

# Strengthening Peace and Cooperation in South Asia: *Incentives and Constraints*

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## Foreword

It is with deep satisfaction that I write the Foreword to this anthology of the international conference on ‘Strengthening Peace and Cooperation in South Asia: Incentives and Constraints’ held in Islamabad, Pakistan from 22-23 November 2016. Through this Conference, the Islamabad Policy Research Institute and the Hanns Seidel Foundation continue their shared tradition of bringing together researchers, academics and professionals from all over the world, experts in international relations, economics and social sciences.

In its four plenary sessions, 12 eminent scholars from Pakistan, China and the SAARC region contributed the most recent and practical analysis of South Asia’s political and strategic milieu. This book is based on their research papers, essays and thought pieces which envision the prospects of peace and cooperation by discussing impacts of issues pertaining to South Asia’s politics, regional trends and state interests.

The writings underscore that Pakistan-India relations, the unrest in Kashmir, Indian hegemonic designs vis-à-vis smaller South Asian countries and the situation in Afghanistan are vital for regional peace. To promote regional peace, the importance of Confidence Building Measures (CBMs) and the role of regional organisations has also been highlighted.

While there are many constraints in South Asia, incentives for peace need to be the region’s main drivers towards sustainable development. Human resource development at the country as well as regional level and empowering people also need to be the priorities.

I am sure that the wealth of knowledge in this publication will furnish academics and policymakers alike with an excellent reference book. I trust also that this will be an impetus to stimulate further debate and analysis for promoting peace and cooperation in South Asia. ■

**Ambassador (R) Sohail Amin**  
**President IPRI**

## **Acknowledgements**

The organisation of a conference is always a stressful adventure because of the very tiny details and the very important issues that have to be planned, managed and predicted.

Special regards are extended to Mr Sartaj Aziz, Advisor to Prime Minister on Foreign Affairs, Ministry of Foreign Affairs, Government of Pakistan; and to H.E. President of Azad Jammu and Kashmir Sardar Masood Khan for gracing this Conference with their presence.

Warm regards go to all the speakers who came to Islamabad to present their papers, and then bore with patience the cajoling when it came time to their chapter revisions and publication. Dr Khalida Ghaus, Dr Severine Minot, Syed Muhammad Ali, and Brig. General (R) Dharma Bahadur Baniya also made presentations but were unable to submit their final papers.

Gratitude is also extended to all the distinguished Plenary Speakers and to the Session Chairs. The Conference particularly encouraged the interaction of students and developing academics with the more established academic community to present and to discuss the various sub-themes.

It is also important to acknowledge the work of the Conference organising committee which comprised of the Conference Coordinator, Assistant Conference Coordinator, IPRI's capable Administrative Team who managed the logistics, and IPRI's Publications Team who ensured strong print and electronic media coverage.

The Conference was co-organised and financially supported by the Hanns Seidel Foundation (HSF), Pakistan. ■

## Acronyms and Abbreviations

|                       |   |
|-----------------------|---|
| <b>ADB</b>            | Asian Development Bank  |
| <b>AFSPA</b>          | Armed Forces (Special Powers) Act   |
| <b>AJK</b>            | Azad Jammu and Kashmir  |
| <b>AIIB</b>           | Asian Infrastructure Investment Bank  |
| <b>ASEAN</b>          | Association of Southeast Asian Nations  |
| <b>BCF/d</b>          | Billion cubic feet per day  |
| <b>BIMSTEC</b>        | Bay of Bengal Initiative for Multi-Sectoral<br>Technical and Economic Cooperation |
| <b>BJP</b>            | Bharatiya Janata Party  |
| <b>BRICS</b>          | Brazil, Russia, India, China and South Africa                                     |
| <b>Brexit</b>         | British Referendum on Exiting the European<br>Union                               |
| <b>CAF</b>            | China-ASEAN Investment Cooperation Fund   |
| <b>CAGR</b>           | Compound annual growth rate   |
| <b>CASA</b>           | Central Asia - South Asia   |
| <b>CBMs</b>           | Confidence Building Measures  |
| <b>China-CEE Fund</b> | China-Central and Eastern Europe Investment<br>Cooperation Fund                   |
| <b>CICIR</b>          | China Institutes of Contemporary International<br>Relations                       |
| <b>CPEC</b>           | China-Pakistan Economic Corridor  |
| <b>EAP</b>            | East Asia and Pacific   |
| <b>ECO</b>            | <i>Economic Cooperation Organisation</i>  |
| <b>EU</b>             | European Union  |
| <b>EXIM Bank</b>      | Export-Import Bank of China   |
| <b>FDI</b>            | Foreign Direct Investment   |
| <b>FICCI</b>          | Federation of Indian Chambers of Commerce and<br>Industries                       |
| <b>FTA</b>            | Free Trade Agreement  |
| <b>GB</b>             | Gilgit-Baltistan  |
| <b>GCC</b>            | Gulf Cooperation Council  |
| <b>GDP</b>            | Gross Domestic Product  |

|              |  |
|--------------|--|
| <b>GIH</b>   | Global Infrastructure Hub                            |
| <b>GMS</b>   | Greater Mekong Subregion                             |
| <b>GWh</b>   | Gigawatts hour                                       |
| <b>HDI</b>   | Human Development Index                              |
| <b>HVAC</b>  | High Voltage Alternate Current                       |
| <b>HVDC</b>  | High Voltage Direct Current                          |
| <b>ICBC</b>  | Industrial and Commercial Bank of China              |
| <b>ICCPR</b> | International Covenant on Civil and Political Rights |
| <b>IHK</b>   | Indian Held Kashmir                                  |
| <b>IJK</b>   | India held Jammu and Kashmir                         |
| <b>IMF</b>   | International Monetary Fund                          |
| <b>IOK</b>   | Indian Occupied Kashmir                              |
| <b>IPI</b>   | Iran-Pakistan-India                                  |
| <b>JBIC</b>  | Japan Bank for International Cooperation             |
| <b>JICA</b>  | Japan International Cooperation Agency               |
| <b>kV</b>    | Kilovolts  |
| <b>LAC</b>   | Latin America and the Caribbean                      |
| <b>LAFTA</b> | Latin American Free Trade Association                |
| <b>LNG</b>   | Liquefied Natural Gas                                |
| <b>LOC</b>   | Line of Control                                      |
| <b>MDB</b>   | Multilateral Development Bank                        |
| <b>MFN</b>   | Most Favoured Nation                                 |
| <b>MIB</b>   | Myanmar-India-Bangladesh                             |
| <b>MNCs</b>  | Multinational Corporations                           |
| <b>MoO</b>   | Memorandum of Obligations                            |
| <b>MoU</b>   | Memorandum of Understanding                          |
| <b>Mtoe</b>  | Million tonnes of oil equivalent                     |
| <b>MW</b>    | Megawatts  |
| <b>NDMA</b>  | Non-Discriminatory Market Access                     |
| <b>NDS</b>   | National Directorate of Security                     |
| <b>NDU</b>   | National Defence University                          |
| <b>NTBs</b>  | Non-Tariff Barriers                                  |

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|               |   |
|---------------|---|
| <b>NDRC</b>   | National Development and Reform Commission,<br>China    |
| <b>NWFZ</b>   | Nuclear Weapon Free Zone                                |
| <b>OBOR</b>   | One Belt One Road                                       |
| <b>PSA</b>    | Jammu and Kashmir Public Safety Act                     |
| <b>PTBs</b>   | Para-Tariff Barriers                                    |
| <b>RCEP</b>   | Regional Comprehensive Economic Partnership             |
| <b>RCST</b>   | Regional Convention on Suppression of<br>Terrorism      |
| <b>RSS</b>    | Rashtriya Swayamsevak Sangh                             |
| <b>RTA</b>    | Regional Trade Agreements                               |
| <b>SACs</b>   | South Asian Countries                                   |
| <b>SAFTA</b>  | South Asian Free Trade Area                             |
| <b>SAR</b>    | South Asian Region                                      |
| <b>SAPTA</b>  | SAARC Preferential Trading Arrangement                  |
| <b>SAARC</b>  | South Asian Association for Regional<br>Cooperation     |
| <b>SARI/E</b> | South Asian Regional Initiative on Energy               |
| <b>SCCI</b>   | SAARC Chamber of Commerce and Industries                |
| <b>SCO</b>    | Shanghai Cooperation Organisation                       |
| <b>SEC</b>    | SAARC Energy Centre                                     |
| <b>SEE</b>    | South East Europe                                       |
| <b>SRCs</b>   | Smaller Regional Countries                              |
| <b>SRETS</b>  | SAARC Regional Energy Trade Study                       |
| <b>TAPI</b>   | Turkmenistan-Afghanistan-Pakistan-India                 |
| <b>TADA</b>   | Terrorist and Disruptive Activities (Prevention)<br>Act |
| <b>Tcf</b>    | Trillion Cubic Feet                                     |
| <b>TTP</b>    | Tehreek-e-Taliban Pakistan                              |
| <b>TPP</b>    | Trans-Pacific Partnership                               |
| <b>UNCIP</b>  | UN Commission for India and Pakistan                    |
| <b>UN</b>     | United Nations  |
| <b>UNO</b>    | United Nations Organization                             |
| <b>UNSC</b>   | United Nations Security Council                         |



# Introduction

**Muhammad Munir and Amna Ejaz Rafi**

South Asia is geographically contiguous to Central Asia, East Asia, Middle East and the Indian Ocean. The region comprises of eight countries – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It covers less than 4 per cent of the world's land area and is home to more than 1.7 billion people, representing 21 per cent of the world population. Over the years, the region has shown growth at 7-8 per cent, yet 40 per cent of the world's malnourished children and women live in poverty-stricken South Asia. Climate change, environmental degradation, and increasing socioeconomic inequalities are threatening the region's growth and prosperity. The lack of access to basic necessities persistently increases the probability of internal conflicts, rendering regional states vulnerable to ethnic and sectarian violence. Peacebuilding efforts, economic cooperation and human security are the least focused areas in South Asia.

Regional peace has remained hostage to unresolved and lingering political and territorial disputes. Due to these disputes, the South Asian Association for Regional Cooperation (SAARC) has so far failed to emerge as a unifying multilateral organisation. Over the past three decades, global geopolitical developments, such as the Cold War, Afghan *Jihad* and lately the War on Terror (WoT) have also deeply impacted the region's political, social, economic and security environment. At present, the regional outlook is bleak due to terrorism and radicalism which continuously pose a threat to the region's security.

Peace and cooperation are two interlinked phenomenon. Existence of conflicts in the region does not bode well for the prospects of developing regional cooperation. Building peace through resolution of longstanding territorial/political disputes is undoubtedly in the interest of all South Asian states. While there are several constraints on developing cooperation, the incentives are far greater.

An environment of peace and cooperation in the region would offer multifaceted opportunities and incentives to all the South Asian countries such as faster economic growth, poverty alleviation, increase in employment level, economic interdependence, infrastructure development, energy cooperation and regional connectivity. High levels

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of complementarity in the energy sectors with varying comparative advantages are a major incentive for strengthening peace and cooperation. For instance, India has an edge in producing coal-based energy. Pakistan and Bangladesh have the benefit of gas-based power generation, while Nepal and Bhutan are hydro-based energy producers. In order to sustain more than 6 per cent GDP growth rate, there would be a high demand for energy in South Asia. Compared to the last two decades – when the energy consumption was 5.8 per cent against a low energy production rate of 2.3 per cent - the demand for energy is now growing at an annual rate of 9 per cent, whereas the deficit in energy production has almost doubled in the last decade. All the ingredients for developing an integrated power infrastructure such as power grids and gas pipelines exist in the region. In the power sector, the present installed capacity (from all fuel sources) is 222,142 megawatts, while present suppressed demand is more than 300,000 megawatts. Over 75 per cent of petroleum products in the region are imported. The estimated total hydropower potential is 299,330 megawatts which is in excess of the requirement.

Another incentive for strengthening peace and cooperation in South Asia is the potential for expansion in intra-regional trade. Despite being closely linked geographically, culturally and historically, intra-regional trade has been very low. Pakistan and India have the potential to enhance their present trade of less than USD 3 to USD 20 billion. Bangladesh's exports to India can potentially rise by 300 per cent. South Asia's economic potential has long been constrained by economic integration. An important barrier to greater economic integration is the poor infrastructure in the region and inadequate investment for its development.

China's growing interest and investment in the region provides a significant incentive to South Asian countries to draw maximum benefits from various Chinese initiatives relating to regional connectivity and infrastructure development such as One Belt One Road (OBOR) and Asian Infrastructure Investment Bank (AIIB). Peace and cooperation will create the conducive environment necessary to attract large volume of Foreign Direct Investment (FDI) from multiple sources which currently is very low in case of South Asia when compared to the other regions.

Peace in South Asia is being affected by two major challenges that include unresolved longstanding bilateral disputes. The nature of relations between India and Pakistan is the core of the regional security complex.

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India-Pakistan strategic stability is essential for regional peace and intra-regional economic integration. Moreover, an additional constraint in building peace and cooperation is the nuclear weapons and conventional arms build-up in South Asia. India's ongoing military modernisation poses a serious challenge to conventional military balance with Pakistan. If this trend continues, it is likely that Pakistan would be compelled to undertake counter measures to ensure strategic balance. This may initiate an arms race with inflated defence budgets at the cost of economic and social progress. Experts believe that an arms race has an inherent potential to destabilise deterrence ability.

Cross-border terrorism is yet another issue of concern for many South Asian countries. The porous nature of borders and ethno-communal cross-border linkages make regional states vulnerable to terrorist groups. On the one side, there lies militancy-plagued Afghanistan – a country could become an Asian transit hub connecting Central Asia, South Asia and West Asia. On the other side, there is Kashmir occupied by India, which is trying to destabilise and isolate Pakistan. Concerted efforts are required by regional and global stakeholders to defeat the forces of radicalism and find mechanisms for conflict resolution between estranged states.

Solutions to regional challenges lie in creating a common vision and approach for strengthening peace, cooperation and economic integration which should include mechanisms for resolving political disputes, creating economic interdependence, maintaining balance of power, initiating dialogue process and confidence building measures, increasing people-to-people contact and enhancing the role of regional organisations.

SAARC member states need to enhance energy cooperation as a basis to accelerate regional connectivity/progress. A SAARC Energy Ring as well as the energy projects - CASA 1000 (Central Asia-South Asia), Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI), also known as Trans-Afghanistan Pipeline, the Iran-Pakistan Pipeline, and the Kunar Power Plant are major incentives for cooperation. Peace and stability in Central Asian states and Afghanistan is a prerequisite for transfer of energy from Central to South Asia. The role of regional organisations, such as SAARC and Shanghai Cooperation Organisation (SCO) with overlapping membership of India and Pakistan is significant in this regard. Through these platforms, the common threats and challenges can be addressed and preventive strategies can be worked out.

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In order to discuss and debate the various trends and themes highlighted above, the Islamabad Policy Research Institute organised a two-day International Conference attended by thought-leaders from the SAARC region and experts from Pakistan.

This book is a collection of the papers shared at the Conference. It is organised into two parts. Part I includes the Welcome Address and the Vote of Thanks by President IPRI, Ambassador (R) Sohail Amin; Inaugural Address by the Chief Guest, Mr Sartaj Aziz, Advisor to Prime Minister on Foreign Affairs, Ministry of Foreign Affairs, Government of Pakistan; and the Concluding Address by H.E. President of Azad Jammu and Kashmir Sardar Masood Khan. Closing remarks were delivered by Mr Omer Ali on behalf of the Hanns Seidel Foundation. This section also consists of Policy Recommendations put forth in the interactive sessions. Part II is thematic and consists of research papers, essays and thought pieces presented at the Conference.

**Ms Dayani Panagoda**, Policy Specialist at the German Development Cooperation (GIZ) in Colombo, Sri Lanka identified the signs of the Twenty First Century's revolutionary changes in the world order such as emergence of China as a giant in trading and increasing of economic importance of India, South Korea and Japan, which are causing global economic shifts from West to Asia. She added that politically, the unipolar world is in the wane and multipolar world is in the making. Besides, the world is yet to experience the ideological shifts of global power blocs after the arrival of a new president and the government in the United States and Russian alignment with them. She acknowledged that in the wake of all these changes, the strategic importance of the South Asia has become more and more relevant with the development of new infrastructure facilities in sea routes and the silk route project in the Indian Ocean. She stressed that South Asia should be poised to reap the harvest of these global shifts. Explaining Sri Lanka's policy in this regard, she shared that there are three important internal factors on which Sri Lanka is focusing at this juncture: peacebuilding and ensuring security in terms of interdependence and positive growth of the economy in terms of interconnectivity. She further explained that Sri Lanka believes in an Asia-centric foreign policy based on openness and friendliness which can benefit all the countries in the region. She stressed that the island nation's experience in peacebuilding could be a valuable asset in creating a

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peaceful South Asia. Ms Panagoda observed that with increasing trade in the Indian Ocean, there will be opportunities for countries in the region to embark on new economic activities such as shipping, financing, banking, insurance and information technology.

**Dr Moonis Ahmar**, Former Dean, Faculty of Social Sciences at the University of Karachi in his paper discussed that South Asian countries have no option but to mend fences and take plausible steps for unleashing the process of peace and meaningful cooperation in the region. He outlined three major changes, which will shape positive things in South Asia once the process of peace and cooperation begins: first, economic dividends of peace will substantially improve the quality of life of more than one billion people of South Asia by providing better education, health, housing and transport facilities. Second, when the quality of life of people will improve, the menace of intolerance, extremism, radicalisation, militancy, violence and terrorism will also be controlled, because deep rooted poverty, economic and social backwardness in a society makes it more susceptible to extremism and violence. Third, prestige of South Asia in the world will also get enhanced when it transforms from a conflict and crisis-prone and underdeveloped region to a peaceful, stable and developed one.

Brigadier General (R) **Dharma Bahadur Baniya** from Kathmandu, Nepal in his paper on 'Dividends of Energy Cooperation in South Asia', pointed out that South Asian nations are lagging behind their developed counterparts in terms of access to clean, reliable and affordable energy. He said that the existing power shortages and growing import of fossil fuels impose a heavy cost of energy insecurity on the region. He added that South Asia is going through a phase of economic transformation from low to high growth, but persistent shortage of energy has been a major factor in restricting the region's rapid upward trajectory. He identified six barriers in the way of greater regional cooperation in the energy sector in the region. First, political disputes between various countries (notably, India-Pakistan) are impeding efforts to integrate the region. Second, due to the persistent differences particularly between India and Pakistan, SAARC so far has not been able to emerge as a powerful institution for energy cooperation in the region. Third, population growth and rapid urbanisation are an emerging problem in today's world, diverting energy requirement away from economic growth. Fourth, the energy sector in all countries in South Asia is perceived to be

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volatile due to lack of credit worthy investors, commercial risks and lack of clarity in government policies. Fifth, across the region, countries are ill equipped to tackle energy demand and are more dependent on imported fossil fuels. Sixth, each nation within the region has a legacy of subsidising energy prices and determining policies in isolation. This creates economic differentials which are not conducive for cross-border trade. He emphasised that the countries in the region could benefit significantly only by strengthening the mechanisms of energy cooperation through improved intra-regional connectivity so that they could overcome energy poverty for robust economic growth in the future.

**Syed Muhammad Ali**, Senior Research Fellow from the Center for International Strategic Studies (CISS) in Islamabad, Pakistan in his presentation on ‘Strategic Stability and Arms Control in South Asia’ identified changing global trends, including the emergence of new conflicts, formation of new alliances, advancement and deployment of new strategic capabilities, reduced prospects of arms control and reduced effectiveness of international organisations. He highlighted regional trends including enhanced Indo-US strategic ties and Pakistan’s efforts to diversify its relations and adopt multilateral approach to resolve the Afghan conflict. Recognising the growing asymmetric capabilities between India and Pakistan, he talked about India’s strategic capabilities and identified the new developments in its arsenal. He highlighted Pakistan’s internal security environment and said that Operation Zarb-e-Azb has increased Pakistan’s reliance on nuclear deterrence to counter external security threats. Mr Ali shared the salient features of Pakistan’s nuclear policy such as policy of credible minimum deterrence, preference for balance rather than parity, commitments to non-proliferation, stringent export control measures, nuclear safety and security. He was of the view there will be strategic stability in the region if membership of the Nuclear Suppliers’ Group (NSG) is granted to India and Pakistan simultaneously. He suggested initiating nuclear CBMs between the two states such as pre-notification of cruise missile launches, a South Asian Proposed Prevention of an Arms Race in Space (PAROS) Treaty and South Asian Anti Ballistic Missile (ABM) treaty. He said that conflict management is not a substitute for conflict resolution and emphasised the need for a balanced US approach to maintain strategic stability in the region. He said that the level

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of Pak-US counterterrorism cooperation and Indo-US conventional and strategic cooperation should be reviewed and rationalised.

**Dr Huang Ying**, Associate Researcher from the the Institute of World Economic Relations, China Institutes for Contemporary International Relations (CICIR) in Beijing presented a paper on ‘OBOR and AIIB: Opportunities for Enhancing FDI in South Asia.’ She said that OBOR is considered a response to America’s ‘pivot to Asia’ policy but in fact it is a policy reaction to international financial crisis of 2008 when the Chinese government realised the importance of neighbouring countries. She highlighted that while One Belt One Road (OBOR) includes a network of six corridors, including the Pakistan-China Economic Corridor, China alone cannot complete the project and needs collaboration with neighbouring states. She said that the Asian Infrastructure Investment Bank (AIIB) with its alternative banking model would focus on the development of infrastructure, energy and power, transportation and telecommunications, agriculture development, water supply and sanitation. She said that out of six recently launched projects, AIIB has invested in two projects in Pakistan. She said that OBOR offers opportunities for South Asia as it would not just enhance bilateral cooperation but would diversify regional financial portfolios helped by AIIB.

**Dr Khalida Ghaus**, Managing Director of the Social Policy and Development Centre from Karachi, Pakistan in her presentation on ‘Human Security and Socioeconomic Development’ said that whenever one talks about human security, one also needs to bring in national and regional security because in developing regions like South Asia both are marred with interstate conflicts and violence. She said that new emerging challenges are attracting the attention of governments that were not paying attention to pressing socioeconomic issues. Dr Ghaus highlighted that South Asian countries need to develop a sustainable development strategy and realise that it is the absence of effective governance mechanisms, finances and institutional frameworks that create problems for the common person.

**Dr Muhammad Khan**, former Head of Department of International Relations at the National Defence University in Islamabad, Pakistan was of the view that the resolution of Kashmir dispute holds the key to peace and stability in South Asia. He explained that Pak-India relations are marred with acute distrust and Kashmir is the main cause of it. This trust

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deficit in bilateral relations has led to a ‘one-step forward and two steps backward’ situation compounded by issues such as Siachen Glacier, water, and an arms race. While a series of bilateral talks took place between Pakistan and India over the Kashmir dispute, they failed to yield any positive results. Despite the presence of UN resolutions and international commitments, India has been reluctant to normalise relations with Pakistan. He suggested that conflict resolution calls for visionary statesmanship from India and Pakistan, alongwith consistent efforts and support of the international community.

**Dr Attaullah Wahidyar**, Senior Policy Programme Advisor and General Director (Communication and Publications), Ministry of Education in Kabul argued that Afghanistan is the heart of Asia and sustainable peace in South Asia was not possible without peace in this country since it can pave the way for regional connectivity to Central, East and West Asia. He shared the details of Afghanistan’s immense mineral resources. So far, 33 per cent of its natural resources have been mapped and their estimated worth is USD 1-3 trillion. Afghanistan could also develop water sharing agreements for its headwaters as it only uses 10 per cent of this resource. Dr Wahidyar informed that unlike the general perception, many Afghans have considerable private money that can be invested in other SAARC countries rather than in the Middle East. He urged that for peace in Afghanistan, regional political leadership will have to create space for alternative solutions to the war in his homeland by putting an end to the blame game and support of proxies like the Tehreek-e-Taliban Pakistan (TTP) and should deny space for propaganda against each other. He was of the view that all countries needed to develop areas of common interest such as economic activities that would benefit the masses in Asia. ‘Cooperation should be strategic and not tactical, whereby, the immediate needs of our people guide our national interests rather than vice versa’, he remarked.

**Dr Tauqir Hussain Sargana** from the International Islamic University, Islamabad presented the paper ‘Economic and Trade Cooperation: An Imperative for Peace and Progress’ on behalf of his colleague **Dr Manzoor Ahmad Naazer**. The paper stressed that economic cooperation, trade liberalisation and market integration is desirable because it can yield many economic and political benefits. Economically, it ensures general prosperity, promotes competition and

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efficiency, helps avoid adverse effects of protectionism and contributes to conflict inhibition. Politically, it is believed that free trade promotes interdependence and peace amongst states. However, in case of South Asia in general and India-Pakistan in particular, trade cooperation has been a controversial issue. Although immediately after independence, India and Pakistan were highly integrated in terms of their economic and trade relations but political disputes, economic conflicts, mutual distrust and bilateral wars adversely disrupted trade links of the two states which could never be restored to their fullest potential. He explained that many studies have discussed the huge potential of Pakistan-India trade with some reports claiming a potential trade of USD 10-15 billion per annum, while other studies suggesting that Pak-India trade could rise to USD 20 billion. Pakistan has been generally apprehensive of free trade with India due to many reasons such as prevalence of trade barriers that impede access to India, concerns over lack of level playing field and presence of subsidies amongst others. He opined that despite all the concerns, there has been a general consensus over trade liberalisation with India. According to the Pakistan Business Council, increased trade with India could raise Pakistan's growth rate by 1-2 per cent. Some experts have also claimed that Pakistan could save USD 1.5-2 billion through direct export to India. Nonetheless, while increased trade with India could help reduce Pakistan's overall trade deficit, it would enhance its trade imbalance with India. It could also drain existing industrial and investment resources from Pakistan as Multinational Corporations (MNCs) would be tempted to close down their facilities in Pakistan and start their production capabilities in India which is far more attractive for foreign investment. Also, India could use trade dependence to coerce Pakistan to change its policies or course of action on different issues.

In his speech 'Strengthening Confidence Building Measures (CBMs) for Durable Peace in South Asia,' **Mr Nafees Zakaria**, Spokesperson of the Ministry of Foreign Affairs, Government of Pakistan said that as a result of various trends and drivers such as the rise in economic and strategic significance of Asia, emergence of new power players in this region, convergence of Indo-US interests, the coming years will be fraught with intense competition and rivalries in the Asia-Pacific theatre. He explained that Pakistan-India rivalry has remained the main obstacle in exploiting the potential of this resource-rich region. Pakistan-India ties have been characterised by sticking disputes, punctuated by full-

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blown wars and periodic border skirmishes, with varying degrees of intensity. This has been in part due to the deep mistrust which has, with its roots in the pre-independence era, only deepened as the state of relations has become more complicated over time. The Kashmir dispute – a legacy of British colonial rule and a root cause of adversity in Pakistan-India relations, has had an indelible impact on how both people perceive each other. However, amidst these complications, the two countries have also been taking confidence building measures (CBMs) to check escalation of tensions in their bilateral relations, especially in the context of Kashmir. These have included trade across the Line of Control (LoC) and the Srinagar-Muzaffarabad bus service, religious tourism with visa facilitation and preservation of religious sites, advance notification of ballistic missile testing, prevention of airspace violations, flight clearances, and so on. He concluded by explaining that probability of CBMs yielding results towards betterment in relations is subject more to political will than implementation. He was of the opinion that bilateral mechanisms had not produced any positive results, hence, it is the international community's responsibility, more so of the United Nations and UN Security Council members to direct India towards an immediate halt to the bloodshed in Indian Occupied Kashmir (IOK) and resolving all outstanding issues with Pakistan.

