

**Economic Development  
as a Tool  
to Reduce Secessionism in Jammu  
and Kashmir**

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## Foreword

Students in the Master of International Public Affairs (MIPA) program in the Robert M. La Follette School of Public Affairs at the University of Wisconsin–Madison produced this report for the Office of South Asia Analysis, a U.S. government agency. The students are enrolled in the Public Affairs Workshop, International Issues, the capstone course in their graduate program. The workshop provides MIPA students the opportunity to improve their analytical skills by applying them to an issue with a substantial international component and to contribute useful knowledge and recommendations to their client.

The La Follette School offers a two-year graduate program leading to a Master of Public Affairs or a Master of International Public Affairs degree. In both programs, students develop analytic tools with which to assess policy responses to issues, evaluate implications of policies for efficiency and equity, and interpret and present data relevant to policy considerations.

The workshop provides practical experience applying the tools of analysis acquired during three semesters of prior coursework to actual problems clients face in the public, non-governmental, and private sectors. Students work in teams to produce carefully crafted policy reports that meet high professional standards. The reports are research-based, analytical, evaluative, and (where relevant) prescriptive responses to real-world clients. This culminating experience is the ideal equivalent of the thesis for the La Follette School degrees in public affairs. While the acquisition of a set of analytical skills is important, it is no substitute for learning by doing.

The opinions and judgments presented in the report do not represent the views, official or unofficial, of the La Follette School or of the client for which the report was prepared.

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## **Executive Summary**

Conflict and instability in Jammu and Kashmir have been a major hindrance to the state's development and progress. Were the state to destabilize further, U.S. geopolitical interests would be significantly affected. The current lull in violence presents an opportunity to reduce secessionist sentiment and instability in the state. The core of the separatist argument lies in the underdevelopment of Jammu and Kashmir: socially, politically, institutionally, and economically.

This report surveys the economic development potential of the most promising sectors for state development and analyzes the likelihood that their growth will reduce secessionism. We find that current Indian development programs for agriculture, tourism, and infrastructure in Jammu and Kashmir stand to increase absolute levels of development, increase economic decentralization, increase net capital inflows, and increase trade dependence with India. Provided that popular perception of these changes mirrors reality, we predict that current development programs will decrease secessionist sentiment.

Increased trade dependency and continued net capital flows resulting from current development plans provide the greatest assurance of a reduction in secessionist sentiment. Effects of relative development are more difficult to predict, but we conclude that changes in this factor will likely reduce secessionism. While increased absolute development generally increases secessionism, we conclude that the likelihood that Jammu and Kashmir will achieve a level of development sufficiently high to contemplate self-sufficiency is extremely low. Finally, although Jammu and Kashmir will likely gain decentralized economic powers, sometimes associated with secessionism, we conclude that the effect will not be significant enough to overcome reductions in secessionist sentiment from other factors.

To ensure Indian development strategies produce the desired economic and political outcomes, program administrators must ensure residents of Jammu and Kashmir internalize the state's reliance on Indian national planning, funding, and trade. Actively fostering this popular perception will be critical in reducing secessionist sentiment.

The United States can play a critical role in bringing meaningful development and reducing secessionist sentiment in Jammu and Kashmir. By lending its reputation, expertise, and financial resources to Indian development authorities, the United States can encourage effective planning and implementation of development programs targeted to reducing secessionist sentiment.





## **I. Introduction**

Conflict and instability in Jammu and Kashmir have been a major hindrance to the region's development and progress. At its core, the issue is one of security. Were the state to destabilize further, the implications for U.S. geopolitical interests would be significant, particularly when viewed in the context of India and Pakistan's nuclear capabilities. Further, regional instability threatens to undermine efforts to control terrorist activity by providing safe havens and sources of legitimacy for fringe elements.

The current lull in violence presents an opportunity to promote economic development to reduce secessionism. Following a brief contextual overview, this report develops an analytical model for evaluating economic development as a tool to reduce secessionism. We briefly present the economic circumstances in Jammu and Kashmir and outline the economic sectors that hold development potential. We explore the role of economic development in tempering secessionist movements. Based on these discussions, we identify which development projects in Jammu and Kashmir present the greatest likelihood for reducing secessionism within the region. Finally, we identify domestic and international opportunities to enhance these development programs further.

While a complete discussion of the development-secessionism link would include Azad Kashmir, the area of Kashmir under Pakistani control, a lack of available data makes such an analysis impractical. As such, this report will focus on the Indian-controlled area of the state of Jammu and Kashmir (see Figure 1).

Figure 1: Map of Kashmir Region



Source: U.S. Institute of Peace (n.d.) with district labels added by authors

## II. Background

The India-Pakistan conflict over Kashmir is rooted in competing claims to the territory, which has been divided since 1948 by a military line of control separating India's Muslim-majority state of Jammu and Kashmir from Pakistan-controlled Azad Kashmir. The dispute is tied to the national identities of both countries. India has long sought to maintain its secular, multi-religious credentials, while Pakistan was conceived as a homeland for the subcontinent's Muslims. India and Pakistan fought full-scale wars over Kashmir in 1947 and 1965. The region was also a proxy issue in the 1971 Bangladesh Liberation War. In 1996, after a decade of instability, Jammu and Kashmir elected new leadership headed by Farooq Abdullah. Additional small-scale armed conflicts between Pakistani and Indian forces occurred between 1999 and 2001. The region is now led by Governor N.N. Vohra. (Appendix A provides a more detailed overview of the conflict.)

### *Current Relations between India and Pakistan*

Pakistan's internal failures have fueled an Indian perception that it can resolve the Kashmir issue on its own terms. Beginning in the 1990s, Indian policies have emphasized reaching out to neighbors, often investing more in bilateral relations than partner countries. India began to seek normalization of its economic, social, and political relations with Pakistan. Through these efforts, more people in Jammu and Kashmir came to favor India, contributing to a lull in the violence by the mid-1990s. Pakistani attempts to exert greater influence in the region also enhanced this rise in favorability (Kashmir Study Group, 1997).

### *Secessionist Groups*

Despite a reduction in violence and improving relations, some Kashmiri groups continue to seek an independent or autonomous Kashmir. Others seek union with Pakistan. Spurred by a perception of rigged state elections in 1989, a separatist war between Islamic militants (and their supporters) and Indian security forces in Indian-held Kashmir has claimed tens of thousands of lives (Schofield, 1996).

The literature identifies a general relationship between development issues and secessionist sentiment (Bookman, 1993). It is also clear that quelling separatism is a key component to enhanced stability in Jammu and Kashmir. However, several key, powerful groups have been critical in blocking that stability (Schofield, 1996). Of particular significance are Harkat ul-Jihad-I-Islami, the Jammu-Kashmir Liberation Front, the Kashmir Freedom Movement, and Lashkar-e-Taiba. (Appendix B provides an overview of these groups.)

Though their strict means and ends may differ, separatist groups within Jammu and Kashmir typically rely on identity politics to stake their claims to a new order. The separatist movement stems from an ideology of occupation. Consistently, rhetoric by various groups alleges a denial of rights and a sense of ethno-

nationalism. Groups draw upon the vibrancy of the local population and region to suggest unfulfilled potential and an aspiration toward equality. Perhaps most important, however, is that the core of the separatist argument lies in the underdevelopment of Jammu and Kashmir: socially, politically, institutionally, and economically. Specifically, the core of the separatist groups' argument lies in the belief that secession from India will produce more meaningful local development, creating a more positive reality that stems from political control and shared identity (Ganguly, 1996).

