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South Asia: Overcoming the Past, Meeting the Challenges of the Present and Availing the Opportunities of the Future

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Introduction

This paper is the introductory chapter of a forthcoming book on the proposed title “Can Regionalism work for South Asia?” The book is a collection of essays in which individual pieces stand alone as contributions to the ongoing debate on South Asia’s changing position in the global economy and in the evolving international political order. However, the essays can be read together as a book since one set of themes – an overall logic – constructs a case for how South Asia could take advantage of the rapid changes in the global economic, social and political systems. However, for that to happen, the countries in the region will have to discard the weight of history and work together as a region rather than as individual countries pursuing their separate interests.

South Asia: The Formative Phase

Even a cursory view of any South Asian country leaves one impressed with the region’s diversity. This is particularly the case for three countries in the region – India, Pakistan and Sri Lanka. Bangladesh, Bhutan and Nepal are culturally, ethnically and religiously more homogeneous. The British rulers were also impressed with the diversity encompassed by South Asia. Sir John Strachey, who spent many years in British India and went on to become a member of the Governor-General’s Council, wrote a book about the latest British acquisition that became a primer for all those from his country who wished to learn about their Indian empire. India, he wrote, was merely a label of convenience, “a name we give to a great region including a multitude of different countries”. India, in other words, was a vast geographical place masquerading as a country. “Scotland is more like Spain than Bengal is like the Punjab”, said Strachey. “It is conceivable that national sympathies may arise in particular Indian countries [but] that they should ever extend to India generally, that men of Punjab, the north-western provinces and Madras should ever feel that they belong to the Indian nation, is impossible. You might with as much reason and probability look forward to a time when a single nation will have taken the place of the various nations of Europe.”²

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² John Strachey, *India*, London, Kegan, Paul, Trench, 1888, pp. 2-5.

Strachey was, of course, both right and wrong. There were many differences in the land the British ruled formally for 90 years, from 1857³ to 1947,⁴ which led to its division into three states after they went home. Some of the Muslim majority areas were taken out to form the independent Muslim state of Pakistan. The “idea of Pakistan” was conceived by Muhammad Ali Jinnah, the father of the country, who proclaimed, to the dismay of the Hindu-dominated All India National Congress (AINC), that British India did not have one Indian nation but two separate ones, one Hindu and the other Muslim. Each needed a state of its own in which they could have their different cultural and social norms projected onto the political system they would eventually evolve for themselves. After a lot of hesitation, both the British and the AINC accepted Jinnah’s “two nations” theory and agreed to the creation of a separate homeland for the Muslims of British India.⁵ However, Pakistan came divided in two parts: its eastern and western wings were separated by a thousand miles of Indian territory. The two Pakistani wings remained together in an uneasy alliance for a quarter century but went their separate ways in 1971 after a bloody war in which India sent its army to aid the *Mukti Bahini*, the Bengali Liberation Army. Religion, the people of East and West Pakistan discovered, was not a strong enough glue to keep them together within the boundaries of one state with two very different people. However, I will argue in this work that while religion may be a weak glue, shared economic interests can be much stronger. This is where Strachey went wrong in his prognosis of the probability of a European union. A single European union was in place a hundred or so years after Strachey published his book. The same may happen one day for the states of South Asia.

India, minus Bangladesh and Pakistan, has survived as a nation state, making real what Sunil Khilnani, the Indian political historian, calls the “idea of India”. He attributes it to Jawaharlal Nehru, the first prime minister of the country. According to this, very diverse people could live together as long as they were allowed space within the political system. The “period of Indian history since 1947,” writes Khilnani, “might be seen as the adventure of a political idea: democracy. In this context, India can be considered “the third moment in the great

³ This was the year when the Indians rose up in arms against the British. The rebellion was confined to the north-eastern part of the territory that the East India Company owned by stockholders in London now possessed in the South Asian subcontinent. It was centered around Delhi the capital of the fast fading Mughul empire and the province now called Uttar Pradesh. The British called the uprising The Great Indian Mutiny; the Indian historians called it *The First War of Independence*.

⁴ The year the British departed India leaving the government in the hands of two successor states. Pakistan attained independence on 14 August 1947, a day earlier than India. The earlier date for Pakistan was to accommodate the travel schedule of Lord Louis Mountbatten who was to administer the oath of office to the officials of the two new governments.

⁵ Much has been written about the Pakistan movement and how, within a short period of time, Muhammad Ali Jinnah, the father of the Pakistani nation, was able to persuade the British to leave the reins of one part of British India in his hands. At the same time, he was able to convince Mohandas Gandhi and Jawaharlal Nehru, two towering heroes of the Indian independence movement, to accept the idea of partitioning the Indian “motherland” and agree to live with two parts of the Muslim state of Pakistan on either side of independent India. The first full account to appear in print of the movement that created Pakistan is Khalid bin Sayeed, *Pakistan: The Formative Phase*, London, Oxford University Press, 1964. Chaudhi Muhammad Ali, Pakistan’s Finance Minister from 1951-54 and briefly the country’s Prime Minister, was a senior official in the colonial government. Once the British declared their intention to leave India, Ali was deputed to help the government in yet-to-be born Pakistan to be organised. He reflected on his experiences in a book, Chaudhri Muhammad Ali, *The Emergence of Pakistan*, New York, Columbia University Press, 1967. Later, Ayesha Jalal, *The Sole Spokesman: Jinnah, the Muslim League and the Demand for Pakistan*, New York, Cambridge University Press, 1985, presented a revisionist theory according to which Jinnah did not really want to create an independent homeland for the Muslims of British India but used the Pakistan campaign in order to achieve a better deal for his community in independent India. However, the Hindu leaders called his bluff and gave him what he himself described as a “moth eaten” Pakistan.

democratic experiment launched at the end of the eighteenth century by the American and French revolutions.” Each of these endeavours “released immense energies; each raised towering expectations.” The Indian experiment “may well turn out to be the most significant of them all, partly because of its sheer human scale, and partly because of its location, a substantial head of effervescent liberty on the Asian continent”.⁶ The elections held in April-May 2009, a subject I will touch upon in greater detail in a later chapter of the book, have lent some substance to the argument advanced by Khilnani.

