

GETTING TO RAPPROCHEMENT OVER KASHMIR:
IS USING THE 'CHINA MODEL' A VIABLE ALTERNATIVE?

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Queries may be addressed to:

Regional Centre for Strategic Studies
410/27 Baudhaloka Mawatha
Colombo 7
SRI LANKA
Tel: (94-11) 2690913-4
Fax: 2690769; e-mail: rcss@rcss.org
RCSS website: <http://www.rcss.org>

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RAJESH KUMAR



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410/27, Bauddhaloka Mawatha
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Tel: (94-11) 2690913/4 Fax: (94-11) 2690769
E-mail: rcss@rcss.org
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Contents

List of Abbreviations	8
Preface	7
<i>1</i> The South Asian Conundrum: The India–Pakistan Relationship in the Historical Context	9
<i>2</i> The China Model: Concept and Dimensions	43
<i>3</i> Kashmir First, Trade Later: The Pakistani Perspective	107
<i>4</i> Conclusions	173
Select Bibliography	177

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Preface

First, the obvious question: why another book on India–Pakistan relations? And the clichéd answer remains: this one is different. At the risk of appearing deliberately provocative, this work takes a counter-position to the dominant thinking that increased trade between India and Pakistan will lead to dividends on Kashmir. I admit that this is my first major work to date and there may be mistakes galore. I am fully responsible for those mistakes, but I trust that the esteemed readers will understand the constraints of living and working in academically marginalized cities where power cuts as long as 12 hours are normal and even Internet connectivity is often problematic.

I always thought that when authors thanked friends, family and academicians, they were just being polite, possibly even self-deprecating. The experience of writing this monograph has taught me otherwise.

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I am grateful to Ratnesh, Kanha, and to my mother, from whom countless hours were stolen for writing this monograph.

Kanpur, UP, India

Rajesh Kumar

11 May 2007

CHAPTER 1

The South Asian Conundrum: The India–Pakistan Relationship in the Historical Context

The seemingly intractable Kashmir dispute has kept India and Pakistan on nuclear tenterhooks for a long time now.¹ As religious extremism threatens the stability of the Pakistani state, India also reels under the strain of recurring terrorist attacks in Jammu & Kashmir (J&K) and the rest of the country. Over the years, there have been many times when Pakistan has been on the verge of being declared a terrorist state.² On the other hand, the Kashmir dispute has been a significant detriment to the rise of India as an economic and political superpower. After the 1998 nuclear tests and 1999 Kargil war, South Asia has been dramatically portrayed as the ‘hottest nuclear flashpoint’ in the world.³ The 11 September attack on the World Trade Center towers (commonly, ‘9/11’) and the subsequent US-led war on terror has done little to dampen the zeal of those terrorist groups which aspire to redraw borders in South Asia with blood. A recent survey ranks Pakistan ninth in the list of failed states.⁴ As the country hunts Al Qaida terrorists on one hand and crushes the violent separatist movement in Balochistan on the other, Kashmir still remains an important reference point for defining Pakistani identity. The realization is yet to dawn on Pakistan’s strategic enclave that the policy of ‘bleeding India through a thousand cuts’ has been haemorrhaging Pakistan even more,⁵ and continuing with this pathological game has the potential of taking it to the point of no return. Similarly, India has also paid dearly for the enduring conflict in Kashmir. In spite of the fact that the

country is fast emerging as an economic power, indices of human development tell a different story.⁶ As India becomes one of the largest spenders on defence and armaments, grinding poverty and communal violence ail the country. Obsession with Kashmir is sapping India's energy and hindering it from playing a larger role in global politics.⁷ Shocking incidents of violence in Jammu & Kashmir (J&K) and terrorist attacks across India threaten to derail the fragile peace process launched in January 2004. By mid-2006, it became clear that the dialogue process launched in January 2004 was reaching the familiar stage of impasse. Confidence-building measures (CBMs) like the Srinagar–Muzaffarabad bus service seem to be running out of steam. On the political front, Islamist terror groups are yet to join the dialogue. And while both India and Pakistan support out-of-box solutions, neither side seems to agree on exactly what these innovations might be.⁸

KASHMIR: A VEXED HISTORY

Underscoring the importance of Kashmir in shaping the India–Pakistan relationship, noted scholar Hagerty aptly remarks:

Pakistan's two-nation theory held that the subcontinent's Muslims could safeguard their political rights only through the formation of a separate country. For Pakistanis, the idea of a Muslim-majority state falling within Indian borders is anathema, as it repudiates the two-nation theory and thus the entire basis for the creation of Pakistan. Indian leaders' secular ideology rests on the successful incorporation of all minorities, including Muslims, into the Indian political order. A Pakistani Kashmir would be an insult to Indian secularism. If Muslims' rights cannot be protected in Kashmir, they are subject to doubt throughout India. Kashmir is a zero-sum test for each state's legitimating ideology: one's validity invalidates the other.⁹

For understanding why the Kashmir dispute has defied solution over the past 59 years, it is necessary to explore the historical edifice of the conundrum. This chapter analyses the genesis of the Kashmir dispute, the causes and consequences of subsequent wars between India and Pakistan, the impact of nuclearization and the Kargil war on subcontinental relations, effect of the US-led war on terror,

eyeball-to-eyeball confrontation of 2002, and the state of the January 2004 peace process. The intention is not to go into deep historical analysis of the problem, but to comprehend the basic causes of this ‘conflict unending’, so as to explore the applicability of the China Model for conflict resolution between the two countries, in future chapters.

The total area of the former princely state of Kashmir is 86,023 sq. miles, or about the size of the Korean peninsula, Kansas, or Great Britain. The territory is divided by a Line of Control (LoC) established in 1972 following the 1971 conflict between India and Pakistan. The LoC replaced the former ceasefire line of 1949. India administers 53,665 sq. miles, and Pakistan 32,358 sq. miles. The LoC stretches approximately 450 miles from grid reference NW 605 550, at the termination of the international border 35 miles west of Jammu, to NJ 980 420 in the Karakoram Range, 65 miles south-east of Mount K2 and 12 miles north of River Shyok. There is no definition of the LoC from that point northwards towards Chinese territory. The terrain varies from flatland, hills, and semi-tropical growth in the south, through increasingly steeper areas and the temperate vegetation of the Pir Panjal Range (with occupied military positions up to 14,000 ft) until, north of River Jhelum, the higher ranges begin. The west-east section of the line lies along and across mountain ridges, some over 18,000 ft, where any kind of movement is difficult and dangerous.¹⁰

Wajahat Habibullah, in a USIP report, rightly notes:

Among the key reasons that peace initiatives between these two nations have historically failed is the vexing problem of Kashmir. Whereas Pakistan has repeatedly termed this the ‘core issue’ in its relationship with India, India has maintained that this matter was settled with Kashmir’s accession to India in October 1947. As far as India has been concerned, therefore, the only issue for discussion has been what India regards as Pakistan’s continuing illegal occupation of part of Jammu and Kashmir, an occupation that began in 1947–48, during the war between the two infant nations.¹¹

Although there are analysts who have convincingly argued that it is only a myth that Kashmir is the root cause of the problems between India and Pakistan,¹² however, most scholars would

agree that the tribulations between the two countries began with the October 1947 war. The presently-divided state of J&K was created as an autonomous political entity by the British colonial administration in 1846 as a result of the ruler of the then Punjab state, Maharaja Ranjit Singh, having lost the war with the British. The maharaja, being unable to pay the war indemnity, was forced to cede the territory of Kashmir to the British who sold it to a vassal raja (a local chieftain of Jammu state) for 7.5 million Nanakshahi rupees (the currency of Punjab state prevalent then) under the treaty of Amritsar. The newly-created ruler Gulab Singh was to pay, thereafter, a nominal annual feudatory to the British crown for protection. Thus, this newly-created entity of J&K joined the ranks of princely states (numbering 560 at one time) as a sovereign entity with the British Crown being the suzerain overlord. In terms of political administration, it meant that the viceroy of India did not govern the state of J&K. Rather, its ruler was sovereign in all internal matters, with defence and foreign affairs being supervised by a 'Political Agent' of the British Crown as a suzerain power with 'Paramount Authority'. Maharaja Gulab Singh began his rule by conquering the neighbouring territory of Gilgit in the north-west and Ladakh in the east. The maharaja consolidated his territorial hold on this new kingdom by founding his dynasty with autocratic rule.¹³

Independence from Britain was achieved on 15 August 1947, and the subcontinent was partitioned into Hindu-majority India and Muslim-dominated Pakistan, based on the ideology of the 'two-nation' theory. Under the formula of division of India, guided by the British Parliament's Indian Independence Act, the princely states technically were to be returned, after 15 August 1947, to their 'sovereign status' which they enjoyed prior to British Paramountcy arrangements under colonial rule in India. The Act stated that the paramountcy which the states had enjoyed with the British Crown would lapse at Independence because the existing treaty relations could not be transferred to any successor. The 'void' which would be created would have to be filled, either by a federal relationship or by 'particular political arrangements' with the successor government

or governments, whereby states would accede to one or other dominion.¹⁴ In short, the princely states were required to accede to either India or Pakistan, and independence was not an option.

The ruler of Kashmir around the time of Partition was the Hindu Maharaja Hari Singh. Kashmir was a unique Muslim-majority state, in the sense that it had a Hindu ruler and was also strategically situated between India and Pakistan. Maharaja Hari Singh was harbouring the hope of maintaining the independence of Kashmir. He negotiated a Standstill Agreement with Pakistan, and was in the process of doing the same with India when armed infiltrators backed by Pakistan entered the state. Local rebellion in some Muslim-majority regions compounded the maharaja's problems. He sought help from India. India offered help on the condition that the maharaja would have to sign an 'Instrument of Accession' first. He had no option but to oblige.¹⁵ India's argument for the legitimacy of its claim to Kashmir has been grounded on that accession. Pakistan, however, has always questioned the legality of that pact. Pakistan has argued that districts with Muslim majority should have been assigned to the new state of Pakistan. For India, this argument militates against the concept on which Indian nationhood is founded, namely, India as a multiethnic, secular nation state. These opposing views have set the tone for the relationship between India and Pakistan ever since.¹⁶

The Indo-Pakistan war of 1947–48 divided the state, reflecting the status of forces on the ground. Since then, Pakistan has controlled so-called 'Azad' ('Free') Kashmir and the adjacent Northern Areas, while India remained in control of two-thirds of the former princely state. The Karachi Agreement signed by India and Pakistan in July 1949 formally established this Cease-Fire Line (CFL) in Kashmir, which was supervised by a modest number of UN observers.¹⁷ Nehru had taken the Kashmir issue to the UN and agreed to conduct a plebiscite in the state on the condition that the armies of both the countries revert to the positions held before the hostilities. India never conducted the promised plebiscite, arguing that the Pakistani troops in civil dress and Pakistan-backed *razakars* or irregulars who had infiltrated into the state never left the state,

and that subsequently the people of J&K had participated in various elections, and, thus, it was obvious they wanted to remain part of India.¹⁸

Under the constitution adopted in 1950, India conferred special status to J&K vide Art. 370,¹⁹ guaranteeing autonomy to the state. India also offered guarantees that the composition of the population of the state would not change. In 1954, Pakistan joined the South-East Asian Treaty Organization (SEATO), and as a result, the Cold War made an official entry in the subcontinent.²⁰ The game of one-upmanship carried on throughout the 1950s, with both countries levelling accusations and counter-accusations at each other in various international fora.

THE WAR OF 1965

Kashmir became a flashpoint again in 1965. Believing that India had considerably weakened after the debilitating defeat from China in 1962 and Nehru's death in 1964, Pakistan launched Operation Gibraltar. Sumit Ganguly and Devin T. Hagerty write that it involved fomenting a rebellion in Indian-controlled Kashmir, and then sending in regular Pakistan Army units to seize the territory in a short, sharp war. Pakistan's plans went awry from the outset. Although anti-Indian sentiment did exist in the Valley, such resentment against the shortcomings of Indian rule did not automatically translate into widespread support for Pakistan. Consequently, when the irregular Pakistani forces entered the Valley and sought the support of the local population to destabilize the state, they were not greeted with the warmth and support expected. Instead, members of the local population turned in some of the intruders to the Kashmiri authorities. India dramatically escalated the scope of conflict horizontally and attacked across the international border near the key Pakistani city of Lahore in the state of Punjab. It appears that by September 1965, the war was rapidly reaching a stalemate. By this time, both parties were under intense pressure from the US and the UK to terminate the conflict. Accordingly, on 21 September, India accepted the UN Security

Council ceasefire resolution that had been passed the day before and Pakistan followed suit the next day, thereby bringing hostilities to an end.²¹ The Tashkent Agreement signed by Lal Bahadur Shastri and Gen. Ayub Khan stated that the two countries would not resort to war for the resolution of disputes. India gave away strategically important Haji Pir and Tithwal posts, captured during the war, leading to the severe criticism of Shastri.

Indian defence analyst K. Subrahmanyam claims that the 1965 war generated very significant consequences that decided the fate of the Indian subcontinent. He writes:

The total failure of the Kashmir uprising, the complete destruction of the Pakistani Patton Armored division at Khem Karan in Punjab and the Pakistan Army running out of ammunition and being saved from total humiliation through the UN ceasefire constitute a turning point in the history of India–Pakistan relations. Having engineered the war and seen it result in a disaster, Zulfikar Ali Bhutto turned against his benefactor Ayub Khan and blamed him for the Tashkent Agreement. His propaganda was that Ayub Khan threw away a military victory.²²

There were complaints that Pakistan did not do enough for the protection of the Eastern Wing. That led Sheikh Mujibur Rahman to ask for greater autonomy from Islamabad and to formulate his six-point charter which became the basis for the subsequent secession of Bangladesh from Pakistan. The 1965 war also led to an embargo of US arms supplies to Pakistan. Islamabad's use of American arms against India was against the assurances given by President Dwight Eisenhower to Jawaharlal Nehru that in case Pakistan used US-supplied arms against India, necessary corrective action would follow. From Bhutto's death-cell testimony, it has also become clear that Pakistan initiated discussions with China on acquiring nuclear weapon technology around 1965. It would not be incorrect to say that the Chinese–Pakistani strategy of containing India began in the aftermath of the 1965 war.²³

Although Operation Gibraltar failed miserably and the ambitious Operation Grand Slam, which was launched by Pakistan to capture Akhnur, a town north-east of Jammu and a key region for communications between Kashmir and the rest of India, was

also a failure, it is interesting to understand how the 1965 war is remembered in Pakistan. Pakistanis tend to view 1965 as a total victory for themselves. Every year, 6 September is celebrated as Pakistan's Defence Day in commemoration of the successful defence of Sialkot against the Indian Army, conveniently ignoring the reality that it was Pakistan which had launched the 6,000-strong Force Gibraltar into Kashmir Valley at the beginning of August that year.²⁴ Mahmood Sham, Group Editor, Jung Group of Newspapers, writes:

It was a special moment in Pakistan's history. It was when we became a nation. A wave of emotion inundated Pakistanis from Karachi to Lahore to East Pakistan (now Bangladesh). People came out in big numbers to participate in rallies in support of the army. Every Pakistani wanted to contribute. Poets wrote nationalistic poetry. The radio became the medium of the masses. Television was accessible only in Lahore. Popular singer *Mallika-e-Tarannum* ('Queen of Melody') Noor Jehan went to the Lahore television station, requesting them to allow her to sing for Pakistan.... From 1947 to 1965, Bengalis or Punjabis would prevail in Pakistan. We were struggling to become a nation. But during the 1965 war all of us were one: Pakistanis.²⁵

In reality, though the war was indecisive, Pakistan suffered much heavier material and personnel casualties compared to India. Many war historians believe that had the war continued, with growing losses and decreasing supplies, Pakistan would eventually have been defeated.

The War of 1971 and its Aftermath

The India–Pakistan war of 1971 was not fought over the question of Kashmir: it was a civil war in Pakistan which led to the secession of East Pakistan and the formation of a new country, Bangladesh. The Cold War served as the international backdrop of this regional conflict.²⁶

Long-simmering internal tensions between the two wings of Pakistan came to the fore after the failure of power-sharing arrangements in the wake of the 1970 Pakistani national elections. The two principal political parties and their respective leaders, the Pakistan People's Party (PPP) of Zulfikar Ali Bhutto

and the Awami League (AL) of Sheikh Mujibur Rehman, representing the two wings of the Pakistani state, deadlocked over the vexed subject of political representation. When protracted negotiations broke down and Rehman and his supporters increasingly toyed with the possibility of secession, in late March 1971, the Pakistani military began a harsh crackdown against all possible dissidents among the Bengali population of East Pakistan. Shortly thereafter, a steady stream of refugees fled into India's northeastern states and into the adjoining Indian state of West Bengal. Within a couple of months, the total refugee population had numbered close to ten million. By early May 1971, the Indian leadership under Prime Minister Indira Gandhi had concluded that it was cheaper to resort to war against Pakistan than to absorb the refugees into India's already turgid population.²⁷

Indira Gandhi deftly negotiated a Treaty of Peace, Friendship and Cooperation with the USSR, which effectively guaranteed Russian involvement if the US decided to help Pakistan in any ensuing war.²⁸ The US supported Pakistan politically and materially. Nixon sent the Seventh Fleet led by the nuclear aircraft carrier *USS Enterprise* to the Bay of Bengal, a move deemed by the Indians as a nuclear threat. Several documents released from the Nixon Presidential Archives show the extent of the tilt that the Nixon Administration demonstrated in favour of Pakistan.²⁹ The Nixon–Kissinger team was using the Pakistanis to normalize relations with China.³⁰

In the December 1971 war, India defeated Pakistan decisively and Bangladesh was liberated in just 18 days, 90,000 Pakistani officers and men being taken prisoner. The Simla [now Shimla] Agreement, signed in 1972, stated that prisoners of war would be repatriated to Pakistan, the two countries would settle the Kashmir dispute without resorting to war, and the CFL would thenceforth be referred to as the Line of Control (LoC). It is claimed that a tacit understanding was reached between Indira Gandhi and Zulfikar Ali Bhutto to divide Kashmir along the LoC at some time in the future and settle the question forever.³¹ But there was nothing in black and white, and Pakistan has consistently denied that any such understanding was ever reached. To this date, interpretation of the Simla Agreement remains contested. India says that the agreement *supplanted* UN resolutions and the two

countries are bound to bilateralism, while Pakistan argues that the accord *supplements* UN rulings, and scope for external mediation still remains.

In any case, the 1971 war and resulting humiliation decisively shaped Pakistan's future relations with India. The loss of the East Wing created a crisis of identity for Pakistan. The question that haunted the Pakistani politico-military establishment was that if Islam could not be the binding force between the two wings, what would be the premise for the stupendous task of future nation-building for vivisected and humiliated Pakistan. Cohen writes that, overall, three consequences were of major negative proportions. First, the political balance shifted within Pakistan, leaving Punjab the overwhelmingly dominant province. Pakistan became equated with Punjab. Second, the loss of East Pakistan dramatically narrowed Pakistan's cultural and social diversity, to its ultimate disadvantage. Bengalis had been an important element in Pakistani cultural life and had added much to the old Pakistan. They were specially important in parliamentary debate, where they were among the most bold, outspoken, and non-conformist. One of Pakistan's early qualities was its cultural diversity, which had strengthened the country, not weakened it. Third, the balance of power subtly shifted away from secular, 'mainstream' forces towards the Islamists. The Islam of East Pakistan was, on balance, far more moderate than that of the North-West Frontier Province or Balochistan. The break-up of the country merely empowered the most regressive and conservative Islamists in the Western Wing. For the Army and its civilian supporters, the major lesson of 1971 was that Pakistan had the moral right, if not the obligation, to pay India back in kind.³²

In the period that followed the Simla Agreement, certain incidents further soured relations between the two countries.

- 1) The absorption of Hunza, a principality of J&K, by Pakistan without paying any heed to India's protest.
- 2) Resumption of US arms supplies to Pakistan after Bhutto's visit to the US in January 1975.
- 3) Hijacking of a Boeing 737 from Delhi to Bombay [now Mumbai] to Lahore in 1976. Even though the hijackers

were overpowered at the airport, the incident added to the strains.³³

With the Soviet intervention in Afghanistan in 1979, Indo-Pak relations took a turn for the worse, owing chiefly to the heavy US arms supplies to Pakistan. Indian Foreign Minister Narasimha Rao visited Islamabad in 1981, but the question of Kashmir was not raised during the bilateral talks. India did express concern over the flow of sophisticated arms from the US to Pakistan, but President Zia maintained that every country had a right to its security, and if India could sign a billion-dollar arms deal with Russia, why should it, being a much bigger country, be worried over Pakistan getting a loan to replace obsolete equipment.³⁴

THE MISSING JAGUARS, RIGGED ELECTIONS IN KASHMIR,
OPERATION MEGHDOOT,
OPERATION BRASSTACKS, AND THE CRISIS OF 1990

In October 1984, when US intelligence agencies failed to locate two squadrons of Indian Air Force (IAF) Jaguar aircraft, there was panic that India was about to attack Pakistan's nuclear installations. Pakistan warned that if any such attack took place, there would be no alternative left but to attack India's civil and military nuclear facilities. The US hinted that it would side unhesitatingly with Pakistan if India attacked. It resulted in Indira Gandhi seeking the USSR's reassurance and support. It is highly debatable exactly what India's intentions were, and whether there actually was a plan to launch a preventive strike on Pakistan's nuclear installations, but the two countries learned their lessons, and there was an agreement in 1985 that the two sides would not attack each other's nuclear facilities.³⁵

India's Operation Meghdoot to capture Siachen Glacier had formed the backdrop of the October 1984 crisis. Although it had no correlation with reported plans to attack nuclear installations, it certainly made the Pakistanis very suspicious of Indian intentions. Siachen Glacier is claimed to be the world's highest battleground.³⁶ It has no significant strategic value.³⁷ Siachen is the world's largest

non-polar glacier, and, thus, is sometimes referred to as 'the third Pole'. It is 78 km long, 5,400 m above sea level, lying between the Salto ridge-line to the west and the main Karakoram Range to the east. The Salto ridge originates from Sia Kangri in the Karakoram Range, and altitudes range 18,000–24,000 ft. The conflict in Siachen stems from the ambiguity in the incompletely demarcated territory on the map northwards beyond the map coordinate [NJ9842](#) (or [NJ980 420](#)). The 1949 Karachi Agreement and the 1972 Simla Agreement presumed that it was not feasible for human habitation to survive north of NJ9842. Prior to 1984, neither did India nor Pakistan have any permanent military (or other) presence in the area. In the 1970s and early 1980s, Pakistan permitted several mountaineering expeditions to climb high peaks on this glacier. This was to reinforce their claim on the area, as these expeditions arrived on the glacier with permits obtained from the Government of Pakistan. India launched Operation Meghdoot on 13 April 1984, when the Indian Army and the IAF went into the glacier. Pakistan quickly responded with troop deployments and what followed was literally a race to the top. Within a few days, the Indians were in control of most of the area, as Pakistan was beaten to most of the Salto Ridge high ground in about a week. In 1987, Pakistan made an attempt to dislodge the Indian positions. The unsuccessful attack was carried out under the command of Gen. Pervez Musharraf, and the positions remained the same.³⁸

In 1986, the Reagan Administration approved another massive package totalling \$4.02 billion for Pakistan, over India's strong objections. In late 1986 and January 1987, another crisis erupted in South Asia. As India was battling a violent insurgency in Punjab, the Indian Armed Forces, under the overall leadership of Gen. Sundarji,³⁹ launched their largest peacetime military exercise yet, Operation Brasstacks. The colossal scale and scope of the exercise caused concern in Islamabad. There was apprehension in India when Pakistani forces, after their annual exercise, remained in battle-ready mode and rumours started floating around that Pakistan and Sikh separatists were planning the declaration of an independent state of 'Khalistan'. Indian Prime Minister Rajiv Gandhi reportedly obtained

US satellite photographs to prove that the Indian Army's concerns that Pakistani forces were poised on the border were not entirely well-founded.⁴⁰ The crisis de-escalated rather quickly after high-level talks between the two countries in February 1987. It is not very clear what the military and political objectives of Operation Brasstacks were. Indeed, it has even been said that Gen. Sundarji wanted to precipitate a war with Pakistan without the knowledge of Rajiv Gandhi.⁴¹

As far as Kashmir is concerned, the politics of the state in the 1980s is one of rigged elections with the Congress Party attempting to gain control, splits within the National Conference, corruption and misgovernment. In the 1984 state elections, Farooq Abdullah's National Conference won by a convincing majority. The Congress worked tirelessly to destabilize the National Conference Government. The Congress induced a defection of MLAs (Members of the Legislative Assembly) from the National Conference and ousted Farooq Abdullah as chief minister. This began the sad process of disenchantment of Kashmiri Muslims with India. The Congress and National Conference formed an electoral alliance and fought the 1987 elections on a joint platform. These elections were rigged. Farooq again became chief minister, and the new government performed miserably on every front. Governmental corruption and ineptitude only accelerated the process of disillusionment of the Muslims of Kashmir with the rest of the country.

According to Deepak Lal:

...the strength of the growing Islamic militants, who demanded the separation of an 'Islamic' Kashmir from a 'Hindu' India, was shown in May 1989, when their call for a boycott was widely obeyed. The inroads they had made into Kashmir were further shown by the massive implicit endorsement of the militants in the elections of November 1989, which they asked the electorate to boycott. Only 5% voted. After having capitulated to the demands of the militants who had kidnapped the daughter of the Indian home minister, Mufti Mohammed Sayeed, the most powerful Kashmiri Muslim in independent India's history, the Indian government decided that it was time to get tough with the militants. On the night of January 18, 1990, Indian paramilitary forces began the most intense house-to-house search seen in Srinagar. Till then support for the separatists demanding independence was implicit not explicit. The heavy

handed searches ordered by the new Governor of Kashmir, Jagmohan, changed that.⁴²

First, frightened, and then discovering the courage of desperation, the people began pouring out into the streets that day. The most startling presence was that of women, old, middle-aged, young. The administration got completely unnerved and gave orders to fire. The number is disputed, but there is no doubt that paramilitary bullets left more than fifty dead. 19 January became the catalyst which propelled [the demand for independence] into a mass upsurge. Young men from hundreds of homes crossed over into Pak-occupied Kashmir to receive training in insurrection. Benazir Bhutto, her support base wiped out by malfeasance and misrule, desperate to save herself, whipped out the Kashmir card.... Pakistan came out in open support of secession, and for the first time did not need to involve its regular troops in the confrontation. In Srinagar, each mosque became a citadel of fervour; the *khutba* became a sermon in secession.⁴³

Ganguly and Hagerly write:

On January 20, tension between the militants and security forces exploded into what would be the first of many spasms of mass violence, with Srinagar police spraying bullets into a crowd of demonstrators. An estimated thirty-two people were killed, among a total of roughly 100 killed in the two weeks after New Delhi's imposition of direct rule over Kashmir. The event of January 1990 transformed the Kashmiri insurgency from a mainly Indian affair into renewed Indo-Pakistani conflict.... Unofficially, groups such as Jamaat-i-Islami (an Islamic political party) as well as ISI (the Inter-Services Intelligence Directorate, Pakistan's main espionage organization) and the Pakistani Army began to play a more active role in support of the Kashmiri protests. Training camps of various kinds multiplied. ... There were more people and more material going across the border from Pakistan into Kashmir.⁴⁴

Pakistan's Prime Minister Benazir Bhutto, under the pressure of opposition parties and conservative elements within Pakistani society, championed the Kashmiris' right to self-determination and declared that insurgency in Kashmir was indigenous. She also utilized this opportunity to divert the attention of the Pakistani people from her corrupt and inefficient regime. Indian Prime Minister V. P. Singh, heading a weak government, responded in an equally harsh tone. This war of words peaked with Bhutto promising a thousand-year war in support of Kashmiris. Aggressive posturing by the armies of both countries alarmed the world. Seymour M. Hersh, quoting US

officials, claims that India and Pakistan came perilously close to a nuclear exchange. In an article for the *New Yorker*, he wrote:

During months of increasing tension, India had massed two hundred thousand troops, including paramilitary forces, in Kashmir, and had deployed five brigades of its most sophisticated attack unit, the Indian Army Strike Corps, fifty miles from the Pakistani border in the south. Pakistan, against which the much larger India had fought—and won—three wars since 1947, openly deployed its main armored tank units along the Indian border and, in secret, placed its nuclear-weapons arsenal on alert.⁴⁵

In mid-May 1990, concerned about the possibility of a war in the subcontinent, the US government sent Deputy National Security Advisor Robert Gates to the region.⁴⁶ Gates warned Pakistan that it would be defeated in a war with India, according to every possible war-gaming scenario. He asked Indian officials also to tone down the rhetoric and avoid provocative acts. Soon, the Indian forces retreated to their normal positions and the crisis passed. Thus, the two countries were pulled back from the brink of a nuclear disaster. Hagerty has disagreed with Hersh's thesis and claimed that although an India–Pakistan war in 1990 was indeed a possibility, Hersh misinterpreted the nuclear dimension of the crisis and a nuclear war in the subcontinent was not likely.⁴⁷

CROSSING THE RUBICON: KARGIL, AND THE 2001–2002 CRISIS

In May 1998, India and Pakistan shocked the international community by conducting nuclear tests and making the region the hottest nuclear flashpoint in the world. India conducted tests on 11 and 13 May; Pakistan followed suit on 28 May. The rhetoric that followed the Indian tests peaked on 27 May, a day prior to Pakistan's tests, with Pakistan fearing that Israeli planes were flying from India to destroy its nuclear facilities.⁴⁸ The fears were unfounded, but the region has since become the testing field for the deterrence theory.

The severe international criticism and economic sanctions on both countries that followed the nuclear tests forced Indian Prime Minister Atal Bihari Vajpayee and his Pakistani counterpart Nawaz

Sharif to make some sort of attempt at rapprochement. The two countries agreed to launch a bus service between the Indian city of Amritsar and Lahore, capital of the Pakistani state of Punjab. To inaugurate the bus service, Vajpayee travelled on the bus with several peace activists and visited Lahore in February 1999. He also visited the Minar-e-Pakistan, a monument that memorializes the call for the creation of Pakistan, to acknowledge the legitimacy of the Pakistani state. The two leaders signed the Lahore Declaration, which stated that the two governments would: intensify their efforts to resolve all issues, including the issue of J&K; intensify their composite and integrated dialogue process for an early and positive outcome of the agreed bilateral agenda; take immediate steps for reducing the risk of accidental or unauthorized use of nuclear weapons; and discuss concepts and doctrines with a view to elaborating measures for confidence building in the nuclear and conventional fields aimed at prevention of conflict. The two leaders also reiterated their determination to implement the Simla Agreement in letter and spirit.⁴⁹

The enthusiasm generated by the Lahore Declaration was short-lived, and South Asia witnessed the Kargil war in 1999.⁵⁰ It was the first crisis in an overtly nuclearized environment. According to Ganguly and Hagerty, India and Pakistan fought their fourth war between early May and mid-July 1999. The war ensued during the first week of May shortly after local herdsmen alerted Indian Army troops about a Pakistani military incursion in the Kargil region of Kashmir. Pakistan argued that the intruders were Kashmiri freedom fighters and had nothing to do with Pakistan. India's Cabinet Committee on Security made a decision that the Pakistani intruders would be evicted militarily. Even though there was no formal declaration of war, this conflict proved to be among the costliest of the Indo-Pakistani wars in terms of both men and material. While estimates of casualties vary, it is believed that India lost 1,714 military personnel and Pakistan 772. The conflict also saw extensive use of heavy artillery at high altitudes, and India resorted to use of the Air Force against Pakistan for the first time since the 1971 war. This was also the second war between two

nuclear-armed states. (The first such conflict had taken place along River Ussuri between the Peoples' Republic of China [PRC] and the then Soviet Union in 1969.) As fierce fighting went on and the two countries freely hurled nuclear threats at each other, the world was horrified at the possibility of a nuclear disaster in the region. Yet, the Indian Armed Forces displayed considerable restraint in conduct of military operations. Specifically, the IAF did not cross the LoC. Such a decision made little strategic or military sense. Crossing the LoC would have enabled the Air Force to interdict Pakistani lines of communications and logistics, and thereby hasten an end to the conflict. Nor, for that matter, did India seek to open a theatre of operations elsewhere. The Clinton Administration pressurized Pakistan to call off its troops. Shocked by the intensity of the Indian attacks and their inability to persuade the US and other powers to back Pakistan, Prime Minister Nawaz Sharif visited Washington, D.C., on 4 July seeking a face-saving device. By not accepting the Pakistani version of the origins of the Kargil crisis, namely, that it was inseparable from the broader Kashmiri dispute, the US helped hasten its end. On 12 July, Prime Minister Sharif gave a nationwide television address in which he called for the withdrawal of the *mujahideen* from the mountain redoubts.⁵¹

In launching the Kargil war, Pakistan made a number of bewildering assumptions. For example, decision makers assumed that the presence of Pakistani forces in Kargil would not be detected: that, if detected, it would have no political consequence; that the Indian response to the Pakistani fait accompli would be passive and quiescent; and that the Kargil war would have little real effect on India–Pakistan relations. The cumulative effect of such peculiar assumptions renewed the concerns many observers had about the character of Pakistani decision making.⁵² What did Pakistan learn from Kargil? The ominous conclusion of a thorough analysis was, 'Because the use of Pakistani regulars in Kargil proved to be counterproductive and because Pakistan believes that it has few or no diplomatic options, Pakistan sees only one successful strategy for bringing India to the negotiating table: the continued prosecution of sub-conventional conflict in Kashmir and perhaps elsewhere in India.'⁵³

What were the lessons learnt on the Indian side? In the aftermath of Kargil, the Indian government appointed the Kargil Review Committee to look into the circumstances leading to the intrusions and for making recommendations for the future. Gen. V. P. Malik, Chief of the Army Staff then, in his book, *Kargil: From Surprise to Victory*, has stated that the possibility of a conventional conflict with regular Pakistani forces was consistently negated, and that Prime Minister Atal Bihari Vajpayee also ignored his statement on the subject. He has also said that China showed 'demonstrative support' to Pakistan at the height of the conflict, and that its forces almost sparked a stand-off on the Sino-Indian border in Arunachal Pradesh. He has warned that in future, there could be other Kargils in the making, and the Pakistan Army's nexus with radical Islamist and J&K militants has the potential to bring India and Pakistan to the brink of war again. Pointing to the intelligence failure, he has written:

RAW (the external intelligence agency, Research and Analysis Wing) which was responsible for keeping track of the movement of Pakistani military units and for the order of battle of the Pakistan Army formations, showed no accretion in the force level of the Force Commander Northern Areas (FCNA) in the Pakistan-occupied Kashmir during a period preceding the intrusion.⁵⁴

The 9/11 events changed US policy towards South Asia drastically. Due to attacks on Afghanistan, Pakistan zoomed back on the US radar of priorities. For Pakistan, joining the US-led anti-terrorist coalition reflected a major policy shift in that it required withdrawing its support to the Taliban government, which had seen Pakistan as one of its leading allies.⁵⁵ On the other hand, US military and economic engagement was consistently deepening with India also. Consequently, for the first time in history, the US found itself in the unaccustomed position of having good relations with both India and Pakistan simultaneously.⁵⁶ This formed the backdrop of the 2001–2 crisis in South Asia. On 13 December 2001, six terrorists attacked the Indian Parliament. India alleged that the attackers were members of the Lashkar-e-Taiba and were acting on behalf of Pakistan. Prior to this, an attack on the J&K legislature

on 1 October 2001 had also taken place, killing 26 people. Soon after the attack on Parliament, India ordered the mobilization of its Armed Forces, shifted its air assets along the LoC and borders with Pakistan, and moved its naval ships to the Arabian Sea, closer to Pakistan.⁵⁷ India also recalled its ambassador from Islamabad and suspended the bus and train services to Pakistan. In an exercise of coercive diplomacy, India demanded that Pakistan take strong action against militant Islamic organizations and groups undertaking terrorist attacks in India, and hand over 20 individuals accused of terrorist acts in India. Both countries tossed nuclear threats freely at each other, as the world watched a dangerous game of nuclear brinkmanship. Washington, concerned both about the prospect of war and about the danger of its own and Pakistan's resources being diverted from anti-terrorism operations in Afghanistan and western Pakistan, launched a major crisis-management initiative with intense consultations between top US, Indian, and Pakistani leaders and a high-profile visit by Secretary of State Colin Powell.⁵⁸ Following a brutal attack on an Indian Army family residential area near Jammu, President Musharraf addressed the nation on 27 May 2002 and reiterated Pakistan's commitment to fight terrorism.⁵⁹ In early June, Indian officials sensed a decrease in terrorist activities, and by the end of June, the crisis had passed. However, India pulled back its forces to normal positions only in October 2002.

