



A Perspective on Peace and Economic Cooperation in South Asia

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1. INTRODUCTION

This is the moment of reckoning in South Asia. The economic dynamism and innovativeness of its people is catapulting the region into a leadership position as the seismic change in the global economy shifts its center of gravity from the West to Asia. Yet at the same time, the region is threatened by the specter of a nuclear holocaust, the rupturing of the social fabric by religious extremism, persistent poverty of the masses amid the affluence of elites and the destabilization of the life support systems of its ecology. In this context, regional cooperation has become an important framework for addressing the grave challenges and utilizing the great opportunities. In this chapter, we begin in Section 2 by indicating the economic opportunity now available to South Asia and its rich cultural tradition that can be brought to bear to build a better world. In Section 3, we discuss the need for a new policy paradigm to address the multiple challenges of peace, poverty, and environmental degradation in a holistic fashion. We discuss the need to bring to bear a new sensibility rooted in the South Asian tradition of human solidarity,

harmony with nature, and the values of sharing and caring. We also discuss a new policy paradigm of cooperation for economic welfare and ecological survival. This paradigm is an alternative to the existing policy paradigm of competition and conflict to achieve economic welfare and power over other states. In Section 4, we analyze the relationship between the peace process, development, and human security. In Section 5, we analyze the constraints to the peace process between India and Pakistan, the nature of path dependence, and some of the short- and medium-term initiatives that can be undertaken to catalyze the peace process and to achieve regional cooperation.

2. CAN SOUTH ASIA LEAD THE WORLD?¹

South Asia is likely to play a key role in the global economy in this century. In doing so, the people of this region could help address the challenges of poverty, peace, and environmental degradation that confront the world. In this chapter, we will indicate the economic, political, and cultural issues involved in addressing these challenges.

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

Yet the world cannot be sustained by economic growth alone. Human life is threatened by the environmental crisis and conflicts arising from the culture of greed, endemic poverty, and the egotistic projection of military power. Societies in this region have a rich cultural tradition of experiencing unity through transcending the ego, of creative growth through human solidarity and a harmony with nature (Nehru 2004; Perry 1995; Schuon

1995; Syed 1968, 9–22). In bringing these aspects of their culture to bear in facing contemporary challenges, the people of this region could bring a new consciousness and institutions to the global-market mechanism. In so doing, South Asia and China can together take the twenty-first-century world on to a new trajectory of sustainable development and human security. It can be an Asian century that enriches human civilization.

3. CHANGING THE POLICY PARADIGM: HUMANITY, NATURE, AND ECONOMIC GROWTH

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

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

3.1 The Global Ecological Crisis

In perhaps the largest collaborative scientific effort in the world history, some of the leading environmental scientists recently worked together to produce the United Nation’s Intergovernmental Panel on Climate Change (IPCC) assessment report (IPCC 2007). Earlier, a similarly comprehensive audit was conducted on the state of the life support systems of planet Earth by the Millennium Ecosystem Assessment. Both reports present evidence that indicates an ecological crisis. The results show that over the past 50 years, humans in the process of economic growth have caused “substantial and largely irreversible loss in the diversity of life on Earth”: 25 percent of the species living on earth have gone extinct in the last 50 years. The crisis is made even graver by the fact that “60% of the ecosystem services that were examined in the study are being degraded ... including fresh water ... air and the regulation of regional and local climate” (Millennium Ecosystem Assessment Report 2005).

The IPCC assessment of the impact of global warming and associated climate change provides evidence that the adverse changes in the life support systems of the planet have been directly caused by human intervention (IPCC 2007). It can be argued that this intrusion into the ecosystem is associated with the levels and forms of production and consumption associated with the economic growth over the last three centuries within the framework of capitalism.

The IPCC report projects with a high degree of confidence that the increased global average temperatures will result in major changes in “ecosystem structure and function,” leading to “negative consequences for biodiversity and ecosystem goods and services e.g. water and food supply” (IPCC 2007, 11). It is projected that climate change associated with global warming could decrease crop yields in South Asia by 30 percent by the mid-twenty-first century. This could result in an increase in the intensity and extent of the food crisis and sharply increased poverty that is already being observed.

The IPCC assessment shows that approximately 20–30 percent of plants and animal species are at increased risk of extinction (IPCC 2007, 11). The consequent reduction in biodiversity would make the ecosystem more fragile and therefore more susceptible to exogenous shocks.

The existing process of production and consumption of goods involves releasing toxic gases and materials into the air, land, and water systems. Since the Earth’s ecology has a maximum-load capacity, it is clear that the present consumerist culture, patterns of economic growth, and underlying institutional structure cannot be sustained indefinitely into the future without undermining the life support systems of the planet. *For sustaining life on Earth, a new relationship will have to be sought between human beings, nature, and economic growth. Thus, we may be on the threshold either of ecological disaster or the construction of a new human civilization. In this situation, for South Asia to lead the world means introducing new cooperative forms of social and interstate relations to achieve sustainable development, human security, and freedom from hunger. This will require new forms of social organization, technologies, and institutions underpinned by a new consciousness that can sustain life on earth.*

3.2 The New Sensibility

Today, the market is being apotheosized as the mythical space in which the individual can be free and yet provided with plenty by the hidden hand of the market. Yet, inherent in the capitalist accumulation process is the

systematic inculcation of an insatiable desire to possess goods (Hussain 2002). As Marx (1990), writing in the nineteenth century, pointed out, “The capitalist system not only produces goods that satisfy needs, but also the needs that these goods satisfy.” The subliminal language of advertisement does not *represent* goods, but rather *fantasizes* goods such that they appear to us not in terms of their material attributes, but as magical receptacles of such qualities as beauty, efficacy, and power (Barthes 1973). Thus, qualities that we actually possess as human beings are transposed into goods, and the individual gets locked into an endless pursuit of acquisition (Hussain 2002).

