

BALUSA IX

INDIA AND PAKISTAN:

**POLITICAL / ECONOMIC OPPORTUNITIES AND
SECURITY CONCERNS**

**Report of the meeting of the BALUSA Group
held in Chennai, India, November 9 – 12, 2000**

by

Shirin Tahir-Kheli

Date of Publication, January 23, 2001



**The Paul H. Nitze School
Of Advanced International Studies
The Foreign Policy Institute
1619 Massachusetts Avenue, NW 20036-2213
(202) 663-5773 / FAX (202) 663-5769
www.sais-jhu.edu**

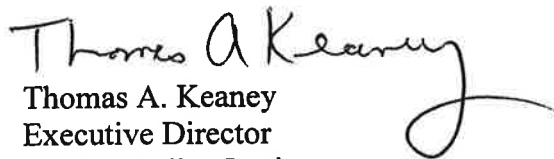
Preface

The work of the BALUSA group stands out as a counterpoint to recent history of troubled relations between India and Pakistan. During a period marked by escalation of nuclear tensions, conflict in Kargil, and military take-over of the government of Pakistan, the BALUSA group, whose membership includes both Indians and Pakistanis, has continued to meet, talk over common problems as well as common interests, and plan measures that would improve the current climate of animosity and distrust between the countries. The ninth meeting of the group, reported here, continues this spirit of cooperation and introduces concrete actions for each country.

This meeting focuses on the specific progress of the group in the form of its first publication, *India and Pakistan: The Cost of Conflict and the Benefits of Peace*, by Major General Mahmud Ali Durrani (Ret.). The book epitomizes the approach of BALUSA toward achieving better interstate cooperation: a dispassionate inquiry into the bases of mistrust and its costs to both sides, specifically the issues of nuclear weapons and trade, followed by practical, specific measures each country might undertake to improve the situation. The publication of the book shows not only the commitment of the group to move beyond general discussions, but also its dedication to a process that will bring tangible results.

While addressing measures to reduce the nuclear threat, the group also shows its willingness to move forward on other fronts, particularly that of increased economic cooperation. Emphasis on trade, building a better climate for joint economic projects, and the development of a natural gas pipeline through Pakistan to India provide ways to move beyond the political log-jam engendered by military and diplomatic disputes and may well lead to less hostility and a better overall climate of interstate relations.

This report is published to provide familiarity with BALUSA's activities and to introduce a wider audience to the practical measures proposed. We thank the Editor, the Executive Editor and staff of *The Hindu* for hosting the meeting in Chennai, India, and to the W. Alton Jones Foundation for support of the project.


Thomas A. Keaney
Executive Director
Foreign Policy Institute

BALUSA IX

INDIA AND PAKISTAN: POLITICAL / ECONOMIC OPPORTUNITIES AND SECURITY CONCERNS

**Report of the meeting of the BALUSA Group held in Chennai,
India, November 9 - 12, 2000**

Rapporteur, Shirin Tahir-Kheli

Date of Publication, January 23, 2001

The ninth meeting of the BALUSA Group of senior Indian, Pakistani and US participants was hosted by *The Hindu* in Chennai, India from November 9 – 12, 2000. The following participated in the meeting:

N. Ravi, Editor, *The Hindu*, Host
Malini Parthasarathy, Executive Editor, *The Hindu*, Host
Syed Babar Ali
General Muhmud Ali Durrani
Salman Haidar
ACM S.K. Kaul
Shaharyar Khan
Amitabh Mattoo
Kuldip Nayyar
Brig. Shaukat Qadir
Makkhdoom Shah Mahmood Qureshi
Toufiq Siddiqi
Shirin Tahir-Kheli

The meeting focused on the study authored by General Mahmud Ali Durrani and discussed three main areas: the prospects of India-Pakistan re-engagement; assessment of economic opportunities as a potential vehicle for re-engagement; nuclear risk reduction.

Welcoming the BALUSA group to the first ever meeting in India, Mr. Ravi pointed to the fund of goodwill that exists between people from India and Pakistan at the personal level. He addressed the need to translate that goodwill into greater interaction and more

productive policies. It was necessary that sights should be set higher than that which is merely feasible. A better alternative may be to find a balance between the ideal and the feasible. A more detailed sense of the ensuing discussion follows.

The Cost of Conflict Study

The first study of the group which dealt with “*India and Pakistan: The Cost of Conflict and the Benefits of Peace*” was authored by General Mahmud Ali Durrani with a Foreword by Bharat Bhushan, both members of the BALUSA group. The study was completed in September 2000 and was presented to the group at the Chennai meeting.