While the idea of India has survived, the “idea of Pakistan” is still being tested, as is the “idea of Bangladesh”. The idea of Bangladesh put out by Sheikh Mujibur Rehman, the father of the nation, was much narrower than the other two ideas. According to this, a large ethnic group, with its language and culture, needed its own political space. The question I will pose in this work is whether these “ideas” of nationhood can be brought together in some sort of “idea of South Asia” without which the countries of the region will not be able to take advantage of the opportunities being created in the rapidly evolving global economic and political systems.

The Rise of “the Rest”⁷

In this introduction to the collection of essays, I will spell out a number of unifying themes. These will look at the past and present developments in the subcontinent by placing the region in the global context. As has been pointed out and elaborated in a number of recent academic, policy and journalistic works, the shape of the global economic and social systems, and the international political order are changing rapidly. Why this is happening has been extensively discussed from several different perspectives. It would be useful to recall some of the explanations that have been provided. The most popular of these is the notion that, for a variety of reasons, today’s developed countries are dynamic and the future will most certainly see significant erosion in the economic power. In an influential book, Fareed Zakaria calls the current period “the post-American world” which will see the economic rise of what he labels “the rest”. He calls it the third tectonic movement in the history of the globe – at any rate the part of the history dominated by *homo sapiens*. The first was the rise of the West that began in the fifteenth century and accelerated dramatically in the late eighteenth century. The second was the rise of the United States in the closing years of the nineteenth century and continued throughout the twentieth century. “We are now living through the third great power shift of the modern era. It could be called the ‘rise of the rest’. Over the past few decades, countries all over the world have been experiencing the rates of economic growth that were once unthinkable. While they have been booms and busts, the overall trend has been unambiguously upward. This growth has been most visible in Asia but is no longer confined to it.” Zakaria quotes Antoine van Agtmael, the fund manager who coined the term “emerging markets” to suggest that the 25 multinational companies that will be the world’s leading companies in the next few decades will include several from the emerging world. “His list includes four companies each from Brazil, Mexico, South Korea, and Taiwan; three from India; and one each from Argentina, Chile, Malaysia, and South Africa.”⁸ Agtmael’s list of the future great global companies is a good indication of the fact that South Asia is losing out to other emerging economies in creating a space for itself in the tectonic shift in the structure of the global economy. Why has that happened and what could change the trend are

⁶ Sunil Khilnani, *The Idea of India*, New York: Farrar, Straus, and Giroux, 1997, p. 4.

⁷ The term is borrowed from Fareed Zakaria, *The Post American World*, New York, W. W. Norton, 2008.

⁸ See for instance, the important contribution made by Zakaria in his recent book, *The Post-American World*, New York, W.W. Norton, 2008.

questions that will be addressed in this work. Real value could be added to this discourse by examining the place South Asia currently has in the changing global environment and the public policy choices that could improve the situation for the South Asian region. However, we will first look at the changes that are taking place in the structure of the global economy, in the international political order, in the way people are now governed and in the way the people from various parts of the world relate to one another.

Demography, Food and Non-renewable Resources

Changes in the global economic and political systems are happening fast. Many of them are driven by demography, the development of the internet and the adoption of a new model of economic development by countries that were part of the entity once called the “Third World”. Even today, after much work by demographers, economists, political scientists and sociologists, we do not fully understand how the change in the rates of population growth and in the sizes of country populations affect economic development and growth. Is a continuous growth in population which results in the doubling of the number of people living in a given area every quarter century or so good or bad for the area’s economy? International opinion a couple of decades ago was focused on the problems such unremitting increase creates. The conventional wisdom then was that the world was heading towards a Malthusian disaster. However, not everybody agreed. The two best-selling books of those times, the Club of Rome’s *Limits to Growth* and Lester Brown’s *Seeds of Change*, looked at the problem of population growth and the availability of food from two very different perspectives.

The first book argued that a continuous high rate of population growth, combined with some increase in income per head of the global population, were together creating a demand for non-renewable resources that would, in the not too distant future, result in their exhaustion. There were two public policy implications of this conclusion – one explicit and the other implicit. The first suggestion was that the international community should work urgently to reduce the rate of population growth, particularly in the developing world. A United Nations population conference was convened to underscore the need for action. The other conclusion – the implicit, since it would not have been politically correct to espouse it – was that much of the world’s population should not aspire to achieve the economic and social standards that were common in rich countries. The globe simply did not have the resources to make it possible for so many people to live in the way the Europeans, the North Americans and the Japanese did.⁹

Brown and several other analysts did not buy into this gloomy outlook. In his widely read book, Brown reached the opposite conclusion and argued that most problems of scarcity in the past had been resolved by technology. There was no reason why the future should be any different. Price increases brought on by scarcity encouraged innovation. The Green Revolution in several populous South Asian countries in the late 1960s and the early 1970s had resulted in quantum jumps in land and labour productivity. Significantly more quantities of food were produced from the same amount of land and by the application of the same quantity of labour than before. High yielding varieties of seeds developed in research institutions in Mexico (for wheat) and the Philippines (for rice) had spared a number of countries from Malthusian famines.¹⁰ The optimists did not think that the Green Revolution was a “once-in-history” kind of event. It would be repeated again and again every time the

⁹ See the Club of Rome, *Limits to Growth*.

¹⁰ See Lester Brown, *Seeds of Change*.

increase in population produced food scarcity and put pressure on prices. The genetic engineering in producing even higher yielding and “designer” crops can be seen as continuing the trend that began with the green revolution.

Given the experience with demographic change and its consequences for various parts of the global economy of the last quarter century, some of the earlier conclusions do not seem all that obvious. In the last 25 years, we have seen a significant decline in the average rate of human fertility. That has occurred all across the globe. There are a number of consequences of this development not foreseen in the 1970s when there was such a great deal of talk about the “population bomb” ticking in the globe, ready to explode. One of these is that, in a number of European countries and in Japan, populations have begun to decline in size. Russia has the worst case of population collapse in Europe, but in its case, mortality increases related to alcohol abuse have added to fertility declines to bring about a rapid and continuing reduction in the size of the population. This raises an important question. Can declining national populations with a constantly increasing proportion of older people who need to be supported by a continuously declining share of the young remain economically viable and socially dynamic? The answer is no, unless these countries allow large-scale migrations from the more populous countries in the world. This was the approach adopted by the United States in the pre-9/11 era while Western Europe, fearful of the cultural impact of an increasing proportion of immigrants in their populations, followed a much more constrained approach. In Europe, there is a particular fear associated with the increase in the proportion of Muslims in their population. This fear has earned a name of its own, *Islamophobia*.

