

Peace Process and Prospectus for Economic Development in Jammu and Kashmir

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ABSTRACT

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). Slow development is only attributed to violence in Kashmir. Trend in development is not encouraging. The ongoing conflicts in Jammu and Kashmir has not only effected socio-economic structure of state but has also resulted in displacement of non-Kashmiri households. There has been damage to infrastructure, and annual economy growth lagged behind as compared to national level, Tourism suffered tremendously, forests areas and other areas were occupied by security forces. In addition, loss of human resources resulted in distressed marriages and people were trying to save young girls and children were very hopeless of their future career. Violence has effected 'the development scenario in the state of J&K, thereby not only discouraging private investment, but also creating obstacles in implementation of developmental policies initiated by public authorities. It is indicated that there is need and desire for peace, due to which income generating activities and trade and skill building programs in addition to literacy become possible. Therefore the main object of this paper is to explore possibilities for peace process and prospects for economic development in Jammu and Kashmir State and accordingly to initiate developmental activities that will be step towards prosperity of people of entire state. However, with the ongoing peace process, the hope for a durable and sustainable development in the state has gained ground.

INTRODUCTION

One of the most intractable and long standing conflicts in the world is the conflict between India and Pakistan over Kashmir. This conflict started in 1947, on the day after India and Pakistan simultaneously became independent. Three major wars have been fought over this and perhaps even more than a million people have died. The result so far is that India controls almost two-thirds of Kashmir and Pakistan controls one-third. China controls the rest. The conflict continues. The Kashmir conflict is one of the most staggering conflicts in international politics, and its persistence involving two nuclear powers (Indo-Pak) 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”-- and the state of Kashmir has an opportunity it would be well advised to take advantage of. Jammu and Kashmir State is continuously affected by violence and Human Rights Violations which has retarded growth and development and shattered peace spectrum of state. The state in totality is having its own resource potential. Exploration of this natural resource material can be step towards peace and prosperity. Agricultural economy coupled with tourist potential and forest resources can play a role in growth and development of state in particular and country in totality. The state has a wide range of tourist potential that probably can be exploited profitably on an expanded scale. There are good prospects for rising yields of agricultural crops through better irrigation and cultivation practices and an intensive framework. The states extensive snowcapped mountains provide a favorable backdrop for

the development of tourism and the service sector in general. Due to violence some 40,000 lives has been lost since from 1989, though other estimates put the toll much higher. Largest scale displacement from different parts of state is an integral part of Kashmir conflict (Shekhwat 2006). According to Sumantra Bose in his book, *Kashmir: Roots of Conflict, Paths to Peace*, around 40000 (Indian estimates) to 80000(Hurriyat estimates) civilians, separatist guerilla fighters and Indian security personnel died from the time period of 1989 to 2002 in both Kashmir Valley and Jammu . More than 4600 security personnel, 13500 civilians and 15937 militants including 3000 from outside Jammu and Kashmir (mostly Pakistanis and some Afghans) were killed in this fourteen year period. Also in this period, 55,538 incidents of violence were recorded. Indian forces engaged in counter insurgency operations captured around 40,000 firearms, 150,000 explosive devices, and over 6 million rounds of assorted ammunition.

An estimated one million people has been displaced in the state due to militancy. About 20000 women have been killed due to recent turmoil in J&K during last two decades (NHRC, 2006). There are reports of rape, molestation and abduction of children during the ongoing conflict (NCRB, 2006). About 40000 children were orphaned due to conflict in the state. Most of them have been living in miserable conditions. About 55476 Kashmiri Pandit families remained displaced since early 1990s. The govt. of India and state govt. of J&K regularly announced various schemes to encourage their return but failed. The relationship between conflict and development is strong and is two way process. Conflict retards development and equally failure in development increases conflict. There arises a “conflict trap” –A cycle of conflict related violence and economic retardation (Collier and Hoffer 1998). Other humanitarian costs included negative impact on women and other vulnerable groups and a noticeable increase in the psychiatric patients are in consideration (Medicine Sans Frontiers, 2006). List of 109 lives has been lost due to turmoil (Asian Center for human rights) during protests in J&K from 11 June to 15 October, 2010. Shoot-At-Sight orders (Kashmir Times 14 September 2010) issued. Almost all socio economic sectors got affected. The conflict has also cost the Indian govt. heavily in terms of deployment of security forces as well as other financial responsibilities. The Kashmir conflict is one of the burning issues in the international politics. Though the parties involved in the conflict have their own perspectives regarding the cause and course of conflict. However all agree that region is in need of peace which is important for development. When PM Dr. Manmohan Singh was forced to intervene and convene of meeting of all parties of Jammu & Kashmir to solve the crises on 10 August, 2010, he states that Kashmir needs Political Solution (Times of India, 10 August, 2010) which will bring peace.