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

Contemporary market culture is marked by the atomization of society, the inculcation of greed, egotism, and the estrangement of the individual from his humanity. A new, more humane sensibility must form the basis of a sustainable process of economic growth, forms of production, distribution, and societal as well as interstate relations. Perhaps South Asia can contribute to the contemporary world by weaving from the golden threads of its folk cultures the tapestry of a twenty-first-century sensibility.

In South Asia, the interaction of diverse civilizations across millennia has brought to the surface certain fundamental features of each civilization, which while being rooted in its specific linguistic, religious, and cultural *form*, are essentially of a universal nature. Underlying the diversity of religious beliefs is a universal spiritualism of love, beauty, and truth. Associated with this sensibility is a set of values of caring and sharing. In this context, three characteristics of a South Asian sensibility can be articulated:

- The *other* constitutes the essential fertilizing force for the growth of the self. The *other*, when brought into a dynamic counterposition to the *self*, helps to transcend the ego and thereby enlarge the experience of the *self*. To recall the words of Shah Hussain, the Punjabi Sufi poet, “You are the woof and you the warp, you are in every pore, says Shah Hussain Faqir, I am not, all is you.” In the tradition of the Sufis, or the Bhaktis, or the Buddhists, or the Christians, it is through the act of giving that the self is enhanced.

- In the South Asian tradition, whether the Muslim Sufis, the Bhaktis, or the Buddhists, the self is detached from the *desire* for commodities, which are seen as merely *useful*. The Greek philosopher Aristotle held a similar view when he observed in his *Nichomachean Ethics* that goods cannot have value since they are merely useful. It is human functioning that is of value (Aristotle 1998). The voice of the Sufis still echoes in contemporary South Asian folk culture: “Those who have accumulated millions that too is mere dust” (Shah Hussain); and the Tamil poet Kambar in describing a good society says, “There was no one who did not have enough, there was no one who had more than enough” (Wignaraja et al. 1991).
- Nature in the South Asian tradition is treated not as an exploitable resource but as a reference point to *human* nature. Nature is the context within which we experience our connection with the eternal, and sustain economic and social life. The Bishnoi community in Rajasthan and the peasants of Bhutan still conduct their production and social life in harmony with nature, as part of their spiritual beliefs. Najam Hussain Syed, the contemporary Sufi poet of the Punjab, writes, “Plant the moonlit tree in your courtyard, nurture it, and thereby remain true to the beloved.”

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

3.3 South Asia and the New Policy Paradigm

All great epochs of economic and cultural achievement are associated with a critique of the received wisdom of the day and a rediscovery of a universal humanity that lies at the root of specific ideological and religious traditions. So must it be for South Asia as it faces the prospect of a leadership role in the twenty-first century. Let us begin with a critical examination of the theoretical postulates that have formed the basis of economic and foreign policy of modern nation-states.

The policy paradigm underlying the last three centuries of economic growth within nation-states and political relations between states has

been characterized by two propositions that are rooted in conventional social science theory:

- Maximization of individual gains in terms of continuous increases in production and consumption within a competitive framework ensures the maximization of social welfare at the national as well as global levels (Gilpin 2001).
- The economic and political interests of a nation-state are best achieved by translating economic gains into military power.² The assumption here is that a state can enhance national welfare by initiating, or being part of an initiative for projecting, hegemonic power over other states.

These propositions now need to be questioned because of the increased interdependence of people and states on each other and on the ecology within which they function. As this region develops a leadership role in the world, let us briefly critique the following propositions as the basis for an alternative policy paradigm:

- First, the idea that competition alone ensures an efficient outcome may not be necessarily true in all cases in view of the work by Nobel laureate, economist John Nash, who proved mathematically that in some cases the equilibrium, which maximizes individual gains, could be achieved through cooperation rather than competition (Nash 1996).

The Nash equilibrium solution may be particularly relevant in the context of India–Pakistan relations. Consider. India, if it is to sustain its high growth rate, will require sharply increased imports of oil, gas, and industrial raw materials from West and Central Asia, for which Pakistan is the most feasible conduit. Similarly, India's economic growth, which has so far been based on the domestic market, will, in the foreseeable future, require rapidly increasing exports for which Pakistan and other South Asian countries are an appropriate market.³ Thus, the sustainability of India's economic growth requires cooperation with Pakistan. Conversely, peace and cooperation with India is essential for Pakistan if it is to achieve and sustain a GDP growth rate of about 8 percent, overcome poverty, and build a democracy based on a tolerant and pluralistic society. It is clear that governments in India and Pakistan will need to move out of the old mind-set of a zero-sum game, in which gains by one side are made at the expense of the other. Now the welfare of both

countries can be maximized through joint gains within a framework of cooperation rather than conflict.⁴

The missing dimension of the relationship between competition and welfare in conventional economic theory is that of institutions. The recent work of another Nobel Prize-winning economist, Douglass North, has shown that if competitive markets are to lead to efficacious outcomes, they must be based on a set of underlying institutions (North 1990). He defines institutions in terms of constraints to behavior for achieving shared objectives within an appropriate combination of incentives and disincentives. We can apply North's principle to suggest that emerging economic powers need to seek a broad framework of cooperation for the efficient functioning of a competitive global economy.

