



The CSIS Japan Chair Global Dimensions Briefing

## **“South Asia: Problems and Potential”**

with

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### **Overview**

Indian-Pakistani relations became as bad as it had ever been, but can be more hopeful in the future. Clinton’s visits to India and Bangladesh give an opportunity for the United States to reorient its stance in the region.

There are two pieces of bad news and one piece of good news in South Asia:

### **Bad News 1 – Deteriorating Indian-Pakistan Relations**

The relationship has become even more volatile since the nuclear test in May 1998. Indian Prime Minister Atal Bihari Vajpayee’s decision to meet the prime minister of Pakistan after dramatically opening a new bus route seemed to improve the relationship, but Pakistan’s incursion into the Kargil area of Kashmir started a new deterioration. PM Vajpayee saw this as a big betrayal by Pakistani Prime Minister Nawaz Sharif. Pakistan got no support for its role in Kashmir. To make the matter worse, a coup d’état by General Pervez Musharraf took place in Pakistan in October 1999. Recent hijacking of an Indian plane by militant guerillas is largely considered as an act of Pakistan by the Indian government and people. Under the current condition, there is little prospect for Indo-Pakistani talks.

There is a sharp increase of violence in Indian-held Kashmir despite the Indian government’s efforts to crack down on militant guerrillas in the Kashmir Valley. Increasing violence can increase the risk of miscalculation, which could lead to war that neither country wants. It seems that Indian people started to question supporting a stable Pakistan.

### **Bad News 2 – Bad Governance**

Pakistan – In Pakistan, normal politics became even more confrontational. There is no sense of common national agenda between the leading party and opposition parties. Even collecting the tax is difficult. The coup was welcomed by many Pakistanis who felt that democracy had failed. A year ago, many Pakistanis were saying that Pakistan might need a technocratic government to put things in order.

India – India has better political institutions. The increase in the government’s majority after the 1999 elections came mostly from increase of numbers in the coalition parties. Instead of having one dominant party, India now has two larger parties, which can only govern in coalition with smaller ones.

Bangladesh – “Poison politics” is everywhere. Politics and governance are irrational.

Sri Lanka – Presidential election just took place. The relations between government and opposition are very bitter. They may now try to cooperate in solving the ethnic issue, but that has been very difficult in the past.

*Democratic governance and institutions are under pressure in South Asia.*

### **Good News – Economic Reform**

India – Electronic industry is up in India. 200,000 people are directly involved in the industry. So-called Silicon Valley Indians (SVI), who makes about \$200,000 each, are transferring technology and financial support from the U.S. to India. With this electronic revolution, Southern part is growing rapidly. This business development was initiated by the private sector without much government support. E-revolution helps upgrade Indian infrastructure and also changes business picture in India.

Pakistan – Economic picture is not as bright in Pakistan. Its economy is based on agriculture, and especially on cotton. Policy for the private businesses needs to be straightened up. The government’s decision to renegotiate the contracts with independent electric power producers has created great uncertainty in the business community.

Sri Lanka – Despite the long-lasting conflict, Sri Lanka’s economy is experiencing decent growth. Budget deficit may be catching up with the growth in a few years, but it should not affect the economy too negatively.

Bangladesh – Natural gas resources offer a chance at transforming this very poor agricultural economy.

Nepal – It has abundant hydro electric resources, but financing dams has been unsuccessful due to 1) environmental concern and 2) their dependence on a power sales contract with India.

### **Questions & Answers**

Q. Clinton visit’s impact on U.S. policy toward India and Pakistan.

A. Clinton may end up going to Pakistan in order to deliver more effective messages to Pakistan. Considering the security factor, it may be difficult, though. India and Pakistan always look at U.S. policy toward the other. India also looks at U.S. China policy. U.S. concern is peace in the region and it is clear that Indian-Pakistani relations are one of the main sources of instability.

Q. Terrorism

A. U.S. would like Pakistan to continue changing its behavior. Pakistan does have a connection to Osama bin Laden through its support for the Afghan Taliban, but its relationship with Afghanistan is symmetrical. India sees terrorist issue more broadly.

Q. Chinese-Pakistani relations

- A. China has been the most comfortable friend of Pakistan. China does not see India as a threat, but as a natural rival in a long-term. China wants to keep a good relationship with Pakistan because of that. China never wants to see a war between India and Pakistan. It never provided military needs to Pakistan. China disagreed with Pakistan's incursion into Kargil and told it to pull back.
- Q. How near are we getting to economic implosion in Pakistan?
- A. In order to improve its economic situation, Pakistan needs to closely follow IMF's requirements.
- Q. Command and control system of the nuclear weapon.
- A. Safety issue is awfully important. Both countries need to negotiate an arrangement to reduce the risk of nuclear war by accident.
- Q. After their nuclear test, the World Bank decided no aid to India and Pakistan except for basic humanitarian aid. Any change in U.S. position?
- A. This is still under consideration. In Pakistan, World Bank and Asian Development Bank loans connected with the IMF program have been allowed to go through. The U.S. has resumed ExImBank operations in Pakistan and India.
- Q. Is there a possibility of building-up of nuclear weapons?
- A. Pace of development of nuclear arsenals by India will be dictated by a) budget and b) China. Pakistan's development will be dictated by India.
- Q. Will Clinton pressure Bangladesh to be more open for their power project?
- A. Yes.