

## **AN OVERVIEW**

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### **Introduction**

Since the late 1940s Australia has had an intermittent interest in the states of South Asia. Until the late 1980s an absence of economic incentives, the exigencies of the Cold War and the indifference of politicians in South Asia and Australia to one another contributed to a collectivity of attitudes on both sides best described as “benign neglect” - benign neglect because the mutual indifference was tempered by a shared devotion to cricket, a general subscription to democratic political values, and a common usage of the English language, but little else.

In the 1980s and 1990s links between Australia and various South Asian countries began to develop more lasting substance. Economic changes across South Asia, the end of the Cold War and a greater Australian interest in, and involvement with, its Asian neighbours led to a surge of initiatives that encouraged a variety of dialogues between Australians and South Asians. The greater number of these new dialogues were between Australia and India, at both the “first” and “second track” levels, and in Australia they were underpinned by a considerable body of academic expertise relating to South Asia ranging from a constellation of internationally recognised historians to economists and political scientists of international stature.

In the 1980s and 1990s bureaucrats and academics in Australia developed a number of joint dialogues with their Indian counterparts on issues ranging from strategic to economic cooperation: the offspring of these talk fests were the Australia-India Council established by the Australian government to foster relations between Australia and India, and a push by the Australian government to launch the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) in cooperation with India and Sri Lanka. Outside government and academe there was also a steady growth of interest on the part of Australian business in developing trade and investment links with South Asia.

In 2006 the landscape of Australia-South Asia relations looks very different from that of the 1980s and 1990s. Like the proverbial curate's egg Australia-South Asian relationships are part good, and – if not bad – still indifferent.

On the positive side some of the actors present in the 1980s and 1990s are still active. The Australia-India Council continues to flourish, Australian and South Asian business links in both directions are growing rapidly. In addition, there has been considerable South Asian immigration to Australia since the 1980s and a very rapid increase in the number of South Asian students studying at Australian education institutions.

Given these positive developments it is alarming that the principal negative development in this period has been the very rapid decline in Australia's knowledge base re South Asia: at a time when it is most needed. In part this has been due to natural attrition as Australia's South Asian academic experts retire and are not replaced, but for the most part it is the result of a singular failure of academic institutions and government to support and develop South Asian expertise nationally. I could bore you with funding statistics and recount the sorry failure of government to support language training but suffice it to say that whilst in the 1980s and 1990s Australia had at least three dedicated and internationally recognised centres of South Asian expertise today it has none and the teaching of South Asian languages is almost extinct. Eminent scholars of South Asia can still be found scattered across Australia but they are in numerical decline and dodo-like appear to be marching towards extinction. So it is that paradoxically at a time when Australia is taking a more intensive and focussed approach to South Asia as part of our geopolitical neighbourhood its skills base vis à vis South Asia has shrunk alarmingly. The net effect of this decline is that in some areas of expertise we are now very thin on the ground and also – given declining resources and personnel - our focus on South Asia tends, with a few notable exceptions, to be biased towards India.

Given this rather gloomy analysis of Australia's ability to understand South Asia, the present conference provides us with a major opportunity to begin the revival our South Asian skills base and to dialogue more substantially with our colleagues in South Asia and with decision makers in Australia.

The genesis of this conference was the preparation of a White Paper prepared by AusAID on Australia's overseas aid projects which clearly set out AusAID's objectives for the foreseeable future. With reference to South Asia the White Paper noted that

The importance of India and China to the region's development means that the Australian aid program will maintain a strategic footprint with them on key issues such as trade, clean energy and HIV/AIDS, and engage with them as emerging donors. In other parts of South Asia, the aid programme will deepen engagement on selected issues, such as improving the core functions of government.

As part of its overall aid programme AusAID is to provide 19,000 educational scholarships for the Asia Pacific region – which includes South Asia – and specifically has developed a research and education program with a number of Australian universities to seek and elicit views from South Asian experts that will assist AusAID in refining its programs and approaches to South Asia. At the core of this programme is an annual research conference, of which this is the first, the commissioning of nominated research projects and the provision of an inaugural eight PhD scholarships for South Asian students. In the first round of nominated research funding has been made available for studies on the nexus between HIV/AIDS and violence, and an analysis of religious based schools across South Asia; in addition, eight PhD scholarships have been awarded through a number of Australian universities from a field of nearly 300 applicants.

