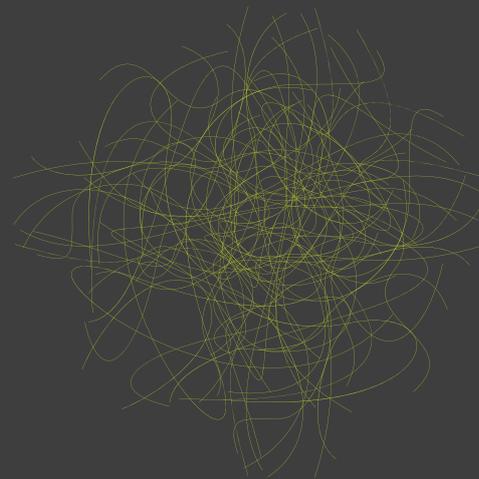


**Sources of Tension  
in Afghanistan and  
Pakistan: A Regional  
Perspective**

**India & Pakistan:  
Changing the  
Narratives**

**Gareth Price**

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### Introduction

In November 2011, hope that relations between India and Pakistan could be "normalised" were rekindled with Pakistan's announcement that it would grant India Most-Favoured Nation (MFN) status. A more positive narrative, predicated on better economic ties, has started to emerge, despite outstanding differences on a range of issues. This paper explores the extent to which a changed narrative might work to expedite progress to resolve these differences, and how this might impact upon stability within Afghanistan.

Disputes between India and Pakistan are multi-layered. At the higher-end lies a question over the very nature of the two states, epitomised by the status of Muslim-majority Kashmir. Since Independence, both countries have argued over whether Kashmir should form part of Pakistan, the homeland for South Asia's Muslims, or secular India, which now has a greater Muslim population than Pakistan. At the other end of the spectrum lie a host of smaller disputes, some of which are also hangovers from the partition of the Indian Subcontinent in 1947. While solutions to some of these are in reach, solutions are not implemented because of over-arching distrust.

This distrust causes massive opportunity costs, not least the absence of significant economic ties. India's economic growth and Pakistan's economic weakness appear to be creating a shared sense that greater links would be mutually-beneficial, and could work to improve the bilateral relationship. At the same time, in recent years, the prevailing view within Delhi regarding Pakistan has shifted towards a realisation of the dangers India faces from an unstable Pakistan.

This gradual shift towards a relationship built on economic opportunities rather than security threats has major implications for both Pakistan and Afghanistan. Should competition between India and Pakistan intensify in Afghanistan, then Afghanistan will suffer, and relations between India and Pakistan will deteriorate. However, a window of opportunity appears to exist for India and Pakistan to emphasise the mutual benefits that could accrue, were they to cooperate in rela-

tion to Afghanistan and for Pakistan itself to benefit by changing its over-arching approach towards India from security threat to economic opportunity.

## A Window of Opportunity Within a Strained Relationship

The negative narrative between India and Pakistan stems from a fundamental disconnect regarding the cause of their tense relationship.

For decades, Pakistan has regarded the issue of Kashmir as central to its attitude towards India and to the justification for the country's existence as a state separate from India, namely as the homeland for Muslims in South Asia. If the Kashmir dispute could be "resolved", potentially by the UN plebiscite mandated in 1948, an era of cooperation could begin.

India conversely argued that the Shimla Accord of 1972, under which the two countries agreed to respect the Line of Control (LoC, the de facto border dividing Kashmir) and to resolve the dispute bilaterally, negated demands for a plebiscite, which anyway was conditional on Pakistani troops withdrawing from the territory of the former princely state. India instead prioritised alternative confidence-building measures as a means of increasing trust, thereby creating an atmosphere in which the two sides are more likely to "resolve" Kashmir. The compromise formula that has underpinned dialogue in recent years has been through a "composite dialogue" discussing a range of issues together, including Kashmir.<sup>1</sup>

Various events, most recently the terrorist attacks on Mumbai in 2008, have halted progress. Significant progress had earlier been made between 2004 and 2007. In particular, both countries appeared to agree that the principle of soft borders rather than territorial swaps would form the basis for any future agreement over Kashmir. None the less, other issues of tension remained unresolved and, even before the Mumbai attacks, moves to increase economic links were stalling, because of the lack of progress over Kashmir.