The second consequence of the change in fertility was that of “demographic inertia”. This means that even if the rates of fertility have begun to decline in the developing world – as they have in all Asian countries – because of the high birth rates in the past, the proportion of the young in the population would continue to increase for a few more decades. This has created a window of opportunity for a number of populous countries in South Asia. This is the case, in particular, for India, Pakistan and Bangladesh, all of which have a long tradition of international migration. Moving out of crowded places has always provided a relief – this was the case in the pre-9/11 world. Populations with a high proportion of young – Pakistan for instance, has a median age of 17 years – can become an economic asset or a burden depending upon the public policy choices made by the state in the past. Countries such as India and the Philippines have used their young populations to provide high economic returns by participating in the process that *The New York Times* columnist, Thomas Friedman, has called the “flattening” of the world. According to him, “a combination of technological, market and geopolitical events at the end of the twentieth century has levelled the global economic playing field in a way that was enabling more people more than ever from places more than ever to take part in the global economy, and in the best cases, to enter the middle class.”¹¹ However, not all populous countries have benefited. Some, like Pakistan, by seriously under-investing in human resource development, created an environment that invited a segment of the youth to join the forces of extremism. A combination of a low rate of economic growth, low rates of job increases and poor opportunities for skill development led many young people to join the ranks of the extremists.

¹¹ Thomas L. Friedman, *Hot, Flat and Crowded: Why we need a green revolution and how it can renew America*, New York, Farrar, Straus and Giroux, 2008, p. 29.

Globalisation, the Internet, Changes in Industrial Processes and Development of New Trading Patterns

The internet, a remarkable communication technology developed over the last three decades, had its origins in the United States. It has transformed the global economy by making it possible to transfer information instantly. Among the many consequences of this development, one of the more important one was that workers did not have to be located in one place. Work could be disbursed wherever human talent and physical resources were available. This introduced the concept of “outsourcing” and created an entirely new process of production. National firms became global firms and nationalism began to give way slowly to “globalism”. In the 1997 *World Development Report*, analysts at the World Bank suggested that the changes in the system of global production were also producing changes in the global political order. Two developments were taking place simultaneously. One was to turn a number of areas of policymaking into international institutions. The other was to devolve more financial power and political authority to governments at the sub-national levels.¹² This trend was visible in both the developed and developing countries. It was in some cases the result of the support given by the political elite, and in some others, by developments at the grassroots level. The 2001 Local Bodies Ordinance, promulgated by the military government led by General Pervez Musharraf in Pakistan, is an example of the first case while the gradual transfer of power in India from the central government to governments at the state level is an example of the latter. The 2009 elections in India were expected to nudge it further towards regionalism. This, as discussed in a later chapter, did not happen.

Redesigning the Nature of the State

There is now consensus emerging among economists and political scientists that one of the important aspects of change in the global political order is the gradual withdrawal of the nation-state from governance. The nation-state is being squeezed from both sides. The space in which it currently operates is being gradually taken over by multilateral systems and the systems of local government. Multilateralism is taking several forms. It is taking the form of the surrender of some sovereign rights to such multilateral organisations as the United Nations’ Security Council and the World Trade Organization (WTO) – under the 1995 Treaty of Marrakesh that had the WTO supplant the General Agreement on Tariffs and Trade. Under Chapter 7 of the United Nations’ Charter, the Security Council can authorise military action against errant states. The WTO acts as a court when individual states litigate against one another.

However, for the purpose of this study, it is the regional cooperation for trade and economic development that holds special appeal. The European Union is the most successful organisation in this context. From a humble beginning as an organisation set up to coordinate European trade in coal and steel, it has evolved into a supra-state institution. The attempt to write a European constitution started in the early 2000s is currently suspended but at some point in the not too distant future, it will resume and provide the members of the European Union with a governing document that will take away some powers from the member states and locate them in a central place. The area of international trade has already been surrendered by the European nation states to the European Commission located in Brussels. The next to come may be the making of foreign policy.

¹² The World Bank, *World Development Report: The State in a Changing World*, Washington, D.C., 1997.

The other encroachment on state power is coming from the opposite end. According to the World Bank in the above cited report, “a state that ignores the needs of large sections of the population in setting and implementing policy is not a capable state. And even with the best will in the world, [the] government is unlikely to meet collective needs efficiently if it does not know what many of these needs are. Reinvigorating public institutions must, then, begin by bringing the government closer to the people. That means bringing popular voice into policymaking – opening up ways for individual users, private sector organisations and other groups in civil society to have their say. In the right setting it can also mean greater decentralisation of government power and resources.”¹³

South Asia’s Response to Globalisation and other Global Changes

The changes discussed above have been provoked by a number of developments, some of which that happened because of the way economies and societies have always evolved in human history. The process generally referred to as “globalisation” is one such determinant of change. Some have been the consequence of human action – especially actions by world leaders. One example of this is the way the American administration under President George W. Bush, the country’s 43rd president, fought what he called the “global war on terror”.

Public policy looked at from this perspective takes two forms. It focuses on the strategic interests of the countries that make up a region. For a region whose recent history has been dominated by intense rivalry among different states, a country-centred strategic approach could be seen as a zero-sum game. One country’s gain would be another country’s loss. This was the case in Europe before the Second World War and has been the case in South Asia since it achieved independence from colonial rule in the late 1940s. Each capital in such regions will seek to improve its position with respect to all others in the neighbourhood. The other context in which regional policy could be formed is regional. The assumption in this case would be that each capital will place the interest of the region ahead of its own in the belief that the outcome will be a plus-sum game. Economists have a term for this kind of approach – Pareto optimality – when a given solution brings benefit to all participants in the transaction. Nobody suffers. If this approach were to be applied to the making of public policy in South Asia, what the various governments will be pursuing would be very different from the way national policies are currently shaped and the ends at which they are directed. For a very long time – in fact since the time the area now called South Asia acquired its present political shape – the countries in the region have largely focused on internal issues. If they looked beyond their borders, they did it to protect themselves from sometimes real and, at other times, perceived security threats.