Who won and who lost in this dangerous game of nuclear brinkmanship, and what did India and Pakistan learn from the crisis? Answering these nuanced questions, an analyst wrote that the dominant representative view of most of the Indian strategic community was that India's brinkmanship worked. The US, the West, and Russia came out strongly in their declarations against terrorism emanating from Pakistan, publicly putting pressure on Musharraf to act more decisively. The US, in particular, appeared to have tilted more strongly than ever before towards India. Of course, the dominant view of Pakistan's strategic community was exactly the opposite. Seen through rose-tinted spectacles, the US and the West were so deeply alarmed by developments that they put inordinate pressure on India. Ultimately, India did not carry out

any kind of conventional military incursion as it was threatening to. Furthermore, it finally settled for a reiteration of promises by Musharraf of a kind that he had already made many times before, in spite of insisting that this time it would not settle for verbal reassurances, but would first have to see concrete action on the ground. The truth of the matter is that it was possible for each side to claim a diplomatic-political victory because, unlike during the Kargil conflict, there was no clear or obvious proof of success or failure. If anything, the coercive diplomacy that really worked was neither India's nor Pakistan's but that of the US. But this widely-held perception that brinkmanship worked is itself deeply disturbing, setting higher and more dangerous levels of 'acceptable' or 'responsible' or 'desirable' political-diplomatic behaviour in the future.⁶⁰

Despite tremendous Indian misgivings and mistrust, both sides again tried to make peace in July 2001 in the Indian city of Agra (famous for the Taj Mahal). Few were optimistic about the prospects of that effort, as neither side could even agree on how to describe the central issues of their dispute. In the run-up to the summit, the Indian government expressed concern about how Indian protocol would handle a visit by a Pakistani chief executive, which was unprecedented. Musharraf rendered this concern moot by declaring himself president. The Agra summit broke down amid mutual recriminations and disappointment, without so much as a joint statement or a commitment to reconvene discussions at a later time.⁶¹

REVIEWING THE PEACE PROCESS: ANOTHER FALSE DAWN, OR A GENUINE ATTEMPT AT RAPPROCHEMENT?

With spectacularly disappointing failures under their belts, both states again are attempting to forge peace. Amidst conflicting and confusing signals from the governments of India and Pakistan, separatist organizations and terrorist outfits, reviewing the current India–Pakistan peace process is not easy. With the failure of Indo-Pak talks on Siachen, spate of fresh terrorist attacks in J&K, and

collapse of Manmohan Singh's round-table initiative with Kashmiri leaders, the current peace process seems to be heading nowhere. The present India–Pakistan peace process was originated in January 2004 at the Islamabad Summit of the South Asian Association for Regional Cooperation (SAARC). On 5 January, amidst speculation of analysts, Vajpayee met Musharraf in what the Indian Ministry of External Affairs termed a 'courtesy call'. This was the first formal encounter between the two leaders since the failed Agra Summit of 2001.⁶² On 6 January 2004, Pakistan gave a categorical assurance through a joint statement that it would not allow terrorism against India from 'territory under its control'. Two years down the line, what was promised as a breakthrough in the adversarial relations between the two countries seems to be petering out. It was then being termed as a historic breakthrough because it came in the wake of two military confrontations in the preceding three years, namely, the Kargil war in 1999, and the mobilization of Indian forces for war in 2002.⁶³

The year 2004 witnessed a good deal of bonhomie, quite reminiscent of many earlier false dawns. On 25 October 2004, President Musharraf stunned everybody by what he termed as 'food for thought'. At an *iftar* party, he said:

Take Kashmir in entirety. It has seven regions. Two are in Pakistan and five in India. In my view, identify a region, whether it is the whole of seven or part, I do not know, demilitarize it forever and change its status.... It can be independence, a condominium status where there can be a joint control, or there can be UN mandate.⁶⁴

On 18 November 2004, as Indian Prime Minister Manmohan Singh was winding up his first visit to Kashmir and preparing to receive Pakistan's Prime Minister Shaukat Aziz, a senior Indian official floated a series of 'principals' in the press to guide settlement talks. These included the familiar caveats that India would not consider changes in the map or a realignment of regions on communal lines. However, it also included a clear statement that self-rule needed to be much expanded for Kashmiris on both sides, and that the goal should be a settlement with open borders and free

interaction. The official said that restoration of most of the pre-1953 arrangements on autonomy for J&K was not unthinkable. In other words, the Indian government seemed prepared to take another look at the autonomy proposals put forward in 2000 by the elected state government in J&K rejected by the previous government.⁶⁵ Enthused by the emerging warmth and understanding, Teresita C. Schaffer and Howard B. Schaffer wrote:

Looking carefully at the most recent statements, one can identify a few bits of common ground. First, both Governments now acknowledge that Kashmir is a multi-religious and multi-ethnic place, and that the problem is one of people. Secondly, there is a general recognition that Kashmiris are stake-holders in the dispute, and that stronger and more complete self-rule for them needs to be part of a settlement. Thirdly, Indians, Pakistanis and Kashmiris all hope for a solution that leaves Kashmiris free to move back and forth. A senior Indian official was quoted as saying there should be ambience of 'a borderless world'. Fourthly, while India and Pakistan are clearly still trying to achieve as much as possible of their original goal, they recognize that a settlement must be politically acceptable in both countries and to the Kashmiris.⁶⁶

But, two years later, one realizes that it has become clear that the dialogue process is reaching an impasse. Praveen Swami writes:

Contrary to political claims, surrender of Pakistan-trained terrorists operating in Jammu and Kashmir have been declining, not increasing. While 151 terrorists surrendered in 2003, that number fell to 118 in 2004 and just 53 last year, despite the existence of a generous rehabilitation package. In the Kashmir Valley, the decline was even more precipitate, from 91 in 2003 to just 19 last year. Statistics on surrenders can be misleading. Many terrorists seeking to leave their organizations, or *tanzeems*, ask to be arrested, to protect their family from reprisal or charges of treachery. Here again, there is no evidence to show that large numbers of terrorists are seeking to desert their *tanzeems*. In 2003, 233 Pakistani trained terrorists were arrested by Indian forces, a figure that fell to 194 in 2004. Last year, the number fell even further, to 189.... However, the data at once makes clear that there is no large-scale desire to surrender arms among those operating within the State, possibly a consequence of the large-scale earning from extortion within Kashmir. Nor do the infiltration figures support claims that the terrorist leadership is signaling a desire to end the *jihad* in Jammu and Kashmir.... One thing is clear: the soldiers of *jihad* in Jammu and Kashmir will not come to the table stripped of their instruments of leverage. Is it still worth taking the risk of demilitarizing some parts of Kashmir?⁶⁷

Although the devastating earthquake of 8 October 2005 led to an outpouring of sympathy for Kashmiris and the opening of five transit points for relief and divided families on the LoC, the post-quake period was marked by a spate of car bombings and *fidayeen* attacks in J&K. There were three devastating bomb blasts in Delhi on the eve of Diwali, a holy Hindu festival, which killed 67 people and injured hundreds. Pakistan's hand was widely suspected although the Indian government was at pains to deny any such charge in public for fear of vitiating the atmosphere for carrying on with the peace process.⁶⁸ In December 2005, terrorists attacked the Indian Institute of Science in Bangalore, India's IT capital, killing 1 scientist.⁶⁹ In March 2006, two bomb blasts rocked Varanasi, the holiest city of India, killing 20 people and injuring 50.⁷⁰ In May 2006, when the Indian government was preparing for the Kashmir round table (24–25 May), dramatic incidents of terrorist attacks shocked the nation. On 21 May, there was a suicide militant attack on a Congress rally which killed 9 and injured 22. On 22 May, four grenade explosions across Srinagar killed 3 and injured 30. On 23 May, a car carrying a bomb rammed into a BSF bus, injuring 26 troopers; 4 tourists, including 2 children were killed when a bomb exploded in the vehicle they had taken to a popular tourist destination on 25 May.⁷¹ The All-Party Hurriyat Conference (APHC)—moderates and hardliners alike—stayed away, depriving the round table of diversity that would have made it representative of all shades of opinion in the Valley.⁷² In what seemed more like an academic exercise, Prime Minister Manmohan Singh constituted five working groups to look into wide-ranging subjects, including centre-state relations.⁷³ Apart from terrorist incidents, India and Pakistan also failed to agree on demilitarization of Siachen.⁷⁴ There was wide expectation that the two countries would hammer out an agreement on the conflict and it would act as the most potent CBM yet undertaken. But, according to a newspaper report:

The view put forward by India's defence secretary, Shekhar Dutt, that no pullback of troops before the verification of the Actual Ground Position Line (AGPL) was strengthened when army headquarters convinced the political leadership that Siachen was a sustainable holding operation, so long as the

ceasefire continued. This meant, the army had explained that Siachen was not hemorrhaging the Indian military machine any longer. In more than two decades of the strife, the army and the air force had evolved systems that were functioning well and with the ceasefire in place even casualties were at their lowest.⁷⁵

TOO MUCH STRESS ON CBMS?

While reviewing the peace process, it would not be disingenuous to argue that there is disproportionate stress on CBMs and not enough consideration of conflict resolution. Indeed, the China Model itself is based on the premise that trade as a CBM will lead to two countries developing a stake in each other's security, and, thus, to ultimate conflict resolution. As will be shown later, the idea is unduly optimistic and not supported by facts or international relations theory. As a matter of fact, CBMs just for the sake of CBMs will not lead anywhere. Maleeha Lodi, Pakistan's High Commissioner to the UK, correctly remarks, 'While there has been considerable movement on CBMs, there is as yet little to report on conflict or dispute resolution. As President Musharraf has stressed, the CBMs can lose their effectiveness in the absence of conflict resolution.'⁷⁶ The launch of the Srinagar–Muzaffarabad bus service offers an interesting case study in this regard.⁷⁷ The step was hailed as the ultimate CBM that would erase the psychological sundering of Kashmir, if not the geographical reality of division. Teresita and Howard Schaffer wrote enthusiastically, 'The establishment of a bus service between Srinagar and Muzaffarabad is the most promising of these measures. This highly visible action would convey to Kashmiris and to people all over India and Pakistan that there is now hope for [a] new beginning.'⁷⁸

What was the result of this highly-publicized CBM? After one year, it was found that only 816 people had utilized this service. Of them, less than half, at 311, came from the Valley, while 505 people crossed from Pakistani Kashmir. A newspaper reported at the completion of one year of the service, 'Time-consuming documentation—from over-strict eligibility criteria to the rigmarole of security clearance—has so discouraged potential travelers that the

last two buses in the past 45 days had two and four passengers respectively.⁷⁹

Similarly, there was a long-standing demand from the film industries of both India and Pakistan that Indian movies should be screened in Pakistan. It was always believed that Indian movies have an unimaginably huge market in Pakistan. After a gap of 41 years, the Government of Pakistan allowed two Indian movies (*Taj Mahal* and *Mughal-e-Azam*) to be screened in Pakistani theatres.⁸⁰ A high-profile delegation of the Indian film industry led by Ambika Soni, Minister for Tourism, visited Pakistan at this supposedly historic occasion. At the premier of *Taj Mahal*, Indian film star and producer Feroz Khan made anti-Pakistan comments in an allegedly inebriated state. He reportedly said, 'I am a proud Indian. India is a secular country. Our President is a Muslim, Prime Minister a Sikh. Pakistan was made in the name of Islam but look how the Muslims are killing each other.' TV channels and newspapers sensationalized the entire drama. India's Hindu right-wing party, the BJP, hailed Feroz Khan as a true nationalist. Feroz Khan's brother Akbar Khan (director of *Taj Mahal*) threatened to sue Mukhtar Abbas Naqvi, the BJP spokesperson, for misrepresenting his brother's comments for extracting political mileage.⁸¹ President Musharraf took strong exception to the whole episode and passed orders banning the entry of Feroz Khan in Pakistan. Soon after airing Musharraf's orders, Pakistani channel Geo TV telecast a cartoon video titled 'Feroze Khan, *Fakbra-e-Hindustan*' ('Pride of India'), depicting him in an inebriated condition. The whole drama ended up creating more bitterness than building a peace bridge via cinema. Opponents of the peace process exploited this opportunity to the fullest possible extent. Another interesting fact was that both movies ran to empty theatres in Pakistan, thus demolishing the myth that there is massive potential for Indian cinema, and movies have the capacity of acting as a potential CBM.⁸²

The examples above expose a basic flaw of the peace process. Concentrating on CBMs for the sake of public relations exercises and scoring 'brownie points' with the US will not work without directly and boldly hitting at the core of the problem. The prime

objective of CBMs, trade and cultural exchanges is to create a climate of trust in which the Kashmir dispute can be resolved, and to bring the parties to the point where the end-game begins. That is precisely where the previous efforts failed spectacularly.⁸³ The reason is that the two countries have been using CBMs as image-management exercises aimed at the global audience, instead of moving ahead on the path of give and take to resolve a problem that has plagued the subcontinent for more than 58 years.

The political and strategic relationships between India and Pakistan remain undefined and unstable. False dawns and sudden jerks characterize this inherently unstable relationship. The Indo-US nuclear deal has fanned Pakistan's insecurities further. Looking ahead, sustainability of the dialogue will be a key challenge in a dynamic but uncertain global milieu. Apart from Pakistan's stand on terrorism:

...six elements will be critical to sustain this process. One, preservation of agreements and CBMs instituted so far. Two, promoting resolution of disputes so that the peace process moves into a conflict resolution mode. Three, a problem-solving approach applied by both sides. Four, principle of reciprocity guiding the process. Five, political contact at a sufficient[ly] high level to manage issues and keep [the] process moving. Six, evolving a convergent vision for a future of peace and cooperation for [the] entire region.⁸⁴

The outcome of this round of engagement will ultimately depend upon the understanding held by New Delhi and Islamabad on the core issues of the engagement and the concomitant progress made on each. While breakthrough is certainly not likely, neither is a breakdown of the kind witnessed after the 1999 Lahore Declaration, whose resulting engagement suffered many onslaughts, the ultimate of which was the Kargil offensive in the spring of 1999. In light of these considerations, stalemate is the most likely outcome of the current engagement process.⁸⁵

Notes and References

¹ For an excellent analysis of the crisis behaviour of India and Pakistan, see Sumit Ganguly and Devin T. Hagerty, *Fearful Symmetry: India–Pakistan Crisis in the Shadow of Nuclear Weapons*, New Delhi: Oxford University Press, 2005. This chapter borrows heavily from the book for understanding the causes and consequences of India–Pakistan conflict.

² Amit Baruah, ‘US Came Close to Declaring Pakistan a Terrorist State in 1992’, *Hindu* (New Delhi), 30 April 2006. The article, quoting Hussain Haqqani, claims that a 12 May 1992 letter from US Secretary of State James Baker to Prime Minister Nawaz Sharif directly blamed Islamabad for extending support to terrorists operating in India. Handing over the letter to Mr Sharif, US Ambassador to Pakistan Nicholas Platt also provided some ‘talking points’, which are now in the possession of Mr Haqqani, who had worked as Press Secretary to both Mr Sharif and Ms Benazir Bhutto. ‘Our information is certain. It does not come from the Indian Government. Please consider the serious consequences to our relationship if this support continues.... If the situation persists, the Secretary of State may find himself required by law to place Pakistan in the U.S.G. [United States Government] State sponsors of terrorism list.... You must take concrete steps to curtail assistance to militants and not allow their training camps to operate in Pakistan or Azad Kashmir’, the ‘talking points’ added.

³ For a dramatic depiction of the fallout of a possible nuclear war in the subcontinent, see Eric Margolis, ‘Scenario for a Nuclear War, 1999’, 14 June 1999: <http://www.geocities.com/CapitolHill/Lobby/8125/nuclearkashmir.html>

⁴ ‘Iraq, Afghanistan on “Failed State” Index’, *USA Today* (Washington, D.C.), 3 May 2006, annual survey by *Foreign Policy* and the Fund for Peace ranked Pakistan ninth according to the failed state index. The report said: ‘Pakistan is another troubled country. Its inability to police the tribal areas near the Afghan border helped lead to one of the sharpest declines in overall score of any country on the index. Other contributing factors were the devastating earthquake last October in Kashmir and simmering ethnic tensions.’ Incidentally, India was ranked 93rd in the same survey.

⁵ Amulya Ganguly, ‘Kashmir Solution Stares One in the Face’, *Indo-Asian News Service*: http://www.24x7updates.com/FullStory-News-Kashmir_solution_stares_one_in_the_face-ID-33750.html

⁶ India had 127th ranking according to the Human Development Index (HDI) for 2003. The HDI focuses on three measurable dimensions of human development: living a long and healthy life; being educated; and having a decent standard of living. Thus, it combines measures of life expectancy; school enrolment; literacy; and income to allow a broader view of a country’s development than does income alone: http://hdr.undp.org/statistics/data/country_fact_sheets/cty_fs_IND.html

⁷ For getting an idea of the heavy price India and Pakistan have paid, see Strategic Foresight Group’s report, ‘Cost of Conflict between India and Pakistan’: <http://www.>

strategicforesight.com/costofconflict.htm; also Radhika Dhawan, 'The Price of Terror', *Businessworld* (New Delhi), 23 February 2004, pp. 12–13; and Ramanand Sengupta, 'Book Presents Cost on Indo-Pak Conflict': in.rediff.com/news/2004/feb/13book.htm. In this shocking report, Ilmas Futehally and Semu Bhatt claim that Pakistan incurs equal expenditure on the military and on development (3.8 per cent of GDP), while India spends 2.7 per cent of GDP on the military and 6.2 per cent on development. Pakistan's GTP (Gross Terror-Economy Product) is Rs. 264 billion, or 6.6 per cent of its GDP. GTP takes into account the cost of maintaining jihadi forces (Rs. 80 billion), maintaining the ISI (Rs. 24 billion), a 50-per-cent share in Afghanistan's drug economy (Rs. 60 billion), and a share of the black economy which is funnelled into conflict, assumed to be about 5 per cent of the total black economy (Rs. 100 billion). Pakistan's Conflict Economy is more than 10 per cent of GDP. The Conflict Economy includes GTP and military expenditure of the country (Rs. 160 billion). Kashmir's GTP is estimated to be Rs. 3.5 billion.

⁸ Praveen Swami, 'Jammu and Kashmir: The Next Steps to Peace', *Frontline* (Chennai), 21 April 2006, pp. 37–39.

⁹ Devin T. Hagerty, *The Consequences for Nuclear Proliferation: Lessons from South Asia*, Cambridge: MIT Press, 1998, p. 67.

¹⁰ Stimson Center: <http://www.stimson.org/southasia/?SN=SA2001112045>

¹¹ Wajahat Habibullah, 'The Political Economy of Kashmir Conflict: Opportunities for Economic Peace-Building and for US Policy', USIP special report 121, June 2004.

¹² For an excellent analysis that it is only a myth that there will be peace between India and Pakistan if the Kashmir question were to be resolved, see Arindam Banerji, 'India–Pakistan Talks: Myths and Reality', South Asia Analysis Group, paper no. 710, 9 June 2003: <http://www.saag.org/papers8/paper710.html>

Using the Neo-Realist paradigm, Rajesh Rajagopalan has argued that the reason for India–Pakistan conflict is not Kashmir, but inherent power asymmetry between the two neighbours: 'Neorealist Theory and the India–Pakistan Conflict' in *International Relations in India: Theorising the Region and Nation*, ed. Kanti Bajpai and Siddharth Mallavarapu, New Delhi: Orient Longman, 2004, pp. 142–72.

¹³ Nazir ul Haq, 'Pluralism and Democracy in Jammu & Kashmir: Tracing the Effect of Division on Pluralist Movement', paper presented at the 53rd annual PSA conference, University of Leicester, 15–17 April 2003: <http://www.psa.ac.uk/cps/2003/Nazir-ul-haq.pdf>

¹⁴ Victoria Scofield, quoted by Haq, *ibid*.

¹⁵ Haq, *op. cit.*, n. 13 above.

¹⁶ Habibullah, *op. cit.*, n. 11 above, pp. 4–5.

¹⁷ Stimson Center, *op. cit.*, n. 10 above.

¹⁸ For a perspective of the Indian government on Kashmir and UN resolutions, see: <http://meaindia.nic.in/jk/kashmirissue.htm>

This Ministry of External affairs website says:

The Accession of the state of Jammu and Kashmir to India, signed by the Maharaja (erstwhile ruler of the State) on 26th October, 1947, was completely valid in terms of the Government of India Act (1935), Indian Independence Act

(1947) and international law and was total and irrevocable. The Accession was also supported by the largest political party in the state, the National Conference. In the Indian Independence Act, there was no provision for any conditional accession. Despite India's completely legal and valid position on Jammu & Kashmir, in order to find a solution to the situation created by Pakistan's aggression, India had accepted the option of holding a plebiscite in J&K. It had, however, been made clear by the Indian leaders that holding of such a plebiscite would be conditional upon Pakistan fulfilling Parts (I) & (II) of the UNCIP resolutions of 13 August, 1948, which inter alia, required that all forces regular and irregular under the control of both sides shall cease fire; Pakistan would withdraw its troops, it would endeavour to secure withdrawal of tribesmen and Pak nationals and India will withdraw bulk of its forces once the UNCIP confirms that the tribesmen and Pak nationals have withdrawn and Pak troops are being withdrawn. India was also to ensure that the state government takes various measures to preserve peace, law and order. Indian acceptance of these UNCIP resolutions was also subject to several conditions and assurances given by UNCIP including that Pakistan would be excluded from all affairs of Jammu & Kashmir, 'Azad J & K Government' would not be recognised, sovereignty of J & K government over the entire territory of the state shall not be brought into question, territory occupied by Pakistan shall not be consolidated, and Pakistani troops would be withdrawn completely. Pakistan never fulfilled these assurances.... In several subsequent local, State and national elections the people of Jammu and Kashmir have repeatedly exercised their democratic choice.

¹⁹ For details of Art. 370, see 'Article 370 of Indian Constitution': <http://www.indianembassy.org/policy/Kashmir/article370.htm>. Various scholars have alleged that although India granted autonomy to Kashmir by Art. 370, successive governments gradually diluted the provisions of the Article by various extra-constitutional methods. For an excellent account of this gradual erosion of autonomy, see A. G. Noorani, 'Article 370: Law and Politics', *Frontline* (Chennai), vol. 17, no. 19, 16–29 September 2000.

²⁰ The South-East Asia Treaty Organization (SEATO, also known as the South-East Asia Defence Treaty or the Manila Pact) was an international organization for defensive collaboration established in 1954. It was also created to oppose further Communist gains in South-East Asia. The treaty was dissolved in 1977.

²¹ Ganguly and Hagerty, op. cit., n. 1 above, pp. 29–31.

²² K. Subrahmanyam, '1965 Decided the Fate of Subcontinent', 6 September 2005: <http://in.rediff.com/news/2005/sep/06war1.htm>

²³ Ibid.

²⁴ Air Cmde. Jasjit Singh, '1965 War: The Wrong Lessons', 10 October 2005: <http://in.rediff.com/news/2005/oct/10war1.htm>

²⁵ Mahmood Sham, 'We Won the 1965 War, Not India', 6 September 2005: <http://in.rediff.com/news/2005/sep/06war2.htm>

²⁶ Sarmila Bose, 'Anatomy of Violence: Analysis of Civil War in East Pakistan in 1971', *Economic and Political Weekly* (New Delhi), 8 October 2005: <http://www.epw.org.in/showArticles.php?root=2005&leaf=10&filename=9223&filetype=html>

²⁷ Ganguly and Hagerty, op. cit., n. 1 above, pp. 31–32.

²⁸ The foreign ministers of India and the USSR, Swaran Singh and Andrei Gromyko, signed the Indo-Soviet treaty on 9 August 1971. See A. G. Noorani, 'The 1971 Watershed', *Frontline* (Chennai), vol. 17, no. 24, 25 November–8 December 2000.

²⁹ For getting an idea of the extent of the Nixon–Kissinger tilt towards Pakistan, see 'The Tilt: The US and the South Asia Crisis of 1971', National Security Archive Electronic Briefing, book no. 79, ed. Sajit Gandhi, 16 December 2002: <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB79/>

These declassified US documents demonstrate illegal American military assistance approved by Richard Nixon and Henry Kissinger to Pakistan following a formal cut-off of aid by the US, the role that Nixon's friendship with Yahya Khan and the China initiative played in US policy making leading to the tilt towards Pakistan, and Henry Kissinger's duplicity with the press and the Indians vis-à-vis the Chinese.

According to the US Department of State's declassified documents, Nixon, in his conversations with Kissinger, used abusive and indecent language while talking about India and Indira Gandhi. See 'Kissinger Regrets India Comments': http://news.bbc.co.uk/2/hi/south_asia/4640773.stm

³⁰ For details of how the US used Pakistan for improving relations with China, see F. S. Aijazuddin, *From a Head, Through a Head, To a Head: The Secret Channel between US and China through Pakistan*, Karachi: Oxford University Press, 2000.

³¹ A. G. Noorani, 'A Working Paper on Kashmir', *Frontline* (Chennai), vol. 23, no. 4, 25 February–10 March 2006.

³² Stephen Philip Cohen, *The Idea of Pakistan*, New Delhi: Oxford University Press, 2005, pp. 75, 77.

³³ Vandana Asthana, *India's Foreign Policy and Subcontinental Politics*, New Delhi: Kanishka Publishers, 1999, p. 124.

³⁴ *Ibid.*, p. 126.

³⁵ Sumit Ganguly and Davin T. Hagerty, 'Did N-Arms Prevent War with Pak?', *Rediff Special*: <http://in.rediff.com/news/2005/jun/02spec1.htm>

³⁶ Humera Niazi, 'The Siachen Glacier: From 1984 to 1998', *Defense Journal* (Pakistan), January 1999: <http://www.defencejournal.com/jan99/glacier.htm>

³⁷ Col. Anil Athale writes:

One must admit the utter futility of the fight over the Siachen Glacier. The area is over 22,000 feet high, offers no military advantage to either side, cannot be either a viable defence line or a launch pad and has no habitation and no economic significance. Strategically, tactically, it is a useless piece of real estate.

See 'Why Siachen Matters': <http://in.rediff.com/news/2005/jun/16athale.htm>

³⁸ http://en.wikipedia.org/wiki/Siachen_Glacier

³⁹ Manoj Joshi, 'Warrior as Scholar', *India Today* (New Delhi), 22 February 1999: <http://www.india-today.com/itoday/22021999/obit.html>

⁴⁰ G. Parthasarathy, 'Partners Seriously', *Indian Express* (New Delhi), 17 January 2004.

⁴¹ K. S. Bajwa, 'Soldiers are for Peace, not War', 11 April 1999: <http://www.tribuneindia.com/1999/99apr11/sunday/diary.htm>

⁴² Deepak Lal, 'Kashmir', paper prepared for the Carnegie project on Globalization, National Self-Determination and Terrorism: <http://www.econ.ucla.edu/Lal/others/kashmir.pdf>

⁴³ M. J. Akbar, quoted by Lal, *ibid.*

⁴⁴ Ganguly and Hagerty, *op. cit.*, n. 1 above, p. 88.

⁴⁵ Seymour M. Hersh, 'On the Nuclear Edge', *New Yorker* (New York), 29 March 1993. Hersh quotes Deputy Director of the CIA Richard J. Kerr as saying, 'It was the most dangerous nuclear situation we have ever faced since I've been in the US government. It may be as close as we've come to a nuclear exchange. It was far more frightening than the Cuban missile crisis.'

⁴⁶ Ganguly and Hagerty, *op. cit.*, n. 1 above, p. 97.

⁴⁷ Davin T. Hagerty, 'Nuclear Deterrence in South Asia: The 1990 Indo-Pakistani Crisis', *International Security*, vol. 20, no. 3, Winter 1995. According to Hagerty, due to the operability of existential deterrence, there could not have been a nuclear war in the subcontinent. He writes:

What was the influence of nuclear weapons on the resolution of the crisis? A strong case can be made that India and Pakistan were deterred from war in 1990 by the existence of mutual nuclear weapon capabilities and the chance that, no matter what Indian and Pakistani decision-makers said or did, any military clash could escalate to the nuclear level. The case for existential deterrence is admittedly circumstantial; as with all deterrence theory, tracing the causality of non-events is practically impossible.

⁴⁸ 'The Israeli Plan to Attack Pakistan's Nuclear Installations' (editorial), *Jang* (Islamabad), 18 May 1998. See also P. R. Kumaraswami, 'Beyond the Veil: Israel–Pakistan Relations', memo no. 55, March 2000, Jafee Center for Strategic Studies: <http://www.tau.ac.il/jcss/memoranda/memo55.pdf>

⁴⁹ Text of the Lahore Declaration: http://www.usip.org/library/pa\1p\1p_lahore19990221.html

⁵⁰ For a detailed analysis of the Kargil conflict, see Sumit Ganguly, *Conflict Unending: India–Pakistan Tensions since 1947*, New Delhi: Oxford University Press, 2002, Ch. 6, 'The Kargil War', pp. 114–33.

⁵¹ Ganguly and Hagerty, *op. cit.*, n. 1 above, pp. 143–44, 156.

⁵² Ashley Tellis, Christine Fair and Jamison Medby, eds., *Limited Conflict Under the Nuclear Umbrella: Indian and Pakistani Lessons from the Kargil Crisis*, Santa Monica, CA: Rand, 2001, p. 81.

⁵³ *Ibid.*, p. 30.

⁵⁴ For details, see Gen. V. P. Malik, *Kargil: From Surprise to Victory*, New Delhi: Harper Collins, 2006. For excerpts from the book, see 'Vajpayee Ignored My Warnings on Kargil', *Hindustan Times* (New Delhi): http://www.hindustantimes.com/news/181_1687034,0008.htm

⁵⁵ Shireen M. Mazari, 'Regional Security Issues and Concerns: A View from Pakistan' in *South Asia and the War on Terrorism: Analysing the Implications of September 11*, ed. Dipankar Banerjee and Gert W. Kueck, New Delhi: India Research Press, 2003, p. 73.

⁵⁶ Lee Feinstein, 'When Policy Priorities Converge: US Relations with India and Pakistan' in *A New Equation, US Policy Toward India and Pakistan after September 11*, no. 27, May 2002, Carnegie Endowment for International Peace: <http://www.ceip.org>

⁵⁷ Zulfiqar Khan, 'Pakistan–India Military Standoff: A Military Dimension', *IPRI Journal* (Islamabad), Winter 2003, vol. 3, no. 1, 2003, p. 109.

⁵⁸ Teresita C. Schaffer, 'US Influence on Pakistan: Can Partners have Divergent Priorities?', *Washington Quarterly* (Washington, D.C.), Winter 2002–3, p. 175.

⁵⁹ In this address, President Musharraf said:

Pakistani soil would not be allowed to be used for terrorism against anybody. I repeat we will not allow this. I also want to tell the world and give the assurance that no infiltration is taking place across the Line of Control. But I want to make one thing quite clear. A liberation movement is going on in Occupied Kashmir and Pakistan cannot be held responsible for any action against the Indian tyranny and repression. We do not want war. But if war is thrust upon us, we would respond with full might, and give a befitting reply. I would now like to convey a message to the world community, Pakistan does not want war. Pakistan will not be the one to initiate war. We want peace in the region. Let me also assure the world community that Pakistan is doing nothing across the Line of Control and Pakistan will never allow the export of terrorism anywhere in the world from within Pakistan: http://www.infopak.gov.pk/President_Addresses/presidentadress-27-5-2002.htm

⁶⁰ Achin Vanaik, 'Deterrence or a Deadly Game? Nuclear Propaganda and Reality in South Asia', *Disarmament Diplomacy*, no. 66, September 2002: <http://www.acronym.org.uk/dd/dd66/66op3.htm>

⁶¹ Christine Fair, 'India and Pakistan Engagement: Prospects for Breakthrough or Breakdown?', special report no. 129, US Institute of Peace: <http://www.usip.org/pubs/specialreports/sr129.html>

⁶² Ibid.

⁶³ Subhash Kapila, 'India–Pakistan Peace Process: A Reality Check', South Asia Analysis Group paper no. 1662, 3 January 2006: <http://www.saag.org/papers17/paper1662.html>

⁶⁴ Gen. Musharraf, quoted in Smita Gupta, 'A Doc Disposes, While a General Proposes', *Outlook* (New Delhi), 29 November 2004, pp. 49–50.

⁶⁵ Teresita C. Schaffer and Howard C. Schaffer, 'Time to get Serious on Kashmir', *Hindu* (New Delhi), 6 December 2004: <http://www.hindu.com/2004/12/06/stories/2004120601781000.htm>

⁶⁶ Ibid.

⁶⁷ Swami, op. cit., n. 8 above, pp. 37–39.

⁶⁸ Bharat Bhushan, 'A Year of Precarious Peace', *Telegraph* (Kolkata), 5 December 2005: http://www.telegraphindia.com/1051205/asp/opinion/story_5558347.asp

⁶⁹ 'Police Explore Link between Varanasi Blasts, IISc Attack': <http://in.news.yahoo.com/060505/48/641md.html>

⁷⁰ Sharat Pradhan, 'Two Blasts Rock Varanasi': <http://in.rediff.com/news/2006/mar/07up.htm>

⁷¹ Smita Gupta, 'Gloomy Go Round: Terror, Not Peace, Unveiled its Agenda at the Kashmir Talks', *Outlook* (New Delhi), 5 June 2006, p. 46.

⁷² *Ibid.*

⁷³ For details of these working groups, see 'PM puts Ear to Kashmir Ground', *Telegraph* (Kolkata), 26 May 2006. One of these groups will deal with centre-state relations. The other groups will deal with a host of subjects, including good governance, economic development, rehabilitation of former militants, jobs for migrants, and cross-border travel.

⁷⁴ 'India-Pak Talks on Siachen Fail': <http://ndtv.com/template/template.asp?frontimeline=true&id=88328&callid=1&template=indopakfaceoff>

⁷⁵ Special Correspondent, 'Siachen Talks Die Early', *Telegraph* (Kolkata), 25 May 2006.

⁷⁶ Maleeha Lodi, 'Nuclear Cloud over South Asia', *Times of India* (Kanpur), 1 May 2006: <http://www1.timesofindia.indiatimes.com/articleshow/msid-1510766.curpg-2.cms>

⁷⁷ B. Muralidhar Reddy, 'Bonhomie at the Border', *Frontline* (Chennai), vol. 22, issue 9, 23 April–6 May 2005: <http://www.hinduonnet.com/fline/fl2209/stories/20050506002913000.htm>. A good deal of hype surrounded the launch of this bus service. Indian Prime Minister Manmohan Singh and Congress President Sonia Gandhi flagged off the bus. *Frontline* wrote:

As the buses from both sides rolled and people from both sides mingled with each other there was no stopping the dynamics unleashed.... Every moment on both sides was synchronized to the second, as the world watched with bated breath the historic journey of the buses. The coordination to the point of last detail between the two armies through the 'hotline' speaks volumes about the transformation brought about by the peace process.

⁷⁸ Schaffer and Schaffer, *op. cit.* n. 65 above.

⁷⁹ Riyaz Wani, 'A Year Later, LoC Bus Runs Almost Empty', *Indian Express* (New Delhi), 7 April 2006.

⁸⁰ India's Minister for Tourism and Culture Ambika Soni said on this occasion that the move to screen Indian films in Pakistan would be beneficial for the governments of both nations. She said, 'Under all the dialogues, the confidence building measures that are being undertaken by the government if we are able to rationalize this industry, it will be good. Both governments can also earn revenue from this.' See 'India's Monumental Love Epic to Build Peace Bridges with Pakistan', 25 April 2006: <http://in.news.yahoo.com/060424/139/63rc8.html>

⁸¹ 'How Dare He: Akbar Khan', 1 May 2006: <http://www.dnaindia.com/report.asp?NewsID=1027105>

For details of the entire episode, including Feroz Khan's comments and reaction in Pakistan, see 'Musharraf Bans Feroz Khan's Entry to Pak', 18 May 2006: www.zeenews.com

⁸² Amir Mir, 'Indian Blockbusters Flop at Box Office', 5 May 2006: <http://archive.gulfnews.com/articles/06/05/05/10037781.html>

⁸³ A. G. Noorani, 'A Kashmir Solution', *Hindustan Times* (New Delhi), 28 June 2005.

⁸⁴ Lodi, *op. cit.*, n. 76 above.

⁸⁵ For an excellent analysis of why India and Pakistan embarked on the January 2004 peace process, what their domestic and international compulsions were, and where the engagement is likely to be headed, see the report of a special round table of South Asia experts organized by the US Institute of Peace: Fair, *op. cit.*, n. 61 above.

CHAPTER 2

The China Model: Concept and Dimensions

India–Pakistan conflict has generated a heated debate regarding the possible models for solution among conflict resolution scholars. In the past 59 years, many interesting and innovative models have been proposed for resolving this seemingly intractable problem. Ever since the two countries went nuclear in 1998 and fought a brief war in Kargil the next year under the nuclear shadow, conflict resolution in South Asia has acquired new urgency. The 2001–2 crisis between the nuclear neighbours, when the armies of the two countries faced each other eyeball to eyeball for months at a stretch as the world watched the scary game of nuclear brinkmanship, has heightened the sense of impending doom among the community of strategic scholars.

This chapter is divided into four sections. The first section provides a brief overview of the models so far proposed for rapprochement over Kashmir. The second section defines the contours of the ‘China Model’, as proposed by politicians, academics, and journalists. The third section analyses Sino-Indian relations, so as to understand exactly what the dimensions of the China Model are, and why it is considered a great success in resolving the differences ensuing after the 1962 war. The fourth section investigates the theoretical paradigms regarding the ongoing discourse about a trade-peace relationship.

