheartening is that the majority of the beneficiaries have credit overdue. Attempts are now being made to plug loopholes and leakages in the programme and integrate them along with sectoral and area development programmes into a comprehensive form of integrated development of each area.

Small Farmers Development Programme of Nepal

The Small Farmers Development Programme (SFDP) in Nepal is also a credit based programme intended to raise the productivity of the small and marginal farmers. SFDP launched during the fourth Plan (1970-75) has been a major programme where the thrust was multi-sectoral and it used as its base a group of villages. The objective of the programme was to channel available resources and services to small farmers so as to raise their standard of living.

Group responsibility on group-decided projects promoted the sprit of cooperation. By the end of the 1970s, there were 24 SFD programmes including nearly 7000 farm families. Evaluation reports have found that participants in SFDP were better off with an average household income of 24 per cent higher than the non-participants. This had a favourable impact on the access to food of small farmers included in the programme.

Though the SFDP has had a positive impact, it is not without limitations. The problems of the programme as identified by farmers and group organisers, relate to lack of clarity about the objectives of the programme, complicated loan procedures, misuse of loans, large farmers taking advantage of the programme, and high rate of mortality of livestock because of poor support services.

Wage Employment Schemes

Food for Work Programme (FFWP) was introduced in Bangladesh in the mid-1970s with a view to creating employment opportunities for the landless and the poor and for creating infrastructure. Payment is made in terms of wheat received through food aid. Despite the progress made in the number of schemes and man-days, employment generated by the programme accounted for 1 per cent of the total available man-days. Secondly, the wage rate of workers under the programme has been found to be substantially lower than the officially stipulated rate in terms of quantity of wheat. Finally, the quality of the infrastructure developed under the programme has been found to be poor.

India has had more extensive schemes for wage employment. Though it launched the Rural Manpower Programme in 1960, it was only in the mid-1970s that such programmes acquired greater thrust. In 1977, the Food for Work Programme was introduced. It was replaced by National Rural Employment Programme (NREP) in 1980. The NREP aimed at providing supplementary employment opportunities to those seeking work during lean periods, thereby creating durable community assets. The programme aimed at creating 300-400 million man-days of employment per annum. The Rural Landless Employment Guarantee Programme (RLEGP) was launched in 1983 with the aim of providing guaranteed employment to at least one person of every landless rural labour household up to hundred days a year, to generate employment of 300 man days a year, in addition to employment generated under NREP.

In 1989, the NREP and the RLEGP were merged into a single expanded new programme called the Jawahar Rozgar Yojna (JRY). This scheme was estimated to create approximately 650 million man-days of unskilled employment per annum. It was expected to provide jobs for approximately 10 per cent of unemployed labour force in rural India.

These schemes have had some positive impact in the stabilisation of wages in rural areas and in providing landless labourers a certain degree of security, particularly during lean and drought periods. They, however, tend to give too much emphasis on building roads and buildings to satisfy local pressures, which in turn has led to wide and thin coverage in terms of community assets as well as neglect of more beneficial projects such as watershed based land development works, soil conservation and irrigation.

23.3.3 Public Provision of Basic Needs

It is well recognised that by targeting public expenditure in relation to basic needs fulfilment of the needy, much could be achieved in terms of enhancing the human resource potential of an individual. The experience of Sri Lanka and the state of Kerala in India has already attracted widespread attention in this regard. Here, it is not the high levels of per capita income or land reforms and employment generating programmes, but the public provision of basic amenities such as food, health care and education that has played a crucial role in improving the quality of life of people in these areas. Both Sri Lanka and the Kerala state are distinctly far ahead of the rest of South Asia by all indicators of quality of life.

23.4 AN ASSESSMENT

The dominant approach to development did not make a major dent into endemic poverty and could not reverse the process of poverty reproduction. The failure of this traditional

intervention has been attributed to three glaring assessments. Firstly, the stock of knowledge that was perfected and experimented in the industrialised countries were forcefully transferred and imposed on this region. Secondly, it assumed poor communities to be harmonious entities thereby disregarding the hard realities like dominant-dependence relationship in a village and gender and equity conflicts which adversely influence the effectiveness of delivery system. Finally, it neglected the issue of income distribution. When the cumulative benefits failed to trickle down to the poor, all kinds of state mechanisms were used which paid insufficient attention to detail. This failure of delivery approach by the state could largely be traced to the heavy reliance on bureaucratic system.

The delivery of poverty alleviation programmes through state mechanisms did not reduce poverty. In fact, bureaucracy became the main hurdle for delivery of goods and services to the poor. There has been much less accountability, lots of leakages and no capacity building. A negligible effort has been made to empower the downtrodden in the entire anti-poverty interventions.

As the magnitude of crisis widened, many micro-level mobilisations and non-governmental intervention against poverty started appearing. Learning from the tedious delivery systems of the state mechanism, a new understanding began to emerge and focus gradually shifted from macro-interventions to participatory micro development organisations. The main thrust of micro development organisations, mostly non-governmental organisations, has been on involving local leadership, use of local resources, empowerment and capacity building. All the micro level success stories of poverty alleviation in South Asia such as the Rural Advancement Committee of Bangladesh, Aga Khan Rural Support Programme of Pakistan, Small Farmer Development Programme of Nepal, Self Employed Women's Association of India, Janasakti Banku Sangam of Sri Lanka and Mongar District Health Project of Bhutan have indicated that where the "poor participate as subjects and not objects of the development process, it is possible to generate growth, human development and equity".

Most of the success stories in poverty alleviation and rural development are built upon participation and community effort. They are also "incremental in nature in the sense that they rely on societal experiences, memories and mobilisation systems and outside resources are marginal. This is true of Grameena Bank of Bangladesh and Pani Panchayats in India". When ever local communities have been involved in the control and management of their resources, it has been possible to protect the environment and regenerate it productivity.

The NGOs across South Asia have repeatedly shown through their work that community self governance has invariably led to improved human development as in the case of environmental project in Karachi in the urban context; the villages of Sukhomajri, Nada, Seed, Bhusadia and Ralegaon Siddhi in India; and, the Grammena Bank in the flood affected plains of Bangladesh. In Nepal, rural communities continue to manage their fragile Himalayan environment with great care and labour inputs. The enormous labour inputs of the poor in environmental management-such as those of the Himalayan farmers in terracing their agricultural fields-remain an invisible factor often far more than official expenditures, whether they result from national funds or foreign aid.

Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answers at the end of the unit.

1) In the assessment of the author, why have ceiling cum redistribution policies had negligible impact in South Asia?

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2) Assess the role of NGOs in poverty alleviation programmes.

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23.5 LET US SUM UP

In this unit we saw that the bulk of the population in the countries of South Asia resides in rural areas and is dependent on agriculture. With about one third to almost one half of the rural population in poverty, poverty in South Asia is mostly a rural phenomenon. Despite this, it was only in the 1970s that specific policies and programmes aimed at poverty alleviation were taken up. Until then, it was assumed that economic growth and agricultural growth in particular would trickle down and lift the population above poverty levels. But just as the states in South Asia began to design poverty alleviation programmes aimed at specific sections and regions, their expenditures on rural development and service sector declined because of the economic instability arising out of the debt crisis on the one hand and adverse external trade environment on the other. It was at this stage that a number of non-governmental agencies became involved with poverty alleviation and rural development programmes.

As we saw, the success of rural development and poverty alleviation programmes in South Asia depended on not only on how much the state has spent on them, but also on the way they have been organised and the extent to which the intended beneficiaries have been involved in them, both in design and implementation. Participatory approaches to rural development where they have been adopted have generally shown promising results in targeting the poor and providing sustainable livelihood to the poor.

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23.7 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1)

India	Pakistan	Sri Lanka	Nepal
Over 26%	Over 32%	28%	42%

2) The rural poor in South Asia have little or no access to land and other productive resources. They tend to have larger families, with higher dependency ratios, lower educational attainment and higher underemployment. The poor also lack basic amenities such as water supply, sanitation and electricity. Their access to credit, inputs and technology is severely limited.

Check Your Progress 2

1) The impact of redistributive land reforms has been negligible. In general, as the ceiling was too high, little land was released as surplus. Moreover, land owners made use of various legal loopholes to retain land. Much of the meagre land that was surrendered was found to be unsuitable for cultivation.

2) Since the 1980s, many NGOs have become involved in poverty alleviation and rural development programmes. They lay emphasis on involving local leadership, using local resources, empowerment and capacity building. They involved the poor in designing and implementing the schemes. This has contributed to their success. NGOs are complementing the government's macro development efforts.

UNIT 24 SAARC

Structure

24.0 OBJECTIVES

In this unit we will study the SAARC, the first concrete expression of regional cooperation in South Asia. After going through this unit, you should be able to:

- Trace the genesis of Asian regionalism leading to the formation of SAARC;
- Identify the objectives of SAARC;
- Give a brief resume of the SAARC Summits;
- Identify the problems besetting SAARC, and
- Analyse the prospects of the organisation.

24.1 INTRODUCTION

In the history of regionalism, the South Asian Association for Regional Cooperation (SAARC) is a unique experiment. In terms of national profiles or superpower connections (till the end of the Cold War), it has few parallels in the world. Comprised of seven unequal states in terms of size, population, political system and development status —Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka— on one extreme it has India, the second most populous country in the world (after China), and on the other, the Maldives, with a population of barely 200,000. Similarly, on one side it has such nuclear powers with large armed forces as India and Pakistan and on the other, small states like Bhutan and the Maldives, the combined military strength of which would not exceed the police force of New Delhi or Karachi. The position of Indonesia in ASEAN (Association for South East Asian Nations) or that of Saudi Arabia in GCC (Gulf Cooperation Council) can provide only a limited comparison in this regard. With regard to super power connections also, they were, during the Cold War, asymmetrical. India, although a non-Soviet bloc nation, had a record of three and a half decades of friendship and trust with the Kremlin. This contrasted glaringly with Pakistan, which was closely aligned to the US global strategy.

The realm in which the SAARC countries have something really in common is their state of underdevelopment. All are developing nations, and four of them (Bangladesh,

developed' countries. Understandably, the rationale behind the formation of SAARC was the economic development of the region.

South Asia is a fairly well-defined geographical unit. In terms of historical experience also it has uniformity. Yet, strangely enough, SAARC is the first experiment of its kind in the region. It came into being in December 1985 at the first-ever South Asian summit held in Dhaka, capital of Bangladesh.

24.2 HISTORY

Earlier efforts at regionalism in Asia in general and South Asia in particular were both un-pragmatic and far fetched. Being too diffused in both membership and scope they did not have any lasting significance. For example, the seven conferences were convened between 1947 and 1955: the Asian Relations Conference, New Delhi, March 1947; Conference on Indonesia, New Delhi, January 1949; Baguio Conference, Baguio, Phillippines, May 1950; Colombo Plan, formally launched on 1 July 1950, after a decision at the meeting of the Ministers of Independent British Commonwealth countries in Sydney and London in 1950; Colombo Powers Conference, Colombo, April 1954; Afro-Asian Conference, Bandung, Indonesia, April 1955; and Simla Conference, Simla, May 1955.

Convened against the background of recent decolonization movements, the meetings were prompted either by an anti-colonial ethos or by prodding of ex-colonial masters as reflected in the Colombo plan. They included countries from several world regions.

Tilt towards Western Bloc

One notable characteristic of the first generation experiment in Asian regionalism was South Asia's unanimous tilt towards the Western bloc, notwithstanding its anti-colonial and anti-imperialist rhetoric. From the mid 1950s onward, however, as Pakistan became increasingly entrenched in the US strategic network, the division between India and Pakistan became wider and deeper. During the same period, the growing Sino-Soviet conflict added another complicated dimension. As a result, by the time India and Pakistan fought their third war in 1971 (the earlier ones were in 1947 and 1965) on the issues of liberation of Bangladesh the lines were clearly drawn. Against this background, any call for regional cooperation was a cry in the wilderness.

Revival of the Idea of Cooperative Arrangement

The idea was revived towards the end of the 1970s. It was Ziaur Rahman, the then President of Bangladesh, who first suggested that the seven states of South Asia work out a cooperative arrangement to ameliorate the stark economic problems of the region. Although the proposal did not evoke much enthusiasm in the beginning, following the change in the leaderships in the countries the proposal caught the imagination of the people in power. It was a time when the political leadership in South Asia was passing into the hands of a new set of rulers. In India, Indira Gandhi's Congress Party was replaced by the Janata Party led by Morarji Desai; in Pakistan Zulfiqar Ali Bhutto was replaced by a military ruler Zia-ul-Haq, and in Sri Lanka Srimavo Bandaranaike was replaced by Junius Jayewardene. In Bangladesh, Ziaur Rahman had consolidated his position and there was no immediate threat from pro-Mujib forces. All these leaders had a pro-US image and unlike their predecessors, tended to build regional relations on new premises.

Effective Steps Towards SAARC

Ironically, however, the first effective step towards building SAARC was taken at a time when the political landscape of South Asia had returned nearly to its earlier state. Indira Gandhi had staged a dramatic come-back in India in 1980, which coincided with

the Soviet intervention in Afghanistan in 1979 and the return of the US-Pakistan 'special relationship'. Indira Gandhi's virtual endorsement of the Soviet move sharpened the strategic cleavage between India and Pakistan. While all this was happening, in May 1980, Ziaur Rahman sent formal letters to the six South Asian leaders urging serious thought for the creation of regional cooperation body. Interestingly, the appeal received a positive, though lukewarm, response.

Without directly referring to the political questions and without touching upon sensitive regional issues, the leaders thought it worthwhile to explore areas of mutual economic cooperation. It was a time when North-South dialogue had practically failed and the slogan of economic cooperation among developing countries (ECDC) under South–South Cooperation had started gaining high grounds. The global recession was increasingly crippling the world economy. Hardest hit was the oil-importing developing world to which South Asia belonged. By the mid-70s real growth rates had touched a low of almost two per cent. The 'second oil shock' of 1979-80 worsened the situation. In 1980, the balance of trade record of all South Asian countries remained very critical. Against this background the advisability of regional cooperation in particular, and South-South Cooperation in general, took high priority on the developmental agenda. The creation of SAARC was only a matter of time.

Several meetings took place at the secretarial level to identify areas of cooperation. The highlight of these meetings was that all of them decided not to discuss any 'bilateral or contentious' issues in their regional meetings and whatever decisions they take would be on the basis of consensus. Interestingly, the first point was made on India's insistence and the second, on both India's and Pakistan's, the other countries having no particular reason to worry about them. These two conditions continue to guide the basic functioning of SAARC. On the contrary, they would have preferred the inclusion of bilateral issues which could have given them confidence to deal with India—the colossus and often referred to as the 'Big Brother'. In a way, therefore, it was a major diplomatic gain for India.

Launching of SAARC

In August 1983, the ongoing process was given a political push. At the first Foreign Ministers' Conference in New Delhi, the South Asian Regional Cooperation (SARC) Declaration was adopted. Following this the organisational structure of SAARC was finalized.

Thereafter, the first summit meeting took place in Dhaka in December 1985 and SAARC was formally launched. The leaders decided in favour of a Council of Ministers and a Secretariat, certifying their enduring commitment to the organization. In February 1987, the SAARC Secretariat came into being with a secretary general and four directors. Later, the SAARC Council of Ministers was formed consisting of the foreign ministers of respective member states.

Organisational Structure

Following the New Delhi meeting of foreign ministers in 1983 the organizational structure of the SAARC assumed a clear form and shape. It developed as a four-tier structure. At the lowest level were the Technical Committees of experts and officials formulating programmes of action and organizing seminars and workshops. Next was the Standing Committee of Foreign Secretaries to review and coordinate the recommendations of the Technical Committees, which was to meet at least once a year. Above this was the Foreign Ministers' Conference, also to be held which was to meet at least once a year to grant political approval to the recommendations of the Standing Committee. At the apex was the Summit Meeting to be held annually to give political significance to SAARC.

Check Your Progress 1

Note: i) Use the space given below for your answers.

ii) Check your answers with that given at the end of this unit.

1) Identify at least three factors that contributed to the formation of SAARC

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2) The four-tiers of SAARC's organisational structure are:

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24.3 SAARC SUMMITS

So far, twelve Summits have taken place—Dhaka (1985), Bangalore (1986), Kathmandu (1987), Islamabad (1988), Male (1990), Colombo (1991), Dhaka (1993), New Delhi (1995), Male (1997), Colombo (1998), Kathmandu (2002) and Islamabad (2004). However, in the past several summits have been postponed or not held at all because of domestic and bilateral problems of member countries.