**Dr Severine Minot**, Assistant Professor from the School of Arts, Humanities and Social Sciences at the Habib University in Karachi, Pakistan delivered a presentation on the 'Role of Major Powers in Harnessing Peace and Cooperation in South Asia'. She started off by clarifying the generally accepted idea that major powers constitute exclusively other nation states. She said that major powers are more precisely the stakeholders governing the global finance and military-industrial apparatus among other major industries. These stakeholders exert tremendous pressure on all nation states, and in turn on the articulation of international policy, the establishment of development priorities and the configuration of international tensions and conflicts. She explained that war is profitable for these major powers. Hence, the constant threat of war between India and Pakistan (over the perpetually unresolved issue of Kashmir among others) can now easily be 'constructed' as a justification for foreign invasion and intervention, as such tensions between nuclear powers represent a threat to global security.

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She argued that both Pakistan and India need to put their houses in order and move past the legacy of antagonism. Pakistan recorded a national debt of 64.80 per cent of the country's Gross Domestic Product (GDP) in 2015. On the other hand, India's national debt was 66.40 per cent of the country's GDP in 2014. Both countries cannot afford to continue the current tense bilateral relations. Peace and cooperation can either be achieved through dialogue and compromise or it can be achieved through enormous financial pressures or even by force at the hands of Western powers. She recommended that Pakistan should review and seek to minimise its dependence on America's financial capital institutions, and military industrial complex. According to Dr Minot, the imperative of increasing trade and business between South Asian neighbours is urgent. The creation of a free trade zone across South and South East Asia represents a crucial opportunity to generate additional revenues and work toward getting out of debt. She stressed that South Asia needs to invest in its human capital for long-term sustainable well-being and prosperity.

**Dr Shabir A. Khan**, Associate Professor from the Area Study Centre at Peshawar University, Pakistan highlighted the roles of regional organisations like South Asian Association for Regional Cooperation (SAARC) and Shanghai Cooperation Organisation (SCO). He was of the view that with de-globalisation sweeping the world, regionalism seems to be the obvious replacement. He emphasised that regionalism develops interdependence and increases the cost of disengagement for all states involved. Hence, regional cooperation is the best way for the peripheral regions including South Asia to address the issues of underdevelopment, insecurity and marginalisation. He explained that regional arrangements serve as basis for regionalism due to the fact that institutional organisational structures are more sustainable than coalitions or alliances. SAARC and SCO in particular provide enormous opportunities for South Asia. The presence of China and Russia in SCO can be an integral factor for Pakistan and India in resolving their disputes under the various fora of SCO. According to him, Pakistan and India lack the capacity to resolve disputes bilaterally and a multilateral approach through SCO may work. On the other hand, SAARC since its inception has failed in stimulating regional security cooperation due to India's dominance. Keeping this in mind, an expanded and balanced SAARC can move from mere agreements to action and implementation. ■

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## **Speakers and Authors' Bios**

**Dr Attaullah Wahidyar** is Senior Policy Programme Advisor and General Director, Communication and Publications, Ministry of Education, Kabul, Afghanistan. He provides the Minister with strategic policy advice on issues relating to education sector. Prior to his current appointment, he served as an Education Officer at the United Nations International Children's Emergency Fund (UNICEF) in Afghanistan. He dealt with curriculum development, school construction, teacher education, women literacy and empowerment, and life skills-based education. Between 2002 and 2005, he led the largest NGO-run education programme in Afghanistan. Dr Wahidyar is also pursuing his PhD in Education from Sydney University, Australia. He earned his degree in Medicine from the Afghan University and did his Masters and Bachelors from the University of Peshawar, Pakistan, with majors in Education and Political Science.

**Ms Dayani Panagoda** is Policy Specialist at the German Development Cooperation (GIZ), in Colombo, Sri Lanka. She is currently working with the Ministry of National Co-existence Dialogue and Official Languages. Ms. Panagoda is also an advisor on peacebuilding and conflict resolution. Her research focuses on privatisation of corporates in Sri Lanka, human rights and democracy. She has been a visiting lecturer at the Bandaranaike International Diplomatic Training Institute (BIDTI) and Associate and Visiting Professor, South Asian Studies, School of Advanced International Studies (SAIS), John Hopkins University, USA. She has also drafted the National Policy for Social Integration and its Action Plan. Ms Panagoda holds Masters in International Relations and Affairs from University of Colombo; Masters in Business Administration and Management from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka and Masters in Public International Law from Faculty of Law, University of Colombo, Sri Lanka.

**Brigadier General (R) Dharma Bahadur Baniya** has vast knowledge of advocacy, administration and logistics, emergency and disaster management, capacity building, community support, conflict and

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peacebuilding, humanitarian affairs, information technology, inter-agency coordination, monitoring and evaluation, project management, and safety and security operations. During his three decades in the military service, he participated in four United Nations Peacekeeping missions: UN Mission in Liberia, UNO Mission in the Democratic Republic of the Congo (MONUC), UN Observer Mission in Liberia (UNOMIL) and UN Interim Force in Lebanon (UNIFIL). Brigadier (R) Dharma has earned Masters Degree in Public Administration from Tribhuvan University of Nepal, Nepal and Bachelor of Technology in Electronics and Telecommunications Engineering from Jawaharlal Nehru University, India.

**Dr Huang Ying** is Associate Researcher at the Institute of World Economic Relations, China Institutes for Contemporary International Relations (CICIR), Beijing, China. She has co-authored and contributed in many books, and published numerous papers in academic journals. Her research mainly focuses on global financial situations, global governance and regional economic cooperation. Previously, she worked at the Institute of South and Southeast Asia, CICIR and Institute of World Economics Studies, CICIR. Dr Huang Ying earned her PhD in Law at CICIR.

**Professor Dr Khalida Ghaus** is Managing Director, Social Policy and Development Centre in Karachi, Pakistan. Dr Ghaus has worked extensively on foreign policy, development, and gender issues besides being actively involved in the Neemrana process (Track II initiative). She has been involved in policymaking with the Federal and Provincial Governments on gender-related issues. She is a member of several Technical Committees, Public Policy Committees, Advisory Committees and other professional bodies. Dr Ghaus is also former Director - Centre of Excellence for Women Studies, Chairperson - Department of International Relations, University of Karachi, and the Pakistan Centre for Democracy Studies. She has over 30 years of teaching and research experience.

**Dr Manzoor Ahmad Naazer** is Assistant Professor, Department of Politics and International Relations at the International Islamic University (IIU) in Islamabad, Pakistan. His research interests are regional

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cooperation, international and regional organisations, peace and conflict studies, international political economy, international law, politics of South Asia and issues and unity of the Muslim world. Dr Ahmad holds a PhD in Politics and International Relations from IIU, Pakistan.

**Dr Moonis Ahmar** is Meritorious Professor and Former Dean, Faculty of Social Sciences, University of Karachi in Pakistan. He is also a Visiting Fellow at the Asia Research Center, London School of Economics and Political Science, UK. His field of specialisation is conflict and security studies focusing on the South and the Central Asia. He has numerous publications on regional politics and conflicts to his credit. Dr Ahmar's doctorate is from the University of Karachi, Pakistan.

**Dr Muhammad Khan** is Former Head of Department, Faculty of Contemporary Studies (FCS) at the National Defence University (NDU), in Islamabad, Pakistan. He is the founding member of this Faculty and also had a major contribution in conceptualising and re-structuring the Institute of Strategic Studies Research and Analysis (ISSRA), a think-tank based in Islamabad. Dr Khan has done his PhD in International Relations from University of Karachi, Pakistan.

**Mr M. Nafees Zakaria** is the Official Spokesperson of the Ministry of Foreign Affairs, Government of Pakistan. He joined the Foreign Service of Pakistan in November 1988. Since then, Mr Zakaria has served on various appointments at home and abroad, including Abu Dhabi, Jakarta, and Bangkok. He has been the Minister Political, Consul General and Deputy High Commissioner, High Commission for Pakistan, London; and Consul General of Pakistan in Toronto, Canada. Mr Zakaria has been the Director General (DG) Services; DG Europe and DG South Asia and South Asian Association for Regional Cooperation (SAARC). He is an alumnus of the National Security and War Course at the National Defence University (NDU), Islamabad, Pakistan.

**Dr Severine Minot** is Assistant Professor of Social Development and Policy at the School of Arts, Humanities and Social Sciences, Habib University in Karachi, Pakistan. She teaches migration and cultural studies while also supporting the pedagogical objectives of the Liberal

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Core programme at Habib University. Dr Minot's research interests include the cultural politics of identity formation and transformation, and the trans-cultural dynamics emerging from the global flow of people, merchandise, capital and information. Currently, she is working on two books. The first is a compendium of her experiences in the field of trans-cultural clinical sociology and their application to the broader issues. The second book is a revised iteration of her doctoral research on habitus, patterns of practice and expatriate adaptation, drawing on her fieldwork in Vietnam and her recent experiences as a refugee support officer in the UK. Dr Minot holds a PhD in Sociology from the York University, Toronto, Canada.

**Dr Shabir Ahmad Khan** is Associate Professor at the Area Study Centre in Peshawar University, Pakistan. He is also the Assistant Editor of the Centre's Central Asia Journal. Dr Khan participated in a three-month training programme at the Diplomatic Academy, Ministry of Foreign Affairs of the Russian Federation, Moscow. He teaches Russian language and courses on Political and Economic Trends in Central Asia, Regional Geopolitics in Central Asia, and Significance of Central Asia for Pakistan. Dr Khan earned his PhD from Area Study Centre (Russia, China and Central Asia), University of Peshawar, Pakistan.

**Mr Syed Muhammad Ali** is Senior Research Fellow at the Center for International Strategic Studies (CISS) in Islamabad, Pakistan. Mr Ali has expertise in geopolitical, strategic, nuclear and security issues. He has recently co-authored the book *Indian Unsafeguarded Nuclear Program*, which offers assessment of the Indian nuclear bomb-making capacity. He has served as a correspondent at the Voice of America (VOA), Washington, DC, USA and Pakistan Television Ltd., Islamabad. Mr Ali holds MSc in Strategic and Nuclear Studies from the National Defence University, Islamabad, Pakistan. ■

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# **PART I**

- **Welcome Address**
  - **Inaugural Address**
  - **Concluding Address**
  - **Concluding Remarks**
  - **Vote of Thanks**
  - **Policy Recommendations**
-

## **Welcome Address**

**Ambassador (R) Sohail Amin**  
President IPRI

Honourable Mr Sartaj Aziz, Advisor to the Prime Minister on Foreign Affairs,  
Excellencies,  
Distinguished Scholars,  
Ladies and Gentlemen.

**I**t is a matter of great honour and privilege for me to welcome His Excellency Mr Sartaj Aziz, Advisor to the Prime Minister on Foreign Affairs, who has been able to spare time from his busy schedule to grace the occasion as the Chief Guest at this Conference. Sir, we are, indeed, grateful for your continued support.

I also welcome the distinguished scholars who would be presenting their papers in this two-day International Conference. We have five foreign speakers, one each from Afghanistan, China, Nepal, Sri Lanka, and a French-Canadian scholar, presently based in Karachi. I wish you all a comfortable stay in Pakistan. In addition, six eminent scholars from Pakistan would also present their papers under the allocated themes. We tried to get a speaker from Bangladesh but somehow the scholars we contacted were not available due to their unavoidable commitments. From India, we invited Dr Smruti Pattanaik but she was unable to participate in the Conference.

I am glad that Islamabad Policy Research Institute together with Hanns Seidel Foundation has been able to arrange this august gathering of scholars, academia, diplomats, government officials, researchers, and students to discuss a very important topic ‘Strengthening Peace and Cooperation in South Asia: Incentives and Constraints’. I know that the topic is of great interest to all of us and the two-day deliberations would bring out thought-provoking and innovative ideas.

South Asia is one the most significant geopolitical regions of the world. The economic performance of the region remains resilient even in the presence of volatile global financial markets. The GDP growth of South Asia is likely to remain above 7 per cent in 2016 and 2017. In view of its proximity to Central Asia, West Asia, Middle East and China, the

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region has always been seen as a centre of attention by global powers. However, in spite of its strategic location and impressive economic growth, the region has not been able to emerge on the world stage as a unified bloc such as the Association of Southeast Asian Nations (ASEAN).

The lingering political and territorial disputes have been a great hindrance in strengthening peace and cooperation in the region which faces multifaceted problems. The major challenges include Pakistan-India conflicting relationship due to their longstanding bilateral disputes, especially the Kashmir dispute, India's ongoing military modernisation in nuclear and conventional arms, structural limitations of the South Asian Association for Regional Cooperation (SAARC), lack of infrastructure and uncooperative policy approaches of some countries resulting in divisions in South Asia.

We had planned this international conference in November 2016 to coincide with the 19<sup>th</sup> SAARC Summit, which was also scheduled to be held in November in Pakistan. It is sad that the Summit was postponed due to India's refusal to participate. Bangladesh, Afghanistan and Bhutan followed suit and announced not to participate in the Summit for reasons we all understand. In fact, it was an Indian effort to impede the SAARC process in order to divert attention from its atrocities in Indian-held Kashmir. The postponement of the SAARC Summit due to India's attitude will have a direct bearing on peace and prosperity in South Asia. With this kind of attitude, consolidation of cooperation in the region will remain an elusive idea.

Peace and cooperation in South Asia can only be strengthened by replacing the existing policy of competition and conflict with a new policy of harmony, caring and sharing. India will need to move out of its old mindset of a zero-sum game, in which gains by one side are made at the expense of the other. A new structure of peace would reduce the dangers of nuclear war and also provide the two nations with economic and political stability.

The traditional trend of power projection is no longer relevant in today's globalised world. There is now a clear distinction between states - which are enhancing their power for dominance and others who are making their contributions to meet the challenges of peace, prosperity, and environmental protection. India must realise that, in the present day world,

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it is not military muscle of a state that will be a symbol of status, but its contribution to meeting the common challenge of peace and prosperity is the real emblem of status.

South Asia is passing through a critical stage of transformation where incentives and constraints for strengthening peace and cooperation are jumbling together. An environment of peace and cooperation in the region would offer multifaceted opportunities and incentives to all the South Asian countries in the form of faster economic growth, poverty alleviation, enhanced employment rate, economic interdependence, infrastructure development, energy cooperation, and regional connectivity.

China's growing interest and investment in the region provides a significant incentive to South Asian countries to draw maximum benefits from various Chinese initiatives relating to regional connectivity and infrastructure development such as One Belt One Road (OBOR) and Asian Infrastructure Investment Bank (AIIB). Peace and cooperation will create a conducive environment necessary to attract large volume of Foreign Direct Investment (FDI) from multiple sources, which currently is very low in case of South Asia when compared to the other regions.

The way forward lies in creating a common vision based on resolving political disputes, creating economic interdependence, maintaining balance of power, initiating dialogue process and confidence building measures, increasing people-to-people contact and enhancing the role of regional organisations such as SAARC and SCO. We should not only manage our disputes but should also have the resolve to solve them through dialogue and other peaceful means.

I thank you all. ■

## **Inaugural Address**

**H.E. Sartaj Aziz**

Pakistan's Advisor to the Prime Minister on Foreign Affairs

**P**lease allow me to express my gratitude to the Islamabad Policy Research Institute for extending the invitation to speak at this august gathering. IPRI indeed, is a leading think-tank of Pakistan providing its professional and valuable feedback and analysis on contemporary issues of strategic nature and international importance.

Today's conference, reflecting on ways and means to establish peace and cooperation in South Asia, comes at a time when the region is faced with multidimensional threats warranting multipronged counter strategies. I will speak more on constraints and hope this Conference will come up with incentives for strengthening peace and cooperation in South Asia.

South Asia is a region which is uniquely placed on the global map in terms of its geographical, economic, social and demographic features. With less than 4 per cent of the landmass of the world, it hosts 21 per cent of the total population. The higher population density with resource scarcity expose the region to regional instability, poverty, food insecurity, water scarcity, environmental degradation and increasing socioeconomic inequalities.

With all the ingredients for sustained conflict already in place, South Asia becomes an exceptional case where internal conflict and violence among States over resources can easily spill over, threatening regional peace and stability. Equally important are the political conflicts in South Asia that emanate from longstanding, unresolved disputes. It is a well-known fact that peace has remained elusive and alien to this region as a result of these conflicts.

Over the past few decades, the geopolitical developments in the region have severely impacted the regional environment. Despite our best efforts, peace in Afghanistan remains a distant dream. The only regional organisation i.e. the South Asian Association for Regional Cooperation (SAARC) has fallen prey to the hegemonic designs of one of the countries in our region, ignoring the important lesson of history that in all successful experiments of regional cooperation like the European Union and

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Association of Southeast Asian Nations (ASEAN), the bigger countries avoided hegemonic temptations.

Peace, cooperation and growth are mutually inclusive. The Indian design to isolate Pakistan in the region and the world, is only myopic thinking and a futile attempt to assuage the local populace. Joint efforts of all stakeholders are essential for peace and tranquility in the region. It is up to the governments to strive to create an environment which enables us to work together in areas where we can complement each other's efforts for mutual benefits and also to resolve the differences and obstacles that we face in the quest for peace. Pakistan believes that SAARC has the potential to promote peace, development and stability in South Asia. This requires positive engagement from all the Member Countries. In scuttling the SAARC Summit, India has damaged SAARC not Pakistan.

Peace in South Asia has historically been affected by the relations between Pakistan and India. Pakistan believes in peaceful coexistence, based on the principle of sovereign equality. However, at the same time, Pakistan cannot remain aloof to the imbalance of strategic stability created in the region due to lopsided Western policies. Pakistan has always supported efforts to maintain strategic balance in the region and has exercised strategic restraint. Pakistan will continue to ensure that this balance is maintained.

The menace of terrorism is a common evil. Pakistan remains a major victim of terrorism and has sacrificed more than 70, 000 lives in the fight against it. The arms race accompanied by hegemonic designs will only give birth to regional chaos. This jingoistic approach towards other countries is fatal for regional peace.

Pakistan-India relations cast a shadow on prospects of peace in South Asia. India continues to pressure Pakistan by sponsoring terrorism inside our country to foment separatism. India has increased ceasefire violations on the Line of Control in Jammu and Kashmir to constrain Pakistan Army's ability to deploy more resources on the western borders with Afghanistan. India also applies direct military pressure on Pakistan through deployment of advance weapons systems, offensive troops positioning and exercises along the border to refine the capacity of a surprise attack, as envisaged in its Cold Start Doctrine. Regrettably, India is also openly opposing the China Pakistan Economic Corridor (CPEC) for no apparent reason than to obstruct the economic development of Pakistan.

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India's brutality, particularly after 8 July, against innocent civilians in Indian Occupied Kashmir (IOK) and its refusal to discuss the Kashmir issue lock the relationship of our two countries in a perpetual crisis.

Unfortunately, India is responding to the indigenous struggle of Kashmiris for the right to self-determination by denial and delusion. It denies a legitimate and popular freedom struggle in Kashmir by brandishing the region as its 'integral part'. India is also under the delusion that the Kashmiri uprising is terrorism. Riding on this denial and delusions, it holds Pakistan responsible for the crisis in Indian-Occupied Kashmir and continues to perpetrate grave human rights violations.

For peace in Kashmir, India must face the ground realities and recognise the indigenous nature of the Kashmiri movement for the right to self-determination.

In our negotiations with India whenever they take place, we will continue seeking normalisation of relationship and promoting steps that would pave the way for settlement of all outstanding disputes, particularly Jammu and Kashmir.

Another important dimension of Pakistan India relations is the imperative of Strategic Stability in South Asia. For this, Pakistan is committed to maintaining Credible Minimum Deterrence. At the same time, we have urged the international community to desist from policies and actions that undermine strategic stability in the region, such as the supply of weapon systems that widens the existing conventional asymmetry.

Any preferential and discriminatory approach favouring India in the nuclear field can affect strategic stability in South Asia. It is in this context that we urge our membership of the Nuclear Suppliers' Group be evaluated on the basis of criteria and non-discriminatory approach.

To conclude, I would like to reiterate that the Government of Pakistan is playing its part to ensure peace in the region, however, this is not possible without the active cooperation of all the other states in South Asia.

Thank you. ■

## **Concluding Address**

**Sardar Masood Khan**

H.E. President Azad Jammu and Kashmir

**P**akistan has always been very keen to foster and promote a collective and cooperative approach in South Asia. But India has been very reluctant to cooperate with Pakistan and other smaller South Asian states. This is a huge barrier. I highlight this because we have been more keen than India in steering the entire region towards cooperation which has, unfortunately, not worked.

India has repeatedly frustrated regional ventures for peace and economic prosperity. In the recent past, India has become more active as it wants to garner the support of Bangladesh, Nepal, and Bhutan for economic networking. This is probably a response to the implementation of the China-Pakistan Economic Corridor (CPEC).

The second thing I want to highlight is the issue of Jammu and Kashmir. To achieve regional cooperation, Kashmir should be put at the centre of the regional peace agenda. Although some advocate that regional cooperation should not be held hostage to the issue of Jammu and Kashmir, I firmly believe that without resolving the Kashmir issue, there will not be any genuine rapprochement in South Asia, especially between India and Pakistan. Further, the prospects of economic cooperation among all the regional states would remain elusive.

The situation within and outside Afghanistan is also cause for concern. Pakistan is more ardent than any other stakeholder in bringing about peace and reconciliation in this war-ravaged country. I humbly suggest that Pakistan should start looking elsewhere for collective cooperation. One such initiative is CPEC which is a game changer for the entire region, particularly in bringing not only Pakistan and China closer, but also connecting multiple neighbourhoods, i.e. East Asia, Central Asia, South West Asia, and even Africa. So, look in that direction, i.e. westward, northward, south westward, and Africa.

Although the Economic Cooperation Organization (ECO) has not really taken off, it has all the rudiments of a powerful regional organisation. In addition, Shanghai Cooperation Organization (SCO) is yet another endeavour to promote regional integration and development. The SCO and the One Belt One Road Initiative (OBOR) together, redefine

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not only the regional architecture but also global politics and economics. Therefore, we should invest in SCO, particularly in its programmes and projects for connectivity, economic networking, commercial linkages, banking links, and so on, because it has more promise.

The people of Pakistan and its successive governments have to realistically pursue their foreign policy. They always keep hitting against the thick wall of recalcitrant India and keep on getting bruised and beaten. Even today, i.e. 23 November 2016, the Indian forces deliberately hit a civilian vehicle travelling in Neelam Valley, which killed four and critically injured seven others. There cannot be any Confidence Building Measures in such a situation. We are chasing a mirage here, we have to be realistic. I am not suggesting to cease investing our time and energy in dialogue with India, we should continue our efforts, but at the same time we should optimise the opportunities which lie elsewhere. For instance, there are tremendous opportunities in West Asia. We should strive for improving relations with Iran, probably in the near future we can circumvent Afghanistan, which would continue to remain turbulent for some time. Enhanced connectivity through CPEC would make the markets in Central Asia, the Russian Federation, and Turkey directly accessible. Also, I think Pakistan needs to find new markets, which are more hospitable and less hostile, such as Southwest Asia and Africa.

Today, Kashmir is literally burning. Since July 2008, hundreds of Kashmiris have been killed, and numerous blinded either partially or completely. According to the latest count, 980 Kashmiri young men and women have been blinded and this is in pursuance of a deliberate policy of the occupying force - they target the eyes of young people directly. In one of the articles published on 8 November 2016 in *The Guardian*, it was stated that mass blinding has been used as an instrument of war for the first time in history. More than 17,000 people have been critically injured. The Indian occupation force has cordoned off the entire territory of Ladakh, Jammu, and Valley of Kashmir. There is no law, even the laws which apply to the occupying forces or in situations of armed conflicts, are not being observed by Indians. The principles of proportionality, distinction between combatants and non-combatants and precaution, all are being violated blatantly with impunity.

There is a war going on in Kashmir. Kashmiris of all ages are bearing the brunt of this war. There is no terrorism in Kashmir, no Jaish-e-

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Mohammad (JeM), no Lashkar-e-Taiba (LeT), these are the Kashmiri young men and women who are resisting Indian occupation. Although, the United Nations (UN) has been reluctant to hold plebiscite for the last seventy years, the people of Jammu and Kashmir, who are captured and imprisoned daily, do not accept India's illegitimate rule and the writ. It is the land of Kashmiris and it is upon them to decide their political future.

It is the irony of our time and a tragedy of unprecedented magnitude that the people of Kashmir are imprisoned in their own land and are being tortured by a foreign occupying force. There cannot be any regional cooperation paradigm in South Asia unless the issue of occupied Jammu and Kashmir is resolved. This issue cannot be swept under the carpet. It will not remain there, and even if there is some lull, India will not let us forget. Indian forces will continue their inhumane acts against innocent Kashmiris systematically, because Kashmiris have decided not to be part of India.

Despite Kashmir being on the agenda of the UN, it remains ignored. Reports regarding Kashmir are sent regularly to the UN Secretariat, but are not forwarded to the Security Council. These reports, ironically, do not spark any debate in the UN. Therefore, I will appeal to young men and women here who use social media to raise their voices, through this platform. Azad Kashmir has been helpless but it keeps on protesting. On the other hand, Pakistan and India, being nuclear powers, cannot opt for war, due to its disastrous consequences not only for both countries, but also for the entire region. There is also a semblance of conventional asymmetry; India dare not attack Pakistan using conventional capability. But, there is one area where India has surpassed us all - communication. India is getting away with mass murder because the world is buying its falsehood and is not ready to listen to our truth. Therefore, I appeal to young Pakistanis to use social media platforms like Twitter and Facebook to express their solidarity with Kashmiris. We, as a nation, need to stand up for our rights and express solidarity with the people of Indian-Occupied Kashmir (IOK).

Thank you. ■

## Concluding Remarks

Omer Ali<sup>1</sup>

National Programme Coordinator  
Hanns Seidel Foundation Pakistan

**O**n behalf of the German Hanns Seidel Foundation (HSF) and the Resident Representative, Mr Kristof Duwaerts, who can unfortunately not be with us today, I would like to thank you all very much for having attended this Conference and making it worthwhile. I would like to read out a few words on behalf of Mr Duwaerts, who is currently in Munich:

Greetings from Munich! I extremely regret not having been present during this Conference, especially since I hold the topic very dear to my heart. Many of the activities which the Foundation has been doing with its partner organisations in Pakistan over the past 33 years have dealt with exactly this: Peace and Cooperation.