Since 2008 several factors have emerged. The issue of cross-border terrorism had been important to India since the 1993 attacks on the Bombay Stock Exchange and the attack on India's parliament in 2001. However, the Mumbai attacks were the final straw for India making it imperative that Pakistan took action on this issue. Following the attacks a cooling-off period – both of public opinion and to prevent party political attacks – was necessary. For Pakistan, relations with the US have deteriorated dramatically and economic growth has slowed. While the dialogue process resumed slowly in 2010, the shift in late-2011 towards bolstering economic ties provides a window of opportunity largely driven by economic weakness in Pakistan.

Furthermore, in India, there appears to be a growing realisation of the benefits that greater regional trade would provide, and an acceptance that a sub-continent-wide trade agreement requires engagement with Pakistan. This has been helped by a recent shift in Pakistan, where there have been greater signs of optimism regarding its commercial

1. The composite dialogue includes issues that are both causes and functions of tension. Along with Kashmir, causes of tension include the Siachen Glacier, demarcation of the boundary along Sir Creek and construction of the Wullar Barrage/Tulbul navigation project in Jammu and Kashmir, which Pakistan claims is in violation of the Indus Water Treaty. Functions of tension include (the lack of) people-to-people exchanges and low level of trade. Counter-terrorism, and the lack of cooperation on the issue, is both cause and consequence. Solutions to the causes of distrust, Kashmir aside, are relatively straightforward. However they have not been implemented because of the trust deficit.

ability to compete with India given the apparent popularity of Pakistani textiles in India. (Earlier there were widespread fears that Pakistan would be flooded by cheaper Indian products).

## *Issues of Contention: Kashmir et al*

### **I. Kashmir**

While the Kashmir dispute appears intractable, the broad parameters of a "solution" have become clearer over the past few years.

Two factors have led Pakistan to articulate a more flexible approach towards Kashmir.

First, the rise of an independence movement and migration into and out of the former princely state means that a plebiscite choosing between India and Pakistan would be an unsatisfactory solution for many Kashmiris. Such a vote would only serve to highlight the polarisation of opinion within Kashmir and that neither Hindu-majority Jammu nor Buddhist-majority Ladakh would be inclined to leave India.

Second, while India has long accepted that Pakistan was unlikely to "cede" Azad Kashmir to India, Pakistan now appears to realise that significant territorial swaps from India to Pakistan are equally unlikely. Recognition of these changes combined with a changed scenario post-9/11, led Pakistan's president, General Pervez Musharraf, to accept the need to crack down on cross-border militancy, even though Pakistan had not previously admitted supporting militant groups. General Musharraf also came to accept that a range of groups (not just the All Parties Hurriyat Conference) should represent Kashmiris.

By 2007, India and Pakistan had come close to an agreement in relation to Kashmir. General Musharraf envisaged self-governance for Kashmir, demilitarisation, and an open border, and India responded relatively positively to these ideas. However, by the time the ideas had been properly formulated, Musharraf's political strength in Pakistan was on the wane and he lacked the political strength to push them through. Whether the ideas would actually have been acceptable to India is also questionable. Musharraf's party performed poorly in the January 2008 elections, and Pakistani politics turned inwards until he resigned in August 2008. Any hopes that the civilian government could reinvigorate the peace process were ended by the November 2008 Mumbai attacks.

However, there is evidence that these ideas would have been largely acceptable to a majority of Kashmiris. According to an opinion poll conducted in 2009:

*58% of Kashmiris would accept the LoC as a permanent border if it could be liberalised for people and/or trade to move across it freely, and a further 27% were in favour of it in its current form. Only 8% said they were not in favour of the LoC becoming a permanent border in any form.<sup>2</sup>*

2. Bradnock, Robert, Chatham House, May 2010, "Paths to Peace".

While an over-arching agreement was not reached, a number of steps were taken to loosen the border. Cross-border trade began, visa requirements were liberalised, and bus service between Srinagar and Muzaffarabad was established. Although the high-level dialogue was halted in 2008, these people-to-people contacts have been consolidated.

There is a growing, though far from complete, acceptance in both countries that increasing economic interaction can take place in the absence of a "resolution" to Kashmir, in part because that resolution has taken on a different hue. Gradually boosting links within Kashmir is of itself part of the solution that, while not the optimum outcome for many Kashmiris, would seem likely to undercut support for violence within the state.

But significant obstacles remain. In 2010, India appointed three interlocutors to prepare a road map for Kashmir. Their report,<sup>3</sup> published in 2012, set out some specific suggestions on providing greater rights to Jammu and Kashmir, increasing economic interaction between Indian- and Pakistan-administered Kashmir, and emphasised the need for better economic conditions and more sensitive policing within Jammu and Kashmir. They also suggested the establishment of consultative mechanisms under which Kashmiri representatives from both sides of the LoC could address issues of common concern, such as water.