The SAARC has a fairly impressive record of meetings, seminars, studies and reports that it has sponsored. The Calendar of Activities released by the SAARC Secretariat from time to time, enumerates a large number of activities pertaining to such diverse developmental fields as agriculture, animal husbandry, horticulture, health and sanitation, forestry, population, meteorology, postal services, drug trafficking and abuse, integrated rural development, transfer of technology, sports, transport, telecommunication, women's development, trade and commerce, and others.

SAARC's activities are not confined to developmental issues only. Even such an issue as terrorism, which has been hanging fire in Indo-Pak relations for several years and has serious political overtones, had earlier received attention. Despite deep-rooted divisions among the SAARC countries over this question, they could adopt a convention against terrorism. Its highlight was the identification of offences, which 'shall be regarded as terroristic and for the purpose of extradition shall not be regarded as a political offence or as an offence inspired by political motives.' The convention provides the necessary follow-up through the signing of bilateral extradition treaties. This convention has not been implemented because Bangladesh and Pakistan have not ratified the same as they do not have the enabling domestic legislations against the terrorists. However, a new dimension was given to this Convention in the Islamabad Summit of 2004.

The first SAARC summit was held in **Dhaka** in December 1985. At this meeting, SAARC was formally launched. This Summit was particularly important in two respects. In the first place, there was the use of expressions 'Non-use of Force' and 'Peaceful Settlement of All Disputes' (Preamble and Article II). It may be noted that similar expressions were used in the original Working Paper (1980) prepared by Bangladesh, but in the first Meeting of Foreign Secretaries (April 1981) they were dropped on account of Pakistan's reservations. Pakistan's no-war pact proposal to India came later in September 1981. The use of these expressions in the SAARC document, therefore, made the no-war proposal virtually redundant. Secondly, the summit decided in favour of a Council of Ministers and a Secretariat thereby giving permanence to SAARC.

At the second SAARC summit held in **Bangalore** in November 1986, the leaders forged a regional convention on suppression of terrorism, agreed to set up a regional food security reserve and decided to commission a study on the causes and consequences of natural disasters and the preservation of the environment. In response to the Afghan application for membership, the summit directed the Standing Committee to draw up the criteria for membership. (SAARC charter is silent on the admission of new members).

The third SAARC summit was held in **Kathmandu** in November 1987. In the summit, the SAARC Regional Convention on Suppression of Terrorism was signed, which came into force on 22 August 1988.

The fourth SAARC summit was held in **Islamabad** in 1988. At this summit, an integrated development plan called 'SAARC 2000—a basic needs perspective' was drawn. The plan envisaged a regional perspective programme with a specific target in core areas like food, clothing, shelter, education, primary health care, population planning and environmental protection, to be met by the year 2000.

The fifth SAARC summit was held in **Male** in November 1990. At this summit, the leaders called for the welfare of the disabled and the girl child, convention on narcotic drugs and psychotropic substances to deal effectively with the menace of drug abuse and suppression of illicit traffic in the region, enlargement of visa-free travel facility beyond the existing categories of members of Parliament and Supreme Court Judges to include the heads of national academic institutions, their spouses and dependent children, and, most importantly, the extension of the core areas of economic cooperation. It was decided that by the end of February 1991 the regional study dealing with the contentious issue of trade, manufactures and services should be completed. This was particularly important because everyone agreed that to meet the challenges posed to the global economy by the collapse of the socialist economies, new pattern of production, consumption and trade would have to be conceived, and that sooner it was realized the better it was for South Asia.

The Summit sixth SAARC summit at **Colombo** was originally scheduled to be held in November 1991. But following the last moment decision of the Bhutanese King not to participate in the summit because of his pressing domestic problems, the meeting had to be postponed. This was unavoidable because both India and Nepal insisted that since the King of Bhutan was not participating, they too would not. They strongly felt that in the absence of any one member of the summit, the meeting, even if held, would amount to going against the collective spirit of SAARC.

The summit was later held on 21 December 1991. Most of the issues in the Colombo declaration that was adopted at the summit were part of SAARC's continuing agenda over the previous years. The need to curb terrorist activities, the Maldivian initiative to seek international consensus on reinforcing the security of small states, the call to take effective steps to combat narco-terrorism in South Asia, the plea to articulate a collective stand on global and regional environmental issues fall in this category. The summit leaders also agreed that the inter-governmental group, already set up to study the prospects for regional cooperation in the areas of trade, manufactures and the services, should also examine the Sri Lankan proposal for the establishment of a SAARC Preferential Trading Arrangement (SAPTA) by 1997.

But the most significant of all the decisions taken at the Colombo Summit was the agreement that a special session of the SAARC Foreign Secretaries should be held in Colombo in 1992 to study the ways and means to streamline the working norms of the organization. This study could cover a wide spectrum of proposals, including those designed to seek changes in the SAARC charter. Even the issue of establishing suitable 'external linkages' with other regional organizations such as ASEAN and EU could also be considered.

The seventh SAARC summit was held at **Dhaka** in April 1993. In this summit, the SAARC Preferential Trading Arrangement (SAPTA) was signed. The agreement was supposed to provide the member countries with the basic legal framework for step by step trade liberalization amongst them through tariff, para tariff, non-tariff and direct trade deals.

At the eighth SAARC summit held in **New Delhi** in 1995, the SAPTA was formally launched.

At the ninth SAARC summit at **Male** held in 1997, the SAARC Group of Eminent Persons was established. The group contemplated the creation of SAARC Economic Vision through creating a SAARC common market and effecting macro-economic policy coordination.

Encouraged by the progress made by SAPTA negotiations, at the tenth SAARC Summit meeting in **Colombo** in 1998, the SAARC leaders decided to set up a Committee of Experts to draft a treaty on South Asian Free Trade Area (SAFTA). The treaty was expected to lay down legally binding schedules for freeing trade among SAARC countries and to provide a predictable and transparent time path for achieving a free trade area in the region.

The eleventh SAARC Summit at **Kathmandu** was originally scheduled for November 1999 but had to be postponed because of the military coup in Pakistan on 12 October 1999. Eventually, the summit was held in January 2002. The highlight of the summit was the signing of a convention to prevent illegal trafficking of girl children and women for immoral purposes across the region. The delay in holding the summit, however, did not mean that SAARC remained inactive. The sixth meeting of the Governing Board of the South Asian Development Fund (SADF) was held in Maldives on 22-23 May 2000 in which the activities of the Fund were reviewed and proposals for placing the Fund on a professional footing discussed. SAARC consortium examined proposals for cooperation in the SAARC region to promote the use of open and distance learning at all levels of education. The growing people-to-people contact of all kinds was a notable development during the year. The third meeting of the SAARC Network of Researchers on Global, Financial and Economic issues was held at the SAARC Secretariat on 31 October 2000. The 19th meeting of the SAARC Audio Visual Exchange Committee was held in Dhaka from 19-20 December 2000.

In November 2000, a special SAARC Senior Officials' Meeting was held in Colombo. The meeting finalized the calendar for holding the meetings of technical committee, expert-level meetings of the South Asian Preferential Trading Arrangement (SAPTA) and the South Asian Free Trade Area (SAFTA). The SAARC Technical Committees are the primary mechanism for the implementation of the SAARC integrated programme of action (SIPA). 'A regional meeting on Financing Renewable Energy for sustainable Development and Alleviation of Rural Poverty in South Asia' was held in Colombo from 12-14 June 2000, jointly with the World Energy Council. A South Asian Business Leaders summit was held in Bangalore from in August 2000 as a joint initiative of the federation of Karnataka Chamber of Commerce and Industry, the Federation of Indian Chamber of Commerce and Industry (FICCI) and the SAARC Chamber of Commerce and Industry. The SAARC Law Conference, a recognized regional apex SAARC body, held its 8th Annual Conference in Nepal in September 2000. As part of its effort to improve the health sector in the South Asian region, SAARC signed a Memorandum of Understanding with the WHO on 23 August 2000.

The twelfth SAARC summit was held in **Islamabad** from 4-6 January 2004. This summit was acclaimed by many as the two leaders of India and Pakistan met with great bonhomie that augured very well for both improvement in bilateral relations and fo the development of SAARC process. This summit made far reaching recommendations in many areas of regional cooperation. Firstly, it signed the SAARC Social charter which covers issues like poverty alleviation, population stabilisation, empowerment of women, youth mobilisation, human resource development, promotion

of health and nutrition. All these are likely to have far reaching impact on the lives of millions of South Asians. Secondly, while reaffirming commitment to regional convention on combating terrorism signed in 1987, they signed an additional protocol to this convention to deal effectively with financing of terrorism. Thirdly, the members signed the Framework Agreement of South Asian Free Trade Area (SAFTA) and implement the same by January 2006. And finally, the SAARC award was instituted to honour and encourage outstanding individuals and organisations within the region in the fields of peace, development, poverty alleviation and in other areas of regional cooperation.

Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answers with that given at the end of this unit.

1) What were the achievements of the first SAARC summit meeting in Dhaka?

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24.4 PROBLEMS BESETTING THE ORGANISATION

From the above discussions it would appear that the goals of SAARC have been kept development-oriented. When SAARC was conceived as a regional organization the vision was clear: to make the region a thriving example of mutual cooperation, collective self reliance and peaceful coexistence. Acceleration of economic growth, the promotion of welfare of people and improvement in their quality of life have been the central objectives. Conscious efforts have been made to encourage economic cooperation and to exclude all contentious and bilateral issues. But while it is laudable to have development-oriented ambitions, it is uncertain as to what would happen to the organization once it is called upon to address more down-to-earth political questions that have vitiated the inter-state relations in the region for decades. The region is full of contradictions that broadly fall under two heads: divergent security interests and the Indo-centric nature of the region.

Built in Contradictions

SAARC suffers from a built-in contradiction. India's disproportionately large size inhibits its neighbour's participation as equal partners, crucial in any cooperative endeavour. India accounts for 72 per cent of the region's area, 77 per cent of its population, and 78 per cent of its GNP. Its armed forces account for about 50 per cent of the region's total armed strength and if one excludes Pakistan (which accounts for about 25 per cent), the ratio between India and the remaining five taken together would be nine to one.

Conflicting Security Perceptions

This gross disparity coupled with distrusts emanating from socio-historical reasons gives rise to conflicting security outlooks. Excepting Pakistan, India perceives no threat from any other country within the region. Threat to its security is actually extra-regional and in this context Pakistan's linkages with China assumes relevance. For others in the region (excluding Bhutan, whose foreign policy is more or less guided by India, and the Maldives, which is too small to protect itself without India's help, as the 1988 coup attempt showed), India itself is a threat, which can be faced only through extra-regional connections. This dichotomy in the region's perceptions and corresponding security doctrines cannot augur well for the SAARC. It is important to

note that except for rhetorical commitments to Third World solidarity, the New International Economic Order, etc., in almost all down-to-earth East-West confrontations in the past such as Afghanistan or Kampuchea, the position tended to be India versus the rest of the region.

Problem of Diverse Political Culture

The diverse political culture of the region is also not conducive to cooperation. From the point of view of governmental systems operative in the region, there are four democracies (Bangladesh, India, Nepal and Sri Lanka), one military dictatorship (Pakistan), one monarchy (Bhutan), and one one-party presidential system (the Maldives). On the question of state-religion relationships, India, notwithstanding its being predominantly Hindu and of late witnessing an unprecedented Hindu militancy, stands for secularism, while all the remaining six avoid to declare themselves as such. Bangladesh, the Maldives and Pakistan have an Islamic thrust; Bhutan and Sri Lanka, Buddhist; and Nepal, Hindu. With respect to structural linkages with the global system, which has indeed undergone massive change of late, there were two categories, broadly speaking. The first, in which India was included, had a fairly powerful capitalist class which had over the years developed stakes in both the world capitalist and socialist systems, though remaining independent of both. The other had deep structural linkages with the world capitalist system and the bourgeoisie there was largely comprador. Bangladesh, Maldives, Pakistan, and Sri Lanka belonged to this category. Bhutan's economy is largely Indo-centric. That of Nepal is both Indo-centric as well as developed market economies oriented.

These systematic diversities led to divergent nation building strategies which tended to thrive at each other's expense rather than contribute to each other's gain. For example, the region's ethnic mosaic is so complex that the slightest ineptitude by one nation in handling its inter-ethnic relationships casts its shadow on the neighbouring states. In this context, India bears the brunt in more than one way. Situated at the core of the region, its boundary touches that of almost all the countries of SAARC while no two other members have common borders. As a multi-ethnic, multi-lingual, and multi-religious society, India offers all the countries in the region some connection to their ethnic, linguistic, or religious brotherhoods, while no two other countries have cross-national ethnic populations visible enough to be of any consequence barring the notable exception of Bhutan and Sri Lanka. The 'Indo-centricity' of the problem often drags India into the region's ethnic strife, which it seldom relishes. At the same time, however, India has the opportunity to twist the arm of a recalcitrant neighbour to gain strategic concessions. If not for India's role in Sinhala-Tamil ethnic strife, the Sri Lankan government would not have made commitments of the kind enshrined in the Indo-Sri Lanka accord of July 1987.

Indo-Pak Conflict

At the crux of South Asia's 'insecurity syndrome' (the phrase was used by Stephen P. Cohen in 'Security Issue in South Asia,' Asian Survey, Berkeley, 1975) is the mutual suspicion between India and Pakistan. What Cohen wrote 25 years ago seems to be still valid. He wrote: "The South Asian security system is an insecurity system, and the trade-offs for each regional government involve minimizing insecurity, not maximizing security. Insecurity, whether due to internal disorder or external conflict, has become the norm after 25 years of independence, and one cannot honestly say that the situation will radically change for the better in the foreseeable future. Military bureaucracies have become an entrenched component of the political order even where they have not taken it over; their civilian allies are numerous and powerful and outside powers have done precious little to ameliorate the situation." The problem, which could not be solved within the framework of the nationalist movement and which led to the partition of India in 1947, has continued to remain a threat to the region's stability. External dabbling within and around the region have further complicated the matter. India and Pakistan have fought three wars so for and have had many border skirmishes. At the moment they are engaged in a war of words over Kashmir. India alleges Pakistan's

moral and material support to Kashmiri militants while Pakistan alleges human rights violation by the Indian government in Kashmir.

Main Problem: Absence of Required Political Thrust

The cumulative effect of the problem discussed above is the absence of a political thrust to make SAARC take bold strides. By shying away from 'bilateral and contentious' issues the organization deprives itself of the opportunity to deliberate on the most important questions that need to be addressed. This lack of confidence in each other has its ramifications in other fields. For example, inter-state trade is still minuscule. India is a potential supplier of industrial goods and services to almost all the South Asian states but they prefer to depend on the industrial West, Japan, and even China instead of India.

India has always been a strong advocate of a South Asian common market ever since the days of Rajiv Gandhi. There are a number of organisations and academic institutions in India including Jawaharlal Nehru University and Research and Information System for the Non-Aligned and Other Developing Countries (RIS), which have been steadfastly advocating the cause of regional cooperation and integration in South Asia. They have carried out very extensive and useful studies and have also worked out the cost of non-cooperation. A study done by Mahendra P Lama of Jawaharlal Nehru University indicated that Pakistan lost more than $ 110 million during 1995-97 by not importing tea from India and other South Asian countries ("Integrating the Tea Sector in South Asia : New Opportunities in the Global Market". *South Asian Survey,* Delhi, January-June 2001). Pakistan is one of the largest consumers of tea in the world. However, it imports hardly 16 percent of its total imports of over 150 million kgs of tea from South Asia. Over 60 percent of its tea imports are from far off Kenya which is done at a much higher price. Though it attributes the Kashmir problem with India as the main reason behind such import pattern, it is actually because of the huge stakes the multinational companies located in Pakistan have in the Kenyan tea gardens. These companies are the biggest tea traders in Pakistan.

Problem of Resource Development

Another area in which progress is negligible is resource development. The Indian subcontinent's river system is such that if properly tapped, with the entire region in mind, it would do wonders in terms of development, affording irrigation, power generation, and drinking water. Here again, regional consciousness gives way to national susceptibilities. B.G. Verghese's book Waters of Hope (New Delhi: Oxford University Press, 1990) is a clear testimony of how little has been done in this regard when so much can be done. 'Ultimately" writes Verghese, 'boundaries do not matter, people do. The vision of SAARC is perhaps most strongly embodied in a collaborative endeavour to harness the potential of Ganga-Brahmaputra-Barak waters. These are waters of hope.'