The highlights of the study are:

- ◆ The primary objective of the study was to present to the people of India and Pakistan the futility and the high costs of an adversarial relationship and the multiple benefits of peace. The secondary objective of the study was to draw attention of the people to the bedrock of deep-rooted cultural, racial and linguistic ties between the Indians and Pakistanis.
- ◆ An effort is made to present the economic plight of the people of the Subcontinent. The Subcontinent has the highest number of illiterates in the world and a very large percentage of the population lives below the poverty line.
- ◆ Using authentic data the study establishes a relationship between the heavy defence expenditure and poor quality of life of the people of India and Pakistan. Arguing that a lowering of tensions and establishing peace in the Subcontinent will release funds and resources for accelerated development and improving the lot of the people.
- ◆ A chapter is devoted to force structure and defence spending of both nations. Arguing that while the military establishments of India and Pakistan are respectively the fourth and seventh largest in the world, in fact in GDP per capita terms, Pakistan ranked 129th in the world and India is even lower.
- ◆ The study presents the view that going nuclear has not reduced the security concerns of both the nations and has in fact added a new dimension of instability not only in South Asia but the broader region. The study concludes that the development of an operational nuclear force will be grossly expensive and unaffordable for the two countries.
- ◆ Bilateral trade has been discussed at length in the study. The level of formal bilateral trade of a five year cycle (92 – 96), did not average more than \$100 million annually while the informal trade through smuggling and through third country is over a billion and a half dollars. The study argues that the promotion of greater bilateral trade between the two nations will benefit both.
- ◆ The study is a multidimensional approach to conflict resolution. With emphasis on bilateral negotiations, supported by informal Track Two, people to people communications, expanded role of SAARC and the encouragement by regional and world powers.

Re-Engagement

Examining the prospects for re-engagement, the discussion focused on what it would take to re-engage in the political/diplomatic rather than in the military sense. The discussion touched on negative events such as Kargil and the continued unwillingness of the Indian government to enter into a dialogue with Pakistan. India was not willing to absolve the current Pakistan government of complicity in a host of negative actions. Prime Minister Vajpayee felt personally stabbed in the back. Opinion in India has hardened after Kargil and one ought not to underestimate its impact. The India-Pakistan relationship is replete with a great number of missed opportunities.

Given the saliency of the Kashmir issue to the current impasse, a discussion of the Kashmir factor as an impediment to a dialogue followed. New Delhi wanted certain actions on the Kashmir front in advance of any bilateral dialogue, actions which some felt were impossible for any civilian or military government in Pakistan to undertake simply for the potential promise of a dialogue. It was said that the resolution of the Kashmir problem has to be worked out jointly by India and Pakistan with the Kashmiris, with all sides showing flexibility beyond stated positions. Pakistan continued to believe that the insurgency in Kashmir was not the creation of Pakistan and the presence of large numbers of Indian troops in Kashmir is not merely to deal with outside elements. Kashmir has now become a more complex issue having evolved from being a political issue to one with religious overtones. India firmly believed that Pakistan's role in the insurgency was a critical factor in continuing violence that must end before any talks could take place.

The current level of mistrust is so high that a broad-based engagement such as was initiated at Lahore in February 1999 will not work. Perhaps it made more sense to start with a more limited agenda. Ways needed to be found to strengthen the resolve of those who are pressing for re-engagement. While these voices in either country are weak – they are far fewer today in India than was the case before Kargil, there is still some sentiment for talks even in India. The feeling in India is that it has Pakistan at a disadvantage and wants to hold it down. Pakistan is in a difficult position economically. There is international condemnation for its Kargil misadventure and the international community has expressed deep concern for the rise of fundamentalism in Pakistan. This seems to then be seen in New Delhi as a good time for India to be tough on Pakistan. Concurrently, India has started a dialogue with the Kashmiris and is attempting to sideline the role of Pakistan. However, it is quite evident that the general sentiment in Kashmir does not allow India to leave Pakistan out because Pakistan retains the capacity to stir things up in the valley. Overall, Pakistan is getting to be in a marginally better economic position and the Musharraf government is less isolated. Parallel talks between India and Kashmiris and Indians and Pakistanis rather than triangular (involving Pakistan, India and the Kashmiris) talks may be a more effective way to break the impasse.

