

ORF OCCASIONAL PAPER #29

DECEMBER 2011



The Economics of Peace: A Nepalese Perspective

Hari Bansh Jha

OBSERVER RESEARCH FOUNDATION

The Economics of Peace: A Nepalese Perspective

Hari Bansh Jha

**OBSERVER RESEARCH FOUNDATION
NEW DELHI**

About the Author

Hari Bansh Jha is Professor of Economics and Executive Director of Centre for Economic and Technical Studies (CETS) in Kathmandu, Nepal. He taught economics in Nepal's Tribhuvan University for 23 years and he has to his credit more than two dozen books on national and international issues. He has worked on nearly 60 research projects. Currently, he is Visiting Scholar at Institute of Asian Studies, German Institute of Global and Area Studies, Hamburg, Germany. Besides, he is also ICCR Fellow at Institute for Defence Studies and Analyses, New Delhi.

The Economics of Peace: A Nepalese Perspective

"He who has not controlled his senses can have no reason; nor can such an undisciplined man think of God. One who is not connected with the Supreme can have neither transcendental intelligence nor a steady mind, without which there is no possibility of peace. And how can there be any happiness without peace?"

[Bhagavdgita: Chapter 2/Verse 66]

Abstract

Understanding the importance of peace has been accorded high priority in many religions, such as Hinduism, Jainism, Buddhism and Sikhism. In recent years, many economists have realized the monetary value of peace. Peace is a pre-requisite for the development of infrastructural facilities like education, health, roads, irrigation, power and communications. Development activities are all shattered during periods of conflict. In Nepal, too, the decade-long conflict between 1996 and 2006 brought about colossal loss to life and property. Inequality of income and opportunities, together with poverty is the root cause of conflicts. In order to maintain permanent peace, it is essential to divert military expenditure to expenditure on economic activities, like the development of education, health and infrastructural facilities. Peace games, peace enterprises and peace mediation capacity also need to be developed, apart from developing the feeling of oneness in the society.

Background

Until a few decades ago, there were only a few citizen-based organizations to prevent conflicts in the world. The role of citizen diplomacy was not given serious recognition until World War II ended in 1945. Even in the United States, the concept of citizen diplomacy evolved only after the war. The Fulbright Scholars' programme, the Rotary International and Peace Corps were the creation of post-World War II period. In today's world, track two diplomacy and multi-track diplomacy are well recognized as instruments of peace. Now numerous degree granting programmes, NGOs, governments, besides the United Nations have emerged as important agencies to reduce violent conflicts. At the individual level, the Nobel Laureates, scientists, artists, philosophers, states persons and international panel of eminent personages have been trying to build political will among the nations for the prevention of violence and creation of peace (Dambach, Charles F, 2008).

Shanti mantras (peace chants) are recited at the beginning and end of each religious ritual among the Hindus. There is a perception that the *mantras* calm the mind and the surrounding environment, apart from removing foreseeable obstacles. Often, the *shanti mantras* is concluded by uttering the word *shanti* three times for removing three-fold miseries, i.e., *Adhibhautika* (physical), *Adhidaiivika* (Divine) and *Adhyatmika* (body) to which we mortals are subject to. These are also called Tapa-Traya in Sanskrit. While *Adhibhautika* suffering is caused by beings around a person, *Adhidaiivika* suffering is caused by external elements such as *Devas* (divinely ordained) in the form of earthquakes, floods and other natural calamities. *Adhyatmika* suffering is caused by one's own body. Sufferings at the physical, divine and body level can be controlled through peace.

The Hindu scriptures are flooded with emotional appeals to maintain peace at all levels. They want peace to radiate everywhere in the vast ethereal space. They want calm and tranquility to prevail over earth, air, water, as also herbs, trees and creepers. They want peace to flow over the entire universe. They treat all beings in the universe as relatives. As such, they believe that refraining from injuring anything (*Abimsa Paramo Dharmaha*) is the supreme religious tenet for all mankind. Jains, Buddhists and Sikhs have all placed peace above all else in order to maintain harmonious relations among people and between people and nature.

At the practical worldly level, there are three different forms of peace—*Sattvic* (calmness), *Rajasic* (impure) peace and *Tamasic* (dullness) peace. In the state of Sattvik peace, people are calm, unselfish and compassionate. They have a vision for global welfare and intend to avoid violence both within the nation as well as with other nations. They want everybody to be prosperous together. They want to live in a corruption-free environment. Politically, they want to have a well-functioning democratic government accountable to the people. Besides, they want to maintain effective law and order situations, promote human rights and good neighbourly relations.

In the state of *Rajasic* peace, people become captives of different passions and worldly desires. They want to live in democratic environment. They want good governance. They want to be prosperous. But they are least concerned about the welfare of other states. Quite often, this kind of peace results in police states. Because of their narrow thinking, they are largely self-centered and so they do everything for themselves.