The new AusAID approach to South Asia is based strongly on developing partnerships in an attempt to foster poverty alleviation and development. This conference addresses some of the issues relating to poverty alleviation and development and I would like to take this opportunity to make some general comments concerning the topics to be addressed over the next two days.

But before I focus on the substance of the conference I think it is necessary, given AusAID's focus on poverty alleviation and development, to make some general comments about poverty and development in South Asia. Both these issues are central to AusAID's brief and my discussion of the topics covered in this conference will be confined to the way in which they are related to these issues.

## Poverty and Development

South Asia is home to the largest number of poor people in the world. Although the share of poor people in the total population is going down, it is not clear whether this is also the case for the absolute number of poor people. Poverty is concentrated in certain regions of the subcontinent, especially in the north and in the center of India, i.e. in Bihar, Uttar Pradesh, Orissa, Jharkand, Chattisgarh, Madhya Pradesh, West Bengal and the eastern states of India, in Bangladesh, Nepal and the Pakistan provinces of NWFP and Balochistan. As in all rural societies access to land (and water) determines incomes and the variable characteristics of rural poverty with other factors – including a drift of rural poor to larger urban centers - responsible for urban-based poverty.

But is this continuing and widespread poverty a “political risk factor” that can only be addressed by concentrating on programs to alleviate poverty amongst the poorest sections of society, or is the resolution of poverty and its associated risks to political stability and economic development a more complex issue?

The reality appears to be that poverty as such does not seem to threaten South Asian governments. None of the upheavals of the last century can be termed “poverty revolts”. The very poor, one has to conclude, are most probably too poor, too weak and too disorganised to stage a revolt. But this is also what makes them potentially dangerous politically. The poor can, and often do, constitute major “vote banks” in South Asia. Local power brokers, slum landlords or religious, political or caste/tribal leaders often organise the very poor and sell them to politicians (“rent a crowd”; “rent a riot”). Following these leaders can be quite rational for the poor as long as their leaders can provide protection and support, financially or otherwise. Such arrangements can become socially, politically and economically destabilizing, especially if ruling parties depend on them.

It is not so much the poor as the lower middle classes who, fearing to lose what little they have, actively participate in movements –religious or political or both - that promise to save them. Language tensions, for example, prompted a middle class revolt in East Pakistan that led to the establishment of Bangladesh, whilst in 1972 the decision of the Sind Assembly to make Sindhi the official language in their province was seen by the urbanised Urdu speaking *muhajirin* (refugees from India who sacrificed more than any other group in the new country for the creation of Pakistan) who constituted the majority of

the population of Karachi, Pakistan's largest city, as making them second class citizens by effectively excluding them from the upper ranks of the public service, army and government. In both cases political agitation was led by members of the middle class who feared economic discrimination on the basis of language: it was their fear of poverty rather than poverty itself that caused politically unrest.

Poverty perceptions across South Asia have also been affected by the fact that more than half of South Asia's population now has access to modern media. Satellite TV enables people even in remote areas to watch programs, which are broadcast more and more in regional languages. Whilst the effect on local power structures of this new source of information and ideas is not clear it is clear that traditional religious, political and social leaders have been losing their monopoly to inform their followers on current (and not so current) events. At the same time the modern media underlines the gap between lifestyles of the poor and the not-so-poor and one of the outcomes to be expected from the impact of this new exposure to the media is the increasing politicisation of public life intertwined with rising expectations of material satisfaction that collectively shape popular expectations of what development means: is development simply a matter of good water, better health and education and regular employment or has the media helped change popular expectations of what a society needs to be "developed"?

With population growth rates coming down and dependency ratios declining there is a real chance to diminish poverty. But the very fact that poverty has not disappeared despite record growth rates (especially in India and now also in Pakistan) should be a matter of concern. If poverty is not an automatic cause of violence, it is a major co-factor of social unrest that can turn into violence and political instability at both a national and regional level in South Asia.

If poverty is to be addressed effectively then it is necessary to seek solutions that encompass all levels of society and all aspects of life in South Asia. This conference has no such lofty ambitions but we will be discussing a number of areas that bear directly on the issues of poverty alleviation and equitable social and economic development.