The Foundation is currently operating in the service of peace, democracy, and development in more than 60 country offices worldwide. From our point of view, one cannot talk enough about peace and cooperation in these tumultuous times. Many of the papers which have been read during the Conference have dealt with historical aspects in South Asia but also developments which have taken place in Europe. I have been told that there were some particular references to Germany and France and the consequences of their rapprochement on the mission to establish a European Peace – and I assume that our French-Canadian colleague<sup>2</sup> will have given a very comprehensive account of the role which could be taken by outside actors in facilitating negotiations and assisting in stabilising efforts, be it through bilateral or multilateral tools.

I think Germany in particular has, over the past 50 years, successfully reiterated its stature as an honest broker, which does not have any vested interests. A wide array of organisations and structures has been developed in Germany to build peace and engage in development cooperation worldwide. Today, in large part due to our soft approach

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<sup>1</sup> On behalf of Mr Kristof Duwaerts, Resident Representative, HSF, Pakistan Office.

<sup>2</sup> Editor's Note: Dr Severine Minot.

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towards international politics, we are proud to be among the most influential nations in the world, while at the same time not imposing our vision on others through coercion or manipulation.

A large part of this can be attributed to the conclusions which we had to painfully draw from our past. Awareness of history and education in general stand at the core of the steep rise Germany has undergone. Yet, even we, being among the most prosperous and stable nations in the world, currently have to cope with the rise of populism and extreme right-wing ideas which contradict the quintessence of everything Germany stands for and has stood for since many decades. We find ourselves in turbulent times. Transnational opportunities exist, but, at the same time challenges are growing day-by-day. It is the task of governments to give their citizens stability and awareness. It is an ongoing task, and one should never commit the mistake of resting on one's laurels, but rather continue to strive to reach greater heights.

Some of us who have attended this Conference were born in the immediate aftermath of the Second World War, times of great turbulence and uncertainty, not just for Europe but the whole world. Most of us will agree that the pursuit of stability and cooperation is ever more important and that we would not want to go back to the dark times which are sometimes being narrated by our parents or grandparents. It is through conferences like these that chances arise to bring people to a table to jointly discuss their ideas and approaches. They provide a valuable forum for discussing historical mistakes and successes.

I think that we learn history not only in order not to repeat the mistakes of the past, but also to be reminded of the destination for which we started the journey. Through an awareness of history, we can not only learn from our own but also other's mistakes as well as successes and thus enter into an upward spiral of developing our communities towards something which was once described by Thomas More as 'Utopia' – an ideal system void of negative things. Conferences like these contribute to the narrowing of a gap which I have oftentimes perceived to be existing between academia and policymakers. These conferences contribute to avoiding the emergence of a 'Dystopia', which is a highly disturbing notion.

I would like to thank both the academicians and policymakers present here for having actively participated and having enriched the

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Conference through their valuable remarks and insights. I am particularly thankful to the foreign scholars for having come to Pakistan to discuss their very particular issues with the learned audience here in Islamabad. Thank you to IPRI for having provided a forum for a candid exchange of opinions and historical and political perspectives.

After all, the second most important aspect to policymaking – after the awareness of history – is the dialogue among people who are not necessarily like-minded. It is through listening to the other's arguments, through diversity of opinion that we find our own position in history. The German Armed Forces, which are recently running a major campaign in Germany for hiring new staff, put the following slogan on one of their posters: 'We also fight for your right to be against us'. This pretty much describes the fundamental value of a truly democratic system; moreover it also underscores the integral need for cooperation and interdependencies, which an international system is based on. One does not necessarily need to agree on every single account with one another, but one needs to listen to the other carefully and jointly develop approaches while doing it peacefully and with mutual respect.

In this long journey, one more step was taken today. Let us hope that there will be many more. As always: Conferences form the starting point of a process and by no means the end. I will be looking forward to reading the written accounts of this Conference and also keenly looking forward to seeing policymakers implement some of the solutions which would be developed on the basis of today's proceedings.

Thank you for your attention. ■

## Vote of Thanks

**Ambassador (R) Sohail Amin**

**W**hen I spoke at the inaugural session in my welcome address that we had organised this Conference months ago to coincide with the 19<sup>th</sup> SAARC Summit that was scheduled in Islamabad, it was meant to review its progress. Unfortunately and as usual, the process was scuttled by India.

This Conference, however, has still been very useful as it gave us an opportunity to review the situation that developed after this Indian attitude. During the two days, we were able to highlight the existence of conflicts in the region and also that they do not bode well for the prospects of progress and economic cooperation in the region. It is in the interest of all the South Asian states to resolve their longstanding disputes by using bilateral, multilateral and institutional frameworks.

There are several constraints in the way of cooperation, but we have found that the incentives are far greater. The core issue of Kashmir must be resolved first. The role of regional organisations, such South Asian Association for Regional Cooperation (SAARC), Shanghai Cooperation Organisation (SCO) and *Economic Cooperation Organisation* (ECO) with overlapping membership of India and Pakistan is significant in this regard.

The common threats and challenges can be addressed and preventive strategies can be worked out. At the multilateral level, the major powers can contribute positively by harnessing peace and cooperation in South Asia through mediation.

I sincerely thank President of Azad Jammu and Kashmir Sardar Masood for sparing time from his busy schedule and for enlightening us with his concluding remarks. He has set guidelines for the younger generation, and I am sure, they will follow them in the future. Pakistan's diplomats project the cause of Kashmir throughout their careers. Now, the President Azad Jammu and Kashmir has been given the responsibility of presenting the Kashmir cause at the highest level in the world with the highest level of interlocutors. It will surely make the difference.

I wish the visiting scholars good luck for their future endeavours and safe journey back home. I thank the Chief Guests, the Chairs of various sessions and the scholars who presented their papers since they

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were the real contributors. IPRI is also grateful for the support of the Hanns Seidel Foundation.

I thank you all for your participation and attendance. ■

## **Policy Recommendations**

**I**n the light of the views expressed by the eminent Conference participants, the following policy recommendations were put forth:

### **Steps towards Regional Cooperation, Integration and Peace**

#### ***Keeping SAARC Alive***

The challenges to peace and security in South Asia are multifaceted and transnational in nature. However, the South Asian Association for Regional Cooperation (SAARC) Charter does not allow discussion on political issues. SAARC is a body to enhance economic and social cooperation among the regional states. For the greater good of the region, political issues should not be allowed to derail the SAARC Summits, nor should it be held hostage to the bilateral relations between India and Pakistan.

#### ***Developing a Regional Conflict Resolution Mechanism***

The challenges in South Asia can only be met through cooperation amongst the regional countries with special emphasis on issues of core concern. The region needs a sustainable conflict resolution mechanism based on respect for sovereignty and territorial integrity of all states.

#### ***Focusing on Regional People-Centric Sustainable Development***

South Asia is amongst the world's most backward regions in terms of socioeconomic indicators and human security. About one fifth of humanity i.e. more than one billion people reside in South Asia in the midst of precarious conditions, without having access to basic human needs like food, quality education, health, housing, transport facilities etc. Human and social development should be the primary focus of all the South Asian states. With transnational terrorism on the surge, South Asian neighbours should actively support each other to alleviate poverty and improve social conditions of their people. There should also be a Regional Sustainable Development Strategy under the framework of SAARC.

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***Dealing with Security Issues Collectively***

The nature of security issues in South Asia requires focusing on institution building, structural reforms and establishment of processes for promoting regional cooperation. All regional states must come forward and work towards regional peace and common security. Security issues such as piracy, human and narcotic trafficking, arms proliferation and terrorism must be tackled through cooperation, information sharing and developing a common understanding on these issues.

***Equitable Treatment of Marginalised Minorities***

Unfair distribution of resources, opportunities and intolerance against different ethnic groups and minorities encourage conflict at various levels, affecting threat perception of states. Deep rooted poverty and social backwardness provides a fertile ground for the growth of extremism and radicalisation.

***Citizen Diplomacy***

People-to-people dialogue between South Asian neighbours needs to be enhanced and notions of cooperation at different levels should be instilled through cultural and academic exchanges and cooperation.

***Sea Trade***

Most South Asian states are linked through the sea with each other and there is a realization that development of coastal areas and establishment of sea ports can help economies. The Indian Ocean is yet another area for connectivity and engagement for SAARC countries. South Asian states must devise strategies to increase trade activities through the Indian Ocean, including shipping, financing, and banking.

South Asian agenda for interconnectivity must be based on, a) economic growth through trade facilitation, regional transportation and energy corridors development, and b) enhanced cooperation to resolve issues such as compliance with product standards, visas for business community and technical staff, harmonization of licenses and permits.

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***Tourism and Transnational Diplomacy***

Cultural diplomacy and tourism are essential tenets of regional cooperation. South Asia is gifted with seasonal variation, scenic and natural beauty. The South Asian states must develop their tourist sites through infrastructure development such as by building resorts, off-shore financial centres etc.

***Economic Corridors***

The significance of construction of economic corridors in South Asia should be duly acknowledged by all the states as these are important initiatives for regional integration and economic development. According to some studies, South Asia has the potential of USD 65 billion interregional trade, which can only be realised through trade liberalisation and economic connectivity through various corridors.

***Pak-Afghan Public Private Partnerships in Education***

Although Pakistan has been modestly supporting development projects in Afghanistan, the Afghans feel that Pakistan needs to support them in Public Private Partnerships in education sector by constructing schools, colleges and universities. This will create immense goodwill between the two countries.

**Steps towards Better Pak-India Relations**

***Energy Diplomacy***

India and Pakistan have huge untapped potential for generating energy. Collaboration on energy could give impetus to economic growth and development in both countries and the region. Energy diplomacy can stimulate confidence building among South Asian nations, particularly between India and Pakistan, which in turn, would facilitate multidimensional cooperation in the region.

***Bilateral Dialogue***

Indian defence-related partnership with the United States and its allies is causing strategic imbalance in South Asia. A strategic asymmetry between India and Pakistan is increasing Pakistan's sense of insecurity and

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increasing its reliance on nuclear weapons for defence. This situation makes the efforts towards arms control and crisis stability even more difficult. Revival of Indo-Pak bilateral dialogue, without any preconditions, on arms control and crisis management is urgently needed.

***Backchannel Lines of Communication***

Acts of terrorism should not be allowed to derail the bilateral dialogue between India and Pakistan. India and Pakistan should jointly develop mechanisms that could help to enhance cooperation and communication during a crisis so that the political leadership has options available to them during a crisis situation to discuss and redress each other's concerns rather than to cut off the dialogue process for political expediency.

***Third-Party Mediation***

Role of any organisation or country as mediator or facilitator should be accepted by India and Pakistan for the resolution of contentious issues such as Kashmir and water. SCO or China and Russia together have the potential to play a mediatory role for peace and stability in South Asia.

***Kashmir Issue Resolution***

Kashmir dispute is central to Pak-India relations. It is a collective failure of the United Nations, major powers and Indo-Pak leadership that the Kashmir issue after more than seven decades has not been resolved and continues to obstruct regional cooperation and development. The apathy of international community towards the high handedness and gross human rights violations by the Indian security forces in Kashmir is regrettable. There is a need to prick the conscience of the international community on the issue of human rights violations. There should be a Kashmir Project for highlighting the suffering of the Kashmiri people throughout the world. ■

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## **PART II**

### **Regional Perspectives**

- **Building Peace: Lessons from Sri Lanka**
  - **A 'Peaceful and Cooperative South Asia': Utopian Dream or Attainable Possibility?**
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# **Building Peace: Lessons from Sri Lanka**

*Essay*

**Dayani Panagoda\***

**S**outh Asia's island state, which writhed for three decades in a brutal and violent conflict, but which is now on the path of reconciliation and peacebuilding with a large per capita diaspora population, faces many challenges. These challenges need to be addressed not only internally but also within the regional and global perspectives. The political landscape in Europe and United States of America is changing and 'Nation State Democracies' are on the rise, making the focus on institutions, structures and processes promoting regional cooperation a huge challenge. Sri Lanka has realised that its interests and future are linked to the coastline and sea, being an Island State through lessons learned over the past three decades. Unfortunately, the Indian Ocean is not yet seen as a connecting point or a significant point of engagement by the South Asian Association for Regional Cooperation (SAARC) and instead has been left to misuse and control by external powers.

The Twenty-First Century is showing signs of revolutionary changes in the world order. With China emerging as a trading giant and the rising economic importance of India, North Korea and Japan, the global economy is shifting its centre of gravity from the West to Asia. Politically, the unipolar world is on the wane and a multipolar world is in the making given the ideological shifts of global power blocks after Brexit, a new President in the White House and Russian alignment and involvement in both cases. In the wake of all these changes, the strategic importance of South Asia becomes more and more relevant with the development of new infrastructure facilities in sea routes in the Indian Ocean under China's One Belt One Road (OBOR) initiative. South Asia should be poised to reap the harvest of these global shifts in a positive tone. According to Sri Lanka's Minister of Foreign Affairs, Mr Mangala Samaraweera:

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There are two important factors internally that Sri Lanka is focusing at this juncture - those are peacebuilding and ensuring security of the nation island in terms of interdependence and positive growth of the economy in terms of interconnectivity.<sup>3</sup>

After three decades of violent conflict, Sri Lanka is now working vigorously to build peace and harmony. Sri Lankans believe that peace in the country is closely linked with peace in the region and in the world. Regionally, obviously, it is the conflict between India and Pakistan that takes centre stage in South Asian regional politics and peace. SAARC has been unable to negotiate a peace deal for India and Pakistan given the absence of any conflict resolution clause in its Charter. In this regard, Sri Lanka with its 'Asia-centric middle path foreign policy' can provide the leadership for a committee represented by all the countries in the region. Its current experience in peacebuilding could be a valuable asset in creating a peaceful South Asian Region:

Just as Singapore has over the years helped stakeholders come together and work towards their common interests in South-East Asia, Sri Lanka, the Gateway to South Asia, which is also fast becoming the hub of the Indian Ocean and who maintains excellent relations with all relevant stakeholders, too will play a constructive role in promoting dialogue and cooperation for peaceful development in the region.<sup>4</sup>

Peace is strongly interlinked with economic growth of the countries in the region. With increasing trade in the Indian Ocean, there will be opportunities to embark on new economic activities such as shipping, financing, banking, insurance and information technology. This would demand more and more interaction between SACs in order to survive within this new order. A growing knowledge economy will enlighten nations to shed old enmities and embark on new relationships based on mutual respect, sharing, harmony and peace.

Sri Lanka's concern is about unequal economic development and living conditions of those who are underprivileged as this can lead to

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<sup>3</sup> Speech delivered at the South Asia Diaspora Convention, Singapore on 20 July 2016.

<sup>4</sup> Ibid.

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conflict and violence rather than peace and stability in the region. Therefore, a regional approach and a joint master plan is required to combat terrorism, narcotic and human trafficking and unequal economic growth. Not tackling these challenges collectively can cause (a) lack of functional economic corridors in the region; (b) conflict zones brewing mistrust between neighbours; (c) slow progress on trade facilitation and free trade agreements; (d) and non-tariff barriers that prevent skills and technology transfer in the region. Sri Lanka's perspective on interconnectivity is threefold:

1. economic growth and agreements related to transport, energy, connectivity and dispute resolution;
2. expediting the process of lowering costs of doing business and trade facilitation measures across the region;
3. enhancing government-to-government contact and institution-specific connectivity to resolve issues such as compliance with product standards, visas for business community and technical staff, harmonisation of licenses and permits.

In order to promote cooperation in trade and investment, harmonising standards/accreditation, creating appropriate national institutes, developing regional customs and procedures are pre-conditions. International organisations can promote trade and investment by establishing multi-country policies, programmes and projects. Buyer-seller fairs, expertise and technology transfers can also enhance trade and investment opportunities within the region.

Let's take the tourism industry. Tourism development in a competitive but sustainable manner can yield better results by sharing resources such as national parks, historic sites, and famous resorts with special features. SACs can make use of natural harbours for tourist traffic by introducing cruises. Twenty-First Century tourism can make a huge contribution to the world's economy. Just like the Caribbean where the Caribbean Sea is a brand, Indian Ocean as a brand can also touch lives between Durban to Perth. The Indian Ocean Tourism Organisation can be a catalyst in promoting tourism in the Indian Ocean by supporting projects, policies and creating niche products for tourism. Regional governments can work with the private sector and the non-governmental organisations for collective development and sustainability. Effective infrastructure such as ports, resorts, and off-shore financial centres are

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required for such cooperation. Cultural diplomacy and mutual tourism are essential features of such cooperation.

However, a word of caution to regional policymakers: the movement towards economic liberalisation and expansion of trade with India, for example, has created a growing sense of injustice as well as fears that the Sri Lankan government is unfairly pitting local entrepreneurs with foreign competitors. Hence, not just Sri Lanka but all South Asian thought-leaders should remember that while national growth is important, it should not be compromised in the name of regional stability. Regional cooperation should, therefore, be promoted at festivals, trade fairs, seminars, and sporting events etc.

Over a long period of time, dangerous situations have arisen in South Asia, hence, it is a major responsibility of everyone in this region to work together with the international community to build peace and ensure sustainable development. Economic growth and regional security are intertwined, therefore, it is essential to focus on and strengthen institutions, structures, and processes that promote regional cooperation in South Asia. Such regional cooperation should be based on an open philosophy free of prejudices, biased mindsets and vested interests. The people of South Asia urgently need to overcome the bitter legacies of the past in order to create an enabling environment for peace and security, which is critical to unleash the collective and creative energies necessary for economic and social progress.

It is the collective responsibility of South Asian states to identify and implement ways and means of ensuring that Asia's rise creates the conditions for regional and global stability as opposed to chaos. This process, combined with the universal principles of multiculturalism, brings with it the prospect of putting in place a framework of values, principles, norms, conventions and institutions necessary for moving this region towards open regionalism, soft diplomacy and flexible consensus on contentious issues. A strong, forward-looking, inclusive and equitable peacebuilding and development agenda to eradicate poverty and promoting sustainable development and inclusive economic growth in South Asia in the next decade is the wish of Sri Lanka.

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# A 'Peaceful and Cooperative South Asia': Utopian Dream or Attainable Possibility?

Dr Moonis Ahmar<sup>\*</sup>

## Abstract

Pakistan's perspective on the daunting task of peace and cooperation in South Asia is two-fold. First, a realistic perspective which is based on the notion that South Asia which is a hub of inter and intra-state conflicts cannot move in the direction of a peaceful and stable region unless there is substantial political will and determination on the part of people at the helm of affairs to deal with issues which are a cause of conflict and instability. Second, an idealistic perspective which argues that in view of globalisation and the challenges of human development, South Asian countries have no option than to mend fences and take plausible steps for unleashing the process of peace and meaningful cooperation in the region. Furthermore, the gap between official and non-official perspective related to the theme of the paper is also narrowing down. Realistically speaking, there cannot be regional cooperation unless peace is guaranteed. South Asia's predicament is to institutionalise the process of peace bilaterally and regionally.

**Key words:** Realistic, Idealistic, Globalisation, Human Development, Regional Cooperation.

## Introduction

Pakistan is located at the crossroads of Central Asia, South Asia, West Asia and the Persian Gulf regions. With its geostrategic and geopolitical prominence, its role as a South Asian country is multidimensional. While South Asia lags behind in major indicators of human and social development, the region has enormous potential when it

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comes to promoting meaningful trade and tap its unutilised human resources to pull its people from the clutches of poverty and illiteracy. The challenge of peace and cooperation in South Asia is two-fold: first, unresolved inter and intra-state conflicts and second, the inability of South Asian Association for Regional Cooperation (SAARC) to transform into a vibrant regional organisation.

Pakistan's perspective on the daunting task of peace and cooperation in South Asia is also two-fold. First, a realistic perspective which is based on the notion that South Asia, which is a hub of inter and intra-state conflicts cannot move in the direction of a peaceful and stable region unless there is substantial political will and determination on the part of people at the helm of affairs to deal with issues which are a cause of conflict, crisis and instability. Second, an alarmist perspective which argues that in view of serious threats to human security and the challenges of human development, South Asian countries have no option than to mend fences and take plausible steps for unleashing the process of peace and meaningful cooperation.

The good news is that the gap between official and non-official perspectives related to the theme of the paper is also narrowing down because of three main reasons. First, the relevance of Track-I, Track-II and Track-III diplomacy to mitigate tensions and help unleash the peace process of peace in South Asia. Second, the perception which is shared in official and unofficial circles that South Asia cannot progress and develop unless it addresses issues which cause conflict. Third, real threats to peace in South Asia emanate from domestic issues particularly those which are related to political discontent, conflict over resources, ethnic, lingual and sectarian conflicts and growing water and energy shortages.

This paper will examine the challenge of peace and security in South Asia by responding to the following questions:

1. What are the issues which *threaten* peace and cooperation in South Asia and how these could be dealt with?
2. What is Pakistan's perspective on the *challenges* of peace and cooperation in South Asia and to what extent these perspectives are logical in nature?
3. What are the incentives to *unleash* the process of peace and cooperation in South Asia and why these have not been utilised?

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4. What are the *constraints* which impede the task of peace and cooperation in South Asia and how could these be dealt with?

Furthermore, the paper will examine Pakistan's role in promoting peace and cooperation, particularly in the context of SAARC. Issues which impede peace and cooperation with particular reference to the Indo-Pak standoff will also be analytically discussed. Realistically speaking, there cannot be regional cooperation unless peace is guaranteed. South Asia's predicament lies in institutionalising the process of peace bilaterally and regionally. Finally, the question of disconnect at the regional level because of lack of connectivity will also be examined in this paper.

### **Issues Threatening Peace and Cooperation**

Peace is an end in itself and conflict management, conflict prevention, conflict transformation and conflict resolution are used as a means to that end. Likewise, cooperation per se depends on political will and determination of the concerned stakeholders to dismantle the walls of mistrust, suspicion, ill-will and paranoia. Paradoxically, peace and cooperation in South Asia have not been unleashed in the real sense because of three main reasons. First, inadequate attention and focus of regimes to resolve issues which cause crisis and conflict at the inter- and intra-state level; second, absence of viable institutions to promote peace and cooperation by ensuring good will and connectivity in travel and trade; third, lack of a practical approach to neutralise those elements which propagate enemy images and hostility by raising issues which strengthen hawkish mindsets.

South Asia is a cradle of rich civilisations and has a history of tolerance and peace. Yet notwithstanding its rich cultural heritage, South Asia drifted toward armed conflicts and hostility on issues which could have been resolved through a process of dialogue. The Partition of the Indian subcontinent in August 1947 can be termed as a turning point in shaping the destiny of millions of people in the new states of India and Pakistan. Yet, the leadership which took over the reins of power from the British was caught in a vicious cycle of mutual hostility and conflict. Opportunities for social and human development which could have changed the destiny of the people were missed and the region plunged into

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a perpetual state of ill-will, mistrust, suspicion and paranoia; thus, deepening conflict rather than cooperation. How South Asia can move forward and learn lessons from past failures is a question which needs to be analytically examined.

In a study entitled *Beyond Boundaries- A Report on the State of Non-Official Dialogues on Peace, Security & Cooperation for South Asia*, the authors maintained that in South Asia, cooperation in the areas of both economic and security relations is moving at a comparatively slower pace. The authors point out that while the business sector is not a single entity with respect to liberalisation or more open exchange, as barriers come down, there will be more interaction within and among business sectors of these countries (Behera, Evans and Rizvi 1997). Many feel that until conditions are ripe for stronger connections among top political leaders in the region, it is the business sector that will need to be the leading force in breaking down barriers and promoting regional connections.

Four major realities which in the last seven decades made things complicated for the growth of meaningful peace and cooperation are: first, the mindset which shapes perceptions and policies. When the foremost requirement for peace and cooperation is sovereign equality, respect for territorial integrity and independence of neighbours, one can observe a totally different approach pursued by the most powerful country of the region. When a sense of insecurity looms large among the neighbours of that powerful country (against its quest for regional domination), the goal of peace and cooperation remains elusive. Furthermore, a country's progress and development depends on having peaceful and cooperative relations with its neighbours. The example of China is a case in point. Despite having fourteen neighbours and having unresolved issues with some of them, China has pursued a policy of dialogue and negotiation instead of conflict and confrontation. The Chinese leadership knows that its ambitions to emerge as a global power will be thwarted unless it lives peacefully with its neighbours and is engaged in meaningful economic, trade, commercial and cultural cooperation. According to an Indian writer:

In South Asia, two sets of states are involved in prestige competition: India and China form one pair and the other involves India and Pakistan. Thus, India as a competitor is common to both China and Pakistan, both of them have, in turn, developed a close military nexus to counter the former.

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This has created a triangular relationship in which two states share the common goal of contenting the third one; it is thus effectively one against two (Sahadevan 2001: 19-20).

Second, two-thirds of South Asia is composed of India and Pakistan as the two countries occupy 67 per cent of the area, population and resources of the region. Perennial conflicts between the two since their inception as new states in August 1947 are a sad reality. More so, Indo-Pak schism and discord on Jammu and Kashmir, Siachen, Sir Creek, water resources and terrorism continue to derail the process of peace and cooperation in South Asia. It is because of crisis and conflict-ridden relations between the two erstwhile neighbours that South Asia remains more marginalised in terms of social and human development than other regions of the world. If there are two steps forward to better Indo-Pak relations, there are four steps backwards. A great deal of research has been done to study the roots of their conflicts; their failure to seize the window of opportunity to normalise relations; and their future prospects of stable and peaceful relations. But, despite all efforts in terms of research, advocacy, best practices and lessons learned, India and Pakistan are still poles apart as far as seeking a breakthrough in resolving their conflicts is concerned.

Third, the reality of escaping from the reality in terms of the costs of conflict cannot be undermined. Unabated militarisation of the two countries at the cost of social and human development shows lack of seriousness and political will particularly on the part of the largest and biggest country of South Asia to focus on poverty alleviation and other forms of human insecurity. The leadership of India has failed to learn lessons from China in terms of development, modernisation and empowering the socially marginalised. A viable and dynamic leadership must be prudent and visionary in its approach. The Chinese leadership realised a long time ago that getting bogged down in conflicts with its neighbours will derail its developmental process, a fact which is still not understood by New Delhi. As a result, one can see the border of India and Pakistan as the most militarised border and despite several military confidence building measures (CBMs) reached between the two since 1990, there is periodic threat of the escalation of conflict. Pakistan's security predicament is primarily India-centric. If there is plausible change in the Indian mindset vis-à-vis its eastern neighbour, much can be done to

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strengthen the process of peace and cooperation in South Asia. Is it not a reality that the real threats to peace are those which emanate from human insecurity namely bad governance, absence of the rule of law, water and energy crisis, crimes, extremism, intolerance, radicalisation, militancy and terrorism?

Fourth, lack of political will, determination and the pursuance of a professional approach to augment the process of peace and cooperation is a major reality. The egocentric approach, tunnel vision and negative approach by those who wield power needs to be changed. How political will and determination can bring a policy change in South Asia is an uphill task and would require positive transformation of mindsets. The post-armed conflict Nepal and Sri Lanka are still grappling with issues which if not resolved can again destabilise the two South Asian countries. Afghanistan can be a very useful case study to argue that in the absence of political will and determination by those holding power and influence at the state and societal levels, a country remains plunged into periodic outbreaks of violence and war (in this case since 1973). The enormous physical and material destruction caused to Afghanistan in the last four decades has transformed it into a failed state.

