‘Just Lines on a Map’
How Border States are Redefining India-Pakistan Relations

By Tridivesh Singh Maini & Manish Vaid

Despite periods when New Delhi and Islamabad have sought to overcome six decades of mutual mistrust and hostility, the prospects for deepening ties and greater co-operation between the two often seem elusive. Yet Tridivesh Singh Maini and Manish Vaid point to increasingly vibrant trade relations and business interactions between key border areas that could herald the foundations of a lasting Indo-Pakistani reconciliation.
IN 2006, INDIAN PRIME MINISTER MAMMOHAN SINGH spoke at the inauguration of the Amritsar-Nankana Sahib bus service that links Amritsar state in northwestern India to the Sikh holy site in Nankana Sahib in Pakistan’s Punjab province. At the symbolically important event, he spoke about the need to rethink borders. “Borders cannot be redrawn, but we can work towards making them irrelevant — towards making them just lines on a map,” he said. “People on both sides of the LOC [Line of Control] should be able to move more freely and trade with one another.” 1

The prime minister also spoke about the crucial role that border regions can play in helping to maximize cross-border co-operation to promote social and economic development of the two parts of Jammu and Kashmir, through active encouragement from the governments of both India and Pakistan. 2

Ever since the bus service began, India and Pakistan, despite numerous roadblocks to improved bilateral relations, have succeeded in making significant progress with respect to trade and commerce, much of it in the last year and a half. Yet they need to travel many more miles together to consolidate their efforts to bridge the gaps that divide the two countries after six decades of acrimony, suspicion and hatred.

This essay attempts to identify and analyze the initiatives taken by the border states of India and Pakistan to promote trade and commerce. It also seeks to find a way forward to build a partnership between the two countries, not only by strengthening ongoing confidence-building measures but also by achieving targeted increases in bilateral trade.

These efforts by border jurisdictions to play a leading role in improving Indo-Pakistani relations aren’t limited to the Punjab provinces on both sides of the border. Similar efforts are being undertaken between other cross-border states, namely, Rajasthan and Sindh, the two Kashmiris and more recently, Gujarat and Sindh. They too have been on the frontline of this trade-related thaw between India and Pakistan. Indeed, these other Indo-Pakistan border states deserve similar encouragement and support from their central governments to soften the borders between the two countries. This essay also provides an overview and analysis of the obstacles for similar initiatives.

Finally, we make some recommendations on how to address the core cross-border divide in Indo-Pakistan relations — that of Kashmir.

TRADE AS A PROXY FOR THE BILATERAL RELATIONSHIP

An important respect, trade relations between India and Pakistan reflect the ups and downs in the political and foreign policy relationship between the countries. For example, the 2008 Mumbai terrorist attack, which India argues was masterminded from Pakistan, possibly with co-operation from the country’s intelligence services, had a clear and immediate impact on trade. According to the World Bank’s World Development Indicators 2011 and UN Comtrade 2010, bilateral trade plunged to $1.7 billion in 2009 from $2.1 billion in 2008. As the controversy subsided, trade recovered, hitting $2.6 billion in 2011. A series of bilateral talks were held in 2011 aimed at boosting trade, including talks in April at the commerce secretary level in Islamabad and a visit in September by Pakistan’s Commerce and Trade Minister, Makhdoom Amin Fahim, to New Delhi, where he called for regional trade arrangements in South Asia akin to the European Union, the North American Free Trade Area and the Association of Southeast Asian Nations. In a culmination of the improved bilateral relationship — once again reflected in the trade relationship — Pakistan in November 2011 granted India Most Favored Nation (MFN) status. 3

Pakistan, in our view, has started to appreciate the economics of trade, which is enshrined in the political dialogue with India. Pakistan has begun to see India as an emerging economic giant and to understand the benefits of increased economic engagement, rather than doubting India’s intentions toward Pakistan.

This will help boost bilateral trade volumes from $2.6 billion to $8 billion, according to a study released by the Associated Chambers of Commerce and Industry of India (ASSOCHAM). 4 In the same month, the Integrated Check Post at the Wagah border was inaugurated, which again should give a fillip to bilateral trade.

A series of other steps have been taken to boost commercial and trade relations. By March 31, 2013, two Pakistani banks will be allowed to operate in India, while three Indian banks will be allowed to operate in Pakistan. The two countries have also signed agreements on commercial dispute resolution and customs co-operation to facilitate bilateral trade, bringing down each country’s so-called sensitive list of tariff lines to 100 for India by April 2013 and to the same number for Pakistan by 2017. 5 Senior officials and business leaders have been vocal about the need to strengthen commercial and trade relations. In October 2012, Naem Anwar, the Trade Minister at the Pakistani High Commission in New Delhi, underscored this point while addressing members of the Karachi Chamber of Commerce and Industry. His president, Muhammad Haroon Agar, reiterated the need to foster regional trade and economic prosperity between Pakistan and India so as to bring about peace and prosperity in the region. 6

During a visit to New Delhi, Agar also urged India to formalize the informal trade between the two countries by allowing trade routes by air and sea to connect Mumbai with Karachi. “This would provide India with an alternative to China and other countries to import similar goods,” Agar’s suggestion should be welcomed by India.

