security worries beyond the norm. In this world, Pakistan will have a few additional instruments to promote development.

First, the expenditure on defense can be reduced to levels that are prudent in a peace environment. These released resources can be redeployed for spending on human development, an area where Pakistan remains a negative outlier when compared with countries with similar per capita income.

Second, this will free up senior management attention away from managing external conflicts to managing development in the lagging regions of Balochistan, the tribal belt of NWFP, and rural Sindh.

Third, regional cooperation will become a reality. The estimated gains from higher trade and investment are believed to be enormous. Some of the largest beneficiaries will be the residents in the regions along Pakistan's borders; many of which are highly underdeveloped and lagging behind the rest of the country. There will be similar gains for Afghanistan and India.

Indeed, in an environment of regional peace and better economic cooperation, the biggest gainers will likely be the poor. A careful look at South Asia's geography shows that the border areas tend to be generally underdeveloped due to poor connectivity, lack of investment and political neglect. Much of the focus typically is on military activities to secure the borders. In most cases, economic activities in border areas are constrained by poor connectivity with the regional growth centres, and by lack of access to international trade outlets like a sea-port. In many cases, these barriers are artificial in the sense that these facilities are available in nearby bordering towns of other countries, but access is prevented by border restrictions.

Importantly, South Asian countries often share a scarce common resource, which encompasses several countries. The most well-known example is the water flow from the Himalayan mountain range that feeds the three mighty rivers -- Indus, Ganges, and Brahmaputra. These rivers are the lifeline for an estimated 500 million people, mostly poor, in Bangladesh, Nepal, India and Pakistan.

Despite some progress on cross-border cooperation, notably the Indus Water Treaty between India and Pakistan in 1960 and the Ganges Treaty between Bangladesh and India in 1996, regional cooperation on water management is generally inadequate. There are major water management issues in South Asia, concerning flood control, better sharing of water for irrigation and hydro-power, and the management of the Himalayan glacier melt to prevent water loss for the rivers, that will greatly benefit from better regional cooperation.

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Some specific examples of possible areas of regional cooperation, and the possible gains, will help illustrate the point better. Let's consider the north-east corridor of the South Asia region encompassing India, Bhutan, Nepal, and Bangladesh. Both Bhutan and Nepal are land-locked. Presently, their main access to a sea-port is through Kolkata. India's north-eastern states, surrounded by Bangladesh, Bhutan, China, Nepal and Myanmar, have borders along 98 per cent of their boundary. These states are linked to mainland India only by a narrow 27 km corridor through Siliguri. Kolkata is the nearest port for them. Three other eastern Indian states that belong to this corridor are West Bengal, Bihar, and the Uttar Pradesh. This entire region can be classified as a low-income area, although parts of Bangladesh (notably Dhaka) and West Bengal (Kolkata) are richer than the other neighbourhoods of this corridor. There are a number of constraints to development in this corridor, some of which concern internal policies and governance of the respective countries, and/or states of India. These constraints must be addressed, but alongside these national reforms better regional cooperation can make a substantial positive contribution. The priority areas for cooperation include transport, energy, and water management.

In transport, one could imagine the conversion of Chittagong into a modern international sea-port serving as a regional hub for Bhutan, Nepal, north-east India, as well as Bangladesh. The port traffic could be better connected through appropriate road-rail-inland water networks from these other countries. Additionally, given the peculiarity of geography, the north-eastern states of India can benefit tremendously through road-rail-inland waterway connections running through Bangladesh, linking these states to the rest of India. All parties will win as Bangladesh can benefit enormously from port charges and transit fees, and better connectivity for its own trade to these neighbouring countries.

Regarding energy, both Bhutan and Nepal are already actively engaged in exporting hydro-power energy to their energy-hungry neighbour India. The potential in Nepal far exceeds the present level