

Will peace dividend in South Asia work?

South Asia was always seen as an area with hostile nations brandishing nuclear weapons at each other. But things are fast changing for the better with peace initiatives between India and Pakistan. How big will the peace dividend be? Views from three experts

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THE peace dividend in South Asia can be and is huge, across the region, across the seven countries. And this dividend is enormous because of the positive implications for trade, tourism, markets, investment and employment. The peace dividend would transform South Asia into a region of prosperity from a region of poverty.

There are growing signs that Asia is evolving into something like the EU. There are glaring signs - preliminary and tentative, skimming across Asia of an emerging regionalism that is strengthening, down age-old backbiting. This trend would propel Asia into the forefront of the 21st century as the world's dominant continent. It is quite obvious now that exchanges across borders - just a few months ago dominated by missiles and gunfire, are today gradually becoming exchanges of investments, know-how and business.

Asia and South Asia in particular is increasingly focusing on economics. — the Indo-Pak CEOs forum initiated by CII, is a pointer to this case. Importantly, political disputes are being handled by diplomacy or quiet determination for resolution at a later date. Wars disrupt economies; trade and over-arching economic aggregation. They are to be avoided — at all cost. It has become the new mantra — a new regional philosophy.

Fundamental to any country's prosperity surely is domestic stability and regional peace. Investors currently so upbeat on India would surely withdraw in a jiffy were there any signs of conflict.

Peace is finally getting a chance in South Asia as key political and business leaders, strategists and leading minds increasingly discuss and map the economic, strategic and geopolitical future of the region. South Asia's peace dividend as Mr Vajpayee very correctly pointed out could be a single currency for the region. The prime minister noted that political disputes in other parts of the world had been quietly deferred for tackling at a more opportune time. "Peace is more than the absence of conflict, and is the necessary precondition to prosperity."

Developing greater economic stakes in each other can give way to trust and dispel unwarranted suspicions. It is pertinent to note that South Asia can rise and shine together.

While India is "rising" and "shining", so is most of South Asia. While India will headline region with an expected 7% growth this year, Pakistan will not be too far behind with upwards of 5% growth, not to mention Sri Lanka, with both countries expected to log in close to 6% growth this year. A regional growth acceleration has positive externalities for all since investors at home and abroad will begin to take a more positive view of South Asia as a whole. For India, that will be good news.

In revising Pakistan's outlook, S&P have said: "The outlook revision reflects improved fiscal and macroeconomic performance, growth, and continued structural reforms under Prime Minister Jammal's government..."

With an inflation rate of 3.3% and a growth rate of 5.8%, the highest in a decade, and rising forex reserves, Pakistan has a more healthy overall macro-economic profile. This can only improve if its peace overtures strike root at home. While Pakistan is just about re-appearing on investors' radar screens, Bangladesh has had a good economic tale to tell in recent years and this too can become a better tale if it decides to get down to business with India.

The other emerging good tale in the region is Sri Lanka. After years of low growth and crisis, Sri Lanka registered upwards of 5.5% growth this year and could see even better performance if peace sustains and its bid to link itself into India's growth process through a "comprehensive economic cooperation agreement" bears early fruit.

However, there is a shadow lurking despite the positive trends. The growth recovery in the region is still tenuous and can be wasted if the region's political leaders do not demonstrate the required courage to buy peace within each country and across. A "peace dividend" is normally understood as the money available for development that can be diverted from defence. It will take time before governments in the region can really hope to monetise such a dividend but, clearly, South Asia is on its way, charting a new path of co-operation.



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