When in a state of *Tamasic* peace, people are passive, insensible, gloomy, sluggish and dull. They are passive about maintaining peace either within the country or with other countries. They accept conflict and violence as if it is a

part of life. Any vision for the creation of a welfare state or global welfare is lacking. Also, they are least concerned about democracy, prosperity, good governance and about meeting the basic necessities of life for the common people.

Many of the definitions of peace as given in the modern day literature are not satisfactory. Peace is defined merely as a state in which there is an absence of war, violence or destructive conflict. This definition of peace is negative in its approach, though it is useful in so far as it allows peace to be measured. Peace is not merely the absence of war or conflict internally within the country or with the other countries. It is much more than that.

In regard to positive peace, Betty Reardon holds that it constitutes the conditions for the existence of " 'justice', in the sense of full enjoyment of the entire range of human rights by all people." A more explicit definition of positive peace is made by the Earth Charter, which says "...peace is the wholeness created by right relationships with oneself, other persons, other cultures, other life, Earth, and the larger whole of which all are a part." Interestingly, the focus on right relationship in the definition is mentioned in almost all the faiths, spiritual and ethical traditions.

Johan Galtung in his book *Peace by Peaceful Means* defines positive peace as processes of life enhancement. He classifies peace into three categories—direct peace, structural positive peace and cultural positive peace. According to Galtung, direct positive peace is "verbal and physical kindness, good to the body, mind and spirit of Self and Other; addressed to all basic needs, survival, well-being, freedom and identity." Structural positive peace substitutes "freedom [from] repression and equity for exploitation, and then reinforces this with dialogue instead of perpetration, integration instead of segmentation, solidarity instead of fragmentation, and participation instead of marginalization." Cultural positive peace substitutes

"legitimation of peace for the legitimation of violence; in religion, law, and ideology; in language; in art and science; in schools, universities, and the media; building a positive peace culture" (Galtung, Johan, 1996: 31-32).

Personally, I would define peace as "the state of mind in which all the senses are controlled, the feeling of belongingness or oneness is developed with all other instincts and harmonious relations are maintained among the people both within the realm of a nation and with other nations for the welfare of all." In fact, peace is an internal phenomenon. External peace is merely the manifestation of internal peace-be it at the personal or societal or national level. Lao-tse, the Chinese philosopher supports this viewpoint in the following logical sequence of facts:

If there is to be peace in the world, there must be peace in the nations.

If there is to be peace in the nations, there must be peace in the cities.

If there is to be peace in the cities, there must be peace between neighbors.

If there is to be peace between neighbors, there must be peace in the home.

If there is to be peace in the home, there must be peace in the heart.

Despite the overwhelming importance of peace in the life of a person, family, society or a nation, it is only recently that peace has been acknowledged as a branch of economics. Importance of peace economics is increasingly being realized as conflicts increase. There is a direct correlation between peace and economic performance. Higher level of per capita income, well-being, freedom and more equitable distribution of social spending is possible only in peaceful societies.

Monetary Value of Peace

Peace has a monetary value. Jurgen Brauer estimated that the global economy would have benefited to the extent of US \$ 18.50 trillion dollars if there had been peace in the world for four years between 2006 and 2009. A 25% rise in

the degree of peace would have resulted in a gain of US\$ 7.07 trillion (Institute for Economics and Growth, 2009: 6-7)). It is only in the environment of peace that the corporations can make strategic business planning for investment and marketing. At the global level, 80% of the business leaders think that peace leads to the expansion of the market and 79% of them believe it reduces the costs.

Moreover, Brauer and Tepper Marlin estimated that the cessation of violence at the global level could have generated a peace dividend of nearly 13.1% (US \$ 7.2 trillion) in the 2007 gross world product. Of this total, the share of Dynamic and Static Peace dividends were 8.7% (US \$ 4.8 trillion) and for 4.4% (US \$ 2.4 trillion), respectively, coming to 13.1%, which comes to 7.2 trillion dollars (Institute for Economics and Growth, 2009: 40). Dynamic Peace dividend is accrued in the form of additional economic output made possible through the use of human, social and physical capital in the post-violence phase. Static Peace dividend is derived when economic activities are transformed from violence-oriented industries to peace-oriented industries. In such a state, for example, the cost of prison upkeep is reduced and the money thus saved can be used on teachers, health professionals, etc.

Drivers of Peace

The Institute for Economics and Peace, Australia, has come out with 10 fundamental factors that could drive a nation towards peace (Institute for Economics and Growth, 2009: 15):

- Functioning of government
- Freedom of the press
- Extent of regional integration

- Life expectancy
- Primary school enrolment ratio
- Women in Parliament
- Importance of religion in national life
- GDP per capita
- Lack of hostility to foreigners
- Electoral process.