Our proposed logic of locating competitive markets within broader institutional structures of cooperation at the regional and global levels is necessitated by the integrated ecology of the planet. Global cooperation in environmental protection, poverty reduction, and defusing the flash points of social conflict and violence will become the essential underpinning of sustainable development and human security in this century.

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

Meeting these challenges will require a deeper understanding of the processes that shape nature and human societies, as well as a deeper awareness of our inner self and our shared civilizational wellsprings. Thus, as South Asia pursues a leadership position in the global economy, it will also have to strive to reach the cutting edge of human knowledge in the natural and social sciences. At the same time, it will have to bring to bear its value system rooted in the experience of humanity that is evoked in its diverse literary and philosophical traditions (Nehru 2004; Pallis 1995; Syed 1968).

4. HUMAN SECURITY, DEVELOPMENT, AND THE PEACE PROCESS

4.1 Peace: A Question of Life and Death

South Asia today stands suspended between the hope of a better life and fear of cataclysmic destruction. The hope emanates from its tremendous human and natural resource potential: the rich diversity of its cultures that flourish within the unifying humanity of its civilization. The fear arises from the fact that South Asia is not only the poorest region in the world but also one whose citizens live in constant danger of a nuclear holocaust. At the same time, the structures of state and the fabric of society are threatened by armed extremist groups who use hate and violence to achieve their political goals.

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

4.2 Militarization, Human Security, and National Integrity

States in South Asia have primarily pursued “national security” through the building of the military capability for mass annihilation of each other’s citizens. It is not surprising that South Asia is the poorest and yet the most militarized region in the world (Haq 1997). It contains almost half the world’s poor and has the capability, even in a limited nuclear exchange, to kill more than 100 million people immediately, with many hundreds of million more dying subsequently from radiation-related illnesses (Barry and Hirsh 1998).

The arms race between India and Pakistan (two countries that account for 93 percent of the total military expenditure in South Asia) is responsible for this cruel irony. India, which is ranked at 142 in terms of per capita income, ranks first in the world in terms of arms imports. Pakistan is not far behind, being ranked 119 in terms of per capita income and 10th in the world in terms of arms imports (Haq 1997). These military expenditures whose scale is unprecedented in the developing world are being undertaken

in the name of achieving national security in a situation in which the majority of the population in South Asia is living below the international poverty line (US\$2 a day) (Haq 2006, 51), 46 percent of the children are malnourished (Haq 2006, 70), and 35 percent of the population is suffering from health deprivation (measured in terms of lack of access to safe water and undernourished population) (Haq 2006, 68). The trade-off between military expenditures and the provision of basic services is worth considering. For example, a modern submarine with associated support systems costs US\$300 million, which would be enough to provide safe drinking water to 60 million people. These figures call into question the logic of increasing military expenditures to achieve national security.

The deadly nuclear dimension that since 1998 has been added to the India–Pakistan arms race is seen by the respective governments to reinforce national security through a presumed “deterrence.” In this context, it can be argued that three features define the India–Pakistan strategic nuclear environment, which imply a high probability of an accidental nuclear war, thereby making nuclear deterrence unstable: (a) the flying time of nuclear missiles between India and Pakistan is less than five minutes; (b) the unresolved Kashmir dispute fuels tensions between the two countries, making them susceptible to disinformation about each other’s intentions; and (c) intrastate social conflicts in each country feed off interstate tensions.

Apart from the danger of an accidental nuclear war, the current structure of the India–Pakistan tension is such that a terrorist attack can induce military mobilization and repeatedly bring both countries to a point at which the nuclear button could be deliberately pressed by one, then the other side. Consider the elements of the structure: First, armed militant groups continue to conduct what they see as a war of liberation in Kashmir. Pakistan’s government claims that such groups are not under its control, while India continues to accuse it of being involved in “cross-border terrorism.” Second, when a high-profile terrorist attack occurs in India, Pakistan is held responsible, as occurred following the outrageous attack on the Indian Parliament (December 2001) and the barbaric train bombings in Bombay (July 2006). In the former case, India actually mobilized its military forces in a warlike deployment on the India–Pakistan border. Third, in the case of an Indian incursion into Pakistani territory following a terrorist attack, if the territorial gains of Indian forces reach an unspecified critical level, Pakistan has made clear that it will use nuclear weapons to defend itself. At the same time, the declared Indian nuclear doctrine involves, in response, an all-out nuclear attack on Pakistan. As

the Indian Defense Minister George Fernandes clarified in December 2002, such an all-out nuclear retaliation will occur even if Pakistan drops a nuclear bomb on Indian forces operating within Pakistani territory (Global Security Newswire 2002).

These elements of the Pakistan–India problem could spark a military confrontation between the two states at any time. Moreover, given the relative lack of geographic depth in the Pakistan case, a conventional war could quickly reach the nuclear threshold. That this prospect is terribly real was illustrated on at least three occasions: The first occasion was India’s Operation Brass Tacks in 1986. This military exercise, which Pakistan saw as a prelude to an Indian invasion, led to a threat of nuclear war by the then Pakistani Foreign Minister Sahibzada Yaqub Khan, given explicitly to his old college mate I. K. Gujral, the Indian foreign minister, during a meeting in Delhi. The second illustration is the Kargil conflict in 1999. This conflict quickly escalated to a mobilization of military forces along the international border. The danger of an all-out war became so grave that Prime Minister Nawaz Sharif had to rush to Washington to get President Clinton’s support to avoid it. Bruce Reidel,⁵ who was present during the Nawaz–Clinton meeting, claims the United States had information that Pakistan was preparing its nuclear arsenal for possible use. Furthermore, he claims that Clinton actually asked Sharif, “if he knew how advanced the threat of nuclear war really was” (Reidel 2002). The third occasion came after the attack by armed militants on the Indian Parliament in 2001. India mobilized its military forces along the international border with Pakistan and tension rose to a point at which Pakistan threatened “unconventional” military retaliation if war broke out.⁶ Thus the very structure of the India–Pakistan situation suggests that wars between the two countries cannot be localized or conventional.

