

Better economic alternative for rural Kashmir
:by

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GENESIS OF ECONOMIC CRISIS IN J&K

Post 1947, Kashmir economy had a cataclysmic start. The state embarked upon its development process by the enactment of Big Landed Estates Act 1949-50, a radical land redistribution measure which abolished as many as nine thousand Jagirs and Muafis. The 4.5 lac acres of land so expropriated was redistributed to tenants and landless. Land ceiling was fixed at 22.75 acres. This was nothing short of a revolutionary departure from a repressive feudal past. And significantly enough, it was preceded or followed by little or negligible social disturbance. This despite the fact that no compensation was paid to landlords.

More than anything else, it is this measure which set the stage for new J&K economy. In the given circumstances, the land reforms proved sufficient to turn around the economic condition of the countryside with the hitherto tenants in a position to own land and cultivate it for themselves.

However, the reforms though unprecedented in their nature and scale were not only pursued for their own sake but were also underpinned by an ambitious economic vision. Naya Kashmir, a vision statement of Shiekh Muhammad

Abdullah, laid down more or less a comprehensive plan for a wholesome economic development of the state.

But the dismissal of Shiekh Abdullah's legitimately elected government in 1953 by the centre changed all that. The consequent uncertainty which lingers even now created an adhocist political culture animated more by vested interest than a commitment to the development of the state.

Such a scenario after some time also frittered away the salutary potential of the land reforms. While the radical land redistribution measure had a massive political will at its back, the subsequent follow up with its complementary inputs lacked it.

So beyond the demolition of a well-entrenched feudal structure and triggering an almost instantaneous socio-economic empowerment in rural Kashmir, the land reforms down the decades have only shown diminishing returns. Most of the arable land today is economically unviable. The average size of land-holdings has declined from 1.7 hectares in 1949-50 to 0.5 hectares in 1997-98. Almost ninety percent of arable land, according to a survey, constitutes marginal and sub-marginal holdings. This has reduced the productivity from agriculture to a mere subsistence level.

Subsequent reforms hardly took care of this reality. On the other hand, the developmental strategies failed to factor in a scenario of steady agricultural decline and its fall out.

In fact, post land reforms, the development process in the state went astray. Driven by sheer adhocism, the successive state governments preferred market-led strategy of growth as against development-led strategy.

The unthinking pursuit of the former through the reigning political uncertainty of the past fifty years turned the state into a ready market for the goods and commodities from outside the state. This was because the market-led strategy by its very nature ignored the growth of primary sector and put premium on the expansion of tertiary sector. This in Kashmir context meant the provision of employment to educated yet unskilled youth in government sector with little compensatory thrust on production of goods and services with minimal export base.

This strategy more or less artificially held state's economy together, on account of the generous extension of funds from centre, for thirty to thirty five years, and beyond it started unraveling. A situation was created whereby the state was witness to falling economic avenues, lack of capital investment opportunities, economic leakage effect and supply gap in primary and secondary sectors.. An adhocist reliance on tertiary sector saw the massive public investment go into unproductive ventures particularly public administration which while it kept bloating by the day, there was a corresponding decline in economic growth.

Besides, tertiary sector being urban in nature, the policy thrust on it also distorted the priorities in rural sector. With

agriculture and allied sectors in decline and no agro-based industries to take over, government employment was the only livelihood option even for the rural youth. And it remains so even now. There was no effort to convert state agriculture into viable commercial farm enterprise, no 'structural' transformation of horticulture and allied sectors of agriculture to encourage intra-farm migration of labour for gainful employment. As a result, the growth potential of farm sector remained unexploited which led to supply gap on food front and according to experts, low multiplier effect on income and employment generating front. This also caused acute dependence of state for inputs and products from outside.

What reinforced the crisis was the state's non-performance in secondary sector. Though it is primarily state's geography and lack of electric power which hampered the growth of industry, the role of the government is also no less responsible. While the feasibility of heavy industry in the state was thought to have geographical limitations, there was little effort, barring a few initiatives, to develop the alternative Valley-friendly industry.

The state's economic history offers plenty of evidence to underline this neglect and its fallout. While in 1980-81, the contribution of the secondary sector was 13 per cent of state domestic product (SDP) and that of tertiary sector 39 per cent, the share of industry has gone down to 6 per cent and that of tertiary sector has increased by 12 per cent from 39 per cent to 52 per cent.

Situation is not any better in primary sector where the proportion of net area sown to the total cropped area, average yield per hectare of land and production of food grains has been stagnant through 80s and much of the 90s. And for the last ten years it has been declining. This has created a situation where the imports constitute 80 per cent of the SDP which makes for a massive leakage effect leading to present crisis.

Thus state is unable to generate resources on its own and depends considerably on central aid. Down the years, this dependence has only doubled as the table below amply demonstrates. While the tax and non tax revenue has sharply declined as a percentage of total resources, that of central grant-in-aid has correspondingly increased.

Year	% of tax & non-tax revenue of J&K to total resources	% of grant-in-aid to total resources
1973-74	49.75	51.25
1977-78	43.98	56.02
1986-87	30.74	69.26
1997-98	18.76	81.24

BORROWED PRESENT

The disastrous fallout of the fifty years of mismanagement reinforced further by the turmoil of past fourteen years is today evident in all spheres of state's economy. Whatever incomes are generated domestically, through grants or remittances, create wage-income, employment and output outside the state, particularly in exporting states. This is happening due to an inbuilt leakage effect which itself has evolved out of an unthinking pursuit of market-led strategy of growth. State's own tax and non-tax revenue base is around Rs 1900 crore. About 65 per cent of its budgetary resources go in meeting the wages of its 3.75 lac employees which leaves little resources for the planned development.

But amazingly enough, there is little apparent evidence of this bad economic situation in the condition of the people. State today makes for a classic example of a consumer economy. Statistics have it that not one per cent of the J&K's 13 million people are houseless and nobody dies of hunger. The state consumes meat worth Rs 400 crore and sells hides at throwaway prices that could be a Rs 300 crore economy, buys cars worth Rs 150 crore, burns up fuel worth Rs 1300 crore, consumes cement worth Rs 550 crore, medicine worth Rs 500 crore and cigarettes worth Rs 150 crore. It employs 60 per cent of its labour force from UP and Bihar and some skilled sections from Punjab.

This is despite the fact that officially more than one fourth of the state's population is below the poverty line.

Except for central plan outlays, remittances, what contributes to socio-economic stability in the state is the horticulture fetching Rs 2100 crore followed by handicrafts and a series of small economies contributing another Rs 3000 crore.

The two sectors have rescued the state's economy in the absence of tourism in the past decade. The income from handicrafts alone has been Rs 750 crore and horticulture exports are around Rs 120 crore. The state produces over two-thirds of apples in India and the entire crop of saffron, almonds and walnuts. Unlike Himachal Pradesh all these crops are subjected to massive taxes in the state. Currently five lac families (25 lac people) are practicing horticulture. The sector contributes about Rs 400 crore to the state's GDP.

But presently horticulture and handicrafts are hemmed in not only by an assortment of domestic problems, they also face severe pressures and competition from a globalising economic regime.

Low productivity and lack of processing facilities are taking their toll on horticulture. The state does not have a single processing unit. There is also scarcity of wood for packaging apples. This combined with growing costs of

pesticides and transportation has reduced considerably the returns from exports.

Though central government had announced a grant of Rs100 crore for post-harvest technology mission, it has still to come through. On the external front, the crops face a stiff competition from the cheaper though qualitatively not on par imports. According to G M Ganai, secretary Fruit Growers and Dealers Association, the horticulturists incurred a loss of Rs 225 crore in 2003, out of which Rs 125 crore was the loan component obtained from various banks. He blames adverse climatic conditions, low quality pesticides, inadequate marketing facilities, unreliable logistics and transportation and significantly the “free trade under new WTO regime as a result of which fruits from a number of countries have posed a serious market challenge to Kashmir fruits.”

Over the last few years, the saffron crop has also been the hardest hit due to prevailing dry spell. The yield that was 2.8 to 3 kgs per hectare in early nineties dipped to as low as 500 gm. Tragedy struck further with the spread of the corn-rot disease in the saffron fields. The consequent drop in output helped the imported cheaper yet qualitatively inferior saffron to corner the market. So much so that even in Kashmir, the Iranian saffron is passed off as the Kashmir saffron.

Some 226 villages comprising seven lac people are solely dependent on saffron for livelihood. The crop is concentrated in and around Pampore, India's largest producer of saffron.

Even the handicrafts are threatened. On one side it is the fake shawls and machine-woven carpets from the mainland India and abroad and on the other side the escalating prices of raw materials is hitting the craft hard.

Similarly international campaign to save the Tibetan antelope led to ban on lucrative Shahtoosh trade. The ban already three years old has done its bit to cripple the economy. There were 5000 families involved in the craft. And with each family weaving 10 shawls a year, each costing Rs 100000, the economy was worth Rs 500 crore. The state traded 3000 kg of processed shahtoosh wool at the average rate of Rs 120,000 per kg.

Being still a cottage industry with a distinct and possibly a unique division of labour, the ban left the stages like the separators and spinners worst hit. However, even before Shahtoosh ban, the state economy had been dealt a major blow by the ban on fur trade. The ban was a direct result of Maneka Gandhi's efforts.

The government tried to wriggle out of the crisis by advising the ban-hit weavers to take up weaving of pashmina shawls. But the pashmina sector is itself saturated with about 1 lac people involved in the occupation. Moreover, the sector, as a result of loom mechanization and decreasing number of pashmina yielding goat is in crisis.

The sharp slump in tourism in the past fourteen years has only further worsened the sector already beleaguered by militancy. An estimate says the traditional market for handicrafts has reduced by 50 per cent. Handicrafts were usually the most sought after items for tourists. Besides, tourists, come as they did from the diverse countries acted also the advertisers of the Valley's crafts in their respective countries. For instance, carpets, the most prized of the Kashmir handicrafts fetched handsome prices in the pre-1989 period. In fact the buyers came to Srinagar to place advance orders. Now the traders beg for orders and are paid in measly installments. Moreover with the import of cheap machine woven carpets, even the domestic market for carpets has shrunk. This has had the terrible impact on the weavers whose monthly wages, though already not very good have substantially come down.

Same has been the case with the famed shawls which despite adorning the great museums of the world for their exquisiteness and excellent craft have not only adversely impacted by the prevailing abnormal condition but are unable to meet the challenges posed by the new market.

The militancy resulted in a huge institutional failure. Corruption thrived in the administration which saw the state move from a surplus of Rs 24 crore in 1994-95 to deficit of Rs 2166 crore in 2000-01. The Cooperative department which facilitates the handicraft cooperatives misappropriated millions of rupees. Similarly financial irregularities were reported in the department of industries and commerce. Seventy per cent of the 1244 handicraft

cooperative societies in Kashmir division are defunct. While corruption in official ranks deprived the craft sector of vital development inputs, the nationalized banks reinforced the general unemployment scenario by avoiding disbursement under several centrally sponsored schemes. In 2002, they made payments in 425 of 7500 cases under PMRY. Besides as far as the SSI sector is concerned, the banks from 1995-96 to 2000-01 disbursed Rs 61.36 crore as against the recommended sum of Rs 422.67 crore.

Tourism has been a big loss. Perhaps, the most baneful of the fallouts of the militancy. The tourist arrivals which in pre-militancy period were around 6 million a year with an average of 3 day stay and which earned the state around Rs 12000 crore went down to a trickle; on an average 10,000 a year. In fact during 1991-95 Valley received only 2000 tourists a year. Though there have been some occasional spurts like the period just before Kargil or in the early months of 2003, the subsequent violence broke the tempo. And with no foreseeable signs of violence ending permanently or even abating over a given period of time, there is no hope for tourism picking up. This means that around 1500 houseboats on Dal Lake, together with shikarabs, hotels in Srinagar and at the many health resorts across Valley will continue to reel under zero or grossly inadequate annual occupancy. More severely hit are the poor inhabitants of the Valley's numerous health resorts. The ponywallas, roadside vendors, tourist guides etc have shifted to timber smuggling to compensate the loss of livelihood.

According to an estimate, the combined economic loss to the state due the lack of tourism stands at Rs 1000 crore annually.

Abnormal conditions have wrought havoc on forests, one of the richest economic resources of the state. Indiscriminate plunder, initially by the armed smugglers and later on a large scale by the counter-insurgents resulted in clearing of the vast tracts of the green gold. The cumulative loss to the state exchequer, according to an estimate, stands at a whopping Rs 8000 crore.

One of the recurring problems which in no small measure has contributed to the popular resentment in Kashmir during turmoil and also told upon the economic health of the state is that of power. Despite being a state with a power generation potential of 15000MW, the state over the past fifty years has just been able to harness 10 per cent of it. As a result the state's power purchase bill has assumed astronomical proportions. Almost the entire tax revenue of the state is used in buying power from the centre, with the revenue realized not forming even half of the purchase bill.