PROPOSED MODELS FOR RESOLUTION OF
INDIA-PAKISTAN DISPUTE:
A HISTORICAL OVERVIEW

In order to contextualize the China Model, it would be prudent to discuss some of the prominent models and options already proposed by various think tanks and scholars.¹

The Plebiscite Option

Indian decision makers, on the advice of Lord Mountbatten, referred the Kashmir dispute to the UN Security Council for resolution under Ch. 6 of the UN Charter, which deals with threats to international peace and security. It has now been well-documented that the actions of the UN Security Council were far from dispassionate. Indeed, there is considerable evidence that the British government and subsequently the US government played distinctly partisan roles in the debates on the Kashmir question.² In any event, the Security Council passed two critical resolutions, one on 13 August 1948 and the other on 5 January 1949. Apart from appointing a three-member commission and ordering Pakistan to withdraw forces from Kashmir, these resolutions called for a plebiscite to determine the wishes of the Kashmiri population. These resolutions basically stated that:

- 1) the question of the accession of the state of J&K to India or Pakistan would be decided through the democratic method of a free and impartial plebiscite;
- 2) a plebiscite would be held when it shall be found by the commission that the ceasefire and truce arrangements set forth in parts I and II of the commission's resolution of 13 August 1948 have been carried out and arrangements for the plebiscite have been completed;
- 3) the secretary general of the UN will, in agreement with the commission, nominate a plebiscite administrator who shall be a personality of high international standing and commanding general confidence;

- 4) when the commission is satisfied that peaceful conditions have been restored in the state, the commission and the plebiscite administrator will determine, in consultation with the Government of India, the final disposal of Indian and State Armed Forces, such disposal to be with due regard to the security of the state and the freedom of the plebiscite;
- 5) all citizens of the state who have left it on account of the disturbances will be invited and be free to return and to exercise all their rights as such citizens, and for the purpose of facilitating repatriation there shall be appointed two commissions, one composed of nominees of India and the other of nominees of Pakistan;
- 6) all persons (other than citizens of the State) who on or since 15 August 1947 have entered it for other than lawful purpose, shall be required to leave the state;
- 7) all authorities within the state of J&K will undertake to ensure, in collaboration with the plebiscite administrator, that there is no threat, coercion or intimidation, bribery or other undue influence on the voters in the plebiscite.

Till recently, Pakistan kept insisting on the sanctity of the UN resolutions, while India refused to hold a plebiscite on the grounds that Pakistani forces as well as intruders stayed on in Pak-Occupied Kashmir. Later, India argued that by participating repeatedly in elections, Kashmiris had nullified the need for a plebiscite. Pakistan has only lately reconciled to the fact that the idea of holding a plebiscite in Kashmir has become outdated.³

UN Trusteeship Model

Although UN trusteeship is a different conception altogether, in the context of the India–Pakistan problem it has been suggested for creating conducive conditions for holding plebiscite in Kashmir. Generally, this option proposes that Kashmir should be placed under UN trusteeship, and then plebiscite may be held for final resolution of the dispute. It is argued that this will provide face-

saving for India, and will also give Kashmiris on both sides of the LoC enough time to come up with a joint option.⁴

The JKLF Chairman, Ammanullah Khan in December 1993, proposed: (1) complete, simultaneous withdrawal of Indian and Pakistani troops and civil administration, non-Kashmiri personnel from Jammu & Kashmir; (2) the reunification of Indian and Pakistani-controlled parts of Kashmir; (3) placement of the State under UN control for five to ten years; and (4) holding of a plebiscite. Well-known Pakistani economist, the late Dr Mahbubul Haq, in an interview he gave to an Urdu Weekly *Hurmat*, in 1994, proposed that only the Kashmir Valley be placed under UN Trusteeship for ten years and then plebiscite be held in the Kashmir Valley.⁵

Since India opposes the plebiscite option in the first place and regards Kashmir as its inalienable part, it never showed the slightest enthusiasm for the trusteeship option. As the model supports UN role *immediately* and plebiscite *later*, Pakistan never opposed it formally, but since it delays the resolution for 10 years, Pakistan had a tepid reaction to this option.

The Partition Model

Partitioning J&K has been a long-standing debate and various models have been proposed for this purpose. The three most talked about are as follows.

Dixon Plan

Sir Owen Dixon, a judge of the Australian High Court, had come to the subcontinent as the United Nations' Representative for India and Pakistan pursuant to the Security Council's Resolution of 14 March 1950. 'The report he submitted to the UN Security Council on September 15, 1950, was very close to success', argues noted constitutional expert A. G. Noorani. The 'Dixon Plan' assigned Ladakh to India, the Northern Areas and Pakistan-Occupied Kashmir (POK) to Pakistan, split Jammu between the two, and envisaged a plebiscite in Kashmir Valley. Pakistan demurred at first, but agreed later. It fell through because Pundit Nehru did not accept the

conditions under which the plebiscite could be held. He wanted the plebiscite to determine the future of Kashmir Valley be held under the then prime minister of the state, Sheikh Abdullah, something Dixon did not agree to. Otherwise, if Noorani is to be believed, almost all the top Indian leaders of the time—Nehru, Sardar Patel, Rajendra Prasad and Abdul Kalam—had agreed with the Australian jurist that major portions of the pre-1948 J&K could be divided between India and Pakistan, with Kashmir Valley being given the option to decide for itself whether to join India or Pakistan through a plebiscite.⁶

Pakistan never outrightly rejected the Dixon Plan, but wanted a general plebiscite for the whole of J&K. So both Pakistan and India agreed with this plan, but with such conditions which were not acceptable to the other side.⁷

Trieste-Type Solutions

Trieste- or Andorra-type models basically suggest that the same territory be shared by two states, or a nominally sovereign territory, in fact, be controlled jointly by two states.⁸ Trieste was partitioned based on an agreement between Italy and former Yugoslavia, and residents on either side of the city were given free access to the other side. In the context of South Asia, it means that Kashmir would be divided along communal lines. The Hindu-majority areas of Jammu and the Buddhist-dominated region of Ladakh would join India. The Northern Area would remain with Pakistan, and Kashmir Valley, along with so-called Azad Kashmir, would join Pakistan. Free access would be given to people living on both sides of Kashmir.⁹ Again, this proposal lacks viability, as it does not address either the genesis of the dispute, nor the complexities that have accumulated since then to date.¹⁰

Line of Control as International Border

Indian commentators and scholars are almost unanimous in their view regarding conversion of the LoC into an international border for the reason of practicality. Indian politicians also subscribe to this view, albeit privately. Many analysts argue that it is militarily difficult to occupy the area under Pakistan's control. It is also not possible to

hold plebiscite in Kashmir because the ground situation has changed due to cross-border terrorism and other factors.¹¹ Amitabh Mattoo argues that while such a move by India may mean going against the unanimous parliamentary resolution that calls for reclaiming the territory under Pakistan's occupation, a permanent division of J&K along the present LoC, with minor adjustments, if need be, is the only realistic, practical, and just settlement of the problem which has defied solution for more than half a century.¹² During the 1972 Simla talks, Prime Minister Indira Gandhi and Zulfikar Ali Bhutto too arrived at a similar understanding. They seemed to have realized that converting the LoC into an international border was the only way out of the Kashmir conundrum. Bhutto, however, did not want an agreement in black and white since he 'wanted time' to prepare his people for the 'deal'.¹³

It is generally agreed that India would love to accept the LoC as an international border. As Robert Wirsing writes, this option tacitly acknowledges India's dominant political standing in the region. By requiring Pakistan to relinquish its claim of the coveted Valley of Kashmir and the Kashmiri separatists their claim of independence, while at the same time entailing little or no detachment from India of territories now in its possession, it leaves existing political and economic arrangements essentially undisturbed. Thus, of the several conceivable forms of partition, it is clearly among the most generous to India.¹⁴

However, there is hardly a chance of Pakistan agreeing to this solution now. Gen. Musharraf has always described the LoC as the core problem rather than the final solution.¹⁵ The Pakistani establishment believes that if this were to be the solution, then the efforts and sacrifices of the past decades have gone in vain. Pakistan has invested too much to consider this a viable solution. Pakistan also contends that the proposal for division also violates the concept that J&K is an indivisible entity.

Kashmir Study Group Proposals

The US-based think tank Kashmir Study Group has offered some interesting and imaginative solutions to the South Asian

conundrum over the years, which if nothing else, have taken the ongoing discourse regarding Kashmir forward.¹⁶

The think tank, in its report titled 'Kashmir: A Way Forward (1999)', proposed that a portion of the former princely state of J&K be reconstituted as a sovereign entity (but one without an international personality) enjoying free access to and from both India and Pakistan. The portion of the state to be so reconstituted should be determined through an internationally supervised ascertainment of the wishes of the Kashmiri people on either side of the LoC. The sovereignty of the new entity would be guaranteed by India, Pakistan, and appropriate international bodies. India and Pakistan would be responsible for the defence of the Kashmir entity.¹⁷ India rejected it, saying that it was the 'independence option' disguised as a 'sovereign entity without an international personality'.

However, another report of the think tank titled 'Kashmir: A Way Forward (2005)' has generated heated debate in India and Pakistan. India argues that Musharraf's November 2005 peace plan, which projects the division of J&K into geographical entities and not communally carved out subregions, is a copy of this report. The Pakistani media are actively debating this report, although India has refused to comment on it publicly.¹⁸

The report, brought out in February 2005, recommends that:

...portions of the former princely State of Jammu & Kashmir be reconstituted into self-governing entities, enjoying free access to one another and to and from both India and Pakistan. (1) Three entities—Kashmir, Jammu, and Ladakh—would be established in the portion of the pre-1947 state now administered by India. These three self-governing entities would each take part in a body that would coordinate issues of interest to all of them, such as internal trade and transportation. (2) Two entities—Azad Kashmir and the Northern Areas—would be established on the side now administered by Pakistan. Like the entities on the Indian side, they would each be represented in a coordinating body that would consider issues in which they both had an interest. (3) An All-Kashmir body would be set up to coordinate areas of broader interest such as regional trade, tourism, environment, and water resources. This body would include representatives from each of the five entities as well as from India and Pakistan.¹⁹

The report also stated that each of the new entities would have its own democratic constitution, as well as its own citizenship, flag,

and legislature, which would legislate on all matters other than defence and foreign affairs. India and Pakistan would be responsible for the defence of the entities. It further recommended that the present LoC would remain in place until such time as both India and Pakistan decided to alter it in their mutual interest, and both India and Pakistan would demilitarize the area included in the entities.²⁰

The Third Option: Independence

An option gradually evolved as a result of the impasse on Kashmir is of independence, generally known as the ‘Third Option’. Under this option, the pre-Partition status of J&K state is to be restored and an independent state established. The proposal is mainly advocated by the Jammu and Kashmir Liberation Front (JKLF). Its chairman, Amanullah Khan, in one of his articles says: ‘...the future independent Kashmir is to be neutral, like Switzerland, with friendly and trade relations with all its neighbors’. According to his proposal, independent Kashmir is to consist of five federating units: Kashmir Valley, Jammu province, Ladakh, Azad Kashmir, and Gilgit–Baltistan, each enjoying considerable internal autonomy, having its own elected provincial government. At the centre there would be a bicameral parliament.²¹

India rejects this option outright, because, apart from fuelling communal passions, it will challenge the very foundations of the Indian secular state and may even encourage separatist movements raging in various parts of the country. According to Victoria Schofield, ‘Although Pakistan supports the Kashmiri’s “right of self-determination”, it has never accepted the third option as a possible outcome. It is also now evident that holding a plebiscite that assumes Kashmir becomes a united state might not produce an equitable result, given its cultural, ethnic and linguistic diversity.’²²

One must keep in mind that Kashmir is not a homogeneous ethnic or religious unit, and the political aspirations of its people vary widely. Neither independence nor Pakistani rule would be acceptable to the Hindu-dominated parts of Jammu and Buddhist

Leh in Ladakh, for example, which would never be in favour of secession from the Indian state. Similarly, the Kashmiri-speaking Hindus or Pandits who have migrated out of Kashmir Valley demand a homeland with a union territory status: that is, direct rule from Delhi.²³

The Irish Model

Various scholars, politicians, and academicians have suggested that India and Pakistan should resolve long-standing disputes, including the Kashmir issue, on the pattern of the 1998 'Good Friday' accord signed between Britain and Northern Ireland that ended decades of bloody conflict in the tiny archipelago.²⁴ Noted Pakistani scholar Shireen Mazari argues:

The Irish Model has a direct relevance to the case of Kashmir because it is premised on two interrelated principles. One, it recognizes 'the legitimacy of whatever choice is freely exercised by a majority of the people of Northern Ireland with regard to its status, whether they prefer to continue to support the Union with Great Britain or a sovereign united Ireland' (that is going with the Republic of Ireland). There is also a provision for a periodic holding (every seven years) of a referendum in case the people of Northern Ireland appear to change their minds. Two, that denuclearization will follow the implementation of the settlement. Through this agreement the Government of Ireland Act of 1920 was repealed. The principles underlying this settlement are extremely relevant to Kashmir and need to be the basis of any substantive solution relating to this dispute. In fact, out of all the conflict resolution models, this is the only one that is premised on the right of self-determination and not on territorial control. As such it is a good starting point for concrete moves forward in resolving the Kashmir dispute.²⁵

India has strongly rebutted suggestions that the Good Friday Agreement can be replicated for resolving the Kashmir conflict. Questioning the applicability of the Irish Model in resolving the Kashmir problem, Balraj Puri, Chairman of the Regional Autonomy Committee appointed by the J&K government has written that British sovereignty over Northern Ireland is categorically recognized under the Good Friday Agreement; the cultural allegiance of the Catholics to the Republic of Ireland, too, has been accommodated. Will

Pakistan and the APHC concede Indian sovereignty over Kashmir, and will India recognize the religious affinities of Kashmiris with Pakistan? The involvement of the autonomous regional governments of Northern Ireland, Scotland, and Wales along with the Irish and British Councils was an important part of the peace agreement. Can autonomous regional governments of Jammu, Kashmir, Ladakh, Pakistan-Occupied Kashmir and Gilgit be formed and included in peace talks along with a joint India–Pakistan council? Ireland’s total non-involvement in and disassociation with terrorist acts of the IRA and its cordial relations with the British government were helpful in reaching the Belfast Agreement. Therefore, Pakistan’s active involvement and support to militant movements in Kashmir must end, and its relations with India should further improve to a level of harmony that existed between Britain and Ireland. Finally, a vital difference between Northern Ireland and J&K must be realized: unlike the former, which is totally polarized on communal lines (Protestants and Catholics), the latter has a number of ethnic diversities which cut across communal identities.²⁶

The Mediation Option

Pakistan has always argued that Kashmir is an international issue and there should be no hesitation in resolving it through mediation. India has vehemently opposed it, saying that the Simla Agreement of 1972 stipulates that all outstanding issues should be sorted out under the framework of bilateralism. Interestingly, since the late 1990s, many Indian scholars have also argued that mediation seems to be the only viable option.²⁷ India’s increasing proximity to the US has probably given the impression that Western mediation may result in the LoC being accepted as the international border, which is India’s favourite position, in spite of public utterances to the contrary.²⁸ Their plea is that historical analysis of the agreements between the two countries proves that the only two that have stood the test of time are the Indus Water Treaty and Rann of Kutch agreement, both mediated by third parties. Regarding the Indus Water Treaty, sceptics argue that the water sharing agreement cannot be compared

to Kashmir, because water cannot be weighed on the same scale as territory. Also, that in the final analysis, there was no sharing involved, and, therefore, it was less complicated. While giving the credit to the World Bank in playing the role of a well-informed and unbiased mediator, critics of third-party mediation claim this was a special issue, arguing that the World Bank succeeded because it could financially underwrite the agreement. But the fact of the matter is that the issue of Kashmir did cast a shadow and talks went through various phases of stalemate and brinkmanship, but both sides finally agreed to delink water sharing from the issue of Kashmir. Unlike the Indus Water Treaty, the Rann of Kutch accord was centred on the issue of territory. Sceptics of extending this approach to Kashmir argue that the Rann was a 'mere' piece of marshland. But a review of the negotiating process suggests that this piece of marshy land had many complicated dimensions. The complications led India and Pakistan to use the good offices of a third party. The negotiations, which spanned a period of over 20 years (1948–68), went through many phases of failures, armed skirmishes and territorial violations, mostly when the talks were proceeding on bilateral level. The British government intervened to mediate a ceasefire. India and Pakistan also agreed to refer the dispute to a tribunal if they failed to reach an agreement. The tribunal award gave 300 miles of territory to Pakistan, and this was elevated ground that was not submerged during the monsoons. The accord was hailed as a great victory by the Pakistani press and politicians.

But for most Indians, the word 'mediation' is anathema. Apart from the fact that the Kashmir issue has been linked to the Indian sense of self-respect, the theme of bilateralism has been repeated so long and so frequently that it would be nearly impossible for any Indian government to agree on the mediation option without giving the impression of a sell-out.

South Tyrol Model

Some scholars have argued that the South Tyrol formula has elements in it which could apply to Kashmir. Many of the ingredients

of the Kashmir drama such as the dissolution of an empire, forceful annexation of territory, friction between two neighbours, UN intervention, terrorism, and demand for autonomy have been at play there.²⁹ The story of South Tyrol goes back to the days of the dissolution of the Holy Roman Empire in the nineteenth century when South Tyrol passed to Austria in 1815. An agitation by the Italian minority began soon after, but it was after the First World War that Italy managed to annex the territory and legitimize the annexation through post-war treaties. Germany reoccupied the territory for a brief period during the Second World War, but it was soon restored to Italy in 1945. The German aspiration for joining Austria or gaining autonomy was a constant cause of tension in the territory. The search for autonomy for the German and Italian populations of the region as a way to resolve the status of South Tyrol began in 1946 when both Italian and German were declared official languages. But the emergence of German terrorism and the friction between Italy and Austria prompted Austria to take the issue to the UN in 1960. UN involvement facilitated a bilateral agreement between Austria and Italy in 1971, according to which the German-speaking area, now named Bozen, as part of the Italian region of Trentino-South Tyrol, acquired greater autonomy from Italy. Three autonomy packages were enacted by Italy since 1969, giving more and more autonomy to Bozen. In return, Austria refrained from interfering in the internal affairs of Bozen. The sovereignty question was referred to the International Court of Justice, but with the emergence of the European Union (EU), the issue became more academic than real. Bozen, still called Bolzano by the Italians, is very much an Austrian city today, even though it falls within the geographical boundary of Italy. The sister city of Trento remains an Italian city within the region of Trentino-South Tyrol. Most places maintain Italian and Austrian names without any undue confusion. A third community, Ladin, with its own language, also retains its identity and enjoys certain privileges.³⁰ But the South Tyrol issue was never as fundamental to Austria as Kashmir has become for Pakistan. Apart from this, religious passion was absent from the whole issue. There has been no indication so far that South Asia

would ever follow the EU model that would make the sovereignty question obsolete.

THE CHINA MODEL

In the context of the above-mentioned models proposed for conflict resolution between India and Pakistan, it is pertinent to conceptualize the China Model and define its parameters and dimensions. The China Model is fundamentally and qualitatively different from the models and options described so far. It has not been specifically proposed for resolving the Kashmir conflict. Rather, it is a model that seeks to emulate the process of Sino-Indian rapprochement in the case of India and Pakistan. The burgeoning trade relationship between India and China has been credited as being the root cause of the withering away of political differences between the two countries.

Former Indian Foreign Minister K. Natwar Singh is credited with popularizing the term 'China Model' in academia and strategic circles. He chose his very first press conference to coin the term. It was the first time when somebody from the government proposed this model as a possible framework of conflict resolution between India and Pakistan. Singh said that the India–China model should be followed in India–Pakistan relations.³¹ On another occasion, he stated that only economic ties and people-to-people contact could lead to a 'satisfactory political outcome' of the Kashmir issue.³² The term went on to become the favourite theme of Natwar Singh's later interviews. He repeatedly pointed to the relevance of the India–China model in taking forward the relationship with Pakistan.³³ However, the reaction from Pakistan was so negative that he later had to qualify his statement by saying that regarding this, the Government of India had made no formal proposal so far to Pakistan, though this model had been talked about for a number of years,³⁴ effectively meaning that he had referred to the China Model in his individual capacity. But the term had caught the fancy of strategic analysts and newspaper columnists alike. The media started a heated debate on the issue.³⁵

Leading Indian strategic affairs analyst C. Raja Mohan has also vociferously pushed for adopting the China Model for preparing the ground for ultimate conflict resolution between India and Pakistan. He has repeated the theme of the China Model in many of his columns and seminar addresses. Describing it, he writes, ‘The intention is to put all the bilateral differences to one side and allow economics to drive the relationship. This doesn’t mean that the disputes will necessarily be resolved, but it does raise the cost of not resolving them.’³⁶

In April 2005, when Chinese Premier Wen Jiabao kicked off his South Asia tour, Mohan wrote:

Whether any one likes it or not, the traditional prescription of the ‘China model’ for the Indo-Pak peace process is bound to resurface in the next few days. While addressing the main political difficulty between the two nations, India and China will also celebrate the dramatic expansion of bilateral trade and commerce. From virtually unnoticeable trade turnover in the early 1990s, the commerce between the two countries reached \$14 billion in 2004. It marked a growth of nearly 70 per cent over the figures for 2003. While such astronomical growth rates are not likely to continue forever, the two sides are expected to project a trade turnover of \$50 billion by 2010. A modest growth of 30 per cent per annum would help realize the target. Some analysts in India and China are demanding even more ambitious targets. Whether a target of \$100 billion in the next few years is justified or not, China is all set to become India’s largest trading partner. Pakistan finds it difficult to accept the proposition that normalization of bilateral relations and the promotion of economic cooperation should take precedence over conflict resolution—the essence of the so-called China model. It argues that there can be no comparison between India’s boundary dispute with China and the issue of Jammu & Kashmir between New Delhi and Islamabad. Yet, Pakistan has often sought to emulate the China model. Ever since India and China announced the designation of politically empowered special representatives to discuss the boundary dispute in June 2003, Islamabad has been demanding a similar mechanism between India and Pakistan to discuss the question of Jammu & Kashmir. The development of the back channel involving the national security advisers on both sides is seen in Pakistan as an approximation to this demand. Going beyond the rhetoric on the China model in both capitals, a simple examination of the current Indo-Pak peace process would show that its premises are not very different from the engagement between New Delhi and Beijing. For a long time, India, like Pakistan, used to insist that resolution of the boundary dispute with China must precede normalization of bilateral relations. But in the last few years, India discovered that it was possible to make progress on both fronts at the

same time. A closer look will tell us that the premises of the Indo-Pak peace process are not very different from the assumptions about the engagement between India and China.³⁷

Indian analysts have realized that in spite of the fact that certain sections of Pakistani society, specially the business community, are keen to have a robust economic relationship with India, overall, the establishment is negatively inclined to the China Model. They argue that India must convince Pakistan that having a sturdy business relationship is in the best interest of both the countries. As an analyst writes:

The argument has certainly gained ground in recent years in Pakistan that it cannot define a national economic strategy that does not emphasize trade with India. But it has not been able to overcome resistance from the military leadership that fears expanding trade relations with India would lead to New Delhi putting the Kashmir question on the back burner. As a result the 'Kashmir First' line in Islamabad has prevailed. As the debate in Pakistan acquires a new urgency, India has different options in shaping its outcome. One is to point to the 'China model', where New Delhi and Beijing have dramatically expanded their economic cooperation while continuing to manage and minimize their huge political differences.³⁸

Any reference to the China Model infuriates those of the Pakistani strategic enclave no end. But that does not mean that it has no takers in Pakistan at all. While addressing a conclave in India, former Prime Minister of Pakistan Benazir Bhutto said that one model for an improvement in relations could be the India–China rapprochement, where both countries agree to isolate the border issue and work to resolve it, but do not hold all other relations hostage to that dispute.³⁹ Incidentally, even Chinese leaders have in the past recommended this model to Pakistan. During his visit to Islamabad at the end of 1996, President Jiang Zemin made an important speech on China's relations with South Asia in the Senate of Pakistan. In it, he underlined the shared interests between China and South Asia, urging the nations of the subcontinent to put aside the problems inherited from history and focus on economic development. Jiang's reference to J&K was not lost on either New

Delhi or Islamabad. That speech marked an important shift in China's position on Kashmir that has evolved steadily during the 1980s and 1990s.⁴⁰

However, the term China Model also has another connotation. When Indian Communist leaders visited Pakistan in February 2005, they used the term China Model to convey the sense that third-party mediation should be shunned and both countries should adopt a pragmatic approach to resolve their boundary as well as other disputes through a sustained dialogue process by appointing joint committees.⁴¹

However, in this monograph, the term China Model has been used to describe the proposal of improving the trade relationship between India and Pakistan, so that the two warring countries might develop stakes in each other's security, just as India and China have done, which will, in turn, create an atmosphere conducive for the resolution of political differences relating to Kashmir. Put simply, the fundamental premise of the China Model is that trade will prove to be the ultimate CBM between India and Pakistan, just as it did in the case of India and China.

What's New about the China Model?

The idea that trade is a powerful CBM that paves the path for dispute reduction, leading to conflict resolution, is age-old. A whole range of literature is available on trade-peace theories. It's not even new in the case of India-Pakistan. Careful analysis of past debate reveals that the only thing new about this idea is the catchy name—China Model—that, due to the astonishing success of the Sino-Indian business relationship has gone on to become a buzzword in the seminar circuit as well as in newspaper columns and TV discussions. Otherwise, Indian policy makers, strategic analysts, economists, and newspaper columnists have always clamoured for robust trade ties with Pakistan in order to minimize political differences relating to Kashmir. Later, this very concept came to be referred to as the China Model.

The pro-trade lobby has always been more vociferous and

prominent in India. There hardly exists any opposition to trade with Pakistan, since most analysts have believed that trade will lead to a peace dividend.⁴²

According to Pattanaik, in the late 1980s, prior to the breaking out of insurgency, there was intense discussion in both India and Pakistan regarding the possible benefits of mutual trade. Interestingly, at that time, many Pakistani analysts and economists argued that it was in Pakistan's best interest to trade with India. In 1989, after a successful visit by Rajiv Gandhi, Pakistan added 322 items which could be imported from India by the private sector, increasing the list to 600. It was decided at the same time to set up a joint business council to participate in each other's trade fairs and exchange delegations of businesspersons and industrialists to help expand economic cooperation.⁴³ The Indo-Pakistan Joint Business Council was formed by the National Chamber of Commerce and Industries as a measure to strengthen trade relations with India. Tariq Sayeed, President, Federation of the Pakistan Chamber of Commerce and Industries, said that trade and economic relations between any two countries would strengthen relations in other fields.⁴⁴ Leading Pakistani newspaper *Business Recorder* wrote in an editorial:

Trade and economic relations with India, would be more beneficial to us than our trade with the west in the form of low technology labor intensive manufactures which would be cheaper to the man in the street. Trade in primary commodities, in particular, could be a highly lucrative proposition. Both countries could complement each other's effort to develop a viable capital goods industry which both have to import, to a large measure.⁴⁵

But after the Kashmir problem became a full-blown crisis, the erstwhile vocal support to better business relations with India by Pakistan's intelligentsia became muted. In any case, from Pakistan's side, it was always about business synergy that would unleash ambitious developmental benefits for South Asia. Arguments that it would lead to dividends on the political front were few. On the contrary, the Indian side always found political dividends as the ultimate outcome of a business relationship.

Indian analysts argued for better trade relations even during the

peak of insurgency in the 1990s. An analyst wrote regarding why Pakistan did not want trade with India and why India should want trade with Pakistan:

Pakistan fears that if trade grew and reached sizeable proportions, the dynamic of 'war' or 'no war' would be taken out of the hands of the Army and put into the hands of economists. Since a few families in Pakistan control both trade and government, they stand to lose financially in open trade with India. Therefore, the current hostile political dynamics can only be overcome by the mass and momentum of an economic détente.⁴⁶

The Indian newspaper *Hindu* wrote in an editorial that the strongest foundation for improvement of bilateral relations can lie in normalization of trade, and any furtherance of this good can create a propitious climate also for tackling other complex issues.⁴⁷ C. Raja Mohan, who went on to become the champion of the China Model, wrote, 'Opening up the floodgates of commerce and of rapid normalization of relations with India will strengthen the political demand in Pakistan to cut [the] army to size.'⁴⁸

Although vociferous espousal of better trade relations was muted in Pakistan due to emotional involvement with Kashmir, the strongest justification for vigorous economic relations came from S. Akbar Zaidi, a Pakistani scholar.

Rather than putting peace first, as a precondition for better economic and trade relations with India, little does our government realize that by putting free trade and favourable economic relations between the two countries on top of its agenda, it is possible that peace is likely to follow. No country will want to interrupt a good economic deal, which has far reaching positive consequences, by an atmosphere of war. A potential market of one billion easily accessible consumers is not something to shrug off unthinkingly.⁴⁹

It is safe to say that there is nothing inherently new about the argument that successful economic integration would produce spillover effects into political and security areas. Scholars from both sides of the border have put forward this logic, albeit Indians, more aggressively, and Pakistanis, rather mutedly. But in the new millennium when the fruits of Sino-Indian rapprochement became conspicuous in terms of an astonishing jump in the level of trade and

sharp reduction of political differences, it became the first example in the region of trade leading to peace, acquiring the epithet 'China Model'.

Framing Parameters

- 1) If a certain amount of trade interdependence takes place, two countries will acquire stakes in each other's security and it will lead to reduction of hostilities.
- 2) It may not resolve the conflict, but it will raise the cost of not solving the conflict substantially. At the least, it will provide a strong incentive for resolving the conflict.
- 3) Sino-Indian rapprochement is the perfect example of this argument. In spite of the bitter war of 1962, the two countries have a fruitful relationship now.
- 4) While the border dispute between India and China has not been resolved, it certainly is no hindrance in a mutually beneficial relationship, and the two countries are hardly likely to wage a war over a border dispute and jeopardize a robust economic relationship.
- 5) There is no reason why the same process cannot be replicated in the India–Pakistan relationship.
- 6) There is a cultural and geographical synergy between India and Pakistan that could unleash the hitherto untapped economic potential of South Asia. So, if anything, emulating the process of Sino-Indian rapprochement will be even more successful in the case of India and Pakistan.
- 7) When, due to a burgeoning trade relationship, India and Pakistan acquire stakes in each other's security, it will result in an atmosphere conducive enough for conflict resolution over Kashmir.
- 8) This will result in huge cuts in defence spending that will free colossal amounts of money which could be spent for developmental purposes.
- 9) The arguments regarding trade leading to peace between

India and Pakistan were always there, but due to the striking success of the trade-peace theory in Sino-Indian rapprochement, this paradigm has come to be referred to as the China Model.

PREMISE OF THE CHINA MODEL: ANALYSING THE PROCESS OF SINO-INDIAN RAPPROCHEMENT

The justification for proposing trade as a tool for preparing the ground for conflict resolution rests on the stupendous success of the process of Sino-Indian rapprochement that began in the 1990s. This section analyses India–China relations since the war of 1962, and tries to elaborate upon the causal factors behind the maturing of a relationship that was soured for a long time by a calamitous war. It will help in understanding the logic of proposing the China Model for Indo-Pak rapprochement. On this basis, the Sino-Indian case will be compared with the India–Pakistan case and it will be debated whether the China Model can be successfully replicated in Indo-Pak relations.

India suffered a debilitating defeat from China in 1962. A sense of betrayal swept through the Indian nation. India's defence perceptions were altered forever. As per India's claim, China continues to occupy 33,000 sq. km of Indian territory in Aksai Chin region of Ladakh, and claims even more. Yet, nobody wants to talk about the 1962 war in India today. China is all set to emerge as the largest trading partner of India, replacing the US. There is even talk of a Sino-Russian-Indian axis to counter burgeoning US influence in Asia.

BRIEF OVERVIEW OF THE INDIA–CHINA WAR OF 1962

There are two versions regarding the 1962 war—India's and China's—and it is extremely difficult to sift the truth. The war was triggered by a dispute over the Himalayan border in Aksai Chin in Ladakh (north-east J&K) and resulted in an unequivocal Chinese victory and India's humiliation. The disputed area was strategic for

China, as it contained a major road between Tibet and Sinchiang [now Xinjiang]. The border between British India and China had never been marked clearly. For reasons of security, Britain maintained a forward claim in the Himalayas, but administrative borders were further south. The main British claim was the McMahon Line, which had been drawn up during the Simla conference of 1914. However, owing to various differences with the British, China refused to accept the validity of the McMahon Line. After the Independence of India in 1947 and the establishment of the PRC in 1949, the issue of the border was not fully resolved. India and the PRC shared good relations through the 1950s. In fact, India was the second country to accord formal recognition to the Communist government of China. India even lobbied for China's entry into the UN. The prime ministers of the two countries proposed Panchsheel, or five principles of peaceful coexistence in 1954, and the spirit of '*Hindi-Chini Bhai Bhai*' ('Indians–Chinese are Brothers') dominated the idealistic Indian political discourse.

In 1950, China invaded and annexed Tibet, which had traditionally been a buffer state between the two countries.⁵⁰ But even then the Indian government continued to follow a course of pursuing friendship with China, a central element in India's foreign policy formulated by Nehru.⁵¹ Nehru granted political asylum to the Dalai Lama and a Tibetan government-in-exile was set up in India, to the great irritation of China. The presence of Chinese power on the northern border initiated a fundamental reappraisal of India's China policy. Nehru adopted a policy of forward military deployment in the North-East Frontier Agency (NEFA, now Arunachal Pradesh), in accordance with the McMahon Line. China reacted angrily, disputing India's claims on border areas. For several years up to 1962, both India and China maintained forces in the disputed area. At times, each side accused the other of having moved troops into 'their' side of the border as each side tried to extend its line of actual control. The cause of the escalation into war is disputed, but is generally considered to have been precipitated by Operation Onkar, in which India decided to move troops and establish patrol posts as far forward as possible in some sectors north of the McMahon Line

into territory that was previously not under dispute. India's invasion and annexation of Portuguese Goa the previous year (1961) may have contributed to Chinese suspicion of Indian motives.

Relations between the two countries deteriorated over the following months, and the situation reached a point of no return on 12 October 1962, with Prime Minister Nehru declaring that he had issued orders to 'free' the invaded areas. Fighting began shortly thereafter, with both sides claiming that the other was the aggressor. Even prior to that, on 8 September 1962, a 60-strong People's Liberation Army (PLA) unit had surrounded one of the Indian forward posts at Dhola on Thagla Ridge, 3 km north of the McMahon Line.

The Indian response, Operation Leghorn, was slow to take off. By the time an Indian battalion reached Thagla Ridge on 16 September, Chinese units controlled both banks of the Namka Chu [chu, a river]. The day after, Lt. Gen. B. M. Kaul ordered that Thagla Ridge be retaken. Skirmishes continued, and on 20 October 1962, the Chinese launched two massive coordinated attacks 1,000 km apart in the Chip Chap valley in Ladakh and the area of the Namka Chu river.⁵² After having secured a substantial portion of the disputed territory, the Chinese made an offer to negotiate on 24 October. The Indian government promptly rejected this offer, and tried to regroup during the lull in the fighting. Indian resistance had been determined but feeble. The Indian deployment was spread over a large area; many Indian units required airlift for resupply; the Indian 'jawans' (soldiers) were not equipped or trained for mountain combat; and not acclimatized for high altitude warfare. They didn't even have proper winter clothing and they were still using Second World War weapons.

Some skirmishes also took place in the Indian protectorate of Sikkim (now formally an Indian state) at Nathu La [la, a pass]. By 18 November, the PLA had penetrated close to the outskirts of Tezpur, Assam, a major frontier town nearly 50 km from the Assam-NEFA border, creating widespread panic in India. India's military and political humiliation was complete. Due to either logistical problems (according to Indian accounts), or political

reasons (according to Chinese accounts), the PLA did not advance further. On 21 November, China declared a unilateral ceasefire.⁵³ India's Defence Minister Krishna Menon resigned and Nehru became an embittered and heartbroken man. He lost his status of a demigod in the country, and, according to many accounts, the defeat precipitated his death.

The Indian government commissioned an investigation, resulting in the Henderson Brooks report on the causes of the war and reasons for defeat. However, the Indian government has refused to declassify the documents till date. India's defeat led to an overhaul of the Indian Army in terms of doctrine, training, organization, and equipment. Although the Indian Army's defeat by the Chinese in the border war of 1962 was a national humiliation, the nation reacted to the 1962 war with an unprecedented surge of patriotism.

INDIA-CHINA RELATIONS SINCE 1962

The debacle of 1962 resulted in outrage in India. It soured the Sino-Indian relationship for a long time to come. India's international prestige and its claim to third world leadership were greatly damaged by the humiliating defeat. Things worsened with Pakistan ceding one-fifth of Kashmir to China in an agreement signed on 2 March 1963.⁵⁴ After the demise of Nehru in May 1964, Sino-Indian relations were marked by chaotic uncertainty. At times, it appeared as if Indian leaders were rambling about détente as a mutual necessity for both countries.