With the stakes of catastrophic destruction as high as they are in the region, any nonzero probability of nuclear war should be unacceptable. Yet, as we have argued, the defining features of the nuclear environment in South Asia make the probability of an intentional or accidental nuclear war perhaps higher than in any other region of the world.

In contrast to the preoccupation of governments to achieve “national security” within a paradigm of conflict, the citizens of even adversarial states share a common concern for human security: They seek security from the threats of war, religious extremism, economic deprivation, social injustice, and environmental degradation. Bridging this gap between the preoccupations of state and civil society is necessary to maintain the social contract that underlies the writ of the state and sustains national integrity.

Thus, establishing a new framework of lasting peace for the provision of human security to civil society is essential for the stability of states in South Asia. The questions are, what are the constraints to such a lasting peace and what factors can drive the peace process? These questions are addressed in the following section.

5. THE CONSTRAINTS AND DRIVERS OF THE INDIA–PAKISTAN PEACE PROCESS

Let us start with the strategic dimension of the political economy of India and Pakistan, respectively, within which both the constraints to and the drivers of the peace process can be examined. India's economic strength lies in the fact that having established a heavy industrial base during the Nehru period in the 1950s, and reconfigured India's policy framework in the 1990s to play a role in a globalized economy, India's economy has been launched on a high-growth trajectory. With a domestic technological change capability, international competitiveness in selected cutting-edge sectors like software and electronics, and large capital inflows, India has achieved impressive GDP growth over the last two decades. Yet it has been predominantly based on the home market, with India's exports as a percentage of world exports still less than 1 percent. Continued growth in the future will require acceleration in export growth. To sustain GDP growth, India will need to establish (a) markets for its manufactured exports in South Asia and abroad and (b) an infrastructure for the supply of oil, gas, and electricity. It is in this context of sustaining GDP growth that three strategic imperatives for India become apparent: (a) achieving a regionally integrated economy through an early implementation of the Islamabad South Asian Association for Regional Cooperation (SAARC) Summit Declaration on the South Asian Free Trade Agreement (SAFTA) in January 2004; (b) securing oil and gas pipelines and rail and road transportation routes from Central Asia to India through Pakistan; and (c) overcoming political disputes with Pakistan and other South Asian neighbors to establish a political framework of lasting peace that would be integral to economic union.

Peace and economic cooperation with Pakistan are necessary for India not only to secure its strategic economic interests but also to maintain its secular democratic polity. A high-growth, open economy framework for India today is inseparable from a liberal democratic political structure.

Therefore, the existing social forces of Hindu nationalism, intolerant of minorities, will undermine India's secular democratic structure as much as its economic endeavor. Continued tension between India and Pakistan will only fuel extremist religious forces in both countries, to the detriment of their economy and polity.

Pakistan, by contrast, is faced with an economic crisis whereby it is unable to sustain high GDP growth due to an aid-dependent economic structure, inadequate export capability, and recurrent balance-of-payments pressures. The persistent high levels of poverty and continued tension with India fuel the forces of religious extremism. Armed militant groups have now emerged as rival powers to that of the state within its territorial domain, thereby threatening the structure of the state as well as the fabric of society. Peace with India will mean a substantially improved environment for the much-needed foreign and domestic investment. This could play an important role in accelerating and sustaining GDP growth and poverty reduction in Pakistan.

It is clear that through peace, both India and Pakistan can reap economic benefits for their people and secure their respective democratic structures against the forces of religious extremism. The national security of both countries is threatened not by the neighbor across the border but by internal social forces of intolerance, violence, and poverty. A new structure of peace would reduce the danger of cataclysmic destruction from nuclear war and also provide the two nations with economic and political stability. Thus, by providing increased security of life and livelihood to both countries, national security in their respective nations will be enhanced.

Trade and investment historically has been both the cause and consequence of institutional change. So it can be for Pakistan, India, and indeed South Asia as a whole. Thus, with respect to SAFTA, implementation of the Islamabad SAARC Declaration (SAARC 2004) would be another strategic step toward achieving regional economic integration and peace and strengthening the institutional structures of democracy in the region.

Pursuant to SAFTA, Pakistan ought to quickly establish free trade and investment with India and other South Asian countries, together with an easing of travel restrictions within the region for the people of South Asian countries. Free trade and investment within South Asia and particularly between India and Pakistan could be a driver of change in the institutional structure of the economy, polity, and society: (a) it would be a powerful economic stimulus; (b) it would create stakeholders for peace and the demilitarization of the polity in Pakistan, which would strengthen the struggle for civilian supremacy in Pakistan; and (c) it would help build a

tolerant and pluralistic democratic culture. Let us briefly examine each of these dimensions of institutional change resulting from an India–Pakistan peace settlement.