The reaction to the report demonstrates the sensitivity of Kashmir within India and the problem of political partisanship. The report was widely attacked. The BJP claimed that the report went against parliament, which had declared the whole state, including Pakistan-administered Kashmir, an integral part of India. Other critics claimed that the report lacked imagination. But as the BJP reaction showed, none of the "imaginative" solutions that have been thought up in the 1990s and 2000s would be acceptable. Neither India nor Pakistan has demonstrated any intention of swapping territory, thus for now loosening the border is the only conceivable solution. However, this will only occur when the governments of both India and Pakistan are politically strong enough to push it through.

## II. Siachen & Sir Creek

Other smaller bones of contention, such as Siachen and Sir Creek, are less deal-makers or breakers than weather-vanes of the overall relationship. Failure to resolve these issues can be taken to demonstrate that there is insufficient trust to hope for progress on other fronts. None the less, to engender trust requires the resolution of these smaller disputes.

Demilitarising the Siachen glacier, for example, would appear relatively straightforward given the human and financial costs of maintaining troops at the world's highest battlefield. An agreement was close in 2007, but has not yet been realised because of the trust deficit. This deadlock continued in the most recent meeting held in June 2012. It appears that the Pakistani military is now keen to push ahead with demilitarisation, but the Indian military insists on cartographic authentication of actual positions before demilitarisation can begin.

3. Kumar, Radha, Ansari, M.M., Padgoankar, Dileep, 2012, "A New Compact with the People of Jammu and Kashmir" MHA Website.

Demarcation of the border at Sir Creek, an unpopulated marshland, would determine the direction of each country's exclusive economic zone – the continental shelf is thought to have substantial oil reserves. In the absence of a mutually acceptable agreement, neither country is able to exploit any oil in the disputed waters. Again, both sides appeared close to a deal in 2008, but the Mumbai attacks scuppered any deal.

The resolution of these smaller disputes would demonstrate a reduction in the trust deficit. And these issues are important of themselves since they have been identified by both countries as issues ripe for resolution. Meanwhile, new challenges are emerging. The Wullar Barrage is just one facet of growing tension over water, for instance. India is routinely blamed for water shortages in Pakistan, even though domestic mismanagement is at least as - if not more - culpable. India's focus on cross-border terrorism following the Mumbai attacks has created an additional challenge.

The rate of progress on these issues will depend upon levels of political will and determination in both countries. The establishment of any form of joint governance in Kashmir would trigger claims of selling-out from opposition parties in India, and potentially from the military within Pakistan. In some respects the slow pace of progress works to prevent "spoilers" since progress is incremental rather than seismic. However, at some point difficult decisions will have to be taken.

## The Potential for Trade

It is Pakistan's current economic woes, rather than the traditional issue of Kashmir, which appear to be driving its approach towards India. Since the beginning of 2011, Pakistan's strained ties with the US, and a reluctance by China and Middle Eastern countries to provide support to Pakistan anywhere close to US levels, appear to have led to a realisation that improving economic engagement with India, as well with Iran, is one of the few options available to improve its economic prospects. India appears receptive to such thinking, recognising the security threats that an unstable Pakistan presents.

Given the importance of business interests in setting political agendas in both countries, moves to boost trade have major political ramifications for the broader relationship, should constituencies emerge in both countries keen to enhance economic ties with the other.

Economic ties between India and Pakistan are currently limited.

Total official trade in 2010/11 stood at US\$2.6bn, according to the Reserve Bank of India. In the first ten months of 2011/12 (April-January) bilateral trade fell by around 30% year-on-year. In 2010/11 Indian exports to Pakistan were worth US\$2.3bn and Pakistani exports to India US\$333m. India's exports include a range of raw materials, iron and steel and foodstuffs, while Pakistan's exports include textiles and foodstuffs. But to put those figures in context, total Indian exports stood at US\$254bn and its imports at US\$353bn. There is minimal Indian investment in Pakistan and no Pakistani investment in India, although India has agreed "in principle" to allow the latter.

These largely closed borders reflect a sea-change from the colonial period during which some estimates suggest around 70% of goods produced in what became Pakistan were sold in other parts of British India (although extrapolating from the past is slightly misleading; these figures reflect jute being grown in East Bengal and processed in West Bengal, as well as the wheat surplus of Punjab being sold elsewhere in India. Pakistan now has a much smaller wheat surplus).