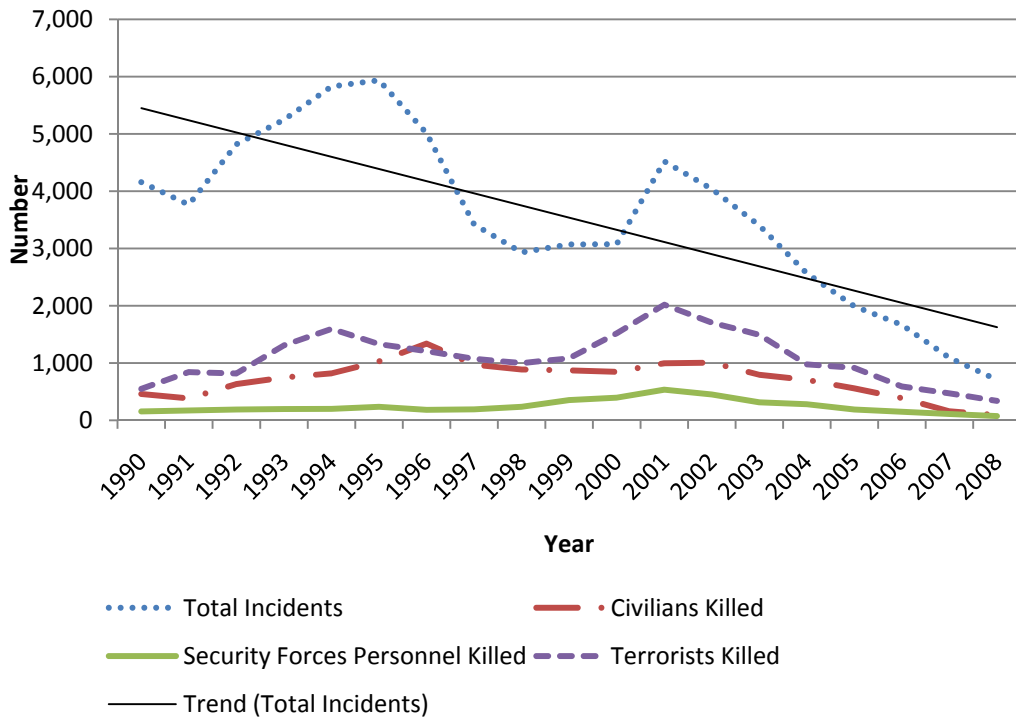
### *Development Opportunity: Current Lull in Separatist Violence*

The early 1990s saw the height of militant violence in Kashmir, due to well-funded and highly visible separatist demonstrations. Though the movement massed tens of thousands at its height,<sup>1</sup> new groups quickly joined the ranks, diluting the message and the strength of the overall movement. Further, internal politics weakened the groups, leaving them with little cohesion and making their objectives increasingly unclear (Schofield, 1996). This internal fractionalization, coupled with inter-group tensions, weakened the movement severely. By 1993, it was clear that the movement was on its last legs. Pakistan's involvement in the conflict had a similarly destabilizing effect. Initially funding and providing groups with technical support, Pakistan shifted its policies to favor certain groups in the early 1990s, weakening some of the strongest groups significantly (Kashmir Study Group, 1997; Schofield, 1996). While a desire for independence and self-determination remained, the groups with the greatest power began to fall. The death toll fell with them. The reduction of violence has proven critical in encouraging separatist groups to compromise further. Figure 2 illustrates the marked decrease in conflict-related casualties in the region.

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<sup>1</sup> *The Independent* in the United Kingdom suggested an estimated 45,000 trained fighters in 1991 (Schofield, 1996).

**Figure 2: Casualties in Jammu and Kashmir 2001-2009**



Source: Indiatat (n.d.)

Identifying the current condition of secessionist groups is critical for India to determine the opportunities for diminishing their authority. Except for violent attacks, these groups’ activities do not affect most residents. Instead, their interests lie in feeding their families and earning a living wage. Thus, economic development is India’s best tool for curbing secessionist sentiment.

Indians acknowledge Kashmiri alienation from the rest of the country, and the government’s failure to win the hearts and minds of Kashmiri. Perceptions of Indian apathy toward Kashmir remain widespread; however, violence is no longer the principal means of voicing those frustrations. As a result, Indian citizens have generally been willing to negotiate with non-militant separatists to bring the matter to a sustainable end (Kashmir Study Group, 1997).

The decrease in support for secessionist movements and the accompanying decrease in violence offer a watershed moment for India and the international community to stabilize the region. India and the United States now have a critical opportunity to build up the area’s domestic capacity.

### III. Analysis of Development Potential

Economic growth in Jammu and Kashmir has been severely stifled due to security concerns. As a result, there are virtually no engines of job creation (leading to a swelling population of unemployed educated individuals, particularly in cities), and resources are used inefficiently and without long-term vision. Additionally, the lack of domestic industry has made the state heavily dependent upon central government financing. Moreover, Jammu and Kashmir has seen little in the way of foreign investment (Kashmir Study Group, 1997). Finally, while the state receives significant amounts of aid from the Indian government, most of that funding is used toward the state's immense bureaucracy, one plagued by corruption (Waldman, 2002).<sup>2</sup>

Despite this, Jammu and Kashmir does possess significant domestic resources that provide opportunities for economic development, opportunities made feasible by the decrease in violence. Specifically, the agriculture, tourism, and infrastructure sectors hold significant development potential. We survey the development potential of these sectors and analyze their potential to reduce secessionism in Section V. (A full overview of current development efforts is in Appendix C.) Table 1 summarizes basic data about Jammu and Kashmir.

#### *Agriculture*

Eighty percent of the population earns its livelihood from agriculture and allied activities (Indiastat, n.d.), and the industry comprises 27 percent of the state's income (Government of Jammu and Kashmir, Agriculture Department, Jammu, n.d.). Therefore, the benefits of successful projects focused on developing agricultural capacity in Jammu and Kashmir will likely have a broad reach. Agriculture is a historically viable and sustainable industry in the region. Consequently, projects can focus on modernizing the industry instead of trying to incubate a new, untested industry. The mountainous geography within Jammu and Kashmir presents a challenge to the modernization of transportation and irrigation technologies. Regardless, much of the region remains environmentally appropriate for the agricultural projects underway.

The major inputs required to build up the industry (land and labor) are abundant in Jammu and Kashmir. Generations of farmers have developed much of the human capital needed for the agricultural industry to flourish. Projects highlighting infrastructure, modernization, and the market aspect of the agriculture industry offer the most potential to alter economic circumstances in the near term and on a large scale.

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<sup>2</sup> Ninety percent of Indian aid to Jammu and Kashmir is in grants, while most Indian states get 70 percent of their aid in loans. Most of the money has gone toward a government payroll that consumes two-thirds of the state's total budget of \$1.2 billion. The total bureaucracy, including state, central government, and daily wage workers, is estimated at about one in every 17 residents. Corruption, by many accounts, has been rampant, although there is no telling how rampant, since prosecution has been rare (Waldman, 2002).

**Table 1: Selected Socio-Economic Indicators of Jammu and Kashmir**

	Jammu and Kashmir	India
<b>Population</b>	10.143 million	1.028 billion
<b>Rural population</b>	75.19%	72.18%
<b>Urban population</b>	24.83%	27.82%
<b>Per-capita income (net domestic state product)</b>	15,414 rupees (2005)	19,325 rupees (2005)
<b>Per-capita income tax</b>	121 rupees (2005)	439 rupees (2005)
<b>Unemployment rate</b>	5.2%	3.1%
<b>Work participation rate</b>	37%	39.26%
<b>Agriculture†</b>	49%	
<b>Tourism†</b>	30%	
<b>Major source of ncome</b>	Agriculture and allied activities (80% of occupation)	
<b>Major religions (1991 census)</b>	Hindu: 32.24% Muslim: 64.19% Other: 3.57%	Hindu: 78.94% Muslim: 15.81% Other: 5.25%

Note: Data from 2001, unless otherwise indicated. †Percentage of workforce directly employed in sector  
Source: Indiastat (n.d.)

### *Tourism*

The 2006 Task Force on Development of Jammu and Kashmir identified tourism as one of the main engines of growth in the region. The development of the tourist industry can have a significant impact on the overall growth of the state because of its ability to create direct and indirect employment, as well as growth in allied industries. Tourism will likely contribute to the growth of secondary sectors such as handicrafts, which have historically benefitted from visitors to the state (Planning Commission: Government of India, 2003).