The current debate on what approach Pakistan should follow in dealing with the scourge of Islamist extremism is a good illustration of this conundrum for at least two, if not three (if we also count Afghanistan as part of the region) South Asian countries. As the group that calls itself “Taliban in Pakistan” expanded its physical presence beyond the traditionally troubled tribal belt in the country’s northwest, the question was raised whether Islamabad, in particular its military leadership, was prepared to throw its assets to beat back this serious threat to national security. In the spring of 2009, when the snows melted in the mountains that form the border between Afghanistan and Pakistan and the passes through which people moved cleared, this conflict escalated. The question arose as to how much of its enormous power the Pakistani military was prepared to use to stem this tide. The military’s less than full-throated

¹³ Ibid.

response has been interpreted in several different ways. The Americans, in particularly General David Petraeus, the man most closely associated with the development of the conceptual underpinning and implementation of the American surge in Iraq, was one leader who was convinced that the military leadership and a segment of the political elite were still not convinced that the Taliban were Pakistan's real enemies. The military believed that the real enemy was in the east – India. It believed that it was right for Pakistan to orientate its military strategy toward minimising the threat India posed to its security. The army had to be trained, equipped and motivated to deter India. The Taliban were essentially a side show.

There was some truth in this interpretation of the Pakistani military's world view,¹⁴ a point that I will develop in a later essay. However, the Pakistani leaders – not just the military leaders but some thinking people in the political field and some influential civil society organisations as well – had a more nuanced view of the situation. They saw the Taliban onslaught as a consequence of a dynamic that had been in place for decades, if not for centuries. The Taliban (literally 'the students' but in effect those who were educated in the seminaries that were set up in the refugee camps that accommodated 3.5 million people displaced by the Soviet invasion of Afghanistan in 1979 and the country's subsequent decade-long occupation¹⁵) were the product of the fiercely independent Pushtun culture which fought against all foreign threats. The Pushtuns were not prepared to accept the occupation of the areas in which they lived by the use of military force by a foreign power. For several decades, they resisted the gradual advance of the British into their territory until the British decided to divide the Pushtun tribes by drawing the Durand Line¹⁶ which effectively became the border between Afghanistan and British India, and later between Afghanistan and Pakistan. The Pushtuns were also not keen on seeing their own culture being encroached upon by foreign influences. In looking at such perceived threats, they did not differentiate between the American forces, the forces under the command of the North Atlantic Treaty Organization and what they saw as the Punjabi-dominated Pakistan's army. How should an approach that satisfied the aspirations of the various people involved in this growing conflict be developed? To use a popular American phrase, the situation demanded thinking out-of-the-box.

Taking the regional approach would be one element of such thought. A bit of this was done by President Barack Obama's administration in the context of its extensive review of the Americans policy towards Afghanistan. Instead of looking only at Afghanistan, the new policymakers in Washington decided to focus on what they called the "AfPak" problem. The reason behind the enlargement of the geographical scope of the new approach was a simple one. The almost evenly split Pushtun population, estimated at some 40 million people between Afghanistan and Pakistan, meant that the two countries had to develop similar approaches to addressing the grievances and aspirations of this ethnic group. This was especially the case since, after having failed spectacularly to bring the Pushtuns under their control in the last nineteenth century, the British, by drawing the Durand Line in 1893, had

¹⁴ For the way the Pakistani military has evolved its thinking since the country's founding in 1947, see Shuja Nawaz, *Crossed Swords: Pakistan's military and the wars within*, Karachi: Oxford University Press, 2008.

¹⁵ The story of the emergence of the Taliban as a political force that was able to use a fierce ideology to turn a ragtag army of young students into a conquering force that occupied all of Afghanistan (including Kabul, the country's capital) save a small bit of land in the northeast that remained under the control of a group of warlords that called themselves the Northern Alliance, is well told in several books, including Ahmad Rashid, *The Taliban* and Steve Colls, *The Ghost Wars*.

¹⁶ The boundary was named after Sir Mortimer Durand, a British official, who drew it on the map to divide the areas over which the British administration operating out of New Delhi had established some control and the areas that clearly were still under Kabul's influence.

divided them into two – the Afghanistan and Indian groups. In 1947, Pakistan inherited the Indian Pushtun group. However, the Pushtuns did not wish to be divided. Kabul did not accept the Durand Line or the incorporation of the Pushtuns living in the areas south of the Hindu Kush mountains into the new state of Pakistan. Afghanistan was the only country that opposed the entry of Pakistan into the United Nations when the latter presented its credentials for admission in 1949.

One could go on analysing the Pushtun problem but it is strictly not germane to the argument being presented here. The argument is to push for regionalism as a way of dealing with some of the more intractable problems South Asia faces today. This applies not just to the Taliban problem but also to the problem of Kashmir,¹⁷ to the way the long-enduring Sri Lankan problem is moving towards its climax, and towards the difficult relations between Bangladesh and India.

To take one more example of how a problem that was generated and developed in one country can spill over into another is to look at how the Tamil rebellion in Sri Lanka reached a bloody conclusion. According to one report, about 100,000 Sri Lankan Tamils have left their homes and taken refuge in India, using the “last spit of the coast in Mullaitivu District on the north-eastern corner of the Island” as the spring board for making the escape.¹⁸ Would India remain neutral to the way the conflict has approached its denouement? It was, after all, the arrival of reportedly millions of East Pakistani refugees into Bengal and Assam that prompted the country to intervene in Pakistan’s 1971 civil war and to the creation of Bangladesh as a separate state. In the concluding phase of the Indian elections of 2009, several Tamil leaders advocated the use of Indian force to protect the Tamil community in Sri Lanka. Using India’s readiness to insert itself in Pakistan’s civil war in 1971, J. Jayalalitha, the Tamil Nadu opposition leader, “argued that India should send troops to the island to establish an independent state for the Tamils, if they are not granted some autonomy by the majority Sinhalese.”¹⁹

There are, in other words, several episodes in South Asia’s recent history in which individual states have worked against each other in pursuit of national interests rather than with one another in pursuit of regional goals. One recurrent theme in this work is to suggest that South Asia will only be able to take advantage of the opportunities that have been created by the changes in the global economic system and the evolution of the international political order if the countries in the region act together rather than against one another. The Obama administration’s initial take on the rise of Taliban in Pakistan and Afghanistan was to draw India formally into its search for a solution. India resisted and Washington changed the terms of reference for Richard C. Holbrooke, the special envoy to the region. An opportunity for using a regional approach was thus lost.