Interestingly, a well-functioning government is accorded a supreme place among all the the10 initiatives, but no less important is the freedom of press. A peaceful environment is created when a nation is integrated with other nations for the common good of the people in the region. A higher level of life expectancy along with the guarantee of admission to primary schools give people the sense of comfort and security on which thrives peace. The presence of women—the gentler sex—in sizeable numbers in Parliament leads to peace. The sense of unity born of shared religious beliefs consolidates peace. Not merely the GDP growth rate, but the inclusive growth with components of health and education meant for economic welfare of different communities promote peace and so does a sense of friendliness towards foreigners. Last but not the least, the assurance of free, fair and democratic elections creates the kind of civil confidence necessary for maintaining peace.

Structural and Attitudinal Drivers of Peace

Given below are the two categories of factors, that is, Structural and Attitudinal Drivers of Peace (Institute for Economics and Growth, 2009: 26):

Structural

- Good relations with neighbouring states
- Low level of corruption
- Well functioning government
- High level of per capita income
- High enrolment rate at primary level
- Low child mortality rates
- Freedom of the press
- High extent of regional integration

Attitudinal

- Respect for human rights
- Belief in free speech
- High levels of co-operation both within the nation and externally
- The acceptance of the fact that that it is not necessary to believe in God to be moral
- Less given to the belief that one's society is superior to others
- The confidence that one has control over one's life
- Belief in the limited use of the military and only with international sanction
- Friendliness or lack of hostility to foreigners

Benefits of Peace

Peace minimalises destruction of land and building. Growth of human resources is possible only in a state of peace. Economic, political and psychological apparatus function efficiently only in an atmosphere of calm and harmony and during such tranquil periods, channels of trade run

smooth and commercial goods flow undisturbed. There, of course, is no wasteful diversion of nations' resources for the production of ridiculously exorbitant and basically destructive commodities, all for the cause of victory in war (Boulding, Kenneth E., 1946: 2-3).

Recognition of one's (individual and common) identity, a sense of belonging born of family, friends and community under a good government, as also the surety of physical wellbeing are the main components that make one happy and, therefore, peaceful—and this state of being is possible only in an ambience of calm and tranquility. The sense of belonging or inclusion motivates one to perform better at the workplace, independent of mundane considerations about rewards and penalties. It is known that a high crime rates in one's neighborhood increases the possibility of problems like heart disease or diabetes. On the other hand, a lessening of discrimination at any level can add years to the life of the people and, of course, one does not need to be told that living in comfortable houses is excellent for health. These are some of the issues that scholars have now been addressing (<http://www2.cifar.ca/research/successful-societies-program/>). Such factors have more economic value than money itself (<http://www2.cifar.ca/research/social-interactions-identity-and-well-being-program>).

A state of peace allows the mind to work in a relaxed manner to increase one's per capita income so as to be able to spend more on food, beverages, leisure and recreation and all other needs of life. Such a situation rejuvenates and strengthens the stability of the economy in the form of higher earning and spending and investing, all resulting in a healthy, benevolent circle of capital flow. Risk level goes down in such periods, thereby helping in the rationalization of interest rates. It facilitates long-term planning and an increased level of government funding on such infrastructural facilities as

health, education, roads, electricity and communications. With the reduction in violence, there is a growing prospect for the growth of businesses as the market potential increases, the costs decrease and the management people get down to the serious business of planning strategic market issues rather than wasting time discussing risk-mitigation mechanisms.

Threats to Peace

In the modern world, the growing inequality in income and wealth among different groups of people has emerged as the basic threat to peace. The combined assets of 360 billionaires exceed the total annual income of 45% of the people of the world (Paige, Glenn D., 2009: 104). In the light of this imbalance, Robley E. George in his well-known *Socioeconomic Democracy Model* of economic systems presents a model in which the level of personal material poverty is lowered through a *Universal Guaranteed Personal Income* policy and a higher level of personal material wealth in the form of *Maximum Allowable Personal Wealth* (George, Robley E., 2002: p. 7). According to him, many of the problems related to the distribution of wealth and income in a society could be addressed through this model.

Cost of Conflict: International Context

At the global level, despite a modicum of peace finally being witnessed in Sub-Saharan Africa, and parts of the Middle East and North Africa, the world as a whole has become less peaceful. The overall military expenditure has increased (Institute for Economics and Peace, 2010: 6). Currently, millions of people the world over are being killed, maimed and otherwise suffering because of conflicts. The situation is alarming particularly due to 26 major ongoing armed conflicts, the presence of nine nuclear armed states, an unprecedented level of growth in terrorist attacks and

humanitarian tragedies. Galtung categorized such violence into three distinct parts—direct, structural and cultural violence. In the category of direct violence, there are cases of hurting and killing, whereas in the sphere of structural violence there are cases of slow deaths due to hunger, preventable and curable diseases, political oppression and economic mismanagement. Cultural violence takes the form of discriminatory practices in the worlds of education, media, literature and art—born of jingoism, racism and sexism—among different groups of people.