Tourism, one of the main Kashmir’s main industries has suffered tremendously due to violence in the region. The state has lost billions of dollars in tourism revenue. It is estimated that state lost 27 million tourists from 1989 to 2002 leading to tourism revenue loss of us \$ 3.6 billion. However, this paper argues that ongoing peace can be used to economic development on the right track, but Kashmir issue cannot be resolved only by means of economic development but spirit of reconciliation and harmony among them including people of Kashmir, govt. of India and some important external and international actors. Kashmiri people include not only (NC and PDP etc) but leaders of Hurriyat party, private persons. Surely involvement of people of J&K in the peace process will gain momentum.

OBJECTIVES

Therefore the main object of this paper is to explore possibilities for peace process and prospects for economic development in Jammu and Kashmir State and accordingly to initiate developmental activities that will be step towards prosperity of people of entire state. The study intends to present the social economic conditions of people due to violence.

METHODOLOGY

This study is based on both primary sources and secondary sources. 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 and hence the major source of material is the first hand information gathered during the authors' extensive field surveys in the region. 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.

RESULT DISCUSSION AND FINDINGS

The **Kashmir conflict** is a dispute over the territory of Kashmir. The dispute is between India and Pakistan. India claims the entire region that was once a princely state. It currently controls about 43% of the territory, including most of Jammu, the Kashmir Valley, Ladakh, and the Siachen Glacier. India's claims are disputed by Pakistan, which controls about 37% of Kashmir, including Azad Kashmir and the northern areas of Gilgit and Baltistan. Pakistan says there should be a referendum in Kashmir on whether the people want to join India or Pakistan, or become independent. The **insurgency in Kashmir** or the **Kashmiri Insurgency** is an internal conflict between Kashmiri insurgents, sometimes known as "ultras" (extremists), and the Government of India. Some of the ultras favor Kashmiri accession to Pakistan, while others seek Kashmir's complete independence. Since 2002, skirmishes with the local insurgents have constituted the main conflict in the Kashmir region.

The roots of the conflict between the Kashmiri insurgents and the Indian Government are tied to a dispute over local autonomy. Democratic development was limited in Kashmir until the late 1970s and by 1988 many of the democratic reforms provided by the Indian Government had been reversed and non-violent channels for expressing discontent were limited and caused a dramatic increase in support for insurgents advocating violent secession from India. In 1987, a disputed State election created a catalyst for the insurgency when it resulted in some of the state's legislative assembly members forming armed insurgent groups. In July 1988 a series of demonstrations, strikes and attacks on the Indian Government began the **Kashmir Insurgency** which during the 1990s escalated into the most important internal security issue in India. Thousands of people have died during fighting between insurgents and the government as well as thousands of civilians who have died as a result of being targeted by the various armed groups.

The Inter-Services Intelligence of Pakistan has been accused by India of supporting and training Mujahideen to fight in J& K. According to official figures released in Jammu and Kashmir assembly, there were 3,400 disappearance cases and the conflict has left more than 47,000 people dead as of July 2009. However, the number of insurgency-related deaths in the state has fallen sharply since the start of a slow-moving peace process between India and Pakistan.