By March 2003, the state had purchased power worth Rs 1135 crore with the revenue realized being only Rs 400 crore. The combined arrears of the past decade if realized fully are believed to be sufficient to finance at least one five year plan.

However, while the successive state governments are held responsible for failing to develop the power generation

potential of the state, the fingers are also increasingly being pointed at the Indus Water Treaty between India and Pakistan. Besides, a general debilitating fall-out on the economy, the treaty has had a severe detrimental impact on the power generation capacity of the state. The forbidding of the damming of state's rivers has not only restricted the power generation options of J&K but also impacted the generation potential of the existing projects. For example, in the absence of a storage reservoir Lower Jehlum Hydel Project can generate only 35 MW in spite of the installed capacity of 400 MW. Similarly, the energy loss in Uri and Salal projects is to the order of 44 per cent and 50 per cent respectively. The estimated cumulative loss to the state, as a result of the treaty, is of the order of Rs 6500 crore.

Besides, IWT has also severely limited the scope for agricultural expansion in the state. But for the treaty, the state, experts claim, could have increased its total irrigation area by one lac acres. This is held as one of the main reasons for the agricultural backwardness of the state. What has further worsened this scenario is the changing nature of the climate in the state which has resulted in the sharp drop in annual precipitation. This has meant that the yield from a large chunk of rainfall dependent land has registered a drastic decline. In many areas of the Valley, the farmers took to growing of the dry crops like maize, beans etc. In the last six years, the annual yield in rice has declined from 152 lac quintals to 109 lac quintals.

Lingering dry spell has also brought along diseases and pests to the cultivated fields. Paddy fields have been

particularly subject to blast disease. The declining agricultural output has further strained the state on economic front. Over the past six years, it has not only had to address the exigency of rehabilitating the dry-spell affected farmers, but also shell out more to import rice from external resources. This too, when state is finding it difficult to pay Rs 40 crore a month to make purchases under PDS from Food Corporation of India.

As regards power, the new state government is now working on a policy of building micro-projects with investment from non-government bodies. About 12 small hydel projects with a cumulative generation capacity of 66.80 MW have been taken up for execution. These include projects at Aharbal, Kehmil, Hirapora, Haigarh, Athwato, Ranjala Dunadi, Tangmarg, Mandi, Boniyar, Brenwar, Drung and Thanda Pani. The capacity of the projects varies between 2 MW to 15 MW.

On the other hand, the ambitious 450 MW Baglihar power project which is almost half through and is being funded by the state government itself - Rs 600 crore have been sanctioned for the project from this year's plan outlay - has run into serious difficulties with Pakistan raising objections over its construction. The country has threatened to take the matter to the World Court for arbitration. The 390 MW Dulhasti Project that the French left incomplete has been taken up by NHPC. The project is being commissioned this year with investment of over Rs 4000 crore.

J&K gets 12 per cent royalty from all the NHPC projects in the state but now it is keen to seek an increase. It also wants the transfer to the state NHPC-owned 980 MW Salal and 480 MW Uri hydro-electric projects. Both projects have earned huge profits by selling the power to the state.

The security related expenditure, as a result of the ongoing militancy has been a great burden on the economy. By the end of 2000, J&K had spent Rs 1129 crore on certain items which the central government has not reimbursed till date. These include Rs 420 crore which the state paid to the migrant employees without taking any work from them and another Rs 239 crore on budgetary support to the state-run corporations whose performance declined because of the strife. This has added to the indebtedness of the state. The state has been demanding reimbursement of this expenditure on the pattern of Punjab where I K Gujral led United Front government waived off liabilities worth Rs 8500 crore.

Due to an adhocist policy focus, J&K has even failed to tap its inherent economic strengths like developing domestically the sufficient livestock and poultry for its predominantly non-vegetarian population. As a result, most of the meat consumed in the state is imported. J&K slaughters 8.25 lac cows, 1.21 lac buffaloes, 12.68 lac goats and 19.32 lac sheep every year. The state also consumes around 4 crore chickens, 60 per cent of whom are imported from Punjab, Himachal Pradesh and Utter Pradesh. In Valley alone, of the 2.5 crore chicken consumed every year, poultry farms produce 40.2 lac birds and common

households another 50-60 lac. The large-scale import of the live-stock, sheep and goats is bitter paradox for a state which is abundant in lush pasture lands. Therefore, according to an estimate, for every one rupee worth non-vegetarian food, the state economy loses 0.75 rupee. This includes the loss due to the selling of the hides and skins so produced at throwaway prices. With a yearly increase of 10 per cent, the total yearly yield of hides and skins stands at 11.42 lac hides and 33.41 lac skins which is 436.36 lac sq ft of raw leather. According to experts, with necessary leather processing infrastructure in place, the annual turnover in hides and skins can be converted into a Rs 300 crore strong industry.

A disadvantage which has only been further reinforced by the prevailing abnormal situation is that J&K has not even remotely been touched by the globalization. In terms of opportunities, avenues, development of industry, the state has hardly moved beyond pre-turmoil economic situation. While the total foreign funding in India up to last year stood at 47000 million dollars, J&K had received a meager 11 million.

Similarly, against a total investment of R 54000 crore in all the states, J&K has just two public sector units – HMT and ITI. And during turmoil even these have been rendered non-functional. Besides whatever development of industry or investment has taken place in the past decade has been in two districts in Jammu region. And too not in areas that suit the local closed environment like IT, education, healthcare, precession engineering and other low polluting sectors but

in cement, polythene and other problematic areas. Besides, even there, though, some big industrialists had set up assemblage units, it was merely to escape the excise duty.

The local small scale industry has borne the brunt of the violence. In the past fourteen years Valley has observed 1300 days of shutdown and for months struggled with a poor electric supply, sometimes as low as for only 2 hours in 24 hours.

The state has also signed four MOUs with foreign consortiums for setting up power projects but no project has so far taken off. Dr Blackwill, the former US ambassador during his visit last year to the state had brought along director US AID and promised help but nothing materialized. Infosys Technology CEO Narayana Murthy who visited Valley as part of PM's entourage spent two days in Srinagar. But he refused investment in the state citing market slump and violence as the two main factors. Pertinent to mention here, the state by 1997 had pegged the investment potential in non-energy sectors at Rs 3500 crore and Rs 6650 crore in the energy sector.

STATE-CENTRE FINANCIAL RELATIONS

Like other states, J&K financial relations with the centre are governed by Financial Commission recommendations. The 4th Finance Commission had categorized some hilly backward states as special category states including J&K. This meant these states would get 90 per cent as grant and

10 per cent as loan in central devolution of funds. However, while the NE states received the central allocations as per the revised ratio from 1969-70, the J&K got 30 per cent as grant and 70 per cent as loan up to 1990-91. The accumulated arrears from 1969-70 to 1990-91 amount to Rs 1275 crore which centre is yet to pay to the state. If paid, this would reduce the yearly debt-servicing by more than Rs 200 crore.

ECONOMIC PACKAGES FROM CENTRE

To revive the beleaguered J&K economy, the centre over the past fifteen years has come up with economic packages. However, more often than not the packages have either been implemented in breach or have had strategic tag attached with them with little in terms of helping the mainstream economy.

It was in 1987, just two years before the onset of ongoing turmoil that Congress Prime Minister Rajiv Gandhi announced a fat package for the state during his visit to the state as part of the Rajiv-Farooq accord. But before Rs 10,000 crore package could be implemented, bureaucracy came in the way and by 1989, the Congress government collapsed. The VP Singh government that succeeded was weak enough and didn't honour the promises made by his predecessor. Singh, however, conceded the long-pending demand for 90 per cent grant and 10 per cent loan in central funding to the state. But by then the state's debts had increased to a whopping Rs 2,412,42 crore.

Through the first half of the nineties, the ground situation in the valley collapsed to the extent that even the fund allocations in most of the sectors could not be spent. These were either diverted to Jammu or were simply lapsed. Corruption also reigned supreme and works were shown to have been executed on paper only. In one case, deputy commissioner of district Anantnag was found to have misappropriated development funds to the tune of Rs 9 crore. Similarly Rs 32 crore scandal came to the fore during the upgradation of the Srinagar-Bandipora road for Kishenganga Hydel Project which was subsequently shelved. There have also been allegations of corrupt practices in the execution of Dal Development Project being financed by the centre.

On July 23, 1997 yet another PM H D Deve Gowda announced a package. The package envisaged spending Rs 2500 crore on the construction of Udhampur-Baramulla railway track and Rs 77 crore for the construction of Mughal road as an alternative to landslide prone Jammu-Srinagar road. The package also earmarked Rs 20 crore for the development of Kargil airport. Besides, as a goodwill gesture to the militancy-hit people of the state Gowda waived off small borrowings below Rs 50,000 disbursed up to and outstanding on June 30, 1996. It was after some time that centre released Rs 301 crore favouring 1,64,636 people. Some of this amount was misappropriated by some banks in the state-run cooperative sector. Gowda's other commitments, however, remained unfulfilled.

The Vajpayee government came up with its own packages which like Gowda's was also mainly infrastructural in nature and represented Centre's priorities in state rather than that of the state government. However contrary to the trend, in his first package in April 2001, Vajpayee approved the National Conference demand for incentives to the investors in the state. In addition to the 12 incentives that state government was offering to the new units, the central government announced 100 per cent exemption of excise duty for a decade for new ventures. The incentive was also for the expansions of the existing units. Besides Vajpayee also offered capital investment incentive of 15 per cent within Rs 3 million ceiling, full reimbursement of insurance premium on capital investment and 3 per cent interest subsidy on capital investment.

This was a great morale booster. By May 2002, the state had received 104 investment proposals worth Rs 831.63 crore. Besides pharmaceuticals, yarn, leather goods, the proposals have also come for the manufacture of almost all the white goods brands. But what has undid their positive fallout for the economy as a whole, particularly in the militancy-wracked valley, is that all these proposals have two favoured destinations – Kathua and Bari Brahmana in Jammu province. The two have locational advantage over all other 12 districts of J&K.

The package was followed by another in May 2003 and comprised 26 projects involving a cost of Rs 8,68,713 crore. It was termed as “boldest political statement made in

economic terms”. The package was mainly in strategically-important infrastructure projects.

A huge sum of Rs 1,335 crore was taken by the “ambitious and strategically vital 474 km Leh-Manali road”. The road has to be completed by 2010. It also includes Zangal-Padam-Dracha road in Leh to connect with Manali-Sardhu in Himachal and would cost Rs 195 crore. Though 200 km of this road lacks any kind of life on either side, its development will free Ladakh, especially Siachin from dependence on Kashmir for supplies.

More than Rs 700 crore will be needed to burrow the 9 km Rohtang pass tunnel. Similarly, for the Udhampur-Baramulla railway track and doubling of Jammu-Jullunder line, the package puts away a total of Rs 5,986 crore. Various border development schemes were given Rs 620 crore and Rs 62.25 crore were to be spent on police and anti-militant forces. The package left Rs 416.55 crore for the development of horticulture and handicrafts and Rs 253.53 crore for the Batote-Kishtawar-Khanabal road.

In his last visit in May 2003, Vajpayee for once had something which had no strategic tag attached to it. These included the elevation of the status of Srinagar airport to international standards which could be beneficial to the state if the tourist activity revives.

He also announced low cost long term loans to 1200 houseboat owners and 500 hotel owners in Srinagar and

asked the state government to prepare a comprehensive tourism revival plan.

The prime minister also announced the setting up of computer information centers in all of J&K on the pattern of North-Eastern states; construction of a 600 meter cable stayed bridge at Basohli across the Ravi river in Jammu and expansion of ISRO's telemedicine pilot project to connect various hospitals of remote areas in Srinagar and Jammu.

But an announcement that was targeted at the thousands of frustrated unemployed youth was the creation of one lac jobs. However contrary to traditional government employment, PM insisted "these jobs will be in the thrust areas of the state economy through twin routes of accelerating the rate of economic growth and effective implementation of employment-oriented schemes.

However over the 8 months since Vajpayee announced his latest package little has happened in terms of its execution on the ground. Soft loans for houseboat owners and hoteliers have still not been provided. Though on February 10, 2004 about 51 houseboat owners were provided loan cheques by none other than chief minister Mufti Muhammad Sayeed they are being charged the market interest rate of 11 per cent. Similarly, there have been no effective measures to tackle the rampant unemployment in the state. While ban on government recruitment continues to be in place – there is a growing trend towards casualisation of the government employment in the state – the job generating loan schemes are turning out to be an

unattractive proposition in the prevailing abnormal situation.

OVERDRAFT FINANCING

As a result of the increasing gap between the revenue base and the expenditure on account of the security related obligations, the state government resorted to overdrafts from J&K Bank at a fairly higher rate of interest than charged by the Reserve Bank of India. Against Rs 57.41 crore in 1988-89, the overdraft had crossed Rs 200 crore when Dr Farooq Abdullah resigned in 1990. It was over Rs 600 crore when Dr Abdullah returned to power in October in 1996. The figure crossed Rs 1050 crore when fractured verdict offered a hung house that even brought state for a brief spell under governor's rule. It is now at over Rs 1300 crore despite the state government setting up a Cash Management Committee to oversee the developments taking place on state's fiscal front.