Fifth, the reality that SAARC established in December 1985 has to date failed to promote regional cooperation. The fact that South Asia still ranks poorly in the Human Development Index (HDI) and lagged behind in achieving the Millennium Development Goals (MDGs) is proof of the poor performance of SAARC in implementing its resolutions and programmes which it has been passing and launching since its inception. Furthermore, the postponement of 19<sup>th</sup> SAARC Summit scheduled to be held in Islamabad in November 2016 is a major setback as far as the process of peace and cooperation in the region is concerned. If some member of SAARC has bilateral issues with another member, the solution does not lie in wrecking the holding of a summit. This is indicative that SAARC members have a long way to go in adopting a mature and prudent approach on issues which are a source of conflict. It is not only postponement of the Summit which has cast a shadow of doubt over its future survival, it also shows that other SAARC members (who have nothing to do with the Indo-Pak conflict) have become victims and sufferers of polemics between the two neighbours of South Asia. Finally,

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the absence of a practicable vision for South Asia before 2047, i.e. hundred years after the Partition of the subcontinent, is food for thought.

Will the future of South Asia be different than the present or the past or will it transform for the better? Will South Asia eliminate restrictions on the free movement of people, goods, services and capital? These are the questions which question the rationale of those who have followed the status quo-oriented approach. Is it not the right of future generations of South Asia to live a peaceful life instead of consuming their energies on issues which continue to cause pain and agony to more than 1.7 billion people of this region? According to Dr Mahbubul Haq, a renowned Pakistani economist and the founder of Human Development Center:

South Asia is fast emerging as the poorest, the most illiterate, the most malnourished, the least gender sensitive indeed, the most deprived region of the world. Yet it continues to make more investment in arms than education and health of its people (Haq 1997: 2).

What Dr Haq said around 20 years ago is still valid when it comes to the level of underdevelopment in South Asia.

South Asia is an asymmetrical region where one country has a predominant position: India has borders with all South Asian countries except Afghanistan, Maldives and Sri Lanka, whereas, no other South Asian country has borders with two SAARC members i.e. Afghanistan and Pakistan. This region's complicated geographical and geopolitical location tends to generate conflicts between India and many of its South Asian neighbours. At the moment, Bangladesh, Nepal and Sri Lanka may have normal ties with India but have had serious issues with New Delhi in the past. Therefore, India and Pakistan are the only countries in South Asia which have an existential conflict with each other.

What are the issues which are a threat to the process of peace and cooperation in South Asia and how can these be resolved? One can highlight at least ten issues which are a threat to peace and cooperation in the region:

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**Territorial Issues**

1. Jammu and Kashmir
2. Durand Line

**Political Issues**

1. Terrorism
2. Extremism, Intolerance, Militancy and Radicalisation
3. Propagating Enemy Images and Media War

**Ethnic, Communal and Sectarian Issues**

1. Ethnic Movements in Northeast India, Indian Punjab, Balochistan and Sindh in Pakistan
2. Hindu-Muslim Communal Strife in India
3. Inter- and Intra-sectarian Strife in Pakistan

**Issues of Human Security**

1. Poverty
2. Social Backwardness and Illiteracy
3. Underdevelopment
4. Travel Curbs
5. Water and Energy Shortages
6. Environmental Pollution
7. Melting of Glaciers
8. Health, Housing, Transport and Child Labour
9. Persecution of Women and Minorities
10. Drug Trafficking and Narcotics
11. Population Explosion
12. Extremism, Intolerance, Militancy, Radicalisation and Terrorism.

There may be other issues like the conventional and nuclear arms race between India and Pakistan, Siachen, Sir Creek, Wullar Barrage, Bagliar Dam, Kishanganga Dam, construction of a dam by Afghanistan on Kabul River and so forth.

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From time to time under the auspices of SAARC and various non-governmental organisations efforts are made to promote regional cooperation and deal with the threats to peace in the region but without concrete results. In an era of globalisation and Information Technology, it is high time that serious initiatives at the governmental and non-governmental levels are taken to cut the Gordian knot and break standoff, particularly in Indo-Pakistan relations so that (at least) the 19<sup>th</sup> SAARC Summit can be held and plausible efforts are made to seriously deal with human security issues. It is true that one cannot have high hopes from SAARC because of its dismal performance in augmenting the process of regional cooperation, yet its revitalisation is needed. This would require strong leadership with substantial political will and determination so that it can professionally implement policies to transform South Asia from backwardness and underdevelopment to a developed and technologically advanced region of the world.

**Challenges to Peace and Cooperation in South Asia**

Pakistan faces a perennial threat to its security which has both external and internal dimensions. When a country since its inception to date is grappling with security threats and challenges primarily emanating from its eastern neighbour, its perspectives on the matters of peace and cooperation are also shaped by geographical and geopolitical realities. Four major factors which shape Pakistan's perspective on strengthening peace and cooperation in South Asia primarily relate to the unfortunate state of its relations with its erstwhile neighbour, India.

First, peace and security cannot be questioned but what is disturbing for Pakistan is contradictions which obstruct efforts for stability in South Asia. When steps for resolving contentious issues lack seriousness and commitment by its eastern neighbour, it becomes difficult for Pakistan to take unilateral measures for peace. In November 2003, after around two years of standoff following the attack on the Indian Parliament in December 2001, Pakistan announced unilateral ceasefire along the Line of Control which was reciprocated by India. The visit of Indian Prime Minister Atal Bihari Vajpayee to Islamabad to attend the SAARC Summit in January 2004 led to the resumption of Composite Dialogue between the two countries. Steps like launching of Srinagar-Muzaffarabad bus service and Poonch-Rawalakot bus service were termed a major breakthrough in

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the Indo-Pak peace process. But, the momentum which was created in early 2004 was not sustained and India failed to reciprocate former President Pervez Musharraf's famous 'out of box' proposal to resolve the issue of Jammu and Kashmir. The lack of reciprocity by India and its failure to seize the window of opportunity derailed the fragile peace process.

Second, peace and cooperation cannot be ensured in isolation. It requires the pursuance of a win-win approach. So far, the 'comprehensive' dialogue process (formerly called Composite Dialogue) lacks momentum and the feeling expressed by Islamabad that New Delhi scuttles its efforts to hold meaningful and serious dialogue on critical issues continues. Ironically, the level of trust and confidence on Pakistan's front is diminishing with each passing day because of New Delhi's indifference.

Third, when India keeps on pressing that cross border terrorism be discussed first rather than other contentious issues, it becomes difficult for Pakistan to consider the dialogue process useful. Islamabad, while terming the issue of cross border terrorism vital, argues that it too is a victim of terrorism and blames India for fomenting instability and terrorism in its Balochistan province.

Fourth, on the question of nuclear proliferation in South Asia, Pakistan's adherence to the concept of 'minimum nuclear deterrence' makes sense as colossal spending on a nuclear arms race will certainly be at the cost of development. Yet, peace and security in South Asia cannot be ensured unless India and Pakistan take meaningful steps for arms reduction. Pakistan's nuclear tests were conducted in response to India and it cannot be held responsible for initiating the nuclear arms race. In 1974, Pakistan supported a resolution in the United Nations General Assembly which called to declare South Asia a Nuclear Weapon Free Zone (NWFZ). Unfortunately, India and Bhutan were the only two countries which opposed the initiative. If India reciprocates Pakistan's stance on conventional and nuclear arms reduction, one can expect a major breakthrough for peace and cooperation.

### **Incentives for Peace and Cooperation in South Asia**

The vision for a prosperous, peaceful and secure South Asia in coming decades primarily depends on having normal relations between India and Pakistan. The free movement of people, goods, services and capital in

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South Asia would remain unaccomplished unless the gap in theory and practice is bridged and regional countries take practical measures to deal with issues which sustain ill will, mistrust, suspicion and hostility. Unfortunately, unlike Europe where the then French President Charles de Gaulle (1958-1959) and the Chancellor of West Germany, Kurt Adenauer (1949 to 1963) acted as catalysts to break the walls and usher a new era of Franco-German rapprochement, such type of leadership is lacking in South Asia. The Franco-German Treaty of Peace and Cooperation in 1963 was a landmark and a milestone for peace in Europe. By overcoming historical cleavages and walls of hatred, France and West Germany were able to move on and create plausible conditions for their future generations. The dearth of leadership which is forward-looking, perceptive and courageous is a major predicament as far as South Asia is concerned. Consequently, the sufferers are this region's people.

Four major incentives for jump-starting the process of peace and cooperation in South Asia are: First, economic dividends of peace will substantially improve the quality of life of the billion plus population in terms of better education, health, housing and transport facilities. Furthermore, access to clean and safe drinking water, better employment opportunities and eradication of social backwardness will make a substantial difference in the region's HDI. Second, when the quality of life of people will improve the menace of intolerance, extremism, radicalisation, militancy, violence and terrorism will also be controlled because when poverty and social backwardness are deep-rooted in a society, extremist and violent forces take advantage of the situation. Empowerment of marginalised sections of society, particularly women and minorities will go a long way in ensuring peace and stability. Third, the shift from conflict to cooperation in South Asia can only take place when the youth of the region are provided a better sense of direction about their future. The utmost utilisation of human resources will go a long way in neutralising those who thrive in conflict. If young people are facing the predicament of poor educational and employment opportunities, their energies can be utilised by extremist groups. Investing on youth is a prerequisite for a peaceful and stable South Asia. Fourth, the prestige of South Asia in the world will also get an impetus if the region transforms from its conflict, crisis, under-development mode to peaceful, stable and developed. Case in point: In the 2016 Olympics held in Brazil, no South

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Asian country was able to secure a gold medal which is a reflection of its unhealthy and underdeveloped way of life.

**Constraints to Peace and Cooperation in South Asia**

Most of the constraints to peace and cooperation can be dealt with provided there is substantial political will and determination. Parochial, retrogressive and suspicious mindset is a major constraint which obstructs efforts for a better future for South Asia. Furthermore, the inward-looking, instead of forward-looking approach by those who are in a position to change the destiny of their people is also a major constraint. Rhetoric and lack of a practical approach to promote connectivity at the people-to-people level, free movement of goods and services can also be attributed as a fundamental reality where tall claims are made by SAARC for promoting regional cooperation but no qualitative change takes place.

How can such constraints be removed and how can the future of the region be different from the past and the present? There is no shortcut to transformation like the one in East Asia and Europe, but certain steps can be taken by the SAARC member countries to make a difference:

Courage, clarity and consistency must be the hallmark of those who govern South Asian countries. Without courage to take the risk and relax restrictions on the movement of people by agreeing on a visa regime which can minimise travel restrictions can go a long way in dismantling the walls of suspicion and mistrust. Furthermore, unlike many other regions, air travel connections linking the capitals of India and Pakistan are not present. For instance, there is no direct connection between Islamabad and Delhi, Dhaka, Colombo and Kathmandu; whereas, New Delhi is connected with the capitals of Afghanistan, Bangladesh, Nepal and Sri Lanka. Frequent road and train links between India and Pakistan are also limited which needs to be looked into.

Non-interference and non-intervention in each other's internal affairs is the need of the hour for South Asia because the region has paid a heavy price of supporting and sponsoring elements against each other. On paper, various SAARC Summits and meetings did a lot of paperwork as far as combating terrorism and respecting sovereignty is concerned but unfortunately, the reality on the ground is different. There is a history of South Asian countries accusing each other of internal interference from

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India to Pakistan, Afghanistan and Pakistan, Nepal and India, India and Sri Lanka and India and Bangladesh.

Pursuing an approach which is logical, rational, pragmatic and wise on matters which are a source of conflict is critical. This would require a policy formulated with major stakeholders, particularly India and Pakistan to refrain from downgrading each other and depicting a positive side of relations. Unfortunately, the highly negative and retrogressive approach has been counterproductive and damaging.

With political maturity and seriousness it is possible that constraints, which are responsible for the absence of a viable process of peace and cooperation in South Asia, are removed and a congenial environment in among the regional countries is created.

### **Where Lies the Future?**

Education is one field which if scientifically developed can turn around poverty and social backwardness:

South Asia's educational challenge consists of six major tasks:

1. Enrolling all children in primary schools.
2. Improving the quality and relevance of education.
3. Providing more and better teachers.
4. Removing all gender disparities.
5. Building relevant technical skills.
6. Mobilising adequate financial resources (Haq 1998: 4).

Sri Lanka is the only country in South Asia which has excelled in literacy and education, whereas, other countries of the region have a long way to go in order to provide quality education to their children.

There exists a relative consensus in South Asia at the civil society level that the region should move on and not be a hostage of the past:

The prime need of South Asia is that of reorientation of the concept of nationalism as it stands adopted today by the ruling elites of the South Asian nations. This concept has to be redefined in such a way that it no longer breeds parochialism, arrogance, violence, bigotry, hatred and strife among its

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various religious, racial, and ethnic groups and does not lead to wars with neighboring countries; that there is room in its organisation for cultural diversity, ethnic individuality and political autonomy; that one's love for one's nation-state does not correspond with one's love for its armed might; that the highly centralised state is not necessarily the claimant for the highest loyalty from its citizens; that there should be less of nationalism as a political ideology and more of patriotism as a vehicle of peace and humanism (Hasan 2000).

Internal dynamics, rather than external are a cause of conflict in South Asia and unless domestic issues are resolved, the region cannot move in the direction of achieving the goals of peace and cooperation.

As discussed earlier, there is no shortcut to pull South Asia out from the drenches of poverty, underdevelopment, extremism, violence and terrorism. It is leadership which matters. Without vision, clarity, consistency, coherence and political will, South Asia cannot move forward. In this regard, the onus to transform this region lies with India and Pakistan; and without their serious and responsible approach, the future will not be different from the past or the present.

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## **Incentives and Constraints**

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  - **Economic Interdependence: Can Trade Promote Peace between Pakistan and India?**
  - **Conflict in Kashmir: South Asia's Albatross**
-



# **Enhancing Foreign Direct Investment in South Asia: Case of One Belt One Road and Asian Infrastructure Investment Bank**

**Dr Huang Ying\***

## **Abstract**

In recent years, the implementation of China's One Belt One Road (OBOR) initiative and the creation of the Asian Infrastructure Investment Bank (AIIB) have redirected the world's attention to the importance of infrastructure building in economic development. The OBOR initiative, a largely domestic driven policy, will rewrite the geoeconomic and geopolitical map of the Eurasian landmass, while AIIB will catalyse a positive change in the dynamics of international development cooperation. Both of them provide unprecedented opportunities for South Asia, a region with great economic potential but limited foreign investment inflows so far.

**Key words:** Infrastructure Development, Financial Crisis 2008, Economic Corridors, Foreign Investment, South Asia.

## **OBOR Initiative: China's Response to the International Financial Crisis of 2008**

Since Chinese President Xi Jinping proposed to build the Silk Road Economic Belt in Kazakhstan in September 2013 and the 21<sup>st</sup> Century Maritime Silk Road in Indonesia one month later, the OBOR initiative has caused a huge earthquake in the international community. This policy, differing from the United States post-crisis trade stance which asks the less developed countries to adapt to its high-standard rules, hence, increasing their development burdens, as illustrated by the Trans-Pacific Partnership (TPP) negotiations, emphasises the importance of infrastructure development in economic growth and the

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Chinese government's willingness to help.

Since its proposition, the OBOR initiative has been placed under close scrutiny by Western experts and scholars who generally tend to exaggerate its geopolitical intentions and connotations, while overlooking or downplaying domestic driving forces. Many of them assert that the OBOR initiative is China's reaction to Obama administration's Pivot to Asia, which often leads to a pessimistic view of inevitable collisions and conflicts between the hegemon and the rising power. This kind of perspective, while persuasive ostensibly, fails to explain the fact that China will stick to the OBOR initiative no matter how America adjusts its policy towards the region.<sup>1</sup> In fact, the OBOR initiative is mostly motivated by China's domestic concerns and can only be fully understood in the context of its economic transformation.

The OBOR initiative is vital for China's economic transformation from three dimensions. First, the initiative is, in essence, China's response to the 2008 financial crisis,<sup>2</sup> aiming to reduce its over-reliance on the developed markets by redefining the importance of its neighbouring countries for its structural adjustments. After the 2008 crisis, the problem of overcapacity in certain sectors, combined with rising labour costs in China, has weakened the competitiveness of its labour-intensive products. It is a natural choice to find new markets or relocate these manufacturing bases to regions with lower labour costs.

Second, the implementation of the OBOR initiative is expected to boost more balanced growth within China. It is regarded as the version 3.0 of China's open-up policy. The first two refers to China's decision to integrate its markets with the global economy in 1978, and its decision to transform to a market economy in the early 1990s respectively. These

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<sup>1</sup> Editor's Note: Republican nominee Donald Trump became the 45<sup>th</sup> President of the United States on 20 January 2017.

<sup>2</sup> Editor's Note: The underlying cause of the *financial crisis*, which began in 2006 in the United States, was a combination of debt and mortgage-backed assets. It was the largest and most severe financial event since the Great Depression and reshaped the world of finance and investment banking - the effects of which are still being felt today. The first major signs of the crisis occurred in June 2007 when the 5<sup>th</sup> largest investment bank in the US, Bear Stearns, announced huge losses, followed soon afterwards by the collapse of Lehman Brothers on 14 September 2008, marking the beginning of a new phase in global finance. While the US government struggled to rescue its giant financial institutions, the fallout from its housing and stock market collapse worsened, spreading globally through both financial and trade linkages.

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decisions, though having succeeded in elevating China from a poor country to the world's second biggest economy, left it with a wide gap between its prosperous east and the labour-draining west. It is hoped that the OBOR initiative will alleviate this imbalance by turning the less-developed hinterlands into hectic transportation nexuses and cooperation hubs.

Third, the initiative can help upgrade China's external economic relations. For the last decade, China has been undergoing a profound transformation in its external economic relations. Now, it is the world's biggest holder of foreign exchange reserves, the second biggest Foreign Direct Investment (FDI) provider, and an emerging international development cooperator. The initiative can be used to mobilise all the above newly found strengths, to reshape China's economic ties with its neighbouring countries, turning loose and imbalanced trade into a more integrated and mutually beneficial network of trade, investment, industrial cooperation, and technology sharing.

This initiative is also an integral part of the Chinese government's grand vision that governs both its external and internal economic policies. The Republic regards ties with its neighbours as premier and important, but policies used to be made in a country- or region-specific fashion. However, the OBOR initiative breaks away from this tradition by encompassing at least 67 countries in Asia and Europe at the same time.

On 28 March 2015, China's National Development and Reform Commission (NDRC), Ministry of Foreign Affairs and Ministry of Commerce jointly issued the Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road. This is the first document of its kind that clarifies China's vision for regional cooperation while outlining the arch-plan for OBOR cooperation. According to it, the OBOR initiative underlines five key areas of connectivity:

1. infrastructure connectivity,
2. trade and investment flows,
3. financial cooperation,
4. policy coordination, and,
5. people-to-people contacts.

It also identifies six major economic corridors, which are the:

1. New Eurasian Land Bridge
2. China-Mongolia-Russia Economic Corridor

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3. China-Central Asia-West Asia Economic Corridor
4. China-Indochina Peninsula Economic Corridor
5. China-Pakistan Economic Corridor
6. Bangladesh-China-India-Myanmar Economic Corridor.

Together these six transport arteries will form a huge economic net that integrates the vibrant Asian countries with the advanced European economies by creating numerous trading hubs and industrial parks in the central part of the Eurasian landmass, which has long been neglected by the wave of globalisation.

Since its proposition, this initiative has appealed to China's neighbours, and progress on the six corridors has been made to varying degrees:

***New Eurasian Land Bridge***

This land bridge came into operation in 1992, and it gained importance after the 2008 crisis. Several international cargo trains already operate on it on a regular basis. The future challenge is to enhance efficiency through facilitating customs clearance, trade and investment. At present, China has reached agreements with Russia and Belarus on aligning projects of the Silk Road Economic Belt (SREB) with the development plan of the Eurasian Economic Alliance.

***China-Mongolia-Russia Economic Corridor***

Now the international cargo trains connecting China, Russia and Europe, such as the Tianjin-Manchuria-Europe train, the Suzhou-Manchuria-Europe train, the Guangdong-Manchuria-Europe train and Shenyang-Manchuria-Europe train, operate almost on a regular basis. At the Shanghai Cooperation Organisation (SCO) Dushanbe Summit in 2014, leaders of the three countries expressed support for building the Corridor. To promote cooperation in this regard, they agreed to hold trilateral multi-ministry dialogues and established a regular consultation mechanism at the Vice Foreign Minister level.

***China-Central Asia-West Asia Economic Corridor***

So far, China has signed bilateral cooperation agreements on co-building

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the Silk Road Economic Belt with Tajikistan, Kazakhstan and Kyrgyzstan. The OBOR initiative strikes cords with Kazakhstan's Bright Road Initiative, Turkmenistan's vision of Era of Might and Happiness, and Tajikistan's grand strategy for building a prosperous nation through energy, transportation and agriculture. As cooperation deepens, this Corridor will further extend to countries in the Middle East and North Africa, such as Iran, Iraq, Saudi Arabia, and Turkey.

***China-Indochina Peninsula Economic Corridor***

Three routes have been planned for this Corridor. So far, China has signed contracts with Laos and Thailand respectively for the East and the Middle Route, but more details need to be worked out before construction work can begin.

***China-Pakistan Economic Corridor (CPEC)***

During his visit to Pakistan in May 2013, Chinese Premier Li Keqiang proposed to co-build the China-Pakistan Economic Corridor, which was later incorporated into the arch-plan for the OBOR. During Chinese President Xi Jinping's visit to Pakistan in April 2015, China promised to invest USD 46 billion in Pakistan. On 11 November 2016, a fleet of 50 container trucks starting from Kashgar, Xinjiang, China, arrived at the Gwadar Port, Pakistan, after traveling 3000 kilometers for 15 days. This was a monumental event for CPEC.

***Bangladesh-China-India-Myanmar Economic Corridor***

Chinese Premier Li Keqiang proposed to build this Corridor during his visit to India in May 2013. So far, the four member countries have established a joint working group, held coordination meetings, and signed an agreement on conducting joint research. This Corridor covers the poorest areas of the four countries, and when properly connected to each other and with their richer parts, this Corridor can help turn the barren lands into busy transportation hubs and promising industrial parks. Although the cooperation potential is huge, there are still some obstacles to be tackled before any major projects can be carried out.

The potential benefits that the OBOR initiative can bring to its neighbouring countries should not be underestimated. Major economies,

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such as the US, Russia, Japan, came up with different cooperation plans for this region at different historical junctures, but none of them were able to deliver sustainable cooperation. In contrast, the OBOR initiative is a long-term plan. Since its proposition three years ago, the initiative has helped to cement trade and investment ties between China and the participating countries. In 2015, China's trade with the countries along the Belt and Road reached more than USD 1 trillion, accounting for one quarter of China's overall external trade. In the same year, Chinese enterprises made about USD 15 billion worth investments into these countries. For the first eight months of 2016, China's FDI to these countries totalled USD 10 billion, together with USD 70 billion new construction contracts. China has so far invested a total of USD 17.9 billion in the 56 cooperation zones it co-established in the countries along the Belt and Road, which have housed 1,045 enterprises, churned out an overall output of USD 47.5 billion, paid USD 960 million taxes to the host countries, and created 163,000 jobs for the local communities (Jie 2016).

**AIIB: Game Changer in International Development Cooperation**

The Asian Infrastructure Investment Bank (AIIB), as the name speaks for itself, is a multilateral development bank (MDB) concentrating on infrastructure development. It is also branded as a 'new-type multilateral development bank' because it differs from the existing ones in a number of ways and has potential to change the dynamics of international development cooperation.<sup>3</sup>

Chinese President Xi Jinping first broached the plan of AIIB while visiting Jakarta, Indonesia, on 2 October 2013. A year later on 24 October 2014, 21 countries including China, India, and Singapore, signed the memorandum on building AIIB in Beijing. After eight rounds of negotiations, representatives from 57 Prospective Founding Members, among which 37 are Asian and 20 are non-regional, gathered in Beijing to sign the Bank's Articles of Agreement on 29 June 2015. According to this agreement, the authorised capital stock of the Bank is USD 100 billion. On 16 January 2016, the opening ceremony for AIIB was launched in Beijing.

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<sup>3</sup> New-type multilateral development banks refer to the newly established MDBs that are led by the emerging economies and focus mainly on infrastructure projects. AIIB and BRICS New Development Bank are two examples.

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Within ten months of its formal operation, the bank approved 8 loans totaling USD 1.13 billion to six countries. Among the eight projects, five are co-financing operations with multilateral development banks (Table 1).

**Table 1**  
**Projects Approved by AIIB (USD billion)**

| <b>Date of Approval</b> | <b>Country</b> | <b>Projects</b>  | <b>AIIB Financing</b> | <b>Partners</b>   |
|-------------------------|----------------|--|-----------------------|---|
| 2 June 2016             | Indonesia      | National Slum Upgrading Project  | 216.5                 | The World Bank  |
| 6 July 2016             | Tajikistan     | Dushanbe-Uzbekistan Border Road Improvement Project                    | 27.5                  | European Bank for Reconstruction and Development                                  |
| 6 July 2016             | Pakistan       | National Motorway M-4 (Shorkot-Khanewal Section) Project               | 100                   | Asian Development Bank, UK Department for International Development (DFID)        |
| 6 July 2016             | Bangladesh     | Distribution System Upgrade and Expansion Project                      | 165                   | -   |
| 25 July 2016            | Pakistan       | Tarbela 5 Hydropower Extension Project                                 | 300                   | The World Bank  |
| 22 September 2016       | Myanmar        | Myingyan Power Plant Project   | 20                    | International Finance Corporation, Asian Development Bank, and commercial lenders |
| 9 December 2016         | Oman           | Railway System Preparation Project                                     | 36                    | -   |
| 13 December 2016        | Oman           | Duqm Port Commercial Terminal and Operational Zone Development Project | 265                   | -   |

Source: AIIB n.d.

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***Fundamental Defects in Current Financial and Development Governance***

The fact that it took only two years for the idea of AIIB to take concrete form is a miracle, but it also exposes the fundamental defects embedded in the current global financial and development governance system.

**First**, the world supply of infrastructure financing is in dire shortage. Infrastructure refers to the engineering structures, equipment and facilities that provide public services essential to enable, sustain, or enhance societal living conditions. There are four major types of infrastructure, namely, transportation, energy, telecommunication and water supply systems. According to the Asian Development Bank (ADB), for Asian countries to reach the world average level, they need to invest at least USD 8 trillion in their domestic infrastructure between 2010 and 2020. This means USD 800 billion will be needed every year, with 68 per cent going to the new projects and 32 per cent for maintaining the old ones (ADB and ADBI 2009). However, the existing multilateral financial organisations are far from being able to bridge this gap. For example, the World Bank provided USD 63.1 billion loans to support infrastructure projects worldwide in 2014. After reforms to triple its capital base from USD 18 billion to USD 53 billion in January 2017, ADB will be able to provide a total of USD 20 billion loans annually.

