

The Peace Process and Prospects for Economic Reconstruction in Kashmir

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Abstract

The main argument of this paper is that the ongoing peace process between India and Pakistan provides enough space to carry on development activities in the Indian state of Jammu and Kashmir (J&K). It further argues that development activities can continue in a conflict zone, thus letting the conflict situation gradually subside as, among many other factors, poverty and underdevelopment are a cause of violence. Violence has affected the development scenario in the state of J&K, thereby not only discouraging private investment, but also creating obstacles in effective implementation of the developmental policies initiated by public authorities. However, with the ongoing peace process between India and Pakistan and with concomitant initiatives such as opening of the traditional intra-Kashmir routes, the hope for a durable and sustainable development in the state has gained ground, along with a renewed hope for peace.

Introduction

The Kashmir conflict is one of the most staggering conflicts in international politics, and its persistence involving two nuclear powers is well known. Even after four wars, a decisive resolution to the conflict appears unlikely -- the medley of treaties, agreements, and declarations notwithstanding. Though the parties involved in the conflict have their own perspectives regarding the cause and course of conflict, almost all agree (at least in declarations and statements) that the region is in dire need of peace as well as substantial economic development. Indeed, a decade of violence is on verge of ending without any positive achievement for the people. Due to the ongoing peace process, however, the atmosphere appears conducive for the launch of sustainable development initiatives in the conflict-ridden state. After all, this is the era of “sunrise” and “peace through economic reconstruction” [\[1\]](#) – and the state of Kashmir has an opportunity it would be well advised to take advantage of.

The costs of the conflict have been increasingly unbearable for all involved. According to the official estimates, some 40,000 lives have been lost since the onset of insurgency in 1989, though other estimates put the toll much higher. Large-scale displacement from different parts of the state is an integral part of the Kashmir conflict (Shekhawat, 2006, ch. 3). An estimated one million people have been displaced in the state due to militancy. Other humanitarian costs include negative impact on women and other vulnerable groups and a noticeable increase in the psychiatric problems of the victims (Medicins Sans Frontiers, 2006). For instance, the number of patients visiting hospitals in Srinagar for psychiatric diseases in 2003-2006 amounted to a staggering 45,000. The conflict has also cost the Indian government heavily in terms of the deployment of security forces as well as other financial responsibilities. The economic cost of the conflict cannot

be confined to a particular sector of industry or investment prospects. It has affected the important sources of livelihood of local people such as tourism, horticulture and handicrafts industries. Besides exacting extensive damage to the infrastructure of the region, the violent conflict has discouraged private investment, pushing the economy towards stagnation. The downward trend of economy has been acutely felt since late 1980s when militancy gained momentum. It is a vicious circle in which violence has led to underdevelopment and vice versa, and in this gruesome scenario it is the common people of the region who suffer the most.

The last decade has witnessed many remarkable developments in the world, and the wide reach of globalization is one among them. Conventional territorial boundaries and related disputes are challenged by increasing trans-border commercial and cultural exchanges and popular acceptance of democratic means of conflict resolution. The Kashmir conflict is no exception to it. There is an increasing realization of this trend and consequent activities have been initiated by India, Pakistan and civil society in Kashmir. The governments of India and Pakistan have expressed readiness to seize on this changing nature of politics by engaging with each other and Kashmir in an environment of peace. Involvement of people of Kashmir in the peace process has gained momentum in the recent years and there is an increasing realization that peace attempts and development programmes must go together. Keeping this evolving scenario in mind, this paper argues that the current atmosphere of relative peace must be utilized for the economic development of the state without impinging on political ramifications of the conflict.

This paper argues that the present opportunity, which the ongoing peace provides, can be used to set the derailed development of the state back on the right track. Though the Kashmir issue cannot be resolved only by means of economic development, vibrant economic growth in the region would not only better the lives of local people but may infuse spirit of reconciliation and harmony among them. The paper has based its arguments on a note of optimism, as the Kashmir conflict has never witnessed such a thaw as it is now, and this historical moment can be capitalized for the progress of the state.

For the sustainable development of Kashmir, this paper makes the case for participation of private players, as it argues assistance from public sector would not suffice nor does it provide enough rationale for development in the age of globalization and market reforms. There is also an urgent need to renew the indigenous industries as well as explore the new areas. The prospects of intra-Kashmir trade, which can bring economic prosperity to the region by trade in commodities produced on both sides, has remained unexplored so far.

In light of the above arguments, this paper analyzes the three Cs of the Kashmir conflict: Costs, Changing Contours, and Challenges, as well as outlining a theoretical framework linking peace and development. While the section on the costs of the conflict discusses the economic destruction that the violent conflict has wrought, the second section focuses on the ongoing peace process, which has created an environment conducive to development. The third section is devoted to enumerating the challenges and opportunities of economic reconstruction of the state.

While conceding that a holistic view of development would encompass much more than economic factors alone, the paper confines its analysis to the economic development. The terms “development” and “economic reconstruction” are used interchangeably in this paper.

“Conflict” is a fluid and ambiguous term, and different people will interpret it differently depending on the context. For the purpose of this paper, the term “conflict” refers specifically to the militancy

related violence in J&K. The term Kashmir is used as synonymous to J&K.

Peace and Development: The Linkage

Recent decades have seen the emergence and escalation of a wide variety of violent conflicts around the globe. Regardless of the motives, violent conflicts are usually disastrous socially as well as culturally; economically as well as politically. Apart from a few beneficiaries in the arms industry, economic disruption is an integral part of conflicts, negatively affecting people's livelihoods and the longer-term development process. With violence becoming a part of the everyday life, the whole system becomes "conflict habituated", with an emphasis from both sides on getting an edge and in this scenario, development takes a back seat. This has led some to question whether sustainable development can be advanced during times of protracted armed conflict.

