

EFFICACY OF CONFIDENCE BUILDING MEASURES (CBMs) IN INDIA-PAKISTAN RELATIONS

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Abstract

Confidence Building Measures (CBMs) are the initiatives undertaken by rival states to reduce hostility and to enhance the level of trust by addressing mutual concerns. India-Pakistan relations spanning over more than six decades have been characterized by mutual distrust. CBMs played a defining role in defusing tension between the United States and Soviet Union during the Cold War. CBMs are not new in South Asian strategic environment, but have been in practice for years. The paper aims at analyzing the role of new category of economic CBMs in India-Pakistan conflictual relationship.

Keywords: CBMs, Composite Dialogue, MFN Status, Pakistan, India.

Introduction

Confidence Building Measures (CBMs) play a significant role in conflict resolution process between states. These are not direct means to resolve conflict but they create an environment conducive to negotiate the conflictual issues. The utility of CBMs is not confined to only military affairs of rival states but it covers a wide area ranging from economic to cultural and social contacts to enhance the level of trust and confidence between states.

According to Johan Jorgen Holst:

CBMs may be defined as arrangements designed to enhance assurance of mind and belief in the trust-worthiness of states—confidence is the product of much broader patterns of relations than those which relate to military security. In fact, the latter have to be woven into a complex texture of economic, cultural, technical and social relationships.¹

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¹ Holst quoted in Naem Ahmad Salik, "CBMs –Past, Present and Future," *Pakistan Defense Review*, 1998, 70.

Confidence building measures as a tool to generate trust between adversaries have been practised for years but the terminology of CBMs was first coined in the 1970s in the backdrop of East-West confrontation. It is a commonly held view that CBMs played an important role in stabilizing East-West relations. The most successful model of CBMs is found in the Helsinki Final Act of 1975 that was essentially designed for conventional armed forces in Europe.

International relations theorists compare the South Asian strategic setting with the Cold War strategic competition. Michael Krepon believes that the experience of the super powers can be a guideline for South Asia. He finds a similarity between the Helsinki Accord of 1975 — on maintaining status quo in Europe, and the Simla Agreement of 1972 and the Lahore Declaration of 1999.² Like the former, the Simla Agreement emphasized the preservation of status quo, promotion of bilateralism, peaceful resolution of disputes, respect for sovereignty, territorial integrity and political independence of each other. The Simla Agreement was never implemented in its true spirit as India violated the agreement by occupying the higher peaks at Siachen giving rise to a new dispute between the signatories of the historic document.

As far as the Lahore Declaration of 1999 is concerned, it was the first breakthrough in India-Pakistan relations after nuclearization of South Asia. A number of risk reduction measures were introduced in the Declaration, including advance notification of ballistic missile tests, unilateral moratorium on further nuclear tests, up-gradation of existing communication links, undertaking measures to reduce the risk of accidental or unauthorized use of nuclear weapons, agreement to prevent incidents at sea, establishing a consultative machinery to ensure effective implementation of CBMs, and bilateral consultations on security, disarmament and non-proliferation.³

Confidence Building Measures in South Asia

Confidence Building Measures are not a new phenomenon in South Asia. Over the years, India and Pakistan have signed many agreements to solve the problems left by partition of British India that contributed to reduce tension and hostility between them. These agreements were the product of either crises or war. These include the Liaquat Nehru Pact (1951); the Indus Water Treaty (1960); the Tashkent Agreement (1966); the Rann of Kutch Agreement

² Michael Krepon quoted in Rafi-uz-Zaman Khan, "Pakistan and India: Can NRRCs Help Strengthen Peace?," Stimson, 4-5, <http://www.stimson/southasia/pdf/nrrcsouthasia.pdf> (accessed January 7, 2010).

³ Arpit Rajain, *Nuclear Deterrence in Southern Asia: China, India and Pakistan* (New Delhi: Manohar Publishers, 2005), 396.

