

India-Pakistan Relations: Political And Economic Dimension And Current Environment

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INTRODUCTION

The present paper attempts to put in perspective the political, economic and security dimensions of the bilateral relations between India and Pakistan. It would also discuss the issues and challenges that prevent both countries from reaching their full potential of bilateral engagement which definitely would have both regional and global significance. India enjoys strong cultural, linguistic and ethnic connections with the neighboring countries of South Asia. Among the South Asia countries, India is the largest which accounts for 70 per cent of population, nearly 80 per cent of the gross domestic product (GDP) and about 75 per cent of the regional economic output. India shares boundary with all the South Asian neighbours. The changing environment also demands India to maintain stability in its relations with its neighbours. From the geo-strategic and geo-political point of view, India's relations with the South Asian neighbours have been guided by – first, its desire to protect the sub-continent from the adverse external forces that might destabilize India's security environment and secondly, its desire to ensure that geographically proximity and ethno-religious affinities do not lead to instability on or near its border, particularly as they inevitably may affect its domestic, ethnic, religious and political relationships.

India's relations with Pakistan have been aptly described by former India's Prime Minister, Inder Kumar Gujral as 'tormented one'. Pakistan has been one of the major concerns for India's foreign policy for many decades. The relations between India and Pakistan have seen great uncertainty and ambiguity as both the countries have adopted divergent approach for their respective national interests. India and Pakistan are the two largest countries in South Asia wherein there exists a very low level of engagements. The two South Asian regional powers remain strategic rivals competing for regional influence and engage in contradictory and counterproductive acts. There exists a serious politico-security conflict between the two South Asian rivals which pose a hindrance to maintaining close relation for the mutual benefit.

HISTORICAL ANALYSIS OF INDIA-PAKISTAN RELATIONS DURING THE COLD WAR ERA

India and Pakistan have a history of unique relations. The diplomatic relations developed soon after their inception but lacked the character of cordial and friendship engagement. The historical relations between the two sides has been characterized by prolonged conflict and rivalry; discord, mutual distrust and suspicion. The historical animosity that carried over into the post 1947 period, the bloody partition and the accession of Kashmir to India remains a constant cause of political, ideological and military hostility between them.

The Maharaja of Kashmir, Hari Singh was in dilemma on whether to accede to India or to Pakistan. But when the tribal raiders with the support of Pakistani soldiers attacked the state and were about to capture the airfield of Srinagar, the Maharaja asked for help from India. The then Indian Prime Minister Nehru agreed to provide the necessary military support and assistance in return for his acceptance of Kashmir's legal accession to India. Maharaja Hari Singh had no choice but to comply. Finally, Hari Singh took a bold decision to accede to India instead of Pakistan and an Instrument of Accession was signed on 26th October 1947. Upon the accession, the Pakistan Government declared it as fraud and was

never ready to accept it. India and Pakistan together made a series of attempts to resolve the bilateral dispute through direct negotiations. The leaders of the two sides were in communication with each other between August 1953 and September 1954. However, the discussion couldn't bring any fruitful results as both adopted a different stand on the issue.

INDIA'S POLITICAL RELATIONS WITH PAKISTAN

The political understanding between India and Pakistan has witnessed more ups than downs ever since both countries have gained their independence. The political environment between the two neighboring countries continues to be marred by mutual distrust and suspicion. Despite significant potential, the relationship between the two sides has seen no significant improvement. The relationship between the two sides is perceived to be beneficial in various areas of interests including security, economic, energy and socio-cultural aspects. The two South Asian regional powers, India and Pakistan remain strategic rivals competing for regional influence and engage in contradictory and counterproductive acts. There exists a serious politico-security conflict between the two South Asian rivals which pose a hindrance to maintaining close relation for the mutual benefit.