Violence is not merely a phenomenon of the poor countries alone. Even certain developed countries are its victims. For example, each year, over 15,000 Americans are killed by fellow Americans (Paige, Glenn D., 2009: 27-29). The number of people having been assaulted each year with weapons capable of causing death or serious injury accounts for over 10 million in the US. In this country, in one single year, more than 31,000 people commit suicide. Interestingly, attempted suicides rates are twenty-five times higher than the suicide rates. Besides, there are more than one million cases of abortion. As many as 1.7 million people are in prisons.

Manufacturing, sales, import and export of guns is a big trade for the US. Estimates are that one-third of the American households possess firearms (Paige, Glenn D., 2009: 29). Even children in general are quite aware of places where such firearms could be procured. Children are known to carry guns and other weapons to schools. An estimate made by the World Health Organization shows that the cost of interpersonal violence in the US was 3.3 per cent of the GDP.

The strength of the US armed forces increased from around one thousand men in the revolutionary era to 1.5 million regular armed forces in 1990, apart from the 23,000 planners at the Pentagon. Washington spent as much

as \$ 5.821 trillion dollars between 1940 and 1996 for the development of its nuclear programme, which averaged \$ 500 billion per year. Even after this period, the country spends 30 billion a year on this programme. All this is considered a colossal waste of resources, which could perhaps have prevented millions of deaths each year from poverty and malnutrition in the US or the world over. In this context, the 34th President of the United States, Dwight D. Eisenhower (1953-1961) had observed: "Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and not clothed. This world in arms is not spending money alone. It is spending the sweat of its labourers, the genius of its scientists, the hopes of its children. This is not the way of life at all, in any true sense. Under the cloud of threatening war, it is humanity hanging from a cross of iron" (Speech to the American Society of Newspaper Editors: 1953).

Estimates are that the 9/11 cost the American economy \$ 95 billion, which includes the costs of jobs and insurance losses, and the costs of maritime security (<http://www.theatlantic.com/business/archive/2009/12/the-economic-cost-of-terrorism/32650/>). On the basis of time value which is \$ 20 per hour, it was calculated that the one-hour delay in air travel caused to 600 million annual passengers cost \$ 12 billion or 0.1 per cent of GDP per year. The additional costs incurred on several fronts due to the 9/11 attacks are enormous. Estimates made by Fortune in "The Friction Economy" (2002) shows that the annual loss to America was as much as 1.5 per cent of the GDP (http://www.l20.org/publications/9_7Q_wmd_krugman.pdf).

United States spent \$ 3 trillion on the war in Iraq. It left behind a wrecked and polluted country where millions of people have been displaced, many are suffering from cancer and many babies were born with birth defects. Besides 100,000 to a million people have been killed in the war (Koehler, Bob). In the

Afghanistan “war on terrorism”, foreign aid amounting to US \$ 36 billion was pumped in, but its impact has been minimal: (<http://www.bbc.co.uk/news/world-south-asia-10687527>).

The cost of interpersonal violence was 1.6% to 5 % of the GDP in Latin America. In England and Wales, the total costs from violence resulting from homicide, wounding and sexual assault was estimated at \$ 40.2 billion (World Health Organization, 2004: x). A day of Bharat Bandh on 5 July, 2010 against the persistent price rise cost India Rs. 2,000 crore (<http://www.ndtv.com/article/india/bandh-costs-india-nearly-2-000-crores-early-estimate-35683>). The three day bandh in August, 2010 in the Karachi Province of Pakistan resulted in the loss of US \$ 235 million in revenue: (<http://www.bbc.co.uk/news/world-south-asia-10882082>).

In India, foreign investment worth US \$ 80 billion is stuck because of the Maoist violence. This includes Arcelor Mittal's \$ 9 billion steel projects in Jharkhand and Orissa and \$ 32 billion steel projects of South Korea's Posco in Jharkhand and \$ 7 billion steel project in West Bengal. As is well known, the Maoist-affected areas covering some 200 out of 630 districts across 12 Indian states including Bihar, Bengal, Jharkhand, Chhattisgarh, Orissa, Andhra Pradesh and Maharashtra and Tamil Nadu account for 85 per cent of the mineral resource base (http://www.atimes.com/atimes/South_Asia/LE07Df03.html).