Conflict and development are indisputably linked. Earlier development theory and practice were largely conflict-neutral, and even when they attended to conflict, the scope was quite limited. Traditional approaches to development presupposed that development takes place under conditions of peace. Yet that is rarely the case. The absence of peace is a pervasive global reality. Most countries have to strive for development against a background of past, present or threatened conflict (Secretary General of the United Nations, 1994). The modern development theories thus largely focus on conflict and development in a holistic framework.

Most often the cause or spur of conflict in many cases is lack of development – economic, political, or social – or a combination of all. The relationship between conflict and development is strong, and is a two way process: conflict retards development; and equally, failures in development substantially increase proneness to conflict. There arises a "conflict trap" – a cycle of conflict-related violence and economic retardation (Collier & Hoeffler, 1998). Modern analysts thus subscribe to the inclusive view that development cannot be reserved solely for peace and conflict-free environments. This argument is equally applicable to the situation in Kashmir.

Development activities can occur in conflict zones, Collier & Hoeffler argue, and thus play a role in defusing such situations gradually as, among many other things, poverty and under-development can fuel violence in conflict situations. Several studies have shown that the influence of conflict on development, and vice-versa, is significant in both exacerbating tensions and minimizing them (Buckles, 1999, and Anderson, 1999). The Organization for Economic Co-operation and Development (OECD), in its Policy Statement and Guidelines on Conflict, Peace and Development in 1997, also argues that Sustainable development cannot be achieved without peace and stability, and peace and security are not possible without meeting the basic needs of the people (OECD, 1997).

Though there is no commonly agreed definition of development, it can be broadly defined for the purpose of this paper as "a social contract for the public good that can be used pro-actively and consciously so that it becomes a tool of social, economic and political justice and healing". Studies from conflict-affected areas show that the economic reconstruction contributes positively to long-term political harmony (Junne & Verhoken, 2004). The paper agrees with this assumption and puts forth the argument that sustainable development in Kashmir with a people-centric approach can wean much of violence away and foster a process of conflict resolution.

In the majority of cases, the development process can continue even during the conflict situation, and the pace of development can be fruitfully increased parallel to peace processes. Benefits of continued development during conflict include: minimizing the cost of the conflict; providing means of survival to the people; and very importantly, avoiding the probability of a development vacuum in the post-conflict situation that increases the chances of conflict revival.

The theory of “development as freedom” by Amartya Sen (Sen, 1999) argues development and freedom are intimately related. Freedom is both constitutive of development and instrumental to it. Sen delineates five freedoms that are needed to bring true development: (1) political freedoms; (2) economic facilities; (3) social opportunities; (4) transparency guarantees; and (5) protective security. In this light, it can be argued that economic underdevelopment amounts to lack of freedom. This is very much the case in Kashmir, where all kinds of freedoms that are both “means and ends of development”, to use Sen’s terms, are under constant threat. He rightly argues that “Growth of GNP or of individual incomes can, of course, be very important as *means* to expanding the freedoms enjoyed by the members of the society” (Sen, 1999, p. 3).

The United Nations further substantiates this viewpoint. In one of its reports, the Secretary General of UN points out that, among other things, the promotion of sustainable economic development is an essential aspect of conflict prevention or resolution (Secretary General of United Nations, 1992). On the basis of above discussion, this paper argues that the ongoing peace process in Kashmir has provided the right occasion to initiate development programmes which would likely work as a bulwark against violence and precursor of peace.

Methodology

Literature on the costs of Kashmir conflict is scarce. As there is no substantial work on the peace and development linkages in Kashmir to date, this study is a novel one, and hence the major source of material is the first hand information gathered during the authors’ extensive field surveys in the region. The authors’ advantageous location in J&K from 2004 to 2007 was helpful in this context. It enabled them to monitor the political and economic trends in the region from close quarters. Besides the primary sources, the authors have consulted the available secondary sources.

Costs and Consequences of the Conflict

The Kashmir conflict commenced from the very beginning of the partition of the Indian subcontinent in 1947. Besides other factors, the geostrategic importance of the region made it a point of contention between the two neighbouring countries, India and Pakistan. Pakistan’s attempts to make the state ‘independent’ and India’s attempts to maintain territorial integrity impacted the development scenario in the state. [2] J&K, thus, never fared among the most developed states of India. The onset of violence in the late 1980s worsened the situation. A comparison of economic development in J&K with that of other states of India brings forth a dismal picture. For example, the average annual growth of Net State Domestic Product from 1980-81 to 1999-2000 was 12.45 per cent for J&K against 15.01 per cent, 14.28 per cent, 13.83 per cent and 14.3 per cent for Andhra Pradesh, Gujarat, West Bengal and Kerala respectively. Similarly, the average annual growth of Per Capita Net State Domestic Product during 1980-2000 was merely 9.63 per cent for J&K against 12.9 per cent, 11.63 per cent, 11.63 per cent, and 12.86 per cent for Andhra Pradesh, Gujarat, West Bengal and Kerala respectively (Planning Commission of India, 2006, p. 1).