## **Regional Integration and the “Look East”**

Two of the central issues to be addressed in the conference are an examination of the degree of regional integration and the extent to which the states of South Asia have developed links with Southeast and East Asia.

The flagship for regional integration has been the South Asian Association for Regional Cooperation (SAARC) which has valiantly endeavoured over the last three decades to promote regional integration. The successes and failures of SAARC have essentially been based upon the central political relationship within South Asia – the relationship between South Asia’s two largest and most populous states, India and Pakistan. To most external observers SAARC appears something of a disappointment. Few can dispute its aims but the reality seems to be that it has been crippled by the inability of India and Pakistan to cooperate on issues of common concern across South Asia. With the recent improvement in Indo-Pakistan relations it remains to be seen to what extent SAARC’s fortunes – and with it the prospects for regional integration - can be improved.

As with any study of SAARC given the nature of intra-state relations in South Asia it is not possible to treat the external relations of South Asia as a whole. The component states that comprise South Asia have different issues in their relationships with one another and these various relationships impact upon their relationships with neighbouring regions. Some of these are based on geographic proximity, some on the legacy of history, some on economic need and others on their current relationship with the one great power, the USA. The end result is that, for example, India has a quite different relationship with China than either Pakistan or Nepal; on the other hand the imperatives that shape Indian and Pakistani relations with the Middle East converge although not always for the same reasons.

What is evident from the foregoing is that in the last two years there has been a fundamental shift in the geopolitics of South Asia. As a consequence of the events of 11 September 2001 and the war in Afghanistan the US has now taken a much more proactive role in the affairs of South Asia.

The intervention of the US has impacted upon the relations between Pakistan and India and upon the relationship between India and China. Undoubtedly the main security concerns for India –aside from its tenuous relationship with Pakistan – are the growing economic, political and defence capabilities of Beijing. Both sides have been working to

improve the relationship but at the same time both seem set upon a mission to achieve great power status. The decision of the US to develop a new South Asian strategy posited upon developing India as a counterweight to China has been balanced by parallel attempts to assuage Pakistan and to detach that country from its former reliance upon China (and North Korea) for the bulk of its arms purchases and the provision of military and nuclear technology.

For India the US alliance offers opportunities in terms of arms and technology acquisitions with a concomitant economic agenda that will enable India to balance its economic interests with those of China: for some commentators this is seen as a move to seriously challenge the economic domination of China across Asia, whilst for others it is a necessary step in the process of developing the Indian economy.

To an extent the same propositions hold true for other states in South Asia although none has the close relationship with the US currently enjoyed by India. Pakistan had a long history of close relations with China based on both strategic and economic considerations, and to a lesser extent the same can be said of Bangladesh and Sri Lanka.

In April 2005, China sought to bolster its influence in South Asia with a four-nation tour by the Chinese Prime Minister, Wen Jiabao. The tour reflected China's growing recognition of South Asia as a key area in its foreign policy and its fear that the emerging India-US alliance was aimed at containing China. Traditionally China favoured ties with Pakistan over those with India but now that US is boosting its military partnership with both Pakistan and India since 11 September 2001 China is looking to new priorities and is making efforts to improve its relationship with India. Agreement has been reached on its disputed border and the opening of overland roads to China (via the Nathula Pass linking Sikkim and China, and via the Ledo/Stillwell road through Myanmar to Yunnan), and links between China and India are being developed in other areas of activity.

But Sino-Indian relations are scarred by mutual suspicions. India's cordial relations with Myanmar, despite its ideological differences with the military regime, are based on Indian fears of Chinese influence in Myanmar where it the country's main supplier of military hardware and maintains a naval surveillance post on Coco Island in the Bay of Bengal. There is also concern in India that Chinese aid to Pakistan to develop Gwador port

is a covert move to establish a Chinese naval presence in the Arabian Sea. But China still needs to maintain support in Pakistan for its fight against Muslim separatism in Xinjiang.

Whilst relations with China continues to be a constant interests for most South Asian countries, all are in the process of attempting to build closer relations with individual Southeast Asian states and/or with ASEAN. The relative economic prosperity of states such as Singapore, Malaysia and Thailand, and their potential as sources of investment and technology, make them an attractive goal and as such every government in the subcontinent (with the possible exception of Afghanistan) to build its relationship with Southeast Asia.