**Second**, over the past few decades, the existing MDBs have eschewed providing infrastructure financing. The share of infrastructure projects in their total loans has dropped continuously as a result of the focus shift from ‘hard’ infrastructure projects over concerns about the ability of recipient countries to repay loans and maintain infrastructure, toward ‘softer’ ones meeting basic human needs (Runde and Savoy with Rice 2016). As pointed out by Lin and Yan (2016: 9), the development aid provided by the advanced economies has not been very effective because it was not used for structural adjustments. If the aid had been used by recipient countries to resolve bottlenecks that constrained sectors with potential competitive advantage, it would have done a better job in reducing poverty and bringing about inclusive and sustainable development. History attests that many advanced and emerging economies achieved economic success through industrialisation, a process in which infrastructure development played a key role (Ibid.). This view is endorsed by the AIIB President Jin Liqun. In a speech given at the 13<sup>th</sup>

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Beijing Forum held by the Peking University on 4 November 2016, he stressed that infrastructure investment is an important means of development. Since China's adoption of reforms and open-up policy in 1978, 800 million people have been successfully elevated from poverty. This achievement can be mainly attributed to extensive social and economic development, the precondition of which is infrastructure investment (Sinn 2010: 23).

**Third**, the global financial ecosystem has been structured in a way that rewards short-term 'safe' investments rather than long-term real growth. Financial markets in the advanced economies are deemed by global investors, both official and private, as safe and lucrative, while long-term infrastructure financing is shunned for low returns and high risks. As a result, the emerging and developing countries have for nearly two decades financed the economic prosperity of rich countries. The emerging and developing countries imported capital during 1980s and 1990s, and turned into capital exporters after 2000, mirroring the US increasing imports. In 2008, when the crisis emerged, net capital exports of the emerging and developing countries amounted to 3.9 per cent of the GDP or USD 725 billion in absolute terms, which was roughly the size of US capital import, the USD 808 billion (Ibid.).

This phenomenon of abnormal capital flow is especially apparent in Asia. Thanks to several waves of successful industrialisation, Asian countries have accumulated a huge amount of financial resources. For instance, this region holds nearly two thirds of the world's total foreign reserves. However, this hard earned money has been mainly used to purchase the low return US assets so far. According to a research, from 1952 to 2014, the average rate of return on foreign assets held by US investors was 5.72 per cent, while that on US assets held by foreigners was only 3.61 per cent. This discrepancy resulted from both low risks of the US assets, and the long-term depreciation trend of the US dollar against other currencies. Innovative ways need to be figured out to resist the temptation of making 'safe' quick returns, and channel the money to areas that will truly narrow the income gap between the developed and the developing economies.

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***How is AIIB Different?***

AIIB is unique in many ways. It mainly invests in cross-border infrastructure projects and productive industries, aiming to deepen regional cooperation by enhancing interconnectivity. It is led by the biggest developing countries in the world, and its second and third largest members are also emerging economies. As the flagship of the new-type MDBs, AIIB is acting as a game changer, effecting positive changes in the international development system.

**First**, it helps to bring infrastructure projects back to the top agenda of MDBs. Under the competition pressure of the new-type MDBs, the existing ones dominated by advanced economies have to rethink their business philosophy. This scramble for relevance and appeal was visible in G20 Hanzhou Summit in September 2016, when eleven multilateral development banks issued the Joint Declaration of Aspirations on Actions to Support Infrastructure Investment, in which they vowed to finance high-quality infrastructure projects, maximise the quality of infrastructure projects, collaborate further among existing and new MDBs, strengthen the enabling environment for infrastructure investment in developing countries, as well as catalyse private resources. Upon the insistence of China, the issue of infrastructure financing was given great visibility at the G20 Hanzhou Summit. The Communique proclaims that infrastructure connectivity is key to achieving sustainable development and shared prosperity. The major economies also launched the Global Infrastructure Connectivity Alliance in 2016 to enhance synergy and cooperation among various infrastructure connectivity programmes in a holistic way. To facilitate and coordinate the work, the World Bank was asked to serve as the Secretariat of the Alliance, and to work closely with the Global Infrastructure Hub (GIH), other MDBs, and interested G20 members to support its activities.

**Second**, it arouses a heated discussion on reforming the operational rules and practices of existing MDBs. The current rules governing global development activities were written by the advanced economies, geared to their knowledge competitiveness and geostrategic goals, and widely criticised for administrative red tape, low efficiency, and long-standing negligence of recipients' voices and desires. AIIB aims to be different. While trying to learn and absorb the good elements of MDBs' practices and internal governance, AIIB wants to be innovative to help the recipient

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countries better address their development bottlenecks. This is reflected in three kinds of innovations, namely, concept innovation, procedure innovation and financing innovation. For example, AIIB plans to take effective measures in 2017 to mobilise private capital, as well as recruit experienced high-level employees from private investment firms, in order to form a partnership network with the private sector.

**Third**, it prompts big economies such as Japan and the US to attach new importance to infrastructure development. In his visit to Addis Ababa, Ethiopia, in January 2014, Japanese Prime Minister Abe gave a speech at the headquarters of the African Union, contrasting Japanese and Chinese foreign aid. He stressed that Japan focused on training and technology transfer while China on infrastructure projects. However, this speech must not be construed as the guidelines for Japan's aid in Asia. For the last few years, Japan has staged intensive infrastructure diplomacy in this region, competing with China on high-speed railway or seaport projects in countries such as Indonesia, Thailand, India, and Bangladesh. In May 2015, the Japanese government announced that it would invest USD 110 billion over the next five years in Asian infrastructure projects. According a plan released later, it would provide USD 53 billion to ADB, and increase the capital base of the Japan Bank for International Cooperation (JBIC) and the Japan International Cooperation Agency (JICA) by about USD 20 billion and USD 33.5 billion, respectively.

The US has also been changing its attitude to infrastructure development. The need to upgrade US domestic infrastructure was fully debated in the presidential campaigns in 2016, and is deemed as an important area where the new US President Donald Trump can deliver since assuming office in January 2017. However, the US is less prepared in overseas operations. Over time, US development assistance has shifted away from emphasising infrastructure promotion to focusing greater attention on issues such as governance and health (Runde and Savoy with Rice 2016). However, in the near future, the US might want to consider entrenching its position in global infrastructure governance. Its options, as recommended by American scholars, include creating strategic partnerships for infrastructure development; launching a review of MDB practices; developing a long-term strategy for infrastructure development; and prioritising infrastructure support at the country level (Ibid.).

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**Infrastructure Fervour: Opportunities for Enhancing FDI in South Asia**

South Asia is blessed with a large population and abundant natural resources and has great economic potential. However, due to many reasons, it has underperformed in attracting FDI inflows.

This region saw increasing FDI inflows in the 1990s after adoption of more liberalised policies. This trend continued into the early years of 2000, and was interrupted by the 2008 international financial crisis. For the last decade on average, the FDI inflows to this region only account for 2 to 3 per cent of global inflows. Although progress has been made compared with 1990s and early 2000s when the share was even lower at 1 per cent, this performance can only be best described as 'lacklustre' given its massive population and economic potential. Compared with other developing regions, South Asia was hit particularly hard by the 2008 financial crisis. This region used to attract 8 per cent of all investments flowing into developing countries in 2008 and 2009, but since 2010, the share has declined sharply and fluctuated within a range of 4 to 6 per cent. Furthermore, South Asia is greatly bipolarised in terms of FDI inflows.

India has become increasingly attractive to foreign investors. The share of India's FDI inflows in the region increased from 67 per cent in 2005 to 91 per cent in 2015. India replaced China as the top destination for FDI by attracting USD 63 billion worth FDI projects in 2015 (India Times 2016). However, for the other seven countries, the FDI inflows have been hovering low at about USD 4 billion after reaching USD 7.55 billion in 2008 (Table 2).

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**Table-2**  
**Foreign Direct Investment Inflows (1990-2015) (USD million)**

|  | 1990-1994 | 1995-1999 | 2000-2004 | 2005          | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015           |
|--|-----------|-----------|-----------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| Afghanistan                              | 0         | 1         | 59        | 271           | 238   | 189   | 94    | 76    | 211   | 83    | 94    | 69    | 54    | 58             |
| Bangladesh                               | 7         | 357       | 416       | 845           | 793   | 666   | 1086  | 700   | 913   | 1136  | 1293  | 1599  | 1551  | 2235           |
| Bhutan                                   | 0         | 0         | 2         | 9             | 72    | 3     | 7     | 18    | 76    | 29    | 49    | 14    | 32    | 12             |
| India                                    | 414       | 2619      | 4959      | 7622<br>(67%) | 20328 | 25506 | 43406 | 35596 | 27417 | 36190 | 24196 | 28199 | 34582 | 44208<br>(91%) |
| Maldives                                 | 7         | 10        | 30        | 73            | 95    | 127   | 174   | 152   | 216   | 424   | 228   | 361   | 333   | 324            |
| Nepal                                    | 2         | 12        | 6         | 3             | -7    | 6     | 1     | 39    | 87    | 95    | 92    | 71    | 30    | 51             |
| Pakistan                                 | 420       | 536       | 633       | 2201          | 4273  | 5590  | 5438  | 2338  | 2022  | 1162  | 859   | 1333  | 1865  | 865            |
| Sri Lanka                                | 119       | 196       | 201       | 272           | 480   | 603   | 752   | 404   | 478   | 956   | 941   | 933   | 894   | 681            |
| South Asia                               | 968       | 3732      | 6306      | 11296         | 26272 | 32689 | 50960 | 39323 | 31420 | 40075 | 27751 | 32579 | 39341 | 48435          |
| South Asia without India                 | 554       | 1113      | 1347      | 3674          | 5944  | 7183  | 7554  | 3727  | 4003  | 3885  | 3555  | 4380  | 4759  | 4227           |
| Meme Items: FDI inflow as a Per cent of: |           |           |           |               |       |       |       |       |       |       |       |       |       |                |
| Global inflow                            | 1         | 1         | 1         | 1             | 2     | 2     | 3     | 3     | 2     | 2     | 2     | 2     | 3     | 3              |
| Inflow to developing countries           | 2         | 2         | 3         | 4             | 6     | 6     | 8     | 8     | 5     | 5     | 4     | 5     | 6     | 6              |

Source: UNCTAD 2016.

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South Asia is also considered one of the least interconnected regions in terms of intra-regional trade, investments and infrastructure. India accounts for the bulk of regional economic interactions, while the links among the other seven are scarce.

This less than satisfactory behaviour in attracting FDI inflows and the low degree of regional economic integration can be explained by a myriad of factors such as market size, growth prospects, labour cost and availability of skilled labour, infrastructure, openness and export promotion, government finance, rate of return on investment, human capital, and policy measures. Among these factors, the availability of quality infrastructure is deemed as an important constraint of FDI. When developing countries compete for FDI, the country that is best prepared to address infrastructure bottlenecks secures a greater amount of FDI (Sahoo 2006). FDI inflows to South Asia have long been dragged down by poor quality infrastructure. The World Bank (2013) estimated that to meet the needs of its growing population, South Asia needs to invest between USD 1.7-2.5 trillion in infrastructure till 2020. The same report pointed out that for the past two decades, South Asia Region (SAR) and East Asia and Pacific (EAP) have enjoyed similar growth rates, yet SAR lags significantly behind EAP, Latin America and the Caribbean (LAC) when it comes to access to infrastructure services - with certain areas featuring access rates comparable only to Sub-Saharan Africa (Table 3).

In South Asia, all four major types of infrastructure require immense improvement. For example, stable access to electricity is still a luxury in the region as a whole due to underdeveloped electrical grids and a lack of generation capacity. Some regional countries depend heavily on expensive imported oil to generate electricity. Although regional countries are well connected by roads domestically, most of them are not paved. Railways, which were built long ago, are not properly maintained and subject to frequent failures. Airports often operate at an overload with insufficient supply of ancillary facilities. As a result, the insufficient supply of energy and poor quality of transport and telecommunication facilities have become impediments to long-term stable economic growth, and a barrier to international investment. If South Asia hopes to meet its development goals and not risk slowing down - or even halting - growth and poverty alleviation, it is essential to make closing its huge infrastructure gap a priority (Ibid.).

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**Table-3**  
**South Asia and Access to Infrastructure Services: Regional Comparisons**

|                                    | Average GDP<br>Growth<br>(2000-2012)<br>% | Urbanisation<br>Rate (2012) | Telecom<br>Access (Per<br>100 people)<br>(2011) | Electricity<br>Access<br>(% of pop.)<br>(2010) | Access to<br>Improved<br>Sanitation<br>(% of pop.)<br>(2011) | Access to<br>Improved<br>Water<br>(% of pop.)<br>(2011) |
|------------------------------------|---|-----------------------------|---|--|--|---|
| East Asia and Pacific              | 8.9                                       | 50                          | 98  | 92   | 67   | 91  |
| Europe and Central<br>Asia         | 4.4                                       | 60                          | 157   | 100  | 94   | 95  |
| Latin America and the<br>Caribbean | 3.1                                       | 79                          | 125   | 94   | 81   | 94  |
| Middle East and North<br>Africa    | 4.2                                       | 60                          | 105   | 94   | 89   | 89  |
| South Asia Region                  | 6.7                                       | 31                          | 72  | 71   | 39   | 90  |
| Sub-Saharan Africa                 | 4.7                                       | 37                          | 54  | 35   | 30   | 63  |
| World                              | 2.5                                       | 53                          | 103   | 78   | 64   | 89  |

Source: World Bank 2013.

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China's OBOR initiative and the AIIB, both underlining the importance of infrastructure development, provide an unprecedented opportunity for regional countries to resolve these thorny bottlenecks. China is highly competitive in building infrastructure facilities. Compared to many advanced economies that are already in post-industrial period and dominated by service sectors, not only can China build high-quality infrastructure projects, but also at much lower costs. According to a comparative study, China enjoys revealed comparative advantage (RCA) in 45 out of 97 sub-sectors, and is highly competitive in constructing large-scale infrastructure facilities such as roads, ports, railway networks and hydropower stations. With its new development ideology and progressive knowledge, China is in an advantageous position to help other countries with their economic transition (Lin and Yan 2016: 7).

In practice, China's OBOR initiative is designed in a way to directly address the bottlenecks facing South Asian countries. Take CPEC for example, according to one estimate, the USD 58.355 billion investment package discussed in 2015 comprised of six parts: nuclear energy projects, 21 prioritised CPEC energy projects, seven actively promoted CPEC energy projects, road, railway, and fiber optic cable projects. Of the total investments, 83.4 per cent goes to the energy sector, 10.1 and 6.5 per cent will be used for road and railway construction, respectively (Table 4).

**Table-4  
CPEC Projects' Investment Breakdown**

| <b>Projects</b>                          | <b>Investment (USD bn)</b> |
|--|----------------------------|
| Nuclear Energy Projects                  | 15                         |
| 21 Prioritised CPEC Energy Projects      | 15.5                       |
| 7 Actively Promoted CPEC Energy Projects | 18.2                       |
| Road Projects                            | 5.9                        |
| Railway Projects                         | 3.7                        |
| Fiber Optic Cable Projects               | 0.055                      |
| <b>Total</b>                             | <b>58.355</b>              |

Source: International Energy Network 2015.

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South Asia enjoys a very important position in China's OBOR initiative. Of the planned corridors, two are situated in this region. Meanwhile, regional countries, which are fully aware of the importance of infrastructure in economic development and have made plans for upgrading transport and energy infrastructure, need foreign investments to fill in the gaps left by their fiscal resources.

China has made significant investment commitments. In September 2014, it proposed to invest USD 100 billion in India over the course of five years. In April 2015, the government announced that it would invest USD 46 billion in Pakistan covering a wide range of projects. By the end of 2015, China had invested a total of USD 12.29 billion in South Asia. In fact, the country has become one of the biggest foreign investors for the region and individual regional countries.

South Asia is important for China's OBOR initiative, not only because of the corridors linking China with the Middle East, Europe and Africa, but also because they themselves have the potential to be economic powerhouses for the world in the future. With the right domestic and regional policies in place, South Asia can witness a quick emergence of its middle class. The deep integration between China and South Asia has the power to transform the world's economic patterns and shift the gravity of the world economy back to Asia.

#### **National, Bilateral, Regional and International Challenges**

The OBOR initiative and AIIB can help bring necessary resources to South Asia, but there are still a number of challenges to be taken on at the national, bilateral and regional level.

First, at the **national level**, regional governments need to improve their capacity to adequately plan, implement and manage infrastructure projects. As pointed out by a number of research papers, the key constraint for infrastructure building is not the financing gap, but rather a shortage of projects that have been planned and prepared to the point where they are ready for investment (Runde and Savoy with Rice 2016; Goodman and Parker 2016). To make better use of resources provided by the OBOR initiative and AIIB, regional countries need to draw up mid- to long-term infrastructure plans which can be executed in a consistent and holistic way. Strengthening policy coordination with China is also important. The success of the OBOR projects need bilateral consensus and synergy. China

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will revise its plan for the OBOR initiative on a regular basis, ranking the importance of projects according to the demands and feedbacks of regional countries. Countries that see opportunities in OBOR are encouraged and appreciated in playing an active part in China's OBOR planning process.

Second, at the **bilateral level**, cooperation mechanisms need to be further strengthened. Asia Pacific is famous for the so-called 'spaghetti bowl effect' caused by its numerous Free Trade Agreements (FTAs), but this is not the case between China and South Asia. The only exception is the China-Pakistan FTA which came into effect in 2009. India had made a FTA proposal to China and the two countries had conducted joint feasibility research before the 2008 international financial crisis, but since then the plan has been shelved. With the other six economies, bilateral trade and investments are surging without adequate institutional guarantees. To make the OBOR cooperation sustainable, bilateral treaties protecting free trade and investment as well as aligning regulation rules in certain sectors are indispensable. Now, China is negotiating with Pakistan to upgrade their FTA and expediting FTA negotiations with Sri Lanka and Maldives. It has also launched a joint feasibility study with Nepal. The Chinese government is hopeful that after the successful conclusion of these FTAs and the Regional Comprehensive Economic Partnership (RCEP)<sup>4</sup>, China and India could kick off FTA negotiations with a serious attempt to link the world's two most populous economies together.

Third, the **regional level** cooperation mechanisms need to be revived to help create a favourable environment for foreign investment and economic growth. Economic integration in South Asia has long been adversely affected by non-economic factors such as security threats, terrorist and separatist movements, and geostrategic competition. For some OBOR projects too, risks arise from the inability of regional countries to address the above issues in a collective way. India and Pakistan, the big regional powers, need to find ways to mend their relations after nearly seven decades of confrontation, and work together to lead the whole region in pursuit of economic prosperity. In this regard, it is imperative that the political leadership in the region shares a common

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<sup>4</sup> RCEP encompasses 16 economies which are China, Japan, South Korea, India, Australia, New Zealand, and the ten members of ASEAN. The first round of negotiations took place in Brunei in May 2013. It is hoped that the talks will be concluded in 2017.

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vision of an integrated regional bloc (UNCTAD and ADB 2015).

The South Asian Association for Regional Cooperation (SAARC) needs to be revived to become a professionally staffed institution. Like ASEAN, SAARC needs to assume a central role in creating conditions for deeper integration by promoting investment, trade, transparency, harmonising standards, and simplifying procedures through a multilateral process (Ibid.). If SAARC could transform from a semi-paralysed organisation to an active promoter of regional integration, it could open dialogues with China on how to enhance connectivity in a more productive way. For China too, negotiation and transaction costs of many OBOR projects in this region would be greatly reduced.

Fourth, at the **international level**, major economies need to enhance collaboration and avoid malignant competition in providing infrastructure financing. Infrastructure projects are, in essence, public goods that are beneficial not only to host countries and project undertakers, but to market participants from all over the world. Major economies like the US, Japan, Russia and the European Union (EU), have all shown great interest in helping this region. It is important that they combine strengths rather than fight with each other for power of influence.

Fifth, **financing platforms** for OBOR also need to be innovative and diversified. The OBOR initiative is a mega-scheme that China has never handled before. How to mobilise private capital, and how to monitor, manage and reduce risks are big challenges for many Chinese banks. In recent years, the Chinese government has been trying to diversify the financial platforms for OBOR projects. While banks still play the most important role, more and more platforms, usually in the form of private equity funds, are being created to help reduce the risks. Compared with banks, these funds are more focused in specific areas, more efficient in risk management, and more agile in adjustment. Some of these funds are unilateral in nature, others are bilateral or multilateral (Table 5).

There are a number of areas in which regional countries can cooperate with China to reduce risks for the OBOR projects. For example, they may employ more market-oriented ways to co-finance projects, for instance, by setting up joint public funds with the Chinese government or private funds with Chinese private entities. To help China sustain infrastructure financing, these countries may also consider making more use of RMB loans and funds.

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**Table-5  
Growing Financing Platforms for OBOR**

| <b>Name</b>   | <b>Launch Time</b> | <b>Initiators or Operators</b>  | <b>Capital Base</b>   | <b>Other Information</b>   |
|---|--------------------|---|---|--|
| <b>Unilateral</b>                                       |                    |   |   |  |
| (1) Silk Road Fund                                      | December 2014      | China State administration of foreign exchange, China Investment Corporation, the Export-Import Bank of China, China Development Bank | USD 40bn, with initial funding of USD 10bn.   | It invests in OBOR projects.   |
| (2) China-ASEAN Maritime Cooperation Fund               | November 2011      | Managed by the China's Ministry of Foreign Affairs  | Yuan 3 billion  | It invests in maritime environment protection and scientific research, inter-connectivity, shipping safety, etc.                           |
| (3) OBOR Fund   | September 2015     | China Citic Bank  | Its initial capital stock is Yuan 20 billion. It plans to provide Yuan 400 billion for more than 200 major OBOR projects in the next few years. | It invests in the city infrastructure, railway transportation, industrial investment, M&A projects in OBOR related countries.              |
| (4) China-Central Eastern Europe Fund. (China-CEE Fund) | November 2016      | The Industry and Commerce Bank of China (ICB), China Life Insurance, and Fosun Group  | Euros 10 billion  | The fund aims to raise Euros 50 billion to finance projects in sectors such as infrastructure, high-tech manufacturing and consumer goods. |

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|   |               |   |  |   |
|---|---------------|---|--|---|
| (5) China-ASEAN Investment Cooperation Fund (CAF) | April 2010    | The Export-Import Bank of China (EXIM Bank)   | The capital base for the first phase is USD 1bn. The second will be USD 3bn. | By the end of 2015, the fund had exited from five of the ten projects it had invested in, achieving an annualised rate of return of more than 20 per cent for the exited ones.                            |
| <b>Bilateral</b>                                  |               |   |  |   |
| (1) China-UAE Common Investment Fund              | December 2015 | China National Development Bank, China State Administration of Foreign Exchange, and UAE Mubadala Development Company | USD 10bn, co-funded by the two countries                                     | It mainly invests in traditional energy, infrastructure building, advanced manufacturing, clean energy and other high-growth sectors in China, UAE and other countries and regions with high growth rate. |
| (2) China-Qatar Regional Investment fund          | November 2014 | Qatar Investment Fund and China Citic Group   | USD 10bn, co-funded by the two countries                                     | It mainly invests in China's infrastructure, property and healthcare sectors.   |
| <b>Multilateral</b>                               |               |   |  |   |
| (1) Asian Infrastructure Investment Bank          | January 2016  | 57 member countries   | USD 100bn  | By 13 December 2016, it had financed 8 projects with a total amount of USD 1.13bn.  |
| (2) BRICS New Development Bank                    | July 2015     | 5 member countries  | USD 100bn  | By early December 2016, it had financed 7 projects with a total amount of USD 1.5bn.  |

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**Conclusion**

China's OBOR initiative and the AIIB both uphold principles of openness, inclusiveness, mutual benefits and win-win, and do not seek to exclude, dominate or substitute existing initiatives or mechanisms. The OBOR initiative will rewrite the geoeconomic and geopolitical map of the Eurasian landmass, while AIIB will catalyse a positive change in the dynamics of international development cooperation. Both of them provide unprecedented opportunities for South Asia, a region with great economic potential but limited foreign investment inflows.

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# Economic Interdependence: Can Trade Promote Peace between Pakistan and India?<sup>1</sup>

Dr Manzoor Ahmad Naazer\*

## Abstract

Trade cooperation and liberalisation has been a controversial issue in South Asia in general and for India and Pakistan, in particular. Scholars, economic experts and leaders of South Asian Countries have generally been divided on the issue. This paper provides a brief overview of why this is the case, explores Pakistan's apprehensions towards enhancing trade ties with India and offers prospects of bilateral trade looking at its potential effects and challenges for the region.

**Key words:** Liberalisation, Trade Ties, Indo-Pak, Effects and Challenges.

## Introduction

Economic cooperation, trade liberalisation and market integration is believed to be desirable mainly because of two reasons: 1) economic benefits; and 2) political benefits. Economically, it is believed that free trade ensures general prosperity, brings benefits of specialisation, promotes competition and efficiency, helps avoid adverse effects of protectionism, promotes international cooperation and contributes to conflict inhibition. Politically, it is believed that free trade promotes interdependence between or among states that increases wealth and prosperity and creates interest groups that serve as peace lobbies because they do not let their governments opt for war that could harm them economically. In this background, regional economic cooperation, trade

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<sup>1</sup> This paper is an extension of Ahmad, M. 2015, 'India and South Asian Regionalism: A Study into India's Behaviour towards Elimination of Trade Barriers in South Asia', *IPRI Journal*, XV, no. 2, Summer), pp. 70–94.

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liberalisation and market integration is viewed as a remedy for peace and prosperity in South Asia.

In case of South Asia in general and India and Pakistan, in particular, trade cooperation has been a controversial issue. Scholars, economic experts and leaders of South Asian Countries (SACs) have generally been divided on the issue. Academia, business community and ruling elites of smaller regional countries (SRCs), except Sri Lanka, generally oppose market integration whereas others, mostly from India, support it. There can be various reasons behind this difference of opinion.

A number of experts oppose trade liberalisation in South Asia claiming that the region lacks its prerequisites. They suggest that SACs should rather focus on development and improvement of basic infrastructure, pursuance of joint development projects, creation of economic complementarities and mutual interdependence through regional planning and rationalisation of new industrial structures to ensure equitable distribution of cooperation gains.

Nevertheless, on insistence of some states, particularly India, South Asian Association for Regional Cooperation (SAARC) members slowly moved towards trade liberalisation and agreed on the SAARC Preferential Trading Arrangement (SAPTA) and South Asian Free Trade Area (SAFTA) in 1993 and 2004, respectively. Meanwhile, India also signed bilateral Free Trade Agreements (FTAs) with Sri Lanka, Bhutan and Nepal and alternative Regional Trade Agreements (RTAs) in South Asia. This resulted in significant increase in bilateral trade of SACs (Ahmad 2015: 77-78). However, increased trade among SAARC members could not bring any significant change or rise in the share of overall regional trade. Share of South Asia's regional trade to global trade was about 18 per cent in 1948 (Ahmed and Ghani 2010). Later, it shrank to and remained at around 4–6 per cent of the global trade. In fact, no significant changes have been observed in regional trade patterns since the inception of SAARC.

There is huge potential of trade growth in South Asia. For instance, in 2011, the SAARC Chamber of Commerce and Industries (SCCI) in its session in Sri Lanka noted that there was an annual regional trade potential of USD 65 billion in South Asia which could not be realised mainly due to lack of interconnectivity (Express Tribune 2011). However,

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there also exist several other reasons of low regional trade profile in South Asia.