24.5 PROSPECTS FOR SAARC

In his book Cooperation and Conflict in South Asia (1989), Partha Ghosh presented the view that although SAARC had been launched 'the domestic contradictions of the states would militate against making the associations an effective vehicle of regional cooperation.' He mentioned several broad systematic diversities and felt that unless they were removed, the future of SAARC was bleak. These diversities have been referred to above; viz, forms of government, state-religion interactions, structural linkages with the global system, nation-building strategies, and so on. The situation does not seem to have changed much. In the context of Indo-Pak relations it has worsened.

Inherent Positive Points of the Region

Given the historical context, topographic and demographic features, natural resource endowments and socio-cultural ethos, South Asia could be the most natural unit of cooperation and integration. There are certain inherent points with the region that

must, however, be kept in mind. For example, the regional 'insecurity syndrome' has probably been overstated. South Asia is one of the world's least militarized regions. The region, where 20 per cent of the world's population lives, accounts for only 1 per cent of the world's military expenditure. Other developing regions (excluding China) with comparable populations spend about 15 per cent of the global military expenditure.

If compared to the developed world, the region's record is even better. The developed world, which is proud to announce that there has not been any war on its soil since the Second World War, spends 80 per cent of the global military expenditure and is responsible for 97 per cent of the world's arms trade and 97 per cent of the global military R&D. South Asia's fiscal defence burden accounts for about 3 per cent of the region's GNP, which is higher than Latin America's remarkably low 1.2 per cent, but less than Africa's 3.2 per cent, and East Asia's 10.9 per cent. It is even lower than the overall developing world's 4.3 per cent.

Without being optimistic about the future of SAARC, it must be conceded that the organisation by giving opportunities to regional leaders to meet at somewhat regular intervals has provided a diplomatic forum in which they have either settled or watered down their differences. The Indo-Sri Lankan accord of July 1987 had its origin in the bilateral talks between India's the then Prime Minister Rajiv Gandhi and Sri Lanka's President Junius Jayewardene during the Second SAARC Summit at Bangalore in November 1986. It has been argued that without SAARC Indo-Pak relations would have been even worse.

Despite a snail's pace progress, one of the remarkable contributions of SAARC has been the fact that it has been able to trigger off a whole range of activities outside the official SAARC forum. These activities in private sector, in non-governmental organisations and community level activities across the region, have in fact, withstood all kinds of political ups and downs. The SAARC History Congress, the SAARC Sociological Congress, anti-Child labour coalitions, traders forum, SAARC writers forum, SAARC forum of media people and gathering of human rights activists and other professional including engineers, architects, chartered accountants are resulting in an ever increasing inter-state intellectual tourism. So the process goes on regardless of SAARC's officialdom. In fact, the parallel process of activities has far overtaken the official process with the latter pulling back the former. These are the activities which will hold SAARC in good stead in the long run and sustain the process.

This also goes to emphasize the emerging vital and critical roles of non-state actors in the management of South Asian affairs. In a way, the entire spectrum of confidence building measures (CBMs) we have addressed to in the past in South Asia have to be re-evaluated, redesigned and rebuilt. So far we have extensively depended on military and political CBMs in South Asia. However, in the last 50 years, no political and military CBMs have sustained. The peace and cooperation constituency in the region always got marginalised. A majority of these CBMs were addressed to only those who had serious stake holding in perpetuating the conflict and keeping the conflict alive. Fortunately, these negative stake holders have always been in microscopic minority.

So we have to think of designing new CBMs particularly in case of India-Pakistan conflicts. This takes us to the domain of economic CBMs — the business and other economic cooperation (Track III diplomacy) as a measure of CBM and peace building in South Asia. As there are stake holders in keeping the conflict alive, there are stake holders for building the peace. We have never addressed ourselves to the latter.

The ongoing economic reforms triggered challenges have started drastically changing the political economy of regional cooperation in South Asia. Economic liberalisation have tended to increasingly outclass political prejudices, inhibitions and are literally forcing South Asia to shed the old mind sets of latent hostility. The impact of internal schisms overflowing the regional vestiges is getting outweighed by the steady rise in the cost of non-cooperation. The very context and modalities of public policy making which were neither transparent nor accountable have begun to show more openness and boldness

Against this background, major macro issues like harmonisation of economic reforms with socio-political shift in paradigms in the region as a whole, the widening base of MNCs participation with a distinct slant on natural resource, technology and management and the ability and capability of the SAARC partners to withstand both endogenous and exogenous shocks and forge ahead towards a collective survival are the three fundamental challenges. The absorptive and the manoeuvring capacity of the SAARC partners would largely be determined by the approaches towards and consolidation of each area as they together represent a vast majority of the regional core competence.

South Asian Economic Union

The Ninth SAARC Summit held in Male in 1997 directed the establishment of two regional high level committees viz., the Independent Expert Group to examine the functioning of the Integrated Programme of Action (IPA) and the Group of Eminent Persons (GEP) primarily to develop a long range vision, formulate a perspective plan of action including a SAARC agenda for 2000 and beyond and spell out the targets that can and must be achieved by the year 2020. The IEG recommended the drastic revamping and restructuring of the entire programmes of SAARC. As a result, the areas of activities under SIPA were reduced from the original eleven to five which included energy and environment also. On the other hand, the GEP provided a very comprehensive and clear road map. The GEP recommended that regional economic integration is necessary and suggested a time bound plan which includes negotiation of a Treaty for South Asian Free Trade Area by 1999 with implementation commencing immediately thereafter and stretching to 2008 for SAARC members and to 2010 for the SAARC LDCs. It also envisages a SAARC Customs Union by 2015 and a SAARC Economic Union by 2020. It also made far reaching recommendations in social arena including on poverty alleviation, empowerment of women and trafficking of women and children.

The 12th SAARC Summit held in Islamabad also marked a remarkable improvement in the bilateral relations between India and Pakistan. It reiterated its commitment made at the 11th SAARC Summit at Kathmandu for the creation of a South Asian Economic Union. Accordingly, the summit decided to move towards the first step of integration process i.e. the operationalisation of South Asian Free Trade Area (SAFTA) by 2006.

Check Your Progress 3

Note: i) Use the space given below for your answers.
ii) Check your answers with that given at the end of this unit.

1) Some of the problems that come in the way of strengthening regional cooperation in South Asia are:

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2) What factors augur well for the SAARC in the future?

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24.6 LET US SUM UP

SAARC (South Asian Association for Regional Cooperation) is the first major concrete expression of regional cooperation in South Asia. It comprises seven states—Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Starting from 1985, so far twelve SAARC summits have been held, namely, Dhaka, Bangalore, Islamabad, Male, Colombo, Dhaka, New Delhi, Male, Colombo, Kathmandu and Islamabad. The organization has been facing problems on account of certain built in contradictions, conflicting security perceptions, diverse political cultures and absence of requisite political will. The predominant position enjoyed by India has also been a problem. However, there are certain inherent positive points in the region that hopefully will facilitate building up of a better tomorrow by the SAARC countries.

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24.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) Your answer should the following points: Continuing efforts to have a regional organisation since 1947, failure of North South dialogue, rising oil prices, change in the perception of the leaders of the region.

2) At the apex of the four-tier structure of SAARC is the annual summit meeting of head of states. Below this are the Foreign Ministers Conference, Standing Committee of Foreign Secretaries and the Technical Committees of Experts and Officials.

Check Your Progress 2

1) The summit restored the terms 'non use of force' and 'peaceful settlement of all disputes' in its preamble. It also decided to give permanence to the organisation by having a Secretariat and a Council of Ministers.

Check Your Progress 3

1) Divergent political cultures of the member states, conflicting security perceptions in general and Indo-Pakistan conflict in particular, absence of political thrust etc.

2) SAARC has great prospects: the region is least militarised; the region has a common history and culture; the middle class has by and large a uniform outlook

UNIT 25 DYNAMICS OF SOUTH ASIAN SECURITY

Structure

25.0 OBJECTIVES

This unit deals with the sources of conflict in the South Asia region. After going through this unit, you should be able to:

- to identify the sources of conflict,
- explain the impact of nuclear factor in South Asia,
- define non-traditional security,
- explain how environmental issues impinge on security, and
- explain the future prospects of security of the region of South Asia.

25.1 INTRODUCTION

South Asia is the epitome of Third World and occupies juxtaposed problems, assets and culture with distinguished variance in economics, scientific and technological levels and factors accompanying development. In concepts, ideology and philosophy and hypothesis of international relations the South Asian subcontinent interacts with dimensions uncommon in the developed North. This unit focus on the security dynamics in the region not just in military terms but also political, economic and environmental security.

Traditionally, security has been conceptualised in terms of protection of state's territorial integrity, political independence and sovereignty. In the post-Cold war period, it is increasingly being realised that this conception of security fails to address the issues that arise from the two dominant treads of the times- increasing globalisation and rapid fragmentation. Both are trends which the nation-state is not particularly suited to deal with. It is in this context, that the security paradigm was deepened to focus on not just

on the state but on the groups and interests as well. The notion of security was broadened to include not only military but political, economic and social dimensions as well. These new dimensions are generally categorised as non-traditional security concerns. The principal thrust of this Unit is to analyze the dynamics of South Asian security which inter-alia shall involve discussion on various facets related to South Asian security. We will first examine the broad features of the South Asia region that have a bearing on security and then proceed to examine the traditional and non-traditional dimensions of security.

25.2 DYNAMICS OF SOUTH ASIAN SECURITY

Geographically, South Asia is a natural strategic unit surrounded by the great chain of mountains– the Himalayas, Karakorum, Hidukush in the north and by the Indian Ocean in the south, east and west. Historically from the earliest times, the peoples of this region have been intimately linked by race, culture, religion, and sometimes by political allegiance.

Political boundaries have not been constant in South Asia. Empires have grown and fallen. There have been different foci of political authority, though Delhi has the longest history of being the imperial capital. The British Empire in the eighteenth and nineteenth century encompassed not only what is known as the region of South Asia but also some region which is now-a-days part of West and Southeast Asia regions. It was during this period that the political boundaries were drawn over contiguous cultural landmass. The territorial boundaries of the seven countries of the region are thus colonial creations.

The most conspicuous feature on the face of South Asia is India, a veritable powerhouse in the region. In size, population, natural resources, level of economic development, standard of education, scientific and technological progress, gross national product and evolution of democratic political institutions, India is a relative giant.

In absolute terms, therefore, India is a big country surrounded by small ones, with the exception of China. Further, both as a consequence of geography and history, every country in South Asia is intimately connected with India. The same ethnic and religious groups to which their peoples belong are also found in India, which is a vast and heterogeneous country. Social organization and styles of managing the environment are similar between each South Asian country and its adjoining part in India; for example, between Nagaland and northern Burma, West Bengal and Bangladesh, Tamil Nadu and Sri Lanka. Formal boundaries do not, and indeed cannot, contain the cultural overlap. There are matrimonial alliances, family ties and social associations across the borders between India and all of its South Asian neighbours. For better or worse, this intermingling of peoples, cultures, and religions imparts a familial quality to inter-state relations in South Asia. This is in contrast to other geographical regions including Europe.

Families are often disrupted by sibling rivalry and the identity problems of family members; so also in South Asia. Sibling rivalry, with its intricate causes and bitter consequences, characterizes many public stances adopted by India, Pakistan and Bangladesh towards each other which have the longest history of shared political allegiance. To a large extent the ruling elites of Bangladesh, Pakistan and India resemble sibling rivals. They contested for the affection and material rewards handed out first by the British colonialists, and then by the imperial substitutes, the new super powers, to the detriment of their ties with each other.

While the sources of conflict in a region with multi-ethnic and multi-religious societies are manifold, broadly, they can be traced to the colonial legacies, particularly, the drawing of political boundaries on a common cultural landmass and economic space and to the political dynamics in these post-colonial phase. The two geo-political features of the region, Indo-centrism and the asymmetry of power and resources among states in the have their own role in shaping the security dynamics in the region.

25.2.1 Political dynamics and Inter-state Conflict

In South Asia, British colonialism not only acted as a unifying force but also as a force creating dissonance and division. While it brought the South Asian countries within the common colonial system, colonialism simultaneously sowed several seeds of discord which continue to plague interstate relations in South Asia even today. The differences between India and Pakistan over the two-nation theory and between Sri Lanka and India over the nationality of Tamil plantation workers are only two outstanding examples of dissensions among South Asian states which owe their origin to British (mis)rule. The final hasty retreat of the British and the ensuing bitterness generated between the ruling elites of the two major countries of the region gravely disrupted the traditional complementarity and cohesion.

In the post-colonial phase, the political dynamics in the countries of the region have been different owing to differences in the evolution of the forces of nationalism, the socio-cultural set up and the inherited economic structures. In India and Sri Lanka politics have remained generally stable and evolved smoothly. Other countries of the region have witnessed a cycle of democratic distortions and resurgence. Pakistan, Nepal and Bangladesh witnessed erosion of democratic processes and assertion of authoritarian governments in 1958, 1960 and 1975. Bhutan has always remained a monarchy, though there are now signs of democratic processes being introduced. There was a democratic resurgence in all these countries in the early 1990s, but forces of regression have again been on the ascendance in Pakistan and Nepal.

While such political divergences act as hurdles in strengthening regional cooperation, the emergence of sectarian forces in South Asian countries in the recent past is vitiating the intra-state and inter-state relations. It is difficult to precisely identify the factors that led to the rise of authoritarian and sectarian forces. But, you should note that the search for legitimacy by the authoritarian forces (like in Pakistan, Nepal, Bangladesh and Bhutan) and struggle for democratic power (as in India and Sri Lanka) has led to the mobilisation of sectarian constituencies. The rise of sectarian forces in the multiethnic and multi-religious societies of South Asia has alienated the minorities resulting in the rise of ethnic and separatist movements. In Sri Lanka, the Tamil insurgency since the early 1980s that poses a challenge to Sri Lankan unity and integrity has resulted from the politics of ethnic consolidation of the Sinhalese in the political system. In Pakistan, the separation of Bangladesh was the consequence of the dominance of Punjabi ethnicity under the grab of the Islamic state. Similarly, the sense of deprivation in North Western Frontier Province, Balochistan and Sindh as well as the rise of the Shia and Sunni sectarian conflict are the result of alienation caused by over centralisation and sectarianism. In Bangladesh, the Chakma unrest is a reflection of Bengali and Islamic assertion. In Nepal, the Terai movement of the Maoist insurgency of the late 1990s are manifestations of protest against the dominance of hill people, and against a Hindu state, respectively. In India, the unrest and ethnic turmoil in the northeast is a clear evidence of the failure of even a secular state to integrate its socially divergent groups.

Clearly, nation-building process is still an unfinished task in the region. Almost all the countries in the region face the threat of political disintegration. Given the ethnic and religious over lap in the region, ethnic, religious and linguistic conflicts in one country invariably have an impact in the other country of the region. The contiguous and open boundaries allow easy flow of people, goods and ideas across the borders interfering with economic and political relations. Most of the internal security crises that plague South Asian states have a cross-border dimension, and many are inter-related. Whether its is the Maoist insurgency in Nepal, the persistent ethnic problem in Sri Lanka, the increasing use of Bangladeshi territory by Islamist extremists, the proliferation of small arms, or the menace of drug trafficking and narco-terrorism, each has significant transnational dimensions. States in the region, often accuse each other of covertly or overtly lending support to separatist and the dissident movements.

25.2.2 Indo-centrism

With none of the South Asian countries sharing borders with each other, except with and through India, the region is geopolitically Indo-centric in character. One consequence of this is that India's intra-regional interactions are inherently bilateral. India cannot avoid interactions with its neighbours, while none of its neighbours have a similar compulsion to interact with the other South Asian country, except India. It is, therefore, not surprising that India figures prominently in the inter-state problems of the region.

25.2.3 Asymmetry

The asymmetry in size, population, power and resources between India and the rest of the countries of South Asia is another feature of the region that has a bearing on inter-state relations in the region. The predominance of India in the region has had an intimidating impact on its small neighbours. India's neighbours have often perceived India as a big brother seeking to translate its physical domination of the region into a political and economic one. They have often raised concerns over motives of Indian actions. Though the India troops intervened in Sri Lanka (1971 and again in 1987-89), in Bangladesh (1971) and in Maldives (1989) and returned upon completion of their mission, these interventions were seen by the neighbouring countries as benign and on the other occasions as hostile. 'Hostile interventions' have raised the spectre of Indian hegemony, but 'benign interventions' have been welcomed as aiding the cause of regime security. On its part, India at one time, was concerned over the possible ganging up of the neighbours to embarrass, if not emasculate its regional pre-eminence.