The conflict in J&K has caused extensive damage to the infrastructure. The basic infrastructure in terms of regular power supply, roads, communication systems, and drinking water remains poor in the state. The findings of the pre-budget Economic Survey 2007-08 in the state presented a very grim picture on all major fronts (Pargal, 2008). The scant road density and the absence of rail and air links make smooth transport and communication become difficult in the mountainous region. [3] As per the survey findings, the road length per 100 square km area in J&K is 35.71 km as against 104.64 km in the country. The road density in this state is amongst the lowest in India

with huge inter-district variations. J&K has a road density of 13 per cent with highest density of 81.8 per cent in Budgam district and lowest at 2.6 per cent in Leh district. The state has 2060 habitations which have no road connectivity at all. The communication facilities too are inadequate. There is one post office for a 60 sq km area, opposed to the national average of 20 sq km. Number of telephones per 100 people in the state is 7.76, which is well short of the all India level of 13.57. Unlike the other states of India, the mobile phones with pre-paid services do not have roaming facility outside the state. The state is also under acute electricity crisis and many times there are 11 to 14-hour power cuts. Worse, as many as 25 per cent households in rural areas and 2 per cent in urban areas are without electricity. As many as 58 per cent rural population and 13 per cent urban population have no toilet facility. Safe drinking water is not available to 45 per cent people in rural areas and 4 per cent people in urban areas. There is just one medical centre for 3127 persons.

The state lags far behind in annual economic growth as compared to national level, and its per capita income is also well short of national average. The survey indicated that the state has shown 5.27 per cent annual growth during first three years of the 10th five-year plan -- this against the national average of 6.6 per cent. Per capita income in the state stands at INR 17,174 per annum, much below the national average of INR 25,907 per annum. Against the annual growth of 7 per cent at all India level during first four years of the five year plan, the state has achieved 6.11 per cent annual average growth rate during first two years of the plan and was expected to achieve 5.75 per cent annual average growth rate during last three years of the plan. The state has also felt the direct impact of conflict in terms of huge damage caused by violent incidents, taking its toll on both public as well as private properties. From 1989 to 2002, over 1,151 government buildings, 643 educational buildings, 11 hospitals, 337 bridges, 10729 private houses and 1,953 shops have been gutted in some 5,268 attacks on infrastructure. The enormity of economic damage due to militancy can be gauged by the fact that the estimates of damage till December 1996 were approximately INR 4 billion (Strategic Foresight Group, 2005, p. 70).

Tourism, one of the main industries in the Kashmir valley, has suffered tremendously due to violent activities. It has declined substantially since the late 1980s when militancy gained momentum. The number of tourists visiting the state per year had gone down from around 7,000,000 in the pre-militancy days to a few thousands in the following years. It is estimated that the state lost 27 million tourists from 1989-2002 leading to tourism revenue loss of \$3.6 billion. According to the records, while as many as 557974 tourists visited the state in 1989, in 1993 the number reduced to 8026. In the year 2002, 27358 tourists visited the state. Since then the number of tourists keeps on increasing or decreasing depending on the level of violence at that particular point of time. However, the number of tourists has never come anywhere near the level of tourists that visited the state in the pre-militancy period.

Another issue that remains almost elusive in the context of tourism sector in the state is that, while in the pre-militancy era the favourite destination was the beautiful Kashmir valley, the present period has witnessed increase in number of the tourists to Vaishno Devi shrine, in Jammu region and to Leh in Ladakh. During their surveys in Leh the authors interacted with many local and foreign tourists who regularly visit the area and are quite keen to visit Srinagar but prefer not to go (Personal Communications, May 21-June 1, 2007). Though the number of tourists to Srinagar has increased with the launch of the peace process, their specific targeting by the militants have led to decline in their numbers. The local people bemoan this tragedy befalling on them. Junaid Hussain, a shopkeeper in Srinagar (personal communication, July 26, 2006) told the authors, "The local

economy has been completely shattered due to ongoing turmoil. While earlier thousands of outsiders thronged to the city, now only hundreds visit the valley.”

Violence has also directly affected other important sources of livelihood such as agriculture, horticulture, and the handicraft industry. These sectors have become the survival mechanisms for the local people but are not flourishing. The state is known for wide variety of agricultural and horticulture products. However, the conflict environment has prevented people from maximally utilizing this gift of the nature. The horticulture industry has also suffered directly as well as indirectly due to conflict situation. These issues are discussed in detail in the section on challenges and opportunities.

The forests of the state, which once covered about eight thousand square miles, have also been among the principal casualties of the violence deforestation. Consequently, the state’s forest area is below the standard prescribed by National Forest Policy that states the total forest area in hilly states like J&K should be 66 percent of the total land area. Official figures reveal that only 50.97 percent of the area in the state was demarcated as forests in 2006.

The forests in Kashmir included a diversity of flora - silver birch, chinar (a richly verdant variety of the maple), conifers and deciduous trees. The damage to these forests has deprived the state of many plants of medicinal value thereby negatively affecting the prospects of herbal trade. The forests resources have been damaged not only because of logging but also due to illegal poaching. Along with loss of forest, Kashmir has also lost the vast wildlife reserves which provided habitat for some rare and endangered species including the snow leopard, Ibex, antelope, Hangul (a sub-species of Red Deer), Kashmiri Otter, flying squirrel, long tailed marmot, musk deer, black bear and blue sheep. The number of Hangul, found only in Kashmir, is estimated to be merely around 137. More than hundred varieties of birds including quills, partridges, kites, eagles, pheasants etc. have virtually disappeared due to the loss of natural habitat.