Since the inception of SAARC, regional trade never went beyond 6 per cent and varied significantly for different states. For instance, in 2007, India's regional trade accounted only 2.7 per cent of its overall trade which was lowest among all SAARC members. It stood at 6.6 per cent for Pakistan, 9.4 per cent for Bangladesh, 12.2 per cent for Maldives, 18.9 per cent for Sri Lanka and highest 60.5 per cent for Nepal (Jain and Singh 2009: 82-83).

In the context of regional trade in South Asia, India is the main trading partner of all other members. Its bilateral trade with Bangladesh, Nepal and Sri Lanka accounts for 90 per cent of their regional trade. Even Pakistan's regional trade is approximately two-thirds with India. In fact, regional trade links in South Asia are mainly India's bilateral trade relations with other states. Thus, trade liberalisation in South Asia mainly means giving market access to India by other countries and the vice versa (Ibid.: 90).

In this context, it is sensible to focus on Indo-Pakistan trade relations as peace and prosperity in South Asia is mainly linked with the nature of relations between these two major states.

### **Indo-Pakistan Trade Relations**

India and Pakistan were highly integrated economically soon after the Partition but their bilateral disputes, tensions and wars severely undermined their trade ties. Before Partition, the Indian subcontinent was a single administrative, economic and political unit and far more integrated than the current level of European Union (EU). Despite Partition, economic unity of the region was mainly retained. However, the currency battle of 1948 and subsequent Indian strive to economically coerce Pakistan that brought both countries to the verge of a war undermined their trade ties and sowed the seeds of mistrust between them. Resultantly, both countries pursued policies aimed at decreasing dependence on each other through achieving economic self-reliance and exploring alternative trading partners. 1965 and 1971 wars further weakened their bilateral trade.

In pursuance of the commitment made in the Simla Accord of 1972, both countries in their bid to normalise bilateral relations, signed a trade

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protocol aimed at reviving their trade ties in 1974. In 1986, both states signed a Memorandum of Understanding (MoU) to allow private sector trade in 42 selected items (Makeig 1987: 288-290). The process of improving their trade ties received further momentum in the early 1990s as both countries along with other SAARC members concluded the SAARC Preferential Trading Arrangement (SAPTA) and South Asian Free Trade Area (SAFTA), in 1993 and 2004, respectively. However, the volume of their bilateral trade was still small. During 1995–2005, the annual volume of Indo–Pak trade remained less than USD 1 billion and both countries did not fall in each other’s lists of top ten trading partners. Pakistan’s average share in Indian trade was less than 1 per cent, while India’s share in Pakistan’s trade remained less than 2 per cent (Sayeed 2014). Their bilateral trade increased ten times in 2001 and its volume reached to about USD 2.7 billion in 2011 (Ibid.: 5-6; Hussain 2010: 19; Express Tribune 2011; Dawn 2011). Since then, their bilateral trade has stagnated and even slightly declined after 2013–14 (Taneja, Bimal and Sivaram 2015).

The future of Indo–Pakistan trade ties seems uncertain due to several reasons. Improvement in their bilateral trade relations has been hampered since Modi’s Bharatiya Janata Party (BJP) came into power in India in mid-2014. New Delhi derailed the process when it postponed the foreign secretary level talks between the two states scheduled for August 2014. Since then, Modi’s government, motivated by international and domestic political considerations, has increasingly adopted a hostile posture towards Islamabad that has worsened bilateral ties of the two states. Meanwhile, the mounting tension and frequent exchange of fire on the Line of Control (LoC) and working boundary between the two countries have almost crippled the entire process that had already gone under regression because of revived militant activities in parts of India and the resultant Indian aggressive designs.

The latest developments also exposed flaws and weaknesses of the entire logic of economic integration and trade liberalisation between India and Pakistan and the relevance of interdependence theory in South Asia. The Indian reaction after a militant attack on an army camp in Uri sector<sup>2</sup> is an eye opener for many who believe that trade ties and economic

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<sup>2</sup> Editor’s Note: 12 Indian soldiers were killed in a militant attack in *Uri* area of Baramulla district in IOK.

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interdependence between both countries can ensure peace and stability in South Asia. It also proved that Pakistan's concerns and apprehensions with regard to enhanced economic ties and trade cooperation with India are not unfounded or illusionary. In fact, the assertions made by Indian government officials, national leaders, political parties and media organisations etc. were quite shocking for many in Pakistan who support establishment of normal and friendly ties between the two states.

***Pakistan's Apprehensions about Enhancing Trade Ties with India***

Pakistan has generally been apprehensive towards promoting trade ties with India due to economic and political reasons based on these factors:

1. Persistence of Kashmir issue,
2. Concerns over lack of level playing field,
3. Prevalence of trade barriers that impede access to the Indian market,
4. Fear of economic domination by India, and
5. Fear of political coercion by India.

Pakistan wanted progress on the Kashmir issue and its other political disputes with India parallel to trade liberalisation. For instance, even after signing SAFTA, successive Pakistani Prime Ministers stated that progress on economic cooperation and trade liberalisation with India would depend on a breakthrough on the Kashmir issue (Hussain 2010: 19). Meanwhile, many in Pakistan strongly believe that trade liberalisation with India would damage the Kashmir cause and it would mean putting salt on the injuries of Kashmiri people who are struggling for their right of self-determination against occupation forces in Indian held Jammu and Kashmir (IJK).

Pakistan also wants 'a level playing field' in its economic ties with India (Andersen 1996: 176). It has expressed concerns about the Indian government's policy of giving subsidies to its domestic producers (Ibid.). Islamabad has been willing to promote trade with India provided it was given 'a level playing field.' However, Aziz (2005) has discussed concerns about the huge trade imbalance and called for exploring the factors which impede growth of Pakistani exports to India.

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Pakistan's political parties, business groups and the government alike have serious worries about the prevailing Non-Tariff Barriers (NTBs), Para-Tariff Barriers (PTBs), prejudices and Pakistan-phobia which impedes Pakistan's exports to India. Pakistan has identified 27 NTBs which impede exports to India: delay in custom clearance; dispute over pricing of Pakistani goods to determine duties; strict application of Indian standardisation laws; and imposition of composite tariffs on textile exports. Some of the NTBs are related to several rigid rules such as sanitary requirements for fisheries, livestock and agricultural products, quality certifications for cement and other products, and regulatory certificates which give 'bureaucracy the leverage to discriminate between products and countries' (Haider 2011; Rana 2011). According to a former Chairman of Pakistan's Export Promotion Bureau, due to delay in clearance, which sometimes takes 8–9 months, export prices of Pakistani goods substantially increase and make them less competitive in the Indian market (Jawad 2011).

India's attitude towards removal of NTBs and PTBs has not been positive. For instance, the Federation of Indian Chambers of Commerce and Industries (FICCI) claimed that after getting Most Favoured Nation (MFN) status from India, it was Pakistan's responsibility to increase its exports. However, Pakistan's officials and exporters believe that several NTBs, PTBs and tariff barriers (latter for the agricultural products) deny Pakistani products access to the Indian market (Sayeed 2014). The leaders of several industries pointed out that India was protecting its agricultural sector and Pakistani exporters had to pay 37 per cent tariff instead of 13 per cent – a standard tariff in India (Dawn 2011). Pakistan has raised the issue of NTBs with New Delhi which, in response, has asked to highlight 'Pakistan-specific' NTBs (Rana 2011). In principle, these regulations are applicable to all countries, but Pakistan's exporters complain that they are often subjected to 'arbitrary discrimination based on the regulatory structure.' Allegedly, Indian officials deliberately hold up clearing Pakistani products and Indian railways delay their deliveries. The high transaction costs, including strict visa regulations, complex tariff and duty structures, and customs clearance etc. prevent Pakistani businessmen from investing in sales and marketing of their products in India (Sayeed 2014).

Trade imbalance between India and Pakistan is a perennial factor that also reinforces Pakistan's fears. New Delhi gave Pakistan MFN status

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in 1996 and Islamabad has yet to reciprocate. Still Indo-Pakistan trade is heavily in India's favour. For instance, during 2009–10, bilateral trade was about USD 1.4 billion. Indian exports stood USD 1.2 billion against its imports worth USD 268 million (Anthony 2011). In 2010, bilateral trade remained about USD 1.7 billion which included Indian exports worth USD 1.45 billion against its imports of USD 275 million (Gishkori and Khan 2011). Pakistan's imports from India stood at USD 2 billion during the year 2010–11, USD 1.5 billion during 2011–12 and USD 2.06 billion during 2012–13.<sup>3</sup> During the same financial years, Pakistani exports to India were worth USD 332 million, USD 397 million and USD 542 million, respectively, showing a huge trade imbalance in favour of India (High Commission of India n.d.).<sup>4</sup> This trade imbalance is due to prevailing PTBs, NTBs, prejudices and 'Pakistan-phobia' in India (Jawad 2011). Unless India removes these barriers, trade liberalisation with India may aggravate the bilateral trade imbalance and severely hurt Pakistani industries (Khan 2011). Pakistan's government believes that trade liberalisation with India should be parallel to removal of NTBs by New Delhi (Anthony 2011).

Trade barriers, along with some political factors, have halted progress on giving India MFN status (or its substitute) by Pakistan. In order to avoid domestic opposition to the MFN issue, the present government of Mian Nawaz Sharif decided to grant India Non-Discriminatory Market Access (NDMA) status on reciprocal basis. In response, Islamabad wants India to address its economic concerns particularly those related to market access, including tariffs, NTBs and PTBs (Rana 2014).

Pakistan has also been fearful of India's economic domination. A section of business groups and right-wing political parties argue that Pakistan's industries, particularly automobiles, pharmaceuticals, light engineering and steel would be adversely affected due to trade liberalisation with India (Sayeed 2014).

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<sup>3</sup> Editor's Note: According to the latest figures by the State Bank of Pakistan, imports from India fell 23 per cent to USD 958 million in 2016.

<sup>4</sup> Editor's Note: According to the latest figures by the State Bank of Pakistan, Pakistan's exports to India during the July 2016-February 2017 period amounted to approx. USD 286 million. This shows an increase in exports, with decreasing imports during 2016-17. One reason for improved exports to India has been the high demand for cement in the region.

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There is also concern that economic dependence on India would increase Pakistan's political dependence on it which the former could use to coerce the latter. The fear stems from two factors: unequal distribution of gains from economic cooperation that would widen trade imbalance and create an asymmetrical relationship between the two states; and India's inclination to use economic leverage as a tool to coerce Pakistan politically. These fears are not unfounded as discussed in the next section.

In the context of prevailing regional trading patterns – largely in India's advantage at the expense of others – the smaller states also fear that increased, unregulated and unbalanced trade would result in their permanent economic dependence on India. Due to the latter's hegemonic ambitions, they fear that this 'gradual and one-sided economic dependence' will culminate in their political dependence on India as well (Hussain 2003). So too, Islamabad has not increased trade links with New Delhi and become economically dependent on it which could be used in the future to 'blackmail' Pakistan (Makeig 1987: 284).

**Prospects of Bilateral Trade: Potential Effects and Challenges**

There exists huge potential for bilateral trade between India and Pakistan. However, experts disagree on the exact statistics of its potential. Some studies suggest that Indo-Pakistan trade could reach USD 10–15 billion per annum, thereby, both could gain (Sayeed 2014). Some studies have also suggested that Indo-Pakistan trade could rise to USD 20 billion, while another study has even suggested that trade can potentially rise up to USD 40-100 billion, in case both nations pursue normal relations (Khan 2010).

***Potential Effects of Trade Liberalisation***

The pattern of Indo–Pakistan trade shows that India would gain more from free trade between them. The data shows that balance of bilateral trade is tilted in India's favour and has increased gradually since the mid-1990s. It is likely that increased trade between the two could also widen their bilateral trade imbalance. For instance, a study has suggested that if both countries gain their trade potential of around USD 20 billion, it would include over USD 16 billion of Pakistan's imports from and its exports of around USD 4 billion to India (Ahmad 2015:3). Thus, Pakistan would face a trade balance of about USD 12 billion per annum. Keeping in view the

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prevailing concerns of smaller regional countries with regard to their huge trade imbalance with India, it can be inferred such a trade equation between India and Pakistan would become another source of tension and establish a deeper asymmetrical relationship that would be highly detrimental to the latter's national interests.

Pakistan's past experience with New Delhi and recent assertions of Indian leadership validate the argument that India would not hesitate to use economic and trade ties as a tool to coerce Pakistan. Soon after Pakistan's creation, India refused to buy some Pakistani products when the latter declined to devalue its currency. In 2008, after the Mumbai incident, some Indian government officials and the business community supported the idea of inflicting economic pain to Pakistan. Even a report by the Federation of Indian Chamber of Commerce and Industries (FICCI), a strong proponent of enhanced Indo-Pak trade ties, had suggested that the Indian government should take strong economic measures against Islamabad (FICCI 2011).

In wake of the Uri incident in September 2016, India's government mulled over various options to retaliate and punish Pakistan which also included an option of degrading economic ties and to thwart the Indus Waters Treaty of 1960 and to revoke the Most Favoured Nation (MFN) status extended to Islamabad in 1996. On such occasions, Indian producers or exporters also refuse to supply products to Pakistan that demonstrate the fragility of trade ties.

Indo-Pakistan ties, including economic and trade linkages, are susceptible to political developments and related incidents such as border tensions, terrorism and uprising in Indian held Jammu and Kashmir. A single event of violence, terrorism or border skirmishes can derail the entire process of cooperation which undergoes regression most of the time. In fact, some of these issues are the by-product of unresolved political problems, such as the issue of Kashmir. No significant and sustained progress towards peace and cooperation is possible until and unless the prevailing political problems are resolved amicably. Their resolution would create a solid foundation for friendly relations and promote peace and cooperation in South Asia. Trade and economic cooperation without resolving core political issues would be susceptible to tensions, misunderstanding, regression and asymmetrical trade ties may generate new sources of conflicts in the region.

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## **Conclusion**

Economic cooperation and trade liberalisation is believed to be good for various political and economic reasons. It creates interdependence and inhibits the likelihood of conflict and war. It also increases economic growth, enhances prosperity and ensures the well-being of consumers. However, in case of South Asia in general, and Indo-Pakistan relationship in particular, this theory apparently seems less relevant. The past 70 years and recent developments in the region generally challenge several assumptions of interdependence theory and its relevance to South Asian politics.

Trade between Pakistan and India shows an unbalanced pattern and is susceptible to various political considerations and events. It is skewed in India's favour and may further widen with an increase in their bilateral trade. India can use asymmetrical trade relations for its political objectives detrimental to the national interests of Pakistan. Therefore, trade liberalisation and market integration needs to be proposed and tackled cautiously and with wisdom. India's behaviour towards Nepal is a living example. In this regard, Pakistan can learn a lot from its own history as well as the recent statements of Indian government officials, political parties, business groups and civil society organisations.

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# Conflict in Kashmir: South Asia's Albatross<sup>1</sup>

Dr Muhammad Khan\*

## Abstract

At the bilateral level, peace between India and Pakistan is the prerequisite for achieving stability and economic development in South Asia. However, the history of India and Pakistan is marred with mistrust and hostility. Resultantly, the post-colonial generation of both countries has departed without having the slightest feeling of amity and trust towards their geographically contiguous neighbours. In the past, efforts were made at the bilateral and multilateral level to normalise this relationship and to resolve the core issue of Jammu and Kashmir. However, at the bilateral level, the output remained limited to merely symbolic interaction without any committed effort to address political issues. On the multilateral level, India has always acted as a reluctant partner to accept the role of facilitation or mediation of a third party on the issue of Kashmir. Rather, India considers Kashmir as its integral part in complete violation of the United Nations resolutions which make this international forum party to the dispute. This paper traces the roots of the Kashmir conflict, its impact on young Kashmiris while looking at India's track record of human rights violations there, and examines Pakistan's role and that of the international community over the years. It concludes by exploring what might be done to resolve it through bilateral and multilateral approaches used by India and Pakistan.

**Key words:** Negotiations, Third Party Arbitration, Indian Occupied Kashmir, Conflict Resolution, Human Rights Violations.

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<sup>1</sup> Editor's Note: This research paper is an updated version of numerous newspaper articles written on the subject of Kashmir by the author over the years.

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## **Introduction**

**T**he Indo-Pak relationship and the history of regional associations is testimony to the fact that without achieving political understanding, an environment of trust cannot be created. The critical nature of the relationship between India and Pakistan needs particular attention at the bilateral, regional and global level. On the one hand, tension between both rivals has the potential to bring the world to the brink of nuclear disaster. On the other hand, resolution of the core issue of Jammu and Kashmir between the two would bring the region to new heights of peace and economic prosperity.

Analysing the case study of the European Union (EU) and Association of Southeast Asian Nations (ASEAN), one learns that leadership of these regions had the political will and determination to resolve their bilateral differences and political issues for a greater cause: regional harmony, stability and economic prosperity. Conversely, the South Asian neighbours, failed to produce an environment of trust, primarily, because of the unresolved Kashmir dispute. In the last seven decades, the Indo-Pak relationship has been driven by aversion and mutual distrust.

In historical perspective, the Indo-Pak strategic culture has been the one aspect which has hindered their close collaboration. In fact, India's successive leadership wanted domination over Pakistan, the way it dominates the rest of its South Asian neighbours. This regional hegemony and power politics is unacceptable in Pakistan's strategic culture.

Pakistan is also the only country in South Asia which has brought strategic balance in the region, otherwise, India would have crumbled the integrity of other regional states. Moreover, accepting Indian dominance would make the idea of Pakistan a redundant concept - a compromise on the Two Nations Theory. Pakistan wants India to behave along the lines of the Westphalian concept of modern nation-state system where there is no external superior to any state, irrespective of its size or power.

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### **Kashmiris' Right of Self-Determination**

Kashmir has a territory larger than many nation states from Africa to Europe and Asia. It is rich in natural resources and is home to more than 13.65 million people, including Azad Jammu and Kashmir, Gilgit-Baltistan and Indian Occupied Kashmir- IOK (Kashmir website n.d.). It has a history of independence or self-governance with a distinct culture and many languages. India, the so-called largest democracy in the world, continues to occupy 66 per cent of Kashmir in an undemocratic manner (Ibid.). Free elections are not a norm in Kashmir. Unlike the past, India is now using political tactics to alter the demographic landscape of Kashmir: over half a million non-Kashmiris have been settled there with fake documentation. The basic provision of international law is that:

Individuals should not be arbitrarily deprived of their lives, and homicide should be deterred, prevented and punished (ICRC n.d.).

These rights are further secured and protected under the Universal Declaration of Human Rights (UDHR 1948). The Declaration emphasises 'innate freedom and equality', puts a ban on discrimination and states:

Everyone has the right to life, liberty and security of person.<sup>2</sup>

Unfortunately, with all these safeguards and guarantees for human beings through various agreements, declarations and covenants, the people of IOK are being humiliated, discriminated, tortured and killed as if there is no law meant for their protection. It is unambiguously stated in the Preamble of the UDHR that:

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law (Ibid.).

Besides, Article 1 of the Declaration states:

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<sup>2</sup> Editor's Note: See for complete text of UDHR, United Nations, <<http://www.un.org/en/universal-declaration-human-rights/>>.

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All human beings are born free and equal in dignity and rights. They are awarded reasons and conscience and should act towards one another in a spirit of brotherhood (Ibid.).

**Kashmir's Accession to Pakistan: A Look Back**

The State of Jammu and Kashmir and Pakistan have a historical relationship which dates back centuries. Shared history, religion, common culture, similar race on both sides, migrations and inter-marriages have further strengthened this bond. Besides, these linkages, geography of Jammu and Kashmir and Pakistan are another compelling factor which essentially unite these areas. All natural routes to various parts of Jammu and Kashmir are from Pakistan. The only link, which India exploited in 1947, through Gurdaspur (Pathan Kot) was an unnatural one which was manipulated through the Radcliffe Award in an unjustified division of Punjab.

As per the Indian Partition Plan (3 June 1947), Kashmir was to become part of Pakistan, based on the will of the people and geographical contiguity of the state with Pakistan. The people of Jammu and Kashmir with an overwhelming Muslim population (77 per cent) were deprived of the right to decide their future, and thus they revolted against then Ruler of the State, Maharaja Hari Singh. Kashmiri volunteers liberated a portion of the state from the regular forces of the Maharaja, established their own government, and named it 'Azad Jammu and Kashmir'. This portion was to act as the base camp for liberation of the rest of the state from Indian occupation. Indeed, Hari Singh wanted to keep the state independent and even negotiated the Standstill agreements with Pakistan and India, but Indian rulers, particularly, Pandit Jawaharlal Nehru, the first Indian Prime Minister, ordered forceful military occupation of the state on 27 October 1947, which continues to this day. Over the past seven decades, Kashmiris have not reconciled with the Indian occupation:

Politically speaking, while there are Kashmiris willing to join Pakistan because it is an Islamic Republic, most would probably opt, if a hypothetical plebiscite would ever permit it, for an independent Kashmir (Racine 2003).

He, however, incorrectly envisioned that:

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India's rejection of maximum autonomy for IOK was accepted by the masses, who later voted for the 1957 Jammu and Kashmir-specific Constitution.

Elections cannot be a substitute of plebiscite in Kashmir:

Nevertheless, the political mistakes of New Delhi have hurt the Kashmiri psyche, and have helped to develop a deep feeling of frustration, which mixes easily with a sense of Muslim identity (Ibid.).

A former Chief Minister of IOK, Syed Mir Qasim (1971-1975) very eloquently describes that:

Kashmiris would not like to remain under India for a single day, had someone sought their will.

As abstracted from his book *My Life and Times*, he further writes that:

They clearly say that they would not like to remain in India. They would like to go out of India. They ask for a plebiscite so that they will be allowed to answer whether they want to remain in India or go out of India (Qasim 1992: 298).

Article 257 of the Constitution of Pakistan is absolutely clear about the future status and will of the people of Kashmir. It reads:

Provision relating to the State of Jammu and Kashmir -  
When the people of the State of Jammu and Kashmir decide to accede to Pakistan, the relationship between Pakistan and that State shall be determined in accordance with the wishes of the people of that State.

### **India Unilaterally Challenges the Status of Kashmir**

Acclaimed Indian author Kuldip Nayar (2015) has objected to the Indian stance of calling Kashmir its 'integral part'. He refers to Article 370 of the Indian Constitution which is only applicable to IOK and not to any integral Indian state(s) (Times of India 2014). India cannot make laws for the Kashmir, unless the Jammu and Kashmir Legislative Assembly asks it to do so.

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There is a basic contradiction in India's rule in Kashmir. On paper, India takes shelter under Article 370 of its Constitution which is the only link between the Indian Union and IOK and provides a temporary and transitional arrangement, whereas, practically, IOK has been directly ruled by New Delhi and the Indian Army ever since 1990. Rather, India started direct rule over this territory from 1953 as soon as Sheikh Abdullah was removed from the position of Prime Minister of Kashmir. In reality, the Kashmiri political leadership in IOK are mere puppets being dictated by New Delhi.

The Indian Home Affair Ministry recently introduced a draft bill called the 'Geospatial Information Regulation Bill-2016'. With regards to Kashmir, the Bill aims at unilaterally depicting Jammu and Kashmir as Indian Territory and anyone depicting Kashmir as a disputed region, is to be punished. This is in line with India's discriminatory laws which New Delhi has imposed ever since 1990 in IOK.

Pakistan's representative in the United Nations, Dr Maliha Lodhi has strongly protested at the UN about this draft Indian Bill. When the UN resolutions have declared Kashmir as disputed, pending a final decision, how can India unilaterally take such a decision? This is a continuation of the 1953 Indian agenda being implemented by the current Prime Minister Modi's government.

In fact, out of its many promises, the Bharatiya Janata Party (BJP) made during the 2014 elections, one was to do away with Article 370 of the Indian Constitution (the only link between India and IOK) and integration of Kashmir with the Union. Towards this, India has now resorted to:

- a. Making massive demographic and administrative changes in Jammu province implemented through its Rashtriya Swayamsevak Sang (RSS), the militant wing of BJP.
- b. Rehabilitating *Pandits* (Hindu priest) and Hindus through fortified colonies in strategic locations for causing ultimate demographic changes in the Muslim majority Valley. This process will be implemented with establishment of *Sanik* (soldiers) colonies, and secure colonies for *Pandits* (Bantustan and Panun Kashmir). Besides this, there has been allocation of land for a Hindu shrine at Amarnath.

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- c. Introducing the Geospatial Bill (2016) aimed at unilaterally depicting Jammu and Kashmir as Indian Territory and anyone declaring Kashmir as a disputed region, to be punishable under the law.

### **How Do Kashmiris Feel about Indian Rule?**

The former Chief Minister of IOK<sup>3</sup>, Sheikh Abdullah, often said that Indian authorities treated him like a *chaprasi* (very junior office worker who delivers messages). This treatment and even imprisonment was meted out to him despite being one of the leaders who concluded a formal agreement with India under the Kashmir Accord of November 1974.

Successive Kashmiri leadership has, unfortunately, preferred personal gains over the interests of the state and people. Following the 1974 Kashmir Accord, the demand for freedom from the yoke of Indian rule by majority of Kashmiris has lacked the support of its rulers. This holds true for Sheikh Abdullah to Omar Abdullah and now Mehbooba Mufti Sayeed – the current Chief Minister of Jammu and Kashmir. Indeed, freedom is the people's voice in defiance to their rulers who are following the dictates of New Delhi. People of IOK feel that their rulers have their own priorities and agendas rather than looking after the interests of the masses.

The obvious question then is, why do the Kashmiri masses vote for these self-seeking leaders and not opt for alternative leadership? History of the state reveals that the Indian government has chosen a few families of Kashmiris to be its faithful followers, and these families have become the decision-makers of Kashmiris' future as per the directives issued from New Delhi. In this regard, the Indian intelligence agencies and its bureaucracy has followed the golden principle of 'divide and rule' for the Kashmiris. This is exactly what the British colonisers did during their prolonged rule over the Subcontinent.

According to Kuldip Nayar, the ruling class of Kashmir, otherwise traditionally loyal to New Delhi should keep bulldozing the Indian governments for public consumption, but practically be loyal to the *Takht-e-Delhi*. Sheikh Abdullah, in his opinion, has understood this ploy and

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<sup>3</sup> Editor's Note: He was the first Prime Minister of the state in 1947. The title was later replaced in 1965 with 'Chief Minister' and 'Governor'.

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successfully used it for his rule, and the same strategy was adopted by his son and now grandson. In fact, in his view, Sheikh Abdullah:

...did not question Kashmir's accession to India, but placated the Kashmiris by criticising New Delhi for eroding the state's autonomy. For example, he would say that the Kashmiris would prefer to stay hungry if the *atta* (wheat flour) from India was meant to trample upon their right to stay independent. It may have been fiction, but it worked (The Island 2010).

Nevertheless, there is drastic change in the present situation in IOK. The post-1990 Kashmir is very different and Nayar's advice may not work for much longer. Neither the pro-India Kashmir leadership of IOK, nor India can keep the people of Kashmir hostage to their lingering policies. Even its heart and mind-winning strategy through Operation *Sadbahwana* (good will) could not succeed. The youth of Kashmir is allergic to both elements. This is clear from the renewed uprisings in 2008 against the allotment of 800 *kanals* of land for Amarnath Shrine; in 2010 against the rape and killing of two girls by Indian soldiers; and then revolts in 2012 and 2014. In 2016, the killing of a social media activist, Burhan Wani, once again started their revolt against the Indian occupation and oppression of Indian Armed Forces.