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 the data shows that due to violence the total working population has decreased sharply from 1981 to 2001 i.e. 44.3 per cent to 36.6 per cent. 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). 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 trend in development has been discouraged. The continuous conflicts have adversely affected all socio-economic sectors of Jammu and Kashmir. Violent conflicts cause growth to decline, damage infrastructure, destruct physical capital, reduce investment and induce capital flight and lower personal saving rates. The ongoing armed conflict in J&K has resulted in forced migration of Kashmiri Hindu and non Kashmiri Hindu and Muslim communities since mid nineties, damage to infrastructure, and lags behind annual economy growth is compared to national level, tourism suffered tremendously, forest areas and other areas occupied by security sources. The average annual growth of net state domestic product from 1980-81 to 1999-2000 was 12.45percent for J&K against 15.01 percent, 14.28 percent, 13.83 percent and 14.3 percent for Andhra Pradesh, Gujrat, West Bengal and Kerala respectively. Similarly average annual growth of per capita net state domestic product during 1980-2000 was merely 9.63 percent for J&K against 12.9 percent, 11.63 percent and 12.86 percent for Andhra Pradesh, Gujrat, West Bengal and Kerala respectively (planning commission of India 2006. P.1). State lags far behind in annual economy growth as compared to national level, and its per capita income is also behind the national average. The survey indicated that state has shown 5.27 percent annual growth during first three years of 10th FYP, against national average of 6.6 percent per capita income in the state stands at INR 17174 per annum much below the national average of INR 25907 per annum. 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).

According to Sumantra Bose in his book, *Kashmir: Roots of Conflict, Paths to Peace*, around 40000 (Indian estimates) to 80000(Hurriyat estimates) civilians, separatist guerilla fighters and Indian security personnel died from the time period of 1989 to 2002 in both Kashmir Valley and Jammu . More than 4600 security personnel, 13500 civilians and 15937 militants including 3000 from outside Jammu and Kashmir (mostly Pakistanis and some Afghans) were killed in this fourteen year period. Also in this period, 55,538 incidents of violence were recorded. Indian forces engaged in counter insurgency operations captured around 40,000 firearms, 150,000 explosive devices, and over 6 million rounds of assorted ammunition. Tourism one of the main industries in the Kashmir valley has suffered tremendously due to violent activities. It has declined substantially since late 1980s when military gained momentum. The number of tourists visiting the state per year had gone down from around seven million in paramilitary days to few thousands in following years. It is estimated that state lost 29 million tourists from 1989-2002 leading to tourism revenue loss of \$ 3.6 billion. State forest area is below the standard prescribed by national forest policy that state the total forest area in hilly states like J&K should be 66 percent of total land area. Official figures reveal that only 50.97 percent of area in the state was demarcated as forest in 2006. The forest included a diversity of flora. The damage to these forests had deprived the state of many plants of medicinal value thereby negatively affecting the prospects of verbal trade. The forests resources have

been damaged not only because of logging but also to illegal occupied areas of forests by security forces. The security forces have also occupied other areas other than forests due to which our production, infrastructure and flora damaged and declined. This paper argues that the present opportunity, which the ongoing peace provides, can be used to set the development of the state back on the right track.

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). 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). The peace process was started in 2004 as an attempt to settle that question of ownership over Kashmir. The peace process was a slow moving one but gave some hope to tourism sector as the number of tourists visiting the state started picked up since its initiation.

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. 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 where in the hopes regarding the possibility of a resolution of the complex problem remains high. The easing of the visa process, exchanges through the bus, train and air services between Srinagar and Muzzafarabad, 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.

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. 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 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 inclusive view that development cannot be reserved solely for peace and conflict-free environments. This argument is equally applicable to the situation in Kashmir.

Kashmir needs peace for development which has been retarded from last two decades. At international level many peace agreements were launched by multiple players India, Pakistani, Kashmiri and other international actors. In joint statements they each showed willingness to start a composite dialogue for peaceful settlement of all issues but finally results is still nil. At national level, various peace missions were launched to create a peace environment. India announced major combat operations in J&K from 1990s but the result was not really satisfied. Fortunately and most importantly J&K witnessed assembly election in 2002 that have been recognized free and fair, because no particular party won by outstanding majority. This election dismantled one party politics of state and govt. was formed by PDP in coalition with congress and other parties. Under the elected govt. the state played active role in facilitating the peace process under the healing touch policy. This was followed by panchayat elections after more than two decades.

It was finding out that after the peace process, the sectors like tourism art and handicrafts, agriculture and related sectors, industries, private investment etc all received great importance. The recent opening of roads across the LOC has encouraged the prospects of development in the state. The opening of Srinagar- Muzaffarabad 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. Infrastructure growth is very necessary for economic revival of state which was damaged by violence received importance. Industrial openings and infrastructural development etc all provides and leads to employment generations. Surely, it is only the peace which can make our state strong and welfare.

PROSPECTUS

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 State of J&K has certain inherent strengths that can be utilized to improve the income of its people and to provide employment opportunities on sustainable basis.