5.1 Economic Cooperation

5.1.1 Free Trade and Sustainable Growth with Equity

An economic opening up with India would sharply accelerate GDP growth in Pakistan through increased investment by Indian entrepreneurs. Moreover, import of relatively cheaper capital and intermediate goods from India could reduce capital-output ratios in Pakistan and thereby generate higher GDP growth for given levels of investment. At the same time, the import of food products during seasonal shortages could reduce food inflation and thereby improve the distribution of real income in Pakistan. Easing of travel restrictions would give a massive boost to Pakistan’s tourism, services, and retail sectors, which could stimulate growth. It also would increase employment elasticities with respect to GDP growth (since the tourism sector is labor intensive), thus increasing employment and improving income distribution. Thus, free trade relations with India would enable Pakistan to achieve a higher and more equitable GDP growth.

5.1.2 Free Trade and Civilian Supremacy

As free trade and investment bring substantial economic dividends to the middle and lower middle classes, a large constituency will be created in Pakistan to change the existing perspective of Pakistan as a “national security state,” which is presumed to be “threatened by India” and hence requires the dominance of the military in the polity and national policy. Shifting from the ideology of a national security state to a democratic perspective will make it possible to acknowledge that the security and welfare of citizens is primarily achieved through peace and development. This change in the national perspective can be an important factor in achieving civilian supremacy within the polity.

5.1.3 Free Trade and Democratic Culture

An important constraint to building a democratic polity and indeed the principal threat to state structures in South Asia arises from internal

conflicts such as religious extremism; ethnic, communal, and caste conflicts; and linguistic sub-nationalism. Containing these conflicts requires institution building for a pluralistic society. In such a society diverse identities between individuals can coexist, and at the same time, multiple identities can be maintained by each individual.⁷ For example, Muslims and Hindus not only should be able to live in peace, but also a particular individual could be a Muslim, a Balochi, a Karachite, a Pakistani, a South Asian, and a Commonwealth citizen concurrently.

Underlying the cultural diversity in South Asia is the unity of shared wellsprings of human civilization. It is a unity that is nurtured by its diversity. Thus national integrity is strengthened not by the denial of multiple identities but by creating a democratic polity within which they can blossom. Essential to the building of pluralistic democracies in India and Pakistan, respectively, is the opening up of new economic and cultural spaces within which the people of the two countries can encounter the “other.” In so doing, citizens of the two countries can experience the diversity and richness of the self. In the past, state-sponsored mutual demonization has sustained interstate conflict. Demonization involves a narrowing of the mind and a constriction of the identity that places the self and the other into a mutually exclusive and conflicting dichotomy. Nurturing one’s richness requires a human relationship within which the other is experienced as a vital fertilizing force in the growth of the self. Liberating the dynamic of such a human contact between erstwhile “enemies” could be vital to the enrichment of identities and the building of pluralistic democracies in Pakistan and India.⁸

5.2 The Dialectic of Cooperation and Confrontation

The constraints to the peace process can be understood in terms of the dialectic between the strategic political and military imperatives for peace on the one hand and the pressures for path dependence within the military establishment on the other. We will briefly discuss this dialectic within the power system to explain the stop-go nature of the peace process and to review the opportunities now available for triggering medium-term change.

5.2.1 The Strategic Imperatives for the Peace Process

The decision by the Musharraf government to engage with India in a peace process was predicated on three power system imperatives:

- Reducing tensions with India in order to focus on economic growth was seen by the new military regime as a means of achieving political legitimacy.
- After 2001, when Pakistan joined the West in the war against terrorism in Afghanistan, closure of the front (at least temporarily) was a rational military necessity to avoid a two-front situation.
- The military government thought it politic to accede to what had now become a popular demand for peace with India.

These strategic military and political imperatives induced General Musharraf to engage with India on the basis of a new and innovative policy formulation constituted by three elements:

- A shift away from the traditional Pakistani position of making a plebiscite in Kashmir the precondition for normalizing economic relations with India was replaced by a new position: a *composite* dialogue was to be conducted within which economic relations with India were to be discussed side by side with the resolution of outstanding political and territorial disputes, including Kashmir.
- The dynamics of each of these two tracks were different: the potential for trade relations produced results relatively rapidly, while the process of resolution of the Kashmir dispute, given its intractable nature, was expected to be much slower. It was initially thought that success in economic relations and the resultant peace dividend would not only create constituencies for lasting peace in both countries but also would help build confidence between the two contending states, resulting in a positive synergistic effect on the political dispute resolution process.
- There was a significant and innovative change from Pakistan's traditional "plebiscite or nothing" Kashmir position in which a plebiscite was seen as the "unfinished business of partition" and hence essentially a bilateral dispute. This was replaced by a more rational policy whereby General Musharraf proposed that the following:
 - Both Pakistan and India should set aside their traditional rigid positions and seek common ground.
 - The resolution of the dispute should be acceptable to India, Pakistan, *and* the people of Kashmir, making the earlier bilateral dispute a trilateral one.

5.2.2 The Power System Constraints to Peace

General Musharraf's stated policy initially produced encouraging results, with a substantial increase in trade volumes between India and Pakistan and confidence-building measures, including increased visa permits for a larger number of travelers across the border. The structural restrictions to trade and, indeed, to investment could be overcome only if Pakistan granted Most Favored Nation (MFN) status to India. This status would enable trade, instead of being restricted to a few officially negotiated items, to be opened up for a free flow of goods and capital, as in the case of other countries under the World Trade Organization (WTO) regime. These structural constraints to freer trade persisted even as Pakistan under the SAARC umbrella signed the Islamabad Declaration making a SAFTA a national objective.