The state government has paid Rs 851.06 crore as interest to the bank on overdraft between April 1996 to October 2003. Now the government is intending to do away with the overdraft facility with J&K Bank and instead raise the same from RBI at much lower rates of interest. To enable it to do so, the state government has sought – and it has been approved – that the finance ministry provide a grant of Rs 400 crore as an incentive to move to a “fiscally more prudent system”. There is also a proposal to get the J&K Bank to lower the interest rates on its overdrafts to RBI

levels and in that case state would continue to borrow from the bank only.

BREAKING FROM THE PAST

Though reeling under bloodshed and mayhem for the past fifteen years, Kashmir is in the midst of a new opportunity. For more than ever in the past there is not only a stimulus but also the necessity to break away from the past. Both, in political and economic terms. While an urgent need is felt by the political leadership to alter their rigid mindsets on the solution to the vexed problem, there is also an earnest groundswell for change on the ground. And if the last year's, MORI International survey conducted in the state is to be believed, 93 per cent of the sample population think that economic development will help bring peace. The survey suddenly veered the debate towards the role of economic development in the reduction of conflict in the state.

In fact, a prominent US based think tank Kashmir Study Group, which is working hard for a compromise solution to

Kashmir dispute between India and Pakistan, has recently taken up a research project entitled Kashmir: Economics of Peace, in collaboration with the Centre of Strategic and International Studies, a major US think tank.

The project “will map out a vision of how Kashmir would fit into the regional and world economy following a peaceful settlement of the Kashmir problem, and develop a menu of economic activities and projects that could help bring about this outcome”. The Kashmir Study Group's goal is to make a contribution to addressing the economic problems Kashmiris face today, but also to set forth a path for working on their larger political and economic needs for the future. These developments point towards an evolving new approach towards the resolution of the problem which has hitherto been a predominantly politics centred issue.

The strategy being worked out is generally two-pronged. A need is felt not only to think ahead in terms of integrating the Valley into the new knowledge-based economy but also to rehabilitate the Valley's own yet neglected potential areas of growth. Unlike manufacturing and other heavy industry, Valley is seen as eminently suited for the IT-driven ventures, bio-technology and tele-communications. Besides, the development of an estimated potential of 15,000 MW of hydropower, tourism, agriculture, saffron cultivation, development of herbal products, export of Kashmiri handicraft etc are seen as the “permanent anchors” for a future Kashmir economy.

However what, according to Kashmir observers, could yet again cost us the chance is the temptation, like always, to go for the quick fix solutions. Anything done with an eye on the short-term results like “#excessive government recruitment, particularly on terms and conditions that provide a high degree of permanence; or the series of ad hoc and often competing special economic packages and funding processes”, is likely to further complicate the situation rather than facilitate its resolution.

These, experts argue, cannot be the solutions. The financing and funding by the government of India on the contrary have come to be seen “as the part of the problem rather than part of the solution”. What is needed is a well-laid-out post-conflict reconstruction process.

In his article, *Economic Reconstruction for Peace*, Haseeb Drabu, the economic advisor to the present state government argues that the reconstruction of the J&K economy needs to be designed in a manner that supports the transition from conflict to peace through the rebuilding of the economic framework. Reconstruction, according to him, does not refer only to the reconstruction of "physical infrastructure", nor does it necessarily signify a rebuilding of the socioeconomic framework that existed before the onset of conflict.

“The conflict in Kashmir has transformed the society, and a return to the past may neither be possible nor desirable. This is especially so since the inequities and fragility of the economy and the weak governance structure in Kashmir

played a significant role in creating the conditions for conflict. What is needed, therefore, is the reconstruction of the enabling conditions for a functioning peacetime economy”, he writes.

The requisites for this change will be a major yet long term policy thrust that departs from the essentially adhocist past practices backed of course by the “reconstruction fund”. But while this happens in due course of time, what is heartening is that despite the unabated violence and the general disruption of the life, the society though scarred has nevertheless survived without any great disorder. There are all the signs of life going on normally even without much change in the ground situation. IT education has picked up, mostly as a result of the private initiative rather than the government effort. Every year about 1500 skilled, semi-skilled computer literates belonging to Kashmir Valley are trained in colleges and private institutes in Valley. (Get a lowdown on the computer institutes). Through the nineties computer institutes have proliferated, though there have been complaints of many of them cashing in on the IT hype rather than delivering quality education, But now the scenario has changed with the arrival of the computer education giants like NIIT, Aptech etc. Other local institutes have also followed suit by upgrading their infrastructure.

The result is that the Valley now has a huge pool of computer educated youth which could be harnessed to a great advantage if efforts are made to develop IT as an industry in Valley. (Discuss its potential with the experts).

This was even acknowledged by Mr Narayana Murthy, Infosys chairman, when he visited Valley as part of the entourage of the former prime minister Atal Bihari Vajpayee in 2003. There is already talk of Valley as a possible destination of Business Processes Outsourcing which in the given situation could offer a replacement to the government jobs. There is a huge scope for knowledge based industries and services being used as vehicles of growth in a situation of scarce capital and a large work force. True, IT hardly goes beyond urban areas but it will give a viable alternative to the government-job dependent youth which includes even rural youth. At a time, when youth in Valley are experiencing a shift in old mindset, driven mostly by the insufficiency of the present government and economic set up to meet their livelihood and career aspirations, a drive towards major 'ITisation' of the society is seen as way out. (what has been the approach of Mufti government to unemployment, besides bank loans). The continuing ban on the government recruitment in the wake of the inability of the government to add to its huge wage bill for the already surplus staff has only further whetted the desire for alternatives (The state government has signed a MOU with the centre to restrict filling up vacant posts to check wage bill). Moreover, the Valley's hitherto abiding fixation for the medical and engineering professions is also waning as a result of the saturation in the fields.

But the coalition government ruling the state, despite being almost two years in power has done precious little in this direction. Its main thrust on the other hand has been on

training the youth for self-employment rather than creating the enabling conditions for employment. Although, a software technology park has been established in Srinagar by the previous government, it has hitherto not been able to act as a nodal point for the IT related activities in the Valley.

Andhra Pradesh experiment is seen well worth emulation in the state. Bringing Srinagar on the IT map could also change the dynamics of the prevailing political situation besides solving to a reasonable extent the rampant unemployment.

Entrepreneurial activities also have a definite scope in the state. This is even felt by the chairman of J&K Bank M Y Khan. Kashmir, he says, desperately needs entrepreneurship development programmes. The bank has surplus funds but there are no bankable business proposals among the unemployed youth looking for loans to start a venture.

Besides, apart from IT, the Valley is suited for the setting up of electronic units, mini cement plants, computer hardware, TV and watch manufacturing as these industries are “low volume, high value, free from pollution and will benefit from moderately cheap labour”. Sericulture and silk industry, textiles and ready made garments, sports goods industry, processing of gems and precious stones, selective mining projects and mineral based industry, welding electrodes, pesticides are other areas that have potential. At present, the state exports textiles to Germany, Saudi

Arabia, Nepal, Belgium, Sri Lanka, chemicals to UK, Taiwan and Israel; foundry fluxes to Taiwan, Pakistan, Dubai and Ghana.

The essential components of economy in Kashmir are multifaceted and revolve round natural resources and people. Handicrafts sector continues to be a major cottage-based industry in the state. During 1999 to 2000, the state earned Rs 6 billion from handicraft products in which the share of carpets was 85 per cent. However, there was a slump in the demand after 9/11, effects of which are only now neutralizing. The state has tremendous potential for horticulture, floriculture, fruit processing, as well as food processing. Mushroom and trout processing has also great potential. Being aplenty in fresh water resources, production of trout fish on a large scale, even in private sector can be a good economic option.

TRANSFORMING RURALScape

It is only three years back that Nazir Ahmad Sofi, a young paddy farmer of Dab in Tehsil Ganderbal, 25 km from Srinagar, converted one kanal of his land into a pond. Having a perennial supply of water, the department of fisheries provided him with the 600 fingerlings of grass and common carp, the fast growing varieties of fish imported from outside the state. After around one and a half year, the fish had grown to an average weight of 750 gm, some

mortality notwithstanding. With the market value for the fish around Rs 100 per kg, he made a good money, though he didn't sell all of his 4.5 quintals in one go but waited for the fish to grow more weight. Nazir didn't have to invest much. He supplied aquatic weeds, grass and occasionally rice brawn and crushed maize for feed. The income from the pond supplements his meager agricultural activity and has gone a long way to improve his economic condition.

Nazir is not alone. There is one Khasta Khan at Gutlibagh in Kangan area, 20 km from Srinagar. Hailing from Gujjar community, one of the most backward tribes in the state, he has adopted fish culture as a profitable occupation which is supplementing the income from his provision store. There are many more such examples.

The fish culture, those of fast-growing varieties, is picking up in private sector across the Valley, among the people with land with perennial water supply. And the last year the government sought to give further boost to the occupation by offering monetary incentives for the setting up of about 50 such ponds in each district. The districts have one model fish pond called demonstration pond constructed with the aid of Rs one lac from the government.

If anything, the ongoing development of fisheries in private sector has underlined a paradox. That is, while due to availability of water resources, the potential for such activity always existed, it took so long for the government to encourage this as a matter of policy or even for the people to take to it on their own. Such examples of

consistent neglect of the inherent economic potential across various sectors are many in the valley.

There is floriculture which despite the Valley being known as “phoolon ki wadi (Valley of flowers)” all over the world is limited to only the government maintained parks and gardens at many health resorts. Otherwise the flowers only grow in wild in the meadows and hilly areas of the state. More than 500 varieties of plants with flowers inhabit Kashmir. Numerous flowers, decorative, medicinal or wild and exploitable as perfumes are in abundance. But there has not been an attempt to start floriculture as an occupation in the private sector which could have turned out as a viable export proposition in the long run. It is only now the government has woken up to this possibility. A model floriculture centre is being set up at Nunnar Ganderbal, 25 km from Srinagar, where flowers would be cultivated “exclusively for export to Russia, China, Middle East, Singapore, Malaysia etc.” One such centre has already been set up in Srinagar, which is one of the nine such centres established nationwide. The government is also setting up 250 floriculture units, each spreading over an area of 4 kanal for promotion of floriculture in the valley. Farmers are being provided Rs 13000 as subsidy for establishing their floriculture units. However, there have already been some successful entrepreneurial examples. (Ask Ayub Sahib)

Closely allied to the floriculture is the cultivation of aromatic and herbal plants which despite the fact that Valley boasts of many rare and precious plant varieties is

far from being developed to its full potential. A kilogram of rose oil extracted from the local variety of the flower has a market value of Rs 3 lac. The huge potential of this sector can be gauged from the fact that the 80 per cent population of developing nations, according to WHO estimates, depends upon traditional medicines for their primary health care needs. There has also been a global resurgence of interest in plant-based or herbal drugs. In recent years, their use has significantly increased as 'neutraceuticals' for health care and herbal cosmetics for enhancing the body beauty. By a conservative estimate, the annual value of world market of herbal drugs is more than 60 billion US \$ while the annual world trade in medicinal plants will touch six trillion US \$ by 2050.

If sustained endeavours are made to boost production of medicinal and aromatic plants in the state and necessary processing facilities are set up, Kashmir in the long term is seen to have the ability to capture a sizable share of global market. What further inspires such a thought is the success of Leh Berry juice, a Kashmir-based Ladakh Foods product which is today a fast selling product.

The Valley possesses a great plant wealth that is yet to be fully tapped on commercial scale, which in turn could accrue abundant benefit to the farmers too. In fact, the province has a great potential for the plantation of medicinal plants because of ideal agro-climatic conditions and suitable soil. The Shivalik and Himachal ranges of the Himalayas which enjoy a temperate climate and a good rainfall are thought to be ideal for growth of plants like

Dioscoria, Texes and Digitaties which have tremendous medicinal value.

The experts also see here a great opportunity for improving the economic situation in rural areas. Cultivation of aromatic and medicinal plants could well complement the agricultural activities and fetch a good income to the farmers.

There are already some initiatives being made in this direction by the government also. The Regional Research Laboratory has set up an 1800 kanal aromatic and herbal plant farm at Pulwama, 35 km from Srinagar, which will also involve the local farmers in the activity. Similarly, the department of Indian System of Medicine is establishing Vanaspati Van, a herbal garden in Sindh area of Ganderbal. Besides, Field Research Laboratory (FRL), Leh has signed an MOU with University of Kashmir, Srinagar to carry out research and development activities in joint venture in the Medicinal and aromatic plants to give boost to their organized production. (Ask Arjumand)

The Government has also set up a Medicinal Plant Development Board in the State. The Board has initiated the setting up of herbal gardens in all the districts of the State besides establishing demonstration plots to create awareness among the farmers for cultivating rare species of medicinal plants and optimum utilization of the available barren land. The Board also organized a training program on production and marketing of medicinal and aromatic plants in collaboration with National Institute of

Agriculture Marketing, Rajasthan at Entrepreneur Development Institute.