The economy of Jammu & Kashmir has suffered from disturbed conditions prevailing in the State for almost two decades. It would, therefore, be necessary to put the economy back on the rails to enable the average person to get employment opportunities. This would require giving fillip to the economic activities that have traditionally been the mainstay of the State's economy and continue to hold significant potential for growth and employment. Such activities include Agriculture (including Horticulture), Food Processing, Handicrafts and Handlooms, Tourism etc. It would be equally necessary to ensure diversification of the State economy, especially expanding the industrial base by promoting private capital inflows into the State through various incentives and concessions in the initial stage. The special industrial package announced for J&K has been a step in the right direction. The government is taking all possible steps and making all possible efforts in providing gainful employment and productivity of the state, but it may not be possible for the government to provide government jobs to all. Under these circumstances possibilities have to be explored for absorbing the youth by way of creating work opportunities in the private sector as well. While as tourism- both domestic as well as international – may provide possibilities for income and employment generation in the hotels, catering and entertainment and travel sectors as well as a market for handlooms and handicrafts. The following section focuses on the areas that need attention for economic development of the state.

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.

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. 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 70 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. This industry earns revenue of over INR 500 million yearly. 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 to 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.

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. In March 2007 the World Bank also cleared INR 4000 million for the improvement of roads in the eight districts of the state under 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.

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). 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).

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).

Different sectors and sub-sectors of the State’s economy would require different kinds of interventions for revival and growth depending upon the nature of the activity. Specific interventions through Government schemes like PMRY, REGP, SGSY, NREGS and JK Self Employment Scheme would be important for giving better employment orientation to growth of the state economy. The 11th Five Year Plan (2007-2012) for the state of J&K of the order of ` 25834.00 crore among other things is focused to boost, in particular, labor intensive manufacturing sectors like food processing, leather products, footwear and textiles, and service sectors such as tourism and construction. Construction sector would generate substantial employment. It has been projected that within the plan investment during the 11th Plan period five lakh jobs would be created.

The Government of Jammu and Kashmir, conscious of the unemployment situation, especially unemployment among educated youth in the state, announced the launch of Sher-e-Kashmir Employment & Welfare Programme for the Youth (SKEWPY). SKEWPY is the state policy on Employment aiming at addressing all the issues relating to unemployment. The policy was launched on the 5th of December, 2009, which marks the 105th birth anniversary of Sher-e-Kashmir, Jenab Sheikh Mohammad Abdullah and hence named as “Sher-e-Kashmir Employment & Welfare Programme for the Youth (SKEWPY)”. Under SKEWPY, the Government of Jammu and Kashmir has planned to create some 5 lakh job opportunities in the state in the next coming five years. For creating 5 lakhs job opportunities, sound institutional arrangements and effective operational strategies are to be put in place by the Government.

The Government has setup Overseas Employment Corporation (*Vide Cabinet decision No. 151/12/2009 dated 29.10.2009*) with an authorized share capital of 100.00 lakhs with the purpose to facilitate the educated and Skilled Labor Force of the J&K State to seek employment within and outside the country. In order to address the problem, the present Government has taken a landmark initiative by way of launching the SKEWPY for youth with a strong focus on entrepreneurship Development through the medium of Seed Capital Fund Scheme. Under the Scheme, an EDP is offered as a package which apart from training, sensitization and consultancy inputs also include in incentive in the form of nonrefundable seed money to enable to prospective entrepreneurs to start their ventures and make their projects bankable. JKEDI has been given the responsibility of implementing the scheme with J&K Bank as the strategic partner. ***Prime Minister of India on August, 18, 2010 constituted an Expert Group under the Chairmanship of Dr. C. Rangarajan to formulate a jobs plan for the State of Jammu & Kashmir for enhancing employment opportunity in the State especially for the youth.*** Creating a large number of jobs will require a two pronged strategy. The first would be to identify sectors with large employment generation potential and suggest interventions to kick start the growth process and the second, a human resource development initiative focused on improving skill sets through improving access to education and focused placement oriented training.

CONCLUSION

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. Violence has affected the development of 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 parties involved not only those of common people inhabiting the region. Though conflict is to be resolved, the peaceful space can be used for development. Kashmir can become a place of peace and development when all parties are involved for participation. The current chance to bring peace by means of development to the region needs to be utilized, instead of waiting for conflict to be resolved fully.

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