By generating new employment and creating sources of income, especially for unemployed youth, tourism can undermine the sources of separatist recruitment. In 1998, unemployment in Jammu and Kashmir stood at 700,000 (18 percent of the workforce), primarily affecting the state's youth (Schaffer, 2005). The unemployment among youth, for whom enlisting in separatist movements often presents the only source of income, presents a particular danger. For instance, Humphreys and Weinstein (2008) find that retrospective poverty measures (e.g., mud housing), low education, and rebel promises of material rewards are robustly associated with recruitment into armed groups in Sierra Leone. As tourism is widely recognized as a major mechanism of employment generation, especially

in the service sector (World Trade Organization, 2010), it holds significant potential for alleviating youth unemployment, thereby eroding separatist support.

### *Infrastructure*

Landlocked and distant from major markets, Jammu and Kashmir faces high transportation costs, making it harder for the state to compensate for the drawbacks of the small size of its domestic market. While a weakness in both public and private sector capacity is a key concern for the state, the geographical spread of the state adds a further dimension to the challenge, as internal distances are quite large and the population highly decentralized. Deficiencies in the institutional capacity of Jammu and Kashmir reduce the state's ability to participate fully in national finance and trade activities, both of which harm its economy.

Jammu and Kashmir possesses significant potential in the area of energy production. The state's waterways have the capacity to generate 16,480 megawatts of hydroelectric power (Directorate of Economics and Statistics, Jammu and Kashmir, 2009), nearly equivalent to the total generating capability of the United States (U.S. Energy Information Agency, 2010). If this is efficiently harnessed, the state could become a major energy producer in the region, supplying electric power to northern India, Pakistan, and Central Asia.



## IV. Analytical Framework

A regional desire to secede is the outcome of an ongoing, popular assessment of the costs and benefits of remaining a member of a larger nation. Many secessionist movements list issues such as religion, ethnicity, and political ideology among their grievances. While in some cases these factors may be comprehensive, economic grievances often also play a significant role in the desire to secede (Bookman, 1993). Because secessionism is often studied as a political and social phenomenon, much work on the subject acknowledges economic circumstances but fails to study economics as a causal factor. Building primarily on work by Milica Bookman (1991, 1993), we examine how the following economic factors affect secessionist movements: absolute level of development, relative level of development, trade dependency, net capital flows, and economic decentralization. A vitally important qualifier is the possible, and likely dramatic, difference between the actual status and popular perception of these factors. Table 2 below summarizes these measures and their theorized effects on secessionism.

**Table 2:**  
**Theorized Effects**  
**of Economic Factors on Secessionism**

<b>Economic Factor</b>	<b>Effect</b>
Absolute level of development	+
Relative level of development	+/-
Trade dependency	-
Net capital flows	-
Economic decentralization	+/-
Note: + refers to a positive relationship and - refers to a negative relationship between the economic factor and regional secessionist sentiment.	

Source: Bookman 1993, modified by authors

The theorized relationship between economic factors and secessionism provides a tool with which to evaluate the effect of Indian development efforts on secessionism in Jammu and Kashmir.

### *Absolute Level of Development*

Although history has shown secession at all levels of economic development, an increase in a region's absolute level of development generally increases secessionist sentiment. Some work suggests that an increase in development encourages national assimilation, but Bookman's empirical analyses suggest otherwise. With modernization often comes communication and organization toward ethnic distinction, a powerful political and social force behind secessionist desires. When considering secession, less developed regions have to fear repercussions of the loss of infrastructure and resource support from their previous sovereign. Higher-income regions often do not face this concern.

An example of this phenomenon can be seen in Scotland, where improvements in the absolute level of development led to increased calls for greater regional autonomy and, to a lesser extent, secession. The major catalyst for this movement proved to be the discovery of oil in the North Sea. As the development of this industry raised Scotland's absolute level of development, it increased Scottish economic viability by lowering the costs of exit from the United Kingdom. Scotland remains short of full independence, but the push for greater freedom following the discovery of oil resulted in Scotland gaining a semi-autonomous status through home rule (Griffiths & Savic, 2008).

### *Relative Level of Development*

The effects of relative level of development on secessionist sentiment are more ambiguous and rest heavily on popular perception of the source of their current state and injustice in future development policies. When a region is relatively more developed than its neighbors, its population may conclude that national exploitation hinders regional development. This perception may create a sentiment that the region would be economically viable and more developed if it seceded. Conversely, the population of a relatively more developed region may conclude that its success is the result of favorable policies and support from the central government; from this perception, secession would be too costly. Populations in regions less developed than neighbors may perceive that the state exploits their resources while promoting growth elsewhere. Due to feelings of injustice, these regional populations desire to secede to retain the benefits of regional resources. In contrast, if populations in less-developed regions perceive national development policies as favorable, secessionist sentiment is reduced. Relative level of development, therefore, is a powerful factor in assessing the potential for secessionist conflict. Experience has shown that policies that generate growth may be harmful if applied inequitably. The effects of development on secessionism, therefore, depend on the extent to which programs are effectively designed and targeted to eliminate regional disparities.

Evidence from Indonesia, for example, suggests that failure to design and target development strategies that generate income equitably aggravates existing problems. Significant but inequitable natural resource development in Indonesia's troubled Aceh province further antagonized and strengthened the local separatist movement. Relative income inequality led to a perception of "inter-colonialism" because virtually all of the profits left the province, producing no improvements in the Acehnese standard of living and increasing the perception of relative inequality vis-à-vis other provinces (Webster, 2007). Evidence from Nepal indicates that Maoist insurgents targeted districts with the fastest growth in income inequality for recruitment (Blattman & Miguel, 2009). Economic inequalities can also exacerbate ethnic divisions and fuel support for secession. Within the former Czechoslovakia, for example, the relative inferiority of the Slovak economy coupled with economic policies giving priority to Czech interests contributed in no small measure to the eventually successful Slovak calls for independence (Bookman, 1993). Perceived discrepancy in income and standard of living also

increases the likelihood of violence. In Indonesia, village-level communal violence is associated with unemployment and economic inequality (Barron, Kaiser, & Pradhan, 2004). In Nepal, conflict intensity is strongly positively associated with higher local poverty and lower literacy rates (Do & Iyer, 2007). Finally, cross-country analysis finds that an extremely unequal income distribution coupled with low average income contributes to the longer duration of conflict (Collier, Elliot, Hegre, Hoeffler, Reynal-Querol, & Sambanis, 2003).

As reported in Table 2, development inequalities can also work in the opposite direction. Populations in relatively well-developed regions may be reluctant to contribute a greater share of income to support poorer states. This is the case in Punjab, for instance, where the demands for greater autonomy from India stem from the state's responsibility to contribute a proportionally larger amount portion of its income to the federal coffers (Bookman, 1993). Similar grievances were raised in Scotland following the discovery of North Sea oil as Scots became fearful that their impending cash windfall would dissipate mostly in the other parts of the United Kingdom. Finally, Slovenia's stronger economic position and consequently proportionally greater contributions to the center figured prominently in its eventual secession from the former Yugoslavia (Griffiths & Savic, 2008).

### *Trade Dependency*

The greater a region's trade dependency on the parent country, the lower the desire to secede. Under high trade dependency, losing the trade relationship would be very costly for the seceding region, often prohibitively so. Dependent regions are less autonomously viable and less powerful in secession negotiations. High *international* trade dependency has the opposite effect, increasing regional secessionist sentiment.

The case of Scotland helps to illustrate the effect of domestic trade dependence on the potential for secessionism. The success of the European Union in the 1990s was a major factor (in addition to development of oil industry) in the Scottish separatist movement. By decreasing dependence on the British market, the EU provided a new and important economic, political, and cultural focus outside of the United Kingdom, presenting Scotland with more tangible external economic possibilities (Griffiths & Savic, 2008)

A contrasting case is the Quebecois sovereignty movement. However, because Quebec is well-integrated into Canada's national economy and does not maintain a viable independent trade network, the likelihood of secession remains low (Griffiths & Savic, 2008).

