

**Balusa III**

**INDIA AND PAKISTAN:  
OPPORTUNITIES IN ECONOMIC GROWTH,  
TECHNOLOGY, AND SECURITY**

**A Report of the Balusa\Princeton Group**

**by Shirin Tahir-Kheli**

*Based on a conference of senior Indian, Pakistani, and U.S. participants,  
held at Princeton University, May 2-4, 1997*



**FOREIGN POLICY RESEARCH INSTITUTE  
1528 Walnut Street, Suite 610  
Philadelphia, PA 19102  
Tel. 215-732-3774/Fax 215-732-4401**

## PREFACE

The Foreign Policy Research Institute is pleased to present this report of the conference on A Broader Definition of Security: 50 Years of U.S. Relations with India and with Pakistan, held at the Center of International Studies at Princeton University on May 2-4, 1997. The conference, co-sponsored by the Center and FPRI, brought together high-level officials and former officials from India, Pakistan, and the United States. This was the third conference in a larger project on South Asia begun at FPRI by Senior Fellow Shirin Tahir-Kheli. Unlike the previous sessions, which stressed the economic dimension, this one examined interaction between the U.S. and each of the two major powers of the subcontinent. The objective: to fashion a more productive and cooperative future.

Our thanks go to the W. Alton Jones Foundation for their support. We are also indebted to the Center of International Studies at Princeton University for their help. All of the participants in the project group earned our admiration by giving of their time and wisdom despite their busy schedules.

This conference, like its predecessors, illustrates how policy research can illuminate the way toward a more peaceful, prosperous and democratic future.



Harvey Sicherman  
President

**INDIA AND PAKISTAN**

**OPPORTUNITIES IN ECONOMIC GROWTH,  
TECHNOLOGY AND SECURITY**

**A REPORT  
OF THE**

**BALUSA / PRINCETON GROUP**

**MAY 2 - 4, 1997**

**A small group of senior Indian and Pakistani and United States leaders and officials have met over the period of a year to discuss ways whereby the future of the subcontinent could be better than has been the case for the past fifty years. Their discussions have focused on economic, political and security issues. Though the meetings are private, the discussions have been put on the record and reports of the meetings, first at Bellagio in Italy (May 1996) then in the Maldives (November 1996) have been made widely available.<sup>1</sup>**

**While some of the attendance has varied, membership of this group has consisted of the following:**

**The Honorable Shahid Kakhan Abbasi**

**Mr. Syed Babar Ali**

**Dr. V.S. Arunachalam**

**Major General Mahmud Ali Durrani**

**Mr. Vijai Kapur**

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<sup>1</sup> Reports of the Balusa/Bellagio Group; Report of the Balusa/Maldives group, Foreign Policy Research Institute, 1996.

**Lieutenant General Farrakh Khan**

**Air Chief Marshal S.K. Kaul**

**Ambassador Pratap K. Kaul**

**Foreign Secretary Shaharyar M. Khan**

**Mr. Ejaz Ahmad Naik**

**Dr. Kirit Parikh**

**Governor Girish Chandra Saxena**

**Mr. Yusuf H. Shirazi**

**Dr. Toufiq A. Siddiqi**

**Ambassador Shirin Tahir-Kheli**

**This is the third report of the group and the following reflects the dialogue that took place at Princeton University on May 2-4, 1997. The focus of the extensive discussions was on the scope of the cooperation, problems facing cooperation and its future pace.**

### **Prospects for Cooperation**

**Members of the group felt that there was a continuing need for cooperation between India and Pakistan if both are to meet the needs of their respective people and fulfill their destinies as important and prosperous countries in a vital part of the world. Normalization of relations between India and Pakistan was the key to a bright future and the range of areas where they could cooperate was an extensive one. Participants stressed that mutual cooperation amongst countries has traditionally benefited all member states.**

**Participants felt that in the past three months, prospects for Indo-Pakistan normalization have improved with the change in the attitude of the top leadership. Indian Prime Minister, Deve Gowde had reached out**