Nehru's daughter Indira Gandhi became prime minister in 1966 and lent a 'hard realism' to India's foreign and defence policies. Under her leadership, India's role in the dismemberment of Pakistan, the nuclear explosion in 1974, and merger of Sikkim in 1975 further strained India's relations with China. On the other hand, Mrs Gandhi kept striving to normalize relations with Beijing, which ultimately resulted in the restoration of full diplomatic links with China in 1976 after a gap of 14 years. In 1977, Morarji Desai formed the first non-Congress government in India and carried on with the task of normalizing the relationship with China. He sent

Foreign Minister A. B. Vajpayee to China in 1979 to carry forward the process of rapprochement. But this mission failed, mainly due to the absence of common political ground between the two countries on the border issue.

After a dramatic return to power in 1980, Mrs Gandhi resumed political dialogue with senior Chinese leaders. During her regime (1980–84), five rounds of talks took place between the Government of India and the PRC on the border question. There was no tangible outcome from these official talks on account of the diametrically opposed positions held by each party.⁵⁵ Bilateral relations got a further setback when Chinese forces advanced into Somdurang Chu Valley in 1987, following India's decision to grant full statehood to Arunachal Pradesh, which China claimed was an integral part of its territory. Fortunately, the situation did not escalate into a full-fledged war.

THE TURNING POINT

The Sino-Indian relationship took an entirely new and unexpected trajectory with Prime Minister Rajiv Gandhi's visit to Beijing in 1988. The agreement, that instead of harping on the contentious border issue, both countries should embark on a journey of improving relations in scientific, cultural, and economic arenas marked the tone and tenor of a new era of Sino-Indian cooperation. The countries signed an agreement for the first time to set up a Joint Working Group to defuse tension along the border. Chinese Premier Li Peng's visit to India in December 1991 resulted in a trade protocol being signed, which aimed to promote bilateral border trade. In September 1993, India's Prime Minister Narasimha Rao visited China and the two sides signed the Agreement for Maintaining Peace and Tranquillity along the Line of Actual Control (LAC) in the India–China Border Areas. This landmark agreement paved the way for setting up a mechanism for joint military meetings and other CBMs. President Jiang Zemin's visit to India in November 1996 took India–China relations to a new height. The two countries signed the Agreement on CBMs in the Military Field along the Line of Actual Control in the India–China Border

Areas. Both sides agreed upon downsizing their respective military forces along the LAC. This agreement was ratified by the Chinese parliament in May 1997. The 1993 and 1996 agreements proved to be turning points in Sino-Indian relations. These agreements resulted in major reduction of tensions on the border. The number of troops deployed on the borders also came down significantly in subsequent years.⁵⁶

A dramatic and unwarranted downturn in the relationship came in 1998, when India carried out five nuclear tests, and in an unexpected display of diplomatic naiveté, Indian Defence Minister George Fernandes said that according to the threat perception, China was enemy number one for India, and that was the reason and rationale for the country's nuclear tests. China reacted angrily and cancelled its decision to participate in the pre-scheduled 1998 meeting of the Joint Working Group (JWG), alternatively held in each country to discuss CBMs. China dubbed Pakistani tests as 'reactive' to India's 'hegemonic designs'.⁵⁷

The Indian government soon took corrective measures and Foreign Minister Jaswant Singh visited China in June 1999 in a significant diplomatic move aimed at dispelling lingering irritants between New Delhi and Beijing. Mr Singh tried to reassure Chinese leaders that India perceived no threat from China. Premier Zhu Rongji's visit to India in January 2002 promoted mutual trust and confidence building with a view to expanding bilateral cooperation in diverse fields. When George Fernandes himself visited China in April 2003, it finally buried the 'China enemy number one' episode forever.⁵⁸

However, the most stunning aspect of this flowering relationship has been economic.

CURRENT STATUS OF THE INDIA–CHINA RELATIONSHIP

Economic and Political Aspects

Apart from the brief interlude after the 1998 nuclear tests, the two countries have shared quite a cosy relationship since the 1990s.

China's economic liberalization programme is considered a model to emulate by Indian industrialists and leading intellectuals.⁵⁹ The bonhomie reached a crescendo with Chinese Premier Wen Jiabao's April 2005 visit to India. Newspapers, TV channels, think tanks, and the government itself went into a tizzy at the heralding of a new era of Sino-Indian friendship. In an analysis regarding Jiabao's visit, a leading think tank stated, 'His visit to India marked a new level of India–China relationship and opened a new chapter in the friendly relations and cooperation between the two countries.'⁶⁰

During his visit, Jiabao proclaimed, 'We have set an objective to increase the two-way trade volume from 13.6 billion dollars at present to 20 billion dollars by 2008. We plan to take it to 30 billion dollars by 2010.' Addressing Indian business leaders at New Delhi on 11 April, he said that the two countries agreed for a joint feasibility study for a bilateral Free Trade Agreement. The joint statement signed by Prime Ministers Manmohan Singh and Wen Jiabao said India and China had also agreed to work together in energy security and at the multilateral level at the WTO to support an 'open, fair, equitable and transparent rule-based cooperative trade system'.⁶¹ Jiabao also offered to collaborate with New Delhi in its infrastructure programme. Indian Commerce Minister Kamal Nath said China was poised to become India's largest trade partner in the next two or three years, next only to the US and Singapore. According to a study released by the Confederation of Indian Industry (CII) on this occasion:

...special focus on investments and trade in services and knowledge-based sectors, besides traditional manufacturing, must be given, in view of the dynamic comparative advantage of India. Indian companies could enter the \$615 billion Chinese domestic market by using it as a production base. Presently, iron ore constitutes about 53% of India's total exports to China. Among the potential exports to China, marine products, oil seeds, salt, inorganic chemicals, plastic, rubber, optical and medical equipment and dairy products are the important ones. The study said that services and knowledge trade between India and China have significant potential for growth in areas like biotechnology, IT and ITES, health, education, tourism and financial sector.⁶²

During Jiabao's visit, there was hardly a mention of the border

dispute. Although the two countries agreed yet again to resolve the border dispute peacefully to mutual satisfaction, everyone knew that the real target was to improve the business and trade relationships, while keeping on paying lip service to the intent of resolving contentious issues.

Politically speaking, an important highlight of this visit was that for the first time China acknowledged the state of Sikkim as part of India. China also supported India's claim to Security Council membership. But critics point out that it was only the spokesperson of India's foreign ministry who said that China supported India's claim, and there was no actual declaration from China's side.

Strategic Triangle Theory

Prospects of a strategic triangle among India, Russia, and China to counter burgeoning US influence in Asia is another possibility that fascinates Indian strategic analysts and policy makers no end. The idea of a 'strategic triangle' was initially floated by Russia in the mid-1990s. It gained currency in September 2001 when the Chinese, Indian and Russian foreign ministers met at the UN. By then, the three countries had all issued simultaneous statements condemning the NATO air strikes on Yugoslavia and Kosovo. Russia and China had already declared a strategic partnership. Russia has called upon China and India to forge a 'strategic triangle' to resist Western preponderance in the international system, specially the unbridled military and technological might of the US.

The June 2002 Conference of the Shanghai Group in St Petersburg did send clear signals that India, China, and Russia should work out a long-term triangular strategy to balance US presence in Central and south-west Asia.⁶³ Multipolarity is the latest buzzword in Indian strategic circles. Although India is also improving its relationship with the US at a dramatic pace, but what is officially called 'Trilateral Dialogue' among India, Russia, and China is also steadily gaining momentum. Foreign ministers of the three countries have had many meetings in the past few years, and now the dialogue is getting institutionalized. In any kind of high-level

meeting of the three countries, a call for multipolarity has become usual. How far this vision will translate into reality is a matter of speculation. The point here is that there is a shared perception among New Delhi, Beijing, and Moscow on the desirability of such a triangular relationship to protect their security and strategic interests in Central, South-East, south-west, and north-east Asia.⁶⁴

War of 1962: Collective Amnesia

The last time when anything seriously negative about China was said in India was when Indian Defence Minister George Fernandes justified nuclear tests on the ground of China posing a threat to the country, as mentioned earlier. Even then, the government distanced itself from his statement. Today, nobody in India talks about the embarrassing defeat of 1962. A comment regarding the status of the Sino-Indian relationship during India's former Foreign Minister K. Natwar Singh's first press conference after assuming office succinctly captures the Indian amnesia regarding the war of 1962. In response to a question, he stated:

I want to tell you that in the 2000 years of history of Sino-Indian relations, we have had only one conflict in 1962. If I may say so, an in-depth analysis of why that happened on both sides is yet to be done. So, we do not visualize any difficulty given the intensity of our close relations. Look at the trade. It is reaching really high figures—billions and billions of dollars. And this is because Mr Deng Xiaoping said: keep this aside. The Indian companies are now very well present in China. Look at Ranbaxy. Look at dozens of others. I can tell you all that the Chinese Government has asked us if they could send people for training in IT to Bangalore. We said that we would welcome this.⁶⁵

A cursory content analysis of newspaper reports and articles reveals that the war of 1962 is rarely mentioned. Even when it is, it is usually implied that India was equally to be blamed for the disaster. Most newspaper items show China in a positive light. There are front-page pictures about the 'India Festival' being held in Chinese cities,⁶⁶ news reports about China improving its legal systems,⁶⁷ and laudatory attempts to protect heritage and culture in Shanghai.⁶⁸ The tone of the stories can only be categorized as of

‘gleeful admiration’.

No discussion regarding India’s economic liberalization programme is complete without comparing it to China’s, and lamenting that the Indian leadership is not being aggressive enough in following the shining example set by China in attracting Foreign Direct Investment (FDI). Frequent industrial accidents in China are buried inside newspaper pages. Journalists and academics frequently visit China on sponsored trips and write glowing articles about that country’s astonishing pace of economic reforms. The photograph of Shanghai’s Bund area with skyscrapers rivalling New York’s has become the most enduring image of China for Indian newspapers.

Most otherwise-well-informed young persons in India hardly know about India’s defeat of 1962. School textbooks talk about Pakistan’s dismemberment in the war of 1971 at great length, eulogizing the Indian leadership. The Kargil conflict of 1999 between India and Pakistan is also taught in detail. In this conflict, Indian forces had driven out Pakistani intruders from the Kargil heights. (Although, even in this case, it is hardly ever mentioned that US pressure had a lot to do with unconditional Pakistani withdrawal.) But the war of 1962 is usually dealt with in only a couple of paragraphs in most textbooks, mentioning that China betrayed the feeling of Sino-Indian brotherhood and captured thousands of square kilometers of land in the 1962 war. In an informal survey in the college where the author teaches, it was found that only about 19 per cent students knew that there ever was a war between India and China. Only about 5 per cent could correctly answer in which year the war took place. In a discussion initiated in the classroom of BA third year (international relations), a student responded angrily that instead of harping on the past, we should look ahead and learn from Chinese experience in economic reforms. Another student said that the land captured by China is barren, uninhabited, and has absolutely no strategic importance. (This assertion is patently wrong, since China occupies Aksai Chin, which has a very strategically important road, linking Tibet to Xinjiang.)

The Indian entertainment media have also largely ignored the war of 1962. In comparison, the India–Pakistan war of 1971 and

Kargil conflict of 1999 inspired many super-hit Hindi movies. But only a couple of movies were made on the war of 1962. And even those concentrated on the bravery of Indian soldiers against the staggering odds and romantic angle of the hero's life. There has never been a TV serial made on the 1962 war, or, for that matter, on the India–China relationship, while Pakistan, the Indian victory of 1971 and bravery of Indian soldiers in the Kargil conflict are staple sources of inspiration for writers of TV serials.

Every year, a victory day is celebrated in the country in the memory of soldiers who died freeing the Kargil heights from Pakistani intruders. Of course, no one remembers the day when fighting began on the Sino-Indian border in 1962 or when China unilaterally declared a ceasefire. No day is reserved for the three thousand-odd soldiers⁶⁹ who laid down their lives in the war of 1962. Proposition of the China Model for rapprochement with Pakistan is itself an example of how the Indian establishment thinks it is sensible to forget the painful defeat in order to move ahead. The point here is that the Indian establishment has forgotten the wounds of the 1962 defeat to such an extent that, revelling in rapprochement, it wants to improve relations with the other neighbour on the same pattern.

In conclusion, it can safely be argued that if the war of 1962 has not been erased from the collective Indian psyche, at least its memories have been greatly distorted in the consciousness of the Indian people. The war of 1962 was the major roadblock in the path of improving Sino-Indian relations. When those painful memories dimmed, it was easy for India to move on. Many factors have been responsible for erasing the painful memories of 1962 in the Indian psyche. Those factors form the causal basis of Sino-Indian rapprochement. Analysing those factors here will help in comparing whether the same model will help in the India–Pakistan case also.

ROLE OF TRADE IN SINO-INDIAN RELATIONS

India's foreign policy has gone through dramatic changes since the break-up of the USSR and beginning of the Gulf war

of 1991. Fiscal irresponsibility of past decades and financial constraints imposed by the first Gulf war forced India to abandon the socialist model and to move ahead on the path of economic liberalization. Although it was because of the conditions imposed by international financial institutions to save India from almost certain economic collapse that the country adopted the policy of economic liberalization, but once the process began, there was no looking back. Now, 15 years after the introduction of new policies, analysts realize the preponderance of economic factors in shaping India's foreign policy.

When India embarked on economic reforms, China was the most suitable example to follow, since it was ahead of the country by almost 12 years. By the time India began, China had already started reaping the benefits of economic liberalization. India's admiration for China as a role model in economic development has a lot to do with Sino-Indian rapprochement and forgetting the unpleasant episode of 1962. Even Wen Jiabao himself stated that the two countries relied on business to develop friendly cooperation.⁷⁰ The media, academics, and industrialists have been exhorting the Indian government to adopt the Shanghai Model of development. Amit Mitra, Secretary General of India's most powerful business lobby, the Federation of Indian Chambers of Commerce and Industry (FICCI), writes:

Business and economics have now become drivers of politics all over the world. When the Chinese premier began his India visit (in April 2005) with Bangalore (a city famous for information technology enterprises), he signaled the pre-eminence of business in India–China relations over every single other issue. Against the backdrop of a \$1 billion-a-month trade turnover, the two countries agreed on a framework to resolve their four-decade-old border dispute. As the potential for mutually beneficial economic linkages beckons business to realize \$20 billion trade by 2008, it is once again left to the entrepreneurs to bridge the political divide. In the absence of business dynamism, it would perhaps have taken several more years to get these two Asian giants to settle questions left over from history. Trade and business are emerging as the most effective confidence-building measures the world over.⁷¹

Due to burgeoning advertising revenue from domestic and multinational companies, India's media sector has been one of

the biggest beneficiaries of the policy of economic liberalization. Consequently, the media have been constantly exhorting the government to follow the example set by China. One of the most respected newspapers of India, the *Hindu*, laments in an editorial:

Time and again, successive governments and their leaders have been shouting from the roof-tops about the need to tap more Foreign Direct Investment in core sectors, above all infrastructure. Consider the stunning achievement of China. It has been able, in recent years, to attract FDI to the extent of \$50 billion a year. Some states, notably in the west and south of the country, have done very well in developing infrastructure and attracting FDI. But all this is only a fraction of what is needed to achieve Chinese type rapid industrial expansion, world class infrastructure development, increased trade, and higher levels of growth. On top of new, out-of-the-box thinking on how to narrow the FDI gulf between China and India, a critical mass of attractive and feasible project proposals must be developed for potential investors to choose from.⁷²

Indian academics, journalists, and bureaucrats traveling to China have been fascinated by mind-blowing infrastructure development.⁷³ China's massive road building projects in Tibet are touted as a model to follow for Kashmir's integration into India's political and economic mainstream. Instead of worrying that China's strengthening of border infrastructure in Nepal and Tibet will expand not just its economic but also its political and cultural influence in the subcontinental region, analysts argue that 'China has made it clear that the days of military hostilities are over. Its focus is entirely on its economy. If we are not to be left behind in the new economic pecking order, we should engage China further.'⁷⁴

The dominant trend in India's strategic thinking is that there is no point in raking up the border issue and defeat of 1962 over and over again. A leading strategic analyst writes, 'The new alignment created by the shifting geopolitical plates in Asia would be decided by trade. China is all set to emerge as India's leading trade partner, displacing the US from its perch. Such a development cannot but have profound impact on the conduct of India's foreign and security policy.'⁷⁵

The discourse on Sino-Indian relations is thoroughly dominated by economic bonhomie. In such a scenario, it is hardly surprising

that the war of 1962 and the border dispute are on the back-burner and all energies seem focused on improving trade relations. For India, it seems that the border dispute is just not worth worrying about, and the humiliation of 1962 is best forgotten. This bonhomie is the motivating factor for proponents of the China Model for future India–Pakistan relations.

OTHER FACTORS BEHIND SINO-INDIAN RECONCILIATION

Undoubtedly, trade has been a very important factor in India–China détente. But it would be unwise to give trade undue importance to the exclusion of other prominent factors that have been shaping the dynamic of India–China relations. As a matter of fact, the causality behind Sino-Indian rapprochement cannot be attributed to any single factor.

Government's Attempts to Obfuscate the Facts

No official account exists of what actually did happen in 1962. The government's attempts to obfuscate the issue have been largely successful. The Army was asked to conduct an inquiry into the debacle. Army Chief Gen. Chaudhuri chose Lt. Gen. Henderson Brooks and Brig. Bhagat to conduct the inquiry. But they were asked not to concern themselves with individual responsibilities. Historian Neville Maxwell, who has studied the India–China war in detail, writes:

While the outraged humiliation of the political class left Chaudhuri with no choice but to order an inquiry into the Army's collapse, it was up to him to decide its range and focus, indeed its temper. The choice of Lt. Gen. Henderson Brooks to run an Operations Review (rather than a broader and more searching board of inquiry) was indicative of a wish not to make the already bubbling stew of recriminations boil over. Henderson Brooks (until then in command of a corps facing Pakistan) was a steady, competent but not outstanding officer, whose appointments and personality had kept him entirely outside the broils stirred up by Kaul's rise and fall. There is further evidence that Chaudhuri did not wish the inquiry to dig too deep, range too widely, or excoriate those it faulted. The following were the terms of reference he set: Training; Equipment;

System of command; Physical fitness of troops; capacity of commanders at all levels to influence the men under their command. The first four of those smacked of an inquiry into the sinking of the *Titanic* briefed to concentrate on the management of the shipyard where it was built and the health of the deck crew; only the last term has any immediacy, and there the wording was distinctly odd: ‘...commanders do not usually “influence” those they command, they issue orders and expect instant obedience.’⁷⁶

Further, they were not allowed to question officers in the General Staff or in other sections of Army HQ, nor given access to Army HQ’s records. Even the crucial exchanges between civilian authorities and Army HQ were undisclosed. Lt. Gen. Thapar declined to give a statement to the board of inquiry, but offered to record his own comments on the report, a procedure ruled as entirely improper. Lt. Gen. Kaul submitted two long statements, but along with the report of Brig. Dalvi, they were not passed on to Brooks. According to Maxwell, the report followed the NEFA fighting in detail, and the responsibilities of Kaul, Sen, and Thapar were made clear, although the blame was left tacit.

Obviously, the findings of the Henderson Brooks inquiry were very damaging to the government. But surprisingly, even 44 years after the defining moment of India’s political and military history, the report still remains classified. Successive governments have refused to declassify it, in spite of demands from military historians and journalists. Y. B. Chavan, who succeeded Krishna Menon as defence minister, merely made a statement to Parliament: ‘We should never say or do things which could only give heart to the enemy and demoralize our own men.’ Chavan explained the ‘series of reverses’ from the Namka Chu to Bomdi La: ‘These battles were fought on our remotest borders and were at heights not known to the Army and at places which geographically had all the disadvantages for our troops and many advantages to the enemy.’⁷⁷

Since the report was not made public, the Indian people never knew exactly whom to blame. Although Menon resigned, Nehru lost his stature, and the careers of Army officers responsible for the disaster were finished, blame was never fixed and the establishment protected itself. This certainly made forgetting the painful memories

rather easy. As psychologists point out, if people are unsure of exactly what happened, it makes their memory susceptible to external influences.⁷⁸ Since the Congress continued to remain in power long after 1962, all efforts were made to not remind people of the crushing defeat and incapability of the leader responsible for it. That's another reason why India has been able to put closure on the humiliation of 1962, keep the border dispute aside, and move on the path of economic engagement with China. And this has gone on to become the foundational basis of the China Model.

Influence of Leftists in India

Communism continues to remain a considerable political force in India despite its dilution—even virtual demise—in China and Russia. Four Communist and Marxist parties are united in a bloc called the 'Left Front', which controls 59 parliamentary seats. The Left Front has been ruling the state of West Bengal and participates in a governing coalition in Kerala. Although it has not joined the government, the Left Front support provides the crucial seats necessary for the present United Progressive Alliance (UPA) to retain power in New Delhi. Without its support, the UPA Government would fall. It advocates a secular and Communist ideology, and opposes many aspects of economic liberalization and globalization.⁷⁹

Even Nehru had socialist leanings, prompting him to adopt the Soviet pattern of economic development. This also helps in explaining his rather irrational belief that India and China would never go to war. The internationalist philosophy of Communism has prompted Indian leftists to take stances on certain issues that differed from the rest of the country and were even considered anti-national by some at times. In 1939, the Communists deserted Subhash Chandra Bose's Left Consolidation Committee and later, after he formed the Indian National Army, called him a 'Quisling'. In 1942, when Gandhiji called upon the British to Quit India, the Communists betrayed the Congress. Between 1942 and 1944, the Communist Party of India (CPI) also betrayed several Congress

underground workers to the police, for which it was allegedly paid by the British government.⁸⁰ The Marxists also opposed India's nuclear tests, calling it a display of pseudo-nationalism. The India–China war of 1962 was also one such instance. The war created a serious rift in the CPI. The Soviet faction of the Indian Communists backed the position of the Indian government, while other sections of the party claimed that it was a conflict between a socialist and a capitalist state, and took a pro-Beijing position.⁸¹ Hundreds of CPI leaders accused of being pro-Chinese were imprisoned.⁸² Noted Indian columnist M. V. Kamath writes:

When China attacked India, the Indian followers of Mao within the CPI called India the aggressor. The CPI(M) shamelessly and traitorously criticized its own country. Mao Tse-tung was raised to sainthood in Calcutta [now Kolkata]. To this day there is a Mao Tse-tung *Sarani* (shrine) in Calcutta. Mao has been practically disowned in his own country but not by the CPM.⁸³

But the Communists' aggressive campaign led many Indians into believing that China was only defending its territory and India was the aggressor. The Indian government's secrecy regarding the causes, course, and consequences of the war did not help either. As mentioned earlier, the report of the official Henderson Brooks inquiry has yet not been made public. British historian Neville Maxwell is the only one who has seen the report and written extensively about it. It was rumoured that a senior Indian minister passed it on to him. Maxwell put forward the theory that the war was only due to Nehru's aggressive policy, and China had no choice other than to launch a 'pre-emptive attack' on 20 October on the slopes of Thagla Ridge.⁸⁴

A good number of Communists take Neville Maxwell's writings as the ultimate truth as far as the India–China war is concerned. By not declassifying the Henderson Brooks report even after almost 43 years, the Indian government has also fallen into their trap. It perpetuates the impression that somehow India was to be blamed for provoking the aggression. Here, it must be mentioned that there is a belief in certain quarters that Communist scholars have dominated writing of history as a discipline in India.⁸⁵ In spite of India's

adoption of the policy of economic liberalization, Communists still wield tremendous influence in the country's universities and think tanks. Communist historians have been able to convince a large section of Indian academia that the 1962 war was something that India brought upon itself.

The ruling Congress Government in India is dependent on the support of leftist parties. Beijing welcomed a very good performance by left parties in a previous election. These parties are clamouring for the creation of a strategic triangle comprising India, China, and Russia. They have also opposed the pact signed by Indian Prime Minister Manmohan Singh and US President George Bush for Indo-American defence and nuclear cooperation, saying it's a bourgeoisie sell-out. The left parties are doing their utmost to improve India's relations with China. The leftist domination on history-writing clouds the facts regarding the 1962 war. It is hardly surprising that no one in India wants to talk about the 1962 war and the stress is on steadily improving relations with China. Leftists should get their due credit in providing intellectual justification for the phenomenon of keeping the border dispute aside and engaging China economically.

Pakistan-Centricity of Indian Strategic Discourse

Nehru died in 1964. In 1965, Pakistan attacked India from the border area of the Rann of Kutch, believing that India had weakened after the defeat of 1962 and death of Nehru. China fully supported Pakistan and went as far as to threaten to open a second front against India.⁸⁶ But Prime Minister Lal Bahadur Shastri gave the slogan of '*Jai Jawan, Jai Kisan*' ('Hail the Soldier, Hail the Farmer'), and under his able and inspiring leadership, the Indian Army foiled the Pakistani attempts. The Indian Army almost reached the outskirts of the Pakistani city of Lahore. A sense of patriotism and self-confidence swept across India. The most important result of the victory of 1965 was that India regained its lost confidence. Since the victory was achieved despite China's open support to Pakistan, the humiliation of 1962 was washed away to a great extent.

But the war of 1971 and the birth of Bangladesh were something that energized India to a degree never seen before or after. It was a decisive victory for India and a decisive humiliation for Pakistan. This victory of India, despite American and Chinese support to Pakistan, washed off the shame, guilt, and humiliation of 1962 completely. A confident India was reborn, and Indira Gandhi was compared to Kali, the Hindu goddess of valour.

Since then, Kashmir has become the focal point of the foreign policies of both India and Pakistan. Since 1989, Pakistan adopted the policy of 'bleeding India through a thousand cuts'. A low-intensity conflict exploded in Indian Kashmir that ultimately engulfed the entire country. There is hardly any part of India where terrorist incidents have not taken place. India's nuclearization in 1998 and resultant exultation of people again did wonders to the country's self-esteem and confidence. Pakistan was also forced to go nuclear and consequently the limited war of Kargil in 1999 was fought under the shadow of nuclear weapons as the world watched horrified at the prospects of a nuclear disaster. It was the first televised war of India. People sat glued to their TV sets watching the patriotic reporters glorifying the Indian Army. A wave of jingoism swept India, and it was conveniently forgotten that apart from the bravery of Indian soldiers, President Clinton's intense pressure on the Pakistani leadership was also responsible for Pakistan vacating the Kargil heights.

It was again a high altitude war, reminiscent of 1962, fought under extremely difficult conditions. The difference was that the Indian Army was in a position to prove its mettle this time. The victory of Kargil and bravery of Indian soldiers has been etched in the memory of the Indian people as the golden moment of the country. China was appreciated for its hands-off policy and advising Pakistan to avoid a full-scale confrontation. The Indian and Pakistan Armies again faced each other eyeball to eyeball in 2002 after the terrorist attack on the Indian Parliament and on the family quarters in an Army garrison in J&K. It was only the concerted US pressure that pulled these two nuclear neighbours apart. Again, China did not support Pakistan and earned brownie points from the Indian

establishment. On the Kashmir issue, China has tacitly sided with India in not supporting Pakistan's calls for international mediation and calling for a dialogue between the two countries. India has been appreciative of China's stand.⁸⁷

Since 1989, political and academic discourse in India has been completely dominated by terrorism, Kashmir, Pakistan and the role of the US in Indo-Pak relations. Terrorist incidents and Pakistan-bashing dominate the headlines in newspapers and TV channels. Many movies made with anti-Pakistan themes have gone on to become super-hits, fuelling the jingoism. Indian politicians have used Pakistan-bashing as a tool to divert the attention of the people from the real problems: unemployment, poverty, illiteracy, lack of infrastructure and civic amenities, social evils, swelling population, and communal violence. They have concentrated on an enemy they can beat and come across looking good. Pakistan, they can beat, but China, they can't. That's one reason Indian politicians do not want to talk about China—apart from admiring its economic miracle. As a matter of fact, when the Indian defence minister justified nuclear explosions in 1998 by arguing that India faced a nuclear threat from China, he was ridiculed and the rest of the government distanced itself from his gauche statements.

India's relations with Pakistan cannot be analysed without taking Hindu-Muslim relations into account. Although it is certainly true that India is a secular democracy that respects and treats all religions equally and Hindus and Muslims largely live peacefully side by side, there are still times when the country is gripped by communal frenzy and riots break out. The Gujarat riots of 2002 that went on for months are a prime example. The sad fact is that the leaders who were blamed for not protecting Muslims and giving tacit support to rioters went on to win the next election, and with a decisive majority.

It is not just a coincidence that Indo-Pak relations hit a new low in that year. Right-wing Hindu parties have done their best to brand many of the Indian Muslims as supporters of Pakistan. Distrust of Muslims and hatred for Pakistan have become synonymous in the minds of right-wing Indians: the reason rapprochement is very

difficult between India and Pakistan. But there is no such problem with China. There is no racial and communal angle involved. In fact, China's problems in Xinjiang have evoked sympathy from Indians to a great extent.

The victories of 1965 and 1971 helped in erasing the painful memories of the humiliation of 1962. The problems with Pakistan and terrorism have put China on the back-burner on the Indian strategic radar. Pakistan-centricity of Indian strategic discourse has been another factor behind Sino-Indian rapprochement.

IS THE TRADE-PEACE MODEL AN UNQUALIFIED SUCCESS IN THE SINO-INDIAN CASE?

In India, there has been a good deal of discussion on how economic cooperation between the two giants will transform the Asian landscape, and even on the global centre of power gravitating towards Asia. But one must also consider a few disturbing trends.

- 1) China's sheer size and inherent strength, its mind-blowing strides in economic development, its conception of itself as the centre of global civilization, and its eagerness to redeem centuries of humiliating weakness are propelling it towards Asian hegemony.⁸⁸ Consequently, China has or has had border disputes not only with India, but with virtually all its neighbours.
- 2) Although Beijing has done its best to convince the world that China's ascendance will be peaceful:

China's use of legends to pursue irredentist claims is renowned. An example was its 1992 promulgation claiming four-fifths of the South China Sea, through an inclusive horseshoe-shaped baseline in its maps. Beijing has signaled its intent to assert its control over the South China Sea as its 'historic waters' in case oil and gas are found there. Having already declared the Paracels to be part of its historic waters, China now wields the threat of doing the same to the Spratlys, to the South.⁸⁹

- 3) Whether Taiwan—a vibrant democracy today—continues

to prosper under self-governance, or is beaten into submission or absorbed by the world's largest autocratic state, will determine the future make-up of China and of Asian security. Taiwan, sitting astride vital sea-lanes, holds the key to whether China emerges as a stabilizing force, or as an arrogant, power-seeking, unchallenged ascendancy in Asia.⁹⁰

- 4) China's proliferation activities in nuclearization of Pakistan have been the single greatest source of worry in the security and defence calculus of India. Pakistan's missile programme also is heavily dependent on China. Even today, China is funding and building Gwadar port at a very important strategic location in Pakistan, which security experts say could pose a significant threat to Indian shipping and oil supplies.⁹¹ It will give China a commanding position in the Arabian Sea.
- 5) China is busy extending its influence not only to Pakistan, but to all of India's neighbours. It is building road links with Bangladesh and a surveillance station in Myanmar's Coco Islands. Nepal brazenly used the 'China Card' when India suspended military aid in the wake of the royal coup. China took the stand that the royal coup was an internal matter of Nepal. King Gyanendra made it apparent that Nepal was exploring a new relationship with China that would include military supplies to compensate for New Delhi's decision to sever all relations. Consequently, in a quick turnaround in less than three months, India decided not just to restore trade links to normal levels, but to also resume military supplies.⁹²
- 6) In spite of the delusional proclamation of the Indian foreign ministry and media that China had agreed to support India's bid for Security Council membership, Beijing has consistently kept mum on the issue and continued to oppose G-4 resolution. During Premier Wen Jiabao's April 2005 visit to India, the Indian foreign

ministry announced with fanfare that China would support India's claim. In contrast, China made a vague announcement that it 'attaches great importance to the status of India in international affairs', and 'understands and supports India's aspirations to play an active role in the UN and international affairs'.⁹³

- 7) Too much is read into India–China trade relations. N. D. Batra, a prominent scholar of Sino-Indian relations, argues:

If China is now India's second largest trading partner, after the USA, with a bilateral trade of \$13 billion, it shows how puny is India's total foreign trade in comparison with that of China. In the fiscal year 2004–05, India's total exports amounted to \$80 billion as against China's 593 billion. What does India export to China? Mostly raw material for its construction industry and other semi-finished goods in exchange for idols of Indian gods, toasters, television sets and so on. China sells value-added goods to India, much like [the] British did during colonial times. A free trade agreement would give China an unlimited access to [the] Indian market, which would kill Indian manufacturing as it has done in the USA.⁹⁴

Although the above facts do not detract from the truth that the current status of India–China relations is certainly better than it has been in many decades, a case can still be made that even if China does not currently pose a threat to India, a challenge can definitely be in the offing. India cannot afford to ignore China's military potential. Chinese intentions can change—and *have changed in the past*—over time. This can happen as a result of major policy changes or leadership in the country, or be triggered by a substantial change in the balance of power in its favour. India must ensure that the current gap in the military capabilities with China does not become so wide as to imperil its defence or trigger a change in Chinese policy. The differential must not be allowed to exceed certain limits.⁹⁵

These arguments put the China Model in an entirely new light. The trade-peace argument has worked more to China's advantage than to India's. It is India that claims that China continues to

occupy a major chunk of its territory. If India is content by paying only lip service to the border dispute, who is the loser? Now the question remains whether India expects Pakistan to do the same by following the China Model.

TRADE, PEACE AND CONFLICT:
A THEORETICAL PARADIGM

*Peace is the natural effect of trade. Two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has interest in selling; and thus their union is founded on their mutual necessities.*⁹⁶

—Baron de Montesquieu

The liberal-realist debate on whether trade is positively correlated with peace or not has been raging for a long time now.⁹⁷ In recent years, there has been a surge of interest in the relationship between trade and militarized international conflict, as scholars have begun to reformulate long-standing arguments and to test these theoretical propositions systematically against the empirical evidence. The primary focus has been on the question of whether trade promotes peace, and scholars have generally framed the debate in terms of the ‘paradigm wars’ between liberalism and realism.⁹⁸

There are no easy answers in this debate. Statistical analysis of empirical data has provided amazingly contradictory results. India–Pakistan is hardly a unique case where the trade-peace paradigm has been mooted as a panacea. Globalization has added an entirely new dimension to trade-peace or trade-conflict theories. It would be very interesting to review some important highlights and contradictions of trade-peace theories.

Liberal Theory: Basic Proposition

Contributors to the trade-peace literature analyse international trade relationships to discover whether or not trade is more or less likely to bring about peace.⁹⁹

Although research advances have been limited, the effects of economic interdependence on international politics have been studied for decades. Most of this literature has been a response to the long-standing liberal position, which generally argues in support of some rendition of the following basic proposition.

Trade encourages peace because it leads to social and/or economic interdependence. Social interdependence occurs because trade increases communication, a convergence of economic interests, and the establishment of cultural ties that promote relationships of trust and respect between trading partners that will prevent them from resorting to forceful means to resolve disputes.¹⁰⁰

Economic interdependence results from mutual emphasis of trade partners on maximization of gains from trade, which will be lost if conflict interrupts the trade relationship.¹⁰¹ From this standpoint, conflict is viewed as a kind of tariff on trade prices, driving import prices up and export prices down.¹⁰²

Brett V. Benson and Emerson M. S. Niu write:

As the level of trade increases, the cost of conflict also goes up. Optimizing trade partners, therefore, will be less willing to initiate a conflict or increase existing levels of conflict, because, as trade increases, the marginal cost of conflict also increases resulting in a decrease in the marginal benefit of more hostility. That is, less interdependent countries will derive greater utility from conflict because their marginal costs are lower due to lower import and export levels. However, as countries trade more and become more interdependent, then there is more at stake in terms of welfare gains lost when conflict increases the cost of trade and ultimately threatens the cessation of trade altogether.¹⁰³

The classic neo-liberal argument is that increased international trade makes conflict too costly, thus, countries that participate in trade are more likely to be peaceful. International conflicts are avoided because they disrupt trade relations and threaten the economic growth countries experience from trade. The crux of the neo-liberal argument is a straightforward Expected Utility calculation. If a country expects greater welfare gains from trade than from war, it will choose to maintain peaceful relationships. At the level of individuals within a country, the same logic is

applicable. If a person expects to make more money working than from fighting, he or she will choose to work rather than take up arms. But the decision to go to war or take up arms is considered to be irrational, and, therefore, impervious to rational economic or political solutions. Unfortunately, this neat explanation makes a number of inaccurate assumptions. First, it assumes that the benefits of international trade are evenly spread throughout society. Second, it assumes that trade in all kinds of goods has the same pacifying effect on countries. Last, it assumes that conflict is all cost and no gain.¹⁰⁴

Kantian Liberalism

Liberals believed that democracy and trade would reduce the incidence of war. According to liberals, wars were the result of international misunderstanding and domination of society by the warrior class. Both factors could be reduced by commerce: trade brought individuals of different nations into contact with one another and created common interests; and it increased the prosperity and political power of the peaceful, productive members of society at the expense of the aristocracy.¹⁰⁵

Immanuel Kant largely developed modern liberalism. In his treatises on perpetual peace, Kant refined the liberal argument by suggesting that peace among democratic nations would be the consequence of three complementary influences. First, republican constitutions eliminate autocratic caprice in waging war. Second, an understanding of the legitimate rights of all citizens and of all republics comes into play with the spread of democracy, resulting in the creation of a moral foundation for the liberal peace upon which eventually an edifice of international law can be built. Last, economic interdependence reinforces constitutional constraints and liberal norms by creating transnational ties that encourage accommodation rather than conflict. Thus, material incentives add their force to law and morality.¹⁰⁶

Democracy's impact on international conflict has received much attention. In keeping with the Kantian perspective, Russett

and Oneal expand their analysis beyond the democratic peace by incorporating the influence of economically important trade and joint memberships in international organizations. They conclude that democracy, economic interdependence, and international organizations have strong and statistically significant effects on reducing the probability that states will be involved in militarized disputes.¹⁰⁷

Political scientists, specially, have been fascinated by Democratic Peace theory, which basically states that democracies do not fight with each other. Even in the late 1990s, scholars who attempted to test the effects of economic interdependence were doing the research as a complementary examination of democratic peace theory. In particular, when the studies involve the relationship among non-democratic countries, the effect of economic interdependence appears difficult to determine.¹⁰⁸ There is little literature that has been devoted to investigation of the impact of economic interdependence on bilateral and multilateral relations of non-democratic countries.¹⁰⁹

*Economic Interdependence Studies:
The Three Categories*

Theoretically, economic interdependence studies can be divided into three categories, according to their different arguments regarding trade functionality in international relations.