It is at this point that the power system constraints to the peace process kicked in. Influential elements in the establishment regarded a rapid improvement in economic relations and a permanent peace with India as ultimately a threat to the *raison d'être* of a large military establishment. The military was getting a lion's share of the budget on the basis of the "Indian threat" and the ideology of a national security state. Fears of Pakistan's economy being swamped by India began to circulate, as did the notion that the very identity of the state would be threatened by normalization of relations with India.

These considerations acted as a brake on the peace process, and Prime Minister Shaukat Aziz pointedly declared that improvement in economic relations was dependent on progress on the Kashmir dispute. Thus, the policy of delinking the economic and political tracks was reversed and progress in economic relations once again made hostage to the intractable Kashmir dispute. This setback in the peace process was reinforced as President Musharraf's political position weakened and his reliance on support from his military constituency increased amid the gathering storm of the judicial crisis. The peace process went on hold as President Musharraf faced the double threat to his government from the democratic opposition on the one hand and the intensified attacks from militant extremists on the other.

The new democratic government in Pakistan, which emerged after the February 2008 elections, holds promise to pursue what Foreign Minister Shah Mahmood Qureshi recently called a "comprehensive settlement" with India. Earlier the co-chairperson of the People's Party of Pakistan, Asif Ali Zardari, declared the government's intentions to accelerate the

peace process and focus on economic cooperation.⁹ The imperatives of peace for building a dynamic economy and a democratic polity are clearly apparent to the leadership of Pakistan's fragile democracy.

5.2.3 Path Dependence and the Short-term Triggers for Accelerating the Peace Process

The concept of path dependence was conceived by Douglass North as a tendency of individuals and groups to resist institutional change where such a change threatens their interests. Such individuals and groups are willing to invest their energy, resources, and time to resist institutional change (North 2005, 51). Thus, as North points out, path dependence is "the constraints on the choice set in the present that are derived from historical experiences of the past" (North 2005, 52).

The problem of path dependence in this context is located in the mind-sets of the respective bureaucracies in the two countries that have emerged through many years of mutual demonization. These mind-sets were reinforced by the wars between India and Pakistan in 1965 and 1971, the more limited Kargil conflict in 1999, and the protracted insurgency in Indian-occupied Kashmir. The recurrent military confrontations and the perception of each other as adversaries in a zero-sum game have bred attitudes of mutual mistrust and suspicion among the military establishments, the bureaucracies, and to some extent the political leadership of the two countries. The attitudes of the political leadership in Pakistan and India have changed significantly during the last decade as a result of the popular pressure to pursue peace. "The trust deficit," however, in the respective military and bureaucratic establishments remains unchanged.

The problem of path dependence in this context is illustrated by an observation made by Prime Minister Manmohan Singh in August 2004, when he graciously invited members of the South Asia Center for Policy Studies to his house in New Delhi for a discussion over tea. When it was suggested that the gains of peace were great for both India and Pakistan and that history had placed the prime minister and the Pakistani leadership in a position to make history by actualizing these potential gains for the people of both countries, the prime minister responded with an incisive remark: "The gains from peace are immense, yet old attitudes of strife, mistrust, and suspicion could lead us to a sub-optimal solution." He went on to say that he is willing, however, to make a "new beginning." Any ideas for peace would have his "fullest support, and I hope that of

my government,”¹⁰ he said, turning hesitantly to his National Security Adviser (at that time Mr Dixit).

These “old attitudes” are evident in the power system constraints to peace, which primarily are located in the bureaucratic and military establishments of the two countries. These constraints are locked in the “old attitudes” not only because of the persistence of modes of thought now considered obsolete but also because of their present economic power and influence over the political leadership based on what are regarded as “national security considerations,” which may depend on maintaining the status quo. The possibility of overcoming “old attitudes” and taking initiatives for peace is located in the space available to democratic governments within the power structures of the bureaucracy and military and their ability to translate the will of their people for economic welfare and peace into policy action.

Clearly, free trade between Pakistan and India would be an important medium-term objective that could sustain and substantially accelerate the long-term political process for institutionalizing a lasting peace between the two countries. In the context of the power system discussion above, it can be argued that the short-term initiatives required for the medium-term objective in the Pakistan case are integrally linked with the initiatives for strengthening and deepening democracy that are proposed in the preceding section. Achieving free trade essentially would be an act of persuasion, whereby a popular consensus is created among civil society organizations, think tanks, and a responsive parliament. Free trade also would involve persuading the military establishment that such trade would be in the best interest of Pakistan and therefore of the military. Moreover, it would enlarge the corporate gains of the military within its economic sphere.

Four specific short-term initiatives could be undertaken to trigger the process of achieving economic cooperation between India and Pakistan:

- **Host a Conference of South Asian Parliamentarians.** Host a conference focused on the issue of regional economic cooperation.¹¹ The issue of free trade and implementation of SAFTA ought to be the main item on the agenda. The participants of the conference could include representatives from regional think tanks, experts who have worked on regional cooperation, representatives of civil society advocacy organizations for peace and economic cooperation, civil servants involved in the peace process, lawyers, the media, and representatives from the faculties of the Command and Staff College and the National Defence University.