Conflict and Peace in Nepal

With a population of nearly 30 million (July 2010), Nepal is one of the poorest countries in the world. Over 80 per cent of the population in the country is directly or indirectly involved in agricultural activities. According to the preliminary study of the Central Bureau of Statistics, the per capita

gross national income (GNI) in Nepal was as low as \$568 in 2009-10 and the annual rate of economic growth was 3.5 per cent (<http://www.thehimalayantimes.com/fullTodays.php?headline=Nepal%27s+per+capita+income+looks+to+%24568+&id=MjQ4ODgy>). Nearly 55 per cent of the people in the country fall below the international poverty line of \$ 1.25 per day. The country is facing drought, acute shortage of food and the highest level of hunger experienced in the last 40 years.

According to a recent report published by the Asian Development Bank, Nepal recorded the biggest increase in the level of inequality along with China and Cambodia. About 46 per cent of the people in Nepal are either unemployed or underemployed (<http://thehimalayantimes.com/fullNews.php?headline=Editorial&NewsID=253303>). Each day, over 1,300 Nepalese people flee the country for employment to countries other than to India.

Many of the problems in Nepal are the outcome of the armed conflict during the decade after 1996. Over 16,000 people were killed, directly affecting the lives of 450,000 family members. During the conflict, 5,800 people were disabled, 71,200 people were internally displaced, 25,000 children were orphaned, and 9,000 women were widowed. Besides, 1,350 persons disappeared. Properties of 11,000 people were damaged:

(<http://thehimalayantimes.com/fullNews.php?headline=EDITORIAL&NewsID=255996>). Several government offices, schools, bridges and police posts were damaged.

Human Costs of Conflict

The following table shows that 12,980 persons including civilians, security forces and insurgents were killed between 1999 and 2009. In 1999, 400 persons were killed. The figure peaked to 4,500 in 2002. Though the number of casualties somewhat declined in subsequent years, the figures remained significantly high until 2005. As many as 1,800 people were killed in 2003, 2,700 people in 2004 and 1,848 people in 2005. The number declined perceptibly to 480 killed in 2006, 130 in 2007, 81 in 2008 and 49 in 2009.

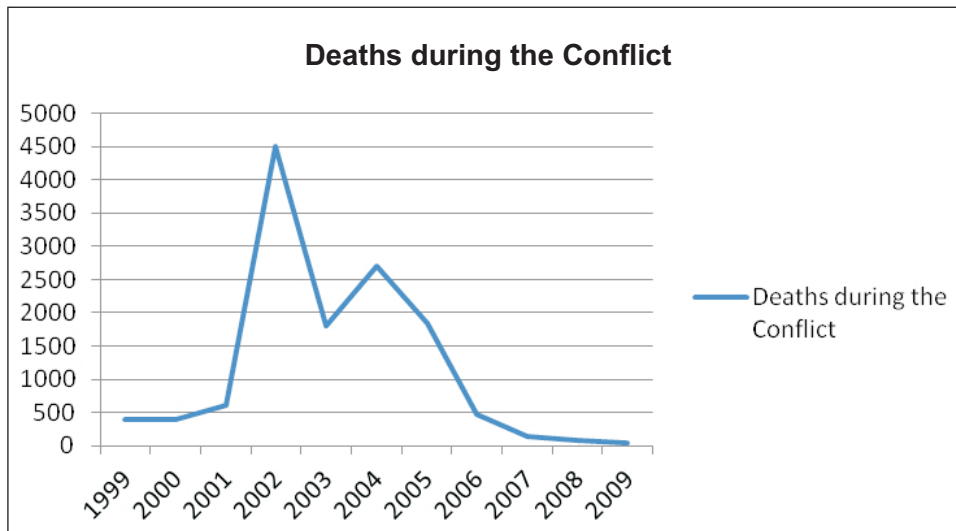
Table 1 Deaths during the Violence (civilians, security forces and insurgents)

| Year | Deaths during the Conflict | Percentage |
|-------|----------------------------|------------|
| 1999 | 400 | - |
| 2000 | 400 | - |
| 2001 | 600 | 50 |
| 2002 | 4,500 | 650 |
| 2003 | 1,800 | - 60 |
| 2004 | 2,700 | 50 |
| 2005 | 1,848 | - 31 |
| 2006 | 480 | - 74 |
| 2007 | 130 | - 73 |
| 2008 | 81 | - 38 |
| 2009 | 49 | - 40 |
| Total | 12,980 | |

Source:<http://www.ploughshares.ca/libraries/ACRText/ACR-Nepal.html> & <http://www.satp.org/satporgtp/countries/nepal/index.html>

Chart 1 clearly shows the trend of the deaths during the conflict period.