Trade dependency can also offset the pro-secessionist effects of high levels of absolute level of development by increasing regional dependency on the central government. In Maharashtra, the second most populous Indian state, a relatively minor agitation for secession failed to sustain itself or have any significant effect

on the overall federal structure despite high regional development. Maharashtra maintains trade links with international and regional markets; however, its integration into the national economy and dependence on national markets offset the incentives for secession (Bookman, 1991).

### *Net Capital Flows*

As part of a national political and economic system, regions draw significant amounts of national capital, while paying out significant portions of their own regional capital. These capital flows can be of many forms, from the explicit (e.g., taxes, subsidies, loans, investments) to the more obscure (e.g., price controls, tax preference for foreign partners, selective credits by the national bank). The net balance of these capital flows is often a primary consideration in the secessionist calculus. A negative net balance means the region is paying more money *to* the national government than it is receiving *from* the national government. The more negative a region perceives this balance to be, the greater the feelings of injustice and thus the greater the desire to secede. National redistributive policies favoring the region can be powerful enticements in reducing secessionist allure. Frequently, positive net outflows directly contribute to discrepancies in relative income and development, and thereby stimulate secessionist sentiment.

For example, largely thanks to the strength of Acehnese liquid natural gas, Indonesia became the world's largest exporter of this resource. However, despite \$1.2 billion in annual earnings, the Acehnese saw barely 1.6 percent of that returned to the province. Such massive cash outflow predictably contributed to resurgence of Acehnese separatism and, with the widening of the relative income gap, precipitated violent conflict in the 1970s and 1990s (Webster, 2007).

The secession of Katanga from the Congo in 1960 was also largely motivated by the perception of economic injustice stemming from unfavorable interregional flows. In a less extreme example, the equal net flows between Quebec and the Canadian federal government created a perception of lower dependence on the center, thereby strengthening the case for secessionism (Bookman, 1993).

### *Economic Decentralization*

In most cases, greater decentralization of economic power leads to increased secessionist sentiment. Positioning more economic power at the regional level can reduce perceived costs of secession and increase regional confidence in economic viability as an autonomous entity. Conversely, in some circumstances where trade dependence is high and net capital flow is positive, increased regional economic decentralization may in fact appease desires for secession by giving the region more control over the gains from their favorable position.

The experiences of former member-states of the Soviet Union and Yugoslavia illustrate the destabilizing potential of decentralization. Despite high trade dependence on the center, the Soviet Union became increasingly decentralized as a

result of Gorbachev's reforms in the 1980s. Consequently, when the political shocks of at the end of the decade created an opportunity for exit, the perception and experience of political and economic viability coupled with the benefit of greater regional autonomy encouraged the decisions to pursue outright independence (Bookman 1991, 1993).

Yugoslavia, from the mid-1970s until its breakup in 1992, was among the most economically decentralized states in the world. Consequently, the increasing perception of economic viability resulting from a declining reliance on the center created conditions for secession (Bookman, 1993). This was particularly true in Slovenia, where the effect of decentralization, combined with already developed grievances over an unequal relationship with the national economy, produced the decision to secede (Griffiths & Savic, 2008).

## V. Development Analysis

National and state-level agricultural development efforts are well-targeted and build on Jammu and Kashmir's advantages and, when possible, address the disadvantages. National agricultural technology, information, and education programs are intended to help modernize all aspects of the agricultural process in the state. Tourism plans for religious shrines in Jammu and Kashmir are most promising, although lack of security and modern transportation infrastructure hinders development. Current and planned multi-modal transportation developments seek to improve mobility and accessibility, reducing many of the structural barriers to economic development in Jammu and Kashmir. Energy infrastructure projects seek to address deficiencies in the state's power generation and distribution system.

In this section, we apply the framework outlined in the previous section to analyze the effects of agriculture, tourism, and infrastructure development projects currently planned or underway in Jammu and Kashmir.

### *Absolute Level of Development*

Although Jammu and Kashmir is far from achieving independent economic viability, the rise in the region's absolute development level carries the potential for increasing separatist sentiment. The overall economic growth in Jammu and Kashmir may be used by those favoring secession as an economic argument to promote the ability of the state to survive independently. On the other hand, a decrease in economic growth has been found to be strongly associated with greater likelihood for conflict (Miguel, Satyanath, & Sergenti, 2003). Consequently, the effect of absolute development in Jammu and Kashmir will depend on the overall strategy employed in addressing the specific risk and opportunity areas within the context of social, political, and economic environments.

### **Agriculture**

Successful agricultural development will lead to increased income for a large portion of Jammu and Kashmir. This can lead to a perceptible rise in the level of overall development in the state, particularly in rural areas where income from farming has not been strong. This improvement in the absolute level of development may increase secessionist sentiment as residents perceive the region is more viable as a free-standing entity.

### **Tourism**

Meaningful growth of the tourism sector will necessarily influence expansion in allied sectors, leading to an overall rise in state income. This will strengthen Jammu and Kashmir's economic viability, given the major role played by tourism in the state economy. However, the likelihood that the resulting absolute growth will contribute to secessionism will probably remain low because current projects are firmly tied to larger national development plans and depend on national funding. In addition, the extent to which tourism depends on regional peace and stability further undermines the feasibility and success of separatist conflict.

## **Infrastructure**

Improvements to the state's transportation, communication, and power infrastructure will lead to increased income in the region by facilitating increased productivity. Improved road and rail will increase the accessibility of tourist destinations and market access to Kashmiri goods. In this way, infrastructure can be a catalyst, enhancing the effect of improvements in the agriculture and tourism sectors. When considered independently, infrastructure development is likely to have a small long-term effect on absolute development due to the temporary nature of construction projects and the relatively low number of new jobs created. As such, infrastructure development must be coupled with development in major industries such as agriculture and tourism that can take advantage of the increased capacity.

## *Relative Level of Development*

When viewed in the context of Jammu and Kashmir, relative level of development is principally a function of the degree to which benefits from economic development accrue disproportionately to any particular district or social group. Development that creates interregional disparity in income through resource draining or exploitative strategies effectively cancels out any positive effects on the region as a whole.

Successful development in Jammu and Kashmir will depend on the degree to which it takes into account regional economic disparities and constraints. The economic underdevelopment of the state, coupled with perceived political discrimination, tends to fuel secessionist sentiments when the affected population is not ethnically representative of the nation as a whole (Lewis, Mitra, & Alison, 1996). This happens to be the case in Jammu and Kashmir, where Muslims represent two-thirds of the population while making up barely 20 percent of India's total population. Principally Muslim districts within the state, such as the Kashmir Valley, are among the most economically underdeveloped. Unsurprisingly, the district has exhibited the highest levels of separatist sentiment and insurgent violence. Because separatist violence affected the Kashmir Valley primarily, the economic activity there has been most disrupted. Jammu, on the other hand, enjoys better location and transport infrastructure. Residents of the Kashmir Valley complain that central development programs tend to disproportionately benefit Jammu (Schaffer, 2005). Economic projects in the state must be chosen not on the basis of their convenience or ease of implementation, but rather on their potential to produce equitable development across all districts and social groups. Failure to do so will exacerbate existing inequity (or perceived inequity), continuing to fuel separatist sentiment.

## **Agriculture**

As income from agriculture rises, so will average income levels across the state. Urban dwellers will further increase their incomes, which are already high relative to the nation as a whole. More importantly, rural dwellers, who have low incomes

relative to all of India, will see their incomes climb closer to the national average. Equalizing rural income, relative to the rest of India, will reduce feelings of economic injustice that normally encourage secessionism.

### **Tourism**

The tourist industry will likely affect growth positively in a host of allied sectors, thus helping to close the gap with other parts of the country. By creating service sector employment opportunities, the tourist industry will directly address the problem of youth unemployment, thereby replacing income from participation in separatist groups. The extent to which tourism development is equitably pursued among the three regions within Jammu and Kashmir will also determine its effect on minimizing ethno-religious grievances between Muslims and Hindus. Finally, the positive effect of tourism development on allied sectors will contribute to the overall rise in state income, thereby helping to decrease income inequality with respect to the rest of India.