### **Kashmiri Youth at the Struggle's Forefront**

The new generation of Kashmir (post-1990) is more motivated, determined and clearly destined to achieve their right of self-determination from India. Though they are ill-armed or indeed 'un-armed' with stones and sticks as their sole weapons, their will is invincible and their potential is gigantic, in fact unmatched. They have challenged the world's fourth largest military in the world with slogans and stones (Khan 2016).

Burhan Wani, the 22 year old Kashmiri youth was an inspiration for his colleagues and contemporaries to fight for the rights of Kashmiris through peaceful means, the social media and the legal ways (Ibid.). There was no armed motivation in his peaceful media campaign, until he lost his brothers and colleagues at the hands of the Indian Army. Their killing compelled Wani to take up arms against the killers of his brothers, and

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finally he embraced *shahdat* (martyrdom) at the hands of the Indian Army on 8 July 2016. The spirit of young men like Wani is unbeatable and killing one Wani means inviting thousands of new Wanis to continue his sacred mission till the achievement of the right of self-determination.

The new strategy being used by India against the unyielding Kashmiri youth is buckshot guns, pellet grenades and pellet guns having thousands of pellets. These are the most lethal weapons ever used against human beings. In the last six months (May-October 2016), over a 1000 youth have lost either one or both their eyes. According to doctors, most of the patients who received these pellet wounds have lost their eyesight. According to one doctor, 'It's a fate worse than death' (Ibid.). India is using this weapon not against its own people but, the people whom it is forcefully occupying similar to the tactics being used by Israel against Palestinians:

History has repeatedly established the fact that the Kashmiri youth have always been the target of occupational forces. Tens of thousands of young Kashmiris, including students, have been killed during their custody in detention centres in different parts of occupied Kashmir (Butt 2016).

### **Continued Human Rights Violations in IOK**

Indeed, apart from the killing of Burhan Wani and hundreds of other young boys and girls and injuring over 12000 people, since July 2016, Indian oppression and suppression has become a routine matter. The most horrific phase of human rights violation in IOK has been in the 1990s, when through the deployment of 700,000 security forces, India killed over 90,000 Kashmiris (IHRAAM n.d.). These figures vary, as some organisations claim there have been 113,000 deaths in IOK since 1990. Various human rights groups, especially, Amnesty International has identified Indian brutalities on innocent Kashmiris. In its annual reports, Amnesty International has pointed out discriminatory laws which gave Indian security forces unprecedented powers to kill torture and exploit Kashmiris. These laws were imposed in the state in early 1990s and include the Jammu and Kashmir Public Safety Act (PSA), the Terrorist and Disruptive Activities (Prevention) Act (TADA) and Armed Forces Special Power Act (AFSPA). Under extreme international pressure, the Indian Government had to revoke TADA. Indeed, through these laws,

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Indian security forces were given sweeping powers of arrest and detentions even shoot-to-kill with virtual immunity:

The AFSPA violates India's international legal obligations and several fundamental rights, including the right to life, the right to liberty and security and the right to remedy. This law has alienated people and is an impediment to achieving peace, and an obstacle to justice (Amnesty International 2015).

The provision of human rights and security are categorically stated both in international law and the International Covenant on Civil and Political Rights (ICCPR). But, the human security situation in Indian Occupied Kashmir is ironically an ignored fact by the international community.

**Analysing Workability of the Bilateral Approach**

According to political scientists, the term, bilateralism is the 'conduct of political, economic, or cultural relations between two sovereign states' (Thompson and Verdier 2013). These two states directly conduct and deal with each other on their bilateral issues. This term is opposite to multilateralism, where more than two states involve themselves towards a common issue or a project. Then, there is unilateralism, where a single state tackles its own issues unilaterally (Ibid.).

Historically, Pakistan has remained under a constant security threat from India mainly over the unresolved issue of Kashmir. Other issues such as water and Siachen also have their origin in Kashmir, which have now assumed significant status. This dispute is indeed about Indian rigidity versus a silent international community and Indian repression versus the right of self-determination of Kashmiris enshrined in UN resolutions.

A bilateral approach to addressing the issues between Pakistan and India has never worked in their entire post-independence history. There exist three bilateral agreements between these parties: Tashkent Declaration (1966), Simla Agreement (1972) and Lahore Declaration (1999). These agreements establish a formal regime of principles in the conduct of bilateral relations and the settlement of disputes. However, none of these agreements reject the UN resolutions on Kashmir, and in

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fact, UN resolutions and UN Charter provides the overall framework for these agreements.

There were bilateral talks between Pakistan and India soon after the first Kashmir War ended in 1948. In July 1950, there was a five-day Nehru-Liaquat Meeting over the resolution of Kashmir, however:

Five days of conferences on the Kashmir problem between Prime Minister Jawaharlal Nehru of India and Prime Minister Liaquat Ali Khan of Pakistan and Sir Owen Dixon, United Nations mediator, in this long-standing dispute, ended inconclusively tonight (New York Times 1950).

In May 1955, there was a meeting between Nehru and Muhammad Ali Bogra. Later, both foreign ministers Z.A. Bhutto and Swaran Singh had several rounds of talks during 1962-63. Indeed, the Sino-Indian War (1962) compelled India towards bilateral negotiations, but later nothing came out from these negotiations and talks. Indeed, there came a time in 1962 that India showed willingness to give 1500 square miles of the Kashmir Valley to Pakistan and some adjustment in Jammu Province too. Later, India refused all negotiations and giving the Valley to Pakistan.

The political leadership of both countries has failed in this regard. Politicians on both sides never look beyond party politics. They never conjoin roles of the civil society organisations and ‘non-party experts’ to take the people of India and Pakistan out of the political woods. Indeed, leadership of both countries has failed to put into practice the scope and wisdom of the bilateral regime, which otherwise has substantive and rich jurisprudence.

As a major regional state and a beneficiary of bilateralism, India has been stressing to resolve outstanding issues between India and Pakistan as per its own terms and conditions. Nevertheless, unlike the spirit of bilateralism, it has never accepted Pakistan’s viewpoint on genuine grounds. With Prime Minister Narindra Modi in the driving seat, the process of dialogue, revived by previous Indian governments (particularly under Prime Minister A.B. Vajpayee) has been disregarded on a number of occasions. In the last three years, there have not been any substantive talks between Pakistan and India at the bilateral level.

Therefore, the only option left with Pakistan is to approach the UN and international community for the implementation of UN resolutions on the issue of Kashmir. After ceasefire violations and refusal of talks on

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Kashmir in October 2014, Pakistan's Advisor to Prime Minister on Foreign Affairs, Mr Sartaz Aziz said in a statement given to the National Assembly Standing Committee on Foreign Affairs that the bilateral approach to resolve issues between India and Pakistan has failed. He categorically said:

The international community had given Pakistan and India a chance to resolve the outstanding issues through bilateral dialogue and we have now given a clear notice to the world that this mechanism has failed to resolve the core issues (Khattak 2014).

An American scholar, Stephen P. Cohen considers Indo-Pak distrust as the main cause of the Kashmir dispute remaining unresolved after seven decades. According to him:

Extremely persistent conflicts seem to draw their energy from an inexhaustible supply of distrust (Cohen 2001: 199).

In their bilateral relations, the element of trust deficit has caused deterioration to an extent where both governments take one step forward and two steps backward. The issue of shared waters and the conflict over the Siachen Glacier are direct outcomes of this dispute (Ibid.). Besides, heavy and unremitting defence expenditures hampering socioeconomic development is adding more poor people to this part of the world.

According to Racine (2003), the Kashmir conflict is a 'legacy of the past'. It is therefore, still potent and has gained a disturbingly new dimension after South Asia's overt nuclearisation in May 1998. Through strategic stability achieved through nuclearisation, there should have come an element of deterrence, bringing peace and stability in South Asia. However, this has not happened. Rather, nuclearisation has further heightened the level of risk, not just because of proximity of the two opponents, but also because both sides believe in (or at least seriously consider) the theory of limited conflict under a nuclear umbrella (Ibid.). The Kargil conflict (1999) and military mobilisation 2001-02 were two significant developments in this regard. But, in the event of any future conflict, such a scenario may not exist and this region may go towards a nuclear disaster.

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### **Multilateral Approaches in Resolving the Kashmir Dispute**

There are three reasons for adopting a multilateral approach for the resolution of Kashmir. **First**, bilateralism between Pakistan and India has failed to resolve this dispute in the last 70 years and there is no hope of this approach really making headway towards any resolution. **Second**, Kashmir is not a bilateral dispute right from its origin. The primary party to the dispute are the people of Kashmir, who in fact revolted against the Dogra Rule in October 1947 for their freedom and future status with Pakistan. India and Pakistan joined the dispute later. Then, the UN is also a legal party to the dispute since it has passed over two dozen resolutions about the future status of Kashmir as a state calling for the right of self-determination for its people. Since the UN is an international forum, therefore, the international community, the permanent members of UN Security Council (UNSC) and all those countries which voted for the UN resolutions are party to the dispute. The People's Republic of China also has some areas of Kashmir under its control (Aksai Chin), therefore, it is party to this dispute. **Third**, owing to the changing nature of conflict, the ground realities have changed in Kashmir. The solution presumed for the future status of Kashmir in 1947 may not be applicable today in 2017. It is pertinent to mention that after the Simla Agreement, India preferred resolution of issues through a bilateral approach. In the agreement, both countries agreed to 'settle their differences by peaceful means through bilateral negotiations' (UN n.d.) and there was no mention of bypassing or putting aside the UN resolutions on Kashmir. Rather, clause I of Article 1 of the agreement states that 'the principles and purposes of the Charter of the United Nations shall govern the relations between the two countries' (Ibid.). In a way, the UN's role was reiterated in the Simla Agreement.

A very logical argument in this regard is that had India been an option for the people of Kashmir, there would not have been this perpetual Kashmiri struggle against the rule of New Delhi and killing of over 90,000 Kashmiris at the hands of Indian occupation forces. Had India been an option for the people of Kashmir, New Delhi would not have deployed over 700,000 security forces in its occupied areas to control and quell their struggle. Just as Dogra rule was not acceptable to the Kashmiris in 1947, Indian rule is not acceptable to them today. Rather, it was never acceptable to the people of IOK, beginning with 1947. Kashmiris just

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waited for the peaceful resolution of the dispute in accordance with the UN resolutions till 1990, thereafter, they started the armed struggle against Indian occupation.

Apart from Indo-Pak bilateral talks and negotiations, there have been many debates and discussions about the resolution of this intricate dispute. This includes UN resolutions, official and unofficial discussions and conferences about the future status of Kashmir, particularly India's rigid approach. One aspect about Kashmir is amply clear - it is a political issue which needs a political solution. There can be no military solution. A prominent Kashmiri activist, Dr Ghulam Nabi Fai, Executive Director of the American Kashmir Council emphasises that:

United Nations should lead the effort to achieve a fair and lasting settlement of the Kashmir dispute (The Nation 2010).

He said this on the eve of an International Kashmir Peace Conference organised on Capital Hill in Washington, D.C. in July 2010. This conference was attended by Kashmiris from both sides of the ceasefire line and international delegates, including American strategists and congressmen.

At the multilateral level, there is a feeling among conflict resolution experts that:

Perennial suffering of the people of Jammu and Kashmir expeditious resolution of Jammu and Kashmir dispute on permanent basis has become urgent and essential (Ibid.).

At the global level, there is deep anguish about the continued human rights violations in the IOK, therefore, India must bring an end to the persecution of people in the state and respect human rights. On a number of occasions, the human rights activists and even American scholars, think-tanks and even United States lawmakers have been of the opinion that 'for bringing peace in South Asia, the resolution of Kashmir dispute has become imperative' (Ibid.).

In 2008, the then newly elected President of US Barack Obama emphasised the resolution of Kashmir dispute, but ultimately did not do much about its resolution. In 2017, Donald Trump, another newly elected President has also promised to play a part towards its resolution (Haider 2016), but, it is questionable whether US national, economic and strategic

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interests allow him to assume such a role as per the wishes of Kashmiri masses which run counter to Indian wishes. Nevertheless, the US and UN need to play a positive role in this conflict to bring peace and stability in South Asia.

### **Response of International Community towards Kashmir**

Today every Kashmiri questions the UN and the civilised international community why they have been discriminated and deprived of their basic rights. After all, global rules should be equal for all. Kashmiris also question the United States that if their struggle for independence is legal, how come it is dubbed 'illegal', or labeled as militancy and terrorism when their very cause was supported by the US in UN resolutions on Kashmir.

Discrimination and double standards of the American administration is reflected in the fact that peaceful Kashmiri organisations, centres, councils and individuals are barred from lobbying for their rightful cause. Yet, the Indian Government and Indian lobbyists are encouraged to do so even up to the level of the White House. All this is because India is a strategic and economic US partner and there lie America's interests.

It is very pertinent to mention that Kashmiri people are a peace-loving nation. They remained under various repressive regimes for centuries before the Indian occupation in 1947. Whereas millions of Indians became independent as a result of decolonisation, Kashmiris too dreamed to become part of the newly independent dominion of Pakistan, upon its independence. Yet, they are still struggling. Based on the mandate of Kashmiri people, the state of Pakistan supports their rights politically, morally and diplomatically.

### **Way Forward**

For durable peace and stability, the leadership of India and Pakistan need to realistically plan the future of the region and accept the ground realities with an optimistic mindset. Embarking upon the path of promoting trade and commerce will be a welcoming step, but, this should not be at the cost of resolving the core political issue - Kashmir. Indeed, except Sir Creek, all other issues and mistrusts are the product of this issue. Therefore, India and Pakistan must continue talking to each other, remain engaged in

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negotiations, take all measures for the promotion of peace and tranquility, initiate more Confidence Building Measures and develop their economies to eradicate poverty widespread among their masses. This is only possible by giving peace a chance, ending antagonism by bringing concord among the leadership and people of both countries. This process would provide opportunities to enhance economic development and social integration in the Subcontinent.

United Nations and the civilised international community should play a role for resolution of these issues on logical grounds and as per the wishes of Kashmiri people. As an impartial world body, UNO should see the Indian strategy of annexing the IOK into the Indian Union. To counter this Indian move, UNO passed two specific resolutions on 30 March 1951, and 24 January 1957. Through these resolutions, State's Constituent Assembly was prohibited to determine the future status of the state, until there is a UN sponsored plebiscite. Kashmiris are concerned that, despite the clear directive through its resolution, India is continuing with its illegal acts of annexation.

India must understand that Kashmiris would never reconcile their freedom from Indian rule. India should be clear of this aspect, as it has used all methods to control the Kashmiri masses since 1947, including using the military option as the predominant one. The Indian Army has already killed over 90,000 Kashmiris since the start of the uprising in 1990, which is an act of genocide. It is the responsibility of UNO, major powers especially United States, and the international community to put diplomatic pressure on India for ending the Kashmiri genocide.

For regional peace in South Asia, there is a dire need that India under the Hindu Nationalist Government should reassess its past and take a bold decision by allowing Kashmiri people to decide their future as per their wishes and in the light of UN resolutions.

## **Conclusion**

It is the Kashmir dispute which has blocked the normalisation process between Pakistan and India. Except 1971, all wars and conflicts between India and Pakistan were over Kashmir. Despite involvement of major powers in the regional politics of South Asia (both during and after the Cold War), they have been ineffective in trying to help address the Kashmir problem. Keeping the region hostage to this problem is indeed a

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collective failure of major powers, UN and in fact, the ‘biggest failure of international diplomacy.’ Although, the dispute has become complicated over the years, it can be resolved. There is a need of farsightedness and statesmanship.

The nuclear dimension of South Asia warrants that Kashmir issue be resolved on priority. If today, the US and all other major powers are making heavy investments and strategic agreements with India, they should be aware of the consequences of future conflicts in the region, emanating from unresolved issues, Kashmir being the mother of all. Indian policies are hegemonic and inflexible in regional issues. Why does the US and other major powers give India so much importance when it violates global norms and UN resolutions is the fundamental question that needs to be answered.

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## **The Path Ahead**

- **Confidence Building Measures for Durable Peace in South Asia**
  - **Proposals for 'Doable' Peacebuilding in Afghanistan**
  - **Prospective Roles of SCO and SAARC in South Asia's Security**
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# Confidence Building Measures for Durable Peace in South Asia

## *Speech*

**Muhammad Nafees Zakaria\***

### **Introduction**

The woes that have impeded economic development and prosperity of the masses in South Asia are the relations between India and Pakistan. Besides Indo-Pak rivalry, there are many other contributory factors to the ills of this region. These factors had been internal so far to each of the South Asian countries. But in contemporary times, socioeconomic weaknesses have created space for external elements to manipulate geoeconomics in the region towards their geostrategic or geopolitical interests. Looking at the emerging larger picture, the coming years will be fraught with intense competition and rivalries in the Asia-Pacific theatre. The following are some of the trends and drivers to this effect:

- Economic meltdown that hit the developed world in 2008 with global outreach is persisting;
- Rise in economic and strategic significance of Asia;
- Emergence of new power players in this region;
- Growing significance of Central Asian Republics - a region rich in unexploited energy resources;
- Rising tension of Europe and its ally United States with a resurgent Russia;
- Politics being played in Afghanistan. Amidst persistent turmoil there, violent non-state actors (VNSAs - terrorist organisations/outfits) have gained foothold in this country with far-reaching implications for its neighbours;
- Convergence of Indo-US interests;

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- America's security and economic alignment with East Asia Summit under its 'Asia pivot' policy with hydra-conflicts raising their head in South China Sea simultaneously;
- Russo-China alignment; and
- Pakistan's steadily developing relations with Russia and Central Asia.

These identified trends and drivers make Asia an arena of interesting and intriguing political and economic competition among countries situated in and outside the region.

The emerging scenario in the wake of 9/11 and the trends and drivers mentioned have both opportunities and challenges for Pakistan, which is the regional fulcrum by virtue of its geostrategic situation at the confluence of West Asia, Central Asia and South Asia. The paradigm shift in regional politics would have far-reaching implications and opportunities for the region as well.

All this presents a very complex picture and raises uncertainties, which may subsume the interstate disputes in the Asia-Pacific sub-regions in the coming years.

Reverting to South Asia, one must subscribe to the perception to a great extent that Pakistan-India rivalry has remained the main obstacle in exploiting the potential of this resource-rich region and the reason behind its poverty. The focus here, therefore, is mainly on Indo-Pak relations, while assuming that other variables will remain unchanged.

Pakistan-India ties have been characterised by sticking disputes, punctuated by full-blown wars and periodic border skirmishes, with varying degrees of intensity. 70 years of relations have at best been hot, with the tendency to raise the temperature to boiling hot, on flimsiest of grounds. The deep mistrust, with its roots in the pre-independence era, has only deepened as the state of relations has become more complicated over time. Looking at the situation between the two countries in the historical perspective, the manipulation in the boundary demarcation that deliberately gave birth to the Kashmir dispute, killings of hundreds of thousands of migrating Muslims who opted for Pakistan, and unjust distribution of assets at the time of Partition, is a page of history written with an indelible ink.

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### **The Kashmir Dispute - A Question of Justice**

The Kashmir dispute - a legacy of British colonial rule and a root cause of adversity in Pakistan-India relations, has had a lasting bearing on how we perceive each other. It remains unresolved post-Partition. Connivance to manipulate the demarcation of boundaries, deviation from the basic principles i.e. geographic contiguity, religious affinity of the majority of the population and will of people on the basis of which the fate of princely states was to be decided whether they should join either Pakistan or India, caused armed confrontation between the two countries and shaped the relationship as it stands today.

The Princely State of Jammu and Kashmir, on all counts, should have formed part of Pakistan. This fact as also the element of connivance between Lord Mountbatten and the Congress Leaders to manipulate the demarcation of boundaries has been amply documented in British historian, Alastair Lamb's book '*Kashmir – A Disputed Legacy*'. Kashmir's natural connectivity is also reflected in the UN Commission on India & Pakistan (UNCIP)'s three interim reports. In this context, it is pertinent to mention a Member of the Indian Parliament and member of the Hindu Mahasabha<sup>1</sup>, N.C. Chatterjee, who wrote in an article that:

The geographical situation of the Princely State of J&K was such that it would be bounded on all sides by the new Dominion of Pakistan. Its only access to the outside world by road lay through the Jhelum Valley road which ran through Pakistan, via Rawalpindi. The only rail line connecting the State with the outside world lay through Sialkot in Pakistan. Its postal and telegraphic services operated through areas that were certain to belong to the Dominion of Pakistan. The State was dependent for all its imported supplies like salt, sugar, petrol and other necessities of life on their safe and continued transit through areas that would form part of Pakistan.

In 1949, Indian Prime Minister Jawaharlal Nehru, approached the United Nations Security Council (UNSC) to seek intervention for mediation on Kashmir in accordance with the UN Charter. Ironically, it is India that has remained the main hurdle in the implementation of the UNSC Resolutions on Kashmir, which guarantee Kashmiris their right to

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<sup>1</sup> Editor's Note: Hindu nationalist political party in India.

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self-determination under a UN supervised plebiscite. Instead of creating an enabling environment for the plebiscite, India has been violating the UN Resolutions in multiple ways.

In November 1947, Indian forces massacred half a million Kashmiri Muslims within days. Kashmiris observe this as '*Youme Shuhuda-e-Kashmir*' (Kashmir Martyrs' Day). More than one and half dozen massacres have been carried out by the Indian forces between 1990 and 2017, killing scores of Kashmiris each time. The current generation of Kashmiris in Indian Occupied Kashmir (IOK) has grown up witnessing the killing of their fellow Kashmiris and their family members. They live amidst female victims of rape where every other family has been affected by this tool of oppression used by India. Every day, they see the ordeal of families of disappeared persons, whose number runs in tens of thousands with no trace for years. This has led also to the phenomenon of 'Half Widows.'

This backdrop is important to understand the ongoing uprising in IOK, the dynamics of Kashmir issue and its bearing on the two countries' relations, and hence, the policies towards each other.

Both India and Pakistan, in Simla Accord of 1972, decided to resolve the dispute peacefully through bilateral consultations, in the light of UN resolutions. However, India has interpreted the Accord differently and argued that the dispute has to be resolved bilaterally, insisting preclusion of the role of any third party, including the United Nations. In 1984, India breached the Accord and moved its forces to the Siachen Glacier and brought about material change in contravention of its own commitment.

Subsequent years saw a number of occurrences that further deepened the mistrust, such as India's reported plans to attack Pakistan's nuclear sites, Kashmiris' massacres since their resurrected movement for self-determination in 1989, Indian propaganda policy against Pakistan on alleged charges of infiltrating terrorists into IOK through the Line of Control (LoC), India's nuclear tests on 11 May 1998 and their subsequent aggressive posturing that compelled Pakistan to demonstrate its nuclear capability establishing thereby a nuclear deterrence to check Indian aggressive designs. Since then, Kashmir has been declared a 'nuclear flashpoint' in South Asia by the international community.

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Unprovoked ceasefire violations by India with multiple objectives, Indian involvement in promoting terrorism and terror financing, use of Afghanistan's soil against Pakistan, Indian pronouncements against Balochistan and the China Pakistan Economic Corridor (CPEC) and so on, are some of the many reasons that sour this relationship.

**Pak-India Confidence Building Measures (CBMs)**

Amidst these complications, over decades the two countries have also been taking Confidence Building Measures (CBMs) to check escalation of tensions in their bilateral relations, particularly in the context of Kashmir thanks to the saner elements on both sides. The CBMs acquired greater significance ever since South Asia was nuclearised in May 1998. The CBMs in place though pertain to the period that preceded and followed the nuclear tests.

There is a long list of such areas that the two sides recognised that could serve the purpose of confidence building. The CBMs pertain to relief to Kashmiris such as trade across the LoC and Srinagar-Muzaffarabad bus service, religious tourism with visa facilitation & preservation of religious sites, cooperation in trade, culture, telecomm, prohibition of attacking each other's nuclear installations & facilities and reducing risks from nuclear-related accidents, prohibition of chemical weapons, advance notification of ballistic missile testing, maritime security-related, military-related, prevention of airspace violations and flight clearances.

Advent of the Bharatiya Janata Party (BJP) government in May 2014 elections, and Pakistan government's previous experience of working with them (Samjhauta Express & Dosti Bus Service PM Vajpai-Musharraf ventures), had raised hopes that the two sides would usher in a new era of peace and tranquillity. But this hope did not last long.

Prime Minister Nawaz Sharif's initiative to congratulate Mr Modi on BJP's election victory and attending his swearing-in ceremony led to the decision to resume dialogue for which the two Foreign Secretaries were directed to meet. No sooner had the positive momentum generated by the meeting between these two leaders could kick-start resumption of the dialogue process, India unilaterally and abruptly cancelled the scheduled talks on a flimsy pretext that Pakistan's High Commissioner met Hurriyat leaders. The cancellation of talks was followed with

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ceasefire violations by India across the LoC and the working boundary, and hostile statements from the Indian leadership. It transpired that it was motivated by the domestic politics - a card Indian political leadership often play (State Assembly Elections).

Since then, the relations have constantly been on a downward slide. Since the extrajudicial killing of a young Kashmiri leader, Burhan Muzaffar Wani, on 8 July 2016 and India's blatant human rights violations that ensued killing around 150, blinding over a thousand, injuring more than 16,000 and arrest of over 7,000 with no news of their fate, not only prompted a determined movement for self-determination in IOK, but it also sent Indo-Pak relations on a rollercoaster ride down the steep slope.

India, in an attempt to deflect the world's attention from its atrocities in IOK, has heated up LoC, working boundary, created a hoax of surgical strikes, tried intruding into Pakistan's territorial waters and violated Pakistan's sovereignty by sending a spy craft, etc. The situation has gone from bad to worse with India showing no sign of lessening tensions. Constant anti-Pakistan statements at the political level are only vitiating the atmosphere further.

Pakistan has sentimental attachment to the Kashmir issue and the country pursues a declared policy of extending diplomatic, political and moral support to the Kashmiris' indigenous and peaceful movement for self-determination, whereas India sees Kashmir as a strategic asset. Therefore, probability of CBMs yielding results towards betterment in relations is subject to political will than implementation.