The rapid shrinking of wetlands resulting from official apathy and rampant encroachment has endangered thousands of animals and migratory birds. The state had 16 wetlands, nine of them in Kashmir Valley. Experts predict these will vanish in less than eight years if the continue to be neglected. Environmental degradation has led to drying of springs and clogging of the waterways due to landslides. There is a noticeable reduction in the size of famous waterways in the state. Dal Lake, one of the chief attractions in Kashmir valley, has been reduced in size and as well as in beauty due to encroachment, sewage flows, and the accumulation of decomposing vegetation and debris. The lake, which hosts a wide variety of flora and fauna, has historically contributed to the economy of the state by providing food in terms of fishes, fruits and vegetables, water, and attracting tourists. Despite attempts for restoration of the lake the results are not very encouraging. The River Jhelum, a potential export route, has also been severely polluted. Besides, the Wular, once Asia’s largest natural freshwater lake and the Aanchar Lake too have become the victims of the apathy. Though it can be argued the environmental degradation is the result of the human interference, the conflict environment has contributed to the dismal scenario. The conflict atmosphere fraught with the danger of security and safety of officials have led to loosening of the government control and increase in the level of interference of the lumpen elements in collusion with corrupt officials, thus giving rise to exploitation and degradation of natural resources.

J&K is a subsidized economy wherein almost all the expenses of the state are borne by the Indian government. The state government is unable to generate resources for meeting the expenses of salary payment of the employees. J&K, under its special category status, received varied

assistance from the Indian government, including special plan assistance, special central assistance and additional financial assistance. The inception of militancy in the state has narrowed the resource base further and led to large-scale dependence on the Indian government. The Indian government also bears entire cost of security related expenditures of the state, including expenditures on financial assistance to Kashmiri displaced, welfare activities, additional expenditure on police and security works and related activities. The Indian government also reimburses the state for additional, election-related expenditures. Between 1989 and 2002, New Delhi reimbursed a total of INR 23.6 billion as security related expenditure.

The economy of J&K is, thus, fully dependent on federal largesse as the state lacks own resource generation mechanisms as well as the much needed private investment. In absence of private industries the government is the only employer. The limited opportunities especially in terms of vacancies have led to rise in unemployment, thus fostering disaffection among the disgruntled youth towards the government. The violence in the state has led to sharp increase in unemployment. The unemployment rate in the state is 4.21 per cent, compared with 3.09 per cent at all India level. In urban areas, the unemployment rate is higher, at 7.33 per cent, while in rural areas it is at 3.54 per cent. The Census of India 2001 shows that the rate of employment has decreased in the state after the violence became a norm of the everyday life in the late 1980s. An analysis of this data shows that the total worker population has decreased sharply as compared to 1981 from 44.3 per cent to 36.6 per cent. According to the 2001 census report prepared by government of India, in J&K- home to about ten million people, only 44,000 people worked in one of the 1,155 registered factories and about 1,23,000 people worked in agriculture, fishing and forestry-related trades. It is estimated that the percentage of population living Below Poverty Line (BPL) in rural and urban areas was 3.97 per cent and 1.98 per cent respectively, much below the national average at 27.09 per cent for rural areas and 23.02 per cent for urban areas. These statistics remain contested by the fact that the principal reason militant organizations have been able to recruit large numbers despite popular disillusionment with violence is that they offer the opportunity to earn a living (personal communications with ex-militants in Poonch and Rajouri districts of J&K, March 22-31, 2007).

According to conservative estimates, the militants have razed about 650 schools to the ground and security personnel have occupied several more in rural areas (Mahapatra, 2007).^[4] One of the consequences of such activities is a low literacy rate in the state, which stands at 54.46 per cent as compared to the all India literacy rate of 64.8 per cent. According to Census 2001, the state figures among last four most illiterate and educationally backward states in India. Only Arunachal Pradesh, Jharkhand and Bihar were behind J&K. The quality of education has also been seriously affected by other aspects of the conflict, such as indefinite strikes, intermittent closures and other disturbances, including several educational institutions being set on fire. Human resources too have suffered enormously in J&K due to large-scale displacement of Kashmir Pandits, Sikhs and Muslims from the Kashmir valley, as also of those from the upper areas of the Jammu region. Most of these people, living on relief provided by the government, are too far from engagement in any productive activity. The related issue of loss of creativity also needs to be seen as an adverse impact of violence stunting development prospects in the state. The fear of violence has forced people to think only about survival and not progress. The progressive bent of mind that plays a crucial role in the progress of a society has diminished in the state. The lack of opportunities and overall dismal scenario has also led to significant migration from the valley. Many educated youth from Kashmir have started migrating to other parts of India in search of greener pastures, thereby further depriving the state of the human resource.

The cost of the Kashmir conflict as described above is just a glimpse of the overall dismal scenario in the state. The human and material costs of the conflict may be much more than described above, which need further elaborate study and research. However, this analysis provides enough indication of the dismal economic scenario in the state. There is no doubt political, socio-cultural and economic challenges need sympathetic understanding as well as pragmatic actions. In this direction, the current atmosphere of relative peace can provide the needed synergy to divert the energy and resources towards development.