The official figures do not tell the whole story. Estimates of the value of goods smuggled over the border range from US\$250m to US\$10bn, although it is more likely to be towards the lower end of the range and is dominated by Indian goods (since India has granted MFN status to Pakistan, there is less need to smuggle Pakistani goods across the border). Some Indian exports to Afghanistan and Iran are subsequently smuggled into Pakistan. Trade also takes place through third countries, notably Dubai and Singapore.

One factor that has prevented an improved bilateral relationship is an absence of constituencies with self-interest in promoting a better relationship. Growing business ties, whether between politically-connected larger businesses or through localised border trade as in Kashmir, help create such constituencies. More broadly, a wider availability of Indian goods in Pakistan and vice versa would work to normalise perceptions of the other. Mohsin Khan, former director of the International Monetary Fund (IMF), estimates that there is potential for US\$40bn of trade between the two countries.

Evidence from the recent relaxation of cross-border trade in Kashmir is largely positive. Trade across the LoC was introduced in 2008, and in early 2011 goods moved from Pakistani to Indian Kashmir were valued at around PRs80m per week.<sup>4</sup> The same report notes that these links have proved resilient to political turmoil and have created "sizeable constituencies in the region with a stake in normalcy". However, it also notes the challenges faced by traders, namely the use of a barter system, weighty security procedures and communication restrictions (replicated in broader bilateral trade) and the small number of trading points.

In recent months progress has been positive. In the run-up to the Maldives summit of the South Asian Association for Regional Cooperation (SAARC) in November 2011, Pakistan announced its intention to grant India MFN status. India responded by announcing a move towards a Preferential Trade Agreement with Pakistan, as well as a liberalised visa regime. While progress has been relatively slow – Pakistan now says that full MFN status will be granted by the end of 2012 – one of the most positive signals has been the avowed, if questioned, commitment to trade liberalisation by Pakistan's military. Furthermore, the main opposition party, the Pakistan Muslim League (Nawaz) or PML (N) has not attempted to undermine the process. In fact, it has pushed the government to go further in expediting visa liberalisation. This suggests that in Pakistan there is a growing consensus among decision-makers to enhance trade links.

The sequencing will remain challenging. Pakistan has complained that India imposes Pakistan-specific non-tariff barriers on some products, and may not implement MFN status until these are removed. India, conversely, argues that it will start removing these non-tariff barriers following the receipt of MFN status. Furthermore, India may need to demonstrate flexibility in open-

4. Conciliation Resources, Policy Brief, January 2011, "Intra Kashmir Trade"

ing up trade: while some Pakistani manufacturers may do well, others are fearful of the impact of competition. This fear partly stems from specific issues, such as power shortages. In such a context, Indian moves to trade power with Pakistan are significant.

While the timing may be conducive for an increased focus on economic ties, past attempts to do so were derailed by events (namely the nuclear tests of 1998 and the Mumbai attacks a decade later). The hope must be that progress can be made quickly enough to create sufficient constituencies in both countries able to prevent immediate policy reversals.

## Back Channels & Public Opinion

In both India and Pakistan, distinctions can be made between elite vs public opinion. Progress over Kashmir stemmed largely from back channel diplomacy.<sup>5</sup> Tariq Aziz from Pakistan and Satinder Lambah from India developed, through a number of meetings, a "non-paper" on Kashmir – a "*deniable but detailed basis for a deal*". Other politicians and commentators such as Mani Shankar Aiyar, Khushwant Singh and Kuldip Nayar have all attempted greater public outreach.

Public as well as elite opinion needs to evolve, particularly in Pakistan, even if elites are able to forge a more productive bilateral relationship. Hostility towards India is widespread in the Pakistan school system, and enmity towards the other is widespread in the media in both countries. There are only two Indian journalists in Pakistan, and no Pakistani journalists are currently based in India. Conversely, civil society dialogue is taking place, through forums such as *AmankiAsha* (Destination Peace), driven by two media groups, and now focussing increasingly on supporting increased economic ties. The importance of people-to-people links is perhaps best demonstrated by "cricket diplomacy". Indian cricket tours to Pakistan have been particularly effective in changing, temporarily at least, the over-arching negative public discourse and thereby creating a more conducive atmosphere for compromise.