BRIDGING THE ‘TRUST DEFICIT’

Still, there remain important obstacles to improving Indo-Pakistan relations, first and foremost the issue of trust. As Prime Minister Singh said during a visit to Thimphu, Bhutan, on May 25, 2010, there is a “trust deficit” between India and Pakistan that must be overcome in order to increase trade and commerce. Speaking to reporters, he said, “We agreed that trust deficit is a major problem blocking progress in the direction of going forward and that it should be our common endeavor to reduce the trust deficit.”

From the beginning of the conflict, India has tried to dispel Pakistan’s fears, first offering a “No-War Pact” in 1949, and on numerous occasions since. The various iterations of the pact have called for the two countries to resolve their disputes peacefully around a conference table, rather than resorting to armed conflict. 7 With such initiatives in place, Pakistan, in our
view, has started to appreciate the economics of trade, which is enshrined in the political dialogue with India. Pakistan has begun to see India as an emerging economic giant and to understand the benefits of increased economic engagement, rather than doubting India’s intentions toward Pakistan.

However, two misconceptions still prevent Pakistan from fully embracing increased trade with India, as described by Tara Betielle and Kalpana Kochhar in their World Bank article, “Pakistan’s Most Favoured Nation Status to India: A Win-Win for the Region?” One is that Indian goods will flood Pakistani markets, ruining local producers, and the second is that continued political tensions between the two countries could undermine efforts to boost trade at some point in the future. Betielle and Kochhar argue that these worries are unfounded, because provisions of the World Trade Organization guard against harmful trading practices, and because political tensions don’t always hinder growth in bilateral trade. They cite the example of China and Vietnam, where despite continued political tension, the two nations have increased trade from $8.1 billion in 1991 to $100 billion in 2010.14

NO TURNING BACK Despite skepticism in some quarters about the value of closer economic ties, leaders in both India and Pakistan recognize that for the two countries to move forward, enhancing economic and trade ties will be necessary. After all, trade with a neighboring country is always more economical and cost-effective than trade with countries further away geographically. India and Pakistan cannot afford to continue to allow negative perceptions from the past to eclipse the opportunities available in the present.

Border states and provinces are vital to this process. Their newfound importance in foreign economic policy is a result of both globalization and economic liberalization. This has given the border states more autonomy in dealing with their cross-border counterparts. Shared borders present an opportunity to interact on the basis of common lifestyles and culture. As a result, these states now have a larger role to play in boosting regional political economies.

Four Indian states share a border with Pakistan: Punjab (547 km), Rajasthan (1,035 km), Gujarat (512 km) and Jammu & Kashmir (1,216 km), with a combined shared border of 3,310 km. Each of these states has the potential to build economic and political ties with the provinces of Pakistan. Ties have already begun to develop with the Pakistani provinces of Sindh and Punjab in various sectors.

The last few years have seen a complete turnaround between the two Punjab, with economics trumping negative historical legacies. It all began with the 2004 visit of Indian Punjab Chief Minister, Amarinder Singh, to Pakistan’s Punjab, where he expressed his desire to cement India-Pakistan peace initiatives and bring an economic and cultural boom to the two Punjab.

STRENGTHENING INTERACTIONS BETWEEN THE TWO PUNJABS Since 1947, when India and Pakistan gained independence, there have always been grave doubts about whether the two Punjab could help connect India and Pakistan, given that the worst bloodshed during partition occurred in the Punjab, which was also a battleground during the Indo-Pakistan wars of 1965 and 1971.15 The last few years, however, have seen a complete turnaround between the two Punjab, with economics trumping negative historical legacies. It all began with the 2004 visit of Indian Punjab Chief Minister, Amarinder Singh, to Pakistan’s Punjab, where he expressed his desire to cement India-Pakistan peace initiatives and bring an economic and cultural boom to the two Punjab.16 Parkash Singh Badal, the next Chief Minister of Punjab, also favored opening up the Punjab border to India-Pakistan trade.17 According to him, this would provide more avenues for traders and farmers in the two Punjab, and could also help establish trade links with the other countries of Central Asia.