Such mutual suspicions and fears arising from the asymmetry in the region has also been an obstacle in the strengthening regional cooperation. Almost all the countries of the region suspect that both in bilateral and regional economic engagements, the larger and stronger economy of India will secure more benefit at their cost.

An important consequence of the predominance and centrality of India in is region is the differences in the pursuit of strategic goals. While India has a sub-continental approach to its security, its neighbours have much restricted visions that are coloured by their local views rather than their perception as members of the South Asia region. Indian security concerns are related not just to the conflicts in the region, but to events in Central Asia, the Indian Ocean and to the changing world environment. India has sought to play an independent role consistent with its policy of nonalignment, avoided joining the Cold War alliances, and sought to minimise the role of the external powers in the region. On the other hand, its neighbours have sought to counter balance the regional predominance of India by cultivating extra-regional powers. India figures prominently in the security concerns of its neighbours. Conflict with India has wholly defined the security debate in Pakistan. In Sri Lanka the security debate has been defined by its Tamil problem and by the Indian presence in the north. The security concerns in Nepal centre around its efforts to balance India and China on its southern and northern borders and by perceived threat to its identity from the civilisation similarities between itself and India.

And much to the consternation of India, external powers have often exploited the regional strategic dissonance to promote their specific interests in the region and around. While the United States has taken advantage of Indo-Pakistan differences from the early 1950s, China took advantage of the Indo-Nepal tensions resulting from consequences of King Mahendra's dismissal of democracy in the Himalayan Kingdom in 1962. The haphazard emergence of a variety of conflicting international strategic interests in the post-Cold War exacerbated regional tensions. Since the September 11 terrorist attacks in the US, the focus of the international community has shifted to this region and Afghanistan. The US engaged Pakistan as an ally in its campaign against international terrorism. Despite Pakistan's emergence as 'a frontline state' in the US' efforts to capture Osama bin Laden and eradicate his Al Qaeda network, the Pakistani state, through its external intelligence agency, the Inter Services Intelligence (ISI), continued with its policy of aiding terrorist organizations active in the state of Jammu and Kashmir and other parts of India.

Among the factors that shaped the security relations in South Asia since the 1980s is the nuclear issue. The nuclear factor in the security dynamics of the region emerged covertly in the 1980s and overtly in the late 1990s.

25.3 NUCLEARISATION OF SOUTH ASIA

Indo-Pakistan relations have not been harmonious right from the start as they arose in the history of partition, suspicion, fear and insecurity. They remain tense as the major problems between the two- the Kashmir problem, Pakistan's involvement in encouraging terrorism in Kashmir, the Siachen glacier etc-remaining unresolved.

It is in this context, that the nuclear issue began to impinge on South Asian security. While India nuclear capability was demonstrated as early as the mid-1970s, when it conducted a Peaceful Nuclear Explosion, it preferred to maintain nuclear ambiguity. Pakistan, according to most estimates, had acquired nuclear capabilities with the help of China in the later half of the 1980s. Both India and Pakistan ended their nuclear ambiguity in May 1998 by conducting a series of tests at Pokhran and Chagai, respectively.

The raison deter of nuclear programmes of India and Pakistan has been different, India pointing to security threats from China and the nuclear monopoly of the big five while Pakistan pointing fingers at India itself. However, the shared perceptions between the two new nuclear weapon states have been that nuclear weapons would guarantee national security and provide an element of stability in bilateral relations.

The most important impact of nuclearisation has been felt in the area of regional peace and stability. The rapprochement between the two countries that was evident from events of that followed the tests- the 10th SAARC summit, the bus diplomacy between the two countries and the Lahore declaration- suggested that mutual deterrence has come to prevail between two new nuclear weapons states. However, the rapprochement was shattered by a limited war, the Kargil conflict, and the military take over in Pakistan by General Perves Musharraf. Pakistan also did not dilute its strategy of using Islamist extremism as an instrument of state policy. The Indian state of Jammu and Kashmir remained the prime target of this strategy, and of the activities of Pakistan-based Islamist terrorist groups. The Kargil conflict clearly indicated the failure of deterrence. Thus, while the existence of nuclear weapons appears to have diminished the probabilities of large-scale conventional wars, a range of 'non-standard', irregular' or low intensity wars have become the most prevalent manifestations of confrontation between India and Pakistan. South Asia remains the most dangerous region, a nuclear flash point, as a limited war could escalate into a nuclear conflict or terrorist activities could trigger off a chain of actions leading to the use of nuclear weapons.

Factors affecting stability in South Asia

On the political front, there have been institutional restraints on leaders in India while taking decisions, though at critical moments, these have been sidetracked as in 1987 in Operation Brass tracks. In Pakistan, restraints have been non-existent, as it has always been dominated by the armed forces that have decided peace and security issues in the region. Leaders on both sides are aware of high state of tension in which they coexist where even a trivial conflict sometimes can assume serious proportions. In the case of risk taking, it is evident that South Asian leaders oscillate between extreme caution and irresponsible gambling.

Technically, both, India and Pakistan, have the capability to deliver nuclear warheads to big cities– with the remotest chances of missile interception. Missiles cut flight-time to just three minutes-too meagre for preventive action, and bound, according to former naval chief N. Ramdas, to trigger instant retaliation with devastating consequences. At no point in the Cold War conflict between the two superpowers was lag time less than 30 minutes. Moreover, between the Eastern and Western bloc of countries, there

defusing devices. There are none between India and Pakistan. The region, therefore, requires dealing the nuclear issues with a sense of urgency.

Finally, in South Asia, a structural asymmetry exists and confronts the region making it less stable in the future than in the past. China is a wild card in South Asian security issues particularly in the context of Indo-Pak nuclear proliferation and regional arms control. Even though China is not a direct threat to India there is a considerable force in China's nuclear presence in the subcontinent as a result of China's military relationship with Pakistan. Despite the thaw in the India-China relations, China is, and is likely to remain the primary security challenge to India in the medium and long terms.

Prospects for Stability in South Asia:

A nuclearised South Asia is a reality as neither India nor Pakistan would be inclined to renounce nuclear weapons unilaterally or bilaterally. A multilateral convention inducing them to give up nuclear weapons is still in dialogue and unlikely to translate into reality in the near future. It has also been understood by both countries that a war, conventional or nuclear cannot be beneficial to either side politically, economically or militarily. Yet the assumption is that South Asia remains an area of crisis where stability is wafer thin although such a situation need be stabilized through a series of measures that can be operationalised most effectively within a cooperative framework. In this context, cooperative security in South Asia becomes more relevant and a viable alternative to competitive security. Cooperative security envisages inter-state relations where disputes may take place within agreed upon norms and established procedures without any kind of violence. It seeks to address relations through collaboration and mutually accepted basis rather than confrontation via military involvement. Confidence Building Measures (CBM's) and Confidence Security Building Measures (CSBM's) are tools to maintain cooperative security. A beginning in this direction of nuclear risk reduction measures has been made through a series of bilateral agreements including the one that concluded on 28 June 2004 in New Delhi envisaging the setting up of hotlines at various decision making levels between Islamabad and New Delhi.

Check Your Progress 1

Note: i) Use the space given below for your answers.

ii) Check your answers with the model answer given at the end of the unit.

1) In what ways does the asymmetry of power and resources in South Asia affect the security dynamics of the region?

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2) How does the rise of sectarian forces affect the security in South Asia region?

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3) Why is the South Asia region described as a nuclear flash point?

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25.4 NON-TRADITIONAL SECURITY

In the past decade or so, several scholars and security analysts have felt that the traditional concept of security has failed to deliver meaningful security to a significant proportion of the people of South Asia– who between them comprise more than one fifth of the world's total population. They point out that that for most people in the region, the greatest threats to security come from poverty, disease, environmental contamination, crime, and unorganized violence. For many people, a still greater threat may come from their own state itself, rather than from an "external" adversary. They urge for deepening of the conception of security to include not only threats to the state but also threat to human security, that is, security of the individuals and groups in a society. After all, the fundamental purpose of the state is not only to protect the security but also to promote the welfare of its citizens. These scholars also urge for broadening of the notion of security to include not only "external" or military threats but also non-military threats emanating from political, economic, social and environmental sources. These include cross-border movements of population, ethno-political, socio-economic, and communal-religious politics; terrorism with its seminal linkages to money-laundering operations, and arms smuggling; environmental degradation spawning its related problems of deforestation and desertification; internal migration; chaotic urbanisation and so on.

It is only in recent times that security studies have begun to grapple simultaneously with problems of external threats and human and non-traditional security concerns. Accordingly, problems of external threats, internal social cohesion, regime capacity, failed states, economic development, structural adjustment, gender relations, ethnic identity, and transnational and global problems like AIDS, drug trafficking, terrorism, and environmental degradation have become areas of concern for security studies.

One danger in broadening of the notion of security is the difficulties in drawing a line between non-traditional security, broadly conceived to include human security and issues of welfare and governance. Those who advocate the broadening of the conception of security, however, argue that non-traditional security does not include all health, welfare, and development challenges. They say these issues become security concerns when they reach crisis point, when they undermine and diminish the survival chances of significant proportions of the citizens of society, and when they threaten the stability and integrity of society.

It is beyond the scope of this unit to examine all non-traditional security threats. We will take up environmental issues. Like other non-traditonal security threats these have complex linkages with state security (non-military) and security of individuals and groups (human security).

25.4.1 Environmental Issues

Environment has multifold implications for security-regional, non-military and human security. It can also potentially lead to conflict between communities and states, as a result of spill over effects of pollution and competition over scarce resources.

Environmental degradation poses a threat to the national security by increasing the prospect of conflict. Environmental issues become identified as threats to international or regional security when they undermine the social, economic and ecological health and well-being of neighbouring countries. Environmental stress creates a condition where political processes are unable to handle its effects resulting in political upheavals and military violence.

Environmental degradation also has human security implications. It can represent a direct threat to individuals-through the effects of pollution, ill health and vulnerability to natural disasters. It can represent a threat to the coherence and stability of communities-by undermining their capacity to operate as productive communities, or their capacity for the provision of public services.

Poverty, injustice, environmental degradation and conflict interact in complex and potent ways. Climate changes, marginalization of sections of population due to desertification, deforestation, or displacement of people as refugees, as in Bangladesh, deforestation in Nepal, resulting in mass movement of population to India exemplify human security issues.

The problems of South Asian countries present a grim scenario of environmental resource exploitation because of accompanying increase in population, poverty along with educated unemployed youths resulting social chaos and political instability. While there is a great deal of effort for growth and development adverse trends in economy, inadequate development policies, inequities in multi-racial and multi-ethnic societies complicate the linkage between environment, development, security and conflict making the region more complex and insecure.

Environmental conflicts often manifest themselves as political, social, economic, religious or territorial conflicts, or conflicts over resources or national interests, or any other type of conflict. They are traditional conflicts induced by an environmental degradation. Environmental conflicts are characterized by the principal importance of degradation in one or more of the following fields: overuse of renewable resources; overstrain of the environment's sink capacity (pollution); or impoverishment of the space of living.

A major challenge that the states of South Asia face today is one of reconciling the huge population resource with the finite resources of the region. The possibility of conflict remains high as the capacity of the states in the region to support their current population is decreasing due to the scarcity of resources.

Water has been a major source of regional discord. Due to the geographical proximity of the region all the major rivers that form part of the most populous regions are in the northern part of South Asia flowing through the territories of more than one country. And it is here that there are recurrent disagreements over water sharing. The Indus Basin, the Farakka Barrage were perennial sources of disagreement. Likewise, recurrent floods are also a major problem between India and Bangladesh. Pollution also contains the seeds of conflict. Pollution of rivers, inland water bodies and seas is on the rise. Pollution can contribute to secondary social problems as migration beyond national boundaries damaged food production and human health resulting in scarcities to induce conflict. Similarly, South Asian food requirements which are growing can lead to limited food availability and famines which in turn contribute to political instability and these seemingly local events have regional implications also.

Thus, at the regional levels South Asian nations need to arrest the processes of ecological damage and to preserve peace, security and develop the human resource potential of South Asia in consonance with environmental resources.

25.5 TOWARDS REGIONAL COOPERATION

The efforts at exploring avenues of cooperation within South Asia on a multilateral basis and institutionalization of these preliminary attempts in South Asian Association for Regional Cooperation (SAARC) have been a manifestation of the ingrained feeling among the political elite and decision makers in the Indian subcontinent that there is an inherent geographic, cultural unity, similar climate conditions as well as economic complementaries that needs institutional expression.

The creation of SAARC in December 1985 has been a tangible manifestation of seven member nations determined effort to cooperate regionally to work together towards finding solutions towards their common problems in a spirit of friendship, trust and mutual understanding. The goal to create an order based on mutual respect, equity, shared benefits will help to promote the welfare and prosperity of their people and will improve their quality of life.

Since the nation-states are themselves in the process of being formed in the region,

the concept of a supra-national region seems novel and contradictory to the immediate task of nation building. Nation-states are absolutely central and crucial for any project in South Asia. If regional economic cooperation has failed to take off, it is because most nation-states themselves are major failures.

The success of SAARC will ultimately depend on the wisdom and prudence of member states to take advantage of the goodwill generated by the enterprise and resolution of political differences. With the pace of democratization gaining momentum in the region, along with the compulsion of the emerging world order the journey begins towards achieving the goal "United we stand and divided we fall". This in essence is the challenge before SAARC.

Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answers with the model answer given at the end of the unit.

1) From the non-traditional security perspective, when do development challenges become security threats?

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2) How is environmental degradation both a non-traditional and human security threat?

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25.6 LET US SUM UP

South Asia is beset with numerous problems– the traditional problems arising out of proximity of member countries in the region, the predominance and centrality of India in the region and the political dynamics in the states. With the nuclearization of two important and antagonistic members of the region, namely India and Pakistan, the region has emerged one of the major flashpoints for nuclear conflict.

The SAARC, the first manifestation of regional cooperation in the region is trying to shatter sickles of mutual distrust and strengthen cooperation between the countries of the region. However, political problem is proving to be major hurdle. As we observed, the political problem has its roots in the South Asia nation-state. The drawing of political map on a uniform cultural landmass and economic space has not only resulted in inter-state conflicts but has eroded the foundation of regional thinking. The division into nation-states is strong.

Some commentators have argued that it would be appropriate to define a new concept of security, which encompasses not only military security but also broader issues such as poverty reduction, environment conservation, energy and food security. It is argued that such an approach will: (a) contribute to a shift from state-centric security perception to individual security, and (b) will encourage countries to jointly address the issue of "Common Enemy". While the Indo-Pak cooperation in sharing Indus waters strengthens such arguments and institutional mechanism in the form of SAARC exists, the initiatives on meeting the challenges of human development and security are yet to concretise.

It would be, however, erroneous to conclude from this unfortunate past experience that there cannot be any strategic harmony in South Asia. The region is a natural strategic unit surrounded by the Himalayas in the north and the Indian Ocean in the south. Moreover, countries in the region often coordinated their approaches to the questions of disarmament, including chemical and nuclear weapons, at the United Nations or elsewhere. In the 1970s, they have displayed a strong consensus on some of the key aspects of the proposal on Indian Ocean as a Zone of Peace. Furthermore, there are areas of bilateral security arrangements, understandings and concrete cooperation among the South Asian countries, notwithstanding occasional irritants and apprehensions in implementation. The only serious dilemma in South Asia's strategic harmony is that of India-Pakistan conflict, which seems to be erupting into more serious dimensions when the army becomes politically assertive in Pakistan.

25.7 SOME USEFUL BOOKS AND ARTICLES

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A.R.Deo. (1991). *South Asian Neighbours*. World Focus. Vol. 12 Nos.11-12.

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25.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) Asymmetry in power and resources breeds suspicion and mistrust. It is responsible for the pursuit of divergent strategic goals by the countries of the region.

2) The rise of sectarian state alienates ethnic and religious minorities resulting in conflicts within a state. Given the socio-cultural overlap and contiguous and open borders between the countries of the region, such intra-state conflicts have the potential to turn into inter-state conflicts.