Public opinion provides both opportunity and threat. According to the 2011 Pew Research Group survey, three-quarters of Pakistanis held unfavourable opinions about India, an increase from 50% in 2006. The survey suggests that 57% of Pakistanis feel that India is the biggest threat to their country, ahead of the Taliban or Al Qaida. The results in India are similar; 65% of Indians have an unfavourable opinion about Pakistan, and 45% see it as a greater threat to their country than Al Qaida and the Taliban.

At the same time, around 70% of Pakistanis would like to improve relations with India, and most Indians would like better relations and increased trade, with Pakistan. This implies that publics can be swayed by elite moves at enhancing ties. But these findings also explain public outrage in the aftermath of terrorist attacks and the constraints under which politicians work.

5. See Steve Coll, March 2<sup>nd</sup> 2009, The New Yorker, "*The Back Channel*".

The other element of public opinion where greater out-reach is necessary to change the narrative is in Kashmir. The 2007 deal included

some outreach to Kashmiri groups. But while it may have been satisfactory to most Kashmiris, it was not "sold" to them and there was little Kashmiri ownership of the process. In stratified South Asian societies, there is a tendency to sometimes neglect the importance of ensuring public buy-in.

## The Opportunities for Pakistan

Pakistan is currently trapped in a vicious circle, whereby insecurity harms its economy. In turn, poor economic circumstances contribute to growing insecurity. Were it able to break out of this cycle, the country has the potential to achieve much higher rates of economic growth, given its demographic profile. Engaging with India could work to reduce insecurity, changing the image of India as the enemy that underlays views on issues such as Kashmir. It could also help increase economic opportunities.

Steps are being taken in a positive direction. Pakistan is in the process of implementing a trade and transit treaty allowing Afghan exporters to send goods to India. While it does not allow Indian goods to transit through Pakistan to Afghanistan, there is growing hope that reciprocal trade will be allowed. The Afghan-Pakistan transit trade is in the process of being extended through Afghanistan into Central Asia, perhaps establishing a precedent for Afghanistan-Pakistan-India trade.

The proposed gas pipelines from Iran or Turkmenistan via Pakistan to India could also bring in economic and social benefits to Balochistan. But the progress has been slow mainly due to security issues in Balochistan. A new oil refinery in the Indian state of Rajasthan indicates a growing Indian interest in the establishment of utilising energy routes through Pakistan. Ideally, the countries could trade off security concerns with economic opportunities. Were India assured of transit trade, for instance, it could take steps to address Pakistani concerns about Indian support for Balochi insurgents.

The challenge for Pakistan would be to ensure that the benefits of trade liberalisation are widely spread. In the event that some industries suffer because of Indian competition, there is a danger these could coalesce into constituencies working against any rapprochement. Given the challenges that Pakistan faces such as its erratic power supplies, these threats are not marginal.

## Regional & Global Competition

The dynamics of the trilateral relationship between Afghanistan, India and Pakistan are complex, but are over-lapped by other geopolitical rivalries and tensions. Any power struggle between the US and China would have a negative impact on South Asia; while India's relationship with the US is growing stronger, China continues to provide moral support for Pakistan, and continues to invest in its infrastructure.

The stand-off between the US and Iran is a more pressing concern for Afghanistan, India and Pakistan. Pakistan has sought to strengthen

economic ties with Iran as well as India. In part this may be intended to demonstrate to the Pakistani public that the government will not be dictated to by the US. The move also reflects an urgent need to tackle energy shortages. Pakistan has agreed to buy 1,100 MW of electricity from Iran, as well as oil and gas, and progress would appear to be being made to construct the Iran-Pakistan pipeline.

However, this project is far from finalised. Originally the Iran-Pakistan-India (IPI) pipeline, India pulled out of the project in 2009 partly as a result of the US-India civil nuclear deal, and more broadly because of the threat of US sanctions. The threat of sanctions has affected Pakistan's ability to raise funds for the pipeline. The Industrial and Commercial Bank of China pulled out of the project in March 2012 fearing US sanctions, although Russian energy company Gazprom has expressed an interest in the project. The US has pushed Pakistan to focus instead on the Turkmenistan-Afghanistan-Pakistan-India pipeline, while Saudi Arabia is believed to have offered cheaper fuel to Pakistan if it drops the idea of the Iran pipeline.

India's position towards Iran is also ambiguous. While it backed out of the IPI project, it has also expended energy looking to establish various sanction-circumventing barter deals with Iran. While Indian firms have been reluctant to insure Iranian oil cargoes, Indian energy companies have turned to Iranian insurers. Iran is officially India's 13th largest trading partner, with total trade in 2010/11 of US\$13.05bn. However, Iranian goods also conduit through the United Arab Emirates (UAE), India's largest trading partner.