The Peace Process

The conventional territorial boundaries and related disputes are challenged by increasing globalization, trans-border cultural exchanges and popular acceptance of democratic means for conflict resolution (Griffith & O'Callaghan, 2002, pp. 66-68).^[5] This trend is equally applicable to the Kashmir conflict, which is far more complex owing to multiple players – Indian, Pakistani, Kashmiri and other international actors. In the year 1998 both India and Pakistan developed nuclear weapons and in the year 1999 the Kargil crisis beckoned on these two foremost rival nations in South Asia with possibilities of nuclear confrontation, thus necessitating a process of dialogue with pressures from international community. In October 2003, India proposed ten confidence-building measures for improving people-to-people contacts and communications by road, rail and sea between the two countries, etc. It was followed by another positive development wherein a cease-fire came into effect on November 26, 2003 in the state along the India-Pakistan international border, the Line of Control (LOC) and the Actual Ground Position Line (AGPL).^[6]

The peace process is historic for two reasons. Firstly, it is the first formal truce between India and Pakistan since the outbreak of militancy in Kashmir. Secondly, it is for first time that firing on the borders stopped almost completely. The culmination of these developments was the agreement between the then Indian Prime Minister Atal Behari Vajpayee and then Pakistan's President Pervez Musharraf to initiate a peace process on the sidelines of the Islamabad South Asian Association for Regional Cooperation Summit meeting in January 2004. In a joint statement, they each proclaimed a willingness to start a composite dialogue for the peaceful settlement of all bilateral issues including Kashmir.

At the internal level, a major peace mission was launched to create an environment conducive to negotiations. India announced unilateral non-initiation of combat operations in J&K during the holy month of Ramdan on November 19, 2000. This initiative was extended twice up to February 26, 2001. Another important step was broadening democratic activity by holding elections in the state. J&K witnessed assembly elections in 2002 that have been widely recognized free and fair. These elections broke up the dominant, one party politics of the state, and a government was formed by the People's Democratic Party (PDP) in coalition with Congress and other parties. Under the elected government, the state played an active role in facilitating the peace process under the "healing touch" policy. This was followed by Panchayat elections after more than two decades. The attempt has been a major one despite the fact that the voter turnout remained low in both the elections.

After creating an environment conducive to negotiations, the government of India reiterated its readiness to initiate dialogue with every group in the state that abjures violence. In this context, three important attempts need special mention. First, the ongoing talks with the All Party Hurriyat Conference (APHC), the moderate faction, wherein Indian prime minister has met them twice. The Hurriyat meeting with Prime Minister was first ever meeting the separatist faction could have with the highest political leader of the country. The Hurriyat emphasis on "step-by-step approach," its

demand for an honourable and durable solution, its appeal to separatist groups to give up violence are some of steps that signal better prospects of peace in the region. Second, three round table conferences were held (first in February 2006 in New Delhi, second in May 2006 in Srinagar and third in April 2007 in New Delhi) to accommodate diverse voices within J&K on a single platform. Third, setting up of five working groups to look into various contentious issues confronting the state is another significant development. [7] The setting of these groups to address various issues related to the state including the prospects of economic development is an important step towards recognizing that peace and development has to go hand in hand.

The above attempts, together with the external dimension of the peace process, have created a historic environment wherein the hopes regarding the possibility of a resolution of the complex problem remain high. The easing of the visa process, exchanges through the bus, train and air services between Srinagar and Muzaffarabad, Lahore and Delhi facilitated ever growing people-to-people interaction. Other developments like Islamabad's sidelining of the radical elements, exchange of prisoners at Wagah, etc. paved the way for peace in the region. The steady decline in violent activities in the state in the recent years reflected peaceful atmosphere in the region. The third important dimension of the ongoing peace process, besides engagement of India and Pakistan and that of New Delhi and Srinagar, is related to two parts of Kashmir.

The involvement of people of J&K in the peace process gained momentum in the years 2005 and 2006. Besides the bus service between Srinagar and Muzaffarabad, termed "the mother of all confidence building measures," the year 2005 witnessed the visits of many delegations from both sides across the LOC. The people-to-people interactions have given tremendous boost to optimism regarding the outcome of the ongoing peace process. This can be called a grand achievement with multiple positive implications. First, it provides an opportunity for people from both sides of LOC to know each other and to see the realities on the ground on the other side. These interactions revived old sentiments of belongingness and fraternity among the people from both sides. Second, these talks provided an opportunity to the members of civil society to think independently of their respective governments.

Interactions among the civil rights activists and leaders from both the sides gives the impression that the people of region are fed up with violence and want to live in peace. Justice Abdul Majeed Mallick, former Chief Justice of "Azad" Kashmir High Court, who led a delegation from across LOC to J&K in August 2005, expressed optimism that the current wave of people-to-people interaction would help resolving Kashmir issue as it is the people of the region who can better steer the peace process than the "vested interests" (Across LOC, 2005). Third, people-to-people interactions such as the "heart-to-heart" talks in Jammu and New Delhi in 2005 and 2007 provided the occasion for the leaders and activists of different shades from both sides of LOC to speak their hearts on a single platform. The most successful outcome of the talks was that the participants agreed that violence cannot bring a solution to the vexed issue of Kashmir.

Challenges and Opportunities

The revival of the economy in Kashmir in the current atmosphere of relative peace has gained ground with the realization that peace attempts and development must go together in Kashmir. There is a noticeable shift in India's policy as the earlier provision of providing central largesse to the state has been transformed into genuine development of the state by launching projects as well providing incentives to private sector to contribute to economic growth. This change in approach is fruitful in two ways. First, it helps address some of the grievances of the people by engaging them in development projects, thereby further contributing to the peace process. Second, it helps reduce

the chance of the conflict resurging as poverty and unemployment are, among other factors, considered propellers of violence. Hence, it may prove not only costly but also imprudent to wait for the conflict to be settled fully and then to initiate process of economic development.