Many of South Asia’s security problems, therefore, need a regional context to be successfully addressed. Is that possible given how long hostilities have existed among the countries of the

¹⁷ In a study prepared for the United States Institute of Peace, I argued that a different approach could set the stage for the eventual solution of the Kashmir problem but it would need the recognition that both Pakistan and India – Pakistan much more than India – had suffered enormous economic losses for continuing to keep the issue alive. See Shahid Javed Burki, *Kashmir: A Problem in Search of a Solution*, Washington D. C., United States Institute of Peace, 2007.

¹⁸ Somni Sengupta, “Tamils nightmare run for the Indian coast”, *International Herald Tribune*, 6 May 2009, p. 12.

¹⁹ Joe Leahy, “Sri Lankan conflict intrudes of final round”, *Financial Times*, 14 May 2009, p.5.

region and how fixed some of the country positions have become over the last many decades? What could be the catalyst to move the countries away from pursuing narrowly defined national interests and towards pursuing a path that allows some give and take? How could the perception that the interaction among the countries of South Asia is essentially a zero-sum game be changed into one that sees Pareto optimal solutions? This could happen if two countries in the region – India and Pakistan – bring about a fundamental change in their thinking about each other and the region to which they belong. However, the conclusion in this work is that India will have to take the lead.

The Need for Indian Leadership

Only India, which, along with being the region's largest country by far (accounting for 74.5 percent of the population) and its largest economy, is the only South Asian state to have won the epithet of a near superpower (as the only G-20 member from the region), can play that role. The problem is that the country is at the centre of many of the political disputes that have made it so difficult for the states of the region to work together. Kashmir is one such dispute but not the only one. There is a deep suspicion among the Sinhalese of Sri Lanka who constitute the country's majority, that if not India, then at least the state of Tamil Nadu, has been supporting the Tamils. The opposite impression also prevails. It was a young Tamil woman, a suicide bomber, who assassinated Rajiv Gandhi while he was campaigning to be prime minister in the 1991 elections.

India, having midwived the birth of Bangladesh in 1971 by supporting its civil war against West Pakistan, could have expected to be on easy terms with the new country and its new leaders. That was not to be the case. Although the Awami League, the party of the martyred Sheikh Mujibur Rehman who spearheaded the movement for the independence of Bangladesh, has relatively decent relations with India, it has not concluded a natural gas deal with its neighbour. Bangladesh has vast surpluses of natural gas while India has serious deficits. A pipeline between the two countries would benefit both. It would be a Pareto optimal solution. Although the deal has been attempted several times, it has not been consummated due to intense suspicions on both sides.

Nepal, on India's northern border, is the world's only other Hindu-majority country. In fact, the proportion of Hindus in its population is far greater than in India. It too has resources in surplus which India badly needs. Its fast running rivers carrying huge amounts of water along steep slopes can be harnessed for generating power. However, these deals have been difficult to negotiate. Furthermore, the Nepalese authorities claim that they face all kinds of non-tariff barriers in their trade with India. Sometimes, their exports are sent to distant laboratories for testing before certificates of acceptance are issued. Similar complaints are heard in Dhaka and Colombo. I heard several of these in 2004-05 when I led a team of regional economists that worked on a United States Agency for International Development (USAID)-sponsored study on the possible contributions the South Asia Free Trade Area (SAFTA) agreement, which is still in development, could make to the region.²⁰ In a meeting with Prime Minister Manmohan Singh in New Delhi in December 2004 to discuss the study, he asked if I could perhaps tell him how countries in the subcontinent felt about India. I had just concluded a visit to all the countries neighbouring India. My answer surprised him. I told him that while all countries were suspicious of New Delhi, one that felt warmly towards it, was prepared to

²⁰ The study was published by the USAID in October 2005. See *South Asian Free Trade Area: Opportunities and Challenges*, Washington D. C.

forget the past and look at the future through a different prism, and was anxious to develop strong economic and cultural relations with its neighbour. That was Pakistan.

Pakistan's encounter with Islamist extremism in the early 2000s persuaded several influential people within its policymaking circles as well as among the numerous civil society organisations that had begun to play an important role in the country's political life to look to India as a balancing influence. The will seems to be there on the Pakistani side but India, understandably, troubled and irked by a series of terrorist attacks carried out by Pakistan-based groups, remains highly suspicious of Pakistan and its intentions. In a series of conversations with then-President Musharraf and current President Asif Ali Zardari, I got the same response to my suggestion that Islamabad should try hard to develop better relations with India. Both said that they had reached out to India but New Delhi had failed to reciprocate. If it is beyond the two countries to sort out their differences themselves, is it possible for some foreign mediator to intermediate and prepare the ground? To the Indian ears, this suggestion would sound preposterous. However, that is not what history tells us. On at least four different occasions, New Delhi was prepared to allow outsiders to help reach an understanding with Pakistan on exceptionally contentious issues. It happened in 1949 when the United Nations Security Council ordered a ceasefire between the Indian and Pakistani forces over what had become the disputed state of Kashmir. It happened again in 1960 when the World Bank became involved in the settlement of the division of the Indus River system waters. It was at the prodding of the World Bank that President Ayub Khan of Pakistan and Prime Minister Jawaharlal Nehru of India signed the Indus Water Treaty in 1960 at a ceremony in Karachi, then capital of Pakistan. The Indus Treaty has survived at least two wars between India and Pakistan, and several near-wars. The World Bank still remains engaged as an arbiter when there is a dispute concerning the use of water.

The third instance of foreign assistance came in the fall of 1965 when the two countries had fought an inclusive war, once again over Kashmir. This time it was Russia that offered its good offices. Its prime minister, Alexis Kosygin, hosted Prime Minister Lal Bahadur Shastri of India and President Ayub Khan of Pakistan at the city of Tashkent which resulted in the signing of a treaty. The fourth time was in 1999. This time it was the Americans who became involved when, over the 4 July weekend in 1999, President Bill Clinton hosted Prime Minister Nawaz Sharif of Pakistan to de-escalate the Kargil conflict. This time no treaty was signed. Given this history, India should be able to set aside its reservations. The decisive victory of the Congress Party-led by Dr Singh, offers an opportunity that India could exploit. However, if foreign help is to be sought, who could provide it?