OPTIONS FOR THE TWO KASHMIRS In September 2012, Mehbooba Mufti, president of the Jammu and Kashmir People’s Democratic Party, demanded that Jammu and Kashmir become a testing ground for countries in the South Asian Association for Regional Co-operation (SAARC) bloc through the easing of visa restrictions and allowing of duty-free trade between both parts of Kashmir, making the state a free economic zone.18 This only underscores how states like Jammu and Kashmir want to join the peace process, and, indeed, that the peace process should become more Kashmir-centric to make it more sustainable. As part of the confidence-building measures between India and Pakistan, the easing of visa restrictions has been on the table, but ironically, they haven’t included Jammu and Kashmir. Mufti has urged that such measures be extended to Jammu and Kashmir.

There has been some progress in terms of initiating trade and travel between the divided sides of Kashmir. In April 2005, the Line of Control (LOC) was opened for limited travel from Srinagar and Muzaffarabad followed by a link between Poonch and Rawalkot in June 2006. In October 2008, there was an agreement to allow barter trade across the LOC. Indeed, since the 1990s, successive leaders of both India and Pakistan have pushed forward the idea of increasing trade across the LOC. Current Indian Prime Minister Singh and Pakistani President Asif Ali Zardari agreed to start trade at the LOC by October 2008, with the finalization of basic ground rules and lists of items to be traded.19 The first trade route opened between Salamabad and Chakot, with an additional route opened between Chakan-da-Bagh and Rawalkot. Until recently, duty-free trade across the LOC was carried out on Tuesdays and Wednesdays, but in July 2011, this was expanded to four days a week.20 It should also be noted that efforts to promote cross-border trade haven’t only been government-led. Private-sector organizations have also played a key role. In the case of Kashmir, this led to the creation of the Jammu and Kashmir Joint Chamber of Commerce and Industry. Also, in December 2011, the Lahore Chamber of Commerce and Industry signed a memorandum of understanding with India’s PHD Chamber of Commerce and Industry to improve trade between India and Pakistan through special co-operation with Punjab.21 As part of this process, both chambers plan trade delegations, in addition to promoting peace and harmony between the two countries. Besides addressing issues concerning the free movement of trade across the Line of Control, many other avenues are also open to bringing the
two sides of Kashmir closer together. Communications between academics on both sides is one such initiative that is not only a confidence-building measure, but could also help with long-term conflict resolution.22 Among suggestions for academic co-operation are the formation of a cross-LOC Vice Chancellors’ consortium, an academic website, shared e-learning tools, exchanges of publications and research results, special collaborative projects, vocational training and joint degree programs.22

ENERGY CO-OPERATION FOR GUJARAT-SINDH

Gujarat Chief Minister Narendra Modi, who recognizes Pakistan’s chronic power crisis, has reached out to Pakistan’s Sindh province by inviting business leaders there to participate in the state development plan, “Vibrant Gujarat 2013,” urging Sindh to follow the “Gujarat Model” to develop infrastructure, provide clean drinking water and generate power.23 Two energy schemes, the Gujarat Solar Park and the Kalpasar Project, are at the center of Modi’s initiative. The solar park, which is the largest in Asia, has the potential to generate three million units of clean energy per day, while a dam to harness tidal power at Kalpasar would have an installed capacity of 5,880 MW. The chief minister believes that helping Sindh to overcome its power crisis through viable business solutions will contribute to improving Indo-Pakistani relations.

Elsewhere, the power crisis that gripped Pakistan in May 2012 prompted the two countries to begin negotiating ways to solve the problem. A joint Experts’ Group on Trade in Petroleum and Petrochemical Products held on July 17-18, 2012, was set against the backdrop of Pakistan’s urgent need for Indian fuel oil for its power plants.

In 2012, a plan was announced by the state-owned Hindustan Petroleum Corporation Limited and Mittal Energy Investment to lay a pipeline from a newly commissioned refinery in Bhatinda on the Indian side to Lahore in Pakistan.

And recently, India has also offered to export to Pakistan 200 million cubic feet per day of liquefied natural gas (LNG), to be transported through its territory to the Wagah border via a pipeline.24

CONCLUDING THOUGHTS

Recent efforts by the two Punjabs have created an opportunity for other border jurisdictions to improve bilateral trade relations. It is therefore immensely important for all four Indian states connecting with Pakistan to continue their efforts to promote more people-to-people interactions, knowledge sharing, and collaborations among various chambers of trade and commerce on both sides of the border. Civil society groups also have a role to play in pressuring their respective governments to strengthen the infrastructure needed to develop further trade opportunities.

Finally, joint steps to integrate the various efforts on each side of border would go a long way toward improving not only bilateral trade, but also the ultimate political objective — closer, amicable and peaceful relations between India and Pakistan.

Tridivesh Singh Maini is a writer and independent foreign policy analyst based in New Delhi. Manish Vaid is a Research Assistant with Observer Research Foundation, New Delhi.