India appears to have taken a decision to moderately reduce its reliance on Iran, and seems unlikely to take any bold steps to strengthen economic ties with Iran until the Iranian nuclear situation is resolved. Were Western relations with Iran to improve, the Iran-Pakistan-India pipeline could return to the table as a feasible Confidence-Building Measure (CBM) with Pakistan.

However, Iran plays a different role in relation to Afghanistan. While the obvious route for Indian trade with Afghanistan is via Pakistan, India part-funded the construction of a road from the upgraded Iranian port of Chabahar into Zaranj in Afghanistan. The route serves a double purpose. For India, it provides access given Pakistan's reluctance to allow transit trade. Obviously, the road reflects strained ties between India and Pakistan, but it also (literally) enables India to bypass Pakistan, and for Afghanistan it reduces reliance on the Pakistani ports of Karachi and Gwadar. Given the realities of Afghanistan's geographical location, the US has not seriously pressured Afghanistan to loosen its ties to Iran.

The US-Iran standoff is clearly affecting regional dynamics, and any conflict between the two could have a severe destabilising effect. However, conflict seems less likely than continued Western attempts to suffocate Iran through sanctions. While Iran could attempt to lash out, attempting to destabilise Afghanistan, or increasing support for Shia militant groups in Pakistan, it is unclear what it would gain by so doing. For now, Iran's main regional concern would be with events in Syria rather than on its eastern border.

## Attitudes Towards Afghanistan

Since the rise of the Taliban in the mid-1990s, Afghanistan has emerged as an additional source of tension between India and Pakistan. Pakistan's security establishment fears that India is attempting to encircle it by cultivating a pro-Delhi government in Kabul, leading to concerns about the motivations behind the establishment of Indian consulates in cities such as Jalalabad and Kandahar, and the oft-repeated myth that India has 107 "consulates" in Afghanistan. While some hawks in India would undoubtedly be pleased with a pro-Indian Afghan government, for now the primary driver of most Indian policy-makers is fear of the return of an Islamist government in Kabul which could provide strategic depth both to Pakistan and to Kashmiri militants.

India's policy is informed by its longstanding fear that the West will leave Afghanistan leaving India to sort out the resulting mess. India's hostility towards the Taliban predates 9/11: memories of flight 814 remain strong – the plane was diverted to Kandahar and India was forced to free several Islamist leaders, including Masood Azhar, founder of J, in return for the passengers. Whilst India suggests that its relationship with Afghanistan is informed by longstanding cultural links, notwithstanding, prior to the Taliban period Afghanistan's policy to India and Pakistan had been more nuanced. Although there are links with both India and Pakistan – Hamid Karzai, for example, received post-graduate education in India – Afghanistan was perfectly capable of playing the two off against each other in their own interest.

Pakistan's position had been conditioned by the notion of "strategic depth", which emerged during the Soviet occupation of Afghanistan. Some commentators have interpreted it to mean that Afghanistan would provide Pakistan with additional territory from which it could disperse military assets, in particular planes and nuclear weapons, in the event of an Indian invasion. But in recent years it has come to mean that Pakistan enjoys a friendly and stable relationship with its neighbour, not least to allow military assets to remain concentrated on its border with India.

While the strictly military interpretation of "strategic depth" may be less relevant, this broader interpretation retains wide support in Pakistan. The positions of both countries have softened in the past couple of years. In the last couple of years Pakistan has stopped using the term "friendly government" in relation to its aspirations to Afghanistan, instead emphasising the promotion of stability. However, many in Pakistan would argue that stability will require some form of Taliban involvement in governance. This position would appear increasingly cognisant of the long-voiced US claim that the "existential threat" to Pakistan comes from Islamists within Pakistan, rather than from India. Consequently, using Islamists in Afghanistan to diminish Indian influence makes little sense if those same ideals are used to justify violence within Pakistan. Having said that, as the US has repeatedly suggested, elements of Pakistan's military still appear to have links with both the Taliban and the *Haqqani* Network.

India had been adamant that there could be no Taliban involvement in Afghanistan's government, and it remains the case that India, like the West, would abhor any Taliban-dominated Kabul government. However, India now accepts the Western government opinion that the Taliban can be separated from Al Qaida. Furthermore, many Indians opinion-formers now believe that Afghanistan's system of governance needs to be less centralised. This thereby allows for the possibility of "moderate" Taliban who have distanced themselves from international terrorism playing some governmental role in parts of Pashtun-dominated southern Afghanistan. India also appears to now accept that Pakistan has a "special interest" in Afghanistan.