The J&K Forest Department is also initiating action for making suitable amendment in the Kuth Act and other relevant laws to remove constraints in opening up of medicinal plants sector for commercialization since it has tremendous potential to generate revenue and employment. The concerted efforts will definitely contribute to the State's economy.

Similarly there are numerous other sectors which as a result of the policy of populist fixation on the tertiary sector have consistently been neglected. Be it handicrafts, horticulture or hydel power, one of the three major sectors which if developed have a potential to transform the Valley's economy, all have been ignored. Kashmiri handicrafts, which already are famed, much like an internationally recognised brand name across the world, have instead of building on the good image become more or less confined to the activities of the department by the same name.

Their revival is key, some say only viable means, to a robust Kashmir economy. More so, in the wake of the stark fact that J&K is dependent on centre for two-thirds of its financial support. The dependence has only grown over the years. While in 1974, J&K was dependent on the Centre for 50 per cent financial support. The situation has only worsened with the figure rising to 86 per cent in 2002. According to Nissar Ali, professor of economy from Kashmir University who has also been closely associated

with the formulation of economic policies by the state government, “major revenue earners like horticulture and traditional handicrafts need a renewed and serious focus”.

Traditionally, Kashmir has always been famous for its handicrafts industries, which included weaving of local silk and wool, carpet and rug weaving, wood-carving, and papier-mâché. Introduced into Kashmir by Budshah, the great Kashmiri king in fifteenth century, it was during Mughal rule that the state overtook the northwest frontier and Punjab as the centre of handicrafts, particularly shawl-making. Across the extensive swathe of countryside, a renewed focus on their development is expected to go a long way to bring relief to an otherwise employment hungry population. According to experts, this can be done by developing employment generating schemes which are targeted at the revival of handicrafts. Also, a need is felt to give handicrafts a life beyond the artisans and make these a part of the entrepreneurial initiatives of the educated youth.

The handicrafts are a resilient product. This is proved by the abnormal situation of the past 15 years which despite hitting the occupation hard did not, however, diminish the market appeal of the handicrafts. This is borne out by the example of the scores of pashmina shawl embroiderers in the downtown Srinagar, who work secure in the knowledge of finding the ready buyers for their products. According to one Manzoor Ganaie, a pashmina needle-embroiderer from the downtown Srinagar, the handicrafts remain highly sought after items from Kashmir, though the lack of tourism has severely hit the quantity of off-take.

More than two and a half lac people in a population of 10 million are associated with handicrafts. In 2003, handicrafts worth Rs 7.5 billion were produced in valley, which included about Rs 5.5 billion worth of export.

Official estimates forecast an export growth of Rs 15 billion in the sector within five years. Prospects could be rosier if tourism picks up in an environment devoid of the reigning tension that otherwise prevails across the valley. For tourists are not only seen as potential high end buyers for the costly handicrafts goods like carpets and shawls but also as advertisers of Kashmiri craftsmanship across the world. The growth of handicrafts sector, therefore, is directly proportional to the number of tourists pouring into the Valley.

The abnormal situation forced many affluent traders in handicrafts like Manzoor Ahmad Wangnoo to shift their base outside Kashmir. Handicraft shops mushroomed in New Delhi, Mumbai and in other tourist hotspots across India after 1989. In Goa alone, at least 250 Kashmiri handicrafts shops have sprung-up in the past 10 years.

But the small craftsmen who mostly depended on tourism enjoy no such luxury. Against the 8 lac plus tourists who they catered to in 1989, the market for them has reduced to a few thousand annual tourist arrivals besides the already meager domestic demand. For them while the restoration of normalcy is necessary for the sector to look up, the handicrafts business cannot, however, wait endlessly for such a possibility which in their opinion is still very

remote. With proper government efforts and better marketing exercises, experts opine, both the arrival of tourists and the sale of handicrafts can be ensured. There can also be a case for marketing on the lines of project for Aggressive International Marketing (AIM) for North-eastern region which aims to promote handicraft and handloom products in overseas markets through an international marketing Programme especially designed for these crafts.

Around 2 lac tourists that have so far visited Valley this year and the corresponding redeeming change in the businesses across the board is seen as a result of a directed government effort. Moreover, the government move to hold craft bazars, melas, national expos and exhibitions of Kashmiri works in some foreign countries like Britain, Dubai and Germany is seen as the reason behind the increasing international sales of numdas, a type of floor covering, embroidered pashmina shawls, papier mache items and wooden carvings from the valley.

Besides, under Centrally-sponsored schemes for artisans, a new special credit plan for financial assistance is being implemented covering 1000 units for the benefit of nearly 6000 artisans. The financial assistance comprises 90 per cent loan and 10 per cent contribution. For enhanced competitiveness in the market, a massive skill upgradation programme has been undertaken. A Craft Development Institute has also been set up in Srinagar for the purpose. Entrepreneurial initiatives from the local youth in the handicrafts sector can be one of the most promising self-

employment options. This is the only way the sector could be expanded beyond its subsistence scale dimensions at the grassroots level where marginal artisans are involved in it. There is a huge scope for exports in the handicrafts sector and the educated youth if imparted proper entrepreneurial skills, given incentives and trained in the nitty-gritties of the export business which will not only help create jobs but also bring wealth to the state.

The example of one Farah Khan, who came to Kashmir as an army officer's wife, will serve an inspiring example (media report). First she surveyed the business opportunities in Kashmiri handicrafts with a desire to help the poor artisans and then started giving them manufacturing contracts. Her favourite items were hand embroidered pashmina shawls and stoles. She started promoting the products initially by participating in small exhibitions. Slowly her products started drawing the attention and she began participating in bigger events. There is no looking back for her now with offers pouring in to participate in large international events. Farah's product range has also increased. There are embroidered shawls, stoles, scarves and throws with intricate needle work, swarovski crystals, sequins, beads, tassels, golden and silver threads, suede patches, cutwork and zardosi work. They come in breathtaking designs, exotic patterns and colour combinations which cater to every age group. Her products are now the rage among the people who appreciate fine quality fashion accessories. Today she has named her organization as Kashmir Krafts which has

gained a formidable reputation all over the world. (contact her)

Kashmir is also known worldover for wooden furniture making, but its potential as a export commodity remains far from being tapped. The walnut furniture of the state has been prized for generations for both the beauty of its texture and its exquisite craftsmanship. “It is no coincidence”, writes in an article the former senior bureaucrat in Kashmir and now a senior fellow at United States Institutes of Peace Wajahat Habibullah, “that Farooq Kathwari, CEO of Ethan Allen, the largest and most successful furniture business in the United States, is a Kashmiri”. Though a number of private entrepreneurs manufacture high-quality furniture, the growth of their businesses is limited by a lack of financial and marketing resources. The state government had even set up a joinery mill at Pampore, south of Srinagar, in the 1950s. Aspiring to rival other world-class furniture manufacturers, the government employed foreign experts to ensure that the mill met international furniture specifications. The mill is now closed. Mismanagement led to declining quality and wasteful overuse of valuable raw materials. Sadly, the age-old craft of woodcarving is dying out, as young people pursue government jobs and other short term activities.

SHAHTOOSH BAN

The ban on Shahtoosh couldn't have come at a worst time, for it created a sudden vacuum in what was a thriving and

lucrative trade worth Rs 500 crore. A PIL was filed in the J&K High Court which sought the implementation of the provisions of the Wildlife (Protection) Act as well as the Convention of International Trade in Endangered Species which prohibits the import of shahtoosh into India and on May 1, 2000 the High Court issued a judgement forcing the government to enact and enforce its wildlife law. Finally in 2002 the manufacture of shahtoosh shawls was finally banned in the state.

Promulgating an amendment to its laws, the J&K Assembly passed an act which places the Tibetan antelope or chiru (*Panthelops hodgsonii*) in Schedule I of the Jammu and Kashmir Wildlife (Protection) Act, giving it the highest protection, thereby making any use of its derivatives punishable by law. The chiru was earlier in Schedule II of the Act, which made trade or use of its derivatives possible with license.

However, there is now a sound case building now about the revocation of the ban, for the consequent drastic reduction in the annual yield from the handicrafts has not only hit the overall economy of the state but also come down hard on the 5000 families which practiced the occupation. The opinion here is that the concern for the animal rights should not run up against the livelihood of the people, more so when a large number is involved. There is also a suggestion that the captive commercial breeding of the chirus, the endangered Tibetan antelope from which the wool is procured, would be viable solution to the problem. The state government had even made an effort in this direction

by establishing a captive breeding farm in Ladakh which however was not a success. Experts blame the lack of serious planning for the fiasco and still hold the setting up of such a farm as a realistic possibility. If the ban is lifted, whose chances are remote, and a captive farm comes through, the worth of Shahtoosh trade is projected to grow to Rs 2000 crore in the next five years from its present Rs 500 crore.

That the present coalition government is also contemplating to get around the ban imposed in 1999 under pressure from environmental groups led by the then union minister for social welfare and empowerment Maneka Gandhi became obvious when it decided to challenge the ban in supreme court. Talking to a delegation of Kashmir Shawl Manufacturers and Weavers Association, the chief minister Mufti Muhammad Sayeed said it was important that the apex court was informed that no wildlife law is violated in J&K for manufacturing of shahtoosh shawls. Already the advocate general Muhammad Altaf Naik has been sounded “to present the government’s view point in the supreme court highlighting the negative impact of the ban on the life thousands of people associated with shahtoosh trade.”

80S' CARPET BOOM

Soon after taking over the reigns of power in 1982, Dr Farooq Abdullah embarked on a plan to give a major push to the carpet weaving as a source of livelihood across the countryside. The plan worked as the practice soon caught on on a large scale. So much so, that the widely practiced occupation spawned a culture of its own which became

known as *Qalbaf* (the Kashmiri name for looms) culture. The looms went up in almost every village and the production of carpets increased considerably. The huge tourist rush through the decade, driven by extensive marketing of Kashmir across many countries by the state government ensured that the carpet sector boomed. This had gone a long way to mitigate the unemployment problem in the countryside, however mostly among the uneducated and semi-educated youth, for whom the carpet weaving was a profitable side job to the agricultural activity. The activity also supplanted to a good extent the government instituted rural employment schemes.

However, towards the end of the decade, the activity fizzled out. The reasons were diverse. (Confirm these). Declining government support in terms of incentives, the exploitation by the businessmen who supplied raw material to the weavers and the decreasing margins for the artisans were some of the major causes. Besides, the occupation never attracted the educated youth and the spreading literacy in the countryside only further narrowed the space for its growth. In fact, towards the end of eighties, the government employment had become a much sought after source of livelihood even in villages. And the subsequent eruption of militancy across the state only further distorted the picture and disintegrated the prevailing economic structures in the countryside.

However, while as *Qalbaf* revolution had eased the economic situation in the Kashmir countryside, it had also come in for sharp criticism from some quarters for

fostering the practice of child labour in rural Kashmir and even encouraging the illiteracy. For, the poor people lured by the prospect of making extra money, had begun sending their children to carpet weaving centers instead of school.

FULL EXPLOITATION OF HORTICULTURE POTENTIAL

B M Vyas, the managing director of Gujarat Cooperative Milk Marketing Federation Limited had a sound piece of advice for the policy makers of the Jammu and Kashmir government when he came here along with his high level team to discuss the modalities for collaboration for restarting the two defunct milk processing plants, one at Cheshmashahi in Srinagar and another at Jammu. He advocated “replication of Anand experiment in horticulture production in J&K so that the cash crops like saffron and walnut which have a huge market within the country, are marketed at remunerative prices.” He stressed that Kashmir had a brand name of its own for these crops and that needed to be exploited fully.

The state has almost a monopoly in growing dry fruits like walnuts. Other fruits include apple, cherry, guava, plum, apricots, and almonds are grown all over the State. Apple occupies around 40% of total area under fruit and accounts for 90% of the total production of fruits in the State.

But far from developing the sector, horticulture in Kashmir, though famed for its quality in the world, is finding it tough to face the competition from the cheaper and according to Fruit Growers and Dealers Association, the “genetically upgraded”, fruit imports, like apple, pear, almond etc from other countries. Despite horticulture being the major revenue earner – yielding an annual revenue of Rs 1200 crore to the state - with a huge potential for further development, there has been no serious effort through the decades to develop the processing facilities so as to extract juices and jams which would have added value to the sector. People point to the developed countries where about 40 to 50 per cent of fruit is processed.

But, despite the favorable natural conditions, the horticultural practices J&K are characterized by a lack of technical know how, low level of productivity, improper post harvest management and poor marketing.