### **Infrastructure**

Infrastructure development will enhance the effects of agriculture and tourism projects by increasing efficiency and improving market access. An additional factor for consideration is the potential impact development of power generation infrastructure will have on Jammu and Kashmir as a whole. The potential for sustainable hydropower generation is exceptionally large. However, one must consider the feasibility of exploiting all available resources and the time necessary to implement such projects. It is unlikely that the region will produce sufficient electric power that it could become a net power exporter in the near future. Additionally, treaty complications with Pakistan for water use rights complicate fully exploiting the region's hydro resources, particularly if the benefits are conferred principally to India-controlled Jammu and Kashmir (Directorate of Economics and Statistics, Jammu and Kashmir, 2009).

### *Trade Dependency*

An independent Jammu and Kashmir cannot be economically viable in its current state. However, the less that the state is integrated into the national economy, the higher the likelihood for secessionist sentiment to persist. If the state and central authorities continue to be perceived as ineffective or unwilling to invest in local development, secessionist sentiment will continue to fester and the risk of conflict will likely increase. Therefore, effective development measures would encourage domestic trade and investment linkages to substantially deepen economic integration with the rest of India. As current development plans include measures to promote such efforts, the extent to which they are successful will probably determine the likelihood of continued secessionist sentiment.



## **Agriculture**

Much of the development in the agricultural sector will come from increased access to export markets (both to and via India). This will make Jammu and Kashmir's trade more dependent on its relationship with the nation. Increased trade dependency will reduce residents' desire to secede.

## **Tourism**

Tourism as a service sector commodity presents significant export potential that ongoing and future development plans aim to address. However, tourism is distinct in that it moves consumers to the "product" rather than transporting the product to consumers. It is thus intricately tied to other industries such as agriculture, land, and labor. Therefore, the tourist industry's trade dependence will be significantly influenced by the level of dependence in other sectors of the economy. As such, it is difficult to estimate the specific trade dependence of the tourist industry and the resultant effect on secessionism.

## **Infrastructure**

Improvements to the state's transportation and communication infrastructure will facilitate deeper economic integration with the rest of India by allowing Kashmiri goods to flow out and tourists to flow in. While there is the potential that these infrastructure improvements will open Kashmir to the global economy, direct trade with international partners is unlikely to become large relative to trade with India.

## *Net Capital Flows*

Jammu and Kashmir is one of the largest recipients of grants from the central government, placing the state in a firmly positive net capital flow position and minimizing the associated risk of a rise in secessionist activity. This is unlikely to change in the foreseeable future as current development plans envision a further rise in investments across economic sectors. Central and state authorities also seek to expand private and foreign investment sources. In turn, Jammu and Kashmir is also among the lowest contributors of per-capita income tax to the central government.<sup>3</sup>

As a result, the state's present net outflow position does not increase the risk of secessionism. It is crucial, however, that profits realized under the current development schemes be reinvested back in the local economy in order to avoid public perception of economic exploitation by New Delhi, which would likely lead to a rise in secessionist sentiment.

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<sup>3</sup> Among reporting Indian states, Jammu and Kashmir contributes the lowest net income tax and the second lowest per-capita income tax (Indiastat, n.d.).

## **Agriculture**

Jammu and Kashmir has a very favorable net capital flow position relative to India as a whole. Government programs put more money into the region than they withdraw in taxes. Increased trade dependency may involve a slight rise in outflow, as some agricultural profits will be drawn by firms outside Jammu and Kashmir. However, it seems unlikely this outflow will be substantial enough to overcome the large inflow of national development support. As long as they are widely perceived, continued positive net capital flows will reduce the desire of Kashmiri residents to secede.

## **Tourism**

Years of violence have prevented meaningful development and left the tourist infrastructure in Jammu and Kashmir in shambles. As such, substantial investment is needed to expand and modernize the industry. Because of this, tourism will likely be a source of a significant capital flow into the state as current development plans depend largely on central government funding. Boosting investment, therefore, carries the potential of significantly increasing net inflows, thereby likely reducing secessionist sentiment. Attracting foreign tourism and investment is also crucial in this regard, as tourists from abroad will bring in needed foreign currency.

## **Infrastructure**

Infrastructure development projects in Jammu and Kashmir have required significant capital investment by the Indian government and will continue to require funding for the foreseeable future. Some, such as the Jammu Udhampur Srinagar Baramulla Railway Link, are several years from completion and as such will continue to draw funding from the central government. Other projects such as roads and telecommunications infrastructure can be completed over a shorter time period. As such, capital flows for development and construction will be shorter lived. However, upon completion, these assets will continue to draw funding for proper maintenance, a priority established under the current five-year plan.<sup>4</sup> Consequently, capital flows stand to be positively influenced by these infrastructure projects, reducing secessionist sentiment in the state.

By decreasing transportation costs, the risk of economic leakage increases. This loss of funds may create the perception that foreign businesses are profiting at the expense of local stakeholders. This perception may arise despite absolute gains from trade in goods and services if residents of Jammu and Kashmir perceive a net loss in capital. This perceived loss will reduce the positive capital flows mentioned above. Development of electric power generation infrastructure may produce similar effects if profits accrue mainly to national utilities located outside the state.

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<sup>4</sup> The economy of India is based in part on planning through its five-year plans, developed, executed and monitored by the Planning Commission. The tenth plan completed its term in March 2007 and the eleventh plan is underway (Planning Commission, Government of India, n.d.).

### *Economic Decentralization*

Jammu and Kashmir occupies a semi-autonomous position within India. This boosts the perception and practicality of its viability as an independent entity and, in turn, contributes to a rise in secessionist sentiment. The higher degree of decentralization in Jammu and Kashmir relative to the rest of India, however, is offset by the high level of economic integration and trade dependence with the national economy. Current development plans call for the expansion of private sector and small business ventures, which will contribute to increased decentralization of the local economy. However, this effect will likely be curbed by Jammu and Kashmir's continued reliance on Indian markets and trade networks and may even decrease with the deepening of the state's economic integration with the rest of India.

### **Agriculture**

The bulk of agriculture development schemes, while planned and funded at the national level, are implemented by state institutions. Any secessionist sentiment fueled by this decentralization of economic power will be tempered by the heavy financial reliance on the national government, insofar as this reliance is popularly perceived.

### **Tourism**

Much like other economic development sectors, tourism is heavily dependent on central planning and funding. Although central and state authorities collaborate in creating development strategies, including a greater focus on private-sector investment and state-level implementation, overall investment and coordination is conducted predominantly at the national level. Consequently, as long as state development authorities continue to depend on central funding, the risk of heightened secessionist sentiment resulting from economic decentralization will likely remain low.

### **Infrastructure**

Infrastructure development is extremely costly and is beyond the capacity of the state government to implement on its own. As such, development of the state's infrastructure is highly dependent upon national support for the duration of the project and beyond, related to initial construction and later maintenance.

Table 3 summarizes the conclusions of this development analysis.