The change in global politico-strategic environment in the aftermath of Soviet disintegration didn't usher any remarkable change in the relations between the two South Asian neighbours. In fact, the relations between the two sides have seen more low points than high points in the changed scenario. To start the relations on a positive note in the immediate years of the end of Cold War, India and Pakistan hold bilateral talks during the Jakarta Summit of the Non-Aligned Movement on September 1992. On this occasion, Prime Minister. P.V. NarsimhaRao said, "After going into all the details of the setbacks that we came up against, we still feel that we have to continue our efforts, not always expecting immediate or instantaneous success but realising that the effort itself is worth making irrespective of the immediate results." In response, Pakistani Prime Minister said, "We should continue discussing things."

INDIA-PAKISTAN SECURITY RELATIONS

Lack of political understanding and the state of the feeling of insecurity among each other has undermined any sort of security relations between the two sides. There are other factors that impinge on security ties are cross-border firing, LoC violations, looming threat of conflict and Pakistan's alleged involvement in cross border terrorism. Besides, the Kashmir dispute, Siachen Glacier issue, Sir Creek and water dispute remain the cause of friction.

India's security relations with Pakistan has over the last many decades been dominated by latter's attempt at seeking to destabilize the security scenario in Kashmir and also in other parts of our country. Despite repeated commitments, the terrorists violence occurs in one way or another in our country. In addition there exists a constant ceasefire violations along the border, have debarred any scope for peaceful security dialogue between the two sides.

Terrorism has been another major issue of concern in India's bilateral engagement with Pakistan. One of the key challenges India face at present is the one posed by terrorism from beyond its borders. India is seriously challenged by the menace of terrorism in multiple forms for the past many decades. It is facing the most unique, difficult and gruesome faces of terrorism. No other country in the world is so deeply entangled in this problem as India face at present. Eradicating the menace of terrorism poses a serious challenge to international community in general and in particular to India. It has been facing this problem for the last many decades and has lost thousands of innocent lives fighting the menace. Terrorism poses a serious threat not only to peace and security but also hinders economic development of our country.

INDIA-PAKISTAN RELATIONS: ECONOMIC DIMENSION

India and Pakistan are the two largest economies in South Asia which account for 90 percent of the gross domestic product (GDP) and 85 percent of the population of the region. Despite the fact, India-Pakistan economic and trade relations has remained so far very

limited with neither country falling in the category of top trading partners of each other. This can be reflected from the very fact that as of 2007/8, the share of total trade in goods between the two sides was less than 0.5 percent of their combined trade with the rest of the world. The reasons for the extremely low level of bilateral trade between the two can be attributed to border disputes and

political tensions, but also of inward-looking import-substitution growth strategies. The antagonistic relationship between India and Pakistan, have resulted in lack of constructive economic engagement. Despite sharing the 11th longest international border in the world miniscule bilateral trade between India and Pakistan has remained as low as US\$ 2.6 billion in 2013. The longest international border share is between the United States and Canada, accounting for 8893 km. The bilateral trade between them is US\$ 632 billion (for more details refer to Table 3.1).

Table 1
Trade Volume between Neighbouring Countries of the World

Rank	Countries	Border Length (in km)	Trade as of 2013 (in US\$ billions)
1	US-Canada	8893	632
2	Russia-Kazakhstan	6846	28.5
5	India-Bangladesh	4096	6.6
6	China-Russia	3645	88
9	China-India	3380	65.8
10	US-Mexico	3141	506.7
11	India-Pakistan	2900	2.6

Source: ChandraniSarma, "Indo-Pak Trade and Political Balance", *ISAS Insights*, National University of Singapore, No. 271, 21 November 2014, p. 2.

Table 2
India-Pakistan Merchandise Trade From 2000-01 to 2018-19 (Apr-Oct)
(in US\$ millions)