(1966); and the Simla Accord (1972).⁴ The terminology of CBMs was applied to India-Pakistan context after the Brasstacks Crisis of 1987 when the nuclear dimension was added in their relationship. Michael Krepon has differentiated between atmospheric CBMs and formalized military and nuclear related CBMs.⁵

Military CBMs

The formal military and nuclear related CBMs between India and Pakistan can be divided into three categories: Communication Measures; Transparency Measures; and Constraint Measures.

Communication Measures

Communication measures are the establishment of communication links among political decision-makers of rival states, and the most effective arrangements are the establishment of hotlines for crisis management purposes. Hotline between the Director Generals of Military Operations (DGMOs) of India and Pakistan was established in 1971 and after the 1990 crisis it was decided to use it on weekly basis.⁶ Hotlines are also in place between sector commanders. Following the composite dialogue, a meeting between the foreign secretaries of India and Pakistan was held in New Delhi in June 2004 at which both sides announced their decision to upgrade the existing hotlines and to establish a new hotline between the Foreign Secretaries of India and Pakistan. The hotline arrangement remained functional during the 1999 Kargil conflict and the 2001-02 border confrontation while it was inoperative during the 1987 Brasstacks crisis. It has been seen that hotlines in South Asia function satisfactorily during peacetime but become dysfunctional during crises when most needed to avoid misinterpretation and misperceptions.⁷ Proposals have been made from time to time by India and Pakistan for establishing hotlines between their respective air forces and coastguards.

⁴ Pervaiz Iqbal Cheema, "CBMs and South Asia," in *Confidence Building Measures in South Asia*, ed. Dipankar Banerjee (Colombo: Regional Centre for Strategic Studies, 1999), 32.

⁵ Michael Krepon, "Moving Beyond Atmospheric CBMs," *Dawn*, August 20, 2012.

⁶ Pervaiz Iqbal Cheema, "Assessing the Role of Confidence Building Measures in the India Pakistan Tangle," *IPRI Journal*, vol. IV, no. 1 (Winter 2004): 21.

⁷ P.R. Chari, "Strategic Stability in South Asia: The Role of Confidence Building and Threat Reduction Measures," *Contemporary South Asia*, vol. 14, no. 2 (June 2005): 213.

Transparency Measures

Transparency measures include exchange of information about military expenditures, strength of armed forces, arms production and arms transfers; prior notification of military maneuvers including their scope and extent; verification measures; presence of foreign observers at military exercises.⁸ An agreement on the prohibition of attack on nuclear installations and facilities was signed between India and Pakistan in 1988. It was ratified in 1991 and implemented in 1992. Under this agreement both states exchange lists of their nuclear installations and facilities irrespective of their state of relationship.

An agreement on advance notice of military exercises, maneuvers and troops movements was reached in 1991 and an agreement on prevention of air space violations and permitting over flights and landing by military aircraft was signed in 1992.⁹ These advance notices have not removed fears as in May 2001 the Poorna Vijay military exercises despite prior notification raised concerns in Pakistan due to proximity to Pakistan's border.

Constraint Measures

Constraint measures may include: abstaining from provocative military activities in border areas; establishment of demilitarized zones between states; and routine inspections to show compliance with agreements.¹⁰

Pakistan has all along been working to establish a nuclear restraint regime with India since even before the two countries' overt nuclearization. Pakistan put forward many proposals such as the "creation of nuclear weapon free zone, mutual acceptance of International Atomic Energy Agency (IAEA) safeguards, simultaneous signing of Non-Proliferation Treaty (NPT), joint declaration to renounce development of nuclear weapons, bilateral inspection of each other's nuclear facilities and signing of regional test ban treaty" but none of these proposals could get India's acceptance.¹¹

To address the risk of nuclear war, Pakistan, on October 18, 1998, formally proposed the establishment of a Strategic Restraint Regime in South Asia which advanced the following measures:¹²

- A moratorium on nuclear testing;

⁸ Jozef Goldblat, *Arms Control: The New Guide to Negotiations and Agreements* (London: Sage Publications, 2002), 10-11.