Chart 1:



Economic Cost of Conflict

During the conflict (1996 to 2006), the strength of the Nepalese National Army more than doubled from 46,000 to 96,000, as a result of which the defence budget had to be tripled from Rs. 4 billion to Rs. 12 billion a year. Estimates are that additional military expenditures blocked the employment prospects for 60,000 primary school teachers and another 60,000 pre-school monitors and primary health workers: (<http://kulgautam.org/2009/07/let-us-build-a-grand-alliance-to-put-pressure-on-groups-that-incite-violence/>). Besides, a huge amount of money is being spent on 19,500 Maoist combatants staying in 7 major and 21 satellite camps in various parts of the country. Nearly two billion rupees was spent in 2009-2010 on their salary, ration and management. The government pays a monthly salary of Rs. 5,000 to each of the combatants over and above a per diem varying between Rs. 72 to Rs. 110, depending on the place in which they are cantoned. Also,

the government had to spend additional Rs. 570 million for upgrading the infrastructure in and around the camps:

(<http://www.nepalnews.com/main/index.php/news-archive/19-general/9317-almost-two-billion-spent-for-maoist-combatants-in-a-year.html>).

Multi-track Approaches to Peace building

Track I

During the Maoist insurgency period, efforts were made through as many as nine different tracks to bring about peace. Under Track I, three rounds of dialogue took place between the government and the Maoists on August 30, September 13 and November 13 in 2001. This was followed by three rounds of dialogue on April 27, May 9 and August 17 in 2003 (<http://www.nepalnews.com/main/index.php/news-archive/19-general/9317-almost-two-billion-spent-for-maoist-combatants-in-a-year.html>). During the dialogues, the Maoists demanded a round-table conference, an interim government, an election for constituent assembly and a republican system of governance.

Track II

As the Track 1 level dialogues proved futile, the human rights bodies, NGOs, trade unions, women's organizations and professional bodies came forward to help push the peace process forward (<http://www.nepalnews.com/main/index.php/news-archive/19-general/9317-almost-two-billion-spent-for-maoist-combatants-in-a-year.html>). The groups collected information on human rights violations committed by the conflicting parties, such as killings, disappearances, abductions, displacements, torture,

recruitment of child soldiers, and school closures, as also conflict transformation and peace rallies. Besides, they also facilitated dialogues between the government and certain pro-Maoist wings to resolve the conflict. Though certain protests were stopped and a temporary ceasefire took place due to the appeals made by the civil society organizations, the achievements made under Track II level cannot be considered significant.

Other Tracks

It was expected that the Track III approach would come out with economic packages for the welfare of the people, particularly those affected by the conflict. But nothing tangible was done either by the government or the international organizations. No development activities and employment opportunities were created during the conflict period. The governance system was largely disrupted as the security agencies, including the police, got confined to the district headquarters. Even the Village Development Committees (VDCs), District Development Committees (DDCs) and municipalities were dissolved. So there were no people's representatives left at the local level to carry out even the routine activities of governance, not to speak of developmental activities.

Even at the Track IV level, the involvement of individual citizens in peace and development activities remained well nigh nonexistent. At Track V level, only inadequate and piecemeal approaches were made by the universities, research centres, think tanks and training institutes to carry out research, organize training and provide education to the people for peace building. In the Track VI approach, peace activists failed to convince the armed groups to give up arms and also failed to provide economic justice to the conflict-affected population. Some efforts were made by the spiritual and religious leaders under Track VII to carry out the message of non-violence. None of

the philanthropists and foundations under Track VIII level came forward to provide financial support to carry out activities undertaken by the other tracks. And finally, at the Track IX level, inadequate efforts were made by the print and electronic media, as also by film, video and arts personages to infuse into the people's minds the dire need for an end to all violence.

Comprehensive Peace Accord

The 12-point understanding reached between the seven political parties and the Nepal Communist Party (Maoists) on 12 November, 2005 was a milestone in the peace process in Nepal. Following this event, there was a national movement, popularly known as *Jan Andolan II* in April 2006. This led to the signing of Comprehensive Peace Accord between the government of Nepal and the CPN (Maoists) in November 2006.

In order to facilitate the peace process, the Ministry of Peace and Reconstruction (MoPR) was established in April, 2007 to undertake activities related to conflict management, relief and rehabilitation, reconstruction and cantonment management (7 main and 21 satellites). A number of bilateral and multilateral donor agencies including Denmark, Finland, Norway, UK, Germany, USA, Switzerland, the World Bank, the Asian Development Bank, EC and UNMIN/UNDP started supporting MoPR to enable this newly established Ministry to restore peace to the country.

As a peace building measure, the Constituent Assembly elections were held in April, 2008, following which the 239-year old monarchical institution was abolished (May 2008). The Local Peace Committees were established in 67 out of 75 districts. A Bill was submitted to MoPR for constituting a Truth and Reconciliation Commission, as also a Commission on missing persons.

Some headway was made towards drafting a constitution, though consensus is yet to be reached among the different domestic actors on major issues, such as on the federal structure and the form of government.