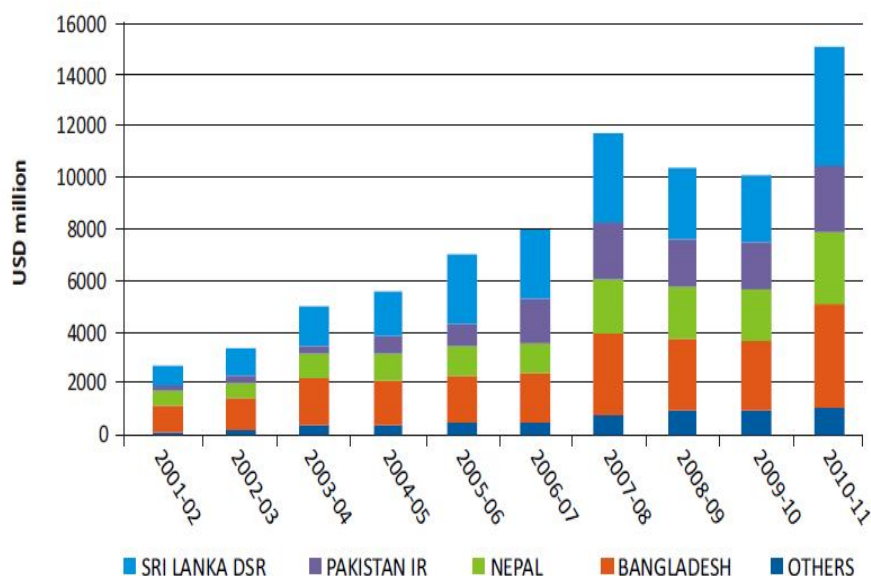
Year	India's Exports to Pakistan	Growth Rate (%)	India's Imports from Pakistan	Growth Rate (%)	Trade Turnover	Balance
2000-01	186.83	101.01	64.03	-6.14	250.86	122.8
2001-02	144.01	-22.92	64.76	1.14	208.77	79.25
2002-03	206.16	43.16	44.85	-30.74	251.01	161.31
2003-04	286.94	39.18	57.65	28.54	344.59	229.29
2004-05	521.05	81.59	94.97	64.75	616.02	426.08
2005-06	689.23	32.28	179.56	89.06	868.79	509.67
2006-07	1,350.09	95.88	323.62	80.23	1,673.71	1,026.47
2007-08	1,950.53	44.47	287.97	-11.02	2,238.5	1,662.56
2008-09	1,439.88	-26.18	370.17	28.54	1,810.05	1,069.71
2009-10	1,573.32	09.27	275.94	-25.45	1,849.26	1,297.38
2010-11	2,039.53	29.63	332.51	20.50	2,666.13	2,081.11
2011-12	1,541.56	-24.42	397.66	19.59		
2012-13	2,064.79	33.94	541.87	36.26		
2013-14	2,274.26	10.15	426.88	-21.22		
2014-15	1,857.18	-18.34	497.31	16.50		
2015-16	2,171.17	16.91	441.03	-11.32		
2016-17	1,821.87	-16.09	454.49	03.05		
2017-18	1,924.28	05.62	488.56	07.50		
2018-19 (Apr-Oct)	1,179.91		338.65			

Source: Export-Import Databank, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

India and Pakistan still use tariff and nontariff barriers to protect their domestic producers even after reforms have led to overall economic liberalization. The other trade barriers are related to poor trade logistics and inadequate infrastructure. Besides, there persists a problem of restrictive visa regime. The Pakistan government has time and again expressed

unhappiness over the fact that their businessmen face nontariff barriers in reaching to the Indian market. Both sides have in the past expressed readiness to address the perceived barriers as well. During the discussion, it was found that the issue of tariff barriers is a result of a general lack of awareness amongst Pakistani businessmen on the regulatory regimes in India. To further ease the way for better trade exchange, both sides arranged interactive sessions between the Indian regulators and Pakistani businessmen in New Delhi. Followed by another session in Pakistan in January 2012.

Figure 1
India's Trade with SAARC Countries



Note: Others include Afghanistan, Bhutan and Maldives.

Source: LoknathAcharya and AshimaMarwaha, "Status Paper on India-Pakistan Economic Relations", prepared by FICCI, February 2012, p. 10.