⁹ "Documents and Resources on Nuclear Risk Reduction in South Asia," Stimson, <http://www.stimson.org/southasia/?sn=sa2001112044> (accessed January 9, 2010).

¹⁰ Jozef Goldblat, *Arms Control: The New Guide to Negotiations and Agreements*, 10-11.

¹¹ Pervaiz Iqbal Cheema, "Quest for Nuclear Restraint Regime in South Asia," *News*, May 2, 2004.

¹² Syed Rifaat Hussain, "Deterrence and Nuclear Use: Doctrines in South Asia," in *India-Pakistan Nuclear Relationship: Theories of Deterrence and International Relationship*, ed. E. Sridharan (New Delhi: Rutledge, 2007), 161.

- conventional restraint and stabilization;
- establishment of risk reduction centers;
- non-induction of ABM (Anti Ballistic Missile) systems;
- mutual and balanced reduction of force and armaments; and
- prevention of a nuclear and ballistic missile race in South Asia.¹³

Pakistan renewed its initiative for the adoption of a Strategic Restraint Regime on January 25, 2001 during the Conference on Disarmament in Geneva. These suggestions have not been formalized into treaty obligations and hence could not be implemented.

Atmospheric CBMs

Atmospheric CBMs as defined by Michael Krepon are useful in signalling readiness to improve relations after a severe crisis. Unlike military and nuclear CBMs, these are informal and do not require complicated implementation procedures and the investment of political capital by national leaders. Atmospheric CBMs can be unilateral or reciprocal. Release of political prisoners or fishermen, people to people contacts, cultural exchanges and humanitarian assistance in the wake of natural disasters¹⁴ are among measures that come under the atmospheric category.

Atmospheric CBMs were best practised in the rubric of Composite Dialogue or Peace Process initiated after the successful completion of SAARC (South Asian Association for Regional Cooperation) Summit in 2004 when both sides agreed to resolve their disputes peacefully. The composite dialogue was to discuss eight areas: Nuclear CBMs; Kashmir; Wullar Barrage; Siachen issue; Sir Creek; terrorism and drug trafficking; economic and commercial cooperation; and promotion of friendly exchanges.

The composite dialogue initiated people to people contacts, train and bus services were started between India and Pakistan, and sports links were resorted. Some progress was also made on nuclear CBMs as an agreement on reducing the risk from accidents relating to nuclear weapons was signed in February 2007. A second accord was reached on the establishment of an anti-terrorism institutional mechanism to identify and implement counter-terrorism initiatives and investigations.¹⁵

¹³ Ibid., 162.

¹⁴ Michael Krepon, "Moving Beyond Atmospheric CBMs."

¹⁵ Michael Krepon, "Nuclear Stabilization in Southern Asia," *Daily Times*, November 19, 2009.

In May 2008, an Agreement on Consular Access was signed between India and Pakistan, under which both countries are required to exchange list of prisoners in each other's custody on January 1 and July 1 every year.¹⁶

Some events disrupted the dialogue process between India and Pakistan, and exposed the fragility of their relationship. Attacks on the Congress Party's rally in Srinagar, on the eve of the Prime Minister's round table conference, disrupted the negotiations that were to be held on demilitarization of Siachen in May 2006. Then in 2007 talks were cancelled on Wuller Barrage Dispute and Sir Creek when the Samjhota blasts took place.¹⁷ In 2008, it was the bombing of Indian Embassy in Kabul and then the Mumbai attacks in November 2008 that halted the process and the composite dialogue could only survive on the sideline meetings of international summits. Another meeting between Pakistani and Indian prime ministers was held at the sidelines of NAM (Non Aligned Movement) Conference in 2009. At the Thimphu meeting in April 2010, leaders of India and Pakistan both agreed to resume the dialogue process and realized that focusing only on the issue of terrorism or tying the dialogue process to progress on the Mumbai investigations would be counter-productive. If one analyzes the process of the composite dialogue from its beginning in 2004 and 2008 when Mumbai happened one would find that no progress has been made on the crucial issues and disputes between the two states. The post-Mumbai dialogue process has been focusing on economic relations and has culminated in Pakistan's decision to grant MFN status to India.