**Table 3: Predicted Effects of Development on Secessionism, by Sector and Economic Factor**

		<b>Factor</b>					
		<i>Absolute Level of Development</i>	<i>Relative Level of Development</i>	<i>Trade Dependency</i>	<i>Net Capital Flows</i>	<i>Economic Decentralization</i>	<b>Total</b>
<b>Sector</b>	<i>Agriculture</i>	Likely Increase	Likely Decrease	Likely Decrease	Very Likely Decrease	Likely (Minor) Increase	Likely Decrease
	<i>Tourism</i>	Likely Increase	Likely Decrease	Uncertain	Likely Decrease	Unlikely Increase	Likely Decrease
	<i>Infrastructure</i>	Likely Increase	Uncertain	Likely Decrease	Likely Decrease	Uncertain	Uncertain
	<b>Total</b>	Likely Increase	Likely Decrease	Likely Decrease	Very Likely Decrease	Unlikely Increase	

## VI. Implications

Jammu and Kashmir relies almost entirely on state funding while generating virtually no resources of its own. The hostile environment has severely discouraged private investment and enterprise. By necessity, successful development projects require funding and central coordination from the Indian government, creating critical linkages between local and national institutions. Current Indian development programs in Jammu and Kashmir stand to increase absolute levels of development, reduce economic decentralization, increase net capital inflows, and increase trade dependence on India. Provided that popular perception of these changes mirrors reality, development in these areas should lead to a net decrease in secessionist sentiment. While increased absolute levels of development carry the possibility of increased secessionism, the likelihood that Jammu and Kashmir would achieve a level of development sufficiently high to contemplate self sufficiency is extremely low. The effect on relative levels of development is significantly more ambiguous, as residents may not recognize an improvement in their economic position relative to the rest of the country.

Appropriately coordinating the projects among the sectors analyzed will increase not only their success in bringing meaningful development but also bring about an overall reduction in secessionist sentiment. Infrastructure development projects are closely aligned with the needs of agriculture and tourism development and, as such, understanding the links among the sectors will ensure more effective development. For example, rail and road projects providing agriculture and tourism access to broader markets, via India, will not only increase economic returns but deepen trade dependency and thus decrease secessionist sentiment.

To ensure that development strategies produce a reduction in secessionism, program administrators must ensure residents of Jammu and Kashmir internalize the state's reliance on Indian national planning, funding, and trade. Actively fostering this popular perception, rather than assuming that the outcomes of economic development are self-evident, will be critical in reducing secessionist sentiment.

Where appropriate, programs will benefit if they include explicit elements that enhance popular perception of the size and consequence of national contributions. Development projects can be signed, named, and publicized as joint efforts between local and national actors, with the intent of integrating Jammu and Kashmir with India, with a publicized emphasis on the benefit to the former. This approach will ensure that the region recognizes the changes in the economic factors we analyzed in this report and accurately attributes them to the Indian government.

Challenges remain, however, for the Indian government, mostly due to the aggressive counter-insurgency strategy it has pursued.<sup>5</sup> These claims diminish Indian

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<sup>5</sup> Internationally acknowledged and verified claims of torture against perceived militants and human rights abuses by security forces only add to the desire for independence. In the mid-1990s, Jammu and Kashmir housed 63 interrogation sites where torture was regularly used (Schofield, 1996).

credibility and ability to capitalize on the lull in violence (Schofield, 1996). While security in Jammu and Kashmir is critical to the success of any economic development strategy, care must be taken that counter-insurgency measures do not increase secessionist sentiment. Furthermore, continued human rights violations may discourage assistance from countries such as the United States that may not want to risk tarnishing their reputation by closely associating themselves with such actions.

## **VII. Opportunity Analysis**

The United States can play a critical role in increasing the success of development in Jammu and Kashmir, in bringing meaningful development, and in reducing secessionist sentiment. By lending its reputation, expertise, and financial resources to Indian authorities, the United States can encourage effective planning and implementation of development programs targeted to reduce secessionist sentiment.

The United States enjoys a positive perception among residents of Jammu and Kashmir and is generally viewed as an “honest broker.” Through 2004, residents credited all positive developments in the region to American involvement (Habibullah, 2004). As such, the United States can leverage its position to improve regional perceptions of the Indian government by putting its reputation behind Indian development programs and, thereby, legitimizing India in the region. What is crucial, however, is that the United States not be seen as the principal actor driving the process, as this would do little to build regional perception of the relationship with India.

Financial assistance directed through India’s national government carries the greatest likelihood of contributing to the reduction of secessionist sentiment in Jammu and Kashmir. Such assistance coming from the Indian government will increase net capital flow, limit the degree of economic decentralization in Jammu and Kashmir, and can be used on integrative projects that increase trade dependency.

The extent of effective development across the Line of Control depends on the close political, social, and economic relationship between the Pakistani and Indian-controlled areas of Kashmir. The paucity of reliable information on the Pakistani-controlled areas limits the extent of our analysis to the Indian side. For this reason, we recommend the extension of this analysis by those with access to better information from Pakistani-controlled Kashmir. Despite this lack of information, the United States can play a vital role in increasing economic interdependence by promoting greater trade linkages across the Line of Control.

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## **Appendix A: History of Kashmir Conflict**

The Kashmir conflict has evolved tremendously since the 1947 partition of India and Pakistan. Though initially entirely controlled by India, Jammu and Kashmir was among a handful of princely states able to decide for themselves whether to join Pakistan or India upon independence. Intense identity politics fueled conflict and instability, prompting the leader to accede to India, a decision that ultimately led to the outbreak of the Indo-Pakistani War of 1947. Largely a military offensive between the Indian and Pakistani armies supported by smaller militias, there was sustained fighting into 1948 (British Broadcasting Company, n.d.). Perhaps most significant was the Pakistani success in the war, giving them control parts of Kashmir. In 1948, an agreement was reached between the governments of India and Pakistan to establish a Ceasefire Line (later the Line of Control) in Kashmir separating Indian and Pakistani territories (United Nations, 1948). Though smaller disputes over Kashmir (including one with China) continued, the next significant issue came in 1965 with a second Indo-Pakistani War.

Though shorter, the Second Kashmir War represented Pakistan's blatant attempts to take control of all of Kashmir. Pakistan initiated the war with Operation Gibraltar, an action intended to spark rebellion against Indian rule (Ganguly, 1996). Though wholly unsuccessful, Indian forces responded to the Pakistani attempt, sparking a five-month war. The war ended in September 1965 with a UN-mandated ceasefire and peace agreement. The 1965 conflict resulted in India and Pakistan committing themselves, at least in word, to restored relations, non-interference in one another's affairs, and a re-establishment of control at the 1948 Ceasefire Line (British Broadcasting Company, n.d.).

In 1971, a third Indo-Pakistani conflict occurred, this time with implications that changed the regional makeup of modern-day South Asia. By most accounts, a preemptive Pakistani air strike on Indian air bases prompted the war. Pakistan, however, maintains that the fighting was an extension of Bangladesh's struggle for independence. The strikes were considered a declaration of war, leading India to respond with its own offensive. During this time, Pakistan was similarly engaged in the Bangladesh Liberation War, which resulted in the creation of a new independent state. While India did provide support to the Bangladeshi cause, its primary involvement lay in responding to the Pakistani strike. The war was an all-out military offensive, which included ground, naval, and air components (British Broadcasting Company, n.d.). India captured tens of thousands of prisoners of war, leaving almost no choice but for Pakistan to surrender. The war was a proxy for Cold War politics. Given the close relationship Pakistan had with China (with whom the United States was negotiating), the United States offered a great deal of support to Pakistan to sustain its efforts. However, even American financial and material resources were not sufficient. The war ended with the 1972 Simla Agreement, within which India and Pakistan reaffirmed their commitment to peaceful relations and outlined the actions each would take toward that end. With specific relation to Jammu and Kashmir, the Simla Agreement established the 1948

Ceasefire Line as an official Line of Control, each side committing to respecting that as a border of their territory (British Broadcasting Company, n.d.).

Though the agreement showed some promise, an active separatist movement began to develop. By the late 1980s, groups formalized and, with the assistance of wealthy foreigners, became significantly stronger. In light of the socio-political dynamics of the Afghan-Soviet war, this movement soon militarized and developed a hardened wing. Soon, multiple groups formed, threatening stability in the region lives (Schofield, 1996).