A growing number of people in Pakistan believe that even with the centrality of the Kashmir issue, there are other very critical domestic issues, such as the lack of economic opportunity that need to be addressed. Had there been adequate preparation for the

Lahore summit in 1999, with the military an integral part of the process in Pakistan, perhaps the eventual outcome may have been very different. The relevant question is: how long should the “Kargil Hangover” dominate relations? One has to recognize that Kargil shattered confidence and it will take time to re-build confidence. Repeated offers by Pakistan for talks and snubs by India are undermining peace constituencies in the former and hardening attitudes. The current regime in Pakistan is in a position to deliver on any agreements reached with India and no future political government can ignore the military in reaching agreements with India, as was apparent in Kargil. The Lahore agreement was preceded by inadequate preparation for follow-on by both sides. While the Pakistani leadership failed to achieve a consensus, India failed to appreciate where real power on agreements dealing with Kashmir lay in Pakistan, i.e. with the military.

Despite the difficulties created by the collapse of the Lahore process and the current state of no relations between India and Pakistan, India’s larger role requires peaceful relations rather than perpetual conflict in its own backyard.

Given the inability of the formal channels of communication to cut through the freeze in relations, there was some discussion of the need perhaps for an unofficial private channel. There will be a need to encourage private communication and yet use the foreign offices. Perhaps the former can be used to ‘plant the seed’ while the respective foreign office can continue the process. The first need was to achieve some measure of readiness to re-engage. There was then the question of mechanisms, i.e. official versus private. The official bureaucratic channels are hard-line with the Indians demanding a change in “Pakistan’s behavior” before any engagement takes place.

In assessing the possibilities for re-engagement, the group looked to an alternate course of action including the following:

- ◆ Technical dialogue on nuclear risk reduction since nuclear war remains a distinct possibility
- ◆ Serious talks on Kashmir with flexibility beyond current positions
- ◆ Military-to-military talks with a limited agenda to de-escalate along the Line of Control (LOC)
- ◆ Bi-annual talks between the Indian Vice Chief of Army Staff and the Pakistani Chief of General Staff
- ◆ Contacts and brainstorming between political/communal leaders to reduce religious bigotry
- ◆ People-to-people efforts to change the mindset of suspicion
- ◆ Encourage economic interaction such as the natural gas pipeline through Pakistan to India
- ◆ Co-operative work on water security

Economic Opportunities

The group focused on the possibility of economic cooperation between India and Pakistan and whether there was any way that such cooperation could be initiated as a way

of breaking the political log-jam. A number of specific ideas were discussed. The first, dealt with trade between India and Pakistan. Under current conditions, official trade remains around \$150 million while the unofficial figures for trade point to nearly \$2.5 billion via third countries or smuggling. As was pointed out, were trade to expand to the expected level of \$4 billion, such an expansion would create huge constituencies for better relations. Currently, there are no lobbies for trade with each other, particularly in India. Only in times of crisis with shortages of particular items, such as cement, sugar, onions, does the issue of trade come up. Despite official indifference, there are constituencies in India for opening of trade with Pakistan. It is important to strengthen these constituencies. At this stage of the relationship, the economic imperative has never dictated political will. When that happens, India-Pakistan relations will change for the better.

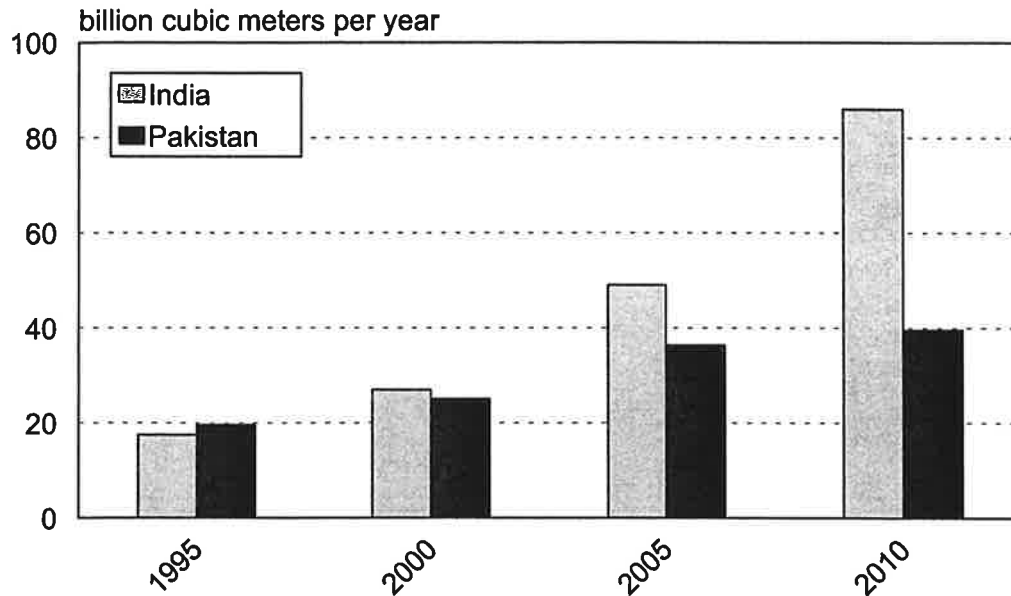
Pakistan will be better in the long run if it opens up to trade with India. While it may get hit in the short run, the country will in fact be helped in the longer term. There is interest on the part of business to work out a cooperative economic relationship. Furthermore, various multinationals are looking at the area as one entity and the diminution of hostility between India and Pakistan will indeed benefit the entire region.