Economic CBMs

Economic CBMs is a new category dealing with trade and investment that is being introduced in India-Pakistan relations. Since the beginning of 2012 the prospects of establishment of economic relations with India have been debated in Pakistan. Over this period a number of CBMs have been initiated, starting with the granting of Most Favoured Nation (MFN) status to India, easing non-tariff barriers like liberalization of the visa regime, opening the doors to investment, developing physical infrastructure, and enhancing customs cooperation.¹⁸

Before analyzing India-Pakistan trade relations in this area, it is desirable to know what the MFN status means under the World Trade Organization

¹⁶ Nirupama Subramanian, "Gen. Kapoor's Remarks Betray Hostile Intent, says Pakistan," *Hindu*, January 2, 2010, <http://beta.thehindu.com/news/international/article74204.ece> (accessed March 26, 2010).

¹⁷ Suhasini Haidar, "India and Pakistan: Deadlines for Dialogue," *Hindu*, January 12, 2010.

¹⁸ Beelam Ramzan, "Trade without Growth," *News*, December 24, 2012.

(WTO) agreements. This status basically makes trading relations non-discriminatory between trading partners. It envisages that a state that grants special favours to a trading partner has to treat other WTO members equally.¹⁹

The Rationale

The slow pace of Pakistan's economic growth is being regarded as the rationale for granting MFN status to India. The energy crisis has been a major contributing factor in this slow down. Pakistan is behind its South Asian neighbours who have been sustaining a 7-8 per cent growth rate and have been attracting Pakistani investors because of their investor friendly environment.

Along with these domestic constraints, global economic recession has also badly affected Pakistan's narrow export base. The US and UK, the main trading partners of Pakistan, have reduced their exports from Pakistan forcing the latter to diversify its export market. Pakistan needs to develop trade relations with developing economies. For this reason it has actively participated in the formation of the D-8 block. The recent summit of this bloc in Islamabad was a step in this direction. Pakistan also entered into a joint investment agreement under the Central Asia Regional Economic Cooperation (CAREC) in the areas of energy and communication.²⁰ To enhance regional interdependence, the South Asian Free Trade Area (SAFTA) agreement was also signed on January 6, 2004 during the twelfth SAARC Summit held in Islamabad. To fully utilize the potential and opportunities presented by SAFTA, it was important to have good bilateral economic relations with India. However, the enforcement of the decision to accord MFN status to India and the abolition of the negative list by January 1, 2013 has been delayed on account of apprehensions of a strong lobby of industrialists who seek protection of local manufactures. According to Commerce Minister, Makhdoom Amin Fahim, the final decision in this regard will be taken by the federal cabinet.²¹ The Indian High Commissioner has also expressed reservations on this new decision and made it clear that granting of MFN status and dismantling of negative list were important for reciprocal bilateral trade.²² Pakistan's decision to grant MFN status to India was conditional on

¹⁹ For more detail, see, "Understanding the WTO: Basics," www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm (accessed December 19, 2012).

²⁰ Beelam Ramzan, "Trade without Growth."

²¹ Shahnawaz Akhter, "Pakistan Delays MFN Status to Indian: Fahim," *News International*, December 30, 2012.

²² Ibid.