### Appendix B: Overview of Key Secessionist Groups

Name	Year Founded	Brief History	Funding	Primary Goals Today
<i>Harkat ul-Jihad-I-Islami</i>	1980, in Afghanistan	<p>Founded as part of Pakistan’s anti-Soviet force</p> <p>Initial mandate was as a service organization in Afghanistan during the Soviet occupation</p> <p>Over time, the goal became defeat of the Soviet army and establishment of Islamic law in Afghanistan.</p> <p>Added to the U.S. Department of State’s “Foreign Terrorist Organization” list</p>	<p>Pakistani Inter-Services Intelligence</p> <p>Pakistani elite</p>	<p>Jammu and Kashmir to break free from India to join Pakistan.</p> <p>Violence as a primary strategy to achieve this goal.</p>
<i>Jammu-Kashmir Liberation Front</i>	1977, in United Kingdom	Expanded throughout Europe, the Middle East, and the United States before making its way to Pakistan-controlled Kashmir and, ultimately, Jammu and Kashmir in 1987	<p>Pakistani Inter-Services Intelligence (at one point)</p> <p>International branches of the organization</p>	Complete independence of Kashmir, from India as well as Pakistan
<i>Kashmir Freedom Movement</i>	1972	Unclear	Unclear	<p>Independent Jammu and Kashmir free of Indian and Pakistani military forces as an ultimate goal.</p> <p>Short-term goals targeted toward life as Indian state, including an end to human rights abuses by India, free speech and other political rights, and UN-led elections to bring about end to dispute.</p>

Name	Year Founded	Brief History	Funding	Primary Goals Today
<i>Lashkar-e-Taiba</i>	1993	<p>Militant wing of a Pakistani organization known as Markaz-ad-Dawa-wal-Irshad.</p> <p>Engaged in militant activity, training militants and targeting civilians in Jammu and Kashmir.</p> <p>Has taken credit for several attacks against the Indian military and, though it has denied such claims, is suspected of being behind the 2006 Mumbai commuter rail bombing and the 2008 Mumbai attacks on major hotels</p> <p>Often conducts relief work as a means of gaining support. It is said to operate schools, clinics, hospitals, and blood banks throughout Pakistan. After the Kashmiri earthquake in 2005, started expanding operations to Jammu and Kashmir.</p>	<p>Pakistani Inter-Services Intelligence</p> <p>Parent organization, Markaz-ad-Dawa-wal-Irshad</p>	<p>To restore Islamic rule over all parts of India and bring unity among the Muslim-majority regions that surround Pakistan.</p>

Sources: Center for Defense Information (2004), South Asia Terrorism Portal (n.d.a and n.d.b), Jammu Kashmir Liberation Front (n.d.a and n.d.b), Kashmir Freedom Movement (n.d.), Bajoria, (2010)

## Appendix C: Current Development Projects

Many development projects in Jammu and Kashmir focus on agriculture, tourism and infrastructure, including transportation and telecommunications, and hydroelectric power.

### *Agriculture*<sup>6</sup>

The Indian national and Jammu and Kashmir state governments are implementing a number of agricultural development programs. The government of Jammu and Kashmir focuses agricultural development efforts on diversifying into more profitable commercial crops. These efforts target greenhouse and off-season vegetables, commercial floriculture, aromatic and medical plant cultivation, apiculture, and mushrooms. Additional state efforts are focused on farm irrigation management.

The following nationally planned and funded activities are being implemented through the Jammu and Kashmir Department of Agriculture. These schemes are intended to be supplemented by delegating work to non-governmental organizations, cooperatives, or private companies.

- *Technology Mission for Integrated Development of Horticulture in North Eastern States, Sikkim, Jammu and Kashmir, Himachal Pradesh and Uttarakhand.* A broad, nationally funded general mission to improve efficient and sustainable use of resources across all phases of the agricultural cycle and throughout all links in the sector chain.
- *National Horticulture Mission.* Eight-five percent funded by the national government, this scheme supports the enhancement of all aspects of agricultural activity by promoting the model of cooperatives used by the National Dairy Development Board to ensure support and adequate returns to farmers.
- *Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize.* Funded 75 percent by the national government, this flexible scheme provides financial support for state governments to develop agricultural support schemes. In Jammu and Kashmir, this scheme is focused on maize production.

The following activities are being implemented at the national level:

*Mass Media Support to Agriculture Extension.* “The existing infrastructure of Doordarshan and All India radio is being utilized to produce and transmit programs covering a wide spectrum of topics in agriculture and allied fields for bringing the latest information and knowledge to the farming community,” the Indian Ministry of Agriculture (2009) reports. Programs are presented via radio, television, and live seminars, all adapted to

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<sup>6</sup> The information for the discussion on the development of agriculture is from the Department of Agriculture and Cooperation within India’s Ministry of Agriculture (2009).

regional contexts and made available in regional languages or dialects. (Department of Agriculture and Cooperation, n.d.).

- *Improvement of Agricultural Statistics.* This scheme is developing a national agency for reporting of agricultural statistics. Primarily focused on crop area and production statistics, this agency will aim to improve the quality and timeliness of these statistics.
- *Development and Strengthening of Agricultural Marketing Infrastructure, Grading, and Standardization.* Through promotion and incentives, this scheme is encouraging private market participation in the provision of “additional agricultural marketing infrastructure to cope with large expected marketable surpluses of agricultural and allied commodities,” according to the Indian Ministry of Agriculture (Department of Agriculture and Cooperation, n.d.).
- *National Agricultural Insurance Scheme.* Funded 50 percent each by state and national governments, this scheme provides food crop, oilseed, and commercial crop insurance to all farmers. Presently, small and marginal farmers are provided a 10 percent subsidy on their premiums.
- *Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds and Integrated Development of Tree Borne Oilseeds.* These schemes are intended to develop a domestic source of quality seeds and plant stock and ensure farmers have access to the highest quality seeds.

### *Tourism*<sup>7</sup>

The 2009 Performance Review of Jammu and Kashmir Economy stresses that developing, expanding, and upgrading tourist infrastructure is a priority in the initiatives being pursued in the state and national development plans. Fifteen development authorities have been established, more than tripling the previously existing total of four. They are specifically charged with developing tourist infrastructure in new areas while upgrading facilities in popular tourist destinations. A central part of this plan specifically concerns expanding accommodation capacity, both to attract more tourism and to generate employment for the local population. To address security concerns, another major initiative looks to stress greater marketing and positive publicity. Other initiatives focus on expanding rural tourism, thereby extending the associated economic benefits to the majority rural population. In doing so, the expected increased influx of tourists will have a positive impact on the important local handicraft industry. General infrastructure development (including connectivity, roads, power) has been identified as a major initiative thrust.

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<sup>7</sup> Unless otherwise noted, this section is based on information from the Task Force on Development of Jammu and Kashmir (Government of India, 2006) and the Directorate of Economics and Statistics, Jammu and Kashmir (2009).

- *Transportation:* Expanding and upgrading the Kashmiri transportation network is designed to attract the affluent foreign tourists as well as generate employment and higher income for current travel and tourist taxi operators.
- *Accommodations:* To rapidly address the chronic shortage of beds, the state plan makes provisions for greater availability of boarding and lodging under the title of Paying Guest Type Accommodations. The strategy encourages private households to make certain rooms and facilities available for tourists. Importantly, the strategy focuses on providing employment and financial assistance to program participants, especially for local unemployed youth (Tourism Department, Jammu and Kashmir, 2007).
- *Infrastructure investment:* The investment plan is split between state and centrally allocated funds. The focus of these projects is on the development of popular destination spots, tourist travel circuits, and rural tourism. The state investment amounted to \$20.6 million for 2008-09, representing an increase over 2007-08. Between 2003 and 2009, the Indian Ministry of Tourism approved 36 projects for which funds have been released.
- *Heritage conservation:* A number of historical, cultural, and natural sites are undergoing conservation work and conversion into tourist sites. Additionally, in an effort to develop ecotourism in the state, four major lakes in Jammu and Kashmir have been identified for conservation measures with funding approved.