Conflict in Post-Conflict Period

The hope of restoring peace was belied with the re-emergence of conflict in the Terai region in 2007. The unrest subsided only after an agreement was signed between the government of Nepal and the Madhesi People's Rights Forum, to the effect that Nepal would end all forms of discrimination against Madhesis, the indigenous peoples, Dalits, women, backward classes and minorities, including the Muslims. Again, an agreement was reached between the Government of Nepal and the United Madhesi Front on 28 February 2008 to stop the unrest for the establishment of a federal democratic republic in Nepal and for the formation of an autonomous Madhes.

However, even after nearly five years of the signing of the Comprehensive Peace Agreement (2006), people have yet to receive a peace dividend. Political stability has not yet returned to this strife-torn country. Random cases of abductions and killings are going on in various parts of the country. The law and order situation is worse in the region bordering the Indian states of Bengal, Bihar, Uttar Pradesh and Uttarakhand due to the presence of more than 100 armed groups. Certain hill regions are equally disturbed. As a result, the free movement of the people is restricted in certain parts of the Terai as well as in the hills. There are reports that the armed groups, criminals, private militia and ordinary people possess nearly 55,000 small arms and light weapons (Gautam, Kul Chandra, 2009). People in Nepal have very little trust in the government. Crime is pervasive on account of the poor law and order situation in the country.

Transparency International, in its anti-corruption index for 2009 found Nepal to be the most corrupt country in South Asia (<http://www.nepalnews.com/main/index.php/news-archive/19-general/6751-ti-report-shows-nepal-as-most-corrupt-country-in-south-asia.html>). Bribing the politicians and even the voters is a common affair. A Superintendent of Police of Janakpur is on record for having accused his own deputy of protecting criminals. He admitted that crime was on the rise because of the link between the police and criminals (<http://www.nepalnews.com/main/index.php/news-archive/19-general/6801-janakpur-sp-accuses-his-deputy-of-protecting-criminals.html>).

The lack of effective governance has severe implications for Nepal. As per the Global Competitiveness Report 2010-2011 released by the World Economic Forum, the country ranked 130th out of 139 countries in overall competitiveness (World Economic Forum, 2010). Besides, Nepal has now been listed in the rankings of failed states. The Washington DC based *The Fund for Peace* has come out with Failed States Index 2010 on the basis of 12 social, economic and political indicators. Accordingly, Nepal has been placed 26th among the 37 failed countries of the world. In South Asia, other countries such as Afghanistan are ranked 6th, Pakistan is 10th and Sri Lanka is 25th: (http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=452&Itemid=900).

The root causes of conflict in Nepal are poverty and unemployment. Nearly 46 per cent of the people are unemployed and are thus easily lured by the armed groups to work for them. Job opportunities would have been created if development activities had been put in motion, but no such initiative was taken by the government or the international bodies.

There is little understanding of 'peace economy', or the value of peace in the monetary, social, economic and political context. Therefore, the government, the civil society and the international organizations have shown negligible interest in investing in peace. Investment in Nepal's security structure is hundreds of times more than the money spent on peace building activities.

Conclusion

Peace is inseparable from economic growth. It is of undeniable monetary value and has a catalytic effect on the growth of various sectors of the economy, such as the agricultural, industrial, trade, service and others. To usher in such an atmosphere of calm and tranquility, the first and foremost need is to put in place an effective, democratic governance focused on all inclusive equitable growth.

The economics of peace mandates an equitable redistribution of wealth for enduring peace in a country or at the global level. It is mainly the greed of the hoarders of wealth that disturbs peace in the world. Peace needs to be brought out of the age old chasm between the haves and have-nots. Until the rich and the powerful develop the will to share their wealth and power with the common people, peace will remain a pipedream.

It is only during peace that infrastructural constructions such as buildings and railways are free from threats of destruction. It alone can ensure the growth of human resources through the development of health, education, roads, electricity and communications. It ensures the economic stability and dynamism by allowing the uninterrupted progress of industrial trade and commercial activities, besides creating a risk free scenario for both investments and spending, resulting in a healthy flow of capital.

Violence is an expensive affair: its prolongation is too heavy a cost to pay for the society both in monetary and physical terms. This obvious fact has neither been realised nor addressed by the post-conflict regimes in Kathmandu. To usher in peace and tranquility as an on the ground reality for the people, following steps need to be taken by the authorities:

- Divert funds from the military budget to sectors like education and health to build hospitals, schools, colleges, etc for the masses.
- Invest in enterprises that promote peace. They happen to be more profitable than enterprises oriented to war and violence. Besides, there is no deficiency in the demand for items that brings comfort and happiness in the peace loving world of culture, services, entertainment and recreation, et al.
- Video games and toys catering to the baser instinct for violence need to be thrown aside and replaced with healthy peace games and toys. May be even the armament industry could be gradually replaced by a disarmament industry.
- Develop the mediation capacity for peace; one of the ways would be to set up a fund for the purpose.
- Set up a full-fledged, world class Peace Mediation Institute so that mediators from all over the world could be trained. Janakpur, the birthplace of Sita and Lumbini, the birthplace of Buddha, could be developed as peace capitals for the promotion of such activities.
- The Ministry of Peace and Reconstruction will have to take a lead in these initiatives. It can play a significant role not only in promoting the culture of peace but also in celebrating the achievements of peace. The Ministry could honour the peace heroes in the same way that another ministry honours its military heroes. It might celebrate peace-related activities in the same way that military parades are organized by the armed forces.