India's willingness to reduce its SAFTA sensitive list.²³ In the first phase, India had promised to reduce Pakistan specific SAFTA sensitive list by 30 percent before October 2012. In the second phase, India was to reduce the list by an additional 30 percent by November 2012, after which Pakistan was to phase out its negative list by December 2012. It is noteworthy that India has to eliminate the entire list in five years.²⁴

This decision to delay the MFN status to India was unexpected. Earlier, the federal cabinet overruling the reservations of the Ministry of Textile and Industries had decided to allow the import of about 90 percent of items that India exports while the existing positive list allowed only 17 percent Indian export items. The Negative list (the number of items that cannot be imported from India) that has 1,209 items was to be phased out by December 31, 2012. The proposal of the Ministry of Textile and Industries that the phasing out of the negative list would be carried out in three stages within five years instead of ten months was also rejected.²⁵

As per the government's previous stance the Secretary Commerce continued to reassure the opponents of free trade that domestic industries would be protected by imposing high tariffs and other duties that are permissible under WTO's legal framework.²⁶

Although Pakistan's decision to grant MFN status to India has been delayed but it has renewed the debate between opponents and proponents of free trade with India. Before analyzing the validity of their arguments, an overview of India-Pakistan trade relations is important. At the time of partition of British India in 1947, more than 70 percent of Pakistan's trade was with India with 63 percent of India's exports coming to Pakistan.²⁷ From 1951 to 1965 the balance of trade remained in favour of Pakistan when the war that year resulted in cessation of trade. It resumed after ten years in 1975 through a bilateral trade agreement for three years from 1975-78. The agreement was not renewed. During this time the balance of trade remained in favour of India. Despite India's granting of MFN status to Pakistan in 1995-96, the

²³ "MFN Status to India: Trade Normalization May Hit Deadlock," *Express Tribune*, December 28, 2012.

²⁴ Mushtaq Ghumman, "MFN Status to India: Farmers Threaten to Block Border Trade," *Business Recorder*, December 13, 2012.

²⁵ Mubarak Zeb Khan, "Import of 5,600 Items Allowed: Restriction-Free Trade With India after December," *Dawn*, March 1, 2012.

²⁶ Ifukhar Ali Malik, "MFN Status for India: Its Pros and Cons," *Nation*, November 17, 2011.

²⁷ "MFN Status and Trade between Pakistan and India," *PILDAT*, Background Paper, 9, http://www.pildat.org/publications/publication/fp/MFNStatusandTradebetweenPakistanandIndia_PakPerspective_Jan2012.pdf (accessed January 8, 2013).

balance of trade has remained in favour of India and this trade gap has continued to increase to date.²⁸

MFN Status to India and Implications for Pakistan

Pakistan's decision to grant MFN status to India has raised many pros and cons. The proponents of free trade claim that there will be an increase in bilateral trade from the present US\$2 billion to US\$6-8 billion by 2014 with its beneficial effects on the overall relationship. Last year Indian exports to Pakistan were worth US\$2.33 billion while Pakistan's exports to India accounted for US\$330 million. The fact mostly ignored is that the increase in trade volume is going to benefit Indian exporters.²⁹

Proponents believe that trade with a neighbour will not only save time and transportation costs but enable importers to visit the exporting country at short notice for pre-shipment inspection of imported goods. It is also argued that Pakistan agriculture can benefit from India's advanced farm practices such as use and development of hybrid seeds, control of diseases, and water management. Besides occasional shortages of farm products can be met easily through imports from India.³⁰

But concerns have been expressed by the Agriculture sector that the removal of the negative list will allow free access to Indian farm products in the Pakistani markets. Pakistan's agriculture sector cannot compete with Indian agricultural products which are highly subsidized and are three times cheaper than Pakistan's.³¹ Pakistan cannot subsidize its agriculture due to fiscal constraints, energy crisis, low production hours, and high electricity charges that make Pakistani products costlier. There again India would be the beneficiary.