The other factor that has affected Indian thinking in recent years is that its military is increasingly focussed on China. Pakistan is more of an irritant than a prime adversary of India. There is little support for increasing tension with Pakistan by deploying Indian troops in Afghanistan: India remains ham-strung by (bad) memories of the Indian Peacekeeping Force in Sri Lanka, an episode that ended in relative ignominy, and has weighed against the deployment of Indian troops in its neighbourhood. However, there is an acceptance, witnessed in the October 2011 India-Afghanistan Strategic Partnership Agreement, that India will provide greater support for Afghan security forces through, for instance, military training.

While India and Pakistan are gradually moving to a shared interest in stability in Afghanistan, Pakistan's relationship with Afghanistan remains strained. Both countries blame each other for allowing "safe havens" for militants. And underlying this issue remains continued concern about the sanctity of the Durand Line, the border that divides Pashtuns living in Pakistan, and in particular its Federally Administered Tribal Areas, and Afghanistan. Pakistan's fears of "Pakhtunistan" – a cross-border land of Pashtuns – have declined, given the evolution of militancy in both the tribal areas and Khyber-Pakhtunkwa (formerly the North West Frontier Province) predicated more on Islamist than on Pashtun identity, but it remains concerned about the ability of Balochi militants, in particular, to operate from Afghanistan.

At the same time, many Indians are concerned about the durability of the government in Afghanistan after 2014. More hawkish voices in India (and elsewhere) would consider re-engaging with the Northern Alliance, which India supported in the 1990s. For now these voices are side-lined by the central Indian position involving a significant gamble in providing substantial assistance to the Kabul government. Should the situation in Afghanistan worsen post-2014, a gradual shift in Indian support from the Kabul government to the Northern Alliance seems entirely feasible.

### Trade-offs, Red lines & Spoilers

The issues that prevent the normalisation of India and Pakistan's relationship include:

- i. Afghanistan, and the issues addressed by the composite dialogue: Kashmir;

- ii. The Siachen Glacier; the boundary-line at Sir Creek;
- iii. The Wullar Barrage/Tulbul navigation project (and water more generally) and
- iv. Terrorism.

Whilst there is a window of opportunity for greater trade to create a more conducive environment, in the long-term these issues will have to be addressed. On the smaller challenges, some lateral thinking is beginning to emerge challenging entrenched positions. If India and Pakistan cannot agree the boundary dispute at Sir Creek, could they jointly explore for oil? If they fail to agree on the Siachen Glacier, could joint scientific teams investigate the impact of global warming on the glacier? And while Pakistan has refused to extradite the leader of the *Jamaat-ud-Dawa* to India for alleged involvement in the Mumbai attacks, in May 2012 it agreed to start negotiations with India over an extradition treaty.

However, entrenched interests remain significant obstacles. At their most recent meeting on Siachen, India's military rejected a Pakistani proposal to investigate environmental damage on the glacier, claiming there was none. Days earlier, Pakistan had prevented progress over the issue of Sir Creek in an attempt to pressure India to agree a deal on the Siachen Glacier. Collaboration would be a more optimal outcome than trading off, say, Indian "victory" in Siachen, with Pakistani "victory" over Sir Creek. These disputes reflect the level of trust between the two countries. Successful resolutions would not shift the wider narrative between the two, but would reflect a shifted narrative.

The issue of terrorism is harder still, in part because of Pakistan's equivocal relationship with Islamists within Pakistan. While Pakistan has pledged to stop support for militants in Kashmir, many Indians remain dubious. Pakistan in turn continues to accuse India of support for Balochi militants. If the countries are to end their support for militants, or to move to a position where they trust that the other country is not doing so, this will stem from a wider shift from distrust to trust.

In relation to Afghanistan, both India and Pakistan, along with most other countries, are clearer about what they do not want, rather than what they do want. But two factors could give cause for optimism.

First, there are significant potential economic benefits to India and Pakistan, as well as Afghanistan, from cooperation.

Second, both countries share a desire for stability in Afghanistan. There is no desire, among mainstream opinion in both countries at least, for Afghanistan to revert to the proxy wars that afflicted it through the 1990s. India is in a position to engender trust by, for instance, reassuring Pakistan over its support for the continuation of the Durand Line, or by offering coordination, or at least greater information, about its aid programme in Afghanistan.