The 2006 Task Force on Development of Jammu and Kashmir identifies building confidence in the security situation as the most important challenge in the effort to encourage and sustain tourism to the state. Inadequate infrastructure, however, will continue to hamper development efforts unless Jammu and Kashmir attracts substantial and growing investment, especially from domestic sources. Jammu and Kashmir largely lacks modern tourist facilities. The general scarcity of shopping venues, restaurants and food courts, and cinemas limits the appeal of the region to a wider range of travelers. The state's woefully inadequate accommodations limit the growth potential of the tourist industry. Although accommodation capacity increased modestly in recent years, it still does not meet the needs of the industry, especially if it is to attract the more lucrative foreign tourism. In each of the three regions, tourist accommodations are inadequate and largely below standards.

Jammu and Kashmir and central authorities have begun work on a number of projects under the plans outlined. Two tourist reception centers have been completed with a third under construction; \$12.5 million has been allocated to promote the development of Paying Guest Type Accommodations. A number of tourist attractions, such as parks and golf courses, have been developed as of the end of 2008. Cultural and sports events were conducted in 2007 and 2008 to promote adventure tourism.

Although tourism to the Kashmir Valley effectively stalled throughout much of the past 20 years, pilgrimage tourism to Jammu and Kashmir's Buddhist and

Hindu shrines remained relatively unaffected. In fact, the state was once the center of Buddhism and holds high appeal to East Asian tourists. This heritage has been recognized as a crucial link to exploit in designing effective development strategies. Two of the most important Hindu shrines, Vaishno Devi and Amarnath, attract the vast majority of visitors annually, significantly contributing to the state's economy. Annually, Vaishno Devi still sees 7 million visitors, injecting more than 4.6 billion rupees to Jammu and Kashmir's economy. However, current tourism is largely domestically driven and religiously motivated.

Jammu and Kashmir's shrines are by far the primary draws for visitors to the region and would benefit from strong promotion as major tourist attractions for casual tourists as well. Their value as cultural symbols and historical monuments offers a major opportunity to attract foreign visitors. The central place in Buddhist and Hindu religion, the shrines and other imported cultural sites in Jammu and Kashmir should be promoted as tourist sites rather than solely as places of religious pilgrimage. This emphasis would generate broader appeal to foreign tourists. However, until the security situation in Jammu and Kashmir stabilizes enough to guarantee the safety of visitors, tourism development strategies will be most effective if focused on these important cultural sites and the expansion of tourist infrastructure. The heritage conservation initiatives currently underway, if strongly promoted, can increase the tourist infrastructure rapidly, serving as a major attraction for these sites.

Security remains a crucial factor in determining the pace of development. Despite improvements in recent years, the security situation surrounding Jammu and Kashmir's major tourist sites remains tense, as illustrated by the violence over the 2008 Amarnath land transfer controversy (Tremblay, 2009). Tourism is unlikely to see significant growth until the potential for violence is eliminated. While investments have been made to create new golf courses and parks, these will attract few tourists if the security situation remains uncertain. Once security can be assured, development of tourism has a significant potential to generate employment (especially in the service sector) and a large proportion of state income, thereby having a substantial effect on the reduction of secessionist sentiment and rendering future outbreaks of violence less likely. The present lull in violence, therefore, presents a significant opportunity to rebuild the tourist industry substantially. Service sector employment-generating projects, particularly surrounding cultural and heritage sites will likely have the largest impact in the short term (Planning Commission: Government of India, 2003).

### *Infrastructure*<sup>8</sup>

Jammu and Kashmir depends on a single national highway that connects it with the rest of India. Road connectivity within the state shows great disparity in accessibility across districts, particularly in rural areas. Furthermore, limited

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<sup>8</sup> Except where noted, information for this section is from the Performance Review of Jammu & Kashmir Economy (Directorate of Economics and Statistics, Jammu and Kashmir, 2009).

funding outside five-year plan allocations has made it increasingly difficult for the state government to provide proper maintenance. As a result, while new capital infrastructure assets are being completed under successive five-year plan programs, existing infrastructure starts decaying much earlier than its expected service life (Planning Commission: Government of India, 2001).

The areas of focus for the current five-year plan (2008-2012) as identified by the Public Works Department includes:

- *Roads.* New rural connectivity through the Bharat Nirman Rural Infrastructure Business Plan; improvement of rural roads; completion of prestigious projects in the Kashmir valley, especially Mughal Road, Narbal-Tangmarg Road, and Khanbal-Pahalgam Road; proper maintenance of existing road infrastructure. During the current five-year plan (2008-2012), 416 billion rupees are slated for road development projects.
- *Railways.* Railways are the principal mode of transportation in India. One of main reasons the economy of Jammu and Kashmir lags behind the rest of the country is the slow pace of rail development. As in other hilly regions of India, terrain challenges have slowed expansion of the rail system. The governments of Jammu and Kashmir and India have recognized the crucial role that rail will play in the development of the state. The Indian government is providing technical and financial support for developing railway links in the region (Press Information Bureau, Government of India, 2009; Rao, 2009).

The principal rail project in Jammu and Kashmir is the Kashmir Railway, officially known as the Jammu Udhampur Srinagar Baramulla Railway Link. The planned 345 kilometer line will run from northern India to the northwest part of the Kashmir Valley in Baramulla. Two of the four legs of the link have been completed; the central two legs remain unfinished. The Udhampur to Katra leg, originally scheduled to open in 2005, has repeatedly missed promised opening dates. Work on the section, which had been suspended for two years due to water logging inside a tunnel, resumed in September 2009, and the latest estimate is toward the end of 2011. The completion of the Katra to Qazigund leg remains uncertain, plagued by technical difficulties and disputes with contractors over the choice of alignment, and is not expected to be completed until 2017.

- *Air Travel.* Air travel is the fastest and most comfortable mode of transportation within Jammu and Kashmir, but also the most expensive, providing accessibility to cut-off areas and connecting all three regions of the state. In difficult terrain such as the mountainous areas of Leh and Kargil, road connectivity can be disrupted during winter months due to heavy snowfall. In these areas, air travel becomes the only means of reliable access. The Srinigar Airport services the Kashmir region and has been upgraded as an international airport. The airports at Jammu and Leh,

which serve the Jammu and Ladakh regions respectively, are being upgraded to improve service. A fourth airport is in Kargil in the western region of Ladakh. Other areas are accessible by helicopter, but the difficult terrain and scattered population calls for more airports and better connectivity. State authorities have shown interest in exploring air-taxi service between Katra and Baderwah for promotion of tourism in the state.

- *Telecommunication.* Telephone connectivity has increased over the years as the area per phone has decreased from 0.57 square kilometers to 0.09 square kilometers as the number of installed telephone connections has increased more than fivefold since 2000. The Bharat Niram aims to increase rural tele-density by at least 40 percent by 2014 and to provide broadband coverage to all village governments.
- *Hydroelectric Power.* Kashmir's waterways could potentially generate 16,480 megawatts of hydroelectric power, nearly equivalent to the total generating capacity of the United States. If this were harnessed efficiently, it could be used to supply power to northern India, Pakistan, and Central Asia. However, of the identified potential, only 2318.70 megawatts or 14 percent has been exploited to date. Moreover, poor management of the power sector has led to considerable inefficiency, with more than 63 percent of generated electricity being lost to transmission and distribution, one of the highest rates in the country. The Indian government has earmarked 189 billion rupees for improvements to the region's electrical generation, transmission, and distribution infrastructure.

Power from all generation sources within Jammu and Kashmir is unable to meet power requirements during periods of peak demand. As such, the state is required to purchase additional power from its neighbors. While electrification rates for the state overall are higher than the national average, areas such as the Ladakh region are disproportionately deficient in terms of power supply and subsequently dependent upon expensive diesel generators for power.

Medium-sized hydroelectric projects in this region have been considered by the Indian government. In addition to better integrating residents of remote areas into the national mainstream, this will result in savings for the Defense Ministry, which is spending a substantial amount to generate power for its units stationed in that region.

Technical and legal limitations on the Indus River would restrict generation to less than one-third of the installed capacity during winter, due to reduced water flow. Therefore, even if these hydroelectric projects are commissioned, it will be necessary to make alternative arrangements to meet the power requirement of the people during winter.