The difficulties in starting greater collaboration in the economic area were discussed. There was also consideration of the possibilities of building support in both countries for joint projects along with the possibility of creating a trade-off between Indian enthusiasm for trade with Pakistan and Pakistan's interest in a natural gas pipeline through Pakistan to India. It was said that BALUSA should concentrate on issues that are beneficial to both countries such as the natural gas pipeline. The group expressed support for the discussion of all issues with an emphasis on trade, pipeline etc. and felt that with peace will come the benefits. On the other hand, greater emphasis on an economic break-through could speed a productive peace in the subcontinent.

Natural Gas Pipeline

A detailed presentation on the rationale for a natural gas pipeline through Pakistan to India was made. The need for the pipeline, based on the anticipated demand for natural gas in India and Pakistan is shown in the following chart.

Anticipated Demand for Natural Gas in India and Pakistan



Toufiq Siddiqi (2000)

The potential suppliers of natural gas to India and Pakistan are:

- ◆ Turkmenistan
- ◆ Iran
- ◆ Qatar
- ◆ Oman

Obstacles exist in the import of natural gas to India and Pakistan. For example, the Turkmenistan pipeline would have to go through Afghanistan, a country with ongoing civil strife. Iran could have difficulty in obtaining external financing, although the magnitude of the project and the possibility of changing the entire political/economic landscape for the better would be a powerful incentive for approval. Similarly, the Qatar pipeline would have to go through Iranian waters. A pipeline from Oman would have to go through great depth making the direct pipeline to India technically and economically prohibitive.

There are additional obstacles to the joint imports of natural gas by India and Pakistan. Amongst them is the Indian concern about reliability of supply and Pakistan turning off gas supplies during periods of tension. Pakistan has approved the project at the cabinet level and the Pakistani Chief Executive, General Musharraf conveyed that to Iran during his visit to Teheran in January 2000. Indian reluctance to move in that direction was

discussed along with the fact that sooner or later the need for energy at reasonable rates would move India toward agreement provided that the Indo-Pakistan relationship is improved. It was not that long ago that Pakistan did not want to be seen as helping India but the dynamic has changed. Other potential difficulties include different arrangements for setting prices for delivered gas and trade balance and foreign currency implications.

Treaties such as that governing the division of the Indus Waters and the Agreement for Non-Attack on Nuclear Facilities and the Chemical Weapons Convention have all endured despite past tensions and even hostilities. The four major directions through which an appropriate climate of opinion can be created are:

- ◆ Full fledged preparatory techno-economic work
- ◆ Intergovernmental agreement
- ◆ Informed public opinion
- ◆ Promotion of international commercial and financial interest in the proposed projects

Security regimes can also be fashioned which involve Pakistani commitment to take a certain portion of the gas for its domestic needs; a take or pay clause; guarantees by international financial institutions or the multilateral consortium that will build the pipeline.¹

The group decided to publish in 2001 an updated study on a natural gas pipeline through Pakistan to India.

Nuclear Risk Reduction

The need for nuclear risk reduction is even more urgent given that relations between India and Pakistan have rarely been worse than they are today and leaders must prevent a war no one wants. Thus, the stabilizing of nuclear deterrence deserves the most urgent attention. Given that de-nuclearization is not possible, the stabilization of nuclear deterrence is critical.

India and Pakistan present a unique situation following their nuclear weapons tests in May 1998. The closest comparable situation that once existed was that of the former East and West Germany hosting nuclear weapons on their soil controlled by the two superpowers. However, there were two essential differences. First, unlike India and Pakistan, the two did not have an ongoing conflict with the attendant potential for escalation. Secondly, the fact that weapons on German soil were controlled by distant powers. While lack of ownership meant a certain level of psychological insecurity, lack of control offered some measure of remoteness which may have built a barrier to premature use.

¹ Toufiq Siddiqi and Shirin Tahir-Kheli, Report of the Working Group on Natural Gas, "Import of Natural Gas Into Pakistan and India by the Pipeline from Neighboring Countries", Project on *Enhancing Regional Cooperation in South Asia through Collaboration in Energy and Environment*, Workshop held at Udaipur, 5-8 November 1996.