The first category, from an 'interest groups' perspective, argues that trade has a pacifying effect. The argument here is that trade can enhance peace between former belligerents by capturing the impact of trade on the states' welfare with respect to consumers, producers, exporters, and importers. Solomon Polachek notes that trade and investment serve as media for communicating interests, preferences, and needs on a broad range of matters among trading partners. However, this perspective fails to account for conflict over the division of costs and of gains, assumption of new risks, and relation of new vested interests. Thus, the effect of these vested interests on domestic support for peace is indeterminate, unless the government

compensates the losers in economic transactions.¹¹⁰

The second category focuses on the overall social welfare gains from trade. According to this model, each trading nation gains social welfare benefits, and, therefore, has a strong interest in maintaining peaceful relations. Polachek has argued that the greater the welfare loss, the greater the costs of conflict, thus, the smaller the incentive for conflict.¹¹¹ However, this national-gains perspective fails to account for some anomalies in world politics caused by the *sensitivity* and *vulnerability* of interdependence.¹¹²

The above two categories of trade-conflict theories, from different perspectives, both argue that economic interdependence results in a more peaceful world. A third category finds this trade-reduces-conflict model less convincing. These scholars argue that the ability of trade to promote peace is contingent on the nature and context of economic linkages. Dale Copeland refined trade interdependence theory by controlling for trade expectations. He argues that a state's expectation of future trade is a crucial determinant of the state's decision to maintain peace or to wage war.¹¹³

Polachek and McDonald add another important variable to the trade-peace relationship: trade elasticity. They argue that trade alone does not determine the gains derived from it. Trade data must be augmented by country import demand and export supply elasticity.¹¹⁴

From the logic of game theory, James Morrow notes that the net effect of trade on conflict is indeterminate. He observes that the:

initiator is less willing to fight, reducing the chance that it initiates a dispute, while at the same time, the target is also less willing to fight, increasing the chance that it makes concessions to the initiator to avoid war, and thus increasing the chance that the initiator begins a dispute.¹¹⁵

The Realist Perspective on Trade-Peace Relationship

The realist position, which is one of the major opponents of the trade-promotes-peace proposition, claims that liberal arguments assume wrongly that states are exclusively motivated by the maximization of individual welfare gains, which, according to the

liberal position, is better accomplished through mutual cooperation. If states' driving motivation is the maximization of absolute gains, then their primary obstacle is to discover and implement mechanisms through which incentives to cheating can be removed in order to maximize interstate cooperation. If, however, states are concerned also by the mutual threat posed to each other due to the systemic-level struggle for power in the anarchical international community, then states will be wary of any increase of the relative capabilities of any other state, including relative gains from trade.¹¹⁶ To capture the effect of relative gains concerns, Grieco builds into trade partners' utility functions a negative payoff for gains from trade that favour another state disproportionately. The implication is that states should be unwilling to trade with political adversaries when gains from trade accrue such that one's enemy benefits disproportionately.¹¹⁷

Realist theories suggest that the concern over relative gains will lead at least one of the belligerents to terminate trade in order to prevent its adversary from using the gains from trade to increase its relative military power. Although some realists argue that strategic goods are especially important in relative gains concerns, Gowa, who has been particularly influential in the contemporary literature, focuses on aggregate levels of trade. Gowa argues that states choose to trade with allies in order to avoid granting the gains from trade to adversaries which may result in security externalities. It is not the adversary's increased income from trade that is of greatest concern, but the ability of the adversary to enjoy the gains arising from specialization (in international trade theory, gains from trade include both increased income and specialization). By permitting its adversary the opportunity to increase its production efficiency and redirect resources away from alternative production ventures, the adversary is better able to increase production of military resources, and, hence, pose a potential challenge.¹¹⁸

Trade also Causes Conflict

Trade relationships embody and generate conflict. Growing levels of international commerce are the basis of trade disputes.

Initially, political conflicts over trade emerged when countries had to renegotiate tariff reduction agreements or when they indulged in dumping. As tariffs have declined dramatically and their levels need not be regularly renegotiated, conflict has emerged over a whole array of incongruent domestic practices that are the basis of charges of unfair trade.¹¹⁹

The historical record is replete with trade wars and trade disputes,¹²⁰ and these arise only among countries with extensive commercial ties and which are politically close. It is striking that during the Cold War, the US and its allies engaged in numerous commercial disputes even as they strove to sustain a military alliance of great strategic importance. Thus, despite overwhelming strategic imperatives and close political ties, trade nevertheless became the basis of conflict. The critical implication is that trade disputes presuppose trade. *Trade disputes do not arise between nations that do not trade with one another.* And the growth of trade between countries generates friction and trade disputes.

Although the discussion here is about trade disputes between major economic powers, this point extends to trade disputes between countries with asymmetric trade relationships. States have used trade policy to foster economic dependence, thus, political control. The classic work analysing this is by Hirschman.¹²¹ He writes that states may undertake trade for political as well as economic reasons. That is, states may choose to pursue trade policies to foster economic dependence of political adversaries that would thereby advance ones own political objectives. Relationships of economic dependence and political dominance can occur when states adopt politically motivated trade strategies that would create a commercial environment in which the target state would have difficulty adjusting in the event that the trade relationship suddenly changed, such as creating investment opportunities and a trade market for the target state that represents a substantial percentage of the target's total trade and investment and that is difficult to reproduce elsewhere in the event of an abrupt interruption of the existing trade relationship.

Trade as a Coercive Instrument of Statecraft

Trade has also been used as an instrument of coercion. Noted trade-conflict scholar Arthur A. Stein has argued that the historical record is replete with cases of economic sanctions of various kinds undertaken in pursuit of political rather than economic objectives (i.e. as opposed to trade wars undertaken to deal with solely commercial conflicts). Countries with extensive economic links have been prepared to cut such ties to compel a change in others' policies. The very existence of trade provides states a tool they wouldn't otherwise have when disputes arise. They can and do impose economic sanctions of various kinds to get others to shift course. As scholars in the interdependence literature have noted, trade can generate vulnerability.¹²²

When markets are not deep and competitive, states can become quite dependent on particular buyers and sellers and vulnerable to the exercise of trade coercion. Indeed, the centrality of certain goods to an economy can lead governments actively to prevent the development of trade dependence. The US pursues a policy of energy independence, and reacts adversely to politically induced price fluctuations devoid of any effort at political extortion. In short, certain forms of interstate conflict or economic sanctions presuppose the existence of a prior trading relationship. Stein writes that, clearly, trade neither generates such levels of cooperation, nor such aversion to conflict as to preclude either commercial disputes, or the use of economic coercion for political objectives.

This is important, for all too often, the trade and conflict literature is full of blithe generalizations about trade reducing conflict. Any blanket statement, such as 'trade reduces conflict', is absurd on the face of it. We simply know both: that trade leads to trade conflicts, and that trade has been used as an instrument of economic coercion.¹²³

Trade as a Political Signal

Stein has argued that it may be that trade does not reduce the propensity for political crisis among states, but that it nevertheless reduces the chances that political disputes escalate to the level of

militarized disputes. It does this precisely because of the ability to use trade coercively to signal resolve and commitment in an interstate conflict. In any strategic choice setting, costly conflicts should not occur. When conflicts are costly to all parties, actors are invariably better off moving to the post-conflict outcome and not incurring the costs of conflict.

The explanation for the occurrence of costly conflict is that actors have private information about their resolve, and have no credible way to signal that to others, short of incurring the costs of conflict. What emerges is a view of conflict as rooted in informational asymmetries and incomplete information in which the dynamics of bargaining and even conflict are about demonstrating resolve and signalling commitment, conflict can be avoided through costly signalling. In such a setting, trade plays an important element in interstate relations.

When conflicts of interest arise, states look at the range of instruments they have to signal their concerns and the intensity of their preferences. Moreover, in such settings, talk is cheap, and costly signalling is one mechanism to evince commitment and resolve. In relationships in which there is some trade, economic sanctions are an intermediate step between mere diplomacy (typically symbolic and verbal) and military steps. The prospect of trade as a signalling device would then explain the existence of an inverse relationship between trade and conflict, one based on an alternative logic than typically offered in the literature. Higher levels of trade are associated with lower levels of militarized disputes, because trade provides a mechanism for costly signalling short of military measures. Thus, trade becomes the symbol of political resolve, short of military action, and consequently ends up reducing the chance of a costly war.¹²⁴

Testing Economic Interdependence Theories at Group-Level Setting

Renowned trade-conflict scholar Min Ye has done a fascinating study of how change in the level of economic interdependence

in a subsystem influences international conflicts within it.¹²⁵ This research analyses empirical data comparatively from two subsystems, the Organization of Economic Cooperation and Development (OECD), and the Association of South-Eastern Asian Nations (ASEAN). Countries in OECD are mostly well-established industrialized democracies, while ASEAN is largely non-democratic and is characterized by growth in transnational trade.

The study provides an aggregated, group-level analysis of economic interdependence. Results from the statistical analysis indicate that in the OECD, an increase in economic interdependence significantly reduces the incidence of lower-intensity conflict, while an increase of economic interdependence in ASEAN increases the occurrence of intra-ASEAN militarized disputes. The results suggest that liberal peace theory is context-contingent, and there is a 'causal complexity' in the economic interdependence-international conflict relationship. For the trade-conflict negative relationship to hold, the context is crucial. In group-level international relations, an increase of economic interdependence within a group has a significant pacifying effect on its members' bilateral and multilateral relations when most of the members are democracies. Contacts and communications brought about by trade relationships do not necessarily lead to peaceful interstate relations. According to Jeffrey Rubin, Dean Pruitt and Sung Hee Kim, '...conflict is especially likely to be produced when group members are in close proximity to one another, are involved in common activities, and/or have access to the technology of communication'.¹²⁶

This tendency is intensified by the non-democratic political system dominated by zero-sum thinking. Without peaceful conflict-resolution mechanisms, unbalanced trade relationships serve as a trigger of conflict. This is one possible reason why, in ASEAN, a development of intra-group trade appears to cause militarized disputes. For these member states, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Brunei (which joined in 1984), interest incompatibility over trade issues sometimes easily escalated to militarized disputes.

Without accounting for 'context-contingency' and 'causal

complexity' in trade-conflict relationships, debates over the direction and significance of the impact of economic interdependence on international relations is incomplete and warrants further specifications. In addition, this research found that a rivalry context was dominant in both OECD and ASEAN, and that a large proportion of militarized disputes were fought over territory issues. Hence, rivalry theory and territory perspective are probably more applicable than Kantian peace theory to the explanation of militarized international conflicts.

Dependency Theory and Conflict

The closest offshoot of the neo-liberal argument is the postulation that trade reduces conflict, but only when trade is symmetrical between countries, or when countries trade in certain kinds of goods. For example, when two countries are equally dependent on one another, they are unlikely to resort to the use of force to resolve conflict. Since both countries face the same high cost of violent conflict, they will both opt for peace to preserve their mutually beneficial trade relationship.¹²⁷ But if the trade relationship and its benefits are unevenly distributed, trade may actually trigger violent conflict.

The argument that asymmetrical trade exacerbates tensions between countries culminated in the formulation of dependency theory in the 1960s. Dependency theorists argue that trade patterns between 'core' (industrialized) countries and 'periphery' (unindustrialized) countries deepen existing inequalities and provoke international conflict. Periphery countries export raw materials to core countries, which, in turn, convert the raw materials into value-added goods to sell back to the periphery. As core countries sell increasingly valuable goods, periphery countries become stuck in a parasitic trade relationship. They end up buying back the product of their natural resources for far more than they sold them, without any opportunity to develop their own industrial capabilities. This inequitable trade relationship has the potential to spark conflict.¹²⁸ For example, core countries often resort to force to protect large

investments in periphery countries against nationalization and breakdown of governance, e.g., US interventions in Latin America to protect agricultural and mining investments.

This theory is further refined when the impact of specific products on the state of peace or conflict is considered. In calculating the cost of conflict, it matters how easily goods, suppliers, and consumers can be substituted in times of conflict. Trade in goods that rely on the maintenance of the trade relationship in question will have a more pacifying effect than trade in goods that can be sold in a number of alternative markets and that experience significantly less disruption during violent conflict.¹²⁹ The sunk cost of infrastructure, means of production, and human capital also affect how much a country suffers from the disruption of normal trade, with goods requiring sophisticated infrastructure, technology, and skilled labour having the most pacifying effect. In order to determine what kind of trade impacts violent conflict, it is necessary to disaggregate trade data into sectors when studying trade and conflict.

Trade and Civil War

The Expected Utility model has been employed in explaining many cases of dispute reduction in the international scenario. Yet, the developing world is still mired in intense internal conflicts. To account for these cases, it is necessary to re-examine the expected utility model. Clearly, there is either some other non-economic motivation behind such conflicts, or there is some economic benefit of war not captured by the classic neo-liberal argument. Previous political science studies on civil war tended to focus on political ideology, ethnic hatreds, and social demands as the core causes of conflict. Economic literature has taken a different angle. One of the most prominent economic theories on civil wars is that conflict is triggered by 'greed' or the desire for self-enrichment, rather than socio-political 'grievances'.¹³⁰

The possibility that economic agendas can cause conflict is hugely important to consider since it could impact the kinds of policy interventions the international community uses to promote

peace. The greed thesis posits that there are myriad ways for actors involved in conflict to not only self-finance, but to profit from conflict. This provides a motivation for taking up arms, and it can even protract or expand conflicts by making peace a relatively unattractive option for those involved in the war economy.

The desire for economic self-enrichment of a few actors has devastating impacts on the majority of the populace. But as long as war is more lucrative than peace, armed actors have no incentive to resolve the conflict. In fact, many researchers have observed that enemies will actually collude to prolong the conflict, since neither side is interested in returning to peace.¹³¹

To get a sense of how much the economics of civil war motivates conflict, it is important to lay out exactly how conflict can actually be profitable for those involved.

Even if a civil war was initiated because of long-standing socio-political grievances, economists still argue that lucrative natural resources come to play an integral role in conflict. In some cases, it appears that conflict is primarily motivated by a desire to gain control over these resources, while in others, it seems that natural resources serve to prolong or intensify an ideologically- or grievance-motivated conflict. Apart from this, natural resources themselves spark conflict, because the costs and benefits of extracting and trading are highly inequitable. While a tiny economic elite profit from extracting and selling natural resources, the cost is shouldered by the local population. The locals are rarely consulted about extraction projects, and are frequently displaced by force during such projects. And as the demand for natural resources increases, the intensity of disputes over ownership also increases. These tensions can cause isolated skirmishes or trigger massive secessionist movements.¹³²

CONCLUSION

Empirical research of the trade-conflict relationship produced diverse findings. First, some researchers find that trade is negatively related to international conflict. Economic interdependence has an unconditional pacifying effect on international relations.¹³³ Other

findings are diametrically opposed. Russett¹³⁴ analysed 41 warring dyads from 1946 to 1965 and found that trade contributes to war occurrence. In recent years, Katherine Barbieri¹³⁵ has concluded that interdependence was positively related to the militarized interstate disputes from 1870 to 1985. Other scholars found that the trade-conflict relationship is either mixed or negligible.¹³⁶

It is safe to argue that current liberal and realist theories fail to provide a satisfactory explanation of the overall relationship between economic interdependence and international conflict.¹³⁷ But a few general points relating to this study can still be inferred.

The liberal argument that trade has an unconditional pacifying impact on conflict has to be taken with a pinch of salt. There are numerous examples to prove that impact of trade on conflict is highly context-contingent and marked by causal complexity. Indeed, asymmetric trade between two countries may even exacerbate the existing conflicts. Hegemons may even use trade to create a dependence relationship with a potential adversary, and later employ trade as an instrument of coercion to extract political concessions.

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⁶⁴ A number of articles have been carried in journals and newspapers. For instance, see Yang Chengxu, 'The Possibility and Prospects for Developing Russia–India–China Relations', *China Report*, vol. 38, no. 1, January–March 2002, pp. 95–96. Also see 'Vajpayee's China Visit to Boost Strategic Triangle: Analysts', 30 June 2003: <http://www.indiaabroad.rediff.com/news/2003/jun/30china1.htm?zcc=ar>

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⁶⁶ 'India Town in China', front-page photograph in *Asian Age* (New Delhi), 12 January 2005.

⁶⁷ Associated Press, 'China to Start Jury Trials', *Asian Age* (New Delhi), 21 December 2004.

⁶⁸ Nirupama Subramanian, 'Amid the New China Seeks Out the Old', *Hindu* (New Delhi), 22 June 2005: <http://www.hindu.com/2005/06/22/stories/2005062204901100.htm>

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⁷⁰ 'Economic Tapestry', editorial, *Asian Age* (New Delhi), 2 May 2005.

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⁷⁹ <http://www.state.gov/r/pa/ei/bgn/3454.htm>

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⁸⁴ Claude Arpi, 'The Confiscation of History', 23 October 2002: <http://in.rediff.com/news/2002/oct/23chin.htm>

⁸⁵ Makkhan Lal, 'Historians as Freebooters', *Pioneer* (New Delhi), 2 April 2005: http://www.vigilonline.com/reference/columns/vicharamala_view.asp?col_id=247. For a detailed analysis, see Makkhan Lal with Ranjana Dixit, *Educating to Confuse and Disrupt: The Defiling of History and Education System of India*, New Delhi: India First Foundation, 2005. The debate between leftist and rightist historians in India has been contentious. Both camps accuse one another of introducing bias in history writing for political purposes.

⁸⁶ Michael Yahuda, 'China and the Kashmir Crisis', 2 June 2002: http://news.bbc.co.uk/hi/english/world/south_asia/newsid_2020000/2020788.stm

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⁸⁸ Richard Bernstein and Ross H. Munro, 'The Coming Conflict with America', *Foreign Affairs*, March/April 1997, New York: <http://www.foreignaffairs.org/19970301faessay3752/richard-bernstein-ross-h-munro/china-i-the-coming-conflict-with-america.html>

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⁹¹ Jehangir S. Pocha, 'Chinese Mum on UN', *Telegraph* (Kolkata), 18 April 2005.

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⁹³ N. D. Batra, 'India's National Interest and China', *Statesman* (Kolkata), 21 April 2005.

⁹⁴ *Ibid.*

⁹⁵ Chandrashekhar Dasgupta, 'China is a Challenge, and not a Threat, to India', *Telegraph* (Kolkata), 26 August 2004.

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⁹⁷ I gratefully acknowledge the basis of this section as the works of Bret V. Benson and Emerson M. S. Niou (Duke University); Katherine Barbieri (Vanderbilt University); Jack S. Levy (Rutgers University); Min Ye (University of South Carolina); and Arthur A. Stein (UCLA). This section borrows heavily from their various works. The Global Trade Negotiations (GTN) website has also been of particular use for this section. See Global Trade Negotiation home page, maintained by Center for International Development at Harvard University: <http://www.cid.harvard.edu/cidtrade/site/about.html>

⁹⁸ Katherine Barbieri and Jack S. Levy, 'Sleeping With the Enemy: Impact of War on Trade', *Journal of Peace Research*, Oslo (Sage Publications), vol. 36, no. 4, 1999, pp. 463–79.

⁹⁹ Edward D. Mansfield and Jon C. Pevehouse, 'Trade Blocs, Trade Flows, and International Conflict', *International Organization*, vol. 54, 2000, pp. 775–808.

¹⁰⁰ Karl W. Deutsch, as quoted by Bret V. Benson and Emerson M. S. Niou, 'Trade and Peace: A Game Theoretic Analysis': <http://www.duke.edu/~niou/teaching/trade%20&%20peace.pdf>

¹⁰¹ Benson and Niou, *ibid.*

¹⁰² Solomon W. Polachek, as quoted by Benson and Niou, *ibid.*

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¹⁰⁴ G. Schneider et al., eds., *Globalization and Armed Conflict*, Lanham, MD: Rowman & Littlefield, 2003; also see GTN: <http://www.cid.harvard.edu/cidtrade/features/tradeconflict.pdf>

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¹⁰⁷ Bruce Russett and John Oneal, as quoted by Min Ye, *ibid.*, p. 3.

¹⁰⁸ Mark J. Gasiorowski., as quoted by Min Ye, *ibid.*, p. 4.

¹⁰⁹ Min Ye, *ibid.*

¹¹⁰ Solomon W. Polachek, as quoted by Min Ye, *ibid.*, p. 5.

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¹¹⁷ Joseph M. Grieco, 'Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism', *International Organization*, vol. 42, 1988, pp. 485–529, as quoted by Benson and Niou, *ibid.*

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¹¹⁹ Arthur A. Stein, 'Governments, Economic Interdependence, and International Cooperation' in *Behavior, Society, and International Conflict*, ed. Philip Tetlock, Jo Husbands, Robert Jervis, Paul Stern and Charles Tilly, New York: Oxford University Press, for the National Research Council of the National Academy of Sciences, pp. 241–324.

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¹²⁶ Jeffrey Rubin, Dean G. Pruitt and Sung Hee Kim, *Social Conflict: Escalation, Stalemate, and Settlement*, 2nd edn., New York: McGraw-Hill, 1993, as quoted by Min Ye, op. cit., n. 105 above.

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CHAPTER 3

Kashmir First, Trade Later: The Pakistani Perspective

Volumes have been written about the importance of trade between India and Pakistan,¹ the pro-trade lobby being a tad more vociferous in India. In India, there is hardly any opposition to trade with Pakistan, and a section of the Pakistani English media as well as academics too favour economic ties. Enthusiasts of the China Model advocate that Pakistan should not make the decision of trading with India dependent on resolution of the Kashmir issue. The first section of this chapter examines the logic of the pro-trade lobby. A detailed analysis is not intended here, as a massive body of research already exists on the subject. The second section is subdivided into two: the first details Pakistan's vehement opposition to the China Model; the second explores whether it is possible to replicate the trade-peace hypothesis in the India–Pakistan case due to massive hurdles in the path of freeing trade between the two countries. The Sino-Indian and India–Pakistan cases are also compared in each. The third and final section brings back the war paradigm among various contesting theoretical frameworks as enunciated in the previous chapter, and, in light of that context, analyses whether trade relations between the two countries will definitely lead to peace dividends on the Kashmir issue.

WHY PAKISTAN SHOULD TRADE WITH INDIA

The major arguments in favour of India–Pakistan trade are as follows.

- 1) The economic fallout of the India–Sri Lanka Free Trade Agreement proves that Pakistan will be the

bigger gainer in a trade relationship with India. Sri Lankan exports to India trebled in two years after the two countries implemented their free trade agreement in 2000. Bhutan has benefited from joint hydroelectric projects, with India funding works that deliver power to the Indian market—at a price that puts the Bhutanese government's finances in much better shape than New Delhi's. The smaller country gains more in a trade deal because it benefits from access to a much larger market, just as Mexico benefited more from the North American Free Trade Area (NAFTA) than the US did. Americans, in contrast, feared that their jobs would go across the border. India has accepted non-reciprocity as a principle in its trade deals with Nepal, Bhutan, and Sri Lanka. In other words, while Pakistan sees India as some kind of regional bully, the fact is that India has given more in trade negotiations than it has taken.²

- 2) Numerous small industries are likely to benefit from cheaper raw materials from India, which is likely to help address the problem of some of Pakistan's sick industries by having an employment-enhancing effect. Many of Pakistan's industries will benefit from increased competitiveness, and will have to become more efficient in light of international and Indian imports. Also, greater market access of Pakistani exports would be beneficial.³
- 3) Exposure to competition from India would encourage policy makers as well as the private sector in Pakistan to focus more sharply on the investments needed to strengthen Pakistan's international competitiveness. The fear of a deluge of Indian products in the Pakistan market after liberalizing trade is grossly exaggerated. This has not happened in the past when trade has been liberalized, and is unlikely to happen in the future, given Pakistan's global orientation in trade and the quality-conscious Pakistani consumer.⁴ As it is, Pakistan trades freely with

China, and its economy has not been swamped by cheap Chinese imports.⁵

- 4) In those cases where the economies of India and Pakistan are competitive, the two countries can reap far-reaching benefits through specialization. In those cases where the economies of India and Pakistan are complementary, the productive capacity can be accelerated through availability of industrial inputs at cheaper cost and through possible subcontracting.⁶
- 5) Induction of technology will be made feasible by extension of markets. Imports of machinery directly from India at substantially lower prices rather than through third countries will make Pakistan's products more competitive. Pakistan's engineering industry can benefit by transfer of technology from India.⁷
- 6) Consumers in Pakistan will benefit decidedly because of reduced prices, and the government will get far greater returns from legalizing the existing illegal border trade. Important sections of producers would also benefit because of increased competitiveness and market access to a much larger Indian economy. Low transportation costs and cultural similarities which influence taste and cause cost-effective complementarities to emerge are important advantages of free trade between the two countries. In addition, transaction costs will also be lowered, and such trade facilitates the flow of ideas and knowledge that fortifies international competitiveness.⁸
- 7) Even more than trade, the true potential for complementarities and economic collaboration is in the energy sector, particularly gas pipelines from Central Asia, Iran, and the Gulf, and joint development and distribution of electric power. According to estimates, the overland pipeline traversing Pakistan from Iran to India would enable Pakistan to earn \$600–800 million in transit fees if Pakistan allows its territory to be used.⁹
- 8) Northern parts of India suffer from severe power

scarcity, while Pakistan has surplus production. A power surplus for years to come has been anticipated by Pakistan. It has been estimated that if Pakistan had a surplus capacity of 200 megawatts for export, it could earn as much as \$1.2 billion per year for perhaps up to 20 years.¹⁰ Possibility of power purchase is likely to open up new vistas of cooperation and would lead to effective utilization of natural resources, increase in the reliability of power supply, economy in operation, mutual support during contingencies, and large-scale transformation in the sectors contributing to economic growth. It has the potential of becoming the single most effective CBM through participation of stakeholders.

- 9) A massive trade potential exists between the two countries. Proof is the huge amount of bilateral trade that has already been going on either through trans-border smuggling, or through third countries such as Singapore and the United Arab Emirates. Goods smuggled across the border include items such as cheap textiles, vehicle tyres, audio and video cassettes, beetle leaves, etc. Third-country exports to Pakistan are mainly in respect of machinery and spare parts, particularly for the textile industry.¹¹ So if the informal trade is going on as it is and is not affecting Pakistan's industry, why should there be a worry about formal trade? Formal trade will result in substantial revenue generation for Pakistan. This is the fundamental premise on which the whole argument of opening of India–Pakistan trade has been built. Almost every single politician, academician, and businessperson who has argued for freeing India–Pakistan trade has made this point.
- 10) The attraction of mutual trading between the two sides is linked to low freight costs, which translates into cheaper prices, given the contiguous borders between the two countries. In such a situation, a government keeping in view the people's interest is obliged to ensure

that commodities and merchandise are imported only from such countries. The other favourable conditions are cultural affinity, common language, and similar economic and social systems which provide an ideal foundation for broader India–Pakistan ties.¹²

- 11) Pakistan can export cotton yarns, fabrics, rock salt, fresh and dry fruits, finished leather, sugar and molasses, fertilizers, marbles (including onyx), precious and semi-precious stones, textiles and clothing articles, knotted carpets, sports goods, and water coolers to India. India can export iron and steel, auto components and spares, pharmaceuticals, raw materials, non-metallic mineral products, intermediates for chemicals, agro-based raw materials, IT-related software, castings and forgings, bicycles, vegetables, and meat.¹³
- 12) Since the Kashmir issue is complex, India–Pakistan trade should not be kept hostage to its resolution. On the contrary, trade relations would strengthen bilateral relations and resolving complex issues would become easier.¹⁴ Trade adds to the mutual stake that balances the calculation in favour of peace.¹⁵

Pakistan's Vehement Opposition to the China Model

Now if you are meaning...the relationship of economics and politics, that we can go ahead on the economics side, without resolution of disputes, without bothering about the political aspects of our relationship, I am afraid that is not, that is not possible at all. I think there is a relationship. We have to resolve political disputes between ourselves. We have to remove this environment of suspicion from each other and then only can we go for investments in a big way and as I said complementarities of commerce and trade in a fruitful manner.¹⁶

No leader in Pakistan can sideline the Kashmir issue. Now this is the reality and we cannot do it. If we think that we can go ahead on all confidence building measures and forget about Kashmir, [it is] not doable by any leader in Pakistan. We must understand that and I am afraid if we don't understand this basic issue, I don't think we can move forward. Let me put it very bluntly. I don't think we can move forward on the confidence building measures. I don't think we can move forward on the

*economic interaction unless we move forward on resolution of all disputes including the Kashmir dispute.*¹⁷

—Gen. Pervez Musharraf, India Today Conclave, March 2004

Had it not been so tragic, the contrast between the Indian and Pakistani positions regarding the China Model would almost have been funny. Indian politicians, businesspersons, and media commentators talk as if freeing trade between the two countries is just common sense and it is Pakistan's irrational attitude that has made trade hostage to the resolution of the Kashmir issue. The Indian mindset is somewhat patronizing in the sense that there is a belief that Pakistan, as usual, is behaving irrationally due to the overwhelming feeling of insecurity and if India could just convince Pakistan to concentrate on the economic relationship, the Kashmir issue would either be resolved in due course, or simply become irrelevant. However, Pakistan's outright rejection of the idea of the China Model could not have been more categorical, clear, and unequivocal.

As a matter of fact, President Musharraf was visibly irritated while addressing the India Today Conclave in March 2004, when, in spite of his repeated assertions that trade could not move ahead without satisfactorily resolving the Kashmir dispute, questioner after questioner kept on badgering him about freeing trade with India. It was as if his repeated assertions were falling on deaf ears. When former Foreign Secretary Kanwal Sibal asked him that instead of worrying about the unresolved border issue between India and China, the two countries were moving ahead aggressively on the trade front, so what was Pakistan's objection in emulating the example of India and China, President Musharraf exasperatedly responded:

I am a realist. Therefore, I believe in talking straight. When you talk of change in mindsets, if you mean that we ought to change our mindsets and forget about Kashmir, and you are comparing the relationship between India and Pakistan to your relationship with China, I am afraid there is [a] lot of difference. Here we fought wars, we fought three wars and there is a Line of Control, an issue which is a UN Security Council-recognized dispute existing since over 50 years. Every day when there was no ceasefire on the Line of Control, we

were killing each other. ...So I am afraid, let us not get involved in giving examples of China–India relationships and saying that we should just forget our disputes and start moving. You don't have much over dispute with China, and as it is, may I say China is a very large country, may be a strategy of coercion would not apply to China...between you and China, whereas it does apply to your relationship with Pakistan. ...I think if we see each other with sovereign equality, our concerns must be addressed and Pakistan's concern certainly is to solve all disputes including Kashmir. We cannot sideline it.¹⁸

Ever since former Foreign Minister K. Natwar Singh and Indian academicians and columnists started mentioning the China Model, Pakistan explicitly asserted that the idea was not feasible, and the Kashmir issue could not be sidelined.

In response to the proposal of the China Model, an editorial in the *Daily Times* said:

India is interested in a dialogue along the lines adopted by India and China, whereby most volatile topics are shunned in favour of building up greater relationships on the basis of trade. However, this more or less obfuscates the Kashmir issue. So, every time Pakistan insists on talking about Kashmir, India sends over a virtual cloudburst of CBMs to obfuscate the issue. From opening up bilateral trade across new proposed routes, most favoured nation (MFN) status, India has virtually paralyzed Pakistan with some 72 such measures that were handed over in just January, 2005. India and China have border disputes of long standing but have decided to set them aside to normalize relations, including a significant breakthrough on trade. In return for India's suppressing its revisionist stance on the Aksai Chin territory, Beijing has stopped expressing non-recognition of Sikkim as a part of India. On the Pakistani side, the reference to the India–China model of normalization has been noted. Correctly, the response is that the Kashmir dispute is not over borders but over the self-determination right of the people of Kashmir for which there is a UN resolution at hand.¹⁹

Pakistan's official response to the proposal of the China Model was that the advisability of modelling Indo-Pak engagement along the lines of Sino-India talks had logical fallacies, since India and China themselves have not been able to reach a solution to their border dispute despite progress on initiating trade links.²⁰ Without mincing words, a Pakistan foreign office spokesperson said that while the Sino-Indian model may be good in its own right, it bore no comparison to Indo-Pak differences over Kashmir.²¹ He stated:

The Kashmir issue cannot be sidelined. All India–Pakistan differences centre on Kashmir. A quest for the solution of this problem is the key to a genuine détente, a sustainable rapprochement and a peaceful neighbourhood. The question is not of putting the Kashmir issue on the backburner or the front burner, the object lesson is that it cannot be swept under the carpet. [The] Jammu & Kashmir dispute is neither a border issue nor is [it] about empty spaces. It pertains to the aspirations and political future of the 13 million Kashmiri people living in a territory of roughly 85,000 sq. miles. Thus the two models referred by India are not comparable.²²

In a meet organized on economic and commercial cooperation under the process of composite dialogue, Pakistan's then Acting Commerce Secretary Syed Asif Shah made it clear that economic ties with India cannot bloom without a 'peaceful and enabling political environment'. When India pushed its economic agenda to improve ties, Pakistan clubbed it with resolving political differences and argued, 'Unresolved political issues have had a discernible impact on the building of long-term trading relations between business communities of the two sides. It, therefore, goes without saying that for trade and economic interaction to flourish, it is essential to have [a] peaceful and enabling political environment.'²³

Thus, what is simple and plain common sense from the Indian point of view is logically fallacious from Pakistan's perspective. Although the China Model has become a buzzword on the seminar circuit only recently, Pakistan has been opposing free trade with India for a long time. Pakistan's concerns in promoting an aggressive trade relationship with India can be gauged from a comment made by Gen. Zia-ul Haq. On the question of trading with India, he had reportedly said, 'I do not want to see the emergence of an India lobby in Pakistan.'²⁴

A columnist made a telling comment exposing the psyche of Pakistan when he wrote, 'India's interest in trade and having more people-to-people contact and cultural relations are a demonstration of its desire to dominate. If the Indian game plan succeeds we would lose everything to Hindu *baniyas*.'²⁵

Even after ratification of the South Asian Free Trade Area (SAFTA) agreement, Pakistan's refusal to grant MFN status to India is a link in the same chain of thought that no progress can be

made on the trade front without satisfactorily resolving the Kashmir issue.²⁶

Noted scholars of India–Pakistan relations also feel that the Sino-Indian and Indo-Pak cases are not comparable. Teresita Schaffer says:

The basic difference is that India–Pakistan is a ‘people’ problem and India–China is a ‘governments’ problem. In other words, there are very few nasty human memories at the base of the India–China dispute—just the legacy of a war that left India humiliated, in a part of the country where few people live. On the Pakistan side, every family in North India has some kind of nasty memory; although India has accepted Pakistan’s separate existence, the two-nation theory still rankles; the Kashmir dispute daily rakes up the issue of what should be the proper definition of both countries; and both governments have spent their entire independent existence trying to justify their own position and denigrate that of the other country. And of course the area most intensely affected by the war is full of people with passionate views on the subject—both in the two Punjabs and in Kashmir. The border issue with China is nothing like the Kashmir issue. Although, China is in possession of parts of Kashmir—but they are parts where no one lives, and which have relatively little emotive attachment to either side, nothing like the Kashmir Valley with its strong attachment to both India and Pakistan. So when India decides to put the Chinese border issue in the deep freeze, this is something both governments can agree to without generating any kind of political pressure; whereas even if a government of Pakistan wanted to put the Kashmir issue in the deep freeze (which is unlikely given the army’s role in Pakistan), it would face tremendous protests from people. In other words, the difference between Indo-Pakistan and Sino-Indian relations is not in the way they deal with trade, but in the way they deal with Kashmir versus the Sino-Indian border issue.²⁷

Michael Krepon also agrees with the point that there are subtle differences in the India–Pakistan and India–China cases. He says:

Economic factors have been very important in leading to Sino-Indian rapprochement. But, one must keep in the mind that real estate in dispute with China is far less emotive and significant than with Pakistan. Although, the China Model still makes good sense. But duplicating it depends on Pakistan, not on India. How much rapprochement and normalization do Pakistani leaders want?²⁸

The first problem is that without understanding Pakistan’s concerns and domestic compulsions, Indian enthusiasts of the

China Model have tried to convince Pakistani decision makers that freeing trade between the two countries will act as some kind of panacea for the resolution of all outstanding conflicts. While making comparisons with India–China relations, it should not be forgotten that the Pak–India issue is more than just a border dispute and the solution to this issue is complex, due mainly to the extreme distrust of each other. Also, it is the heterogeneity of views within each country that makes it even more difficult to have a consensus view.²⁹

The second problem is of why India is so convinced that a flourishing trade with Pakistan will lead to conflict resolution on Kashmir, just because it did in the India–China case. Is it just wishful thinking, or are the India–China and India–Pakistan cases really comparable? And above all, is it possible to convince Pakistan to move ahead on trade without resolution of the Kashmir issue? This section tries to answer these thorny and complex questions.