3) Nuclearisation has diminished the possibility of large scale war in the region, but limited conventional wars and state sponsored terrorism that have become the new modes of conflict have the potential to escalate or trigger nuclear conflict. Hence, the region is described as a nuclear flashpoint

Check Your Progress 2

1) Developmental issues become security concerns when they reach crisis point, when they undermine and diminish the survival chances of significant proportions of the citizens of society, and when they threaten the stability and integrity of society.

2) Poverty, injustice, environmental degradation and conflict interact in complex and potent ways. Desertification and deforestation marginalises and displaces people which exemplify human security issues. On the other hand, depletion of resources and mass movement of people have potential for inter-state conflict and therefore constitute non-traditional security threats.

UNIT 26 NUCLEAR ISSUES

Structure

26.0 OBJECTIVES

The nuclear issue in South Asia arise out of the nuclear programmes and policies of India and Pakistan, the two countries of South Asia which have acquired nuclear weapon capability. After going through this unit, you should be able to

- Explain how and why India and Pakistan acquired nuclear weapons,
- Describe the nuclear weapon capabilities of India and Pakistan,
- Explain the position of India and Pakistan on nuclear issue, and
- Discuss the need for dialogue between the two nuclear powers of South Asia.

26.1 INTRODUCTION

South Asia is a region with growing political, economic and strategic significance. The bitter rivalry between India and Pakistan, which dates to the partitioning of the subcontinent in 1947, remains the impetus behind the proliferation of nuclear weapons and missiles in the region.

Nuclear issues in South Asia focus on the policies of India and Pakistan. Both, India and Pakistan had nuclear programmes to facilitate the process of development in these countries. These civilian programmes became the basis of the technological capability to move from a purely civilian programme to a weapons option. India exploded its first nuclear device at Pokhran on 12 May 1974. This was the first demonstration of nuclear weapons capability. Pakistan had also started to move towards a nuclear weapons option in the 1970s. It is with the nuclear tests conducted by India and Pakistan in 1998 that both the countries formally announced their nuclear weapons capability.

Today, both India and Pakistan maintain active nuclear and missile programmes, and both are producing fissile materials for nuclear weapons. Neither country has signed the Non-Proliferation Treaty (NPT) or the Comprehensive Test Ban Treaty (CTBT), although they adhere to self-imposed moratoriums on nuclear tests. The security dynamics of the region are complicated further by India's perception of China as a threat. Pakistan's efforts to develop nuclear weapons and missile systems are intended

primarily to counter India's substantial conventional military advantage and its perception of India's nuclear threat.

26.2 HOW AND WHY OF NUCLEAR TESTS?

The nuclear tests conducted by India and Pakistan in 1998 had generated a great deal of debate on the rationale and implications of these tests. Both the governments have now announced that they are nuclear weapon powers. This means that the number of states having nuclear weapons has risen from the original five to seven. The decision to produce nuclear weapons has raises two questions: (i) why do nations produce nuclear weapons? (ii) How do they produce nuclear weapons?

Nations choose to go in for the production of nuclear weapons for several reasons. Security is obviously the most important reason. Nations may perceive certain security threats that they would like to be prepared to confront. In the nuclear age, nuclear weapons have offered nations with technological capability to consider their use as a deterrent against aggression. Nuclear weapons also provide an increased strategic autonomy in their security policy.

Nations also opt for nuclear weapons to increase their international status. Historically, military power has always determined one's power status in the world. Nuclear weapons are looked as one of the important path to achieve this status. Some developing countries also feel that the possession of nuclear weapons would provide a method of bargain against the industrialized nations.

Finally, in some cases domestic political pressures also force the political leadership to decide to go in for the nuclear weapons option.

How do nations acquire nuclear weapons? The core of a nuclear bomb is made up of highly enriched uranium or plutonium. Fifteen to twenty-five kilograms of highly enriched uranium or five to eight kilograms of plutonium are generally considered the necessary minimum for the core of a multi-kiloton atomic bomb

A nation seeking to manufacture nuclear weapons must have a source of this fissile material. This is a major technical barrier. Nuclear material can be obtained by any one of the three main ways:

a) Diversion of material from a civilian nuclear programme: Diversion of material from civilian facilities, atomic power plants, can be done by either evading safeguards or using unsafeguarded facilities. The International Atomic Energy Agency (IAEA) is an agency that works to ensure that diversion of nuclear materials from peaceful uses to military purposes does not take place. Its main purpose is to institute 'safeguards' or controls on nuclear facilities.

b) Construction of facilities specially designed for its production: A nation that decides to build a nuclear facility has two basic options: (a) construct a plutonium production reactor plus a reprocessing plant to separate plutonium from spent fuel. A variant of this option is to feed a dedicated reprocessing plant with spent fuel from an already existing research or power reactor; and (b) construct an enrichment plant to produce weapons grade uranium from natural or low enriched uranium.

c) Illegal trading in nuclear weapons components or theft of either the weapon itself or the necessary raw material.

26.3 INDIA'S NUCLEAR PROGRAMME

Indian nuclear policy as it came to be formulated in the early years, revolved around two principles: promotion of research and development for harnessing nuclear energy for peaceful purposes,and attainment of self sufficiency in the nuclear programme. The key architects of this policy were Pandit Jawaharlal Nehru and Homi Bhaba.

Based on these principles India designed a three stage nuclear strategy. Its main elements were as follows: (i) building of heavy water moderated reactors which could produce power as well as plutonium needed to start the breeder reactors; (ii) utilizing the plutonium produced from the first stage reactors in the fast breeder. This stage was to continue until suitable thorium-uranium 233 reactors become available; and (iii) to run the II type of breeders on the thorium-uranium 233 cycles.

The Sino-Indian war of 1962 and the Indian debacle in the war brought in some rethinking about defence policy. However, the direction that defence rebuilding took was essentially in the area of conventional weapons systems. The detonation of the Chinese nuclear device in 1964 led the Indian decision makers to look at the nuclear option. Homi Bhaba, then the Chairman of the Atomic Energy Commission stated that India could produce a bomb within eighteen months, if it so wished. Prime Minister Lal Bahadur Shastri admitted to the Parliament that he was willing to consider the use of nuclear blasts for peaceful purposes. In late 1964, Shastri is reported to have authorized the Indian Atomic Energy Commission to go ahead with the designing of a nuclear device and preparing the non-nuclear component so that the lead-time required to build an explosive could be reduced from eighteen to six months.

The decisions of 1964 were followed by a protracted debate on the Nuclear Non-proliferation Treaty. Both, Shastri and Homi Bhaba died in 1966. The early years of Indira Gandhi's Prime Ministerial tenure saw a lot of political uncertainty in India. At the level of technological capabilities, there remained some uncertainty. Indian decision of not signing the NPT confirmed the end of the uncertainty of the sixties.

In the early seventies, Indian nuclear agenda began to take a definitive direction. In September 1971, the Chairman of the Indian AEC announced at the Fourth Atoms for Peace Conference that India had been working, on top priority basis, in the field of nuclear explosive engineering for peaceful purposes. Prime Minister Mrs. Indira Gandhi also made it clear that the AEC was constantly reviewing the progress in the technology of underground nuclear explosion from, both, the theoretical and experimental angle. Mrs. Gandhi, however, denied that there was any schedule fixed for a nuclear explosion. India conducted its first nuclear test in 1974 at Pokhran in Rajasthan. This was an underground test. This test has been called a Peaceful Nuclear Explosion (PNE) as its purpose was to pursue research in peaceful applications of nuclear technology and not construct a bomb.

It was after the nuclear test in 1974 that India finally developed a coherent nuclear doctrine to suit the changed circumstances. The test had demonstrated the Indian capability of producing a nuclear explosion. India now had the raw materials, the scientific and technological know-how and the personnel to construct an atomic bomb. What remained in question was the intent. India made it clear that this test was not conducted for production of a nuclear weapon and that India had no intention of going in for nuclear weapons. At the policy level, the earlier Shastri position of peaceful uses of nuclear energy with a go ahead for research in PNE was now further expanded. The test did not divert Indian stand on nuclear disarmament and peace policy. In her statement to the Indian Parliament, Mrs. Gandhi went at great length to stress that the test was part of the research and development work, which the AEC had been carrying out in pursuing the national objective of harnessing nuclear energy for peaceful purposes.

By conducting the Peaceful Nuclear Explosion, India demonstrated its capability to produce a nuclear bomb. But it simultaneously stated that it would not produce a nuclear bomb. This created a sense of uncertainty about India's real intentions. It is because of this that one can describe Indian policy as being a deliberately vague nuclear posture. This was to remain the basis of Indian nuclear policy for a long time.

This underwent a change in the early nineties following some important initiatives taken by the nuclear weapons states, namely, to indefinitely extend the NPT in 1995, to sign the Comprehensive Test Ban Treaty in 1996 and to begin discussions on the Fissile Material Cut-off Treaty. Nuclear debate in India in the first half of the nineties focused on the need to enhance nuclear capability.

On 11 and 13 May 1998 India conducted series of tests at Pokhran. India declared that it was now a nuclear weapon power. In his statement to the Parliament Prime Minister Vajpayee spelt out the nuclear policy of his government in the post Pokhran II phase: One, India would maintain a minimum but credible nuclear deterrent. To achieve this India did not require further testing and hence it was accepting a voluntary moratorium on further nuclear testing. Second, India would adhere to a 'no first use' doctrine as regards nuclear weapons. Finally, India continued with its commitment to global nuclear disarmament.

The Indira Gandhi line about a deliberately vague nuclear doctrine had been continued by successive Congress governments of Rajiv Gandhi and P.V.Narsimha Rao. It was I.K.Gujral, Prime Minister of the United Front government who sought to end this ambiguity. Gujral wanted to keep the nuclear weapons option open as a security measure. However, he refused to define the exact nature of threat that forced him to articulate a clearer position on the nuclear issue. The BJP in its National Agenda was still more specific about keeping the option open. The 1998 nuclear tests ended the lingering ambiguity in Indian posture.

A lot of discussion took place about Indian nuclear policy after the tests. Questions came to be asked about the exact nature of Indian nuclear policy and its long term direction. The Draft outline of Indian Nuclear Doctrine was prepared by the government and released on 17 August 1999. It argues for autonomy in decision making about security for India. It takes the long established Indian line that security is an integral part of India's developmental process. It expresses concerns about the possible disruption of peace and stability and the consequent need to create a deterrence capability to ensure the pursuit of development. It argues that in the absence of a global nuclear disarmament policy, India's strategic interests require an effective credible deterrence and adequate retaliatory capability should deterrence fail. It continues to hold on the 'no first use doctrine' and the civilian control of nuclear decision-making. It also expresses India's strong commitment for global nuclear disarmament.

Check Your Progress 1

Note: i) Use the space below for your answers

ii) Check your answer with the one given at the end of this unit.

1) Why do nations go nuclear?

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2) The main elements of India's three stage nuclear development strategy are:

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3) What prompted the shift in India's nuclear posture in the 1990s?

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4) The central elements of India's nuclear doctrine are:

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26.4 THE PAKISTANI NUCLEAR PROGRAMME

Pakistan's nuclear programme began in the mid 1950s when the Pakistan Atomic Energy Commission was created under the chairmanship of Dr. Nazir Ahmed. For a decade from the mid Fifties through the Sixties, several hundred Pakistani scientists received training under various 'Atoms for Peace' type programmes in the United States. Pakistan's principal nuclear research facility was established at Nilore near Rawalpindi in 1965. This facility, the Pakistan Institute of Science and Technology, provided for research and training facilities for scientists and technicians in the country. The first reactor, PARR is also located here. This reactor was supplied by the US in 1965 and operates under IAEA safeguards.

Zulfakir Ali Bhutto was the key architect of the Pakistani nuclear programme. Single-handed and with great determination, he built the nuclear programme from almost scratch to a viable nuclear deterrent capability. His primary concern had always been the Indian threat. He firmly believed that India was on the path to produce a nuclear weapon and if Pakistan did not follow suit, it would have to face a nuclear blackmail from India.

The 1971 war and the creation of Bangladesh had a far-reaching impact on Pakistan's nuclear programme. Bhutto promised to restore his country's lost pride. In 1972 he is reported to have held a secret meeting of nuclear scientists at Multan. It was at this meeting that the decision to develop an atomic bomb was taken. In 1974 Indian conducted its first nuclear test. Pakistan's reaction was sharp. Pakistan considered it a fateful development that had brought about a qualitative change in the situation in the subcontinent.

Initially, Pakistan focused on the plutonium path for building a nuclear weapon. Plutonium can be obtained from fuel that has been reprocessed from nuclear power plants, and in October 1974 Pakistan signed a contract with France for the design of a reprocessing facility for the fuel from its power plant at Karachi and other planned facilities. However, over the next two years Pakistan's international nuclear collaborators withdrew as Pakistan's nuclear ambitions became more apparent

Pakistan's nuclear programme got a fillip with the arrival of Dr Abdul Qadeer Khan in 1975, who brought with him the plans for uranium enrichment centrifuges, and lists of sources of the necessary technology. On this basis, Pakistan initially focused its development efforts on highly enriched uranium (HEU), and exploited an extensive clandestine procurement network to support these efforts. A.Q. Khan evidently persuaded Pakistan to work with Uranium as compared to Plutonium. Pakistan's activities were initially centred in a few facilities. A.Q. Khan founded the Engineering Research Laboratories at Kahuta in 1976, which later became the Dr. A. Q. Khan Research Laboratories (KRL).

Pakistan's nuclear linkage with the Arab world came into existence around 1973. The economies of West Asia changed after the 1973 war. The phenomenal rise in oil prices opened up new opportunities for Pakistan to trade its technology for oil. Libya soon emerged as the key supplier of uranium to Pakistan and also its main financier. Bhutto's testament that 'only the Islamic civilization was without it (the bomb), but that position was about to change' has been singled out as the indication of a Pakistani-Arab ambition to build the bomb. This has led to the labelling of the Pakistani bomb as an 'Islamic Bomb'. The reasons include the economic need of Pakistan and the Arab

need to deter Israel. There has also been a lot of discussion about the Chinese help to Pakistan in its effort to build its nuclear arsenal. The impetus provided by Bhutto continued to be pursued after Zia-ul-Haq came to power in 1977.

In the late 1970s, Pakistan had become a country of paramount geo-strategic importance for the United States following the Soviet invasion of Afghanistan. The United States considered Pakistan a "frontline state" against Soviet aggression and offered to reopen aid and military assistance deliveries. Despite the acquisition of new weaponry from the United States, Pakistan believed that it could never match India's conventional power and that India either had, or shortly could develop, its own nuclear weapons. President Zia therefore continued to pursue the nuclear programme initiated by Bhutto.

As long as Pakistan remained vital to United States interests in Afghanistan, the United States generally ignored Pakistan's developing nuclear programme and no action was taken to cut off United States support. Western nations, led by the United States, however began to strengthen controls on export of nuclear and other advanced technologies and began to enforce them with some stringency. One result of these Western export controls and stringent enforcement mechanisms was the increasing dependence of Pakistan's on China. Even before the signing of the Sino-Pakistani atomic cooperation agreement of 1986, China began to transfer some of the most critical nuclear technologies to Pakistan in the early Eighties. China is reported to have provided Pakistan with the design of one of its warheads, as well as sufficient Highly Enriched Uranium for a few weapons. As of the mid-1990s it was widely reported that Pakistan's stockpile consisted of as many as 10 nuclear warheads based on a Chinese design.

On 28 May 1998 Pakistan announced that it had successfully conducted five nuclear tests. On 30 May 1998 Pakistan tested one more nuclear warhead. The tests were conducted at Balochistan, bringing the total number of claimed tests to six. It has also been claimed by Pakistani sources that at least one additional device, initially planned for detonation on 30 May 1998, remained emplaced underground ready for detonation. These tests came slightly more than two weeks after India carried out five nuclear tests of its own, and after many warnings by Pakistani officials that they would respond to India.

Check Your Progress 2

Note: i) Use the space given below for your answers.
ii) Check your answer with the one given at the end of this unit..

1) Who can be regarded as the architect of Pakistan's nuclear weapons programme and why?

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2) What does the term Islamic bomb connote?