**in a conciliatory gesture toward Prime Minister Nawaz Sharif following elections in Pakistan. The latter had responded and the result was the meeting of the two Foreign Secretaries in March 1997. When the Indian government changed in the midst of the foreign secretaries talks, there was initially some fear that the talks would be affected. Fortunately, instead, the selection of Inder Gujral as Prime Minister in India had speeded up the process. In his previous capacity as Foreign Minister, Gujral was conciliatory towards India's neighbors, including Pakistan. Gujral had decreed that travel restrictions be reduced and visas be granted more easily, a move that would have a salutary effect on future relations. The fact that all issues were on the table allowed the two sides to meet without rancor. Participants remain hopeful that the new momentum to the bilateral talks, at the prime ministerial and foreign secretary levels, could lead to permanent normalization. They called for an early implementation by each country of the decisions taken at bilateral meetings.**

**Participants felt that the Maldives meetings of the South Asian Association for Regional Cooperation (SAARC) offered an excellent and timely opportunity for the meeting of the two prime ministers, the first such meeting in several years. As one of the participants said: "the constellation of factors at this moment is perfect for a productive new relationship". There was also a feeling that if the moment was allowed to pass, it would be a decade before such momentum could be built again! None of the participants felt that the task of the leaders would be an easy one although almost everyone cited the growing recognition that there had to be different way of tackling problems between the two countries rather than continued confrontation. All recognized the need to build institutional support, (to particularly include bureaucratic) as well the critical need for public support for sustained good relations.**

**A review of internal events indicated a measure of bi-partisan support in India on foreign policy issues and on economic liberalization. While party politics were somewhat unstable at the Center, it was said that this fact did not reflect in general instability in the political system. Pakistan was said to have ceased to be an electoral issue in India. The shift in power from the Hindi belt was noted as was the pluralism of Indian politics.**

A change of attitude in Pakistan was recognized with the prime minister being in favor of a more open relationship and on the development of economic ties with India. Nawaz Sharif was most convinced that it was necessary to resolve problems with India permanently. His huge mandate gave him the authority to proceed. His development of personal rapport with Prime Minister Gujral and the fact that he had had 6 meetings with previous Indian prime ministers during his first term in office made it possible for him to repair relations with India.

Pakistan was said to be standing at the edge of a precipice economically. The first order of business was to put the economic house in order by rescheduling of foreign debt and restructuring of the tax base. Privatization was to be accompanied with greater transparency.

### Problems Facing Cooperation

Despite the wishes of the two prime ministers, it was said that the basic mistrust could not be simply wished away and a resolution of Kashmir issue was necessary. This issue may not be on the front burner but neither can it be put in the deep freeze. Even though this issue appears to be insoluble at present, time will show visible dividends of its settlement. There is a realization that both countries must go about dealing with each other in a different spirit. Even though there is an “intellectual” appreciation of the need for resolving differences, actual performance will depend on political will, the nurturing of the openings available to both countries and their ability to move forward together.

### Scope and Pace of Cooperation

The discussion focused on the similarities inherent in the economies of the two countries, particularly in the role of agriculture and in agro-processing. The potential for cooperation in these areas both for production and transfer of technology was highlighted at the meeting.

Participants felt that here was a great deal of scope available to the two countries in the way of economic cooperation. It was said that Indo-Pakistan economic liberalization was likely to surprise both by its pace and available mutual benefits. Economic gains would underwrite the relationship despite political changes. Security cooperation would follow economic openings provided by items such as trade.

The group noted that 50 years of tensions had left the relationship hemorrhaging and had led to large defense expenditures. The scope of future cooperation could be extensive but it must also be manifest with some of the benefits available to the public. Hence, any new agreements must be meaningful in the public view. Past ones such as the agreement against chemical weapons or that on non-attack on nuclear facilities were useful but seemed out of the public's reach or interest.

Participants debated on the wisdom of adopting a step-by-step approach rather than the "big bang" approach which would bear all political costs of a real opening by aiming high initially. It was agreed that words such as "break-through" or "historic" would be best avoided until there was solid progress. Otherwise, there was a danger of a let-down or even a back-lash.