Demolishing the Myth of India–Pakistan Trade Potential

The very foundation of the China Model is premised upon the belief that a huge trade potential exists between India and Pakistan. Estimates of this trade potential have ranged from \$0.5 billion to even \$10 billion.³⁰ Advocates of the China Model argue that cross-border smuggling and trading via third countries (the UAE, Hong Kong, and Singapore) worth billions of dollars is testimony to that. According to them, this informal trade is resulting in the loss of substantial revenues to both countries. Once cross-border trade begins in earnest, this unofficial trade will switch to the official channel and both countries will make huge amounts of money as well as develop a stake in each other's security. They also claim that free trade will result in prosperity for the communities living across the borders, which have been hitherto marginalized.

These arguments are exclusively based upon the guesstimates of informal trade between the two countries and on wishful thinking. A recent World Bank study demolishes the myth that a huge trade potential exists and informal trade between the two countries is just

waiting for the beginning of cross-border trade to switch to formal channels.

The study was conducted by the Sustainable Development Policy Institute, Islamabad, on behalf of the World Bank. The aims of the study were to estimate the value of informal trade, to assess whether it would be re-routed through official channels if trade barriers between the two countries were removed, to estimate the potential revenue impact of switching from informal to formal trade, and to assess the impact on local industry.³¹

According to the findings of the study, there are five major and six minor informal trade routes between India and Pakistan. The five major trade routes are:

- 1) Dubai–Bandar Abbas–Kabul–Jalalabad–Bara;
- 2) Dubai–Bandar Abbas–Kandahar–Wesh–Chaman;
- 3) Dubai–Bandar Abbas–Kandahar–Noshki–Quetta;
- 4) Sindh–Cross-Border; and
- 5) India–Dubai–Karachi.³²

Dashing the hopes of trade enthusiasts, this first scientifically-conducted study confirmed the lower end of the range of guesstimates, valuing illegal trade at about \$500 million. A notable aspect of these data is that the balance of informal trade is overwhelmingly in India's favour. Exports from Pakistan, at \$10.37 million, are a fraction of imports from India. It is probable that informal exports have been underestimated as the researchers admit that they did not have access to information from India. However, even if the correct figure was higher by a factor of five, it would not make much of a dent in the imbalance. This has important trade and industrial policy implications. Smuggled goods from China have replaced a large chunk of Indian items in the last three years or so, reducing the scope of India–Pakistan trade further. Some items that have been completely or partially replaced are bicycles; electronics; rubber tyres for trucks, buses and cars; cosmetics; cloth; and razor blades. Guesstimates of illegal Chinese trade are anywhere from \$2 billion to 3 billion—and growing rapidly.³³

The overall message of the study is that it will require substantial reduction of tariff for informal trade to switch to formal channels.

Trade liberalization in itself is not enough, because even then it could be cheaper to keep on trading via informal channels. Trade will only switch if the tariffs and procedural cost of formal trade are less than the transaction costs of informal trade. For example, on the Bara route on which the maximum amount of smuggling takes place, the total transaction costs are about 10 per cent of the value of a container of winter suiting, while the duty and sales tax on the same container comes to about 40 per cent of its value. If the ban were removed, it would require 30 per cent reduction of tariff to divert informal trade to formal channels. Thus, trade liberalization, as in giving India MFN status, is a necessary but not sufficient condition for a substantive switch in the mode of trade. The exception is the Dubai–Karachi route, which accounts for about one-fifth of the informal trade. Transiting to MFN status suggests that such trade would switch to formal channels.³⁴

The study found that freeing India–Pakistan trade will have an entirely unexpected dimension also, which no one had possibly thought of earlier. This relates to opening more proximate access routes, such as cross-border trade between the two countries (Delhi to Lahore, Mumbai to Karachi) which can induce an increase in smuggling thanks to a combination of existing tariffs and lower transportation costs. So, instead of reducing smuggling, free trade could lead to even *more* smuggling—a possibility that trade enthusiasts have been unaware of so far. The revenue impacts of giving MFN status to India are likely to be insignificant since most of the informal trade will continue nevertheless. This leads to another disturbing conclusion, that liberalization can lead to de-industrialization not only through the larger quantum of formal trade, but through the induced increase in informal trade as well.³⁵

Another interesting aspect is that if the smuggling activities are disturbed, it could lead to further destabilization in Pakistan. While it is difficult to ascribe exact numbers, generally speaking, anywhere between half and one million people and their dependants are sustained by smuggling. Clan and tribal connections provide a historical context to this trade. Such connections also ensure some economic stability in a highly volatile business environment.

The socio-economic driver for illegal trade is extreme deprivation and the absence of social and physical infrastructure and economic opportunities. There are few schools, medical facilities, roads, utilities, and jobs in the major smuggling areas, whether in the tribal agencies or in other parts of Pakistan close to the border with India. This is the stark common reality on both the western and eastern borders where illegal trade flourishes, whether it is Bara, Chaman, Gandasingh Wala, or Tharparkar. Smuggling becomes the only viable economic recourse, a source of enormous profit for the favoured few, and meagre livelihoods for a multitude of dependant carriers and transporters working under brutally harsh conditions. The situation clearly demonstrates that broad-sweep policy-cum-ethical takes on smuggling not only buck self-interest and tribal prerogatives, but must be premised upon providing alternative economic opportunities in marginalized areas, which the government traditionally has not been able to do. The study warns that trade policies need to consider the socio-economic consequences of disrupting practices which are both historically entrenched and generate employment. In fact, they cushion the effects of government neglect in marginalized and politically volatile areas.³⁶

Therefore, this study, the first of its kind, can be interpreted to argue that trade potential between India and Pakistan is, though substantial, not as much as enthusiasts of the China Model would have everyone believe. Consequently, Pakistan will not end up making as much revenue as is commonly believed, and it will not result in a security spillover. Apart from this, if trade is freed, it could end up *increasing* smuggling. Freeing trade also has the potential of creating socio-economic unrest in border areas, thus exacerbating Pakistan's already fluid domestic security situation that could further impact its relations with India.³⁷

*The Pakistan Army: The Final Arbiter of India Policy*³⁸

The army lacks the capability to fix Pakistan's problems, but it is unwilling to give other state institutions and the political system the opportunity to learn and grow, its tolerance for the mistake of others is very low, yet its own performance, when in power, has usually dug

the hole deeper.

—Stephen Philip Cohen, *The Idea of Pakistan*³⁹

The army is, for better or for worse, the ultimate arbiter in Pakistan's relations with India.

—Irfan Hussain, Pakistani columnist⁴⁰

With the overwhelming dominance of the Army in Pakistan's society, the question inevitably arises: What is the impact of the civil-military equation in Pakistan on its troubled relations with India? It can be argued that Pakistan's Army will not be interested in either the China Model or in any other model that leads to rapprochement with India and thus reduces its own coveted and dominant position in Pakistan's society. For the foreseeable future, the Army's vision of itself, its domestic role, and Pakistan's strategic environment will be the most important factors shaping Pakistan's identity. While the growing Islamic consciousness, ethnic and subnational rivalries, and underdeveloped political system are all important, time and again the Army's way has been Pakistan's way. Pakistan is likely to remain a state in the possession of a uniformed bureaucracy even when civilian governments are perched on the seat of power. Regardless of what may be *desirable*, the Army will continue to set the limits on what is *possible* in Pakistan.⁴¹

Without a doubt, Pakistan's military is the most powerful and influential institution in the country. It dictates politics, foreign policy, and now, increasingly has a deep interest in the economy, making it Pakistan's most important interest group. It is responsible for creating its own form of democracy—a praetorian democracy/electioneering—and soon after creating governments and building up individuals as prime ministers, dismisses them as easily. The military intervenes in the democratic process in Pakistan whenever its leaders believe that Pakistan is in 'danger' or in 'trouble', and rescues Pakistan from itself. The fact that it has the power of the gun—and excessive power at that—allows it to impede any form of development related to the political process with which its leaders do not agree. This has led some observers to argue that Pakistan is not a country with an army, but an army with a country.⁴²

If anything, under Musharraf, the Army's dominance of Pakistan's political system is even more pronounced than in previous regimes. The most important difference seems to be the almost formal cementing of the role of the military in Pakistan's constitutional set-up, with the National Security Council having a critical role to play in the political process. The issue of whether a serving general, the Chief of the Army Staff, can hold the office of President has also opened up a debate about formalizing the role of the military. With hundreds of serving and retired military personnel in public positions, the individual and corporate interests of the military have also been further entrenched and consolidated in the Pakistani state set-up.⁴³ Former Indian High Commissioner to Pakistan G. Parthasarathy similarly argues, 'While most armies exist for the security of the State, it would not be incorrect to assert that in Pakistan the State exists for the security of the army.'⁴⁴

One military intervention in 50 years could be seen as an incident and two as an aberration, but *four* spells of military rule indicate deep systemic problems. The Army's relationship with the political process can be characterized as a five-step dance. First, the Army warns whom it regards as incompetent civilians. Second, a crisis leads to Army intervention, followed by the third step: attempts to 'straighten out' Pakistan, often by introducing major constitutional changes. Fourth, the Army, faced with growing civilian discontent, 'allows' civilians back into office, and fifth, the Army reasserts itself.⁴⁵

According to Cohen, almost all studies point to the severe paranoia that dominates the Pakistan Army's perception of India. For Pakistani officers of all generations, the axiomatic distrust of India is as certain as is the existence of Pakistan. A common view, held by many Pakistani officers through the years, has been that had Indian Hindus treated the Muslims fairly to begin with, there would have been no need for a Pakistani state.⁴⁶ For Pakistan's Army, the 1965 war was a shock, and some came to believe that a conspiracy in Pakistan was responsible for the failure to achieve a clear-cut military victory. Needless to say, the events of 1971 were utterly devastating and intensified the psyche of conspirational thinking.⁴⁷ The debacle

of 1971 confirmed the worst fears of Pakistani strategists, civilian as well as military. The Army could see Pakistan becoming another Poland, partitioned out of existence, or a 'West Bangladesh' pliantly joining a South Asian security regime dominated by hegemonic India. The core assumption behind the Army's strategy has been that the Indian threat is existential in every sense of the word. India is not only a much larger country and a military challenge, but it denies the very idea of Pakistan—that Indian Muslims formed a separate nation—and would like to see the destruction of Pakistan if it could.⁴⁸ Since then, this idea has become part of the Army's legacy that any insult or slight must be avenged, not only to punish the aggression of an enemy, but to honour the sacrifices of earlier generations.⁴⁹

Hussain Haqqani writes:

The Cantonment culture considers the Pakistan army as the centre of [the] universe and [the] army chief as having a divine right to set things right for Pakistan. ...He (Musharraf) wants peace with India and wants Pakistanis to overcome their India-centric world view. But he is unwilling to delve into the sources of Pakistan's India-centrism. Pakistan has spent the bulk of its resources for over half a century on military competition with India. The ascendancy of the Pakistan army in the country's life depends on the assumption that India presents an existential threat to Pakistan. ...The India-centric view of Pakistanis flows from the centrality of the army in their lives and the continuous projection of the Indian threat in almost all public discourse.⁵⁰

Increasingly, Pakistan's problems are blamed on conspirators: the devious Indians, the liberals and Zionists of American politics, or their own politicians. A recent report of the Carnegie Endowment for International Peace warns that even the threat of Islamic militancy is a myth created by the Pakistan Army to secure its position in the eyes of Western governments.⁵¹ This clearly exposes the Pakistan Army's game plan of remaining in power by any conceivable method. And India will continue to remain the favourite existential threat for the Pakistan Army.

There is a paranoid distrust in the Army's assessment of its relations with the outside world. This is clearly reflected in the curriculum of Pakistan's National Defence College. Cohen

writes, explaining the cultivation of the systemic hatred towards India:

While the education provided to officers is generally comparable to that of many Western military schools, its presentation of India remains defective. Indian strategic objectives are said to be fixed, rooted in communal attitudes and illusions of great-power status. The syllabus is often factually inaccurate, and instructors do not encourage debate or discussion on the subject. The analysis drives home one important point: Indian intentions are subject to rapid changes; hence the Pakistani military planner must focus only on the already substantial (and growing) Indian capability and not on the fluid nature of Indian intentions. Pakistan does have a security problem in relation to India, but the National Defence College offers its students a stereotyped, reductionist theory of Indian motives and strategy.⁵²

Army recruits imbibe the standard version of Pakistan's history and know no other. For them India is a 'Hindu' threat, abetted by the Christian and Zionist powers of the world, while Pakistan and its few allies (including the most un-Islamic China) stand as lonely defenders of a high ideal.⁵³ A perpetual indoctrination campaign led by the Army has made Kashmir a very important part of Pakistan's identity. As an expert on India–Pakistan relations writes:

Though Kashmir is a constant refrain in Pakistani strategic writing and Pakistanis argue that it is the only serious dispute that prevents normalization between the two states, this argument is disingenuous to the degree that Kashmir is also a very important component of Pakistani identity. The military, especially the army, also offers geo-strategic reasons for Kashmir's importance, although in the final analysis these could be dealt with if the two states ever wanted to reach an agreement.⁵⁴

The various confidence-building and arms-control proposals developed over the past 50 years are evidence that a practical solution to both states' strategic concerns is at hand, but the fundamental question is whether the Pakistan Army is even interested in a genuine *détente* that will reduce its own importance in the country.

The US Institute of Peace clearly states in a special report on the future of the India–Pakistan peace process:

The Pakistani Army is also a serious impediment to movement away from militancy in Kashmir. For all intents and purposes, the army dictates Pakistan's

foreign policy and is the single most important institution domestically. The centrality of the army in the Pakistani state casts doubt on the sincerity of Islamabad's intent to abandon its strategic use of proxy warfare in the near or distant future. The Pakistani Army gains legitimacy to interfere in the country's domestic affairs in part from the ongoing security competition with India over Kashmir, so the army has little incentive to resolve outstanding concerns with its principal adversary to the east.⁵⁵

A noted scholar of the Kashmir problem writes, 'Kashmir is central to Indo-Pak relations and to the identity of Pakistan and to a certain extent India's too. Survival and growth of Pakistan's military depends upon the conflict between two countries persisting.'⁵⁶ Cohen argues that to achieve a normal relationship with Pakistan, India must not only influence the former's public opinion, it must also change the institutionalized distrust of India found in the Pakistan Army, the prospects of which are very slim.⁵⁷

Therefore, the Pakistan Army, for the foreseeable future, will remain in charge of India policy. Fuelling distrust against India legitimizes the Army's dominance of Pakistan's political system. It is difficult to imagine Pakistan can move ahead on the road of rapprochement with India, on the lines of any model, as long as the Army continues in the driving seat. On the other hand, in the case of Sino-Indian rapprochement, there was no interest group as strong as the Pakistan Army that wanted hostilities to continue, or whose importance depended upon an existential threat from a neighbour. Proponents of the China Model conveniently forget that the trade-peace hypothesis worked in the case of India and China because there was no actor as strong as the Pakistan Army blocking the way.

The Pakistan Army as an Economic Actor

The fact that Pakistan's political relations with India remain hostage to the convenience of the Pakistan Army is rather well-known, and any peace proposal takes this into account. But research has only recently been emerging that exposes the Army's dominance of Pakistan's economy as well. Recent studies show Pakistan's Army

as an economic actor also. This has a direct bearing on the policy of adopting the China Model for India–Pakistan rapprochement. Since the Pakistan Army is the most important economic stakeholder in the country, its decision to open up trade with India does not rest solely on commercial logic, but on the assessment of how it will impact its own business interests. It is not enough if the decision to open up trade with India is in the larger interest of Pakistan's economy: it has to benefit Army Inc. also. In this context, the role of military business becomes extremely important in exploring the trade-peace hypothesis.

Conceptually speaking, surprisingly little research has been carried out into the role of the Armed Forces in private enterprises, despite it being common knowledge that military business exists in a wide range of countries, from the successor states of the Soviet Union to Asian, African, and Latin American countries. A recent book on this subject defines 'military business' as 'economic activities falling under the influence of armed forces, regardless of whether they are controlled by defence ministries, the various branches of armed forces, specific units or individual officers'.⁵⁸

Leading Pakistani researcher Ayesha Siddiq-Agha has exposed that Pakistan's military, long notorious for its stranglehold over politics, has as pervasive a presence in the country's business and commercial enterprises.

The military is the single largest player in the Pakistani economy today, active in a wide variety of commercial enterprises engaged in production of items ranging from breakfast cereal, sugar and cakes to cement, pharmaceuticals and fertilizers. The military's commercial empire, worth billions of dollars, includes a number of transport, construction, real estate, insurance and communication enterprises, steel and power plants, banks, an airline, an FM radio station, a pay-TV channel and hundreds of educational institutions. The core of the military's business empire is a group of four foundations—the Fauji Foundation, Army Welfare Trust, the Shaheen Foundation and the Bahria Foundation. Though, the four foundations were set up ostensibly for the welfare of retired military personnel, this role has since long taken a back seat. The growth and mode of operations of these foundations now indicate an urge at empire building and providing perks and privileges for senior officers.⁵⁹

Of the four, the Fauji Foundation is the oldest and the country's

largest business conglomerate. Indian defence analyst Rahul Bedi describes it as the 'jewel' in the Pakistani military's crown. Headed by a three-star general, it provides 'womb to tomb' benefits for nearly nine million retired military personnel and their dependants. These benefits include preferential hiring of ex-servicemen for jobs at the Fauji Foundation's wholly-owned companies and subsidiaries.⁶⁰

The Pakistani military operates both in the public and private sectors. In the public sector, it has the National Logistic Cell (NLC), the country's largest trucking and transportation service, and the Frontier Works Organization (FWO), a construction giant. The NLC is believed to be the Army's most profitable operation. Like the FWO, it is fully controlled by the Army General Headquarters. Established by former dictator Gen. Zia-ul Haq in 1978, the NLC's fleet of trucks played a vital role in transporting the Central Intelligence Agency's weapons into Afghanistan in the 1980s, and later in supplying the Taliban with food, fuel, and weapons.

Prime real estate is made available to defence housing authorities at throwaway prices.⁶¹ Irfan Hussain, a noted Pakistani columnist, writes:

In older, more law-abiding days, whenever the Army required state land, the government would transfer it to the Military Land and Cantonment Service with the explicit understanding that the land would revert to the government when the Army no longer needed it for the purpose for which it was transferred. Now, generals refer to this as 'Army land' that can be sold to their officers at a fraction of its commercial rate. It is absolutely right and proper for the government to help military and civil officers to have a house by the time they retire; it is scandalous that they should dabble in several choice pieces of real estate while in service.⁶²

Such pieces of prime real estate are distributed among military personnel at throwaway prices. It is among the many perks and privileges of being a part of the Pakistani military. The Army Welfare Trust, which is spearheading the attempt to appropriate and occupy A-grade agricultural land being tilled by around a million peasants in Okara, is facing fierce resistance. But the military is using severe repression and intimidation to quell the protest.⁶³ The military justifies its vast business empire as a contribution towards

national development. Facts indicate otherwise: public funds are being channelized into the generals' bank accounts. No wonder that, according to an estimate, '...by the time a full general retires, he is worth around Rs. 500 million, while a Lt.-general's net worth is in the region of Rs. 300 million'.⁶⁴

Siddiq-Agha writes:

The Pakistan military as a major stakeholder in the economy has gradually moved from the traditional paradigm of claiming [the] state's resources from the national budget to a situation where it has built stakes in all segments of the economy such as agriculture, service and manufacturing industries. The military has arrived at the point where its business today controls about 23 per cent assets of the corporate sector with two foundations, the Fauji Foundation and the Army Welfare Trust representing two of the largest conglomerates in the country.⁶⁵

Another Pakistani scholar, S. Akbar Zaidi, writes:

The political clout that the military has in Pakistan and the fact that it is more frequently a key part of the government itself, gives the military a dominating and overbearing advantage, which creates a very unfair, unequal, unlevel, playing field to its advantage. Because of the military's supremacy in Pakistan's political settlement and in the state, it has far greater power to influence economic decisions, both at a macro level related to the economy more generally, and also with regard to its own specific, micro level, interests.⁶⁶

While political reasons and interests are bad enough for militaries to interfere and intervene in a country's political process, when the military has substantial economic and financial interests and claims, it is less likely to give up control of the state or of its dominating position. Along with excessive allocations of the defence budget for its own interests—to which citizens of Pakistan have no right to information—the military can claim large resources for its own needs, specially when it is itself the government.⁶⁷

As Siddiq-Agha argues, the military's economic interests create:

...a vested interest that would discourage the armed forces from allowing democratic institutions to function', and since its economic empire has been constructed on the basis of the military's dominating political and institutional

power, further encouragement for the military to enhance its economic power would lead to it increasing its entrenchment in politics. This link between its political and economic role and interests runs the risk of creating an environment where the military finds it more beneficial to stay in politics.⁶⁸

This situation offers an interesting dilemma for the Pak Army's India policy. As Michael Krepon points out, 'Since Pak military is also in business, it must tread a fine line: A bad economy is bad for national security and the army. But the flourishing trade with India leads to normalization.'⁶⁹

One of the facets of Pakistan's political economy, and specially with regard to Pakistan's military, has been the military's growing corporatization, intervention, and involvement as an economic, rather than simply a political, actor. With the growth of Military Inc., one sees new vested interests and stakes being created by the military in the socio-political and economic structures of Pakistan. This is a unique situation when a military that dominates the political system is the sole arbiter of foreign policy and the most important economic actor as well has to decide whether it should open up trade with a neighbouring hegemon that will lead to the resolution of long-standing disputes, which will ultimately reduce its own legitimacy to control the polity, economy, and foreign policy. So far, the argument to open up trade has concentrated on the benefits that will accrue to Pakistan's ailing economy, but the clout and interests of Military Inc. clearly posit that Pakistan's decision to open up trade with India will not be decided on the merits it has for Pakistan's economy, but how it will impact the country's biggest economic stakeholder.

Applying Game Theory to India–Pakistan Trade

Proponents of the trade-peace hypothesis, specially from the Indian side, are unable to understand Pakistan's fear and insecurity that India might lure it into a trade dependence relationship and may use that dependence to extract political concessions at a later stage.⁷⁰ It is not the point whether India intends to do that or not, the question is, if Pakistanis *perceive* that the Indians' game plan is

to lure them into a trade dependence relationship, will they ever agree to the China Model? It would be very interesting to apply game theory to the India–Pakistan trade relationship and explore the question: How relevant are Pakistan’s fears that in the guise of the China Model, India is luring it into a trade dependence relationship? Again, it is immaterial whether India plans to do that or not. The attempt here is to concentrate on understanding Pakistan’s *perceptions*.

In the contentious liberalist-realist theoretical debate, Benson and Niou posit that it is no surprise, then, that researchers, specially liberals, should find correlations between trade and peace, because most observations in such empirical studies will include trading states which believe peace with their trade partner will continue to prevail.⁷¹ Alastair Smith has pointed out the inadequacy of conventional statistical tests to estimate strategic interactions because of the interdependence of variables, and the failure to consider counterfactual examples of unrealized opportunities.⁷² Most trade-peace studies are susceptible to this criticism, because decisions to trade and enter into conflict are interrelated, and failure to treat trade endogenously excludes non-trading states from consideration. The behaviour of non-trading states, however, is valuable if the interaction is strategic, and states have an incentive to use decisions to trade or not to trade as signals to secure political or economic objectives. That is, a rational, forward-looking state may choose not to trade if it worries about security concerns more than economic welfare, and perceives that its potential trade partner is also a political adversary and a potential security threat.

Hirschman argued that a state’s logic to enter into trade with another state may not rest upon commercial benefits alone. States may undertake trade for political motives as well. States may adopt strategic trade policies to foster economic interdependence of their adversary states. Their intention is to create such a commercial and business environment in which the target state would have extreme difficulty in adjusting or finding alternative markets if the trade relationship got disturbed. States may use such dependence to extract concessions on the political front.⁷³ Hirschman’s intuition

fits perfectly in the Indo-Pak relationship, as these are precisely Pakistan's fears. Hirschman's valuable insight underscores the significance of the interrelationship between political and economic factors in examples like the India–Pakistan case, for, 'contrary to the traditional liberal view, a state primarily motivated by its political objectives may use trade to coerce its trade partner and, depending upon the effectiveness of the coercer, the target state may make political concessions in order to sustain the trade relationship'.⁷⁴

The situation can be best understood by a simple two-player game that analyses the conditions under which states will likely trade and enter into a conflict with each other. This model considers trade endogenously, and the trade-peace interaction strategically, because states' decisions to trade are a function, not only of their own utility, but also of their perception of the likelihood that their prospective trade partner will initiate a conflict, and decisions to initiate a conflict depend, not only on utility calculations, but also upon states' perceptions of the likelihood that the target will concede. The proposed model builds on the intuition offered by Albert Hirschman, which suggests that political as well as economic considerations enter into states' decisions to trade and coerce, and include the realistic assumptions that players' resolve may range from strong preferences for economic gains to strong preferences for political gains, and states are unlikely to know the level of their trade partner's political resolve.⁷⁵

Let's clarify the basic assumptions first. Game theory is a branch of applied mathematics that studies strategic situations where players choose different actions in an attempt to maximize their returns. First developed as a tool for understanding economic behaviour, game theory is now used in many diverse academic fields, ranging from biology to philosophy. Game theory studies decisions that are made in an environment where various players interact. In other words, game theory studies choice of optimal behaviour when costs and benefits of each option are not fixed, but depend upon the choices of other individuals.⁷⁶ The game theoretic model assumes that each player is trying to maximize his gain or minimize his loss, in the knowledge that other players are doing the same.⁷⁷

There are three basic assumptions about a player's preferences: completeness, fixed preferences, and transitivity.⁷⁸ *Completeness* means that the player prefers one outcome over another or be indifferent to either; *fixed preferences* assume that the player's preferences over a set of outcomes do not change; and *transitivity* implies there are coherence and consistency in the player's choices.⁷⁹

The Game

Benson and Niou have applied game theory to understand the probable political consequences of trade relations between China and Taiwan. The following portion is derived from the moves developed by them. The difference between China-Taiwan and India-Pakistan case is that between China and Taiwan, heavy economic integration already exists. A general trade-conflict interaction consists of a series of moves in which both states choose whether to trade and enter into a conflict with the other player.⁸⁰ If both players choose not to trade, then the game ends, because neither player can exploit the trade relationship for political gain. The interaction in question then focuses on cases in which at least one player chooses to trade. To simplify, let's substitute general players with Pakistan and India and reduce the interaction sequence to include an opening move by player 1 (in this case Pakistan) to liberalize or restrict trade, followed by a move by player 2 (or India) which already welcomes trade, and, if given a move, faces a decision whether or not to exploit the trade relationship and coerce Pakistan. If Pakistan chooses to leave existing trade regulations in place, then the status quo will persist. However, if Pakistan decides to liberalize trade with India, New Delhi is then in a position to begin to try to extract concessions from Islamabad. Peaceful economic integration occurs until India decides to coerce Pakistan, at which time Pakistan must decide if it will comply with India's threat to prevent an interruption in trade, or if it will instead try to protect its security interests by refusing to comply. If Pakistan complies, then it loses the value of the political concession but maintains its economic gains. If Pakistan refuses to comply, then India must decide whether or not it will carry through

with the threat and punish Pakistan. If not, then India and Pakistan continue to trade. If, however, India punishes Pakistan, then trade is interrupted and both suffer opportunity costs to lost trade. The sequence of moves in this interaction is as follows.

Pakistan: Liberalize Trade/Restrict Trade

India: Coerce/Not Coerce

Pakistan: Comply/Not Comply

India: Punish/Not Punish

There are five possible outcomes of this game:

- 1) O1: Status quo
- 2) O2: Pakistan liberalizes trade, India does not coerce
- 3) O3: Pakistan liberalizes trade, India coerces, and Pakistan complies
- 4) O4: Pakistan liberalizes trade, India coerces, Pakistan does not comply, and India does not punish Pakistan
- 5) O5: Pakistan liberalizes trade, India coerces, Pakistan does not comply, and India punishes Pakistan

Pakistan's and India's preferences over these outcomes vary depending upon each of their types. A player is economics-first if it prefers economic welfare gains to securing its political objectives. On the other hand, a player is politics-first if it is willing to sacrifice gains from trade for its political goals. Regardless of its type, it is assumed that Pakistan most prefers to obtain both its economic and politics goals. Thus, Pakistan's first choice is to have gains from trade and peace with India (although a politics-first Pakistan prefers peace as a result of having India back down from its threat (O4), while an economics-first Pakistan would prefer not to be coerced by India in the first place (O2). The major difference between an economics- and politics-first Pakistan is how each responds to an anticipated conflict with India. An economics-first Pakistan prefers to concede when coerced rather than restrict trade and lose gains from trade (O3). This, however, is a politics-first Pakistan's least

preferred outcome, for, *if it perceives that it is likely to be coerced by India, it would rather restrict trade (O1) than have a politics-first India coerce and then punish it (O5)*, but it would prefer to fight and lose on the political issue (O5) than to acquiesce willingly when coerced (O3).

India's preferences over the game's possible outcomes also depend upon its type. It is assumed that regardless of its type, India, like Pakistan, most prefers to have both economic and political gains. *Thus, India's top choice is to trade with Pakistan while Pakistan concedes on the political issue (O3)*. The major difference between a politics- and economics-first India is how each responds when Pakistan does not back down when coerced. Under these circumstances, a politics-first India prefers to escalate a conflict (O5) to not coercing Pakistan at all in the first place (O2). An economics-first India, on the other hand, least prefers full conflict (O5) because it would rather secure gains from trade and peace, even if it has to back down from its threat (O4). A politics-first India least prefers this outcome (O4) because gains from trade come at too high a political cost.

So, a politics-first India will always coerce and then punish if given the chance, but an economics-first India will never punish if Pakistan refuses to comply. A politics-first Pakistan will not comply if coerced, but an economics-first Pakistan will comply.

To conclude, it can be argued that the problem with the China Model enthusiasts is that they want Pakistan to be an economics-first player, while Pakistan believes India is politics-first player, and as the saying goes, the twain shall never meet. Again, it is a hypothetical scenario. It has only been used here to demonstrate why Pakistan eyes the idea of putting the Kashmir dispute on the back-burner and moving ahead on the trade front, with extreme suspicion. From this perspective, Pakistan fears that India may be enticing it into a relationship of economic dependence to extract political concessions on Kashmir later, seem logical. In this light, it is easier to understand Pakistan's insecurities regarding the China Model. India's radical ideas, like the proposal of a common currency union,⁸¹ fuel these insecurities further.

Through the Looking Glass: The Negative Impact of the Media on Indo-Pak Relations

Leaving the border issue on the back-burner and concentrating on the economic relationship worked in the case of India and China partly because the idea was supported by the Indian media. The Chinese liberalization programme is touted by Indian TV channels and newspapers as the role model India should emulate, the reason being that the Indian media themselves have been the biggest beneficiary of the policy of economic reforms. Advertising from domestic and transnational companies has changed the face of the Indian media industry.⁸² Even the Chinese realize that their country is getting exceptionally good coverage in the Indian media.⁸³ Qui Yonghui, Secretary General of the Chinese Association for South Asian Studies, writes:

I can therefore easily add more examples of balanced reports concerning China from the Indian side. In *The Hindu* (a popular Indian newspaper) alone, only recently in May 2006, in their reports both Pallavi Aiyar and Harish Khare have commented on almost all aspects of the leading developing country in the world.... It's really a wonderful experience having seen these two Indian journalists covering lots of interesting topics. As far as I am concerned, such Indian newspaper reports have undoubtedly enriched my discovery of India.⁸⁴

The Chinese themselves give due credit to the Indian media for playing a positive role in increasing mutual understanding between the two countries.⁸⁵ The role of the media may not have been the causal factor behind the success of Sino-Indian rapprochement, but it certainly made the process less painful and politically more palatable.

But Indian newspapers, TV channels and the entertainment media have largely played a negative role in shaping Indo-Pak relations. The newspapers driven by circulation figures and TV channels by Television Rating Points have opted for sensational reporting instead of deeper and insightful analysis of India–Pakistan relations. Reporting about Pakistan varies from one extreme to the other. Either the Pakistanis are demonized, or the romantic and

wishful vision of India–Pakistan brotherhood colours the reporting. On one extreme, the stories have to be about Pakistan's support to cross-border terrorism, the fate of women in a male-dominated society, the sorry state of minorities in the Islamic country; on the other extreme, about the shared culture of India and Pakistan, longing relatives separated by the artificial borders created by devious politicians, and momentary goodwill generated by cricket.

In 1998, Indian TV channels did their best to garner public support for the atomic explosions. During the Kargil war, analysts agreed that credit for the wave of jingoism that swept India should go to the hyper-patriotic coverage of TV channels. During the hijacking of an Indian Airlines plane in 2000, it was said that the emotional appeals of the relatives of the passengers broadcast by TV channels were responsible for pressurizing the Indian government to decide in favour of releasing the terrorists. On the other extreme, when President Musharraf visited India for the Agra Summit in 2001, the media went into a frenzy of bonhomie. The hype and high expectations created by the media were responsible for generating colossal disappointment and extreme ill-will when the summit did not result in a joint announcement.⁸⁶ The media also created popular support for the momentum to sustain the long Army mobilization in 2001–2 after the attack on the Indian Parliament.

An Indian columnist rightly remarks:

An event-driven media on both sides of the border does its job by reporting only the most sensational news. As a result, it fails to play a role in building greater understanding and nurturing a constituency for peace in both countries. By confining itself to reporting events, and not bothering to report a whole range of other issues that would interest the readers, it projects a partial and one-sided image of the other country. We, in India, are led to believe that Pakistanis hate India, that they want to wage war against India—openly or covertly—and that increasingly, the majority of them are Islamic fundamentalists. They, in Pakistan, believe that India is becoming a Hindu fundamentalist country where Muslims are not safe, where Kashmiris are being butchered, where the press cannot report freely about the other side of the story in Kashmir or about what Indian Muslims feel, and where the majority of Indians would like to see an end to Pakistan.⁸⁷

The Indian entertainment media have probably done worse than

the news media. Indian movies are extremely popular in Pakistan. It disturbs the Pakistani establishment no end that Indian movies spew so much venom against Pakistan. President Musharraf himself complains:

But let me also say that the war movies and the Kashmir movies that you produce are not held in good stead here at all because I think you make, I don't want to be very blunt, I don't think you are realistic at all. I think you try to portray or try to make, to try [to] ridicule our forces, which is not at all held in good stead here and...you do it in many of your movies. I haven't seen many. I did see one. I don't want to name it because there was so much talk about it and I found it to be absolutely absurd. I know, I think they are quite ridiculous when you come to [it], because they are most unrealistic. They are absolutely unrealistic. I think there should be some balance in portrayal.⁸⁸

Since the mid-1990s, Pakistan has become the favourite whipping boy of Bollywood [the film industry of Bombay/Mumbai] filmmakers.