Pakistan also needs a significant reorientation in its approach towards India. It needs to recognise the importance of working within a regional economic framework to deal with some of the structural problems the country currently faces. Its policy towards India for many decades was that of a competitor rather than a collaborator. In the first quarter century after independence, India was caught in what its own economists called the "Hindu rate of growth"²¹ (about 3 to 3.5 percent a year growth in gross domestic product [GDP], not much more than the rate of population increase) while Pakistan was averaging a growth rate of 5 to 5.5 percent a year. It appeared to the Pakistani leadership groups that not only was the "idea of Pakistan" working but that the model of growth the country had adopted was also producing better results than the Indian approach to economic development. A number of foreign analysts agreed. Several books were published by the members of the Harvard

²¹ The term was coined by the late Raj Krishna who briefly worked at the World Bank.

Development Advisory Service, the Development Advisory Service, detailing and applauding the approach adopted by the country.²² In that period, Pakistan was able to close the economic gap between itself and India in terms of the income per head of the population. Briefly its per capita income in purchasing parity terms overtook that of India. However, the Pakistani circumstances changed quickly. Why that happened would be analysed in greater detail in a later chapter.

Now Pakistan is South Asia's sick man. Its political system is less well developed than that of most of its neighbours; its economy marches to the brink of bankruptcy and disaster every few years, only to be saved by foreign helping hands; and its very existence is threatened by an Islamist insurgency that is pursuing its own and not national interests. In this situation, the country has to recognise that its survival as a nation state as well as its economic and social future lie in pursuing an entirely different set of objectives and strategies. An integral part of this has to be close and cooperative economic relations with India, the country with which it has had several long-running disputes.

It would help Pakistan if those who lead it, including the military that has played such an important part in its politics and in its economic life, recognise that the country should assign a high priority to developing a framework within which relations with India could be recast. This could be done in the context of a regional arrangement that initially seeks cooperation in economic matters, to be expanded later to include other areas. The experience from other parts of the world shows that smaller countries benefit from regional associations centred around an anchor economy. For South Asia, India is such an economy. This works not only for the developing world but also for the world's developed regions. Mexico has derived enormous benefits from the North America Free Trade Area, much more than the arrangement's largest and richest member, the United States. In Mercosur, a trading arrangement centred around Brazil has benefitted smaller countries such as Paraguay and Uruguay. Even Argentina, after initial hesitance, has warmed up to the idea of Mercosur. Such an arrangement already exists in the form of the SAFTA which was launched in 2006. However, the SAFTA has made little progress in bringing the South Asian countries together. How it can be strengthened is an important part of this work.

Possible Catalysts for Bringing Peace in South Asia

Given South Asia's troubled history, it may be exceedingly difficult for India to take the lead in developing a regional outlook to replace the country-centric approach in place today, and re-position the region firmly in the changing global system. Some of the smaller countries in the area may not be very willing to have India play the leadership role in organising South Asia. As the political theorist Hedley Bull wrote several decades ago, "the deepest fears of the smaller units in the global system are their larger neighbours."²³ If India is unable to provide the lead, this role could, in theory, be played by a country that has a strong strategic interest in the region and is in favour of having a regional approach to guide its relations with the rest of the world. Four countries could possibly be cast in that role – the United States, China, Russia and Saudi Arabia. Their intervention may be welcomed by the smaller countries but would not be acceptable to India. The reasons for India's unwillingness to countenance the presence of any of these players on the South Asian stage are based in its

²² Among the books written by the Harvard Development Advisory Service, the most widely read was by Gustav F. Papanek, *Pakistan's Development: Social Goals and Private Incentives*, Cambridge, Mass. Harvard University Press, 1967.

²³ Hedley Bull, *The Anarchical Society: A Study of Order in World Politics*, London, Macmillan, 1977.

belief that the region is its “sphere of influence”. While New Delhi does not yet feel that it has the political, economic and military strength to project a Monroe Doctrine of its own concerning South Asia, I believe, it thinks that an outside catalyst would only reduce its growing stature. For different reasons, the four countries mentioned above would contain Indian ambitions in the region.

Even after the fundamental transformation of American-Indian relations during President George W. Bush’s second term (2005-09) when Washington and New Delhi signed a pact that allowed India a near-formal position in the restricted club of nuclear nations, the Indians are not willing to play the second fiddle to the United States in South Asia. As Gideon Richman of the *Financial Times* wrote in an article published after the 2009 Indian election results were announced, “India is a major power with its own interests and its own distinct take on the world. It will not fall automatically in line with Western policy.”²⁴ This became abundantly clear when the Indian emphatically opposed the Obama administration’s attempt to insert the United States in the machinations over the long-running Kashmir issue as part of its strategy to deal with Islamism extremism in the border areas between Afghanistan and Pakistan.

China would be an even greater problem since its rapid economic and military rise in the last quarter century poses a challenge for India to which it still does not know how to respond. Admitting China as an arbiter in South Asian affairs would present a challenge for India which it would find hard to stomach. After the spectacular growth of the Indian economy in 2003-08, where the growth rate in its GDP averaged close to nine percent a year, the country considers itself on par with China. It may be a competitor but certainly not a collaborator in South Asian affairs. There are many influential voices in India, including those belonging to India but operating from outside the Indian borders, who believe that the Indian model of development which is based on democratic decision-making is much superior to that of China. The Chinese political system will find it difficult to absorb the strong internal dissensions like those that almost tore the country apart at the time of the Tiananmen crisis of June 1989. This view is powerfully articulated by the Nobel Prize winning economist of Indian origin, Amartya Sen.²⁵

The much weakened Russia once had strong interests in South Asia for more than a century. It played the “Great Game” with Britain as the two European imperial powers were competed for influence in the Asian mainland. The British departure from the area eased the pressure on Russia which by then had changed into the Soviet Union. The pressure was eased but Moscow did not lose interest in the area. Aggressively pursued by Jawaharlal Nehru, India’s first prime minister (he was in that position for 17 uninterrupted years from 1947 to 1964), the Soviet Union first served as a model of economic growth that the first generation of India leaders, Nehru in particular, found very attractive to follow. Moscow was also a counterpoint to the growing influence of Washington after the Second World War. Although Franklin Roosevelt, the American president, was very supportive of the Indian independence movement, Nehru kept his distance from the United States. Temperamentally, Nehru was not an aligner. His role as one of the leaders of the Non-Aligned Movement (NAM) served Nehru’s purpose well and he ended up becoming a bit of a thorn in the American side. Although the “if you are not with us, then you are against us” approach to foreign policy was to be articulated clearly as America’s strategy by President George W. Bush in 2001

²⁴ David Pilling, Indian democracy has an ugly side”, *Financial Times*, 19 May 2009, p. 11.