- **Establish a Network of South Asian Institutes for Regional Cooperation.** Create a network of regional institutes in South Asia that are devoted to policy research and advocacy for peace and economic cooperation through a series of workshops. These workshops would bring together the latest thinking on issues of peace and economic cooperation in South Asia and specifically the dynamics of the peace process.
- **Establish an Advocacy Program for South Asian Parliaments and Governments.** Establish an institutional base to unite representatives of civil society organizations in Pakistan and India as well as representatives from regional think tanks to undertake a short-term advocacy program with their respective parliaments and governments to create the basis for a definitive decision on SAFTA implementation in the SAARC Summit of 2010.
- **Ease Travel Restrictions for Tourism in South Asia.** Ease travel restrictions for South Asians traveling in South Asian countries to enable greater economic, cultural, and social interaction among the citizens of India and Pakistan, in particular, and South Asia, in general. The sharp increase in the magnitude of tourism following an easing of travel restrictions would be a powerful economic stimulus to the economies of the region, and tourism could become one of the largest industries in Pakistan and some of the smaller South Asian countries. Moreover, the secondary multiplier effects of tourism would be to increase incomes of wide strata of the population as porters, restaurant and hotel staff, and transporters.

5.2.4 Medium-term Drivers of Peace and Economic Cooperation

The following medium-term initiatives could be undertaken by the private sector and civil society in South Asian countries with support from SAARC and could help overcome path dependence:

- **South Asia Health Foundation.** Establish a South Asia Health Foundation (SAHF) to make the benefits of peace and cooperation in South Asia palpable to people through improved health care. The objective of the SAHF would be to establish high-quality model hospitals, together with satellite clinics and outreach programs for preventive health care, in selected districts in each of the countries of South Asia.¹²

- **South Asia Education Foundation.** Create a South Asia Educational Foundation (SAEF) on the basis of contributions by individual SAARC member countries, individual philanthropists, and (more substantially) multilateral donor agencies. The purpose of SAEF would be to create a network of high schools at an international standard in every *tehsil* (at least one in each *tehsil*) of each of the countries of South Asia. These SAARC schools could act as role models and set the standards for both the private sector and the individual governments to follow.

An important dimension of setting up the SAARC network of schools in Pakistan would be to counteract the growing influence of *madrassas* and militant religious groups that are enlarging their dragnet of indoctrination, particularly in the rural areas and small towns of the North West Frontier Province (NWFP) and the Punjab. One of the factors that attract students to the *madrassas* is that, in most cases, they get free lodging and board, with the parents having to pay only nominal fees. The SAEF schools, which would provide a broad-based liberal education, ought to have a differential fee system wherein children from affluent families pay higher fees to partially subsidize those from poor families. An endowment fund for scholarships could be created to provide free education to students from poor families. Additionally, the schools should have a residential facility for out-of-town students and a provision for free lunch to day scholars.

- **Energy Cooperation in South Asia.** Establish a system for energy cooperation in South Asia through the following initiatives:
 - In the context of developing energy markets of these resources, power trading in the region calls for establishment of high-voltage interconnections between the national grids of the countries of the region. India, Pakistan, and Bangladesh should cooperate in establishing a gas pipeline for transporting gas from Iran, Qatar, Turkmenistan, and even Myanmar.
 - The precondition to create a competitive power market is to allow freedom for generators to produce electricity and distributors to sell in the market. In this context, the joint development, trading, and sharing of energy should be pursued.
 - Apart from electricity production and distribution through large hydroelectric projects, it is time to undertake joint efforts to develop innovative new technologies, such as solar and wind energy and single turbines on the canal system, for use in both

the national and regional grids as well as at the village and *tehsil* levels.

- **Investment within South Asia through Joint Venture Projects.** Increase regional investment and growth through the following key joint venture projects:
 - Facilitate joint private sector projects to build a network of motorways and railways to international quality standards throughout South Asia. These modern road and rail networks would connect all the major commercial centers, towns, and cities of SAARC countries with each other and with the economies of Central Asia, West Asia, and East Asia.
 - Facilitate regional and global joint venture projects to develop new ports along both the western and eastern seaboard of South Asia, and at the same time upgrade existing ports to the highest international standards.
 - Facilitate regional investment projects to build a network of airports, together with cold storage facilities and warehouses, which could stimulate not only tourism but also the export of perishable commodities such as milk, meat, fish, fruits, and vegetables.
 - Facilitate regional joint venture projects to build dams to utilize the huge untapped potential for energy and irrigation in the mountain ranges of South Asia. These dams should be designed and located strictly in accordance with the existing international treaties, such as the Indus Basin Treaty.
 - Facilitate regional joint venture projects to improve the irrigation efficiency of the networks of canals and watercourses in South Asia.

- **Regional Cooperation for Environmental Protection.** Pursue the following specific areas in which regional cooperation could encourage protection of the environment:
 - Institutionalize cooperation in the face of growing water scarcity to undertake innovative joint efforts for water conservation, and improved delivery and application efficiency of irrigation. This could include constructing medium- and small-size dams for increased water availability in the off-season and water distribution on an equitable basis between countries and provinces,

lining the canals and water courses, and improving on-farm water management.