Whilst there are certainly strategic aspects of the South Asian (particularly Indian) push towards Southeast Asia, the major incentive is undoubtedly economic in terms of trade, investment and technology with Southeast Asia providing for many South Asians a showcase of impressive economic development and poverty alleviation.

### **Economic Issues**

From the late 1940s all the states of South Asia have been involved in a variety of programs to foster economic development and to alleviate poverty.

In the case of India such programs were attempted by structuring between 1947 and the 1980s what was essentially a “command economy” based on a rolling program of Five Year Plans. This meant that whilst indigenous capitalist enterprise was not prohibited it was constrained within the boundaries of a state controlled system of economic planning aimed at providing India with a state-controlled heavy industry base and a reformed agricultural system. Imports were restricted mainly to those items and commodities essential to the implementation of successive five year plans (such as industrial machinery, minerals and oil) with almost no importation of consumer goods. A limited range of exports, e.g. cotton textiles, foodstuffs, jute, gemstones, tea and timber, paid for imports. Such a system was not conducive to foreign direct investment that in relative terms, in comparison with investment flows to East and Southeast Asia, was insignificant. The promotion of exports was a low priority for successive Indian governments as the thrust of economic planning was domestic. However, whilst the export trade per se was neglected India’s reliance upon external energy supplies (oil from the Middle East) ensured that close relations were maintained between India and the oil producing states of the Gulf. In addition to oil the

Gulf was a source of hard foreign exchange in the form of remittances made by the tens of thousands of Indian contract workers in the area.

By the late 1980s the Indian economy was lurching towards bankruptcy. Quite simply accumulating trade deficits had drained the country's foreign exchange reserves and it faced either bankruptcy and/or debt default if immediate action was not taken.

Action was taken and the first attempts were made to both liberalise and globalise the Indian economy. Whilst the five-year plan program remained in place, import restrictions and currency controls were eased, and the private sector in the Indian economy was slowly opened up to global competition. State controlled heavy industry retained some economic concessions but the state largely removed itself from investment decisions leaving the capital market open to local private capital and foreign direct investment.

This loosening of the reins of the "command economy" was a direct result of the Indian government's recognition that only by opening up the economy and encouraging both the growth of the export trade and foreign direct investment could the Indian economy begin to follow the development trajectory marked out by states such as Singapore, Malaysia, Thailand and China.

From the late 1980s therefore India's external economic relations have become an increasingly important factor in its relationship with neighbouring regions. Its continuing dependence upon imported oil helps shape its relations with the Middle East and currently is one of the factors in the proposal to build a pipeline from Iran through Pakistan and India that would supply both countries with natural gas supplies. In other geographic areas however the prospects for trade and investment have been major prompts to renewed diplomatic, strategic and economic relationships.

In 1997 the Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMST-EC) forum was formed. These countries established the forum because of their geographic proximity, which it was claimed provided a logic for trade and technological cooperation amongst its members. At the first BIMST-EC summit in 2004, the community was renamed the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). In the same year Bhutan and Nepal were admitted to the organisation. Concurrently with the establishment of BIMSTEC India pursued a closer association with ASEAN both as part of its general "Look East Policy" and as a calculated

means of improving economic links between India and the successful and capital rich economies of Southeast Asia. Hand-in-hand with closer economic links have been closer security and diplomatic links as India seeks to enter into the front rank of world powers below the currently overwhelming power of the US. In the wake of India's enthusiasm for closer links with the strong ASEAN economies BIMSTEC has only slowly evolved and is currently working on defining a "negative list" of goods and commodities that will retain tariff protection!

Economics has also played a role in India's relations with Myanmar. In part this relationship has been determined by China's relationship with Myanmar, but in part it is also based on both India's energy needs and its economic relationship with China. Given the reluctance of Bangladesh to sell natural gas to India New Delhi has proposed a similar deal to Myanmar and has suggested the re-opening of the Ledo/Stillwell Highway built during World War II, which would link northeast India to northern Myanmar and beyond to the Chinese province of Yunnan. Such a link would significantly reduce the seaborne costs of current trade between the three countries.