### **Conclusion**

Pakistan believes that with the bilateral mechanism not working at all, it is the international community's responsibility, more so of the UN and UNSC members, to counsel India for an immediate halt to the bloodshed in Indian occupied Kashmir and resolving this thorny issue. Pakistan looks forward to that role by the international community in the larger interest of peace, harmony, and development in South Asia, the earlier the better. ■

# Proposals for 'Doable' Peacebuilding in Afghanistan

## *Thought Piece*

Dr Attaullah Wahidyar \*

### Introduction

The Afghan conflict has three distinct actors: first, local actors which include the state, its organs and the Afghan society at large. There are actions that need to be taken at the local level in order to contain violence. Besides the famous jargon 'rule of law', it is of utmost importance that local demands are reflected in state policies that guarantee stronger ownership of the state's agenda. The stewardship on local-driven policies is a very delicate job since desire for local ownership should not jeopardise global partnerships and friendships. Second, international actors, that is, all the countries are involved in the Afghan conflict in one way or the other. The conflicting interests and views of these international players have also significantly contributed to the insecurity and instability of the Afghan conflict. Unification of vision based on pursuing shared interests in a peaceful Afghanistan would help in the peacebuilding process. It is important to realise that a peaceful Afghanistan can serve everyone's interests to a certain degree, while an unstable Afghanistan can easily harm various nations on the globe as experience has shown so far. A weak Afghanistan will be a safe haven for terrorists, while a strong and stable Afghanistan would be a good partner for the world community. Third, regional actors who are close and far neighbours of Afghanistan have a significant role in stabilising or destabilising Kabul and are in many ways the most direct beneficiaries of the situation here. Unfortunately, some countries think that destabilisation in Afghanistan would benefit their trade and connectivity in the short-term, but in the

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long-term this will not be true. Regional countries would benefit the most with a stable and peaceful Afghanistan.

**Nature and History**

A quick look at Afghanistan's natural environment and brief history brings forth two main points. One, the region's geography has placed this country in such a way that we may call it Afghanistan, Pakistan, India, or Bangladesh, but the people and land would remain the same. One can force people to migrate from one area to another, but one cannot get rid of them in totality even by the worst brutality standards of human history. It is in this context that I own the people in this region and believe that the only way forward is to work towards peaceful co-existence by targeting our energies towards reinforcing mutually beneficial relationships. Second, a brief analysis of our recent history strongly highlights that the pursuance of greed, dominance and imposing the very nicely framed so-called 'national interests' has never proven to be in the 'best interest' of the masses in this region. It is forcefully following (and under the umbrella of defending) these 'national interests' which has resulted in wars, further divisions, increased hatred, continued militarisation, extreme poverty and led to the emergence of non-state actors as proxies for perusing these goals for different states. An environment has intentionally been created so that any voice raised in opposition of this failed model is suppressed with the state's unlimited power. It is in this context that we see more separatists and state enemies in this region than anywhere else on the globe because the voices of opposition to these self-made interests can only be legitimately suppressed if they are named as state enemies. We need to create a new model of national interest which is reflective of the immediate needs of the masses in this region, and constituted of fundamentals like sharing, cooperation and indigenouness that would guide us to a prosperous destiny for the people we serve.

**The Challenge**

The biggest challenge in South Asia that has stopped development of alternatives for solving problems is the environment created in each country in support of nationalistic narratives that each state claims to be true and legitimate. The narrative in India is that Pakistan is the enemy

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and is supporting terrorism and vice versa; the ‘true’ narrative in Afghanistan is that Pakistan is the enemy since it is supporting insurgency; and in Pakistan the narrative is that Afghanistan is a collaborator of their enemy. These state-sponsored narratives are so strongly pursued that holding any alternative view to this means treason and is subject to intelligence intervention and worse.

**What Does South Asia Need?**

The most pressing need in this region is to immediately stop the propaganda aimed at glorifying the state narrative which is hampering the development of alternative voices and crushing creativity. The popular mindset harboured by state resources has diminished the chances of developing leadership that is in a position of taking bold steps towards out-of-box ideas for closing the confidence gap between countries. The most worrying result of this is the growth of a generation that believes these narratives as the ‘ultimate truth’ because in their lifetime no-one has questioned these ‘ultimate truths’ nor discussed any alternative. The former in the long-term would result in more disastrous ideas of enmity that would harm generations to come in this region.

Some simple and immediate actions taken by all sides in this region can pave the way for a constructive, productive and result-oriented conversation on the way forward instead of harbouring feelings of resistance and dominance. Let us **STOP** a few things immediately to create a conducive environment for realistic and result-oriented dialogue:

1. **Blame game:** ‘Pakistan is the source of terror and harbouring terrorism. India supports the Baloch insurgency. The National Directorate of Security (NDS) has connections with Tehreek-e-Taliban Pakistan (TTP).’ These allegations and blame game might have substance and also understandable objectives, but in the past few decades these have not brought any tangible outcomes for peace. It is recommended that as an alternative narrative, let us stop this game so that some kind of confidence among the various players becomes visible and motivates them towards dialogue.
2. **Propaganda:** State-sponsored propaganda needs to cease. The resources allocated for strengthening propaganda tools can

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effectively be utilised in support of forums that provide alternative solutions and out-of-box thinking.

3. **Supporting proxies:** There is a need to halt the support given to non-state proxies to achieve state objectives. This will enable countries in the region to think about achieving their stated goals through state organs paving the way for initiating constructive approaches towards solving problems. The use of proxies over the last few decades has proven counterproductive with no hope for any future breakthrough.

In addition to the above, policy leaders in the region should develop areas of common interest that benefit the masses in this region. States in general, and in this region in particular do not pursue achievement of immediate needs of their people, instead deploy all resources and energies into materialisation of national interests which are vaguely defined and without any tangible outcomes for the people. Poverty, illiteracy, unemployment and lack of health facilities are the major challenges and immediate needs of the people. Looking into state expenditures one can clearly see that instead of money being allocated for these areas, billions of dollars and rupees are spent on unnecessary militarisation aimed at destruction rather than construction.

Regional thought-leaders should cooperate strategically not tactically. Cooperation in this region should not be used as a tactic to buy time and diffuse pressures, instead it should be a strategic objective for resolving bilateral issues. The use of cooperation as a tactic significantly contributes to the loss of confidence among states, especially amongst the masses which makes building peace a more long-term challenge.

As discussed earlier, the immediate needs of the people should guide national interests. Putting people first in the thirst for power would naturally pave the way for convergence of interests and contribute to peacebuilding.

### **What Does a Peaceful Afghanistan Offer?**

It is in the above context that peacebuilding in Afghanistan is a doable task. The changes in attitudes and convergence of interests by putting people first will ultimately ensure strong and sustainable peacebuilding

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processes. A peaceful Afghanistan with an effectively functioning state can ensure the following to the billions of people in this region:

#### ***Connectivity***

In the next 25 years, Afghanistan's location is the key connector. All roads between Central Asia and South Asia and to East and West Asia have to lead through Afghanistan. A peaceful Afghanistan will deliver connectivity faster and smoother.

#### ***Mineral Resources***

33 per cent of Afghanistan's natural resources have been mapped, with estimated worth from USD one to USD three trillion. In the next 15 years, Afghanistan will become the largest producer of copper and iron in the world, and one of the largest players in the gold market globally, plus, this country has 14 of the 17 rare earth metals. Afghanistan's marble resources are enough to last the region for 400 years. The rapidly developing industries in countries surrounding Afghanistan and major global enterprises like Apple Inc. that have factories in this region not only have an immediate need of these mineral resources, but can also guide the regional and global convergence of interests towards a peaceful Afghanistan. Otherwise, no-one would be able to benefit from these.

#### ***Headwaters***

For practically every single one of its neighbours, Afghanistan holds headwaters. With the country only using 10 per cent of its available water, there is room for effective water management agreements with a stable Afghanistan. As mentioned earlier, being in the midst of three billion people, Afghanistan has always shown its readiness for cooperative water arrangements.

#### ***Poor People-Rich Individuals***

It is a misnomer that Afghanistan is aid-starved. Afghans have money, it only needs to be transformed into capital. They have invested billions of dollars in the West and the Middle East. Peace in Afghanistan would

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encourage its wealthy expatriates and even those living in the country to invest in the region and create an employment market.

**What Do Afghans Want? What Do They Not Want?**

Let us discuss briefly the ground rules that Afghans expect to be respected. It is these principles that can be the basis of friendship and brotherhood:

***What Afghans Do not Want To Be:***

A battlefield for proxy wars.  
A space to become tested over.  
A buffer to be dominated.

***What Afghans Want To Be:***

A model of cooperation.  
A platform of coming together.  
Living together prosperously in comfort and dignity.

**Final Thoughts: What Can Pakistan Do For Afghanistan?**

Afghanistan is the best market to develop business in. There is no need to follow the Western style of aid by announcing millions of dollars in development aid since that is not Pakistan's expertise nor can this be matched. The grave financial challenges of Pakistan also do not allow such an exercise. Whatever development assistance Pakistan has committed can be best spent in developing business partnerships between the Pakistani and Afghan private sector. This will help in connecting the interests of people and can be a lasting benefit to both. In this regard, education, mining and logistics are some of the areas to consider. ■

# Prospective Roles of SCO and SAARC in South Asia's Security

Dr Shabir Ahmad Khan\*

## Abstract

Globalisation is exploitative in nature, and therefore, threatens marginalisation of peripheral regions, like Central and South Asia, the Middle East and Sub-Saharan Africa. Regional cooperation is the best way for peripheral regions including South Asia to address issues of underdevelopment and security. Regionalism links regional states in a web of positive interaction and interdependence which develops stakes for countries in each other's stability, and thus, guarantees regional security.

Regional economic and security cooperation has been impeded mainly due to unresolved political disputes. The major dispute in South Asia i.e. Kashmir between the two nuclear powers has put the region on the brink of devastation. Regional arrangements in the form of regional organisations for economic and security cooperation serve as the basis for regionalism due to their institutional structure and are stronger than coalitions or alliances. South Asian Association for Regional Cooperation (SAARC) and Shanghai Cooperation Organisation (SCO) in particular provide enormous opportunities for the region of South Asia to be regionalised. SAARC has so far failed to address and settle the issue of Kashmir, however, SCO as a security organisation and having vast experience of resolving border disputes can play a vital role in resolving this dispute, thus, paving the way for regionalism in South Asia. SCO can establish a permanent committee for mediation between Pakistan and India having representatives of both parties along with Hurriyat leaders

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to resolve the Kashmir dispute through a compromised  
and negotiated settlement.

**Key words:** Regionalism, South Asia, Kashmir, Institutions.

**Introduction**

South Asia is the least regionalised and least integrated region of the world in terms of political, security and economic cooperation even in this era of regionalism. Regionalism refers to institutionalised and coordinated political, economic and security cooperation amongst regional states. Prior to discourse on the theme of paper, it is imperative to explain briefly why regionalism is gaining significance in various regions of the world. The international establishment (cartels like the International Monetary Fund [IMF], the World Bank and multinational corporations [MNCs]) has shaped the global politico-economic system on the basis of globalisation which implies free movement of goods and services and turning the world into a single market. It is based on capitalism which has its origin in Adam Smith's theories of *laissez faire* or free market and 'Invisible Hand'. Capitalism is exploitative in nature as stated by Karl Marx and proven by the current global politico-economic system. The world is producing more than enough, but the problem lies in its skewed distribution as a consequence of exploitation and the benefits of globalisation are evenly balanced by misery, conflict and violence (Collins 2010). Globalisation is threatening further marginalisation of peripheral regions including Central Asia, South Asia and the Middle East.

Given this perspective, several regions of the world and their constituent states have now realised the necessity of regional cooperation to arrest the process of further marginalisation and to address the issues of underdevelopment and insecurity. Regional political and security arrangements are necessitated by different circumstances in different regions. However peace, security and development remain core to the process of regionalisation. According to Hettne (1996):

The peripheral regions which include Central Asia, South Asia and Middle East need to be regionalised to overcome economic stagnancy, war-proneness and turbulence.

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Regional integration refers to the level of increased regional cooperation in security and economic realms because security and development are inextricably linked. It links states in a web of positive interaction and interdependence which develops stakes for countries in each other's stability, and thus, guarantees regional security. The cost of disengagement within a region becomes high and conflict is unable to thrive. For instance, with regional cooperation amongst all five Central Asian Republics, the China-Central Asia Gas pipeline system materialised which otherwise would have been a dream. Recent history also shows that when rational behaviour prevailed regionally, enemies and antagonistic states became strategic and economic partners. In this context, Pakistan and India need to learn lessons from the examples of Germany and France in case of the European Union (EU), Malaysia and Indonesia in the Association of Southeast Asian Nations (ASEAN) and Russia and China in case of SCO.

Regional arrangements in the form of regional organisations for economic and security cooperation undoubtedly serve as the basis for regionalism. Regional organisations due to their institutional structure can perform better and effectively in resolving disputes than coalitions or alliances.

South Asia is the least integrated in the world and regional economic and security cooperation has been impeded mainly due to unresolved political disputes, and therefore, protectionist policies against each other abound in the region. The major dispute in South Asia i.e. Kashmir dispute between the two regional nuclear powers not only impedes regional cooperation, but has also put the region on the brink of devastation. Only the resolution of Kashmir dispute can pave the way for regionalism in South Asia. The future of generations is at risk in South Asia due to the Kashmir problem, while the issue is also preventing India and Pakistan from allocating resources and paying full attention to the social and economic development of their citizenry. In this context, the South Asian Association for Regional Cooperation (SAARC) and the Shanghai Cooperation Organisation (SCO) in particular provide vast opportunities for South Asia to be 'regionalised' for the common cause of security and development. This particular paper is an attempt to deliberate upon the prospective roles of SCO and SAARC in the security of South Asia, particularly for resolving issues between Pakistan and India.

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### **Prospective Role of SCO**

The academic discourse on regional security in South Asia now needs to focus on SCO's experiences which came into being and evolved as a pure security organisation. The unresolved territorial dispute over Kashmir makes South Asia a crisis region in the world. Pakistan and India are close to becoming permanent members of SCO which can have positive impact on regional security. Both countries signed SCO's 'Memorandum of Obligations' (MoO) for permanent membership in June 2016 (Express Tribune 2016). The organisation's Charter declares that the member states should not have an active military conflict and work towards stabilising volatile border regions, while building military trust for maintaining peace and stability (SCO n.d.). Pakistan and India as permanent members of this security organisation will have to abide by its Charter. SCO filled an important security vacuum that was created in post-Soviet Central Asia that could otherwise have been filled by terrorists, and set an example by contributing to international security without being a formal military alliance (Rehman and Faisal 2016).

SCO as an organisation has accumulated vast experience in resolving border issues by creating stable and peaceful borders amongst its member states since its origin in the form of Shanghai Five. Shanghai Five (including China, Kazakhstan, Kyrgyzstan, Tajikistan and Russia) which was established for resolving border disputes between China and three Central Asia Republics in 1996 was renamed as SCO in 2001 by granting membership to Uzbekistan also.

China had claims over Tsarist Russia's thousands of square kilometres of territory in the agreements called 'Unequal Treaties' (Khan and Ahktar 2011). Talks were initiated during the 1980s, however, Russia's disintegration halted the process. Talks resumed with the formation of Shanghai Five including three Central Asian Republics Tajikistan, Kyrgyzstan, Kazakhstan along with Russia and China. The organisation successfully resolved border issues between its members. In fact, China for the purpose of establishing long-term cordial relations with Central Asian Republics made concessions and withdrew from its former claims over land along the border. China received only 3.5 per cent, 22 per cent and 30 per cent of its former claims from Tajikistan, Kazakhstan and Kyrgyzstan, respectively in the agreements signed with these republics (Ibid: 63). This provides evidence that larger states make

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concessions in order to maintain favourable relations and peaceful borders with smaller neighbours.

SCO over the past two decades has been shaping fledging regional identity and determining a regional security agenda exclusive of United States involvement (Reeves 2014). SCO's search for a harmonious region and harmonious periphery on the basis of mutual trust, equality, mutual consultation, mutual benefits and common development would directly and positively impact South Asian geopolitics. A paradigm shift in regional relations i.e. from the pursuit of national interests at the cost of others to relations based on mutual trust, mutual respect and mutual benefit must be the policy aims of SCO member states. SCO can enhance opportunities for active roles in this regard. SCO's expansion to South Asia overcomes the lack of regional organisation for security cooperation and the prospects of institutionalising security cooperation with the assistance of two major regional powers are bright. The presence of China and Russia can be an integral pull factor for Pakistan and India in resolving their disputes under the various fora of SCO.

Russo-Chinese close collaboration is injecting new verve and dynamism into SCO.<sup>1</sup> There is a fertile ground for optimism as both Russia and China have high stakes in promoting the process of stabilising and transforming regional security in South Asia through regionalisation of security policies. China is expanding its arrangements all over Asia, particularly South Asia. Likewise, Russia after the Crimean crises and deteriorating relations with the West is looking towards Asian states as market and strategic partners. On the other hand, Central Asian states also seem to be more comfortable in dealing with Russia and China. There seems a convergence of strategic, security and economic interests amongst all the SCO member states which require close cooperation in all spheres. This makes SCO an important organisation with great potential to play an active and constructive role in South Asian security. The last seven decades have proven that Pakistan and India lack the capacity to effectively resolve their dispute bilaterally, and a multilateral approach through SCO may work well towards achieving peace and stability. SCO, therefore, undoubtedly provides an effective platform to Pakistan and India to sit, listen and deliberate upon the issues in the presence of Central

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<sup>1</sup> China's Foreign Minister Wang underscored Sino-Russian strategic cooperation in regional issues an important component of international stability.

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Asian Republics, Russia and China. ASEAN had established a permanent committee for mediation in 1990 for conflict resolution among its member states (Haddadi 2015). SCO can also establish a permanent committee for mediation between Pakistan and India having representatives of both parties, including Kashmiri representatives to resolve their dispute.

Only a naïve individual can expect any constructive and impartial role from the Anglo-American nexus regarding the Kashmir issue. The British government through its last Viceroy Mountbatten denied Pakistan of its due share during the Partition of the Subcontinent. While dealing with the issue of princely states i.e. Hyderabad, Junagadh and Kashmir, Mountbatten remained biased, was in close contact with Jawaharlal Nehru (the first Prime Minister of India) and conspired against Pakistan by denying due share in these states to which Pakistan was entitled according to the Indian Independence Act 1947 (Sadiq 2016). Kashmir had a Muslim majority population, but had a Hindu ruler while Junagadh had a Hindu majority population but had a Muslim ruler. The Muslim ruler of Junagadh declared accession to Pakistan on 15 August 1947, Pakistan accepted this accession in September, but the Indian military surrounded the area and cut off its access to Pakistan (Ibid: 19). Similarly, Gurdaspur, a Muslim majority district of Lahore had to become part of Pakistan according to the Second Schedule Section 4 of the Indian Independence Act 1947, but was denied to Pakistan by Mountbatten and thus provided the sole land access to India for occupation of Muslim majority Kashmir (Ibid.: 5). And so, seeds were sown intentionally to keep the two nations in lasting rivalry and to keep the Indian Muslims encircled by a dominant India.

SCO is also well placed to play a significant role in Afghanistan's future as it is Kabul's natural economic and security partner (Castillejo 2013). All regional powers having relations and influence over various factions within Afghanistan are represented or members of SCO, therefore, the organisation has the potential to play an active and significantly constructive role in Afghanistan's future (Ibid.).

The SCO mechanism, apart from annual summit meetings, envisages frequent consultations at various levels involving heads of governments, foreign ministers, national security advisors, chiefs of intelligence and chiefs of armed forces. Besides, working groups have been established in a number of specific areas with specific goals. Since

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the launch of the annual Peace Mission in 2005 where all the chiefs of staff meet, the defence and security cooperation among member states has strengthened. This set-up offers vast and unprecedented scale of interaction in security affairs and cooperation which may change the course of Pak-India relations in a positive way.

Globally, there is competition for markets. It is commonly believed that a 'New World Order' will be shaped by an increasing shift of power from the West to Asia which will bring increased competition for access to mineral resources (Zagorski 2009). India could arguably re-visit accelerated development of the Trans-Afghan-Pakistan-India (TAPI) gas pipeline to meet its growing energy demand.

Nothing compromises security like a weak economy. SCO member states are located on a huge landmass having rich energy resources with high difference in resource endowment amongst regional states. Therefore, the region constitutes a perfect case for regional integration and regionalism. A well-integrated region as a corollary of the China-Pakistan Economic Corridor (CPEC) will be more conducive to the interests of all regional states. The multiple and diverse advantages to the member states can be transformed into inclusive development through regional integration. For the states of South Asia and Central Asia, open regionalism is the best tool to tackle the challenges of globalisation, underdevelopment and security. In this context, SCO can be instrumental in shaping organised cooperation in security, political and economic domains.

All SCO member states are well aware of the South Asian security environment and they seem to be confident in playing a constructive role by granting full membership to Pakistan and India. While SCO now has an indispensable role to play in South Asian regional security, Pakistan and India have a greater responsibility to abide by and honour the rules of SCO which demands reduction in border tensions and building military trust in border regions. Pakistan and India need to follow China's example of treating neighbours as friends and partners. Both countries need to follow SCO's Charter Article 1 which states that the goals and tasks of member states is to strengthen mutual trust, friendship and good neighbourliness between member states (SCO n.d.). Pakistan and India also need to view functional cooperation as essential in a number of areas

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in order to benefit from regional mechanisms like SCO, Belt and Road, CPEC and SAARC.

Pakistan, due to its geographical location is undoubtedly an asset to the organisation as it provides an outlet to the landlocked regions of SCO through CPEC and connects resource rich Central Asia to resource poor South Asia. India needs to demonstrate that it is also an asset for the organisation and contributes to regional public goods i.e. peace and security instead of liability. Bhadrakumar (2016) opined that it is entirely conceivable for India to take a fresh look at China's Belt and Road initiative due to SCO's regional projects for enhancing connectivity, augmenting energy security and accelerating regional integration.

SCO can also take guidance from the United Nations and other regional organisations in tackling issues and challenges confronted by Pakistan and India. The UN Security Council needs to encourage and create conditions and an environment that is favourable for SCO's efforts to resolve regional disputes peacefully through multilateral collaboration. It is for SCO member states to consider the regional agenda of security and development in a unified way. South Asia is a region having relatively low institutional density and increasing the number of high level forums bringing leaders together in the form of SCO will be a welcome move. The success factors of SCO as a regional organisation in resolving regional disputes in South Asia are high because:

- Conformance among member states may increase chances of consensus.
- As regional states' interests are at stake and conflict may cause more damage, therefore, they are likely to try and settle disputes more effectively and efficiently.
- There are limited number of third parties who are easily accessible.

### **Prospective Role of SAARC**

In 1947, Pakistan and India fought a war over Kashmir which ended through UN intervention and drawing of a ceasefire line which is known as the Line of Control (LOC). United Nations Security Council (UNSC) subsequently passed a resolution on 21 April 1948 that the Kashmir dispute between Pakistan and India should be resolved in a democratic way through an impartial plebiscite. The last two important UNSC resolutions of 20 September 1965 on ceasefire and post-nuclear tests

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resolution of 19 May 1998 urge both India and Pakistan to address the root cause of their dispute that is Kashmir (Kasuri 2015).

War is no longer an option between the two nuclear powers of South Asia. India realises that Kashmir is an issue that is hurting it economically and politically, but it is not ready to negotiate a solution. A former Prime Minister of India opined that the continuing hostility with Pakistan due to Kashmir issue has been preventing India from playing a major role in world affairs (Ibid.: 56). Indeed, India cannot assume the desired position on the global stage without promoting regional growth and development by resolving its disputes with neighbours (Karim 2013). The UNSC resolutions recognise both Pakistan and India as parties to the Kashmir dispute. For India, status quo is the basis for a solution to Kashmir, while Pakistan is not ready to that end. The Hurriyat<sup>2</sup> leaders also need to be on board while negotiating a solution to Kashmir. Thus, the only solution can be that which is acceptable to the governments of Pakistan, India and the All Parties Hurriyat Conference leaders. This complex issue needs reciprocal flexibility and a compromised solution and negotiated settlement.

SAARC since its inception in December 1985 has achieved limited success in stimulating regional security cooperation. SAARC provides a platform to regional leaders for formal and informal interaction where political issues can also be discussed during informal discussions, though the SAARC Charter excludes it. The SAARC Regional Convention on Suppression of Terrorism (RCST) signed during the Third Summit (1987) was assumed as a great success which indicated a willingness of member states to discuss political issues also. As an outcome of the Twelfth Summit in 2004, a roadmap was issued for a Composite Dialogue on all bilateral issues, including Jammu and Kashmir on 18 February 2004 (Michael 2013). The Forum also established a Terrorist Offences Monitoring Desk (STOMD) in 1995, but this mechanism has also not worked because there has not been adequate dissemination and sharing of information regarding terrorism amongst member states. 7 conventions and 13 agreements have been signed by SAARC members, but

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<sup>2</sup> Editor's Note: '*Hurriyat*' means 'freedom'. *Hurriyat* - as an amalgam of various political, social and religious organisations - was formed nearly two decades ago to lead the struggle for Kashmir's freedom.

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unfortunately none of these have been instrumental in contributing towards security-related sectors (Ibid.).

Regarding the Kashmir issue, SAARC has totally failed and pushed itself to a farcical corner and rendered itself an unrealistic and disoriented forum (Rahman 2001). In South Asia, security cooperation has not gone beyond metaphorical statements at the SAARC forum and it seems that the Association is unlikely to play any important role in resolving security-related issues, particularly Kashmir.

SAARC is also dominated by India as there is no real counter or balancer to it within the organisation. India as the most powerful member state is more responsible for the failure of SAARC in forging close regional cooperation because large and powerful member states play a foundational role in the success of any regional institution. For example, Indonesia's role in ASEAN, Germany in the EU, Saudi Arabia in the Gulf Cooperation Council (GCC) and Brazil in Latin American Free Trade Association (LAFTA) demonstrate their roles in the establishment and success of these regional entities (Kasuri 2015: 366-367).

SAARC, therefore, needs to be galvanised to be able to transform the region into a community and to become a respectable organisation. This can be done by including China as a permanent member which will make the organisation more balanced. The striking differences between the 'Successful SCO' and 'Unsuccessful SAARC' vis-à-vis resolving border disputes and forging closer economic and security cooperation are the absence of a balancing factor as well as the responsible/irresponsible roles of powerful member state/s. SCO is a balanced organisation with the presence of two major powers i.e. China and Russia. Both desire to keep their backyard - Central Asia - stable and developed, and therefore, play responsible roles in making the organisation successful, while India in SAARC has not played a responsible role. An expanded and balanced SAARC can move from mere agreements to actions and implementation. The organisation can also be strengthened by having an independent monitoring mechanism for the implementation of its conventions and declarations.

### **Conclusion**

Economic factors have acquired great significance in foreign policy considerations, therefore, regional states need to prioritise regional economic integration over regional geopolitics. India needs to understand that any organisation or country has to be accepted as 'neutral' if it acts as

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a facilitator/mediator in regional setting to resolve an issue like Kashmir. In this regard, SAARC has failed so far, however, SCO (through China and Russia both) as a facilitator has potential in this regard. Both these states are direct stakeholders of peace and stability in the region. Furthermore, the negotiating dynamics of Pakistan and India may change when China and Russia become guarantors and facilitators. A multilateral agreement can take the existing bilateral issue to the regional level and may bind signatory countries to a timetable for implementation. In the early Twentieth Century, Germany and Japan failed to accommodate each other and their conflict devastated large parts of the globe and humanity as well. Pakistan and India need to accommodate each other, or their dispute over Kashmir could explode into large-scale warfare.

As long as the Kashmir issue is not resolved, any security cooperation, intelligence sharing and information regarding terrorist activities are out of the question. It is suggested that a special committee, under the SCO with representatives from Pakistan, Kashmir and India (with clear authority and mandate from all parties), be constituted for a negotiated settlement of the Kashmir dispute.

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