There was a constant fear among the policy makers of Pakistan that granting the MFN status to India would lead to the flooding of Pakistani markets with Indian goods. In fact, the availability of a large number of Indian goods in Pakistan and vice-versa will increase the competition on both sides of the border and serve the mutual interests of India and Pakistan. India granted MFN status to Pakistan in 1996, but Islamabad was taking time to make a decision on it. To appease Pakistani businesses, India has send a clear message that it will not allow any non-tariff barrier to come in the way of bilateral trade. It was unanimously decided that the two countries will enjoy mutual MFN treatment from January 2013, but failed to materialise owing to political conflict. It is expected that the current government of Pakistan will soon fulfill its promise to grant MFN status given the pressure from business community within the country and international donor agencies.

Between 2004 and 2007, four rounds of trade talks were held between the two countries seeking to strengthen economic ties. In 2008, both sides have agreed to liberalize their visa regime that would facilitate people-to-people contacts. The bilateral trade have benefited out of the composite dialogue. Exchange of goods via bus and train between the two countries have become more routine. Bilateral relations of both countries appeared to be on the course towards normalization. However, the Mumbai Attacks brought the economic engagement to the backburner.

Table 3
Top Five Export Items from India to Pakistan (in US \$ millions)

SL. No.	HS Code	Commodity	2012-13	2013-14
1	52	Cotton	471.93	467.30
2	23	Residues And Waste From the Food Industries; Prepared Animal Foder.	293.52	311.78
3	29	Organic Chemicals	273.07	271.55
4	7	Edible Vegetables, Certain Roots and Tubers	144.51	218.68
5	39	Plastic And Articles Thereof	110.73	163.90

Source: Export-Import Databank, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

Table 4
Top Five Import Items from Pakistan to India (in US \$ millions)

SL. No.	HS Code	Commodity	2012-13	2013-14
1	74	Copper And Articles Thereof.	149.53	6.09
2	8	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	92.55	100.15
3	52	Cotton	60.38	44.03
4	25	Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement	53.54	44.27
5	29	Organic Chemicals	38.90	26.88

Source: Export-Import Databank, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

Table 5
Top Five Export Items from India to Pakistan (in US \$ millions)

SL. No.	HS Code	Commodity	2016-17	2017-18
1	07020000	Tomatoes Fresh or Chilled	55.01	0.05
2	07132000	*Chickpeas (Garbanzos) Dried and Shld	21.68	21.70
3	09024020	Tea Black, Leaf in Bulk	13.68	14.39
4	04021010	Skimmed Milk	11.92	3.79
5	09083110	Large (Amomum)	7.16	4.00

Note: * ITC HS Code of the Commodity is either dropped or re-allocated from April 2018

Source: Export-Import Databank, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

Table6
Top Five Import Items from Pakistan to India (in US \$ millions)

SL. No.	HS Code	Commodity	2016-17	2017-18
1	08041030	Dry Dates Hard (Chhohara or Kharek)	125.80	111.30
2	28362020	Disodium Carbonate Light	8.04	4.67
3	09109914	Ajwan Seed (Bishop Seed)	5.25	2.63
4	52094200	Denim	4.31	3.42
5	22072000	Ethyl Alchl And Othr Spirits Denaturd of Anystrngth	3.47	2.46

Source: Export-Import Databank, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

ECONOMIC ENGAGEMENT IN THE POST 26/11 MUMBAI ATTACK

Without any doubt, the Mumbai Attacks brought a serious setback to the already not so good economic engagement between the two sides. It further deepen the political misunderstanding which cast a shadow on the economic relations between the two. The confidence building measures and other initiatives for bring a permanent peace prior to 26/11went in vain. The Indian government took the issue seriously and reacted severely to the incident.It terminated the secretary level talks on important issues related to security, commerce, etc. Relations in the immediate years after the Mumbai attacks, came to the

lowest point but after the lapse of three years diplomatic ties in early 2011 were re-established. However, the revival of the bilateral dialogue eased the way for improved trade relations in March 2011. Initiatives were taken by business communities at both sides to restart the trade ties.