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26.5 NUCLEAR STATUS

India is believed to have enough weapons-grade plutonium for 45-95 nuclear weapons. However, the number of fully assembled weapons is likely to be smaller, and warheads are currently stored separately from aircraft and missile delivery systems. Pakistan lacks

an extensive civil nuclear power infrastructure, and its weapons programme is not as broad-based as India's. Almost its entire nuclear programme is focused on weapons applications. However, Pakistan is believed to have enriched enough uranium for 30-50 nuclear weapons, and now has a facility in Rawalapindi capable of reprocessing enough plutonium for approximately two weapons per year. Unlike India, Pakistan is thought to have used much of its fissile material to manufacture nuclear weapons.

India's missile force consists of approximately 50 short-range, liquid-fuelled Prithvi missiles and a limited number of solid-fuelled Agni-I missiles. In January 2001, India tested the 2500 kilometer-range Agni-II, which now appears ready for operation. In addition, a naval version of the Prithvi is under development, as is the 3500 kilometre-range Agni-III, which will be able to hit targets deep in Chinese territory. In April 2001, India successfully launched an experimental satellite into space using rocket booster technology that could also be used to develop an intercontinental ballistic missile. However, it is believed that most of India's nuclear weapons are intended for delivery by aircraft. For this purpose, India possesses Mirage 2000 fighters of French origin and Sukhoi SU-30 fighters acquired from Russia.

Pakistan possesses between 30 and 80 short and medium-range ballistic missiles. The liquid-fuelled Ghauri-I and II are most likely derived from the North Korean No-Dong, while the solid-fuelled Shaheen-I borrows Chinese technology. Two other medium-range missiles- the Ghauri-III and Shaheen-II- are being developed. Pakistan's force of nuclear-capable aircraft includes A5 fighters of Chinese origin, Mirage fighters from France, and 32 American-made F-16s.

INDIA AND PAKISTAN: STATUS OF WMD PROGRAMMES

Nuclear Weapons	: Both possess fissile material.
Chemical Weapons	: India, with its large industrial base, can produce precursors for chemical warfare agents. Pakistan must obtain precursors for chemical agent production.
Biological Weapons	: Pakistan is conducting research and development with potential biological warfare applications. India's efforts are geared towards defense.
Delivery Systems	: Both have aircraft capable of delivering nuclear and chemical weapons. Both are developing missiles.
	India: has two missile programmes:
	Prithvi - short range (150-250 km)
	Agni - intended range (2,000 km)
	Pakistan: has two missile programmes:
	Hatf I - short range (80 km)
	Mobile SRBM - approximately 300 km range

26.6 NUCLEAR DISARMAMENT

Indian stand on nuclear disarmament goes back to the call for a 'stand still' agreement that Pandit Nehru made in 1954. The Indian position had been that any agreement on a test ban would help reverse the process of competitive armament. It would also pave the way for an agreement on disarmament. By the end of 1956, the different approaches of the States to the issue of a test ban had become clear. The Soviet Union and India advocated an early and separate agreement on a ban on all nuclear tests without international verification; as such nuclear tests would not go undetected in any case.

The Western countries sought limitation of and an eventual ban on nuclear testing with adequate verification. Eventually, the United States, Britain and Soviet Union began negotiations for the Partial Test Ban Treaty. This treaty was formalized in 1963 and India became party to it. The late Sixties saw a concern being expressed by India that the nuclear powers were reluctant to institute any checks on their own stockpiles. The concern was articulated in the debates on the NPT. The NPT had sought to divide the countries into those who possess a nuclear bomb and those who do not. The 'have nots' had to undertake not to produce nuclear bomb, while the 'haves' could continue to increase their nuclear arsenal. In fact this discriminatory nature of the NPT became the single point of mention for its rejection by India.

The NPT Review Conference in 1995 decided to extend the NPT for an indefinite period. The Comprehensive Test Ban Treaty was signed in 1996. The debate on the CTBT provides for a clearer articulation of the disarmament policy of India. Indian stand at the CTBT had been that the treaty was to 'contribute effectively to the prevention of proliferation in all its aspects, to the enhancement of international peace and security'. It was thus anchored in the commitment to nuclear disarmament, to the achievement of a nuclear weapon free world within a time bound frame. Indian opposition to the final version of the CTBT came because it permitted the nuclear weapon states to continue their weapons related research and development activity using non-explosive technologies. It lacked any meaningful commitment to disarmament and instead only served to retain the existing status quo. It must be noted that India continues to call for universal nuclear disarmament even after the tests.

Pakistan's refusal to join the NPT has its roots in its perception of the strategic situation in the region. Pakistan called for an effective security guarantee that would contain the following provisions: (i) prohibition of first use of nuclear weapons by nuclear weapon states; (ii) immediate assistance for a non-weapon state which is a victim of a nuclear aggression; (iii) assistance before the Security Council can act; and (iv) a security guarantee which would include all non-weapon states which have renounced the manufacture or acquisition of nuclear weapons, irrespective of whether they have signed the NPT.

Following the Indian nuclear test of 1974, Pakistan made a public declaration of its intention to enter the nuclear field. It also introduced in the United Nations the concept of a Nuclear Free Zone in South Asia and the Indian Ocean. In the later years, Pakistan's posture on the CTBT came to be closely linked to the Indian stand. Pakistan did not oppose the CTBT but abstained on the issue in the United Nations.

The Indo-Pakistan nuclear relationship attempted a significant step in form of a non-formalized 1985 agreement that neither India nor Pakistan would attack the other's nuclear facilities. The second step was a joint agreement for inspection of all nuclear sites by the International Atomic Energy Agency. A pact between the two countries to allow for mutual inspection of sites was also proposed. Pakistan had also proposed a South Asian nuclear-free zone.

In the post 1998 scenario, Pakistan has rejected Indian proposals for a treaty of no-first-use of nuclear weapons, and has said that it would consider using nuclear weapons if it felt its existence to be threatened. Pakistan relies on this threat of first-use because India possesses superior conventional military forces.

26.7 POST 1998 NUCLEAR ISSUES

Regional Security

Regional security problems have been articulated as some of the key determinants of the nuclear tests. In the case of Indian nuclear policy, both Indian and Western analysts have sought to highlight the threats from Pakistan and China. The growing nuclear capability of China and the close links that China has with Pakistan in the nuclear area have been a matter of concern to India. In case of Pakistan, the Indian nuclear capability has been identified as the key source of threat to Pakistan. India has a strong conventional military

base that is recognized to be far superior to Pakistan. Pakistan has failed to gain any military advantage in the past conflicts with India. Kashmir has been highlighted as the critical element in the bilateral dispute. Here too, Pakistan strategy has shifted from conventional warfare to low intensity conflict. Pakistan looks at nuclear option as an important deterrent against India.

Global Issues

The post-Cold War era has brought about a change in the perception of security threats to Indian and Pakistan. These can be identified as non-military pressures like trade, intellectual property rights, environment and technology control as threats to national security. Non-strategic pulls and pushes by foreign nations that affect the nation's economy should be looked upon as a security threats and not as an isolated trade related activity. Trade embargoes, technology control regimes and diplomatic pressures to sign various treaties were growing in recent times. This has had an adverse impact on the South Asian economy.

Restrictions on nuclear and related dual-use technology had begun with the NPT in 1968. The Nuclear Suppliers Group formed after the Indian test of 1974 had placed restrictions on the transfer of nuclear related technology and material to such nuclear capable states like India. The Missile Technology Control Regime (MTCR) instituted in 1987 had placed restrictions on the transfer dual-use technology related to missiles. It was under this regime that the Russians were forced to cancel the technology transfer agreement on the cryogenic engines for the ISRO programme. In 1995 came the Wassanaar Arrangement that further prohibited the transfer of dual-use technology. The CTBT and the proposed Fissile Material Cut-off Treaty further strengthened the nonproliferation regime. Besides these international arrangements, bilateral restrictions of the United States in form of nonproliferation legislations have also affected India. Both India and Pakistan, as have some of the other nuclear (technologically) capable states, have been at the receiving end of this regime that has been sponsored by the developed world.

Over the years these restrictions had come to symbolize the core of the developed world's status quoist agenda. The first symbolic defiance of this restraint came in form of the 1974 nuclear test at Pokhran. The May 1998 tests of India and Pakistan represent this defiant independence at an age when the nonproliferation regime has become more stringent over the years. The Indian nuclear tests were a demonstration of capabilities - technological and political. The former in the context of the ability to develop in the face of restrictions; the latter was the demonstration of the political will to take on the developed world. The Pakistani tests were also a demonstration of their defiance of the pressures instituted by the developed world in form of the threat of sanctions. It is this reassertion of the ability to take independent decisions in the face of anticipated sanctions that makes the nuclear tests a symbol of the a resurgent Third World.

Dialogue

Looked at through the conceptual lenses of this approach, one can argue in favour of a dialogue between India and Pakistan

The bilateral level dialogue would rest on the new equation of a nuclear weapon capable India and Pakistan. The Western logic of deterrence has been based on the premise that the mutual vulnerability to attack proves a deterrent and an eventual nuclear confrontation is avoided. This logic accepts that the number of weapons is not the real determinant, that the minimal nuclear deterrence is possible through even a single weapon with a reliable strike capability. Arguably therefore, India and Pakistan would have achieved this mutual deterrence with their stated weapon capabilities. To extend this argument further, neither of the countries needs to enter into the much publicised nuclear arms race to further their security. Of seminal concern is the fact that the crucial problems of security faced by both the countries are in the area of internal

security and not border war. Insurgency, terrorism, low intensity conflict and such kinds of internal security threats are not tackled by nuclear weapons; they require a combination of political, social and economic policies. The security level argument therefore does not lead one to fear the rapid escalation of, or proliferation of nuclear weapons in an Indo-Pakistan scenario.

In case of China, the Indian position is slightly different. Here too the key problems are mainly in the area of internal security. Over the last decade or so, the arena of the border dispute has shifted to the discussion tables rather than the field level skirmishes. The main arena of India-China confrontation remains the diplomatic one. At the nuclear level, India can only expect to create a minimal level deterrence against the vast Chinese capability. The main asset of the nuclear capability is to raise India's diplomatic leverage in the bilateral dialogue.

It is at the global level that the parameters of an India -Pakistan dialogue become clear. In the post test phase both India and Pakistan have had to face the brunt of international and bilateral sanctions. These have had an adverse impact on the economies of both the countries. Both the countries have been asked to accept the NPT - CTBT as a precondition to lifting of sanctions. The success of the Western world in containing the spread of nuclear technology depends on the manner in which they are able to quarantine the two countries, raise their bilateral disputes to explosive levels and force a compromise on nuclear issues. It is in this context that Indian and Pakistan would have to realise their vital national interests and rise above these pressures to initiate a dialogue. This dialogue should enable them to cooperatively tackle the developed world rather than accept their agenda and comply.

Check Your Progress 3

Note: i) Use the space below for your answers

ii) Check your answer with the one given at the end of this unit.

1) Identify some of the technology control regimes that seek to check the proliferation of nuclear and related capabilities in the Developing countries.

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2) What are the compulsions for an Indo-Pakistan dialogue on nuclear issues?

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26.8 LET US SUM UP

Nuclear issues in South Asia relate to the nuclear policies and programmes of India and Pakistan. Both India and Pakistan had civilian nuclear programmes which became the basis of the technological capability to move to a weapons option. India exploded its first

capability. Pakistan had also started to move towards a nuclear weapons option in the 1970s. It was, however, only in 1998 that both the countries conducted a series of nuclear tests and formally emerged as nuclear weapon states.

Pakistan, however, lacks an extensive civil nuclear power infrastructure. Moreover, its weapons programme is not as broad as India's.

The security dynamics of the region are complicated by India's perception of China as a threat and Pakistan's perception that India's substantial conventional military advantage could only be offset by nuclear weapons.

In the post test phase, both India and Pakistan have had to face the brunt of international and bilateral sanctions.

Neither country has signed the Non-Proliferation Treaty (NPT) or the Comprehensive Test Ban Treaty (CTBT), although they adhere to self-imposed moratoriums on nuclear tests.

The success of the Western world in containing the spread of nuclear technology depends on the manner in which they are able to quarantine the two countries, raise their bilateral disputes to explosive levels and force a compromise on nuclear issues. It is in this context that Indian and Pakistan would have to initiate a dialogue which will enable them to cooperatively tackle the Western nation's pressures to accept and comply with their agenda.

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26.10 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) To meet their security requirements, to enhance their international standing and in some cases due to domestic political pressures.

2) The key features of Indian nuclear programme included (i) natural uranium fuelled reactors, (ii) fast breeder reactors fuelled with plutonium from the first phase, and (iii) a thorium-uranium fuel cycle utilizing the country's large reserves of thorium sands.

3) The indefinite extension of the NPT, the signing of the CTBT and the negotiations for a Fissile Material Cut off Treaty.

4) Indian Nuclear Doctrine: (i) No first use; (ii) minimal nuclear deterrence and (iii) nuclear disarmament

Check Your Progress 2

1) Zulfikar Ali Bhutto. Believing that India was on the verge of acquiring nuclear weapons which could be used to blackmail Pakistan, he initiated nuclear weapons development programme in the early 19870s.

2) In the early 1970s, linkages emerged between Pakistan and oil-rich Arab nations mainly in the form of supply of uranium and funds for the formers nuclear programme. Pakistan's weapons programme came to be described as a Islamic bomb.

Check Your Progress 3

1) The Nuclear Suppliers Group, the Missile Technology Control Regime, the Wassanaar Arrangement are some of the multilateral technology control regimes. Besides, there are bilateral restrictions on transfer of nuclear and related technologies.

2) From the security point of view, both the countries have achieved the mutual deterrence with their stated weapon capabilities. Western nations have placed sanctions and technology denials on both the countries to comply with their non-proliferation agenda. In this context, any escalation of tensions between India and Pakistan would give the Western world a leverage to quarantine the two countries and press for the denuclearisation. An Indo-Pakistan dialogue should enable them to cooperatively tackle the pressures from the Western world to accept their agenda.

UNIT 27 RESOLUTION AND MANAGEMENT OF CONFLICTS

Structure

27.0 OBJECTIVES

South Asia is a conflict ridden region. This unit deals with the methods adopted by the countries of the region to manage and resolve conflict. After going through this unit, you should be able to

- Define the key concepts of conflict, conflict management and conflict resolution,
- Identify the sources of interstate conflict in South Asia,
- Describe the nature of conflicts, and
- Critically evaluate the methods adopted to resolve conflicts.

27.1 INTRODUCTION

Conflict is inherent in every society. It remains latent in some societies and in many others, it manifests in violence and destruction. Conflicts occur at individual, family, national and international levels. As such, the unit of analysis and nature of actors differ in each case even though all conflicts possess certain generic features. This unit deals with international conflicts involving sovereign states of South Asia.

South Asia is a region of many protracted conflicts. They have remained the cause for three wars and many crises between India and Pakistan. The military engagements have exposed the fragility of peace in South Asia to the extent that some of the Western commentators and governments have termed it as a 'dangerous region' or potential 'nuclear flash-point'. It must be stated that despite tension and rivalry, South Asia is also endowed with strong political culture and mechanisms to resolve

differences. It means that conflicts have concurrently created certain opportunities for their management or settlement, if not resolution and efforts to that end have proceeded almost simultaneously even though their success has not been very encouraging in some cases. Before we examine the management and resolution of conflicts in South Asia, it is necessary to understand the meaning of the concepts of conflict, conflict management and conflict resolution.

27.2 DEFINING THE CONCEPTS

Conflict is defined in many ways; there is no unanimity among the scholars about what constitute a conflict. One school, dominant in North America, defines conflict in terms of clash of interest between two parties. Kenneth Boulding for instance, states: "Conflicts over interests are situations in which some change makes at least one party better off and the other party worse off, each in their own estimation...A fight is a situation in which each party to a perceived conflict over interests acts to reduce the welfare of the other". Johan Galtung, who represents another school, maintains that "injustice and structural violence" mark a conflict situation. According to him, absence of physical violence and direct confrontation between actors does not necessary mean that structural violence is totally absent. Adam Curle presents a broader definition. For him, conflict is a situation where "potential development" of one party is "impeded" by another. However, the most widely used definition links a conflict situation with "incompatible goals" of parties. According to Michel Nicholson, "A conflict exists when two people wish to carry out acts which are mutually inconsistent. [They may both want to do the same thing, such as eat the same apple, or they may want to do different things where the different things are truly incompatible, such as when they both want to stay together but one wants to go to the cinema and the other stay at home.] The definition of conflict can be extended from single people to groups (such as nations) and more than two parties can be involved in a conflict. The principles remain the same". A common element found in all definitions is the divergent goals and interest of two actors or parties who resort to various means in pursuit of achieving their objectives.