²⁵ See Amartya Sen, *The Argumentative Indian*.

following the 9/11 attack on the United States, even in the early post-World War II period, Washington did not look kindly at those who did not align themselves closely with its world view. The containment of the Soviet Union and halting the spread of communism was an important part of the American world view of that era. Nehru's India did not share that outlook. The Soviet Union took advantage of the Indian position and saw the NAM as a movement for a loose association with Moscow. India was to become a strong associate of the Soviet Union right up to the point of its dissolution in 1991. Pakistan, on the other hand, went in the opposite direction and became closely aligned with the United States to the point of joining two Washington-led pacts, the South East Asia Treaty Organization and the Central Treaty Organization.²⁶ Because of this history, Russia, the successor state of the Soviet Union, is not seen as a neutral player in South Asia. It is unlikely that it could serve as the catalyst for bringing about a change in the South Asian mindset.

Saudi Arabia is the fourth country in my list of possible catalysts. It has many interests in the region. South Asia has the world's largest Muslim population estimated at about 475 million out of a total of between 1.4 to 1.6 billion people of Islamic faith. The Saudi Arabian monarch, currently King Abdullah, counts the "keeper of Mecca and Medina", Islam's two holiest sites, in his official title. However, given that the rise of extremist Islam is one of the most serious problems faced by the South Asian subcontinent at this time, Saudi Arabia could not possibly be the catalyst for change. It does, however, have some other credentials as well. It is now home to millions of South Asian workers who supply a number of essential services to the Kingdom's citizens in addition to working in its factories, transport system and on the thousands of constructions sites. The workers send tens of billions of dollars as remittances to the various South Asian countries. The Kingdom is also an important source of oil for South Asia, sometimes provided on concessional terms. This has especially been the case for Pakistan. At the "Friends of Pakistan" meeting held in Tokyo on 7 April 2009, where the cash-strapped country secured pledges amounting to more than US\$5 billion, Saudi Arabia was one of the half dozen important donors. However, the reason that has brought the Kingdom closer to the region – the religion of the state – is precisely what will make it difficult for the country to become an arbiter.

The conclusion I would draw from this analysis is that in creating a working economic and political region, South Asians will have to find the leaders from within their own system. This is precisely what happened in the case of some of the other successful regional enterprises. The European Union owes its present structure and strength to a few visionary leaders from France and Germany who, after seeing their countries at war for decades if not for centuries, decided that regional integration was the only way forward. Beginning hesitantly, they have been able to create by far the most successful politico-economic region in modern history. The evolution of the European Union has pushed back crude nationalism, and as it advances, the nation-state will slowly retreat in importance.

²⁶ Pakistan's reasons for taking that route are well spelt out by Field Marshal Muhammad Ayub Khan, the country's president at that time. See his *Friends Not Masters: A Political Autobiography*, London, Oxford University Press, 1969. This policy stance was opposed by Ayub Khan's own foreign minister who, having resigned from his position in 1969, when the military government was celebrating its "decade of development", went on to put forward his own theory of foreign policy for a relatively small nation such as Pakistan. The approach he advocated was much closer to the one Prime Minister Nehru had followed in India. See Zulfiqar Ali Bhutto, *The Myth of independence*, Karachi, Oxford University Press, 1969.

South Asia may be getting ready: A Realignment of the Stars

The alignment of stars may have changed in South Asia in the 15-month period between February 2008 and May 2009. There is some hope that the countries in the region may have withdrawn from the move towards the accommodation of religion in politics and arrested the drift towards regionalism in the area's larger countries. These changes provide some hope that the South Asian countries may begin the work towards greater economic integration. This began more than a decade ago when General Zia ur Rehman, then president of Bangladesh, persuaded the other countries of the area to begin the process of regional cooperation. In 1986, seven South Asian countries – Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka – came together to form the South Asia Association of Regional Cooperation (SAARC). The SAARC was a modest start but with ambitious goals. It was agreed that the countries will begin work on creating a free trade area in the region and eventually a mechanism for resolving economic and political disputes among the countries of the region. Kathmandu, the Nepalese capital was selected as the SAARC headquarter. The leaders also agreed to hold a summit every year, rotating the location among the member countries. But for 18 years, no significant progress was made, largely (but not entirely) because of the continuing hostility between India and Pakistan. In 1999, Pakistan's army launched an operation in the Kargil area in northern Kashmir which almost led to a war between India and Pakistan. It took active intervention by President Clinton to diffuse the situation. The American president invited Sharif, Pakistan's prime minister, to confer with him on 4 July 1999.²⁷

The process of healing in South Asia may have begun in 2008-09 with a number of positive developments in the countries of the region. The stage may have been set for addressing their long-enduring differences. The beginning of real change in South Asia can be dated 18 February 2008 when Pakistan held elections and began the process of transferring power from the military to the elected representatives of the people. Such transfers had happened before, as in 1971 when the military surrendered power to Zulfikar Ali Bhutto whose Pakistan Peoples Party had won a decisive victory in West Pakistan in the elections held a year earlier. However, Bhutto was overthrown by the military in July 1977 which went on to govern until August 1988 when General Zia-ul-Haq, its commander, was killed in an air crash. Eleven years of civilian rule followed but the military retained its influence. It was behind the four dismissals of elected prime ministers during this period. The military returned to power in October 1999 and stayed in place for nearly nine years. It was only after President Musharraf resigned from office in August 2008 that civilian rule came back. Is the return of the elected representatives of the people a permanent change in the Pakistani landscape?