If processing facilities were set up in the state, this would not only be what the state’s agriculture minister Abdul Aziz Zargar himself said as “an economically viable proposition”, but it would also reduce the farm waste by utilizing the C-grade apple, which would in turn make the products price competitive in domestic and international markets. There is also a suggestion to make available the C-grade fruit to processing industries outside the state which also could be a value addition to the sector.

About 20 percent of the total cultivated area in the state, a predominant part of it in Valley, is under horticulture crop.

About 4.5 lac families are engaged directly with horticulture activities. In physical terms, the area under fruit cultivation was about 1.73 lac hectares by the end of the Seventh plan period. This only shows the huge extent of the role played by the sector in Valley's economy.

Over the past some years, there has been a greater acknowledgement of the potential of this sector. In 2002, Jammu and Kashmir government signed a memorandum of understanding with centre to declare the state an agriculture export zone for apple and walnut. There was a proposal to set up a Rs 83 crore project for integrated development of horticulture. The project would take production and post production care of fruit, nursery modernization and renovation of old orchards. Similarly the project would also help improve forecasting, testing laboratory facilities, grading, packaging and controlled atmospheric storage facilities.

An information centre was also proposed to be set up at the Fruit Mandi at Sopore, the biggest such Mandi in the state, to provide better information facilities to the growers and the central government was approached to provide transport subsidy to the fruit growers of J&K on the pattern of North-Eastern states. And to eliminate exploitation of marginal and small farmers by the *Arties* (middle men) and the fruit forwarding and commission agents of various mandis in India, the government is exploring the alternate marketing channels for export of fresh fruit from the state and to procure fruit directly from the fruit growers on nominal commission basis. Already the Jammu and

Kashmir Horticulture Planning and Marketing department has arranged a tie-up with National Agriculture Cooperative Marketing Federation of India Limited, Container Corporation of India and Mother Dairy. The NAFED would procure fruit directly from the horticulture cooperatives of the Valley at a meager 4 per cent commission as against 12 per cent charged by private agents. It would also provide advance finances to the cooperatives with no loan facility.

NAFED is also being roped in to set up modern fruit concentration plant in the valley. The Valley has estimated 30,000 Metric Tonnes of C-grade apple readily available for processing.

Similarly a seminar, “Investing in Jammu and Kashmir Food Processing – Exploring the Untapped Potential”, was held in New Delhi in February 2004 which highlighted the urgent need for growth and development of food processing sector in the state.

The seminar only attested to the obvious alternatives for the expansion of the sector. That is, the manufacture of apple concentrate is the prime processing industry suitable for the J&K. Dried apple is another value added product which needs low capital investment and could offer a possible food processing venture. Besides, as a result of the changing food habits in India, new types of snacks and fried and quoted walnuts kernels can be an attractive business proposition. This is a low cost project which can be operated by small and cottage units. Similarly, fruit

products such as jam, dried pears, etc., also offer good opportunities and these products also have international market.

The central government has extended technology mission in horticulture to the state under which 50 per cent of capital cost up to Rs 4 crore is available for any new units processing horticulture products and 50 per cent more up to a maximum of Rs 1 crore for modernization and upgradation of existing fruits and vegetable processing units. The government has even come up with a target of providing employment to 3800 persons in two years and encourage prospective entrepreneurs from the state to come forward with proposals.

One Kohinoor International Agro Products Ltd has even set up an apple juice plant at Rangreth in Srinagar with Austrian collaboration which has started producing apple juice which goes by the brand name Kohinoor. This is the first project of its nature in the state and that too in the private sector. Around 1000 people are employed. In the next three years, the group which has also an agro-chemical unit in Jammu will invest Rs 100 crore to set up an integrated cold stores' chain, an apricot drying and packaging unit and a tetrapack-packing juice line.

The fruits of Kashmir, as managing director of GCOMMFL has rightly put it, have a branded reputation even in their raw variety and if the same are processed, packaged and competitively marketed, it won't be before long that the annual revenue yield from the sector could double from its

present Rs 1200 crore and in the process create the hundreds of job opportunities.

POWERING UP THE ECONOMY

Though over the decades much of the economic talk about Kashmir has centred around the legendary power potential of the state - an estimated 15000 MW (some recent estimates say 20,000 MW) - there has been a miniscule realization of this potential on the ground. The J&K has the largest power deficit of any of India's states. The state has to set aside a huge portion of its annual plan outlay, around 1000 crore, for the purchase of power from NHPC, particularly during winter when the production in Valley dwindles to a little over 100 MWs and the demand rockets up to around 1100 MW. In fact, in 2003, the state had accumulated an arrears of Rs 1600 crore towards NHPC. Such a state of affairs even impacts the power situation even when during the summer the state is in a position to meet at least 80 per cent of the demand, for it exports power to reduce the size of the arrears.

Power is seen as a sector with a potential to turn around the economy of the state. With the total utilisation in both the State and Central sectors as hardly 1,500 MW, this is less than 10 percent of the available potential. With environmentally low-impact projects and proper planning, the state can generate many times more power than needed and the surplus could be used to strengthen the economy.

This is borne out by a report prepared by International Center for Peace Initiatives, a Mumbai-based think tank on South Asian conflicts. The report, 'Reshaping the Agenda in Kashmir' says the J&K's hydropower potential could help to transform it "from a valley of death and destruction to a center of excellence in...engineering."

The setting up of power projects, says Prof Nissar Ali, will have a "three-pronged beneficial effect" on the economy. First the very construction will open up hundreds of job opportunities for the local youth. Second, the consequent improvement in the power situation would make the Valley a favourable place for industry, a sector in which it lags far behind and which in turn itself would generate more employment. In fact, with 10-12 hour daily shutdowns the several thousand industrialists in the state had been forced to drastically curtail their activities in the tenure of preceding NC regime. Third, the export of the surplus power would fetch the state the much needed revenue for development activities and would strengthen the resource base.

To underscore the salutary impact, a power project unleashes on the economy, a case in point is the 480 MW Uri project. (case study of Uri project).

There has been a huge economic spillover of the project into the Valley, more so in its larger vicinity. For instance, there has been a perceptible increase in the economic health of the otherwise largely backward areas surrounding the project. In fact, over the five year duration that the project

was in progress it employed more than 4000 people, both educated, uneducated, skilled and semi-skilled.

The huge employment opportunities that such projects could unleash is now being widely acknowledged and every new year the realization is only further dawning on the policy makers. Over the past some years, the state has initiated some concrete measures in this direction. With the governments, both at state and central level unable to shell out the huge finances needed for building the various power projects, the new hydel policy has been announced to involve private sector in the execution of mini and small hydro-electric projects. Some foreign agencies have also been entrusted the job.

Already two consortia have signed a MOU with the state government to set up 780 MW of hydroelectric power generation in the state. Skanska International of Sweden will build a 330 MW unit at Kishenganga in Bandipora in Baramulla district. It has the experience of operating in the state as it worked on the 480 MW Uri hydropower station for National Hydro-electric Power Corp in the same district. The estimated \$500m project will include a 103 metre high dam in the Gurez Valley.

Similarly Canadian company SNC Lavlin and New Delhi-based Jaiprakash Industries Ltd have joined hands to construct a 450 MW Baglihar project at Ramban. A 141-meter high dam is being constructed to divert water from the Chenab river through a 1.5 km long tunnel to the power

station to house three units of 150 MW each. It is estimated to cost \$600m.

Besides in accordance with the new hydel power policy the state government has thrown open for execution all small hydro power projects – with installed capacity of less than 25 MW or slightly more than this - to non-state government agencies termed independent power producers (IPP). These include private sector entities, central power entities, state governments or any other government entities or their joint ventures. Jammu and Kashmir State Power Development Corporation has identified 140 micro, mini and medium hydel power projects with installed capacity of 550 MW of which the 12 projects with 68 MW installed capacity have been notified for private investment. The government is also engaged in re-appraisal of Sawalkote power project to reduce its construction cost from Rs 2000 crore. The negotiations are in progress.

INDUS SETBACK

The Indus Water Treaty is the biggest blow that the state economy received in the aftermath of independence. The treaty brokered in 1960 by the World Bank gives Pakistan an unrestricted access to the water of three major rivers – Chenab, Jehlum and Indus – flowing through Jammu and Kashmir.

In response, the Pakistan gave India the compensatory full access to Ravi, Sutlej and Beas systems which benefited Punjab. However J&K was the loser all the way. For not

only were the state's rights to its rivers severely limited but it was not even compensated in the least for the consequent loss. The depredation unleashed by the Treaty on J&K economy is long. For one, the Treaty barred the state from building the storage reservoirs on the three rivers and allowed the construction of only run of the river power stations. On the contrary, Pakistan has built Mangla dam on Jehlum and Tarbela dam on Indus.

Second, the J&K received no compensatory share in the power and water from the Punjab rivers. Third, treaty also severely restricted the irrigation options for the state. The government claims it could have "increased the area under irrigation by one lac acres, over and above the 83,000 acres which was under irrigation before 1960". Now the government has been forced to explore ground water resources. In Charar-Sharief in west Kashmir which mostly comprises kandi and rain-fed area, the government plans to set up an irrigation project this year.

The J&K, according to the official estimate, suffers a cumulative annual loss of Rs 6000 crore as a result of the Treaty.

Having to make do with the run of the river power stations has meant that these hardly produce electricity to their installed capacities, for even minor changes in the water flow in rivers impacts the generation. The situation becomes worse in winter when there is an across the board 30 to 40 per cent drop in generation due to low discharge and the state is left with no option but to import. Leave

alone the mega Central sector power projects, including Salal in Jammu and Uri-I in Kashmir, which have an installed capacity of just 1,170 MW the total installed capacity of the State-sponsored power projects such as Lower Jhelum, Upper Sindh-I and Upper Sindh-II and Ganderbal (in Kashmir) and Chenani-I, II and III and Sewa (in Jammu) is approximately 300 MW as against the state's requirement of 4,000 MW. Even during the best seasons, the existing projects cannot generate more than 881 MW of power. The State depends upon the Northern Grid for power supply.

There are other side-effects of the Treaty. That is, even the run of the water projects routinely run up against opposition by Pakistan. Islamabad has expressed severe reservations over the construction of 450 MW Baglihar project and even made some on the spot visits to the site. The country even mounted stiff opposition to 330 MW Kishenganga project in Bandipore, Tulbul Navigational Lock Project on Wullar, also called Wullar Barrage, Dulhasti project on Indus and Salal project on Jhelum. Kishenganga and Wullar Barrage have already been put on hold for now while the work on Baglihar has progressed haltingly as a result.

Over the years, the voices against the treaty in the state have become louder and there has been some assertiveness on the issue on the part of the government also. Opposition ranges from a demand for complete scrapping of the Treaty to the claim for adequate compensation by the central government which includes share in the power and water

generation from Ravi, Sutlej and Beas. For the policy makers of the state, key to the prosperity of the state lies in getting around the adverse fallout of IWT.

While the horticulture, handicrafts and hydropower are the three foremost sectors of the J&K economy capable of a far-reaching growth, the tourism is an instant, immediate panacea. The sector used to contribute 16 per cent of the State's domestic product. From hotel industry down to the indigent ponywallas, shikarawallas or the poor inhabitants of the number of health resorts, the visitors from far and wide bring an instant relief. As rightly remarked by the chief minister Mufti Muhammad Sayeed soon after taking over in November 2002 that "this critical sector has the capacity to activate the economy expeditiously and provide instant succour to the people".

GETTING TOURISTS BACK

The tourist rush to the Valley went downhill all the way after 1989 when separatist violence broke out. From around 8 lac in 1989, the rush went down to a trickle in the

following year which dealt a crippling blow to the economy. For in one fell stroke, the whole hotel industry collapsed, about 500 houseboats on Dal went without occupants and thousands others associated with the industry were out on the road.

But if restored tourism is a potential gold mine: Kashmir is capable of offering the most invigorating, entertaining and delightful holiday of a life time to 5 million tourists all through the year. Sports, leisure, lounging, shopping, health inspiring activities are galore The outstanding attractions are the climbing peaks, gorges, house-boats and skiing in lakes, streams for fishing, rivers for white water rafting. Kashmir can be one of the number one spots for mountaineering and skiing. One only needs to Nepal or Switzerland to see how profitable this can be.

An estimated 4 billion dollars of foreign exchange can be achieved through just half a million tourists and consequent export of handicrafts.

However for tourism to flourish, the first requisite is the resolution of the dispute over Kashmir. And until that happens the normal tourist activity will always remain hostage to the ongoing violence as has time and again been proved by the unpredictable turn of events in Kashmir. However, of late a new opinion is emerging in a section of population which advocates the concept of “ad hoc tourism” until the time that Kashmir becomes completely normal again.

The aggressive marketing of Kashmir as a tourist spot within and outside India can be an appropriate effort in this direction. To its credit the new coalition government has done some good work. For example, to send right signals about Kashmir across the world, the government has organized well publicized events like winter games at Gulmarg and golf tournaments like Ambassadors Golf and the Kashmir Open at the Royal Springs Golf Course, which is regarded as among the best such courses in Asia.