According to Shukla, at least 25 movies have been released so far that have had extreme anti-Pakistani content. There are certain recurring themes in the genre, and it is worthwhile summing them up, to get one whole idea of what these images are. The key ideas are as follows:

- 1) People who lived in India before the Partition of 1947 suffer discrimination in Pakistan today.
- 2) Kashmiris prefer just rule by democratic India rather than tyrannical rule by Pakistan.
- 3) Indian government and army officials are compassionate, quite unlike in Pakistan.
- 4) The primary reason why Pakistan has problems with India is because of having being defeated in every single war, especially the humiliating defeat in 1971.
- 5) Pakistanis want to wrest Kashmir from India so as to avenge the break up of Bangladesh.
- 6) The Pakistan Army is misguiding Indian youth through lies and treachery.
- 7) India treats its minorities well and with respect, a fact that Pakistanis do not accept.⁸⁹

An important point that one needs to notice is that no film ever relates or links Hindu-Muslim relations with Indo-Pak relations. Muslims are an integral part of India, a theme reasserted in more or less every film, perhaps keeping the tradition of promotion of national and communal integration alive, because, in real-life politics in India, these two issues do often get mixed. Almost all the films have portrayed Pakistan as an adversary. The extent to which animosities exist varies. While some films distinguish between the motives of the Army, the government, and civilians in Pakistan, others view them as a combined adversarial force. Also, in none of the films, except perhaps *Mission Kashmir*, is there any reference to follies that might have been committed by the Indian Army or state. (In this film, the police kill some of the innocent, but justify it as a mistake, because it was impossible to distinguish between the innocent and the terrorists.) The Indians are portrayed as good, humane, patriotic, peace-loving, etc., although there are a few rotten apples (the traitors), whom the film's protagonists, as always, defeat. Thus, the Indians have almost always had an embellished image compared to that of the Pakistanis. Table 3.1 summarizes the dominant ideas of Pakistan that are being projected vis-à-vis India.⁹⁰

TABLE 3.1 BOLLYWOOD'S PORTRAYAL OF INDIA AND PAKISTAN

<i>India</i>	<i>Pakistan</i>
Secular	Fundamentalist
Peace-loving	Terrorism-promoter
Responsible	Irresponsible
Considerate	Impatient
Tolerant	Impulsive
Calm	Tactless

The popularity of Indian TV channels and Hindi movies has been cause of serious concern in Pakistan. Although screening of Hindi movies is banned in Pakistan, every one of the latest releases in India is available via pirated CDs. Lately, India has been recognizing the advantages of its soft power over its neighbours. As an Indian journalist

writes, suggesting that the state should use soft power to influence neighbours:

Bollywood films, TV programmes seen across the border, the free press, the frequent contacts between artistes, academics, businessmen and professionals project values of freedom of belief and expression, of social mobility, of women's advancement, more recently of economic progress. Much of this traffic in ideas and values is one way, from India to its neighbours. And this is so even though, as a country, we are far from popular in our neighbourhood. This is soft power, co-opting the neighbours into looking at their life chances in the way in which we look at them. This power, subtle and undirected, does more to shape our relations than the formidable military superiority that we wield. ...TV news channels are crucial as the early visual impressions that they imprint shape at least the initial presumption in people's mind. ...The second track is the mass entertainment media. Here India has a great asset in the popularity of Bollywood films not just in our immediate neighbourhood but much further afield. Nothing much needs to be done except a greater recognition in official circles of the huge asset that this is in the exercise of soft power.⁹¹

Contrast this stance with the frequent strikes by cable TV operators in Pakistan on the banning of Indian entertainment channels and it becomes easier to understand why Pakistan feels increasingly insecure about India's burgeoning soft power.⁹² The irony is that cinema and TV are such powerful media that they could really have become vehicles of peace and emerged as potent CBMs. But the lure of profits has led the Indian media to either demonize or patronize Pakistan, instead of deeper analysis of Indo-Pak relations.

This analysis has been mostly restricted to Indian newspapers, TV, and movies. The basic argument here is that in the case of China, the Indian media, driven by advertising revenue, favoured economic liberalization and portrayed China as a role model to emulate, thus facilitating adoption of the China Model. In the case of Pakistan, the situation is reversed. Pakistan is either demonized, or the paternalistic themes of shared culture and history make rational analysis of the situation impossible. The Indian media did not have any influence in China, but Indian TV channels and movies are remarkably popular in Pakistan. Consequently, on the one hand, negative portrayal of Pakistan influences the perception of Indian

viewers; on the other, it creates suspicion in the minds of Pakistani viewers, eliminating chances of rational thinking on both sides.

Opposition of the Business Lobby in Pakistan

Pakistani businessmen always make the right noises about being competitive in seminars and interaction with the media (specially when they visit India), but the truth is that there is widespread trepidation that opening up trade with India will lead to downsizing of Pakistani industry. If one digs deeper, the fears of the Pakistani business community become obvious. The counter-argument is that Pakistan has free trade with China, but cheap Chinese goods are still not killing Pakistani manufacturing. The reason is that, so far, Chinese goods have been driving smuggled Indian products out of the market. And imports from China *are* having an impact on Pakistani domestic industry. A recent World Bank report has suggested that there is an immediate need to conduct an independent study for understanding the impact of cheap Chinese imports on the Pakistani market.⁹³ Above all, for Pakistan, trade with China and with India are not comparable, because if cheap Indian goods flood the Pakistani market, it becomes more of a political question than an economic one. In the case of China, it is just an economic problem without any political undertones.

India possesses a distinct superiority over Pakistan in terms of industrial size, diversity, and competitiveness—a fact that Pakistani opponents of trade liberalization vis-à-vis India assert may have calamitous consequences for Pakistani industry when bilateral tariff/non-tariff barriers are dismantled. The roots of this disparity are also historical. India inherited a strong industrial foundation from Britain that—coupled with its established banking system, substantial resource base, and its policy of vigorously pursuing industrialization through indigenous efforts and through indigenization of import technologies—has enabled it to evolve a large, diversified, and fairly sophisticated manufacturing base capable of producing a broad spectrum of goods for domestic consumption and export. In contrast, Pakistan inherited a small, predominantly cotton-based

industrial sector, and a virtually non-existent banking sector. In 1945, British India had 14,677 industrial units, of which 1,414 units whose cumulative share in industrial production was 5 per cent were located in territory now comprising Pakistan. Though Pakistan's industrialization efforts since Independence have yielded impressive results, its industrial prowess lags much behind India.⁹⁴

A Stimson Center report warns that five observations relating to industrial production assume immense significance in the free trade envisaged between the two countries. The cost of industrial production is considerably lower in India than in Pakistan. India's raw material and industrial base is comparatively larger and more diversified. Indian industries can procure most of their requisite production inputs from cheap domestic sources, unlike Pakistani industries that rely to a larger extent on more expensive imported inputs. Second, wage levels, the costs of industrial utilities (gas, electricity, telephone) and bank lending rates (which determine the cost of capital) are comparatively lower in India. Third, the Indian government accords domestic industries and exporters comparatively superior fiscal incentives and institutional assistance. Fourth, India's huge domestic market is more conducive for economies of scale.⁹⁵ Finally, Indian and Pakistani inflation rates are quite disparate, and this disparity is increasing in India's favour.⁹⁶ Owing to these factors, influential Pakistani lobbies have expressed concerns that Indian goods may 'swamp' Pakistan's markets as trade barriers are dismantled. There are also apprehensions that India may eventually transform Pakistan into its extended domestic market, paving the way for India's economic domination and the political hegemonization of Pakistan.⁹⁷

Pharmaceuticals and automobiles, two of the biggest and politically most powerful sectors, will suffer the most if trade is freed with India. Auto-assemblers thrive on import of semi-knocked-down kits of two-wheelers and four-wheelers and have been making billions in profits for the last many years simply on premium money and fear that import of better-quality and lower-priced Indian automobiles will deprive them of easy money.⁹⁸ Auto spares (like radiators) from India are almost 10 per cent cheaper

than Pakistani varieties. Although 10 per cent is not a big margin, but due to Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM), Indian products are far better, quality-wise.⁹⁹ The Indian pharmaceutical industry is mostly based on local raw material and supposed to be substantially cheaper than Pakistan's, which is more of a packaging industry as it depends to a great extent on imports.¹⁰⁰

A letter from a reader in a Pakistani newspaper captures the concerns of the business community succinctly. He writes:

Let us take just one example of the automobile industry in the two countries. A Suzuki 800cc car retails for about Rs. 300,000 in Pakistan. In India the price is about Indian Rs. 210,000 or about Pakistani Rs. 260,000. This 15 per cent difference is common to all car brands and cannot be attributed to either super-profits or inefficiency of the Pakistani car manufacturers. It is the result of the subsidies available to the Indian manufacturers and to some extent their economies of scale. Imported Indian cars will literally drive the four local car manufacturers out of business together with the over 100 downstream vendors/suppliers. Tens of thousands of people will be laid off and billions of rupees in tax and other revenue collection will be lost. These losses will hardly be offset by the extra duty collection of the government on the imports. It is no wonder that the Indian government and the Indian business community are so keen on trade with Pakistan. The official trade between the two countries is currently about \$200 million, but Amit Mitra, Secretary-General of FICCI, predicts that the figure could rise to as much as \$4 billion annually. The fact of the matter is that Pakistan would be buying a host of high value-added items from India like cars, medicines, chemicals, steel and machinery, while it would export low value-added items and raw material like dried fruits, spices, salt, sugar, etc. The argument of cheaper goods available to the consumers is not valid. The high value-added products would sell for slightly less than their Pakistani counterparts, but the market for these products is only a very small upper class while the rest of the nation would suffer as we totally destroy our manufacturing and industry base.¹⁰¹

All the data quoted in the letter may or may not be correct. But it does show the widespread concern in Pakistan about freeing trade with India.

A big Pakistani worry seems to be the danger that India might subsidize its goods deliberately to kill Pakistani manufacturing. There is a concern that small industries in Pakistan will face extinction if trade is opened up with India without giving adequate protection

to the small industrial sector. Whereas a whole range of Indian consumer goods like soaps, detergents, toothpastes, perfumes, spices, etc., will become cheaper in Pakistan, this would cost the nation both in terms of loss of foreign exchange and closing down a whole range of industries.¹⁰² An analyst writes, ‘Nobody cares to mention the danger of the Indians surreptitiously subsidizing their goods so as to make them even cheaper, to making our masses completely dependent on their products...by giving their factories business, we will in effect be subsidizing their war effort against us.’¹⁰³

In the past, Pakistan has also accused India of adopting unfair trade practices. Pakistan never granted India Most Favoured Nation (MFN) status, although India granted it to Pakistan way back in the 1990s. India kept on complaining that in spite of its unilateral benevolence, Pakistan is not keen on business. But Indian policy makers did not try to understand the concerns of Pakistan with any perspicacity. An analyst, defending the Pakistani position, writes:

Granting MFN status to India was not fair for Pakistani industry and highly favourable to Indian industry. MFN implies that you extend the same trading mechanism to the new trading country, which you are extending to other existing trading partner countries. Thus if country A is manufacturing 4 items and country B is manufacturing 3 items, both should be allowed to export freely to each other’s market[s]. However, if country A tells country B that you can only sell me 1 item as [the] other 2 items are on [the] restricted list as per country A’s economic policy, country B will be at [a] disadvantage and it would not be fair trade. This was exactly the situation between India and Pakistan. The problem was that [the] Pakistani economy was an open economy as compared to [the] Indian economy, and had little restricted list (*sic*) as compared to Indian restricted import list items. Thus what import restrictions had been placed by the Indians to other countries for items such as automobiles and air-conditioning, those restrictions were to be exercised on Pakistan as well, thus restricting Pakistani exports to India. India was happy with that and conferred MFN status on Pakistan. On the contrary Pakistan being an open economy had no such restrictions, thus would have left its market open for Indian manufacturers to export to Pakistan whatever they were manufacturing. The Pakistani government was not happy as it would open its doors in full for Indian exports and still [be] unable to get for its own exporters the Indian market due to Indian policies of restricted imports—naturally, the government was reluctant to grant India MFN status.¹⁰⁴

The immediate gainer of free trade will be Indian industry, and this will create definite resentment in Pakistan. Demagogic fundamentalists and politicians will use this situation to fan anti-India fires. As a result, opening up trade might result in exacerbating tensions instead of building peace and mitigating the trust deficit. According to the Stimson Center report, the disparity inherited during the time of Partition has defined the stage of industrial development in both countries, specially in the capital goods sector, where India has attained virtual self-sufficiency. India is self-reliant in the production of components and equipment for power generation, construction, mining, textiles, and in the production of automobiles, consumer electrical appliances, chemicals, and pharmaceuticals. India has an obvious advantage in the industrial production sector compared to Pakistan. Due to the largeness of its market and the size of its industrial sector, India's aggregate surplus capacities across virtually the entire gamut of manufactured goods are immensely larger than corresponding Pakistani capacities. Unless this is corrected, it would be difficult to talk of a free trade area because it would create resentment in Pakistan, thereby furthering political hurdles, coupled with domestic resentment.¹⁰⁵

Both Indian and Pakistani industry can gain from their large surplus capabilities, the potential for which already exists. Indian industry can cater to any Pakistani demand level: small, medium, or large. Pakistani goods, due to the constraint in production base, would not be able to cater to medium and large levels. Rather, they would be confined to the small level. To raise their potential for production, Pakistani industries need to invest in expansion. The problem is that the Pakistani banking system would not be able to provide such large credit in the short term due to paucity of funds. [The] Report warns further, whereas Pakistani industries cannot fully and cheaply capitalize on India's vast market, Indian industries would derive immediate and substantial benefits from the Pakistani market. If these scenarios exist for a long time, it will create resentment against the government policy in Pakistan. India would be an attractive destination for direct foreign investment due to its robust industrial base, skilled workforce, abundant industrial raw

materials, cheaper industrial production costs, larger capital market and its huge domestic market. This gravitation of investment to India would presumably enlarge India's trade surplus with Pakistan and concurrently enlarge its comparative industrial edge...India's economic development and modernization would thus be provided at Pakistan's expense.¹⁰⁶

Pakistani columnist Irfan Hussain also feels that:

Pakistani manufacturers will be at a disadvantage as their Indian competitors will benefit from economies of scale as they already serve a huge market. In the capital goods sector, India will be at a considerable advantage as over the years, Pakistan has tended to import heavy machinery rather than manufacturing it locally.¹⁰⁷

India's advantages in science and technology, wide production base and capacity, lower labour costs and subsidies make Pakistani businessmen insecure. They do feel that free trade with India is in the long-term interests of Pakistan, but for the short term, most of them are rather jittery. Peace activist and nuclear physicist Pervez Hoodbhoy correctly remarks, 'Pakistan is a far less secure state than China. There is a feeling that it will become a satellite of India, if the doors of trade are opened too wide. Therefore trade is likely to be limited in future, although, hopefully it can grow substantially beyond the current size.'¹⁰⁸ A former Pakistani secretary general of economic affairs lists the disadvantages of trade with India as follows.

1. India is more advanced and diversified with large exports in a wide range of products.
2. India is not averse to using unfair tactics to damage our exports.
3. India has lower labor costs, larger market and economics of scale.
4. India gives subsidies to agriculture, hence trade [is] not on equal footing.
5. India has price advantage in textiles, and we may see [a] surge of imports, leading to loss of protection for manufactured goods.¹⁰⁹

Although enthusiasts of the China Model refuse to accept the above-mentioned reasons, these concerns are well-understood in some Indian quarters. An Indian business journalist, warning against free trade, writes:

For the sake of argument, let's assume that Pakistan frees Indian imports and allows them to pour in unimpeded. What happens if cheap Indian goods start putting Pakistani manufacturers out of business in various segments? How long do you think it will be before someone starts alleging an Indian conspiracy to subvert Pakistan economically? From there to riots against Indian businesses active in Pakistan—and their local partners—is a short step. There is a history of mistrust between the two countries, and people on both sides easily believe the worst about each other. This could easily be exploited by mischievous elements, and would set the fragile peace process even further back. In Nepal, every expression of unrest inevitably sees Indian establishments being targeted. Are you willing to bet the same wouldn't happen in Pakistan?¹¹⁰

Pakistan's narrow export base is another cause of worry. So far, the balance of informal and formal trade has always been in India's favour, fuelling Pakistani insecurities further. According to Akhtar Mahmood, former federal secretary, while India had acceded MFN status to Pakistan, Pakistan was still conducting its trade with India on the basis of a tightly-controlled positive list of tradable products. Notwithstanding this asymmetry in the trade regime of the two countries, it was depressing to see that Pakistan had not yet made much headway in its exports to India. The fact of the matter was that Pakistan's exports to India rarely exceeded one-fourth of Indian exports to Pakistan. Some of the reasons for this lacklustre performance of Pakistan were fairly clear: India's higher barriers to trade internationally and within its own boundaries was one of the reasons, but the really important—rather, basic—reason for worry was that Pakistan had a very narrow export base both for goods and for services. There was no doubt that if its private and public sectors really wanted it, Pakistan could overcome this structural imbalance, but it was equally true that for Pakistan, catching up with Indian capital-intensive and knowledge-based industries and services would take time and good governance.¹¹¹ Due to these reasons, Pakistan has continued to insist that even after ratifying SAFTA, it will not

allow import of items from India other than the 773 permitted under the Positive List for bilateral trade. Though India has pointed out that the Positive List approach is the biggest obstacle in Indo-Pak trade relations, Pakistan has repeatedly said that those products which are not included in it would not be allowed to be imported under SAFTA.¹¹²

China Model enthusiasts invariably point out how two countries come to each other's rescue when the price of any commodity like onion or sugar increases in one country due to shortfall in production. The other country exports that commodity immediately and prices come under control. Prices of these commodities have political ramifications also: onion is said to be the most politically sensitive food commodity of India. Elections have been lost due to dramatic increase in its price. At the time of hike of price of any commodity, the government announces with fanfare that import of the particular commodity will be done from a neighbouring country. The question is: what happens later? Mostly, traders of the supplying country try to take the advantage of the situation and quote prices at par with those of the importing country, and the transaction fails to have the intended impact. An interesting test case is sugar trade in late 2005 between the two countries. Pakistan was suffering from sugar shortfall of one million tonnes as the demand was 4 MT against supply of 3 MT. In September 2005, the government included sugar, vegetables, meat, and fruits in the India–Pakistan Positive List of trade. But data show that till January 2006, there were no significant imports from India, in spite of the fact that the prices of sugar and other commodities kept on rising in Pakistan. According to a *Daily Times* report, '...slow progress on Kashmir and high prices demanded by Indian exporters were [the] main causes behind this'.¹¹³ Indian exporters deliberately quoted high prices to take advantage of the situation. Rana Ayub, secretary of the Lahore Sugar Dealer's Association, said:

Indian exporters are selling us inferior quality sugar at a high price because we are an easy market for them. The consumer is getting high quality sugar at less than Rs. 25 in their own country, but after setting the price at the international market rate and then adding freight and duty costs, the sugar costs Rs. 32

in Pakistan, which is the same price that Pakistani sugar fetches in the local market.¹¹⁴

Asif Shah, Federal Commerce Secretary, remarked on this problem: 'India–Pakistan trade has to be looked at from [the] overall perspective and progress in composite dialogue is a vital factor in this equation.'¹¹⁵ This demolishes the much-touted goodwill argument that, in spite of political differences, two countries help each other in time of crisis.

The current heavy trade imbalance creates the fear that with SAFTA coming into effect, cheap Indian goods will flood Pakistani markets. Pakistan would have to abandon its Positive List approach and allow trade virtually across the board. Pakistan's trade deficit would increase, Pakistan's trade financing problems might become more acute, and its terms of trade might become worse as a result of asymmetry in the productive structure of the two countries. Voicing the concerns of the Pakistani business community, Agha Shahi, President, Islamabad Council of World Affairs, stated in a conference organized on India–Pakistan trade:

There is much euphoria over the CBMs between the two countries, and growing pressure for de-linking trade with India from political and other disputes such as Kashmir and Baglihar. India is a giant economy and its large corporations could, through free trade and investment, gain control of the commanding heights of our economy, reducing their Pakistani business counterparts to junior partnerships. India has been putting forward radical ideas such as a common currency, economic union and even confederation with Pakistan. Where this denouement of a new economic relationship in which India will be the dominant partner will end, is uncertain. It could well undermine the autonomy of our economy given the greater competitive advantages over Pakistan that India enjoys.¹¹⁶

It is safe to argue that in the event of free trade between Indian and Pakistan as envisaged by China Model enthusiasts, India will be the immediate gainer in light of its strong manufacturing base, progressive banking system, and prowess in the field of IT. This can destabilize the already-skewed balance of trade even further and could lead to extreme resentment in Pakistan, thus aggravating the existing problems. There was a disparity in the size of industrial

production and manufacturing capacity between India and China also, but the differences were never this stark. Thus the peace-through-trade model that worked in the case of India and China may make Pakistan even more insecure and hostile vis-à-vis India.

Hindu-Muslim Dimension

Islam and Hinduism...are not religions in the strict sense of the word, but are in fact different and distinct social orders.... [T]hey belong to two different civilizations which are based mainly on conflicting ideas and conceptions.... They have different epics, [and] their heroes are different.... Very often, the hero of one is the foe of the other and likewise their victories and defeats overlap.

—Jinnah, Lahore Declaration of 1940¹¹⁷

It is understandable that most trade-peace enthusiasts believe that the Hindu-Muslim problem has nothing to do with India–Pakistan relations, but the facts indicate otherwise. Rapprochement with China was far easier for India because there was no communal issue involved. It was only a question of territory, uncomplicated by religious fervour. As a matter of fact, the Kashmir problem is itself the direct result of the Hindu-Muslim gulf. Pakistan’s claim to Kashmir rests on the logic that it has to wrest Muslim Kashmir from Hindu India. Militant groups believe that Kashmir is ‘the unfinished business of Partition’, which itself was a result of communal hatred. The two-nation theory and the very genesis of Pakistan was premised on the doctrine that the Muslims had to separate from India, for they could not expect fair play and justice in an independent India where the Hindus would constitute a majority. They had to build a political roof over their cultural heads and take full control of their destinies.¹¹⁸ As Michael Brecher pointed out, Kashmir symbolized the root conflict between India and Pakistan and was ‘...the final test of validity of the two-nation theory, the basis of Pakistan which rent the subcontinent asunder in 1947’.¹¹⁹

To India, committed as it has been to a secular, democratic state, possession of Kashmir is virtual demonstration of the fact that Muslims and Hindus can live together peacefully. To Pakistan,

possession of Kashmir, with its overwhelming Muslim population, is vital as the fulfilment of the ideal upon which Pakistan rests—a national home and a nation state for the Muslims of the subcontinent.¹²⁰

The birth of Bangladesh in 1971 delivered a body blow to the very concept and *raison d'être* of Pakistan. Pakistan has used religion and anti-Indian rhetoric to define its nationhood. In the case of Kashmir, religion and anti-Indian rhetoric have got mixed up to create a dangerous cocktail of militancy that is now turning out to be a Frankenstein, threatening the stability of Pakistan itself. Pakistan is a nation in perpetual struggle for search of its identity, as its people are increasingly alienated due to the political machinations of the oligarchic power structure of the Pakistani state. Successive regimes in Pakistan, which lacked legitimacy and popular mandate, tried to overcome and externalize their internal contradictions by appealing to the masses about the 'unfulfilled mission' in Kashmir.¹²¹

A Stimson Center report says:

The climate of mutual distrust and suspicion between India and Pakistan—a legacy of centuries old Hindu-Muslim enmity prevailing in the Indian subcontinent—is the largest practical hurdle to the expansion of trade and economic ties.... Reactionary and chauvinistic political forces in both states, notably the Hindu fundamentalists in India and Pakistan's Islamic fundamentalist parties, have also contributed to the mutual distrust and hostility, a climate reinforced by biased and irresponsible reporting in print and electronic media.¹²²

An expert of India-Pak relations explains how the Kashmir problem was exacerbated by communal passions.

But there was a darker cloud which had been gathering on the horizon since the OPEC oil price coup of 1973. The massive rise in oil prices brought untold wealth to Saudi Arabia—the home of the virulent Islam of the Wahabis. They began spending part of their new found wealth on promoting their version of Islam. A fundamentalist Islamic group, the Jamat-i-Islami was able to set up about 600 madrassas (religious schools) in Kashmir with the help of Saudi and Gulf money. These new institutions were staffed with trained cadres of the Jamat from UP and Bihar, whose goal was to produce a new generation of Kashmir Muslims who would forsake the more tolerant version of their forefathers' religion and minimize attachment to a Kashmir identity. Sure of the success of his efforts, the Amir of the Jamat-i-Islami of Kashmir told an Indian

journalist in 1973: 'We will produce a generation of New Muslims in Kashmir in fifteen years.' And they did.¹²³

Interestingly, Pakistan's strategic thought has also been deeply influenced by religious assumption. The most glaring and astonishingly irrational example of this fact is influence of 'cultural discounting' in Pakistan's decision making. The phenomenon of cultural discounting subscribes to the belief that the adversary is culturally inferior, and, therefore, can be defeated despite his real quantitative advantage. That Pakistan's military has taken decisions based on such assumptions has been convincingly demonstrated. One example of a similar analysis from Pakistan demonstrates this point. In his article 'Four Wars and One Assumption', former Pakistani cabinet minister, biographer, and columnist Altaf Gauhar wrote that Pakistan's four wars with India, including the one in Kargil, were 'conceived and launched on one assumption: that the Indians are too cowardly and ill-organized to offer any effective military response'.¹²⁴ Gauhar further writes:

Ayub Khan genuinely believed that, as a general rule Hindu morale would not stand more than a couple of hard blows at the right time and place...but for the assumption that the Indians would offer no military response to Pakistan's military offensive, the 1965 war would never have taken place, and the 1971 operation against East Pakistan would have been so planned as not to provoke India.¹²⁵

The Pakistan Army has openly explored its Islamic heritage in search of strategic guidance. Cohen writes:

More intense than in comparable armies, notably India's, is the strong linkage between honor, revenge, and force. The code of honor inculcated in the Military Academy and through regimental legends has been adjusted to emphasize the 'Islamic' dimension of strategy and the importance of fighting for the honor and memory of previous generations, as well as the larger Muslim community.¹²⁶

The most interesting argument of Brig. S. K. Malik's comprehensive study of war and Islam, *Quranic Concept of War*, pertains to terror and the Islamic conduct of warfare.

Terror struck into the hearts of the enemies is not only a means, it is the end in itself. Once a condition of terror into the opponent's heart is obtained, hardly anything is left to be achieved. It is the point where the means and end meet and merge. Terror is not a means of imposing decision upon the enemy; it is the decision we wish to impose upon him.¹²⁷

Cohen argues that this conclusion is derived from a reading of a number of Koranic passages citing the word 'terror'. For example, Anafal (Sura 12) is read as: 'Remember, the Lord inspired the angels (with this message), "I am with you: give firmness to the Believers: I will instill terror into the hearts of the Unbelievers."' ¹²⁸

This exploration of terror as a means of warfare helped justify covert Pakistani support for militant groups operating in J&K, and perhaps India itself. If terror was sanctioned by the Koran, then it was a legitimate instrument of state power. This position may not be publicly flaunted, but it is widely held in the Pakistan Army. Many officers draw a connection between the concept of terror and Pakistani strategy.¹²⁹

What Pakistani madrassas are doing is commonly known, but an equally disconcerting phenomenon is of students of mainstream schools being force-fed a diet of anti-Hindu and anti-India rhetoric.

A 2003 study by an independent watch dog group listed dozens of examples in Pakistani text books that it said denigrated non-Muslims—particularly Hindus in India—and left students receptive to sectarianism and religious intolerance. Curriculum guidelines for Pakistan's elementary schools say 'recognize the importance of jihad in every sphere of life'. Activists for educational reforms say that message is often interpreted in malignant ways.¹³⁰

It would be naïve to assume that demolition of the Babri Mosque in Ayodhya in 1991, the horrendous Gujarat riots in India in 2002 which went on for months allegedly aided and abetted by the state administration, the attack on Akshardham temple by Islamic terrorists in 2002, and horrendous bomb blasts in Varanasi in 2006 have no bearing on India–Pakistan relations. The intention is not to go into the history of Hindu-Muslim relations and its impact on

the India–Pakistan equation, but to argue that putting the border issue on the back-burner and moving ahead with trade relations has been very easy with China because there is no communal fervour involved. Contrarily, religious tensions have a direct bearing on India–Pakistan relations, and Kashmir has become its iconic symbol. Consequently, the idea that worked in the India–China case is not easy to replicate in the India–Pakistan case because of involvement of the religious issue.

BRINGING BACK THE PARADIGM WARS: INTERNATIONAL RELATIONS THEORY AND INDIA–PAKISTAN TRADE

In light of the factors mentioned in the previous section, it would be prudent to bring back the war paradigm to answer the question whether the China Model can be replicated in the case of India and Pakistan. Heated debate is on among scholars whether free trade is positively or negatively correlated with peace, or whether trade has absolutely no statistically demonstrable correlation with peace and conflict.

Jack S. Levy writes:

The study of the relationship between economic interdependence and international conflict constitutes one of the most vibrant research programmes in the field of international relations today. It has been propelled by success of democratic peace theory, by liberals' hope of finding comparable strong patterns linking economic interdependence to peace and thereby expanding the foundations of liberal peace, by the realist counterattack, and by the fact that trade-promotes-peace hypothesis reinforces the current American foreign policy agenda.¹³¹

Liberals advance a number of interrelated theoretical arguments in support of the proposition that trade promotes peace. Their most compelling argument is that trade generates benefits for both countries, and that the anticipation that conflict will disrupt trade and lead to loss or reduction of gains from trade deters political leaders from conflict against key trading partners.¹³² Realists and others argue that either trade has a negligible impact on conflict,

or that trade—particularly asymmetric trade—actually *increases* conflict between trading partners. Scholars on both sides of this debate have recently begun to generate empirical evidence to bolster their respective theoretical arguments. So far, the evidence is about evenly balanced on both sides. As one scholar writes after extensive review of the contesting claims of liberals and realists:

Finally, it may be that there are enough instances in which trading relationships are conflictual and in which they are cooperative that the two sets of cases cancel each other out. Trade may, in fact, matter in some relationships, but not in others. Trade may also contribute to conflict and to peace and do so in a manner where the examples one finds of either set of cases balance against each other. One would therefore observe a null finding—that there is no relationship, on average, between trade and conflict. Statistical result of such situation would be akin to the conclusion made by those who say that trade is irrelevant to the conflict. In the case of canceling out, trade may be very relevant, but the directional influence varies in too many instances to find one dominant pattern.¹³³

Ultimately, it can be said that impact of trade on conflict is highly context-contingent and marked by causal complexity.¹³⁴ The intriguing question that emerges is that when there is no consensus regarding which theory better explains impact of trade on conflict, then how can China Model enthusiasts assume that liberal assumptions will prove to be accurate in the case of India and Pakistan, just because they did in the Sino-Indian case? The basic premise of the China Model, that if a certain amount of interdependence takes place then the two countries will acquire stakes in each other's security and it will lead to reduction of hostilities, is based upon liberal logic. Why has the realist paradigm not been employed to analyse the possible impact of trade on India–Pakistan conflict, when it offers equally, if not more, effective tools to examine the interrelationships of trade, peace, and conflict? One must keep in mind that scholars studying the India–Pakistan political relationship usually employ a realist framework.¹³⁵ Then why this recourse to the liberal paradigm while studying the economic relationship between archrivals? Is it not the wishful thinking of a few journalists, policy makers, and businessmen to assume that the trade-peace hypothesis

will work in the case of India and Pakistan, when free trade between the two countries may actually exacerbate the existing conflict, as claimed by realists?

This author has nothing against free trade between India and Pakistan per se: the argument is that the assumption that freeing trade between India and Pakistan will unquestionably and inevitably lead to dividends on Kashmir is wrong. To be fair and balanced, it may result in peace dividends, but the contention is that there are equal chances that it may even exacerbate the almost 60-year-old enmity, or it may not have any significant effect at all on the continuing hostility. When there are equal chances that it may help, may worsen the situation, or may not have any significant impact, then why are academics, journalists, and policy makers advancing it as a sure-shot panacea for enduring rivals? Without taking the position that there is anything wrong in freeing trade between the two countries, the submission is that China Model enthusiasts should realize that there is another side of the picture also, and deliberately ignoring it for making fancy statements on the seminar circuit is futile. The global trend is towards economic integration. Ultimately, Pakistan may be forced to open its market for India. But this could well increase the hostility, and everyone should be prepared for that.

Economic diplomacy enthusiasts from India who want to use economic engagement as a strategy to woo Pakistan to change its foreign policy should be aware of a few disturbing questions being debated among trade-peace scholars. Albert Hirshman, in his classic 1945 study, *National Power and the Structure of Foreign Trade*, proposed that the conscious cultivation of asymmetrical interdependence, if conducted strategically by the government of a powerful state, would lead the weaker state to reorient not only its economy, but also its foreign policy to the preference of the stronger state. He developed a systematic framework for analysis, and applied it to the trading and political relationships between Nazi Germany and its central and south-east European neighbours during the inter-war period. He viewed economic engagement as a long-term, transformative strategy. As one state gradually expands

economic interaction with its target, the resulting (asymmetrical) interdependence creates vested interests within the target society and government. The beneficiaries of interdependence become addicted to it, and they protect their interests by pressurizing the government to accommodate the source of interdependence. Economic engagement is a form of structural linkage; it is a means to get other states to *want* what you want, rather than to *do* what you want. The causal chain runs from economic interdependence through domestic political change to foreign policy accommodation.¹³⁶

There is a fairly good chance that the fears of Pakistani industry that the economic relationship between the two countries will be asymmetric may be true, as discussed earlier.¹³⁷ Supposing that asymmetrical interdependence does take place, would India be able to adopt an effective transformative strategy to reap peace dividends on Kashmir? Noted scholar Michael Mastanduno writes, 'Before assuming that economic engagement will have the predicted (for scholars) or desired (for policy makers) effect, we need to pay particular attention to the following four analytical (and, for policy makers, political) challenges.'¹³⁸

The first is the inherent unpredictability of the target's domestic politics and the difficulty of using economic exchange as an instrument to manipulate it. Scholars usefully distinguish nationalist from internationalist coalitions in the domestic politics of a target state. These coalitions cut across the state and society. Nationalists are more conservative and inward-looking defenders of the status quo. Internationalists, from the perspective of the outside world, are more progressive; they embrace political and economic reform and the integration of the national economy into the global economy. Economic engagement is intended to strengthen the internationalists at the expense of the nationalists, and eventually tip the balance of domestic political power in favour of the former.

It may turn out that way. But depending on the configuration of the target's domestic politics, engagement could lead to different results. There is no reason to believe that internationalists will always win. Economic engagement threatens the interests of a nationalist coalition. If that coalition prevails, it is likely to lash out

against what it perceives as intrusive external influences and adopt a more confrontational, rather than more accommodating, foreign policy. In international relations theory terms, the potential exists for a security dilemma—the unintended and counterproductive consequences of a strategy designed to increase a state's security.¹³⁹ Proponents of the China Model should answer whether they are convinced that the internationalist coalition will win in Pakistan. Given the unrest in the border areas of Pakistan, strength of the military-mullah nexus,¹⁴⁰ and influence of the protectionist business lobby, it is hard to assume that the internationalist coalition will definitely prevail in Pakistan, and that India's clever strategem of trying to isolate the Kashmir issue while concentrating on economic issues will really work.

The second challenge involves controlling the 'flow' of economic engagement. Hirshman's theory presumes a steady, gradual injection of economic interdependence into the target economy, leading to a gradual, almost imperceptible transformation in domestic politics. The medical analogy is apt: economic engagement is akin to the measured doses of medicine administered by a physician. The problem is that it is difficult to control the flow and effect of economic interdependence. Once a target economy begins to open up to international economic exchange, the effects of interdependence are more likely to be shocking and disruptive than incremental and stabilizing.¹⁴¹

Neo-Marxists and dependency theorists also reject the liberal assumption that trade provides equal benefits to all states. Trade and economic dependence benefit the powerful, but result in political and economic costs to the powerless or less powerful. A reading of critical theories of trade leads one to infer that impact of trade on interstate relations is contingent upon the distribution of costs and benefits in a given relationship. Asymmetrical trade relations are more likely to produce disproportionate costs and benefits, where the more dependent state incurs greater costs and fewer benefits. These costs may be political, economic, or social. The advantaged bargaining position of the less dependent state may be used to gain concessions on political and economic issues. Thus, tensions are

more likely to arise in asymmetrical relations due to the exercise of power derived through such relations, the perception of negative consequences through dependence, or concerns about relative gains.¹⁴² What makes China Model enthusiasts assume that a strategy of economic engagement will not be shocking and disruptive for Pakistan's domestic economy, when most of the evidence points to this very scenario? It cannot be ignored that the trade balance has invariably been in India's favour.¹⁴³ Even the trade balance in informal trade is heavily skewed in India's favour.¹⁴⁴ There is no reason to ignore the possibility that opening up free trade with India will result in 'shock and awe' in Pakistan's economy and resulting relations of dependence may even exacerbate the existing situation.

The third challenge has to do with malleability of the target state's foreign policy. The theory of economic engagement assumes that foreign policy is susceptible in some meaningful way to external influence. For the government of one state to know, with any degree of confidence, the foreign policy of another is a difficult task. Hans Morgenthau observed that the ability to distinguish a status quo state from a revisionist state was the classic problem of diplomacy, and the fate of the nations hung in the balance. The logic of economic engagement presupposes that the target state is not unalterably revisionist, and that if it is not currently a status quo state, it can be transformed into one.¹⁴⁵

That assumption must obviously be tested on a case-by-case basis. Proponents of the China Model must answer the question: When Pakistan has been a revisionist state¹⁴⁶ in respect of Kashmir for almost 60 years, why will the strategy of economic engagement transform it into a status quo state? In fact, all the indications are that Pakistan is invested too heavily in Kashmir to change its revisionist stance. Even if economic interdependence does take place, that will be no reason for Pakistan to change its stance on Kashmir.