The economic revival is an uphill task and is fraught with multiple challenges ranging from renewing the degenerating industries to tapping the new resources; attracting private investment to developing infrastructure. However, the opportunities, especially in the context of economic development, are enormous as the state is not only endowed with rich flora and fauna and scenic beauty, but also it has a past record of having a rich economy in the pre-independence era, partly due to its trade with neighbouring regions like China, Central Asia, and West Asia via the famous Silk route. The following section focuses on the areas that need attention for economic development of the state.

Developing Indigenous Industries

a) Tourism

Tourism constitutes one of the main sources of income for vast sections of the Kashmiri population. Tourist destinations like Sonmarg and Gulmarg are known internationally for winter games such as skiing. Gulmarg is also known as the highest green golf course in the world, and boasts the world's largest cable car lift. The famous Dal Lake in the Kashmir valley needs special mention in this context. Adventure sports in J&K include trekking, mountaineering, winter sports, water sports, golf and fishing. However, most of these tourist attractions remain underdeveloped. Many other tourist attractions in the state remained untapped partly due to the conflict. Like in the Kashmir valley, the regions of Jammu and Ladakh also have lot of tourism potential. Some of the tourist spots in Jammu, which need development, are Patni Top, the Forts of Ramnagar, the temples of Babor and Krimchi, Sudh Mahadev and Mantalai, Shiv Khori, the saint-soldier Banda Bairagi's memorial, as well as the Kishtwar and Bholderwah hills, all of which can be developed with modern facilities in order to attract wider cross-section of people from different parts of the world.

b) Traditional Art and Handicrafts

Kashmiris are well adept at knitting and weaving. Many people are engaged in making shawls, silk carpets, rugs, embroidered clothes etc. The region is also known for silver-work, papier-mâché work, wood-carving and silk-weaving. The ancient art of stone carving is another area of prominence. Tombstones are a specialty of the state's stone carvers. Many of stone artisans of the area also build houses and mosques with different stones for each season. This is another area in which Kashmir has its own niche and could be used to boost its economy, if managed properly.

c) Agriculture and Related Sectors

Kashmir's economy is highly dependent on agriculture, supporting about 80 per cent of its population. Traditionally, the staple crop of the valley is rice, followed by Indian corn. Wheat, barley, and oats are also grown in the region. Blessed with a temperate climate unlike much of the subcontinent, J&K is suited well to the production of crops like asparagus, artichoke, seakale, broad beans, beetroot, cauliflower and cabbage. The Pampore region, just about nine kilometers from Srinagar, is home to the finest saffron in the world. R. S. Pura tehsil in Jammu district is home to one of the best qualities of rice. The horticulture industry in Kashmir is considered the bulwark of rural economy in the state. Nearly 75 per cent of temperate fruits in India are grown in the state. The cultivated orchards yield fine quality of pears, apples, peaches, cherries, walnut, almond,

saffron, apricot, strawberry, plums, etc. The industry earns revenue of over INR 500 million yearly and provides job facilities for the thousands of people directly and indirectly involved in the agricultural sector.

This sector is adversely affected due to lack of marketing strategy and violence-prone image of the state. Considering the growth prospects of this sector, the state government needs to plan for higher and more quality production. The state should shift its agriculture development strategy from food security mode to that of value addition by growing certain products like high value fruits, vegetables and cash crops like saffron that can give high returns.

Sericulture is the traditional occupation for a large section of the population and around 25 thousand families were engaged in the extraction of silk fiber in 1999-2000. But due to inadequate infrastructural and agricultural inputs the silk industry, which has seen a glorious past, is in decline. As an important activity related to agriculture, fisheries can also strengthen the productive base of agricultural economy, generate self-employment, as well as attract tourists, if fishing festivals or tournaments are organized. Keeping in view the potential of this sector, the 27,781 km of rivers and streams in the state could provide the facility for the farming of over 40 million tons of fish there is a need to promote this industry. There has been a big gap between the demand and supply of fish, and the right strategy cannot only cater to the local demands but also enable the state to export. Some of other areas that could be explored include floriculture, medicinal and aromatic plants, mushroom production, and apiculture. The recent initiative by the state government under Technology Mission Programme to establish a local floriculture industry is showing some promise.

Animal husbandry with a large livestock in form of cattle, sheep, goats, poultry, also plays a role in the state economy as 0.13 per cent of gross domestic product of the state is contributed by this sector. The production of pashmina shawls, carpets and blankets depend on the livestock and can render handsome economic returns. The huge gap between the demand and supply in terms of meat consumption compels the state to purchase the same from other parts of the country. The state provides a suitable climate for cattle breeding and it should be used sufficiently. J&K produces milk on a very large scale. The milk production increased from .36 million metric tonnes in 1995-96 to .66 million metric tonnes in 2001-02. As the demand for milk and milk products has been increasing at a faster rate, there is vast scope for dairy development.

The modernization of all these sectors can play a vital role in economic reconstruction of the state. Besides providing the professional guidance, there is a need to ensure availability of basic inputs such as seeds, fertilizers, pesticides, storage facilities etc. to develop agriculture and allied sectors. There is also a need to develop an aggressive sector specific marketing strategy and explore new markets.

Industrial Growth

J&K is an industrially backward state. One peculiarity in the case of J&K is that government owns most of the industries. These public sector units have proved to be burdens on the state exchequer. There is a dire need to make a functional policy in terms of efficient management of public sector units and their disinvestment. There are many small-scale industries that export plastic products, textile items, cricket bats and other sports items, walnut and walnut kernels, bitter apricot nuts, foundry fluxes and chemicals, handicraft items etc. to various countries, especially European and Gulf countries. While there is a vast scope to increase the amount of export in these products, there

are many other potential areas for industrial development as well.