Similar concerns have been expressed by the pharmaceutical industry of Pakistan. It is against the import of value added and finished products and insists only on raw material import. Pakistan Pharmaceutical Manufacturers Association believes that if Indian medicines were allowed free entry they will overrun the small local industry comprising as few as only 475 units against India's 30,000.³² After government's decision to delay the granting of MFN status to India, the Pakistan Pharmaceutical Manufacturers Association has

²⁸ Ibid.

²⁹ Mubarak Zeb Khan, "Import of 5,600 Items Allowed."

³⁰ Iftikhar Ali Malik, "MFN Status for India: Its Pros and Cons."

³¹ "MFN Status to India Likely to Crush Local Agriculture," *Business Recorder*, November 22, 2012, <http://www.brecorder.com/br-research/999:all/2930:mfn-status-to-india-likely-to-crush-local-agriculture/?date=2012-11-22> (accessed January 2, 2013).

³² Tahir Amin, "Import of Critical Medicines from India: Pharmaceutical Industry has No Objection," *Business Recorder*, January 6, 2013.

softened its stance and has agreed to import some vaccines and medicines which are not produced in Pakistan together with some FDA-approved brands that India exports to Europe and the United States.³³

Pakistan's auto engineering industry has also expressed concern that only light engineering products can access the Indian market as against cheaper Indian automobiles which will have a welcome clientele in Pakistan. Likewise Pakistan's Textile and Leather industry may not get the opportunity to freely access Indian markets because of Non-Tariff Barriers India places on these products.

But the major problem faced by Pakistani exports is India's Non-Tariff Barriers (NTB) that restricts the free flow of imports. India has a highly restrictive import regime which should be reduced if free trade is to benefit the two countries. Otherwise Pakistan must also place similar restrictions allowed under WTO agreements.

On the other hand before embarking on regional and bilateral trade liberalization, Pakistan has to deal with its fiscal, monetary and structural flaws that are crippling its economy. Acute energy crisis, lack of incentives for foreign investment, high inflation, weak infrastructure and precarious security issues are to be dealt with on emergency basis.

Conclusion

It is important to note that South Asia has some unique characteristics that are different from other regions and the efficacy of the same tools to address the issues might not prove as successful as it had been in the Cold War strategic environment.

The Cold War between East and West was different from the nuclear rivalry between India and Pakistan. United States and Soviet Union were allies during the World War II and their rivalry had no historical basis. While India and Pakistan share a disputed territory over which they have fought three conventional and a limited war under the nuclear umbrella, they have also gone through several periods of crises during which relations have remained broken or seriously impaired. They share a history of mistrust that characterizes their relationship.

India and Pakistan have used CBMs more as "competition building measures than as confidence building measures."³⁴ Most of the CBM proposals have been designed to capture the political high ground, not to solve problems and the role of external powers has also been very important in bringing India and Pakistan to the dialogue.

³³ Ibid.

³⁴ Krepon quoted in Rafi-uz-Zaman Khan, "Pakistan and India: Can NRRCs Help Strengthen Peace?" 4-5.

The Mumbai attacks in 2008 disrupted the dialogue process between them. The post-Mumbai resumption of talks has given priority to trade and investment rather than political issues. Pakistan has shown flexibility in its approach towards India for the normalization of relations and has accepted people-to-people contacts and the establishment of economic relations that have been India's priorities. To make the dialogue process work Pakistan is even avoiding the mention of the contentious issues like Kashmir and water but India is adamant on these and continued to block financing of the Daimir-Bhasha dam in multilateral institutions.³⁵

The economic CBMs between India and Pakistan are gaining more importance. Although these are yet to materialize, there's a debate going on regarding their prospects. Agreements and treaties that are signed without mutual understanding of issues and concerns seldom last long. A thorough examination of common economic interests and concerns will help in arriving at durable arrangements and may also lead to the building up of the necessary environment of trust for taking up the resolution of all outstanding disputes including the core issue of Kashmir. Long lasting peace in South Asia hinges on that. ■

³⁵ Dr. Maleeha Lodhi, "More Process than Outcome," *News International*, September 18, 2012.