In addition, nuclear weapons in Germany were accompanied by a most sophisticated Command, Control, Communication and Intelligence [C3I] system ever, something that neither India nor Pakistan currently possess. Thus the potential for errors of judgement based on faulty information makes the South Asian situation dangerous.

There are a number of additional constraints that apply to India and Pakistan. First, there is the constraint of geography. A look at the map demonstrates that Pakistan presents a flank to the North-Western face of India. Pakistan's lack of depth, size, and the greater range of the Indian Agni 2 missile effectively gives India a second strike capability which leads Pakistan toward the development of its own second strike capability, no matter how rudimentary.

The second issue relates to time. Given the proximity of India and Pakistan, the near zero flight time of a missile creates a potential for disaster. The U.S. and the former USSR had an ocean and a continent between them initially providing for a flight time of one hour and forty minutes from launch to impact. By the time the cold war ended that time had been reduced to forty minutes, which is considerably more than the zero to 3 minute time that currently exists in the subcontinent.

The third factor is that while India and Pakistan possess nuclear weapons, their present technological capability in the C3I field is relatively primitive. The level of sophisticated scientific equipment required to develop a C3I system, a real second-strike capability, or minitiation support is lacking.

Fourth, India and Pakistan have a history of conflict and use excessive rhetoric against each other on a regular and on-going basis. It is a relationship in which even a win-win strategy does not work. Perceptions of what constitute 'unacceptable damage', a vital part of deterrence, are difficult to gauge. Issues of judgement complicate matters given the level of mistrust between the leadership of the two countries. Under existing conditions, it is difficult to gauge the threshold of tolerance. Deterrence must be backed up by a credible capability and by the threat of inflicting 'unacceptable damage', which implies a state of mind and is thus extremely difficult to deal with. In addition, the rhetorical style of the leadership and the tendency toward brinkmanship, makes for an extremely dangerous situation.

Finally, the escalatory nature of future conflict cannot be ruled out despite the current balance of terror that exists whereby each presumes that the other has the will to use nuclear weapons.

Given the high level of tensions and the worry about unauthorized or accidental use or loss, India and Pakistan need to establish even a minimalist dialogue on the subject. Given threat perceptions and mutual suspicion, qualitative control may not be possible. However, restrictions and limitations are possible and a first attempt at dealing with potential problems resulting from nuclearization is needed. While recognizing existing concerns, one must also acknowledge that India and Pakistan have only a limited supply of fissile material and both have agreed to participate in the Fissile Material Control

Treaty talks. In the meantime, each is adopting unilateral safety measures for the nuclear weapons program.

A discussion of the need for greater transparency ensued. Some of this is already required under the Non-Attack on Nuclear Facilities agreement whereby both countries exchange lists of respective nuclear facilities each January. The Lahore Declaration and the accompanying Memorandum of Understanding offer the most comprehensive and likely way for India and Pakistan to engage on nuclear issues through both the technical and the diplomatic arenas.

In an agreement between India and Pakistan there should be nuclear transparency in the following spheres or areas:

- ◆ Doctrine
- ◆ Procedures
- ◆ Targeting
- ◆ Deployment

In order to get beyond the Lahore decisions, and given that de-nuclearization is not possible, the following types of actions should be considered as they help strengthen deterrence :

- ◆ Establishment of a nuclear safety and assistance and collaboration zone in South Asia
- ◆ Declarations by India and Pakistan, i.e.
 - ❖ No nuclear weapons use against non-nuclear states
 - ❖ A no nuclear use pledge against each other's capitals
 - ❖ No use against one economic and financial center
 - ❖ Pakistan to comit use of nuclear weapons only if survival were at stake
- ◆ Establishment of a Nuclear Assistance Regimes, i.e.
 - ❖ Nuclear Crisis Management Center, as a point of contact in nuclear crisis, accident reports and follow-up
 - ❖ Hot Lines between key technical people and political leaders within each country and between Indian and Pakistani experts and political leaders to assist decision makers
 - ❖ Exchanges of nuclear scientists with a view to enhancing personal contact and familiarity which would be critical in crises
- ◆ Nuclear Collaboration in the energy and research sector

The group decided to press for greater interaction with institutions that are familiar with the security environment accompanying the development of nuclear weapons in other regions. They noted the general unawareness of the nuclear milieu along with the attendant risks and accepted the need for BALUSA to serve as a bridge between some of the institutions in nuclear weapons states and India and Pakistan in sharing knowledge.

1978-1979