Potential investment areas include biotechnology, processed food, fruit processing, leather goods, processing of gems and precious stones, honey and other hive products, and watershed development. The mineral industry is another potential area of growth since the state is rich in bauxite, limestone, sapphire, gypsum, coal, and marble. The forests of the state with vast natural resources too need to be tapped judiciously. Kashmir has a long tradition of wooden furniture making. The forests can also contribute to the growth of herbal industry. Another major area that has yet to attract attention is communication technology in the state. The recently established 121 community information centers having internet facility in the state is miniscule in comparison to the needs and potential of the people. The region being an important tourism destination, the hotel industry is another area with tremendous possibilities of growth. Thus, besides adopting investor friendly industrial policies to modernize the existing industries there is a need to explore and exploit other potential areas of trade. In this growth trajectory the private sector can play an important role.

Wooing Private Investment

The private sector has yet to join the mission of economic reconstruction of the devastated state. An important strategy for economic development of the state would be to engage the private sector, both at national as well as international levels. In order to flag such a policy, the first requirement would be to identify the potential investors, financial institutions, and donors. The next step could be to identify the potential areas of investment, followed by an integrated course of actions to achieve sustainable development.

The region needs attention from the national and international financial institutions as well as the aid agencies. The international financial institutions like World Bank and Asian Development Bank (ADB) can significantly contribute towards the development of the region. In November 2004, the World Bank pledged economic assistance for Kashmir to promote peace in the region with the plea that “economic development along with peace is essential.” World Bank promised an aid of \$9 billion for development in Kashmir. Similarly, ADB in 2004 earmarked \$300 million for the state as a loan for a variety of projects. The ADB is currently funding road-connectivity projects that witnessed devastation during the past years of turmoil. In March 2007 the World Bank also cleared INR 4000 million for the improvement of roads in the eight districts of the state under the Pradhan Mantri Gram Sadak Yojana (PMGSY) guidelines. Under the scheme, as many as 100 new road projects were being launched in the state during March 2007. Watershed development is another area where World Bank has taken interest. The power sector too can get a boost by the help of these institutions. Foreign aid agencies like USAID, and development banks, such as the Infrastructure Development Finance Company (IDFC), can also help in the revival of the state economy.

Opening Roads Between Two Kashmirs

The recent opening of roads across the LOC has encouraged the prospects of both development and peace in the state. The opening of Srinagar-Muzaffarbad road in April 2005 followed by Poonch-Rawalakote in June 2006 and ongoing talks to open many other roads like Jammu-Sialkot, Jhanger-Mirpur has vast potential for economic revival. The roads would not only help divided families to meet to each other, but would also provide a boost to trade and tourism. The prospective

opening of the Kargil-Skardu road would merge Gilgit and Baltistan with the cultural heritage of Ladakh and the Tibetan Buddhist region that already attracts thousands of tourists every year. The reopened road is set to turn the world's highest mountain region into an even larger theatre of mountain tourism (Mahapatra, 2006). [8] From the foothills of Mount Everest in Nepal to the Karakoram in Pakistan, the road connection may encourage adventure tourism in the region. The trans-LOC trade through these routes can further bring development to the region as a whole, as these routes are more accessible than some other currently used routes within the state. While fresh fruits, Kashmiri and Basoli shawls, carpets, *namdas* and *gabbas* (varieties of Kashmiri carpets), Basoli paintings and cement can be traded from Indian side, cotton suits and rock salt can be traded from Pakistan side. Besides the economic advantage to Kashmir, it would help build trust across people thus further lessening chances of future violence. The *Economic Survey 2007-08* has also stressed on the need for opening the roads between the two Kashmirs. It observed that:

"creating intra-Kashmir economic linkages might begin to give Kashmiris a greater sense that peace is possible. Creation of economic institutions that cross the LoC would be a step towards the kind of practical and honorable arrangements that most people believe are essential for a lasting Kashmir settlement" (quoted in Pargal, 2008).

Infrastructure Growth

Infrastructure growth is necessary for the economic revival of the state. The violent conflict has exacted extensive damage to existing infrastructure, especially in the hilly and mountainous regions that constitute major parts of the state. Some of the important sectors of infrastructure that need immediate attention are the following:

a) Power

Having a hydro-electric potential of more than 20,000 MW, the state has so far been able to exploit only 1,478 MW, which makes only 9 per cent of the total power potential of the state. Kashmir is endowed with huge water resources but tapping these resources for the benefit of the economy has not been done adequately. The Indus Water Treaty signed between India and Pakistan in late 1960s has affected prospects of tapping of this resource. Due to the limitations imposed by the treaty the state has not been able to harness the vast water resources for either irrigation or power generation. The region, capable of generating close to 20,000 MW of hydroelectric power, can not only meet its power demand, but can become an exporter of power. Ironically, the state of Kashmir, with huge power potential, has the largest power deficit among the states of India. The power supply is subject to both scheduled as well as unscheduled lengthy power cuts on a daily basis. The state establishment claims the treaty cost the state around INR 60,000 million every year. The state government has to bank more on power imports from the Northern Grid of India and the arrears of which have crossed INR 16,000 million. Thus, there is a demand to scrap the treaty that could give a boost to development activities in the state. Though it may not be practical to scrap the treaty altogether, the current peace process can be used to chart out a strategy in order to enable the state to exploit this natural resource.