Four factors indicate that the change this time around may prove to be more durable. The first is the maturation of the political parties that seem prepared to resolve their many differences without calling upon the army to intervene. It was these invitations in the past that created a space the military was happy to occupy. Second, after a remarkable campaign that lasted for more than a year and half, Pakistan seems on the way to evolving a system of independent judiciary which may no longer be prepared to countenance military interventions on the basis of the "doctrine of necessity". According to this doctrine, it was not prudent for the judiciary to intervene and reverse a political order which may not have been established in a strictly

²⁷ The story of those negotiations is told in great detail by Strobe Talbot who as Deputy Secretary of State participated as a member of the American team. See Strobe Talbot, *Engaging India: Diplomacy, Democracy and the Bomb*, New York, Random House, 2002.

constitutional manner. The third development is the rise of an aggressively independent media that has shown impressive resilience even when faced with serious executive pressure. The fourth factor, of course, is the strength of the civil society. This was instrumental in restoring the judges of the Supreme Court and the Provincial High Courts who were summarily removed by President Musharraf in the twilight period of his nearly nine years of rule.

Another important change has also occurred in Pakistan. In early May 2009, the political leadership of Pakistan ordered the military to root out Islamist extremism from the country's northern areas, in particular, from the "settled" districts of the North Western Frontier Province (NWFP). The administrative division of Malakand in the east of the NWFP was being run over by a group that had aligned itself with the "Taliban of Pakistan". Using the district of Swat as the base, they had begun to fan out to other areas of Malakand. In Swat, the NWFP government had agreed to the militants' demand to reintroduce the *Sharia* system of justice. This agreement was seen as a license by the militants to extend their influence to other parts of the NWFP and eventually they hoped to take over Punjab, Pakistan's most populous and richest province. In a detailed five-hour-long briefing given on 15 May 2009 to the political leaders representing all the parties, General Ashfaq Pervez Kayani expressed confidence that the army's mission will be completed in not "months but in weeks", after which the police will be called in to maintain law and order.

This development has brought relief not only to a large middle class in Pakistan which is mostly secular in outlook. However, it has also brought hope to the Indians who had suffered many acts of terrorism inspired by the militants trained by religious groups operating from Pakistani territory. Developing a force of *jihadis* was once a part of the strategy pursued by the military in Pakistan. It was also supported by the United States in the 1980s when it needed exceptionally committed foot soldiers to fight the Soviet Union's occupation of Afghanistan. That such an approach would have unattended consequences such as the spread of the militants' ideology in Pakistan was not realised at that time.

There were some positive moves in some other South Asian countries that may also change the political environment in the region and set the stage for the development of a regional outlook. The military in Bangladesh, having briefly intervened in the political life of that country, went back to the barracks after supervising another general election that brought the Awami League back to power in Dhaka. The Awami League, headed by Sheikh Hasina Wazed, the daughter of the country's founding father, has a more secular outlook compared to some of the other large parties in the country. It is also in favour of close relations with India. The King of Nepal was persuaded to surrender power to an elected parliament. In May 2009, the Sri Lankan army declared victory over the Tamil Tigers and appear to have ended the 25-year long civil war in the country.

This period of positive change in South Asia continued with the return of the Congress Party of India in the elections held in April and May 2009 and the reappointment of Dr Singh as prime minister on 22 May 2009. The Congress Party was expected to win but the scale of its triumph caught most observers and political analysts by surprise. What is particularly significant is the reversal of the fortunes of the religious parties that had campaigned aggressively for the creation of distinct Hindu entity in India. According to one newspaper analyst, "what the elections have shown is that Congress is still the only major party that plays to India's core instincts, complete with all its warts." The opposition was not helped by the anti-Muslim rhetoric of Varun Gandhi, Rahul Gandhi's estranged cousin. The latter is

likely to be the country's prime minister in a couple of years. The Congress's win indicated that "India's majority Hindus tend to be deeply religious but blend their religiosity with a fundamental tolerance".²⁸

In the absence of survey data that would assess the sentiments in the various countries in the region about their attitudes towards one another, we can only speculate about the direction in which South Asia may go in the years and decades to come. All the events discussed above may possibly have created an environment in South Asia that lends some dynamism to the process of regional integration that has at best made a hesitant progress for more than a decade. If that were to happen, South Asia may be getting ready to participate in the global economic system that offers it opportunities which it has not fully exploited.

These eight themes will be woven together to tell the story of South Asia from the time it attained its current political shape to the present and where it may go in the future. The last will depend upon what kind of public policies are adopted by the countries in the region. There is an emerging consensus among the analysts from several disciplines which suggests that the American domination of the global system will end in the near future, if that has not happened already.²⁹ The "rest" are rising. Demography, an often ignored determinant of change, favours South Asia as does its location close to areas that have surpluses of energy and adjacent to East Asia, currently the most dominant player among the "rest". The progress towards this post-American era would have been less chaotic had it not been interrupted by the great financial and economic crisis that started last year and is likely to turn a corner in 2010. One consequence of this crisis is the redefinition of the role of the state, an area in which the countries of South Asia have taken the lead. However, South Asia's future depends on its ability to resolve differences that persist among the countries of the region. The most significant of these is the dispute between India and Pakistan that has a long history and cost both countries blood, tears, money and a series of lost opportunities. What complicates this relationship is the fact that both countries have large arsenals of nuclear weapons. As Richard Cohen, an American columnist, put it recently, the "two countries have what it takes to blow each other to kingdom come. They also have the reason. They hate each other."³⁰ However, hate is not permanent feature of relations among nations. The Europeans have demonstrated this vividly. India and Pakistan also have the reason to work together. Without a workable South Asian economic region, the countries will lose out in a rapidly changing global economy. There are immense opportunities available but they will only come South Asia's way if the states in the region place economic benefits above national politics. They must understand that relations among nations are a plus-sum and not a zero-sum game.

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²⁸ Ravi Velloor, "Congress Party played its cards right", *The Sunday Times*, Singapore, 17 May 2009.

²⁹ A good representative of this line of thinking is Andrew Bacevich, *The Limits of Power, The End of American Exceptionalism*.

³⁰ Richard Cohen, "In a nuclear minefield", *The Washington Post*, 19 May 2009.