All South Asian governments until well into the 1970s, suffered – or perceived to suffer – from a lack of private entrepreneurship. Investment was seen as the key factor to development. The chain of arguments was that investment would raise production capital. Once capacity was increased production would increase as well as supply of goods and – automatically – incomes, which were to "trickle down" to the benefit (also) of the poor. It was especially machinery that was to be imported and to be paid for with foreign exchange, thus the "dual gap" of investment and foreign exchange. Foreign aid was preferred over direct foreign investment in South Asia in a drive for "self reliance", and the state had the triple function to step in as initiator, investor, and innovator. In addition, the state also had to offer jobs for a rapidly increasing population. On this basis the state sector quickly grew to unprecedented proportions, and soon it became evident, that such a policy was not sustainable.

The mantra since the 1970s and more so since the 1980s and 1990s has been liberalisation in a globalized world. All South Asian countries have taken some first steps in the direction of liberalisation, but none of them has gone very far. Despite the rhetoric, and although the state sector has declined to some extent, most of the "dirty work" still has

to be done. Overstaffing or “redundancy” of the public sectors is the most critical problem, for which a solution has to be found (the so-called “exit policy”) along with the appropriate pricing of public good across South Asia. Reducing numbers of people employed must be the most difficult task ahead to any government.

In some ways it now appears that governments across South Asia are caught between a past commitment to developing relatively egalitarian socio-economic systems and the lure of developing capitalist socio-economic systems with an increasingly globalised world economic system. It is difficult to say what would be more politically risky: leave the system unchanged, watch it worsen and hope for some rescue or start the necessary reforms and face public discontent or worse. Seeking a “globalized” solution and hoping to solve the problems of development and poverty alleviation is a gamble and as yet we know very little about who are the beneficiaries of increasing globalisation across South Asia: are the benefits confined to the new middle class we hear so much about or is there a genuine trickle down to the poverty-stricken masses?

## **Energy**

Obviously in any program of economic development and poverty alleviation energy plays a central role. Whatever the ideological persuasion of any government or economic school of thought the need to produce and consistently supply cheap energy is of paramount importance.

The standard assumption for future energy needs of South Asian countries is that there will be a doubling of energy consumption per decade in all countries of the region, implying that energy needs are a function of economic growth. But energy availability also partly defines economic growth. Since economic growth rates and energy availability are interrelated and depend on so many other factors as well, projections can only be informed guesses rather than predictions.

Primary energy comes in different forms that are mutually exchangeable as long as they can be transformed into electric power. None of the South Asian countries has enough of all the various kinds of resources needed. As far as primary energy resources are concerned, all countries – except the Maldives – have hydroelectric power, but only Nepal and Bhutan have enough potential to satisfy present and future electricity demand. No

South Asian country has sufficient oil. India has coal (but still imports massive quantities of high grade coking coal from Australia), whilst Bangladesh has much smaller reserves; Pakistan, Bangladesh, and Afghanistan have gas; Sri Lanka and the Maldives lack all of them (except some hydro power). South Asia will remain dependent on energy imports, and the region may develop into a major competitor for energy demand on the world market.

There is a possibility that energy rivalry will increase tensions across South Asia. Currently this gloomy prognosis does not include India and Pakistan which, although the largest economies in South Asia, do not really compete for energy in global markets, because Indian energy requirements (and imports) are so much larger than Pakistan's. However Bangladesh has refused to sell natural gas to India and there are tensions between India and Nepal over the question of hydroelectric power facilities.

But energy rivalry exists within the states of South Asia and competition between provinces/states and central governments has become a problem of increasing importance in almost all of the South Asian states. The bones of contention are the rights over primary sources and historical rights. Complaints come, for example, from Balochistan, where most of the natural gas in Pakistan is produced and from the NWFP, where most of hydropower is utilized. Likewise in India the states of the Northeast demand their due share from local oil production.

More than one fifth of South Asia's commercial energy requirements have to be met by an increasing rate of imports. Almost all imported energy is crude oil and derivatives. South Asia, and especially India, has coal in abundance and natural gas is of an increasing importance. There are plans to import natural gas from Myanmar, Iran, Turkmenistan and the Gulf countries to India (and even to re-export it to China) via pipelines that have to cross third countries, i.e. Bangladesh, Afghanistan and Pakistan.

Primary electricity attributes 5 per cent to total primary energy production. Most of it comes from thermal power plants. Hydro energy is constantly losing market share. There is no trans-regional trade in electricity (but there was during the first years after Partition). India and Pakistan run nuclear power plants that contribute around 3 per cent each to national electricity production. Given the ambitious nuclear plans in India and Pakistan the share of nuclear power may increase. India uses geo thermal energy plus other non-conventional power sources like biogas and wind.