A transit agreement allowing transfer of goods and services to Afghanistan from India would be a first step in bilateral cooperation over Afghanistan. However, as with bilateral trade between India and Pakistan, there are two elements to any potential transit agreement: elite self-interest and public opinion. If any deal is to be sustainable both ele-

ments need to be on board. In recent months Pakistan has halted North Atlantic Treaty Organisation (NATO) supplies for Afghanistan because of vociferous public hostility. Contracts to transport these supplies to Afghanistan were held by a small number of politically well-connected individuals whose own self-interest would have been better served by the transit routes remaining open. But the failure to ensure public buy-in has harmed, at least temporarily, the elite's interests.

Exactly the same fear exists with any possible transit trade from Afghanistan to India. The benefits of trade need to be spread beyond the small elite: if not, in the event of rising tension such trade would be jeopardised. While NATO was forced to switch its supply lines to a complex route through Central Asia, India has a pre-existing access route through Iran. Nonetheless, the Chabahar-Zabul-Zaranj route is clearly more costly than a route through Pakistan, particularly given the proposed scale of Indian investment in mining projects, notably the US\$11bn Hajigak project. The Hajigak consortium has argued that the economic benefits to Pakistan should outweigh any political hostility.

### **Conclusions: India-Pakistan Relations - the Implications for Afghanistan & Pakistan**

A more cooperative stance between India and Pakistan will require significant recalibration of policy and public opinion in both countries.

Among factors that could usher in greater cooperation are:

- i. An agreement between India and Pakistan over Kashmir;
- ii. A shift in both countries to a position in which economic ties – bilateral trade, transit trade from Afghanistan and bilateral investment - take priority over political issues;
- iii. An absence of incidents, most notably Pakistan-linked terrorist attacks in India, that could derail engagement;
- iv. A positive narrative vis-à-vis the other in media, schools, political discourse and so forth and a resultant shift in public opinion to underpin growing economic ties;
- v. Recognition that a stable Afghanistan is more important than a beggar-thy-neighbour approach in which each country would prefer chaos to the other achieving its goals;
- vi. The creation of effective institutional mechanisms able to tackle existing and emerging bilateral challenges.

In both countries, lobbies exist that will describe better cooperation with the other as "selling-out". It will remain difficult to reframe the relationship in the absence of strong, legitimate governments in both countries. The outcome of the next general elections, due in Pakistan in early 2013 and in India in 2014, may well determine the trajectory of the relationship.

A "solution" to Kashmir may be central to enabling India to normalise its relationship with Pakistan. But Kashmir may now be less central to Pakistan's concerns with India, which increasingly stem from the growing economic and geo-political disparities between the two countries. None the less, given Kashmir's role in sixty years of bilateral tension, any

resolution would have significant positive repercussions. Progress over the issue of Kashmir is likely to involve a looser border and some form of joint governance mechanism, as well as gradual demilitarisation. If such a solution is to be entrenched, it will also require Kashmiri buy-in. This will be more likely if India escalates its focus on improving economic conditions and human rights in Indian Kashmir.

The main focus at present is on increasing economic links and concomitant visa liberalisation. Progress is slow, but steady. In time, if such progress is not derailed, economic ties can forge greater constituencies for peace and normalised relations in both countries. Such a process is already occurring, again slowly, across the LoC in Kashmir. The main cause for optimism is an apparent consensus of civilian government, opposition parties and the military in Pakistan. Public opinion in both countries appears to be in favour of increased trade. But distrust remains high, and new challenges – most obviously water – are emerging.

Afghanistan remains both an opportunity and a threat to Indo-Pakistan relations.

If Afghanistan is to build confidence between India and Pakistan, the economic opportunities offered by cooperation need to outweigh the security threats. If both countries would prefer to see instability in Afghanistan, rather than a pro-Delhi/pro-Islamabad government, they may well find that to be a self-fulfilling prophecy. If, however, they see stability in Afghanistan as a means of benefitting both their region and themselves, then a positive outcome becomes conceivable.

Shifted narratives are conceivable at many levels.

India's economic growth since the 1990s has increased both domestic self-confidence and nationalism. While the former is positive, the latter is less so. Pakistan meanwhile remains beholden by concerns about national identity and in particular the role of Islam in constructing that identity. Enhanced economic ties with its neighbour provide one potential avenue for a new narrative based on regional identity and cooperation away from competition, in which other avenues of disagreement can more easily be resolved.

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