Despite efforts to improve the trade ties between the two sides, the series of security events one after another destroyed the prospects of improvement. The Kargil events of 1999 not only slowed down the trade ties but also brought the relations to a historic low between India and Pakistan. Following which the attack on Indian Parliament by the militants supported by Pakistan in December 2001 further widen the gap between them. Besides, the terrorist attack in Mumbai in November 2008 has brought the trade relations to a standstill. Then after a gap of three years, India and Pakistan decided to resume trade by opening an Integrated Check Post at Attari-Wagah border.

Underlying Key Issues Constraining India-Pakistan Relations

This section of the chapter would discuss the key issues that prevent Pakistan and India from reaching their full potential of bilateral engagement which definitely would have both regional and global significance. There are factors within and outside between India and Pakistan which still impacts their relations, for instance, border issue, terrorism issue, Afghanistan issues, etc. These bilateral issues will not only effect on their present relations but is most likely to have a negative impact on their future relations as well. Besides, it will also affect the process of their rise and the peace and stability in and outside the region.

Afghanistan Issue

Indian interests clash with Pakistan over Afghanistan. India and Pakistan have been vying for strategic influence in Afghanistan. Pakistan is seriously concerned about India all-out effort to expand its strategic influence in Afghanistan post 9/11. India's long-term strategic interests entail the re-establishment of a peaceful, stable and friendly Afghanistan. Taking account of the ground realities, India has effectively pursued proactive diplomacy and has to a large extent been successful to create pro Indian lobbies in Afghanistan. India firmly believes that an unstable and fragile Afghanistan would pose a serious threat to India national security. Pakistan expresses apprehension over the growing Indian involvement in Afghanistan in the socio-economic development and military build-up. This has resulted in close political understanding between New Delhi and Kabul.

Afghanistan is central to India's closer economic and security engagement with Central Asian Republics and Persian Gulf. India is closely working with the international community to bring lasting socio-economic and security stability in Afghanistan which continue to face lots of domestic problems. India seeks to build indigenous Afghan capacity and institutions covering multi-dimensional sectors. Reconstruction work and development programmes have been designed to support the priorities of Afghan government and people. India has made significant investment in mineral, industrial, agricultural and other sectors of Afghanistan to help build sustainable economy.

CONCLUSION & SUGGESTIONS

India and Pakistan will need to realize the need to reduce the trust deficit that continues to serve as the key roadblock to constructive bilateral engagement. From the geo-strategic, political, economic point of view, it is imperative for both the countries to have close and cordial relations. Establishing cordial relations between these two can contribute a lot in making this strategically important region prosperous. However, it is very difficult to make a prediction of how the relations between India and Pakistan would look alike in the coming years or so. But one thing is sure, for bilateral relations between any two countries to improve, it becomes imperative for a positive response from them. India and Pakistan will need to first change the perception about each other as strategic rival. In doing so, Pakistan has to change track on its 'Kashmir first' policy and shifting gear to a process of building co-operation and confidence in other areas. Similarly, India too, has to show a big brotherly attitude and offer some liberal concessions to the Pakistan without compromising any security needs. Such a positive attitude will reduce tension and ease the way for cordial

relationship between the two countries. Ayesha Siddiqi, a well-known scholar from Pakistan has very rightly pointed out two factors which hinder the prospect for peace between India and Pakistan – first, outstanding political/territorial disputes between the two countries; and second, historical perceptions of each other, especially Pakistan's perception of India.

Pros

- a) As India is rising power in the sub-continent and at world stage, resolving the issue bilaterally will enhance India's image as a mature and responsible nation.
- b) Any third party is kept out who may serve their own agenda which will not be in favour of India or Pakistan.
- c) It vindicates India's stand to resolve the issue bilaterally.
- d) It is the most preferred peaceful solution world over.

Cons

- a. Though the option is most preferred but it has been experienced that Pakistan sabotages it time and again.
- b. It has been experienced that Pakistan buys time in garb of peace process, consolidates and rejuvenates the terrorist infrastructure to wage a renewed proxy war.
- c. The gains made by security forces in neutralising the terrorists and bring the situation under control will all go in vain.
- d. Pakistan will take it as a sign of weakness.

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