- Pursue joint efforts to reduce emissions of greenhouse gases within South Asia and joint diplomatic efforts to achieve the same objective on a global scale to combat global warming.
 - Pursue joint efforts to develop heat-resistant varieties of food grains and to conduct biotechnology research to achieve a new green revolution in South Asia as the old green revolution comes to an end.
 - Pursue joint efforts at reforestation of watersheds. The treatment of industrial and urban effluent waste could reduce soil erosion, devastating flash floods, and toxicity of rivers.
 - Share biosaline research and technical know-how on controlling desertification of soils (for example, the use of plants such as halogenic phradophytes to control salinity).
 - Share know-how on ecologically sound industrial technologies and cost-effective and safe methods of effluent disposal.
 - Share information on water flow of rivers, especially flood forecasting.
 - Engage in joint projects for the development of Himalayan resources, especially the prevention of deforestation and soil erosion on the mountain slopes.
 - Collect, systematize, and subject to scientific evaluation the traditional knowledge systems of South Asian communities, which have experience of innovative techniques to conduct their economic existence in a harmonious relationship with nature.
- **Restructuring Growth for Faster Poverty Reduction.** A rapid improvement in the material conditions of the people of South Asia requires not only a faster economic growth rate but also a restructuring of growth to make it pro-poor.¹³ This requires providing the institutional basis and economic incentives to change the composition of investment toward those sectors that generate relatively more employment and that enable increased productivity and incomes of the poor (Hussain 2003b).¹⁴ In this context of achieving pro-poor growth, three sets of measures can be undertaken at the country as well as regional levels:
 - Undertake joint venture projects to rapidly accelerate the growth of those subsectors in agriculture and industry, respectively, which have relatively higher employment elasticities and which

can increase the productivity and hence put more income into the hands of the poor. These subsectors include production and regional export of high-value-added agricultural products such as milk, vegetables, fruits, flowers, and marine fisheries.

- Facilitate a regional network of support institutions in the private sector to enable small-scale industries located in regional growth nodes, with specialized facilities such as heat treatment, forging, quality control systems, and marketing facilities in country-specific and regional economies.
- Establish a SAARC Fund for vocational training to create a network of high-quality vocational training institutes for the poor. Improved training in market-demanded skills would enable a shift of the labor force from low-skill to higher-skill sectors and thereby increase the productivity and income-earning capability of the poor. At the same time, it would generate higher growth for given levels of investment by increasing factor productivity.

6. CONCLUSION

South Asia in the twenty-first century has an opportunity to lead the world by addressing the challenges of poverty, peace, and environmental degradation through cooperation in a region where these challenges are manifest in their most intense form. Regional cooperation in South Asia could enable a new form of equitable and sustainable economic growth. This would involve new initiatives for restructuring the growth process to make it pro-poor and accelerating the process of peace and economic cooperation. Innovative initiatives are required to develop new institutions and technologies for use at the regional, national, and local levels in the fields of water resource management, energy production, heat-resistant seed varieties, reduced soil depletion, and reduced greenhouse gas emissions. Equally important, this process of achieving sustainable development could be catalyzed by capitalizing on South Asians' rich cultural tradition of seeking unity in diversity, human solidarity, and harmony with nature.

Never before in history was the choice between life and comprehensive destruction as stark as it is today. The question is, can we grasp this moment and together devise a new path toward peace, freedom from hunger, sustainable development, and regional cooperation? There is

an urgent need to move out of the mind-set that regards an adversarial relationship with a neighboring country as the emblem of patriotism that views affluence of the few at the expense of the many as the hallmark of development, that sees nature as an exploitable resource, and that embraces individual greed as the basis of public action. We have arrived at the end of the epoch when we could hope to conduct our social, economic and political life on the basis of such a mind-set.

NOTES

1. This section is based on a more elaborate paper presented by the author before the Parliamentarians from South Asian countries at the South Asian Free Media Association (SAFMA) Conference on Evolving a South Asian Fraternity, Bhurban (16 May 2005).
2. “[E]ach of the leading states in the international system strove to enhance its wealth and its power to become (or remain) both rich and strong” (Kennedy 1988, i).
3. India’s exports as a percentage of its GDP (at purchasing power parity) are 2 percent. For details, see <http://www.cia.gov/cia/publications/factbook/geos/in.html#Econ>. India’s share in total global exports increased by 0.26 percent—from 0.41 percent in fiscal year 1992–93 to 0.67 percent in 2000–01. In the next 5 years beginning fiscal year 2002–03, India aims to raise the share further by 0.33 percent by 2006–07 to have a 1 percent share of total world exports. For more details, see http://www.indiaonestop.com/tradepartners/indias_trade_partners.html (accessed on 6 October 2009).
4. For a more detailed discussion of this proposition, see Hussain (2008a).
5. Bruce Reidel was at that time President Clinton’s Special Assistant for Near Eastern and South Asia Affairs at the National Security Council.
6. President Musharraf was reported to have said that Pakistan was not afraid to use unconventional weapons if attacked according to the daily *The Hindu* (see Global Security Newswire 2002).
7. For a discussion on multiple identities, see Sen 2006, 3–5.
8. This subsection is drawn from Hussain 2006, 233–34.
9. In an interview with CNN-IBN’s program *Devil’s Advocate*, Asif Ali Zardari said that good relations with India would not be held hostage to the Kashmir dispute. He said that the two countries would wait for future generations to resolve the issue and the two countries should focus on trade ties for now (reported in the *Daily Times*, Sunday, 2 March 2008).
10. This discussion was first reported in my article, “Taking the Peace Process Forward” (Hussain 2004b). Significantly, Prime Minister Manmohan Singh repeated his remark about subsequently making a “new beginning” in the United Nations.
11. A few years ago, SAFMA organized a highly successful conference in Bhurban of Parliamentarians from each of the countries of South Asia in which it was agreed that the peace process should be made irreversible through institutional mechanisms in both government and civil society.

12. For an elaboration of this concept, see Hussain 2004a.
13. For a detailed discussion on pro-poor growth, see Hussain 2003a.
14. For a more recent discussion on the subject, focused on the institutional basis of pro-poor growth, see Hussain 2008b.

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