Mastanduno writes that the fourth challenge is that even if we assume that the target's foreign policy is susceptible to influence, that the flow of economic interdependence can be effectively managed, and that the domestic politics of the target can be effectively managed, there is still the question of whether the initiating state can

actually carry out the engagement strategy effectively. Engagement is a long-term strategy that requires consistency, patience, and perseverance on the part of the initiating state. Some states are better equipped than others to employ it.¹⁴⁷ The question arises whether India has the requisite experience, patience, and perseverance to adopt this strategy to transform Pakistan's stance on Kashmir. One simply cannot forget that in spite of heavy economic integration with Nepal, India has not been able to prevent its small neighbour from playing the China Card to coerce it on various occasions.¹⁴⁸ Admittedly, the last 10 years of coalition governments in India prove that a consensus on Pakistan exists in the Indian political class. Still, in India there are fundamentalist parties which brand even Indian Muslims as Pakistani supporters, and exhort Hindus that if they don't vote for them, then they are voting for Musharraf.¹⁴⁹ The influence of such parties varies in the Indian polity from time to time. India may have the capability of adopting this strategy, but does it have the experience and patience required to implement this stratagem, which will definitely not take less than 10 years to result in tangible dividends on Kashmir?

E. Sridharan, in his excellent paper 'Economic Cooperation and Security Spill-Overs: The Case of India and Pakistan',¹⁵⁰ employs the neo-realist concepts of absolute gains, relative gains, and cumulative gains to argue that nuclear deterrence has reduced Pakistan's sensitivity to relative gains, and now economic cooperation should be possible between the two countries, and it should lead to dividends on security. He writes:

States are sensitive to relative gains more than to absolute gains in cooperation. That is, even if a cooperative deal were to yield absolute gains to a state, it would still be willing to forgo cooperation and the resulting gain if it believed that other states would gain relatively more. Hence, cooperation can be successful only if it does not upset the perceived power balance that states are sensitive to, no matter what absolute gains one can point to as the fruits of cooperation. Grieco views states as defensive positionalists, seeking to defend their relative position, rather than relative gains maximizers.¹⁵¹

He writes further that nuclear weapons being 'absolute' weapons, create new incentives for restraint. With nuclear weapons,

balancing may not occur despite anarchy: instead, cooperation to prevent war may take place. This is because, to draw on the concept of the offence-defence balance, nuclear weapons shift the balance towards defensive advantage since they enable a state to survive an attack and retaliate, inflicting unacceptable damage, far more surely than conventional weapons do. Hence, a relative gain in the security sphere, or an economic gain that may translate into military capability, will not lead to a crippling relative loss to the other side. Thus, one can expect relative gains sensitivity to both gains in the security sphere and the economic sphere to be reduced as a factor of state behaviour under a nuclear deterrence regime.¹⁵² According to him, overt nuclearization with a demonstrated missile capability has assured Pakistan in a way that reduces the sensitivity to relative gains. Apart from this, the Kargil conflict and the US role in ending it demonstrated to Pakistan that using nuclear capability as a shield to launch a military offensive to force India to come to the table on its terms on Kashmir is not a feasible option and is unlikely to be so in the future. From this, he concludes that following these two points, Pakistan is more secure vis-à-vis a possible Indian military threat than ever before, as well as less able to threaten conventional force to resolve the Kashmir dispute. It, therefore, has less to fear and much to gain from greater economic engagement with India.¹⁵³

Interesting questions emerge from his arguments. Does Pakistan have an assured second-strike capability? Pakistan's nuclear doctrine is premised upon the first-strike option if its strategic stability is threatened.¹⁵⁴ That means Pakistan is not sure whether it can survive the first strike from India. It views its nuclear weapons in a 'use it or lose it' perspective. As a matter of fact, in spite of obtaining nuclear deterrence, due to India's sheer size and Pakistan's lack of strategic depth, Pakistan's sensitivity to relative gains has not reduced. One also has to take the stability/instability paradox into account. Briefly stated, this proposition holds that the mutual possession of nuclear weapons in an adversarial context gives both parties a strong interest in avoiding resort to full-scale war for fear of escalation to the nuclear level. However, mutual recognition of the danger of large-scale conflict also leads states to undertake probing actions at lower

levels of conflict in the expectation that the risks of such probes are both controllable and calculable.¹⁵⁵

As posited by Western theorists, offsetting nuclear capabilities and secure, second-strike capabilities would induce special caution, providing the basis for war prevention and escalation control. Offsetting nuclear deterrents channelized the superpower competition into 'safer' pursuits, the object of which would be to impose penalties on an adversary without inducing direct conflict.¹⁵⁶ The stability/instability paradox was identified rather early in the Cold War, as Western strategists weighed the consequences of a Soviet Union able to produce thermonuclear weapons. In 1954, B. H. Liddell Hart reflected a widely-held belief that, '...to the extent that the Hydrogen-bomb reduces the likelihood of full-scale war, it increases the possibility of limited war pursued by widespread local aggression'.¹⁵⁷ Robert Jervis summarized this dilemma as follows: 'To the extent that the military balance is stable at the level of all-out nuclear war, it will become less stable at lower level of violence.'¹⁵⁸

Many scholars believe that in spite of overt nuclearization in 1998 and the launch of the Lahore peace process, the fact that Kargil took place in 1999 proves that the stability/instability paradox is operating in the subcontinent and possibility of a limited war¹⁵⁹ remains high between India and Pakistan. Burgeoning defence budgets¹⁶⁰ and a continuing arms race are testimony to the fact that limited conventional war can still take place, and Pakistan's insecurities have not diminished. Thus, Pakistan's sensitivity to relative gains has not been reduced, and the logic that nuclear deterrence has shifted the offence-defence balance to defence advantage and it will lead to economic cooperation, is flawed.

In recent years, India has been relentlessly pressurizing Pakistan for grant of MFN status.¹⁶¹ Although Pakistan has ratified SAFTA, it still refuses to grant MFN status to India.¹⁶² Global forces may ultimately compel Pakistan to grant MFN status to India via SAFTA. Indian scholars and policy makers argue that SAFTA will lead to the heralding of an era of peace and prosperity in the troubled region of South Asia. But as the international experience shows, India-Pakistan trade through SAFTA may not necessarily

lead to a harmonious relationship, and, in fact, may even worsen the existing conflict.

Hafner-Burton and Montgomery have challenged the liberal argument that regional trading agreements lead to reduction of militarized violence.¹⁶³ According to them, liberal optimism is founded on the premise that trade institutions decrease the chance of conflict through three mechanisms: first, they increase the opportunity cost of war by creating rational expectations for trade gains; second, they provide institutional structures that help resolve conflicts, spread information about the military capabilities and resolve and overcome commitment problems; third, they bring leaders together in a common forum to build trust, creating shared interests and identities in secured communities. By using social network analysis, Hafner-Burton and Montgomery have contended that there are serious limitations to liberal argument. Regional trading arrangements create social networks that define hierarchies of social order in which states hold relative positions of power over each other. Like military power, social power of states in this network of institutional memberships creates expectations of behaviour and gives states the ability to coerce, bribe, reward, or punish others, defining the conditions under which acts of military aggression and cooperation are rational strategies of action. Trading ties through institutional memberships place states in particular positions of power within a social network.

Hafner-Burton and Montgomery have focused on two particular positions: states' direct *influence* on each other, and their *prestige* in the social network. Asymmetries of influence or prestige in a dyad define the relative positions of two states in the social networks created through trading institutions. Such asymmetries increase conflict since they undermine trust and promote envy between states.¹⁶⁴ Though trade institutions increase repeated contact between members, contact does not necessarily build trust or a sense of community. People-to-people contact is the latest buzzword in Indo-Pak relations. Scholars disagree whether close contact through commerce is beneficial for fostering peace. Contact hypothesis states that contact has a positive effect on relations between individuals

and societies, and close contact serves to break down prejudices between people and nations and fosters peaceful relations. However, most of the empirical evidence reviewed suggests that contact between individuals reduces prejudice and improves relationships, but increased contact between aggregate groups such as nations appears to be correlated with conflict.¹⁶⁵

The lessons of European integration theory suggest that building community through upgrading the common interests between Preferential Trade Agreement (PTA) members requires a minimum level of homogeneity: a pluralist social structure, a high level of economic and industrial development, and ideological similarity.¹⁶⁶ Evidence suggests that economic integration has led to the formation of collective identity and trust among member states in the EU over time. It is well-understood that democratic features of liberal democracies enable the community in the first place.¹⁶⁷ By using pooled cross-national time-series data on state dyad years for the period 1950 to 2000, Hafner-Burton and Montgomery have concluded that dyads characterized by greater relative disparity in influence and prestige will be more likely to engage in militarized disputes than dyads characterized by relative equality in prestige and influence.¹⁶⁸

From this perspective, instead of peace dividends, existing differences between India and Pakistan may even be accentuated after the implementation of SAFTA, since the condition of minimum level of homogeneity does not exist between the two countries. There is no pluralist social structure in Pakistan. There is a vast deal of difference in the stages of economic and industrial development. Ideologically, the two countries are poles apart. In the South Asian geopolitical setting, India is considered a hegemon due to its high level of industrial advancement, strides in the field of IT, military power, and cultural influence of movies and TV serials. In such a scenario, Pakistan's relative inferiority in terms of influence and prestige may actually result in aggravation of existing hostilities with India.

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⁵⁴ Ibid., p. 121.

⁵⁵ 'India and Pakistan Engagement: Prospects for Breakthrough or Breakdown', Special Report no. 129, US Institute of Peace, January 2005.

⁵⁶ M. V. Ramana, Researcher, Program on Science and Global Security, Princeton University, in response to an e-mailed questionnaire from the author.

⁵⁷ Stephen Philip Cohen, 'India, Pakistan and Kashmir', paper presented at the University of Texas, December 2001: www.brook.edu/dybdocroot/views/speeches/cohen/20011201.pdf

⁵⁸ Jörn Brömmelhörster and Wolf-Christian Paes, eds., *The Military as an Economic Actor: Soldiers in Business*, London: Palgrave Publishers, 2003, p. 1.

⁵⁹ Sudha Ramachandran, 'Pakistan Military Minds its Own Business', 10 September 2004: http://www.atimes.com/atimes/South_Asia/FI10Df03.html

⁶⁰ Ibid.

⁶¹ Ibid. Ramachandran writes:

How these prime properties fall into the hands of the military is worth recounting in some detail, if only to illustrate how the military occupies civilian property and grows rich at the cost of the people. Army's take over of Lahore Cantonment Cooperative Housing Society offers an interesting case study. When the society began flourishing, Army authorities took forcible possession of it. On a complaint, the registrar of Cooperative Societies ordered that elections be held but the occupiers of the society did not allow elections for 10 years. In 1999, the military authorities 'persuaded' the provincial government to issue an ordinance, the Defence Housing Authority Lahore Ordinance, 1999, to formalize the takeover. The ordinance was promptly challenged in the Lahore High Court on the ground that the provincial legislature cannot legislate on matters relating to defence. While the matter was still pending in courts, the provincial government introduced the ordinance in the form of a bill. It was pending in the assembly when the military took over in a coup in October 1999 and the assemblies were dissolved. Under Art. 117(2) of the constitution, a bill pending in a provincial assembly lapses on the dissolution of the assembly. Thus the bill lapsed and the Lahore Cantonment Housing Society was revived. But the Army authorities did not allow the society's members to perform their statutory functions and kept allotting plots to military officers. Barely three weeks before the general elections of 2002, a presidential order was issued on September 19, 2002, under which the Defence Housing Authority, Lahore, was set up. This order was subsequently indemnified through the 17th amendment in the constitution, thus giving a pseudo-legal basis to the military's takeover of the society. Such pieces of prime real estate are then distributed among military personnel at throwaway prices.

⁶² Irfan Hussain, 'A Divergence of Interest', *Dawn* (Islamabad), 31 December 2005.

⁶³ Ramachandran, op. cit., n. 59 above.

⁶⁴ Hussain, op. cit., n. 62 above.

⁶⁵ Ayesha Siddiqa-Agha, 'Power, Perks, Prestige and Privileges: Military's Economic Activities in Pakistan', paper presented at the Soldiers in Business: Military as an Economic Actor Conference, Jakarta, 17–19 October 2000.

⁶⁶ Zaidi, op. cit., n. 43 above.

⁶⁷ Ibid.

⁶⁸ Siddiqa-Agha, quoted by Zaidi, ibid.

⁶⁹ Michael Krepon, in response to an e-mailed questionnaire from the author.

⁷⁰ The idea of applying game theory to India–Pakistan trade relations is taken wholly from Bret V. Benson and Emerson M. S. Niou. Their brilliant and novel paper 'Trade and Peace: A Game Theoretic Analysis' applies game theory to the trade relations of China and Taiwan and reaches interesting conclusions. Their paper helps in understanding the insecurities of a smaller and comparatively weaker neighbour in trading with a giant economy. A smaller country may fear that once heavy trade integration and dependence takes place, the bigger and more powerful country may coerce it to extract political concessions. The context is quite similar to the India–Pakistan scenario. The difference is that in the China–Taiwan case, strong trade relations already exist, although the relationship still remains adversarial. For details, please see Bret V. Benson and Emerson M. S. Niou, 'Trade and Peace: A Game Theoretic Analysis': <http://www.duke.edu/~niou/teaching/trade%20&%20peace.pdf>

⁷¹ Ibid.

⁷² Alastair Smith, 'Testing Theories of Strategic Choice: The Examples of Crisis Escalation', as quoted by Benson and Niou, ibid.

⁷³ Albert Hirshman, *National Power and the Structure of Foreign Trade*, Berkeley: University of California Press, 1945.

⁷⁴ op. cit., n. 70 above, p. 9.

⁷⁵ Ibid., p. 10.

⁷⁶ http://en.wikipedia.org/wiki/Game_Theory

⁷⁷ Glenn Snyder H. and Paul Diesing, *Conflict Among Nations: Bargaining, Decision Making, and System Structure in International Crises*, Princeton: Princeton University Press, 1977, p. 37.

⁷⁸ Scott Gates and Brian Humes, *Games, Information, and Politics: Applying Game Theoretic Models to Political Science*, Ann Arbor: University of Michigan Press, 1997, p. 8.

⁷⁹ Enze Han, in 'Asia-Pacific: Local Knowledge versus Western Theory', paper presented at the Graduate Student Research Conference, Institute of Asian Research and the Centre for Japanese Research at the University of British Columbia, 5–7 February 2004.

⁸⁰ I gratefully acknowledge the use of the scenario, moves, and outcomes from Benson and Niou's application of game theory on China–Taiwan trade relations. Benson and Niou, op. cit., n. 70 above, pp. 11–13, 16–18.

⁸¹ K. Natwar Singh, Minister for External Affairs, India, said in an interview:

^{we} have even suggested that we should start moving towards a South Asian Union. A South Asia with one currency, one tariff regime and free movement of goods, services and people would lead not only to greater economic benefits but also to more open national boundaries and eventually to the resolution of political differences.

^{See} 'Interview of India's External Affairs Minister with Associated Press of Pakistan', 2 January 2004: <http://meaindia.nic.in/interview/2004/01/02in01.htm>

⁸² Rajesh Kumar, 'Collective Amnesia: Why India has Forgotten the Humiliating Defeat of 1962', paper presented at 'Defeat and Memory' conference, University of Edinburgh, 7–9 September 2005.

⁸³ Qiu Yonghui, 'Seeing India and China through Fresh Eyes', *Hindu* (New Delhi), 6 June 2006: <http://www.hindu.com/2006/06/06/stories/2006060602640900.htm>

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ Rajesh Kumar, 'Were TV Channels Responsible for the Failure of Agra Summit?' in *Security in South Asia: Trends and Directions*, ed. Vandana A. and Ashok C. Shukla, New Delhi: APH Publishing, 2004.

⁸⁷ Kalpana Sharma, 'Images that Promote Fear', *Hindu* (New Delhi), 12 September 2003.

⁸⁸ Musharraf at the India Today Conclave, op. cit., n. 16 above.

⁸⁹ For a comprehensive analysis of the depiction of Pakistan in Hindi cinema, see Arti Shukla, 'Pakistan Through the Window: Identity Construction Hindi Cinema', *Culture Wars Website*, 4 March 2005: <http://www.culturewars.org.uk/2005-01/indopak.htm>

⁹⁰ Ibid.

⁹¹ Nitin Desai, 'Soft Power', *Business Standard* (New Delhi), 16 February 2006.

⁹² S. Raza Hasan, 'Strike Keeps Cable TV Services Suspended', *Dawn* (Islamabad), 20 January 2006. The article quotes a woman saying, 'Some of the foreign channels banned by Media Regulatory Authority have emerged as popular among Pakistani subscribers not because of their objectionable, obscene or distorted contents, but because their programmes touched the issues of real life, and contained entertainment, information and education contents equally.'

⁹³ Khan and Bokhari op. cit., n. 30 above, p. 31. This World Bank study says that cheap Chinese informal imports are driving Indian bicycles, electronic goods, razor blades, cosmetics, tyres, clothes and jewellery out of the market. The study estimates Pakistan–China informal trade between \$3 and \$4 billion and warns of important implications for government revenues and domestic industry. For understanding the impact of cheap Chinese imports on Pakistan's domestic industry, see Amir Shafaat Khan, 'Local Appliance Makers Selling Chinese Items: Cheaper Goods Lead to Price War', *Dawn* (Islamabad), 24 September 2003; 'Consumers Prefer Cheaper Chinese Goods', *Dawn* (Islamabad), 11 July 2005; Amir Shafaat Khan, 'Chinese Shoes Swarm Local Market', *Dawn* (Islamabad), 21 September 2003.

⁹⁴ Auranzeb Z. Khan, 'Confidence Building through Free Trade and Joint Ventures' in *Regional Cooperation in South Asia: Problems and Prospects*, ed. Sony Devbhaktuni, Occasional Paper 32, Washington, D.C.: Henry L. Stimson Center, February 1997, p. 49.

⁹⁵ Ibid., p. 50.

⁹⁶ India's rate of inflation has been constantly plummeting. For the week ending 25 March 2006, it was pegged at 3.96 per cent. See 'India's Annual Inflation at 3.96 pct in Week to March 25', *Reuters India*, 7 April 2006: http://in.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-04-07T173621Z_01_NOOTR_RTRJONC_0_India-243965-1.xml

^{On} the other hand, Pakistan has been having trouble in controlling its inflation rate. A report of the State Bank of Pakistan says, 'Inflationary pressures gained strength in January 2006, despite a high base of corresponding period last year. Headline consumer price inflation rose to 8.8 per cent year to year in January 2006': see 'Inflation Monitor', report by the State Bank of Pakistan: <http://www>

sbp.org.pk/publications/Inflation_Monitor/2006/Jan/IM_Jan_06.pdf; also see Sultan Ahmed, 'No Relief from Inflation', *Dawn* (Islamabad), 22 February 2005.

⁹⁷ Khan, op. cit., n. 94 above, p. 50.

⁹⁸ Sabihuddin Ghausi, 'Inoperative SAFTA Victim of Sour Ties', *Dawn* (Islamabad), 3 January 2006: <http://www.dawn.com/2006/01/03/eb1.htm>

⁹⁹ Puneet Pal Singh Gill, 'Ludhiana Car Spare Parts Firm Eyes Pak', *Business Standard* (New Delhi), 31 March 2006.

¹⁰⁰ Ghausi, op. cit., n. 98 above.

¹⁰¹ Rauf B. Kadri, in letters to the editor column, *Dawn* (Islamabad), 9 June 2003.

¹⁰² Ikram Sehgal, as quoted by Pattanaik, op. cit., n. 6 above, p. 124.

¹⁰³ Ibid.

¹⁰⁴ Sifzal, in response to the article of Aman Malik, 'Trade: Can it Herald Peace?': http://www.chowk.com/show_article.cgi?aid=00003469&channel=civic%20center

¹⁰⁵ Aurangzeb Z. Khan, as quoted by Pattanaik, op. cit., n. 3 above, p. 113.

¹⁰⁶ Ibid., p. 114.

¹⁰⁷ Irfan Hussain, 'Freeing Trade with India', *Dawn* (Islamabad), 12 June 2004: <http://www.dawn.com/weekly/mazdak/20040612.htm>

¹⁰⁸ Prof. Pervez Hoodbhoy, Quaid-e-Azam University, Islamabad, in response to an e-mailed questionnaire from the author, 16 March 2006.

¹⁰⁹ Saeed Qureshi, quoted in Maqbool A. Bhatti, 'Trading with India', *Nation* (Islamabad), 10 May 2005.

¹¹⁰ Vikas Singh, 'Putting Cart before Horse', *Times Syndication Service*: <http://syndication.indiatimes.com/articleshow.cms?msid=20372763>

¹¹¹ Akhtar Mahmood, quoted in Bhatti, op. cit., n. 109 above.

¹¹² For differing Indian and Pakistani perspectives on the 'Positive List', see B. Muralidhar Reddy, 'View India as Economic Opportunity', *Hindu* (New Delhi), 23 April 2006. Objecting to Pakistan's positive list approach, the Indian high commissioner to Pakistan said that it was difficult to understand why Pakistan does not place goods on the positive list that it at present imports from other countries. He said such an arrangement would introduce an element of fair competition that will benefit the Pakistani consumer and importer. Also see B. Muralidhar Reddy, 'Full Trade Ties Hinge on Kashmir' *Hindu* (New Delhi), 17 February 2006; K. J. M. Verma, 'Pak to Apply Provisions of SAFTA to India': http://www.outlookindia.com/pti_news.asp?id=373507

Pakistan's Commerce Minister Humayun Akhtar Khan has maintained that even though Pakistan has ratified the SAFTA agreement which has now been notified by the SAARC secretariat, Pakistan would continue to trade with India with a positive list of goods while applying SAFTA to the rest of the SAARC member countries until the two countries made progress to resolve the Kashmir issue.

¹¹³ Mohammad Rizwan, 'Lackluster Indo-Pak Trade: Slow Progress on Kashmir and High Prices Main Factors', *Daily Times* (Islamabad), 7 January 2006.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Agha Shahi, President, Islamabad Council for World Affairs, quoted in Bhatti, op. cit., n. 109 above.

¹¹⁷ This speech resulted in the intellectual foundation for Pakistan. See Jamilud-Din Ahmed, ed., *Some Recent Speeches and Writings of Mr Jinnah*, vol. I, Lahore: Ashraf, 1952, p. 138.

¹¹⁸ Ashutosh Varshney, 'Can Pakistan Re-Invent Itself?': <http://www.india-seminar.com/2002/509/509%20ashutosh%20varshney.htm>

¹¹⁹ Michael Brecher, *Nehru: A Political Biography*, Mumbai: Jaico Publishers, 1965, p. 277.

¹²⁰ K. Raman Pillai, 'Rethinking India–Pakistan Relations: Challenges Ahead' in *Engaging the World*, ed. Rajen Hersh and K. M. Seethi, New Delhi: Orient Longman, 2005, p. 226.

¹²¹ Seethi, *ibid.*, 'Kashmir: Rethinking Security Beyond the Line of Control', p. 247.

¹²² Khan, *op. cit.*, n. 94, p. 52 above.

¹²³ Deepak Lal, 'Kashmir', paper prepared for the Carnegie project on Globalization, National Self-Determination and Terrorism: <http://www.econ.ucla.edu/Lal/others/kashmir.pdf>

¹²⁴ Altaf Gauhar, quoted by V. R. Raghavan, 'Limited War and Nuclear Escalation in South Asia', *Nonproliferation Review*, vol. 8, no. 3, Fall–Winter 2001, p. 10.

¹²⁵ Altaf Gauhar, 'Four Wars, One Assumption', *Pakistan Link*: <http://www.pakistanlink.com/opinion/99/sept/10/01.html>

¹²⁶ Cohen, *op. cit.*, n. 39 above, p. 118.

¹²⁷ Malik, as quoted by Cohen, *ibid.* For details, see Brig. S. K. Malik, *The Quranic Concept of War*, Lahore: Wajid Alis, 1979.

¹²⁸ *Ibid.*, p. 119.

¹²⁹ *Ibid.*

¹³⁰ Brian Murphy, 'Islamic Countries Cull Hate from School Text Books', *Asian Age* (New Delhi), 25 November 2005.

¹³¹ Jack S. Levy, 'Economic Interdependence, Opportunity Cost, and War':

<http://psweb.sbs.ohiostate.edu/faculty/bpollins/book/levy.pdf>

¹³² Katherine Barbieri and Jack S. Levy, 'Sleeping with the Enemy: The Impact of War on Trade', *Journal of Peace Research*, vol. 36, no. 4, 1999, p. 464.

¹³³ 'Theories of the Trade-Conflict Relationship', Ch. 2: www.press.umich.edu/pdf/0472113003-ch2.pdf

¹³⁴ Refer Ch. 2, titled 'The China Model: Concept and Dimensions', section on 'Trade, Peace and Conflict: A Theoretical Paradigm'.

¹³⁵ For example, while analysing the India–Pakistan crisis under the nuclear shadow, noted scholars Sumit Ganguly and Devin Hagerty say:

We write from the theoretical most aptly characterized as 'mere realism'.

...Three prominent bodies of the liberal international relations paradigm—economic interdependence theory, democratic peace theory, and neoliberal institutional theory—would seem to offer little intellectual purchase in the analysis of Indo-Pakistani relations. New Delhi and Islamabad have minimal economic linkages, Pakistan has never been a liberal democracy, and international institutions have hardly influenced Indo-Pak relations.

See Sumit Ganguly and Devin T. Hagerty, *Fearful Symmetry: India–Pakistan Crisis in the Shadow of Nuclear Weapons*, New Delhi: Oxford University Press, 2005.

¹³⁶ Michael Mastanduno, 'Economic Engagement Strategies: Theory and Practice': <http://psweb.sbs.ohio-state.edu/faculty/bpollins/book/Mastanduno.pdf>

¹³⁷ Since the revival of the composite dialogue process in 2004, Pakistan has been complaining that it continues to have a negative trade balance with India because of non-tariff barriers by India. See B. Murlidhar Reddy, 'Uncertainty Over Pak Extending SAFTA to India', *Hindu* (New Delhi), 27 March 2006.

¹³⁸ Mastanduno, op. cit., n. 136.

¹³⁹ Ibid.

¹⁴⁰ If Islam and the military can be seen as Pakistan's most sustainable institutions, a noteworthy development has been their close interaction, in what could be called a 'Koran-under-Sword' arrangement. See Plamen Tonchev, 'Pakistan at 55: From Jinnah to Musharraf', paper written for the European Association for Asian Studies, BP 02/03, p. 26: <http://www.eias.org/publications/briefing/2002/bp23pakistan.pdf>

¹⁴¹ Mastanduno, op. cit., n. 136 above.

¹⁴² 'Theories...', op. cit., n. 133 above, p. 12.

¹⁴³ Iftikhar Gilani, 'India-Pakistan to Ease Barriers, Boost Trade', 24 February 2005: http://www.dailytimes.com.pk/default.asp?page=story_24-2-2005_pg7_6

¹⁴⁴ Shaheen Rafi Khan, 'Can Illegal Trade Between Pakistan and India be Eliminated?', *SDPI Research and News Bulletin* (Islamabad), vol. 12, no. 3, May-June 2005.

¹⁴⁵ Mastanduno, op. cit., n. 136 above.

¹⁴⁶ 'Self Correction is in National Interest Now', editorial, *Daily Times*, 8 March 2006: http://www.dailytimes.com.pk/default.asp?page=2006%5C03%5C08%5Cstory_8-3-2006_pg3_1

^{This} editorial states, 'Today, trouble with borders on both sides springs from the pursuit of this inflexible project of making India bend to Pakistan's revisionist agenda. This revisionism has focused on Kashmir but textbook indoctrination has moved further than Kashmir, making the two countries' coexistence ideologically untenable.'

¹⁴⁷ Mastanduno, op. cit., n. 136 above.

¹⁴⁸ On various occasions, India's neighbour has used the China Card to manipulate Indian policies: see C. Raja Mohan, 'If Delhi Doesn't Think Out of its Box, C in SAARC may End Up Standing for China', *Indian Express* (New Delhi), 9 April, 2005.

¹⁴⁹ Shekhar Gupta, 'The Modi Magnifier', *Indian Express* (New Delhi), 16 November 2002: http://iecolumnists.expressindia.com/full_column.php?content_id=13102

¹⁵⁰ Sridharan, op. cit., n. 10 above.

¹⁵¹ Ibid., p. 82.

¹⁵² Ibid., p. 83.

¹⁵³ Ibid., p. 87.

¹⁵⁴ Agha Shahi, Zulfiqar Ali Khan and Abdul Sattar, 'Securing Nuclear Peace', *News* (Islamabad), 5 October 1999.

¹⁵⁵ Ganguly and Hagerty, op. cit., n. 135 above.

¹⁵⁶ Michael Krepon, 'The Stability-Instability Paradox, Misperceptions, and Escalation Control in South Asia', Henry L. Stimson Center, May 2003: <http://www.stimson.org/southasia/pdf/kreponmay03.pdf>

¹⁵⁷ B. H. Liddell Hart, quoted by Krepon, *ibid.*

¹⁵⁸ Robert Jervis, quoted by Krepon, *ibid.*

¹⁵⁹ For an excellent discussion on limited war, see V. R. Raghavan, 'Limited War and Nuclear Escalation in South Asia', *Nonproliferation Review*, vol. 8, no. 3, Fall-Winter 2001. After the 1999 Kargil conflict, India introduced the notion of a limited war which can be fought and won despite nuclear deterrence. Raghavan writes, 'The reality of limited war is that the limits set on it make it difficult to gain a military victory, and war termination without victory closely resembles defeat.'

¹⁶⁰ For financial year 2006–7, India hiked its defence spending by 7.2 per cent to US\$19.8 billion. Pakistan said that the increase was out of sync with the developments taking place in the bilateral and regional framework: see ‘Pakistan Criticizes Hike in Indian Defence Budget’, 1 March 2006: http://www.outlookindia.com/pti_news.asp?id=367395

Pakistan also ruled out slashing its defence budget, in spite of the massive amount of money required for the rehabilitation after the October 2005 quake. Prime Minister Shaukat Aziz said, ‘We are not going to slash the defence budget as peace lies in power, not in weakness.... Besides, circumstances in the South Asian region do not allow any decrease in the defence allocation’: see ‘Pak Rules Out Cut In Defence Budget’, 4 November 2005: <http://www.rediff.com/news/2005/nov/04quake2.htm>

¹⁶¹ ‘Get Gas Pipeline Going: Aiyar Tells Pak’, *Mid-Day* (Mumbai), 24 November 2004.

¹⁶² Nirupama Subramanian, ‘SAFTA in Place but not for Indo-Pak Trade’, *Hindu* (New Delhi), 1 July 2006: <http://www.hindu.com/2006/07/01/stories/2006070118081800.htm>

¹⁶³ Emile M. Hafner-Burton and Alexander H. Montgomery, ‘Power or Plenty: How Do International Trade Institutions Affect Economic Sanctions’, paper prepared for the International Studies Association’s 2006 annual conference, San Diego, March 2006: http://www.princeton.edu/~ehafner/pdfs/power_plenty.pdf

^{Also} see Emile M. Hafner-Burton and Alexander H. Montgomery, ‘War, Trade and Envy: Why Trade Agreements Don’t Always Keep Peace’, paper prepared for the International Studies Association’s 2005 annual conference, 1–5 March 2005: http://www.stanford.edu/~emiliehb/Papers/war_trade_envy.pdf; also see Emile M. Hafner-Burton and Alexander H. Montgomery, ‘Power Positions: International Organizations, Social Network, and Conflict’, *Journal of Conflict Resolution*, vol. 50, no. 1, February 2006, pp. 3–27.

¹⁶⁴ Hafner-Burton and Montgomery argue that we observe significant instances of violent conflict between trade agreement members: the 1990s alone include border clashes between Armenia and Azerbaijan, members of the Commonwealth of Independent States (CIS); the outbreak of war in the Great Lakes, with foreign involvement in the Democratic Republic of Congo from Angola, Namibia, Rwanda, Uganda, and Zimbabwe, all members of the Common Market for Eastern and Southern Africa; the Iraqi invasion of Kuwait; and violent border clashes between Egypt and Sudan, all members of the Council of Arab Economic Unity. These examples clearly show that members of the same institutions can and do conflict.

¹⁶⁵ ‘Theories...’, op. cit., n. 133 above, p. 37.

¹⁶⁶ Ernst Hass, ‘International Integration: The European and International Process’, *International Organization*, vol. 4, 1960, pp. 607–46, as quoted in Hafner-Burton and Montgomery, op. cit., n. 163 above.

¹⁶⁷ Bruce Russett and John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*, New York: Norton, 2001, p. 166, as quoted in Hafner-Burton and Montgomery, op. cit., n. 163 above.

¹⁶⁸ Hafner-Burton and Montgomery, op. cit., n. 163 above. For similar conclusions, also see Oli Brown, Faisal Haq Shaheen, Shaheen Rafi Khan and Moeed Yusuf, ‘Regional Trade Agreements: Promoting Conflict or Building Peace’, paper prepared for the International Institute for Sustainable Development, October 2005, http://www.iisd.org/pdf/2005/security_rta_conflict.pdf

CHAPTER 4

Conclusions

The major conclusions derived from the study are as follows.

- 1) According to proponents of the China Model, a strong case exists for freeing trade between India and Pakistan. Trade should be delinked from the Kashmir issue and be allowed to work as a CBM. This will strengthen the peace constituencies and result in rich dividends on Kashmir by making hostility a costly option and permit concentrating on welfare gains.
- 2) Pakistan has vehemently opposed the China Model by contending that the India–Pakistan and India–China cases are two entirely different sets of relationships. India is trying to put the Kashmir issue on the back-burner. Resolution of the Kashmir issue is the key to genuine détente between the two countries.
- 3) While it is certainly true that a huge trade potential exists between India and Pakistan, it is almost certainly not as colossal as China Model enthusiasts would have everyone believe. Wild estimates are thrown in seminars and newspaper articles about massive smuggling between the two countries to prove that mind-boggling opportunities are just waiting for trade to herald an era of peace and prosperity in the subcontinent.
- 4) The Pakistan Army remains the final arbiter in deciding India policy. By moving ahead on the path of rapprochement, the Pakistan Army will end up reducing its own importance in the domestic polity. This remains the biggest obstacle in adoption of the China Model—or any other model of conflict resolution between the two countries.

- 5) The Army is the most influential economic actor in Pakistan's economy. This has a direct bearing on the adoption of the China Model. Opening up trade with India does not rest solely upon commercial logic, but on assessment of how it will impact the Army's business interests.
- 6) Application of Game Theory to India–Pakistan trade points to the Pakistani concern that India might lure it into a relationship of economic dependence to extract concessions on the political front at a later stage.
- 7) While in the India–China case, the media supported the process of rapprochement, newspapers, driven by commercial interests and TV channels obsessed with TRPs have played a largely negative role in shaping the India–Pakistan relationship.
- 8) In spite of making the right noises in interviews and symposiums, India's distinct superiority in terms of industrial size, competitiveness, and diversity have made Pakistani businesspersons extremely jittery that cheap Indian goods will drive their products out of the market. Their fears have been aided by the fact that the balance of trade has invariably been in India's favour.
- 9) The Hindu-Muslim problem is a major impediment in adoption of the China Model or any other model of conflict resolution. Pakistan's sole claim on Kashmir rests on the logic that as a Muslim-majority state, it should have gone to Pakistan in the first place. Pakistan's strategic thought is deeply influenced by Islam. In the India–China case, no religious issue was involved.
- 10) Theoretical work on trade-peace relations is characterized by paradigm wars among realism, liberalism, neo-Marxism, and dependency theorists. The relationship of trade, peace, and conflict is highly context-contingent and marked by causal complexity.
- 11) Advocates of the China Model almost always use the logic of liberalism to argue that more trade between the

two countries will lead to improvement of political ties. Interestingly, while analysing political relations between India and Pakistan, realist tools are usually adopted.

- 12) Liberals may have a strong argument, but realists have equally strong arguments, and there is no reason to assume the liberals are right and other theories are irrelevant to India–Pakistan trading relations.
- 13) Asymmetric interdependence between trading countries can lead to hostile relations and exacerbation of existing conflicts. Tensions are more likely to arise in asymmetrical relations due to exercise of power derived through such relations, perception of negative consequences through dependence, or concerns about relative gains.
- 14) A country may be the absolute gainer in trading with another country, but it may still want to forgo absolute gains if it realizes that trade favours another country disproportionately. Sensitivity to relative gains is heightened in case of hostile countries which are situated in close geographical proximity. The argument that nuclear deterrence has reduced Pakistan's sensitivity to relative gains is countered by the operation of the stability/instability paradox in the subcontinent.
- 15) Even if SAFTA takes off, it is no guarantee that it will result in better relations between India and Pakistan. India's relative prestige and influence in the trading regime has the potential of making Pakistan more hostile. As it is, the minimum level of homogeneity required for a trading mechanism to yield peace dividends does not exist in India and Pakistan.
- 16) Taking all theoretical paradigms into account, three scenarios might emerge even if the India–Pakistan trade relationship takes off. (1) It may result in reduction of hostility and the Kashmir problem becoming manageable as espoused by proponents of the China Model. (2) It may have no impact, or only marginal impact on the Kashmir problem. (3) It may even exacerbate the

Kashmir issue.

- 17) There is no reason to assume that the liberals will definitely be right in the case of India and Pakistan. So, India and Pakistan should move ahead on trade, but not with unrealistic expectations. And the two countries should certainly be prepared that trade may result in asymmetric relations and the Kashmir problem may even become more intractable as a result. All efforts should be made to keep the trading relationship symmetrical.

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