Closely related to the concept of conflict is the term conflict resolution. John Burton terms conflict resolution as a political philosophy. It is defined as an outcome as well as a peaceful means by which such an outcome is obtained. According to Hugh Miall, conflict resolution denotes a "change in the situation which removes the underlying source of conflict. This may come about through a change in relationships between them, or through the dissolution and replacement of the original parties. If a conflict is settled by the military victory of one side and the other does not accept the outcome and begins organizing another fight, the underlying conflict has clearly not been removed and such a conflict would not be considered resolved". Thus, the fundamental principles of conflict resolution are two: the parties should be satisfied with the outcome which meets their felt needs and interests, and there should not be use of any coercion to achieve such an outcome. John Groom says that a complete satisfaction of parties comes only if "they have, and do actually have, full knowledge of the circumstance surrounding the dispute and the aspirations of other parties". He also maintains that conflict resolution is a goal rarely realized in practice.

Before analyzing the methods of conflict resolution, it is necessary to define the term conflict management. It is regarded as a necessary preliminary step in the direction and process of conflict resolution. In other words, whether a conflict reaches a stage of resolution or not is dependent in part upon the ways in which it is managed. Conflict management process entails adoption of various measures including establishment of communication links and personal interactions between the adversaries, setting up of mechanisms to end or minimize violence, and seeking commitment of the parties to a political solution to their problem. The last measure paves the way for a peace process whose success will determine the resolution of the given conflict. John Burton finds three important components in conflict management—participation, communication and third party. First, there is the "degree and quality of participation" by the parties to the conflict

This includes "the bargaining power available, influence on the decision making institution or forum concerned, knowledge and negotiating skills available, and other power attributes of the participants". Second, "there is the degree and quality of communication between the parties" which includes "their perceptions and understanding of the situation, abilities to receive information and to communicate to it". Third, "if there is a third party involved, there are the degrees of decision making power, degrees of neutrality, levels of analytical skills, and other attributes of third parties".

Conflicts are resolved in a number of ways. Some of the most significant methods are arbitration, mediation and direct negotiations. Arbitration is part of the larger process of adjudication. It is one of the oldest methods of conflict resolution. Under this method a given conflict is referred to an impartial tribunal (arbitration tribunal or international court). Unlike a permanent court, an arbitration tribunal is an *ad hoc* forum set up by an agreement between the disputants or conflict parties. It means that it is valid for a single conflict. The size of a tribunal is always small; it can have three or five or nine members. In case of a three-member tribunal, each disputant chooses one member and the third one is neutral arbitrator chosen by both national nominees. If they fail to do so, an impartial third party such as the President of the International Court of Justice nominates a person. It is also possible to have three neutral members in a tribunal of five; in some other cases the parties select a single arbitrator such as the UN Secretary General. The arbitrators are reputed judges or lawyers or diplomats or retired government officials. An important condition is that states are expected to comply with the award and therefore the tribunal decision is binding on the disputants.

Third party mediation is also an important method. It is an integral part of a larger bargaining or negotiation process in conflict. A variety of actors like private individuals, governments and regional and international organizations undertake mediation. The main objective of mediation is to change the behaviour, choice and perception of the adversaries so that a settlement between them can be reached. Each mediator adopts different strategies. They include facilitation of communication between the parties and putting pressure on them to give up their tough position in negotiations. A mediator clarifies ambiguous issues, offers suggestions to the adversaries, participates in negotiations and formulates proposals. A mediator is biased or impartial. Coercion is forbidden in a mediation process, but some mediators in practice use pressure tactics or provide various incentives to the adversaries with an objective of reaching a solution.

A bilateral negotiation is yet another method for conflict resolution. Here, both the parties to the dispute engage in direct negotiations without any third party support. It is a bilateral affair because the parties establish communication with each other, create atmosphere for talks, set the agenda, conduct hard bargaining and commit themselves to an agreement reached between them. The negotiation process can be long and difficult. It is also possible that talks can easily break down since there is no third party to moderate their position.

27.3 SOUTH ASIAN REGIONAL CHARACTERISTICS

South Asia is a conflict-ridden region. It has experienced four full-scale wars (in 1947-48, 1962, 1965 and 1971) and one limited war (Kargil war). In order to understand conflicts in South Asia, it is important to appreciate the characteristics of the region because the structure of the region itself provides the conditions for a conflict. One of the prominent characteristics of South Asia is "Indo-centricism". It means that India occupies the centre of the regional subsystem in every sense—geographical, historical, socio-cultural and economic. Geographically, with its centrally located vast landmass, India is the only connecting point to the other states of the region. It shares frontiers (either land or sea) with all the states and separates most of them. The history of most of the states is either linked with or rooted in India. It means that India looms large in regional histories by virtue of the fact that it effectively influenced and shaped events

from time immemorial. Furthermore, India provides a civilizational link to all the South Asian states. As such, the socio-religious and linguistic contours of the region have a strong element of 'Indian-ness' that is blended or harmonised with the local traditions. Clearly, the vast components of collective persona of these states are drawn from the Indian antecedents. Finally, the economic centrality of India is explained in terms of its capacity to assist and even influence some of the national economies. It is even better illustrated by the fact that India holds the key to success of the SAARC as a regional economic grouping. Implication of this regional framework is that India is the focal point of contest by its neighbours whose interests invariably clash with that of India. It means that most of the conflicts are between India and its immediate neighbours.

The second important characteristic of South Asia is its 'asymmetric and hierarchical power structure'. India is indeed by far the largest (in population and territory) and biggest (in economic, technological and military strength) state in South Asia. India is larger and bigger than each one of its neighbours or even all of them "put together" in South Asia. In fact, the asymmetry is so overbearing that "significant differences of power potential" among India's other neighbours are "obscured". As a result, countries like Pakistan want to compete with India to attain parity of power.

The third characteristic of South Asia is the "common colonial experience" of the member states. It is widely agreed that the colonial history has sown seeds of many conflicts in the post-colonial period. It happened, not so much due to the de-colonisation process itself, but because of the peculiar way of building the British Empire through a coercive process of integration of disparate groups and their territories. The British colonial rule established territorial unity of the subcontinent: India, Pakistan and Bangladesh were at the core of the integrated British *raj* with which Nepal and Bhutan maintained peripheral linkages, and Sri Lanka and Maldives were independent of the *raj* but controlled by the colonial government. All of them shared a common destiny and were forced to defend imperial interests at the cost of their own. But this shared destiny became highly individualistic when the British rule ended. The process of de-colonisation simultaneously triggered off a process of territorial fragmentation and disunity in the subcontinent. In many cases the post-colonial state formation followed absurd and illogical patterns; demarcation of State boundaries became incomplete and interests and status of many ethnic and religious groups were not defined. Post-colonial South Asia has lived with these colonial legacies, giving rise to various disputes and conflicts within states and between states of the region.

27.4 NATURE OF CONFLICTS

There are many bilateral problems between the countries of South Asia; some of them result from the competition for power, security and prestige. Conventional arms build-up and nuclear rivalry between India and Pakistan can be cited as an example. Then there are open bilateral conflicts in South Asia over territory and water resources. Importantly, given the Indo-centric nature of the region, these conflicts are between India and its South Asian neighbours.

On the basis of their duration and intensity, territorial conflicts in South Asia can be divided into two categories—protracted and peripheral conflicts. Protracted conflicts include India's disputes with Pakistan, especially over Kashmir and Siachen. Peripheral conflicts are those between India and its smaller neighbours such as Sri Lanka. Again, one can make a further categorisation in terms of the nature of the contested territory: most of the conflicts are related to border demarcations and only Kashmir has the distinct character of being an irredentist dispute. The India-Pakistan territorial conflict is a multi-pronged affair in the sense that both countries have competed for more than one part of territory at a time. If Kashmir, according to the Pakistanis, is a 'core issue' between India and Pakistan, Siachen, Kutch and Sir Creek have been crucial issues from the standpoint of their national security. The dispute between India and Sri Lanka over Kachchativu was less contested, at least from the Indian side. This made the task of its resolution easy.

27.4.1 India-Pakistan Territorial Disputes

As stated earlier, there are four major disputes between India and Pakistan over territory—Kashmir, Siachen, Rann of Kutch and Sir Creek. Out of these, only the Kutch dispute has been resolved. The Kashmir conflict is the oldest, which started in the wake of the British withdrawal from the subcontinent and subsequent partition of India in 1947. At the time of independence, the Indian Union had two categories of states. They were states of British India and princely states. There was no problem with the integration of British Indian states; they became either part of India or Pakistan. But the princely states posed a serious problem. When the doctrine of paramountacy of the British Crown lapsed, Lord Mountbatten urged the princely states to join either India or Pakistan depending upon their geographic contiguity and demographic composition. It means that the Hindu dominated areas could join India and the Muslim dominated areas should go to Pakistan. Herein lay the Kashmir problem. Jammu and Kashmir had a Hindu ruler (Maharaja Hari Singh) but majority of its population was Muslims. As regards territory, it adjoined both India and Pakistan. The Maharaja did not want to join either of these countries. Seeing his vacillation, Pakistan sent its troops to aid a tribal rebellion which broke out in Poonch in October 1947. Soon the rebels supported by Pakistani forces marched towards the capital, Srinagar, threatening the very position and authority of the Maharaja. Since he did not have any military power to counter the invasion, Maharaja appealed to India for military assistance. Prime Minister Nehru put two conditions: first, he wanted the Maharaja to seek the approval of Sheikh Mohammed Abdullah, the leader of the Kashmiri National Conference. Second, the Maharaja needed to accede the state of J&K to the Indian union if Abdullah gave assent to the Instrument of Accession. On fulfilling these two conditions, Nehru sent the Indian troops to put down the rebellion and evacuate the Pakistani forces. However, India's success was only partial. Its troops managed to stop the rebel advance but they had to concede about one-third of J&K to Pakistan. Subsequently, on 1 January 1948, India took the issue to the United Nations Security Council which, in April 1948, passed a resolution urging both the countries to settle the dispute through a plebiscite in J&K to determine the will of the people on their accession. This marked the beginning of a long drawn process of conflict management and resolution which has coexisted with war, insurgency and violence. So far the result has been negative. We will examine these in the next section.

The dispute over Siachen is primarily linked to the Kashmir conflict. The peculiarity of the issue lies in the fact that the Siachen glacier is one of the most inhospitable regions in the world because of its tough weather conditions, high altitude and rough terrain. It receives heavy snow of about 7 meters every year, snowstorm occurs at a speed of nearly 300 Kilometres per hour and the temperature drops to 40 degrees below zero level. Its high altitude is explained by the fact that India has its base camp at a place which is 12,000 feet above the sea level. It means that the altitude of some of the forward bases are much higher (varies from 22,000 feet to 16,000 feet). The area is prone to avalanches. It is estimated that over 95 per cent of the Indian casualties have been due to the high altitude, adverse weather and inhospitable terrain.

Until the mid-1980s, neither India nor Pakistan controlled the Siachen glacier. The India-Pakistan cease-fire line created in 1949 did not clearly delineate territory to either side. Nor the Line of Control (LoC) described the position of the glacier. As such, the region was left un-demarcated. Since it is located in the "un-delimited area" beyond the LoC, both India and Pakistan made competing claims over the glacier. It is evident that Pakistan insists on drawing a straight line in a north-easterly direction from NJ 9842. This goes up to the Karakorum Pass on its boundary with China. On the other hand, India likes to draw a line in the north-north west direction from NJ 9842 along the Saltoro Range—a southern offshoot of the Karakorum Range.

India came to know of the glacier in the late 1970s from mountaineering maps published in Europe and North America. Earlier India did not allow any mountaineering expedition,

whereas Pakistan allowed and encouraged such activity to gain legitimacy over territory. However, in 1978, India changed its policy. It despatched an "operational reconnaissance patrol" of the army to the area in the guise of a mountaineering expedition. Subsequently, the army made many more expeditions, and patrolled the glacier in summer. Pakistan did not militarily oppose the Indian army's activities initially, but since 1978 it made several protests against Indian presence in the glacier. In 1983, Pakistan also made an attempt to station its troops in the glacier. India pre-empted the Pakistani move by airlifting a platoon of its troops in 1984, thereby making itself the first country to occupy the glacier. Since 1984, Pakistan has regularly made attempts at dislodging the Indian troops. At the same time, the Indian military objective has been to retain its control over the territory at any cost. The ensuing military confrontation has resulted in heavy loss of life and the economic cost of it is also mounting.

The dispute over Rann of Kutch arose soon after independence of India and Pakistan. Rann of Kutch is situated between the Sind province of Pakistan and the Indian state of Gujarat. It is a 23,000 sq. km of marshland, "not wet enough to navigate and not dry enough to farm". It is divided into two different formations—Great Rann and Little Rann. The Great Rann, which covers 18,000 sq. km., lies within Gujarat. The Little Rann is about 5000 sq. km., which extends from the Gulf of Kutch to touch the Sind province. In 1947, the boundary between Sind and Kutch became an international border. The dispute started when Pakistan made a claim over one-third of the Great Rann (which is about 3,500 square miles. The area claimed run along the "24th parallel (north latitude), which it argued had always been under the control and administration of Sind". India rejected the Pakistani claim on the ground that the whole of the Rann of Kutch was part of the Kutch region of Gujarat. For several years after their independence both the countries exchanged notes and letters reiterating their claims and counterclaims on the Rann of Kutch.

The dispute took a military dimension in February 1956 when Pakistani forces intruded into Chhad Bet in the northern half of the Rann of Kutch. India responded by sending its troops. But Pakistani soldiers could not be tracked down. Pakistan played the hide-and-seek game. It wanted to draw India's attention to the dispute with the aim of seeking a solution. What followed next was a series of exchange of letters reiterating their claims and counter-claims by referring to the controversial historical facts. Finally, an arbitration tribunal resolved the dispute in 1968.

The dispute over Sir Creek remained a part of the Rann of Kutch dispute. When the latter dispute was resolved, the solution did not cover the Sir Creek. The Creek, a fluctuating tidal channel, is a 100 km long estuary marsh of the Rann of Kutch. Pakistan held the view that boundary dispute in the Kutch-Sind sector covered Sir Creek and claimed the entire Sir Creek as its territory. India repudiated the Pakistani claim on the ground that there was no territorial dispute over Sir Creek as its boundary was well-established with the creation of boundary pillars in the middle of the creek. During the arbitration of the Kutch dispute, both India and Pakistan agreed before the tribunal to limit their dispute to the boundary in the north. In the south there was an agreed boundary. It started from the Sir Creek and extended itself in the eastward direction along the 24th parallel. However, India held the view that "this line moved up sharply at a right angle to meet the north boundary of the Rann". Pakistan wanted to extend the line further eastward to claim half of the Rann. Despite some efforts on the part of India and Pakistan, the dispute remains unresolved.

27.4.2 India-Sri Lanka Dispute over Kachchativu

The territorial dispute between India and Sri Lanka was over Kachchativu, a tiny barren island in the Palk Straits. All historical evince shows that the island formed a part of the Zamindari of Raja of Ramnad in Tamil Nadu. At the same time, Sri Lanka did not have sufficient evidence to show that the island belonged to it. Yet the Sri Lankan government made a claim on the ground that its ownership of the island was tacitly accepted by the British Indian government. While disagreeing with Sri Lanka, successive Indian leaders

showed apathy and indifference towards the territorial dispute. Nehru and his successors underplayed the dispute in the interest of bilateral relations. This was evident from their various statements. Nehru virtually toed the Sri Lankan line of argument when he said that the Zamindari rights of the Raja of Ramnad did not confer sovereignty over the Kachchativu Island. He showed his ignorance and casual approach to the problem when he stated that he was not sure about the location of the disputed island. He appeared to be over-cautious about Sri Lanka's sensitivity when he maintained that there was no "national prestige" involved in the issue. Similarly, fearing an adverse impact on bilateral relations, Indira Gandhi was even reluctant to take pro-India position on Kachchativu which, in her opinion, was a "sheer rock with no strategic significance". The difference between the two leaders was that even though Nehru did a soft-pedalling on the issue, he did not enter into an agreement with Sri Lanka to recognise its sovereignty over the island. But Indira Gandhi signed an agreement in 1974 against the wishes and interests of Tamil Nadu.