Altogether we have to expect South Asia to become a major competitor on the world energy market, mainly for oil but also for gas. Nuclear power may be of increasing importance.

Developments on the world energy market have their repercussions on South Asia. This especially applies to mineral oil. With the two largest oil producing regions of the world, i.e. the Persian/Arabic Gulf and Central Asia, at their door step, oil imports are basically a matter of prices. The snag is that the two Himalayan kingdoms are land locked and have to rely on transit through India. Despite their abundance of hydro energy they totally depend on oil imports and oil – at least for the time being – cannot be substituted in transport. Afghanistan is also land locked, but has major energy exporters like Iran and Turkmenistan as neighbours. Pakistan is as close to the Gulf as any country could be and has been building a new harbour (Gwadar) on the Gulf of Oman close to the border with Iran with Chinese assistance; it also shares a border with Iran. Imports from Central Asia, however, would require cooperation from Afghanistan or Iran. The situation for India is similar to that of Pakistan, except that Pakistani cooperation is required for imports from Central Asia or any pipeline from Iran and off shore pipelines along the Pakistan coast would be as vulnerable as land-based pipelines. In the East, Bangladeshi cooperation would be required for the planned gas pipeline from Myanmar. Laying a pipeline all around Bangladesh and through north Bengal would make it less economical.

To date transnational energy cooperation has been at a discount in South Asia. Pakistan, Nepal and Bangladesh are involved in a variety of energy-based disputes with India, however, there are signs that desperate energy requirements are pushing India and Pakistan towards cooperation at least with respect to a possible shared gas pipeline linking both countries to the gas fields of Iran.

## **Water**

Given that the bulk of the South Asian population are still engaged in agriculture, water is perhaps even more central to basic survival across the region than energy.

Out of the seven South Asian countries, three, namely Pakistan, Bangladesh and Nepal, are involved in water sharing conflicts with India. These conflicts have not only

hampered their economic development at the national level, but the region, as a whole, is not fully benefiting from the process of globalization.

There are various water sharing arrangements between South Asian states but none with states outside the region. There are also water sharing arrangements within some of the countries.

Since Independence the Indus waters have been the major bone of contention between Pakistan and India. The irrigation network of Pakistan is claimed as the largest in the world. Most of the waters come from the high mountains of the Himalayas and the Karakoram. Indian action to cut off Pakistan from these waters would certainly become a *casus belli*, greater than that of Kashmir. In the 1950s the two neighbours were close to war over the Indus waters. It is only due to the Indus Water Treaty that war was averted. The major charm of the agreement is its simplicity. But problems remain concerning the distribution of waters by India and its plans to dam rivers for hydroelectric schemes that would affect Pakistani access to water downstream.

On the eastern border of India there remains considerable tension between India and Bangladesh concerning the diversion of water by the Farakka dam across the Ganges that has diverted much of the water into the Hoogly, the most western arm of the Ganges river mouth, to counter the siltation of the river that connects Kolkata to the sea. As an effect, the Ganges, or Padma as it is called in Bangladesh, carries too little water during the dry season that is urgently needed for irrigation in the south west of Bangladesh.

Water sharing arrangements inside countries provides another set of contentious issues in India, Pakistan, and Sri Lanka and less so in the other South Asian states. In India it has become most acute in connection with the use of the Narmada (Madhya Pradesh and Gujarat), Cauvery (Karnataka and Tamil Nadu) and Yamuna (Uttar Pradesh, Haryana and Delhi) rivers.

However, the scarcity of water resources in some cases has been instrumental in developing cooperation among states. The Indus Waters Treaty (1960) between India and Pakistan is one of the few examples in South Asia, of the settlement of a major, international river basin conflict. Another recent example in this context is the Ganges Waters Treaty between India and Bangladesh. However, the grievances of contracting parties, that is exacerbating tensions raised by other issues, is seriously hindering the

normalization of relations between the two countries and is positively hampering much needed economic cooperation.

## **Health**

Anyone familiar with the history of South Asia will remember the terrible nexus that existed between poverty and appalling health statistics of pre-independence South Asia. Famine, plague, malaria, dysentery, high infant mortality, fevers and blindness ravaged the masses weakened by poor diet and the almost total absence of any modern health facilities.