- Other ministries and civil society organizations must take initiatives to build and preserve a culture of peace. In this respect, the role of the Ministry of Education could prove of great value by training of teachers: in the ways of promoting peace; preparing a curriculum and textbooks for promoting conflict mediation, and non-violence; promoting the study of the subject in schools, colleges and universities and: encouraging exchange programmes among the countries known for their contribution to mediation processes and amicable relationships.
- Civilian peace brigades with members from different walks of life could be created as a counter to semi-military bodies to provide assistance during the recovery period after armed conflicts and during the time of natural disasters.

The spiritual dimension of peace needs to be promoted. The feeling of oneness with all the instincts needs to be created. The sheer stupidity of the *tit for tat* game theory was axiomatically debunked by Mahatma Gandhi when he said: "An eye for an eye ends up making everybody blind." Therefore, *vasudaiva kutumbakam* (all living beings are relatives) should be the ethos for the establishment of permanent peace and prosperity on earth.

Reference

Bob Koehler, "Implications of a Pointless War" in <http://blog.buzzflash.com/contributor/3592>

Boulding, Kenneth E. 1946. *The Economics of Peace*. New York: Prentice-Hall, Inc.

Dambach, Charles F. 2008. "Building a Pathway to peace." Graduation Ceremony Address at Institute for Conflict Analysis and Resolution, George Mason University, 17 May 2008.

Galtung, Johan. 1996. *Peace by Peaceful Means*. Oslo: International Peace Research Institute.

Gautam, Kul Chandra. 2009. "Rollback violence" in Nepali Times published on 17-23 July 2009.

George, Robley E. 2002. *Socioeconomic Democracy: An Advanced Socioeconomic System*. London: Praeger Publishers.

Institute of Economics and Peace. 2010. *Discussion Paper Peace, Wealth and Human Potential*: Sydney

Institute for Economics and Growth. 2009. 2009 Discussion Paper: Peace, its Causes and Economic Value. Sydney.

Paige, Glenn D. 2009. *Nonkilling Global Political Science*. Hawaii: Center for Nonkilling.

Speech to American Society to Newspaper Editors, April 16, 1953.

World Economic Forum, 2010. The Global Competitiveness Report 2010-2011. Geneva, Table 5.

World Health Organization. 2004. The Economic dimensions of inter-personal violence. Geneva.

<http://www2.cifar.ca/research/successful-societies-program/>

<http://www2.cifar.ca/research/social-interactions-identity-and-well-being-program/>

<http://www.theatlantic.com/business/archive/2009/12/the-economic-cost-of-terrorism/32650/>

http://www.l20.org/publications/9_7Q_wmd_krugman.pdf
<http://www.bbc.co.uk/news/world-south-asia-10687527>
<http://www.ndtv.com/article/india/bandh-costs-india-nearly-2-000-crores-early-estimate-35683>
<http://www.bbc.co.uk/news/world-south-asia-10882082>
http://www.atimes.com/atimes/South_Asia/LE07Df03.html
<http://www.thehimalayantimes.com/fullTodays.php?headline=Nepal%27s+per+capita+income+looks+to+%24568+&id=MjQ4ODgy>
<http://thehimalayantimes.com/fullNews.php?headline=Editorial&NewsID=253303>
<http://thehimalayantimes.com/fullNews.php?headline=EDITOTIAL&NewsID=255996>
<http://kulgautam.org/2009/07/let-us-build-a-grand-alliance-to-put-pressure-on-groups-that-incite-violence/>
<http://www.nepalnews.com/main/index.php/news-archive/19-general/9317-almost-two-billion-spent-for-maoist-combatants-in-a-year.html>
<http://www.nepalnews.com/main/index.php/news-archive/19-general/6751-ti-report-shows-nepal-as-most-corrupt-country-in-south-asia.html>
<http://www.nepalnews.com/main/index.php/news-archive/19-general/6801-janakpur-sp-accuses-his-deputy-of-protecting-criminals.html>
http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=452&Itemid=900

Observer Research Foundation is a public policy think-tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

₹ 195/-



Observer Research Foundation
20, Rouse Avenue, New Delhi-110 002
Email: orf@orfonline.org
Phone: +91-11-43520020 Fax: +91-11-43520003
www.orfonline.org