27.4.3 Conflict over Water-sharing

Conflict over water sharing occurred between India and Pakistan, and India and Bangladesh. It must be noted that there has been no conflict over water sharing between India and Nepal; the major issue between them is related to development of water resources (hydropower, irrigation and flood control, etc). As such, in the context of conflict resolution, it is essential to concentrate on those conflicts which involved the issue of water sharing. India's dispute with Pakistan and Bangladesh are the cases in hand.

Apart from the territorial conflict, India and Pakistan had a major dispute over sharing the Indus water. The partition of India necessitated dividing the Indus water system because the line of partition cut across the Indus river system, which remained the lifeline of agricultural development in undivided Punjab. The Indus water system included six rivers—the Jhelum, the Chenab and the Indus itself in the west; the Ravi, the Beas and the Sutlej in the east. The interests of India and Pakistan clashed since both the countries demanded a larger share of river system. What complicated the issue was the India-Pakistan war after the partition and the continuing tension-ridden relations between the two countries in the subsequent years. As such, prolonged bilateral talks did not yield any result until the World Bank extended its good offices to clinch a deal in 1960.

The Ganges water dispute was much more complicated and intractable than the Indus water dispute, and the contending parties—India and Bangladesh—adopted intransigent positions at various negotiating stages. The issue was not merely of sharing the Ganges water but also its augmentation during the lean season (between January and May) when the flow remains low. It must be noted that India is an upper riparian state and Bangladesh is lower riparian state. The contention of Bangladesh was that India always involved in a unilateral diversion of the Ganges water at Farakka, which adversely affected the interests of the lower riparian state. Perceiving unconsciously that the Ganges was an Indian river, India, on the other hand, maintained that the diversion of a part of the Ganges water at the Farakka barrage to the Bhagirathi/Hooghly river was necessary to arrest the deterioration of Calcutta port and protect Kolkata's drinking and industrial water supplies from salinity. Bangladesh always insisted on an equitable water-sharing formula which India considered unreasonable given the cultivable area and the population in India which are larger than that of Bangladesh. As regards the augmentation, there was always sharp disagreement on the ways and means of augmenting the water flow during the lean season. In the past, India proposed that a link canal from Jogighopa to Farakka across Bangladesh be constructed to augment water flow in the Ganges from the water-surplus Brahmaputra. river. On the other hand, Bangladesh proposed to have augmentation from within the Ganges system by storing its monsoon flows behind seven high dams in Nepal. Each side disagreed with other's proposal and, as such, the problem remained unresolved despite many rounds of political negotiations until an agreement was reached in 1996.

Check Your Progress 1

Note: i) Use the space below for your answers.

ii) heck the answers with the answers given at the end of this unit.

1) According to Hugh Miall the two fundamental principles of conflict resolution are:

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2) What is arbitration?

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27.5 MANAGEMENT AND RESOLUTION OF CONFLICTS

In South Asia the governments have followed three approaches—arbitration, mediation and bilateral negotiations—at different points in time to resolve their conflicts. The first two approaches were tried in the past and the third one remains the single most preferred approach of India even though countries like Pakistan and Bangladesh prefer international mediation. Now, India is opposed to any form of third party mediation or arbitration of its bilateral disputes with any of its neighbours and insists on bilateral negotiations—a norm of conflict resolution which others like to change. This is despite the fact that the third party involvement as arbitrator or mediator in the past was successful in resolving some of the disputes once for all.

27.5.1 Arbitration

The Rann of Kutch dispute was arbitrated by a three member tribunal set up for this purpose. India nominated Ales Bebler (a judge of the Constitutional Court of the former Yugoslavia) as its representative. Pakistan nominated Nasrollah Entezam (an Iranian diplomat). The UN Secretary General appointed Gunnar Lagergren (a judge of the Swedish Supreme Court) to be the chairman of the tribunal. The tribunal examined about 10,000 pages documents and 350 maps. India submitted 250 documents and Pakistan produced 350 documents in support of their claims. The tribunal had 171 sittings and made its decision on 19 February 1968 in Geneva. The decision was taken by a majority of two votes because the Indian nominee cast a dissenting vote. The tribunal awarded about 900 sq. km territory in the northern part of the Rann to Pakistan. Although the rest of the disputed territory remained with India, it was not happy with the tribunal award. India considered it was more of a political verdict than a legal decision. Since the tribunal decision, as per the commitment and undertaking, could not be questioned, India accepted it with much reservation. Given this experience, it has never agreed for arbitration of any of its international dispute with its neighbours.

27.5.2 Mediation

In the history of conflict management in South Asia, international mediation formed an important strategy till the 1960s. While other South Asian countries made their choice first for third party mediation, India willy-nilly accepted the same. As global power competition created imperatives for peacemaking in South Asia, both the US and the former Soviet Union pushed India and Pakistan to resolve their conflicts. In 1966, in the

wake of the India-Pakistan war, the former Soviet Union mediated the Tashkent agreement between the two countries. Apart from ending the war, the agreement provided the framework for restoring peaceful relations which, however, did not end the hostility.

The most successful mediation happened in the Indus water dispute between India and Pakistan. The World Bank extended its good offices to reach a settlement in 1960. According to the treaty signed by both the countries, Pakistan got three western rivers—the Jhelum, the Chenab and the Indus—and India received three eastern rivers— the Ravi, the Beas and the Sutlej. The equal sharing of rivers made the task of resolving the dispute very simple. Importantly, the treaty set up a permanent Indus Commission with a Commissioner each for India and Pakistan. The Commission meets regularly and exchange visits to both the countries, even during the time of tension and difficulties in India-Pakistan relations. The Commission is empowered to resolve all the differences over the implementation of the treaty and only if it fails to reach an agreement, the matter is referred to the governments. If there is no agreement between the governments, the matter is taken for arbitration by a third party. Significantly the arbitration clause of the treaty has not been invoked so far. The treaty has been working well despite many wars and tensions between India and Pakistan.

The Kashmir dispute represents a case of unsuccessful mediation by the United Nations between 1950 and 1958. In 1948, the UN Security Council appointed a five member mediation commission—known as the UN Commission on India and Pakistan—to restore peace and arrange for plebiscite to resolve the dispute. A cease-fire and truce agreement between India and Pakistan was worked out in August 1948. Importantly both the countries agreed in principle to withdraw their forces from each other's territories and the disarmament of the local forces in the Pakistan-Occupied Kashmir. The UN secured India's consent for a plebiscite to determine the wishes of the people on Kashmir, but in 1949 India rejected the proposal. The Commission worked for about two years and submitted three interim reports to the Security Council. However, it could not bring India and Pakistan anywhere closer to agree on a settlement of the dispute. Both the countries made varied interpretation of the plebiscite and demilitarisation proposals. Under these circumstances, a suggestion was made that the dispute be referred for arbitration. India did not agree with the proposal. At the same time, Pakistan was not in favour of the idea of partitioning Kashmir. Disappointed with the lack of progress in mediation, some of the Commission members came around the idea of leaving the problem to be solved by India and Pakistan through bilateral negotiations. By 1958 the UN mediation came to naught and was eventually abandoned.

27.5.3 Bilateral negotiations

India's most preferred form of conflict resolution is bilateral negotiations. In the recent period, this has become the dominant method because India, a focal party in almost all South Asian conflicts and rivalries, has rejected arbitration and mediation. India's neighbours are not able to change what they describe as the Indian mode of peacemaking, which has practically become the regional approach. The Shimla agreement is a result of successful bilateral negotiations in 1972. It has emphasised the relevance of bilateralism to conflict resolution and sought India and Pakistan not to seek any form of external involvement in peacemaking. It must be stated that despite some of India's neighbours' reservation about the bilateral approach, it has been successfully and unsuccessfully tried in many conflicts.

Successful negotiations were held on the India-Sri Lanka territorial dispute and India's Ganges water dispute with Bangladesh. Following protracted negotiations between the leaders of India and Sri Lanka, the two countries signed an agreement on 26 June 1974, under which India agreed to accede to Sri Lanka's claim over the Kachchativu island. This was probably one of the very few instances of India surrendering a small portion of its territory over which it enjoyed a rightful claim of ownership by virtue of the historical evidence. This was an extraordinary move to cultivate and befriend the

regime in India's neighbourhood. Though the Kachchativu dispute was resolved, the island has introduced a new irritant in India-Sri Lanka bilateral relations because, lured by a heavy stock of demersal fish around Kachchativu, many fishermen from Tamil Nadu often cross the Indian maritime boundary to only get shot or captured by the Sri Lankan navy.

Protracted negotiations and a number of short-term agreements marked the Ganges water dispute. It was finally resolved on 12 December 1996 when India and Bangladesh signed a treaty to share the Ganges river water. The treaty is valid for 30 years and renewable if both the countries are so willing. Also, if they so desire, they can review the treaty at the end of every five or two years. It was more a political rather than a technocratic resolution of the dispute that the treaty brought about. It was an exercise in compromise made by both the countries on their stated positions. The water sharing formula adopted in the treaty is based on the equality principle (50:50) at the lower end, i.e., equal sharing of the lean season flows. At the upper end, there is a slight variation. When the flow level is 75,000 cusecs, India is given 40,000 cusecs and the balance goes to Bangladesh. The treaty has also provided a mechanism for consultation and monitoring of flows. It has been working well to the satisfaction of both the countries.

Bilateral negotiations have been unsuccessful in India's territorial disputes with Pakistan. On numerous occasions, the Kashmir dispute has figured in bilateral talks since 1953 without much success. Three major high level talks were held in the 1950s and the 1960s. The first of these were held in Karachi and New Delhi in July-August 1953 between the Prime Ministers of India and Pakistan—Nehru and Mohammed Ali. In August 1953 both the leaders reiterated their desire for a fair and impartial plebiscite to determine the wishes of the people of J&K. In this context, they sought the appointment of a Plebiscite Administrator. However, due to the differences over the bilateral security issues, the negotiations were broken off in December 1953. Again, both the countries resumed the talks on 14th May which continued until 18th May. This round also did not make any progress. Moreover, within weeks of talks, India and Pakistan accused each other of insincerity in conducting negotiations. In the third phase, six round of talks were held during December 1962 and May 1963. An important highlight of these talks was that India was prepared to concede about 1500 square miles of Indian-held territory in Kashmir. In return, it sought Pakistan's recognition of the rest of the areas. Pakistan rejected the offer. It wanted the entire Kashmir valley. Thereafter, the Kashmir briefly figured during the negotiations in Tashkent (1966) and Shimla (1972).

On the Siachen conflict, several rounds of talks were held at the highest level since 1986. The talks made some progress in 1989 and 1992 but did not lead to the resolution of the dispute. In the talks between the defence secretaries of India and Pakistan held in June 1989, the two sides agreed to reach a settlement on redeployment of forces to reduce the chances of conflict and avoid the use of forces. The progress was distinct in November 1992 when, it was reported, India and Pakistan prepared a draft agreement which emphasised the mutual withdrawal of troops from key passes to new positions and creation of a zone of military disengagement. Eventually, the idea was to create a zone of peace and tranquillity without altering the position of both the sides. However, internal political compulsions and the disagreement over the interpretation of some of the provisions of the draft agreement led to its total abandonment.

Subsequently, all the issues have become a part of the composite dialogue process, which has reinforced once again bilateralism as a mode of conflict resolution. The composite dialogue was offered in the mid-nineties by the I.K. Gujral government. Unfortunately, the process was not sustained and the spirit of it was dampened until September 1998 when both Prime Ministers Vajpayee and Nawaz Sharif reached an agreement, which underlined the need for creating an environment of peace and security and resolution of all outstanding bilateral issues including Jammu and Kashmir. This paved the way for the resumption of bilateral dialogue in November 1998. The composite dialogue was aimed at improving bilateral relations on a broad front, building confidence and trust, putting in place a stable structure of co-operation and addressing all outstanding issues. An important

part of the dialogue process was the Defence Secretary-level talks on Siachen dispute, in which both sides reiterated their known positions. With a view to defusing tension and hostilities, the Indian side proposed an agreement on cease-fire in Siachen; negotiations on disengagement/redeployment could start subsequently. But Pakistan seemed to have not been favourably disposed towards the proposal. Another issue for the dialogue was Sir Creek and delimitation of maritime boundary, and was held between the Surveyor Generals of India and Pakistan. It was the continuation of earlier discussions held at both technical and government levels since 1969; the last round took place in 1992. The talks revealed diametrically opposite positions of both the countries: while India wanted to focus only on the unsettled part of the boundary, Pakistan sought to seek an absolute view of its resolution. India also made a proposal that maritime boundary could be delimited from seawards even before resolving the dispute over Sir Creek, to which Pakistan did nor agree

The Lahore Declaration (1999) has also underlined the relevance of bilateral approach. It provided for certain regulatory measures for achieving peace. Apart from "intensifying" their efforts to resolve all bilateral issues, India and Pakistan agreed to "refrain" from interfering in each other's internal affairs, "intensify" their composite and integrated dialogue process, "reaffirm" their condemnation of terrorism and "promote and protect" human rights and fundamental freedoms. In March 1999, Pakistan's Foreign Minister, Sartaj Aziz and India's External Affairs Minister, Jaswant Singh, worked out the modalities of implementing the 'Lahore decisions'. But the war in Kargil has derailed the entire peace process. Following Indian Prime Minister AB Vajpayee's visit to Pakistan in 2004, the composite dialogue process has been given another chance. It is said that so long as the Kashmir dispute persists, every Indian effort to insist on the bilateral mode of conflict resolution will bound to be challenged by Pakistan's demand for multilateral approach with a specific desire for involvement of the US in peacemaking between India and Pakistan.

Check Your Progress 2

Note: i) Use the space below for your answers.

ii) Check the answers with the answers given at the end of this unit

1) Match the disputes listed in column A with the methods adopted to resolving them listed in column B:

A		B	
a)	Rann of Kutch	i)	Bilateral negotiations
b)	Indus Water dispute	ii)	Mediation
c)	Ganges water dispute	iii)	Arbitration

2) What has been India's preferred method of conflict resolution and why?

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27.6 LET US SUM UP

In this unit we have seen that South Asia is a conflict ridden region. As a result of the particular characteristics of the region, these conflicts are between India and its South Asian neighbours

As we saw, open bilateral conflicts in the region centre on territory and water sharing. While all the three methods of conflict management, arbitration, mediation and bilateral negations have been tried with some success, since the 1960s, India has rejected arbitration and mediation, and preferred to resolve conflicts with its neighbours through bilateral negotiations. This Indian mode of peacekeeping has practically become the regional approach. The Indo-Sri Lanka territorial dispute and the Indo-Bangladesh dispute over Ganges water were successfully resolved through bilateral negotiations. However, bilateral negotiations with Pakistan to resolve territorial disputes have so far not yielded results. But one cannot give up peacemaking ventures out of frustration. There are no quick fix solutions to intractable problems and the process of peacemaking should continue until the goals are reached. The experience the world over is that success comes only in the process and as a result of bitter failures. South Asian countries accept this reality; breakdowns in peace processes do not normally undermine their interest in conflict management.

27.7 SOME USEFUL BOOKS

Bose, Sunandra. (1997). *The Challenge in Kashmir: Democracy, Self Determination and International Peace.* Delhi. Sage Publications.

Ganguly, Sumit (1986). *The Origins of War in South Asia: Indo-Pakistani Conflict Since 1947.* Boulder. Westview Press.

Gulahti, Niranjan. (1973). *Indus Water Treaty: An Exercise in International Mediation.* Bombay. Allied Publishers

Raghavan, V.R. (2002). *Siachen: Conflict Without End. New Delhi,* Penguinbooks.

Sahadevan, P. (2001). *Conflict and Peacemaking in South Asia.* Delhi. Lancers.

27.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) One, both the parties should be satisfied with the outcome which meets their felt needs and interests and two, there should not be any use of coercion.

2) Arbitration is part of the larger process of adjudication. In this method of conflict resolution, the parties to the conflict refer the dispute to an impartial tribunal or international court and agree to comply with its decisions.

Check Your Progress 2

1) a-iii, b-ii and c-i

2) Though India was willing to try all methods to resolve conflicts with its neighbours, since the 1960s, it has insisted on bilateral negotiations to resolve conflicts. The award of the tribunal on Rann of Kutch was not to the liking of India. With the failure of international mediation to resolve conflict between India and Pakistan in the 1950s, India rejected arbitration and mediation as methods for resolving conflicts with its neighbours.