Since the late 1940s there have been impressive successes in raising health standards and eliminating malnutrition as an all pervasive factor in South Asian life. However, a new plague is ravaging South Asia: HIV/AIDS.

The impact of HIV/AIDS has both short and long term implications. In the short term there is the possibility of a breakdown in the public health system given the surge of victims that will inevitably envelope the system within the next few years. This has serious implications with respect to other endemic diseases that are increasing across South Asia, e.g. malaria and tuberculosis and which risk being sidelined as the full extent of the HIV/AIDS impacts upon South Asian medical systems and are additionally “opportunistic” diseases that HIV/AIDS sufferers contract. In the longer term there are possible consequences relating to labour and skill issues as recognised by the Confederation of Indian Industry (CII) which has long lobbied for a study of the social and economic consequences of HIV/AIDS. Gender has long been regarded as a marginal security issue. Undoubtedly it does not, as a generic issue, rank as a high security risk but issues related to gender are increasingly a part of public debate and disputation across South Asia and such issues – as with the issue of HIV/AIDS – have the potential to undermine social cohesion unless adequately addressed.

In the long term, according to a recent UN report, if the spread of the virus were to continue unchecked, more than 16 million Indians would be infected by 2016, with economic growth slowing by almost a percentage point per year. The report noted that Aids would severely reduce the labour force, with tourism, construction, textiles and mining most at risk

Currently, South Asia is home of 1.4 billion people. According to official (UNAIDS) numbers, a little more than 5.2 million of them live with HIV/AIDS – nearly all of them in India:

- Bangladesh: 13,000 (prevalence rate: less than 0.1 per cent)
- Bhutan: 100 (prevalence rate: less than 0.1 per cent)
- India: 5.1 million (prevalence rate: 0.9 per cent)
- Maldives: less than 100 (prevalence rate: less than 0.1 per cent)
- Nepal: 62,000 (prevalence rate: 0.5 per cent)
- Pakistan: 75,000 (prevalence rate: 0.1 per cent)
- Sri Lanka: 5,000 (prevalence rate: less than 0.1 per cent)

Globally India is second only to South Africa in terms of the overall number of people living with HIV/AIDS. Currently, 5.1 million people are living with HIV (South Africa: 5.3 million), although the HIV prevalence is rather low with 0.9 per cent. These are the official numbers as provided by UNAIDS/WHO. However, there are alternative statistics which show India as currently number one.

HIV/AIDS across South Asia is not hitting only the most vulnerable, it is also hitting age, gender and occupational groups within South Asia who are vital to the struggle to improve all aspects of development and to engage in the struggle to alleviate poverty.

## **Conclusion**

I am acutely aware of the fact that my potted tour of the topics to be addressed in this conference is superficial and uneven - and open to challenge - but what I have attempted to do is to broadly contextualise the subjects to be discussed within a framework defined by AusAID's objectives of poverty alleviation and development.

The states of South Asia are all undergoing profound socio-economic change as are their relationships with one another and with contiguous regions. The topics addressed by this conference are central to any consideration of South Asia today, but I must admit to certain dissatisfaction with our agenda.

Initially we had planned to include governance, given AusAID's commitment to "improving the core functions of government", in the conference program. However, for a

variety of reasons any discussion of governance was postponed. I think our deliberations are the poorer for this decision given the centrality of government in South Asia to the processes of economic reform, poverty alleviation and development. Governance and forms of government are not uniform across South Asia and there are different approaches and priorities in relation to government functions; if we are to seriously address improving core functions of government then I believe that we must squarely face an investigation of the different forms of governance across South Asia and the ways in which different forms of governance seek different resolutions for common problems.

I also hope that in future conferences we more directly approach the questions of gender and education in South Asia. Gender is a cross cutting issue from politics to health whilst education is, not only in South Asia, a major tool for social engineering that can be either an agent for positive change or a vehicle for regressive social and political developments.

In conclusion I would hope that this initial coming-together of South Asian experts from South Asia and Australia will generate on-going research cooperation that will have a life beyond this conference. Many of us here have seen the waxing and waning of Indo-Australian academic cooperation over the years – perhaps this time we can generate something more lasting and substantial.