Western countries are being prevailed upon to withdraw adverse travel advisories on Kashmir. And already in response, the Governments of Australia, Austria, France and Italy have relaxed travel restrictions to Kashmir. The question was raised even in a meeting with a high level delegation of European Union which visited Valley in June, 2004. If the effort succeeds, it will bring back the affluent foreign tourists to Valley.

The visits of foreign journalists are also arranged by the State's Department of Tourism. Journalists from Italy, Sweden and USA have visited Kashmir during the year. A number of correspondents of foreign newspapers and Delhi-based TV networks have also visited Kashmir to cover the increased tourist inflow during the year.

The government has also been inviting tour operators outside the state to visit the state and see for themselves the perceptible improvement in the situation. And to attract high-spending tourists, government has even started

helicopter services to various health resorts as a measure to address their security concerns.

Some innovative schemes like concentrating promotional campaigns on Gulf region rather than West to attract affluent Muslim tourists. The fares between Dubai and Srinagar have been slashed by 75 per cent to motivate travel from the Gulf area to Kashmir.

Similarly dollar fares for foreigners flying IA from all regions where its flights are operating to India, have been slashed by 50 per cent for travel to Kashmir. Persons traveling by any other airline up to Delhi but taking IA flights to Srinagar and Jammu will pay 35 per cent less on the dollar fare.

The efforts have paid off to a large extent. Already, an estimated 3 lac tourists have visited Valley this year and the number is expected to touch 5 lac, some violent incidents notwithstanding. This is a big leap from 2003 when only around 160,000 tourists visited Valley which was a 600 per cent increase from 2002 when a meager 18,530 visitors came to Valley.

However, traditionally the fruits of tourism have been unevenly distributed in Valley and it is main reason has been the lack of infrastructure and the development of fewer tourist places than what is available in Kashmir. The Valley is one whole health resort. Besides, the world famous spots like Gulmarg, Pahalgam, Sonamarg, Mughal gardens on the bank of Dal lake and the likes, numerous other places could be identified and developed and it won't

take long before these emerge prominently on the global tourist map. One big advantage of this would be the penetration of tourism in the interiors of Kashmir with its attendant economic spin-offs. Besides, this would also diversify the choices for tourists and get more of them into the Valley.

For tourism to thrive and to act as a real driver of the Kashmir economy, there is a need to make the Valley easily accessible by road or by air. The international status to the existing airport, construction of Mughal road as a safe alternative to the hazardous and weather sensitive Jammu to Srinagar national highway and laying of Jammu to Baramulla railway track is expected to open up Valley to visitors, trade and of course even industry.

KASHMIR IN TRANSITION

Kashmir is in the throes of an all-round change. Not so much politically, as in economic terms. For the effects of globalisation and liberalization which brought a revolution in the economic systems across most of the states of union are finally being felt in Valley. And felt acutely in an uneasy economic setting. Rampant unemployment, low overall growth and generally under-developed economy is paradoxically both a spur for rethinking the development model for the state and also a portent of further trouble.

The growth rate that was 8.47 per cent in the 1980s has slumped to just 4.5 per cent or thereabouts. The living

standards have declined, but there's money in circulation and there are construction activities.

So, while there is an urgent need to rehabilitate the core sectors of the economy, as already analysed in detail, there is also the need to develop means and undertake measures to integrate the J&K economy with the broader national economy. And this can be done by expanding the state's economy into the promising new sectors like IT, Biotechnology, Food Processing. In fact, in a research paper in 2003 titled `Health Sciences: Beyond Borders', Biocon India chairman Kiran Mazumdar Shah had written that Biotechnology as a business segment for India has the potential of generating \$10 billion and one million skilled jobs over the next five years. Besides, the state's core sectors like agriculture, horticulture, animal husbandry, forests could be diversified into value added sectors like cultivation and marketing of aromatic and medicinal plants, leather manufacturing, commercial floriculture, textile manufacturing etc.

With the youth facing a complete drought on account of employment in government sector – the number of unemployed youth is estimated to be three lac and growing - and ready to foray into alternative ventures, their entrepreneurial talent can be profitably utilised for an advance into this new economy. But what is needed is the institutional mechanism, which could be either the government or in Dr Haseeb Drabu's opinion, an autonomous agency, backed by the government and internationally funded which could help not only rebuild

the state's infrastructure but also help make the state compatible with the needs of new economy where there are linkages between the agriculture and the new technology-intensive sectors.

In his research project for the United State's Institute of Peace, Wajahat Habibullah, the former divisional commissioner of Kashmir and presently the textile secretary at the centre, identifies the key areas for investment in the state as watershed development, the timber industry (which will first require investment to restore the forest cover), fruit processing and power generation. If these sectors were active, Wajahat says, they could help jumpstart the entire economy. Besides, Wajahat, also advocates the involvement of United States, World Bank and the Asian Development Bank.

“Working with the governments of India and Pakistan, the United States could engage the world's leading financial experts to design multilateral investment programs (for the J&K),” Wajahat writes.

On the other hand, Dr Haseeb Drabu, though also for the involvement of WB, IMF, ADB, if not United States, wants the investment routed through an autonomous reconstruction agency in the state.

“The funding and finances for this agency - seen as a financial mechanism which needs to be guided by J&K's reconstruction strategy and priorities - should be broad in scope. Contributions to the reconstruction fund should be

untied and not earmarked for individual programs or activities,” writes Drabu in one of his articles adding however the spending out of the trust fund should be in accordance with reconstruction priorities agreed upon, and specified broad program categories. This, according to him, would provide the necessary institutional direction to the development in the state.

The ADB is already in the process of devising ways and means to engage with the state government to uplift the economy. A team of the bank visited the state in January 2004 and promised to advance US \$300 million in post-conflict loan for a variety of projects. In the first phase the bank is to focus on reviving the rural economy through a series of well laid out steps focusing on creating and restoring rural and farm infrastructure. The prime focus of this would be to generate employment and income in rural areas. Besides, the ADB authorities have agreed in principle to fund the development of critical urban infrastructure in the second phase of activity. The development of infrastructure is regarded as critical for attracting and sustaining the investment in industry by private investors.

On the other hand, there is a little involvement of World Bank also in the form of a Rs 68 crore project for the overhaul and machinery upgradation to facilitate the better technical education in the state.

There is also a suggestion to involve the India’s development banks like Infrastructure Development

Finance Company (IDFC) for the purpose within the SAARC framework, with the businesses from the member countries to be invited to invest.

The urgency of such an arrangement can hardly be overemphasized in view of the fact that the J&K, both because of the prevailing turmoil and the geographical disadvantages has been by and large deprived of the foreign direct investment that flowed into the country in the wake of liberalization in 1991.

And while we do so, there is a need now, perhaps more than ever, to get around the ill-effects of Indus Water Treaty and find ways and means with the active cooperation of New Delhi to exploit the existing huge potential for power generation and also to augment the irrigation facilities. For instance, the 450 MW Baglihar project, the Wullar Barrage, 330 MW Kishenganga which have presently run up against the opposition from Pakistan could go a long way to address the power problems of the state. Similarly, Wullar Barrage, if allowed to be built, (the ongoing negotiations between India and Pakistan have held up a hope of agreement on the project) will help irrigate a vast catchment area of the lake. Besides, to compensate to some extent for the lack of irrigation, the rain water harvesting could be developed as a viable option in rural areas.

Having said this, if agriculture is to receive boost in the state and it is to be harnessed as a viable and preferable source of livelihood for the youth, particularly for rural

areas, there could be a case for making agriculture a part of mainstream academics, for instance in the colleges as degree courses and also in the form of short term courses which should be open to all irrespective of the age group: Once, youth have degrees in agriculture, they could be persuaded to help boost the production in their private lands, orchards or even to diversify into other profitable activities like apiculture, floriculture, cultivation of aromatic and medicinal plants, primary food processing, sericulture and fisheries.

Of late, the food processing is being seen as a promising new sector which could create a huge value addition in the horticulture and therefore deserves some elaboration.

FOOD PROCESSING

Fruits like apple, cherry, plum, walnuts, guava, almonds, apricot, pear from the state which enjoy a reputation all over the world could be profitably processed into a variety of value addition products like jams, juices etc. Among these apple is the most important fruit which grows in around 40 per cent of total area under horticulture and accounts for 65 per cent of the total production of fruits in the State. Then there is also saffron, the world's most precious crop, which could similarly be utilised for several value added products to further enhance its already precious value.

Shockingly, not even a single per cent of the Rs 1350 crore fruit sector is processed when in the west about 75 per cent

of the produce is converted into value added products and exported to the benefit of the growers and the countries. It is estimated that the processing of only 50 per cent of the Kashmir fruit would substantially enhance the returns from the sector and transform the Kashmir economy.

Much is set store by the sector in view of the estimate that value added food segment in India will grow three fold in the five years - that is from US \$20 billion to \$60 billion. This will create a vast new market for the processed products and thereby more job opportunities for the youth.

However, the sector is still in its infancy in the state. Neither has government done anything significant to leverage the existing potential in the state, nor has there been any private investment worth its name. Of the total investment of US\$ 1954.2 million since the initiation of the liberalisation process, including foreign investment of US\$ 219.7 million, the J&K has received a meager Rs 6.30 crore investment by Delhi based Kohinoor International Agro Products which would be manufacturing aseptically packaged juices and jams. The products have hit the market but their penetration is still abysmally low and have still far to go before they catch on. However, in the next three years, the group plans to invest Rs 100 crore to set up an integrated cold stores chain, an apricot drying and packaging unit and a tetrapack-packing juice line.

On the other hand, Leh Berry, a beverage produced in Ladakh and sold in tetrapack has become a hot selling product. Made from seabuckthorn berries, it has already

crossed the 2003-04 turnover of Rs 3.20 crore in the first quarter of the current fiscal. However, recently Ladakh Hill Development Council has decided to cancel the lease of Compact International which along with Ladakh Foods owned the brand and harvest and market seabuckthorn berries through a cooperative marketing society. This, according to LAHDC, is being done to protect the interests of the seabuckthorn farmers.

There are two low-key food processing units run by Jammu and Kashmir Agro-industries Development Corporation, one at Khonmoh, which is now defunct and another at Doabgah which produces apple concentrate. Though there are plans for their revival and further expansion, not much can be set store by them if the past record is anything to go by. Besides, the sector by its very nature is ill-suited as a government monopoly or any kind of government involvement except as a facilitating agency for entrepreneurial initiative and the private investment, domestic or foreign.

The initiatives like market intervention scheme through which government buys out C-grade apple from the growers on a fixed support price and makes it available to the food processing units on subsidized rates are, on the other hand, good facilitating steps. Similarly, after the successful establishment of the food park at Khonmoh, the government proposes to set up another at Doabgah at an expenditure of Rs 9.48 crore. These would provide the necessary raw material for the food processing units across the state and thus act as yet another enabling condition for

the sector. However, while these steps are certainly creating favourable conditions for the sector, there has been little headway in terms of outside investment or local entrepreneurial initiatives.

The government needs to do much more, like drawing up concrete schemes for the sector like recently done by Punjab and then proactively seek the investment. The schemes can be worked out with the help of central government which in acknowledgement of the growing significance of the food processing industry has set up a full-fledged ministry for the same along with export promotion councils for agricultural processed products and marine products. Recently, Punjab Agro Industries Corporation has identified projects to facilitate private investment of over Rs 1000 crore in agro-processing sector in the next 2-3 years. The projects so identified span almost the whole gamut of the state's agricultural output from corn, rice, wheat, oilseeds, barley, sugarcane to milk and vegetables and are globally competitive in terms of size, technology and efficiencies with full export potential. And to make these projects a reality, the government is ready to divert about one million acres of land from wheat paddy rotation to high value low volume crops.

The J&K government would do well to work on such a broad strategy and play up legendary reputation of the Kashmir fruit to attract the investment in the sector. Despite the prevailing turmoil, Kashmir name does spell magic and it certainly rubs off on the many fruits from the state, particularly apple. Therefore, it would not take long before

the quality processed fruit products from the state become a prestigious, globally competitive brands. Both the state government and the entrepreneurs from the state should derive inspiration from the great success of Anand experiment in Gujarat. If the processed milk products from the state could become a venerable global brand, why can't it be repeated with the processed fruit products from J&K. There is no reason why processed apple cannot become the state's means to economic salvation.

BACK TO WOODS

Forests have been one of the richest sources of the revenue for the J&K but one which has been harmfully misused by the state monopoly. So much so, that the cover has come down by 20 per cent in the past two decades. However the remaining eight thousand square miles cover has an astonishing diversity, ranging from silver birch in the sub-alpine ranges to the majestic chinar, walnut and confers. Besides, there is a rich variety of Minor Forest Produce (MFPs) found in the Valley's forests.