b) Connectivity

The difficult terrains of the state coupled with law-and-order problems have contributed to poor connectivity in the region. The rail-road mix of transport in the state is very low. As Jammu city is the railhead for the state, Kashmir valley as well as Ladakh is totally dependent on road transport. The rural road connectivity scheme of Bharat Nirman Programme (BNP), an Indian government scheme, aims at bringing about required changes in infrastructure. Under BNP, INR 40,000 million is earmarked to be spent in 1643 villages in the region. There is further need to build alternative roads in some places to ensure better connectivity. The government is planning to build an

alternative road to the existing National Highway connecting the Kashmir and Ladakh regions of the state with rest of the India that remains closed for long periods of the year due to bad weather and landslides. There is also a need to upgrade many of the existing roads from two lanes to four lanes. As far as rail transport is concerned, ongoing rail projects: Hampur–Katra and Qazigund-Baramulla sections of Udhampur-Baramulla need to be given high priority. The state, sparsely populated and scattered as it is, needs more airports and better air connectivity. Remote places like Kupwara, Poonch, Rajouri and Kishtwar need to be connected by air. The state has very low tele-density. This area also needs urgent attention since better connectivity is key to development.

Employment Generation

The revival of indigenous industries, tapping of new areas with the help of private sector, opening of the intra-Kashmir routes, the infrastructural development– all these would not only give a boost to the state economy but would also lead to employment generation. Citing unemployment and lack of infrastructure as main reasons for militancy, Ghulam Nabi Azad, former Chief Minister of the state, has during his tenure till July 2008 stressed many times the need to pay attention to these areas. He was confident that 80 per cent of militancy will go “if we are able to give employment to the youth” (quoted in Bukhari, 2006). In this context, a survey conducted by the British group Market and Opinion Research International (MORI) in the state in March 2002 is noteworthy. According to the survey, 93 per cent of respondents [\[9\]](#) believed that the correct way to bring peace to the region would be through economic development, which can provide more job opportunities and reduce poverty (International Crisis Group, 2002, pp. 19-20).

Conclusion

The present phase in the state, called the “sunrise” period, can be capitalized on to fuel the process of development in the state, with the help of voluntary organizations and international donors. Violence has affected the development of the state, as it discourages private enterprises to invest and creates obstacles in implementation of developmental activities. The ongoing peace process has created a space wherein conflict and development can be co-managed in J&K without jeopardizing the interests of the parties involved, nor those of common people inhabiting the region. Though conflict is yet to be resolved, the peaceful space provided by the recent thaw between India and Pakistan can be used for development.

The region is not only full of natural bounties in terms of flora and fauna and other natural resources, but it is also a repository of human resources. There have been many analyses about conflict and its negative dimensions. However, the current opportunity to bring peace by means of development in the region needs to be utilized instead of waiting for the conflict to be resolved fully. In the era of globalization when political issues are guided by the economic imperatives, it is necessary to bring the same realization into Kashmir. The conflict has brought innumerable losses for both India and Pakistan but it is the people of the region who suffer the most. The current opportunity must be utilized to better the living standards of the people of this troubled region. Economic development would likely steer the ongoing peace process further and help realize a peaceful solution of the Kashmir issue. It is a three way process: addressing the underdevelopment; involving people in the development process, thus bringing empowerment and help address the issues related to alienation; and using the development process and its fruits as a deterrent against the resurgence of violence.

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Footnotes

[1] The Prime Minister of India, Manmohan Singh outlined the policy of peace through economic reconstruction for Kashmir in the conference on “Global Participation in India’s Economic Development” in New Delhi on January 9, 2007, in which he invited private sector industries to invest in the region.

[2] The paper does not go into details of the conflict and its multiple dimensions as its main argument does not necessitate such a study. The literature on Kashmir conflict is vast. Some of them include (Ganguly, 1997; Lamb, 1992; Mahapatra & Shekhawat, 2007; Puri, 1993; and Schofield, 2004).

[3] The Indian rail stretches up to the Jammu city, situated in the southern part of the state covering only about ninety km. from its southern border. Recently it has been extended up to Udhampur, a nearby town of Jammu. Similarly, the air links are confined to three cities- Jammu, Srinagar and Ladakh. Air transport is expensive and it is unaffordable by the common people.

[4] During the survey in the Poonch district from 23 to 30 April 2007 the authors’ witnessed that many public institutions have housed army contingent. For example, the Boys’ Higher Secondary School and Lasanna primary health centre in Surankote bloc were housing army officials. The recent move by the government of India in the direction of relocating army especially from schools and health centre is a welcome step to strengthen peace process.

[5] This is one of the central arguments of the theory of Democratic Peace, which holds that democracies are less likely to initiate wars among themselves than other forms of government.

[6] The entire partition line between India and Pakistan in and surrounding Kashmir are divided into three segments: 198km of international border; the 778 km LOC, extending from Akhnoor to NJ 9842 till Siachen Glacier; and then the undefined AGPL, not clearly defined.

[7] During the second round table conference in Srinagar in 24-25 May 2006, Indian Prime Minister announced setting up of five working groups (WGs) to further the dialogue process in the region. While the first WG focuses on CBMs, the second focuses on strengthening relations across LOC, the third one deals with economic development of the state, the fourth WG aims at providing good governance to people and the fifth one aims at strengthening center-state relations.

[8] The authors have made a survey of Kargil-Skardu in Ladakh region in July 2006. Their interactions with local people make it clear that the reopening of the road would be beneficial from both humanitarian and economic perspectives.

[9] The group conducted a poll of 850 people in J&K in 2002 in anticipation of 2002 elections.

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