The discussion of the general trends was followed with an updating of the list of confidence building measures in order to keep those agreed to at Bellagio and in the Maldives up to date. Similar to earlier discussions, those participating in Balusa III at Princeton agreed to make the recommendations on the record. (Items recommended for early implementation are underlined).

## ECONOMIC

- ◆ An Early Joint Meeting of finance and Commerce Ministers
- ◆ Expand Trade (Taking into account the sensitivity of both sides)
- ◆ Governments to proceed with SAARC mechanisms for expending the lists of items and removing trade barriers while recognizing that the bilateral India-Pakistan agenda must move forward
- ◆ Encourage Joint Ventures and set up a joint mechanism for clearance on a fast track in the fields of petroleum products, agro-industry, tourism, telecommunications, infrastructure, etc.
- ◆ Pursue the Joint Gas Pipeline Project as it is in the Mutual Benefit of Both Countries

- ◆ **Urgent Consultations on the possibility of purchasing and exchange of electrical power**
- ◆ **Prevent Smuggling (\$ 1 billion annual value) and prevent loss of revenue for governments through the regularization of trade**
- ◆ **Enhanced Private Sector Exchange Visits including those between Chambers of Commerce to discuss joint projects, trade laws, etc.**
- ◆ **Granting of visas for business/commercial visits on the recommendation of the Chambers of Commerce**
- ◆ **Encourage R & D Collaboration, Educational and Student Exchanges, joint work in Environmental Protection**
- ◆ **Joint Development of a SAARC Communications Satellite by the year 2002**
- ◆ **Encourage Tourism between India and Pakistan through the treatment of visitors from each country as visitors are from any country**
- ◆ **Facilitate visits at times of international sports events in each other's country**
- ◆ **Recognize the importance of public education to correct wrong impressions on different issues, particularly the impact of increased trade and economic cooperation in industry and agriculture**

## **POLITICAL**

- ◆ **Exchange delegations at an appropriately high level at each other's 50<sup>th</sup> anniversary celebrations in August 1997**
- ◆ **Accelerate the Political dialogue which must be sustained**
- ◆ **More frequent and regular meetings of the Prime Ministers**



- ◆ Better utilization of SAARC decision to encourage visits by each others parliamentarians ( both Provincial and National) without visas
- ◆ Revive the Indo-Pakistan Joint Commission
- ◆ Liberalize Visas and Simplify arrangements and Ease Travel between India and Pakistan. Thin out the “Prior Notification” categories in both countries with the objective of treating each other’s visitors on par with visitors from other countries
- ◆ Reduction of Propaganda Against Each other, particularly in the electronic media
- ◆ Greater Access to each other’s Newspapers and exchange of Newspaper and Electronic Media Correspondents on both sides with access to Political Leaders
- ◆ Cooperate in the elimination of Narcotics and Terrorism
- ◆ Restrain Subversive elements against each other
- ◆ Periodic meetings at the appropriate level to consider measures to reduce border incidents and tensions and to review progress
- ◆ Interaction between NGOs of both countries on matters of regional interest

## **MILITARY / SECURITY**

- ◆ Initiate Military Leadership Interaction starting with the visits of National Defense College Teams on Study Tours
- ◆ Hot Lines at the military level to work better, more regular and routine usage
- ◆ periodic review of Existing Agreements and Public acknowledgment of the same

- ◆ **Pre-Notification of Large Scale Military Exercises to continue**
- ◆ **Strike Forces to be Kept Away at reasonable distances and Timely Notice of Movement**
- ◆ **Exchange Observers to Each others Military Exercises**
- ◆ **Reach Agreement on Siachin and Disengage Military Troops at the Earliest (which would convey an early signal of improved relations)**
- ◆ **Renew discussions on a “No War” Pact**
- ◆ **Restraint in Deployment of Missile Delivery Systems (Tacit Understanding on a Quid Pro Quo)**
- ◆ **Non Use of Weapons Based on Nuclear, Chemical & Biological technology**