But before forests are restored as major revenue earners for the state, an institutional mechanism needs to be evolved to do away with their long continuing blatant misuse. From the Concentrated System of Felling which was in vogue in early 1920s to the highly exploitative lessee system after '50s or for that matter the ill-advised forest programs like Grow More Food, the state forests in the last century have been on the receiving end. Under Concentrated System of Felling, the extensive swathes of Valley's rich Deodar, Kail

and Fir went under axe. So much so that the rate of harvesting was far greater than that of the growth which thereby deprived these forests of the capacity to regenerate.

However, the management system which did the most damage is the lessee system. The system granted exclusive rights to felling of trees to few influential families like Burzas, Shahdads, Bakshis, relatives of Shiekh Abdullah, the former chief minister of the state. The lease would be extended year after year and extensions could last as long as 10-15 years when the original lease period would be hardly for 1-3 years.

And even when government did away with the practice in the early eighties and created an autonomous agency State Forest Corporation for a more controlled extraction, little changed. Though the system eliminated the monopoly of the forest trade by lessees, it created only a new monopoly. However, before system could be further modified, it was overtaken by the sudden eruption of militancy from 1989 onwards which led to the law and order and institutional collapse. This led to a largescale plunder for the following seven years, until some semblance of control was restored in 1996 with the assumption of office by the elected government.

The figures of the last 30 years also reveal a grim story. The state has felled 35 lac trees (1.16 lac per year). And if illegal felling is taken into account as well, the total stands at 2.50 lac trees per year. Besides, according to M A Kawoosa, the project director Integrated Watershed Development Project and former chief conservator forests,

about 4000 hac of forest are lost to encroachment annually. On the other hand, the state's afforestation programs started in early 1980s have gobbled up Rs 750 crore without any satisfactory results.

Now the situation is such that the existing accessible forests cannot even meet completely the fuelwood demand in the state let alone the huge demand for timber. This is why we have now traders in valley selling timber in log form, that too of deodar, kail, fur, teak, pine and saal, imported from Spain, South Africa, Germany, Australia and New Zealand. And that too at rates lower than the price of Kashmir timber. This is tragic for a state which because of its once huge forest wealth should have been exporting the timber in the first place. And this is also a sorry reflection on the successive governments in the state which failed to protect and manage this precious resource.

Besides, the indiscriminate felling of the trees over the past fifteen years, for which besides militants, security forces are also responsible has ravaged the watershed in the valley. This in turn is drying up the springs, one of the main sources of water supply in the Valley.

This calls for a revamp of the government's approach towards forests. And the first step in this direction could be ending the absolute government monopoly. That is, if forests have to be regenerated and be a means for the improvement of the people in the countryside where forests are mostly in the immediate neighbourhood, there has to be some form of democratisation of the control. According to

a study by Centre for Science and Environment, if people living nearby forests have a stake in their management – that is, they are entitled to some share from the extraction of timber and MFP as also the access to the fuelwood – they will not only protect them but also ensure that these regenerate. Under the circumstances this can be the most viable long term strategy to revive the forests as the major economic player in the state.

Though, government has enacted a new forest policy which calls for the involvement of the people it will need an institutional resolve to actually proceed on the path.

Kashmir forests have much riding on them. For dependent and closely related to them is the tourist industry, cultivation of medicinal and aromatic plants and of course the famous woodcraft which includes the bat industry.

Here the bat industry would need a little more elaboration as this is one of the more resilient businesses of the Valley with an unlimited potential for growth. Last year alone cricket bats worth Rs 30 crore were exported from the Valley. Started modestly around 45 years ago, the industry, though still tiny in scale, has turned out to be a viable source of livelihood for a large number of people. In the number of villages along the stretch of national highway from Srinagar to Anantnag, which practice this occupation, there are fewer government employees. This only attests to the viable full-time nature of the occupation. The Kashmir cricket bats have a brand value in international market and sells at US \$50. However, there are some problems

plaguing the industry which if removed could result in enormous value addition to the sector.

Bats are still manufactured the traditional way which makes the process cumbersome, time-consuming and also detracts from their quality. The manufacturers are demanding now modern-day seasoning plants, common facility centre as also the rationalization of the quota system under the law banning export of willow clefts so as to benefit all manufacturers instead of a few.

SUPPLYING INDIGENOUSLY TO A MASSIVE MUTTON MARKET

The Valley has a vast market for mutton. So much so that the state has to import sixty per cent of its requirement, which is worth Rs 500 crore and growing, from UP, Rajasthan, Punjab etc. This is what is seen as a big drain on the state's resources. The question that is being often asked is as to why despite being generously endowed with verdant pastures and grazing lands, Valley cannot even meet its local need. More so, when doing so would trigger an economic turnaround in the rural Kashmir.

Besides, the spin-offs from the sector include wool, which caters to the handicrafts industry, leather which can be processed from hides and of course milk.

According to experts, with necessary leather processing infrastructure in place, the annual turnover in hides and skins can be converted into a Rs 350 crore strong industry. Similarly the Valley registered a milk production of 6.85 lac metric ton in 2002-03, accounting for a value of Rs 685 crore.

Besides, about 2.5 crore chickens are consumed every year in Valley of which only 40.2 lac birds are produced by government poultry farms and another 50-60 lac by common households. With each bird selling at an average cost of Rs 50, the industry is worth about Rs 150 crore and growing.

So together with handicrafts, a Rs 750 crore business, the cumulative value of the animal husbandry sector is worth Rs 1700 crore.

However, like in other sectors, the animal husbandry in the state is more or less confined to the departmental activity and some nomadic communities, majority of whom are from outside the Valley. Among the farmers, the activity is far from catching on, nor has the animal husbandry department carried out any serious extension endeavour in rural Kashmir.

Given the demand for mutton in valley, it is sometimes boldly suggested, that instead of paddy, a huge quantity of which anyway is imported from outside the state, the farmers would do well to grow fodder in their fields so as to raise the livestock. The production so raised from the

villages would supplement that from the department of animal husbandry as also from the nomads.

Besides, some experts contend that there could be simultaneous development of livestock and the forests as against the criticism that this would lead to the undue pressure on the latter. Though, with three cattle per hac against the normal two hac per head, the grazing in the state is thought to have gone beyond permissible limits, the problem, experts argue, could be solved by augmenting the genetic potential of the cattle. That is, the quality stock is the answer rather than the quantity.

Besides, the plan to set up the fodder parks in the province could be a right step in this direction. This could go a long way to narrow the gap between the requirement of 45 lac metric tonnes of mutton against the available 28.5 lac tonnes. Already, the state government has set a target of covering 2 lac hac by energy plantations and fodder resources to meet the demand for timber and fodder. There is also a UNDP project for provision of fodder around the year. An estimated 30 lac cattle graze in the Valley's pastures through the year.

The sector has a huge employment potential and could very well serve as one of the alternatives to the presently banned government services. The state government has set a target of 46000 employment opportunities, most of which fall in the animal husbandry sector.

THERE IS A WAY IN EDUCATION

For several years now, the valley has been host to non-Kashmiri students, about 10000 of them, who are enrolled with some 50 private colleges conducting B.Ed. They make a substantial contribution to the Valley's economy, about Rs 60 crore by an estimate. All these colleges are affiliated with university of Kashmir. At least 10 of them were added last year. Their intake capacity, enhanced from last year in view of the growing rush, averages 200, though some of them have even more than 300 students. As there are very few local takers, the non-Kashmiri component has over the years gone as high as up to 90 per cent. In Kashmir Women's College of Education at Sopore, there are just 8 Kashmiris in a roll of 165. Similarly TK's College of Education Lawaypora at Srinagar has just 19 locals in a total of 305 and Rizwan Memorial College has 9 Kashmiri girls in a total of 180. Going by rough estimate, every student coming from outside spends Rs 75,000 annually on an average, This includes about Rs 32000 as fee and hostel charges and Rs 43000 on their daily expenses.

Not only that, the indirect contribution by way of employment generation and ancillary economic activity with the establishment of these private colleges could be no mean. The 50 odd colleges have provided direct employment to 550 teaching and 1200 non-teaching staff, the former being paid according to UGC norms. Obviously, they sustain as many families. Ancillary units like general and provision stores, PCOs, stationary shops and some service providers sprout around the institutions soon after they are set up.

The remarkable success of the private B Ed colleges could be an indication of the unexplored and unexploited potential of the education sector in the state. Hundreds of students from Valley flock to professional engineering and medical colleges - two favoured professions in Valley - and even for computer courses now in Bangalore, Delhi, Bihar etc. They spend lacs of rupees. Can't it be the other way round? The quality professional colleges within the state could be a way out. A guarantee of quality education in the beautiful but peaceful Kashmir could be an irresistible attraction for anybody.

The people in the state have demonstrated an outstanding entrepreneurial talent in the field which only needs to be tapped more and encouraged further. For instance, the private schools right from primary to high schools have proliferated to an extent that they have virtually taken over government schools. Besides, all these have been providing by and large quality education for which the state received a pat from the union human resource development ministry. On a visit to the state, the union education secretary B S Baswan commended the state for the "extremely encouraging trend in the education sector". These schools have made education available to the masses in the nook and corner of the state and thus not only aided the spread of literacy but also helped in the creation of employment.

INFORMATION TECHNOLOGY

In August 2004, Valley got its first full-fledged Business Process Outsourcing (BPO) firm. Started by one Sajjad Ahmad Kanth, the CEO of the Magnum Software Services, along with seven other enterprising young men, the BPO recruited 315 Kashmiri youth to work on an “offline data convergence project outsourced to them by a Singapore-based company”.

Though still not a part of the mainstream outsourcing projects, the BPO is seen as a good start. It is regarded a veritably valiant entrepreneurial effort despite the fact that Valley still does not have uninterrupted power supply or broadband connectivity. There is also a bit of caution in air given the fact that earlier attempt at setting up a BPO, which was around five years ago, failed as with Kargil war breaking out, the Internet connections were snipped for security reasons. However, if all goes well, MSS hopes soon to graduate to doing US taxation, US payroll management and US accounts. Besides, following close on its heels is Kashmir Global Processing Solutions, another BPO. Shiekh Gowher, one of its promoters says there will be 1500 jobs for the IT skilled youth in Valley by March 2005.

And there is no shortage of skilled manpower. Magnum’s survey in Srinagar and Budgam districts found about 2500 unemployed commerce graduates and many more jobless youth with computer skills.

The BPO’s establishment has created a hope. IT has suddenly become the new buzzword in Valley. Its success

in Andhra Pradesh and Karnataka has created such a special aura about the sector that it is seen as having the potential to compensate for many economic failures of the state. Besides, with its phenomenal capacity for growth in a relatively short period of time – according to an estimate, there is 3 trillion worth of business functions that could be performed remotely - the IT is regarded as “unemployment buster”.

However, going beyond the hype, the IT, many in the government believe, could be a promising new industry for the Valley. And there are some who do not value its presence only in economic terms but social as well. Under the circumstances, IT’s role, it is contended, will not be only economic but also social in nature. Social, because the sector being at the high end of technology and thus primarily knowledge-based, could help free the J&K from the continuing old economy hangover and speed up the state’s integration into the world economy. Such a turn of situation, it is believed, has all the salutary possibilities for the state: for it could alter the very dynamics of the prevailing troubled state of affairs.

Like, the Valley’s exclusion from the fruits of globalization, for which, writes Wajahat Habibullah in his research paper, New Delhi is mostly responsible, the development of IT in the state is long overdue. While, according to a recent Nasscom-KPMG study, the revenue from offshore IT and ITES (IT enabled services) like Call Centres, Medical Transcription, Back Office Operations, Revenue Accounting etc in India rose to \$12 billion in

2002-03 and is projected to touch an astronomical \$148 billion by 2012, the J&K has still to make a start. The sector is expected to grow at a high compound annual growth of 36 per cent. The study also projects the growth of the manpower requirement for the sector at four to six million by 2012 which J&K's policy makers and entrepreneurs will do well to heed in right earnest. With such a huge employment requirement, the study says, there is bound to be the manpower shortage. According to some latest media reports, BPO companies are struggling to hire new employees in the metro cities like Mumbai, Delhi, Hyderabad and Bangalore. The sector in the cities throws up an annual demand for 80,000 graduates which the colleges are unable to meet. Consequently, they are trawling small towns looking for employable graduates.

The state government will also do well to invite the big investors like Infosys, Wipro etc to the state, on the pattern of what other states like Uttar Pradesh are doing. Though Narayan Murthy, Infosys chairman, on his visit to the state last year, had acknowledged the presence of a large pool of computer literate youth, it will take enough facilitation on the part of the state government before the IT giant could be prevailed to set up shop in J&K.

The new IT policy of the state, however, has spelt out clear policy directions for the encouragement of information technology. IT software and IT services, the policy says, shall be deemed as manufacturing activity for the purpose of incentives for the industry in line with the approved policy of government of India. "All IT hardware, software

and service industries would be entitled to industry status. Training institutions accredited with DOEACC or with Department of Information Technology would also be eligible to claim industry status, subject to certain norms which will enable them obtain Term Loans and Bank Finance at industry rates”, the policy further states adding all promotional and liberalized policy instruments available to the IT Software and IT Services would also be made available to the IT enabled services including the Information Content Industry.

And all said and done, IT is not merely about computers, it is all about information and therefore benefits the small farmer as well as landless labour. The government could provide information like the status of rain, drought, tell a farmer when to sow etc. It is important to recognize that in today’s world poverty is not caused by lack of money but by lack of information.

Information empowers - a farmer is empowered when he has fair knowledge about crop prices, labour about minimum wages – in terms of actual economic gains. This is with this purpose in mind that the former prime minister Atal Bihari Vajpayee during his visit to the state on August 28, 2003 approved the proposal of ministry of IT for setting up Community Information Centres in all the 135 rural development blocks of Jammu and Kashmir. These will provide access to socio-economic databases. Under the project, one server, 5 client computers with laser printer, web camera and VSAT for high speed internet access will be provided to each CIC. The centre will provide Rs 50

crore for the scheme which is being implemented in two years. However, there is still very little progress on the ground. In the first phase the state government has only taken up 60 CICs.

PHYSICALLY OPENING UP J&K

One of the biggest handicap in the development of the Kashmir valley has been its geographical remoteness. There is only one road access to the Valley besides the air service which has been one of the major factors responsible for not only hindering its industrial progress but also severely hitting the local businesses. This is why most of the investment proposals – worth Rs 1200 crore - received by the state over the last twelve months have found their way to the Bari Brahmana and Kathua in Jammu province and almost all the big enterprises are loath to come to Valley unless their businesses are heavily subsidised. And this is why despite now thirteen years into operation the opportunities offered by globalization are still to be enjoyed by the people in the state except in the form of glut of imported products and goods. And ironically even imported fruits like apple and of course Iranian saffron, otherwise the two most famous and economically vital agricultural products from the state.

But now with the alternate road and rail projects underway besides the talk of opening up of Srinagar-Muzaffarabad road, there is a hope that Kashmir will at last be rid of its geographical isolation from the rest of India. Not only will Valley become more accessible but investment into the

province will also be an easier proposition. Similarly with cheaper and safer transport available, the province will have more tourists and general visitors which will give a big fillip to the local trade and commerce.

One important link which is sought to be restored is the old Mughal Road used by Mughals in seventeenth and eighteenth century as the route to Kashmir. Though long held up due to reservations from several quarters, particularly defence establishment, on its strategic nature, the state government is now ready to go ahead with the project. “ When we talk of opening up of Srinagar-Muzafferabad and Suchetgarh-Sialkote roads, we cannot ignore the urgency of connecting our areas within the state as well”, said the chief minister Mufti Muhammad Sayeed in a public meeting at Mandi in Rajouri.

The road would be funded by Asian Development Bank and would cost Rs 100 crore. The government has already set a timeframe of two years for its completion. The road would take the excessive pressure off the otherwise hazardous Jammu-Srinagar national highway, the only other route joining the state with the rest of India.

Other alternate route being considered is the diversion of the existing national highway to Srinagar through Kishtwar in Doda district. This is calculated to shorten the distance from Lacanpur, the entry post of J&K, to Srinagar by 130 km. The present distance between the two places is 400 km.

Then there is the railway project, the most ambitious in scale. The project is scheduled to be completed by 2007 when the first rail will roll into the Valley. The rail connectivity will make the Valley a part of the larger national economy and will also go a long way to address the existing socio-cultural alienation from the rest of India. Now there is also a demand to extend the project from Baramulla to Uri made by no less a person than Mehbooba Mufti, the president of the ruling People's Democratic Party.

And of course, there is Srinagar-Muzafferabad road which before the partition was the lucrative trade and commerce link of the valley with the rest of the world. Its closure in 1948 in the wake of the tribal raids has adversely affected the development of border districts like Baramulla and Kupwara - then one district - which had earlier the distinction of being the trading centres of the Valley. Now the talk of its re-opening doing the rounds, has given rise to a new hope among the people. For such a development will not only open up yet another economic opportunity but has also the potential of changing the prevailing situation for the better.

There is also a demand for the international status for the Srinagar airport which has even been agreed upon by the central government. Already a small beginning has been made in this direction by organizing direct Hajj flights from Srinagar. An international airport could be an economic boon as it would give a major boost to the trade and tourism. Besides, it would go some way to connect the

Valley directly to the globe, a long term demand of the people, especially the trading community.

CONCLUSION

From the report, it is clear that but for two important reasons, the Kashmir Valley could have long become prosperous. One, if only the leaders had displayed some vision and gone for development-led strategy of growth based on the core economic strengths of the state rather than market-led growth strategy. Second, if the state had enjoyed peace as did most of the other states of India. The adhocist policies ensured that the primary sectors did not develop to their potential and the growth was in unproductive tertiary sectors like government employment. On the other hand, the uncertainty in political situation and a de-facto disputed status of the state ensured that the economy lacked the enduring policy thrust. Not only that, the strife deprived the state of the industrial development and also denied it any investment in the wake of the economic liberalization. And to top it all, the troubled situation has hit badly the tourism, the mainstay of Valley's economy.

What is the way out? None, in the old policy tradition. For, the cosmetic quick fix solutions - central packages included - have already been stretched to their limit. Any future economic planning now needs to make an important distinction between the factors undergirding the prevailing beleaguered nature of the economy. One is the adhocist

policy approach and the second, the abnormal situation. While the latter is beyond the policy makers, given the evidently intractable nature of the dispute over the state, the government can step in to set its former dismal record straight on the front of policy and its implementation. Besides, so far as development of the economy is concerned, there could be no dispute about this. As aptly put by Haseeb Drabu, a healthy economy suits any “political superstructure.”

Reviving Kashmir economy is not a difficult proposition and can be even managed without resorting to the difficult option of seeking resources from outside – at least until Kashmir is completely peaceful. That is, if the government goes back to the basics. The historical inspiration could be the Naya Kashmir Manifesto which when it was released in the 1940s, had clearly set out broad and long term policy directions on politics, economy and society. Its economic agenda was clearly aimed at exploiting the potential of the core strengths of the Kashmir economy like agriculture, handicrafts, forests, power etc. However, the revolutionary vision document soon fell through with the long periods of political instability taking over the state. The need now is to revive the vision, integrate it with the present requirements and evolve an institutional mechanism to see that it is steered undisturbed through the treacherous political climate of the state.

AGRICULTURE HOLDS KEY: MUZAFFER BEIG

Muzaffer Hussain Beig, the state's finance minister, says the panacea for the rampant unemployment in the state lies in strengthening the agriculture sector in the state. The state government, he says is mulling a comprehensive plan to revitalize the agriculture as part of the strategy to generate self-employment in J&K. The plan, if implemented, is aimed to generate financial resources worth Rs 1900 crore from the agricultural produce of the state.

Beig feels worried about Kashmir turning into a market for virtually all kinds of goods from Punjab, UP, Haryana and Rajasthan. According to him, the J&K imports vegetables and other agricultural produce worth Rs 2000 crore annually. "This not only drains money out of the state but

was also killing the agriculture sector, the backbone of J&K's rural economy," he said.

For Beig, revival of the agriculture would go a long way to mitigate the unemployment in the state.

The finance minister also sees a dangerous trend in the increasing inflow in J&K of the skilled and unskilled workers from Bihar, Rajasthan etc who were replacing the Kashmiri workers. " This is really dangerous that almost all of our workforce consists of labourers from outside the state," he said adding this was further worsening the unhappy unemployment scenario.

Beig doesn't see further recruitment in government services as a sustainable policy measure and tells youth it was high time they thought of the alternatives. "I won't feed people on false promises. We can accommodate doctors, engineers. For others I would say they better revert to their traditional sources of employment like agriculture or start their own entrepreneurial initiatives where government can also help them," he said.

LACK OF FINANCIAL RESOURCES LED TO NEGLECT OF CORE SECTORS: RAHIM RATHER

Abdur Rahim Rather, former finance minister of the state blames the lack of adequate financial resources for the tardy growth of the core sectors of Valley's economy like agriculture, horticulture, handicrafts etc. "Major chunk of

the state's money goes into paying the salaries of a huge army of employees which leaves little for investment in the sectors with a huge job potential," he said adding also that the state's failure to get money from the centre for the development of agriculture and sectors was also a reason for their slow growth.

Rather, who has presented four budgets for the state also blamed government employment-centric mindset of the youth which, according to him, had choked their entrepreneurial spirit. "Our youth are scared of change and we have paid a heavy price for this", he said. "Everyone here is after the government job. Even those people who could have provided employment to others are also after the job", he added.

However, Rather disagreed that National Conference, his party, was responsible for the dismal state of affairs. He asserted they have been following Naya Kashmir, the party's vision document for the state formulated in early fifties, in letter and spirit. Naya Kashmir had laid a special emphasis on developing the core sectors of Kashmir economy.

"Horticulture sector was not even in its infancy thirty years ago but see its growth now," he said. Agriculture sector, he said, had also developed though not on expected lines.

Mehboob Baig, the provincial president of the party, on the other hand, held New Delhi squarely responsible for the under-development of the Valley's economy. According to him, the central government always looked for short term economic gains in its bid to tide over the lingering political uncertainty in the state. "Consequently, a long term growth

strategy was never encouraged,” he said citing it as the reason for the neglect of the primary sectors. Baig also went to the extent of saying that New Delhi was against economic development of the state.

Entrepreneurship needed: Chairman JK Consultancy Bureau

G M Shah, the chairman of the Jammu & Kashmir Consultancy Bureau, a nodal agency for Entrepreneurship Development Institute of India, Ahmedabad as also the one started by the state government thinks the Kashmir has a great potential in agro-sector. The educated unemployed youth of the state, he believes, can harness this potential not only to their benefit but also to the benefit of the state.

Over the past some years, Shah’s consultancy has been helping the unemployed youth of the Valley along in the entrepreneurial initiatives in the sector.

The Consultancy provides all the necessary guidance / information's-right-from-product

identification to project implementation including technology transfer and necessary training for setting up of the business enterprises.

His panacea for the state’s economic ills and the

widespread unemployment is the greater entrepreneurial

initiatives from the youth. “Amidst

the changing paradigms and demanding global economic structure, a Nation requires competent entrepreneurs to remain a front runner. Trained and motivated entrepreneurs can keep the economy forever dynamic,” says G M Shah adding with the job market in J&K having drastically shrunk, it was important to focus efforts towards inspiring more and more educated youth to take up entrepreneurship.

However, Shah wants an enabling socio-economic environment for the entrepreneurs and

entrepreneurship. He wants the government to come up with incentives and facilitating policy measures to steer more and more youth towards setting up their own business ventures.

He thinks the self-employment schemes like “We can do it,” launched by the central government which envisage creation of 10 million job opportunities can be a boon for the unemployed youth of the state. He wants the youth to abandon the futile wait for the non-existent government jobs and create their own world.

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Agriculture

Similarly, saffron cultivation is unique to Jammu and Kashmir, the only other country producing the flower crop being Spain.

Saffron and hops are high value crops which could be utilised for value added products in larger areas.

Meat

Economic Reconstruction, Drabu way

Ganderbal Milk Society

Getting around Indus Water Treaty

A sound policy should be devised to exploit the potential in the sectors of strength. The development of potential sectors such as horticulture, handloom and handicrafts, biotechnology, tourism and information technology will have strong inter-linkages with the rest of the sectors.

The North-South Corridor of the National Highway Development Project that will link Kashmir to Kanyakumari, a railway line connecting the valley to Jammu and further to the national network, block level communication centres, improved telecommunications (The traditional export route of forest produce was along the River Jhelum, tributary of the Indus, which flows through the Kashmir Valley into Pakistan.)

And hardcore poverty -- the kind that exists in, say, Bihar or Uttar Pradesh -- is alien to the valley.

But from an economic point of view, it is the decimation of institutional capacity that is the biggest damage. The state now has a virtually non-existent economic administrative capacity.

While the growing of apples was encouraged by the J&K government, there was no investment or promotion of infrastructure such as bottling and canning factories or bulk storage areas," he says.

"Properly managed, Kashmir's forests can provide enough timber to export as well. Better yet, finished goods, like the famous Kashmiri carved wood furniture, can be exported

throughout the world," Ahmad feels.

1. Write Articles for NFI
2. Work on alternatives for rural youth

SYL

Subsidiary sectors:

IT,

Forest

Linkages with core sectors

reconfigure and rethink the strategies. , Lower the revenue target

Forest, food processing, watershed, cricket bat, exports

IT policy

Highway, railways, Mughal road, international airport,

Real Estate, population bpl

(mineral water,)

only 20 per cent pf government schemes reaches the ground, to connect with globe Kashmiri has to travel to Delhi.